



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Joe Muller
Michelle Steel

Orange County Transportation Authority
Headquarters
Conference Room 07
550 South Main Street
Orange, California
Wednesday, July 8, 2020 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.

Guidance for Public Access to the Board of Directors/Committee Meeting

On March 12, 2020 and March 18, 2020, Governor Gavin Newsom enacted Executive Orders N-25-20 and N-29-20 authorizing a local legislative body to hold public meetings via teleconferencing and make public meetings accessible telephonically or electronically to all members of the public to promote social distancing due to the state and local State of Emergency resulting from the threat of Novel Coronavirus (COVID-19).

In accordance with Executive Order N-29-20, and in order to ensure the safety of the Orange County Transportation Authority (OCTA) Board of Directors (Board) and staff and for the purposes of limiting the risk of COVID-19, in-person public participation at public meetings of the OCTA will not be allowed during the time period covered by the above-referenced Executive Orders.

Instead, members of the public can listen to AUDIO live streaming of the Board and Committee meetings by clicking the below link:

<http://www.octa.net/About-OCTA/Who-We-Are/Board-of-Directors/Live-and-Archived-Audio/>



Guidance for Public Access to the Board of Directors/Committee Meeting (Continued)

Public comments may be submitted for the upcoming Board and Committee meetings by emailing them to boardofdirectors@octa.net

If you wish to comment on a specific agenda Item, please identify the Item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

In order to ensure that staff has the ability to provide comments to the Board Members in a timely manner, please submit your public comments **30 minutes prior to the start time of the Board and Committee meeting date.**



Call to Order

Roll Call

Pledge of Allegiance

Director Steel

1. Public Comments

Special Calendar

2. Taxable Sales Forecast - Chapman University
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 2020. Raymond Sfeir, PhD, from Chapman University will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.

Consent Calendar (Items 3 through 7)

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 10, 2020.

4. Amendment to Orange County Local Transportation Authority Measure M2 Ordinance, Agreed-Upon Procedures, City of Santa Ana, Year Ended June 30, 2020
Janet Sutter

Overview

On June 22, 2020, the Board of Directors, in direct response to impacts from the novel coronavirus, approved an amendment to the Orange County Local Transportation Authority Measure M2 Ordinance, to remove minimum maintenance of effort requirements for agencies receiving Local Fair Share funds during fiscal year 2019-20. As a result of the change, agreed-upon procedures to be applied to the City of Santa Ana require revision.



4. (Continued)

Recommendation

Direct the Internal Audit Department to amend agreed-upon procedures to be applied to the City of Santa Ana for fiscal year 2019-20.

5. Fiscal Year 2019-20 Third Quarter Budget Status Report

Anthony Baruch/Andrew Oftelie

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2019-20 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2019-20.

Recommendation

Receive and file as an information item.

6. Orange County Transportation Authority Investment and Debt Programs Report - May 2020

Robert Davis/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, 2020. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.



7. Amendment to Cooperative Agreement with the Anaheim Transportation Network for Public Transit Services
Sam Kaur/Andrew Oftelie

Overview

On August 28, 2017, the Orange County Transportation Authority Board of Directors approved a cooperative agreement with the Anaheim Transportation Network for the continued operation of public transit services. Board of Directors' approval is requested to amend the cooperative agreement to provide the Anaheim Transportation Network with additional funds from the Coronavirus Aid, Relief, and Economic Security Act.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1760 between the Orange County Transportation Authority and the Anaheim Transportation Network, in the amount of \$2,354,802, for the pass through of Coronavirus Aid, Relief, and Economic Security Act funding. This will increase the maximum obligation of the cooperative agreement to a total contract value of \$6,559,862.

Regular Calendar

There are no Regular Calendar items scheduled.

Discussion Items

8. Chief Executive Officer's Report

9. Committee Members' Reports

10. Closed Session

There are no Closed Session items scheduled.

11. Adjournment

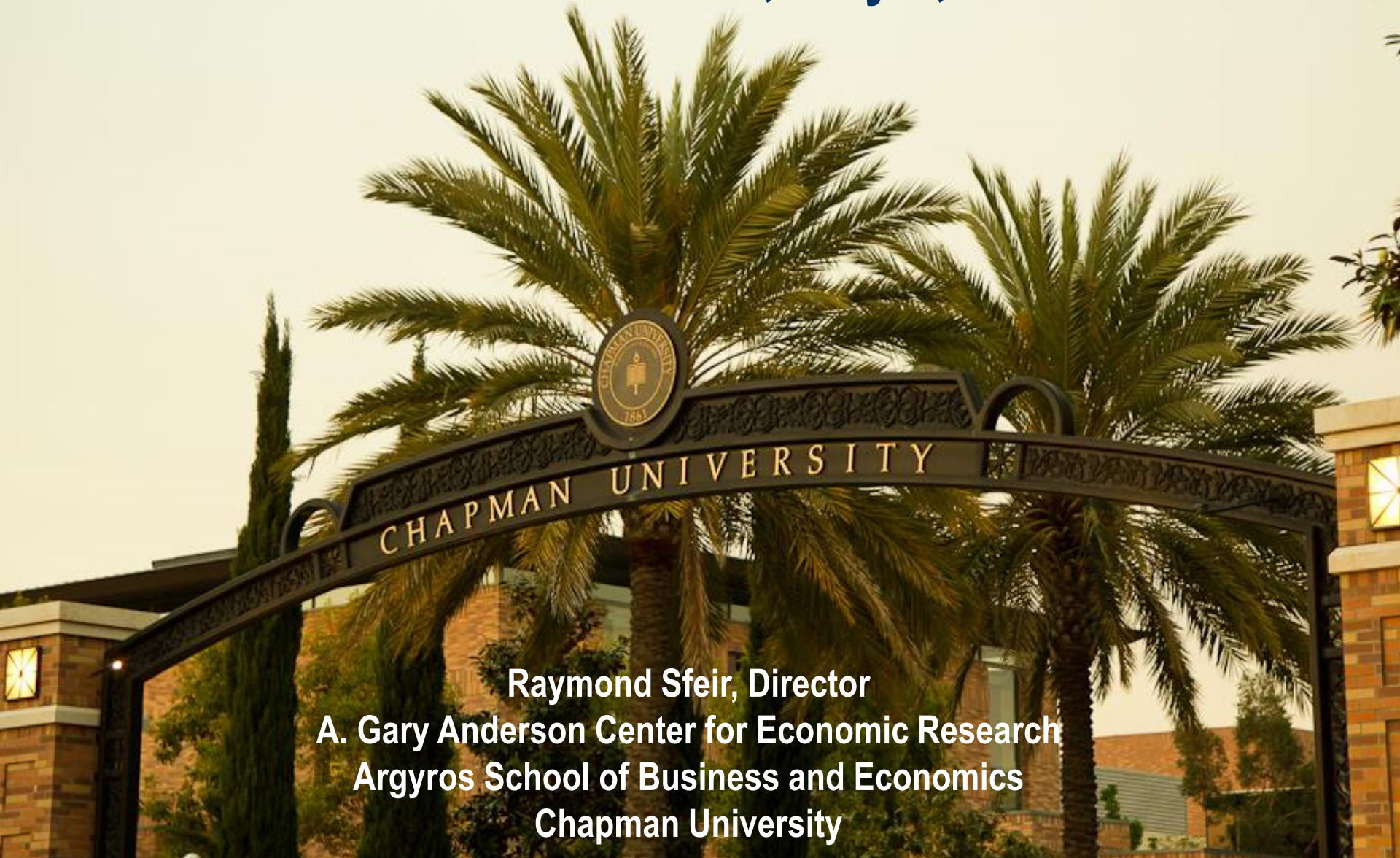
The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 22, 2020** at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

Taxable Sales Forecast

Chapman University

OCTA

Economic Forecast, July 8, 2020



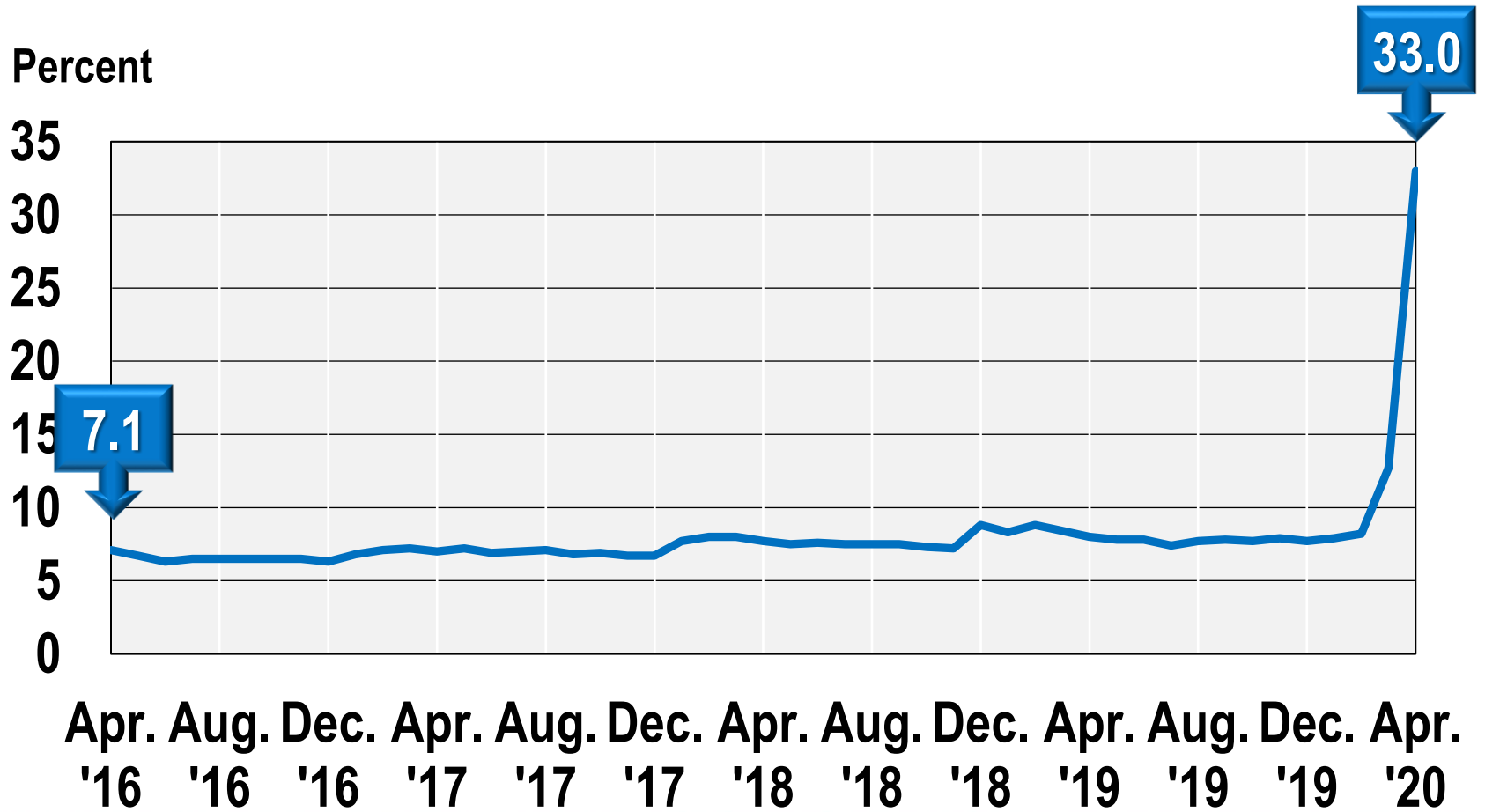
Raymond Sfeir, Director
A. Gary Anderson Center for Economic Research
Argyros School of Business and Economics
Chapman University

U.S. Employment

Percentage Change

Sector	2007-2010	2020 Jan-April
Construction	-27.7	-13.4
Manufacturing	-16.9	-10.6
Retail Trade	-6.9	-15.1
Information	-10.7	-9.6
Professional & Business	-6.8	-10.5
Education & Health	6.9	-11.1
Leisure & Hospitality	-2.9	-48.9
Total Non-Farm	-5.5	-14.3

Personal Savings Rate



2020 U.S. Retail Sales

Percentage Change

Sector	Jan - March	Jan - April
Food Services	-30.0	-50.6
Motor Vehicles	-26.0	-35.1
Gas Stations	-18.9	-42.3
Furniture	-21.2	-67.4
Electronics	-12.2	-65.4
Clothing	-50.2	-89.5
Non-store Retailers	6.2	15.1
Total Retail	-8.7	-23.7

Impact of COVID-19 on Employees

- Compensation
- Unemployment Insurance
- Federal Assistance

Compensation Losses (\$ Billions)

➤ Manufacturing	39.7
➤ Retail trade	33.8
➤ Professional & Business	50.0
➤ Educations & Health Care	51.1
➤ Leisure & Hospitality	79.9
➤ <u>Other</u>	<u>132.7</u>
➤ Total	387.2

CARES Act (\$ Billions)

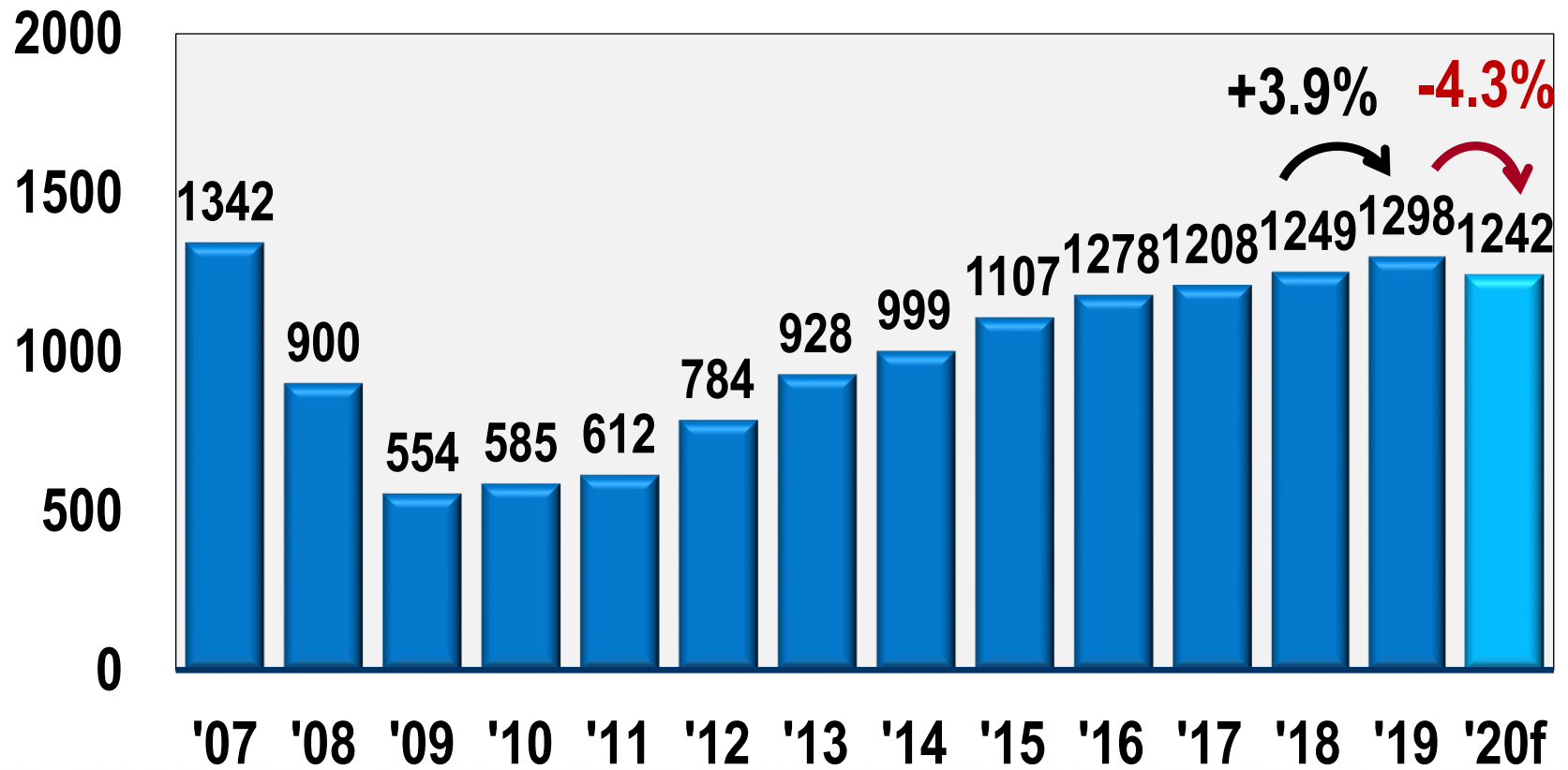
➤	State Unemployment Insurance	144
➤	Unemployment Insurance Provision	220
➤	<u>Recovery Rebates for Individuals</u>	<u>300</u>
➤	Total	664

Net Effect of COVID-19 on Employees

➤	Government Assistance	664
➤	<u>Compensation Losses</u>	<u>387</u>
➤	Net	277

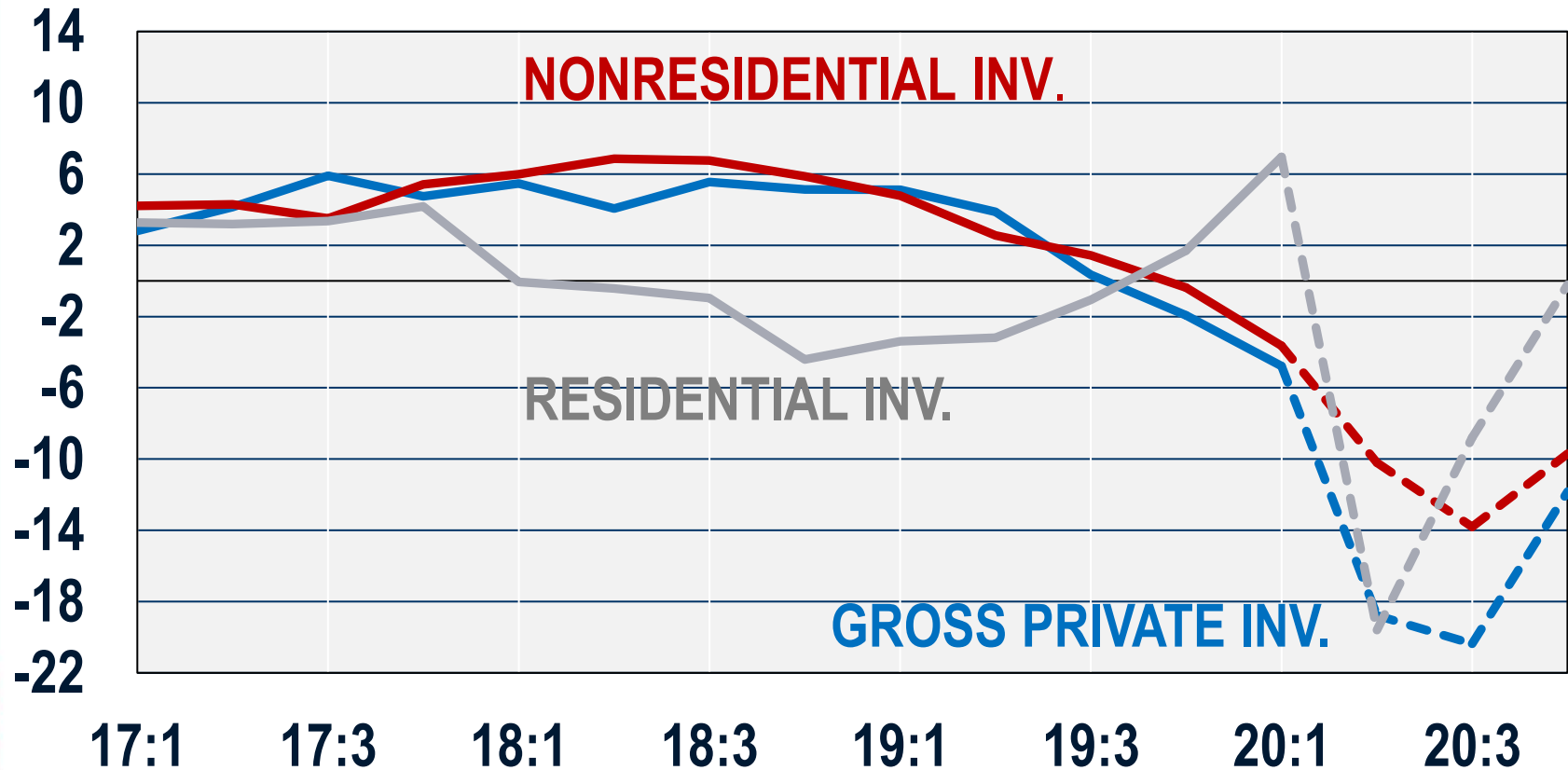
Housing Starts

Thousands of Units

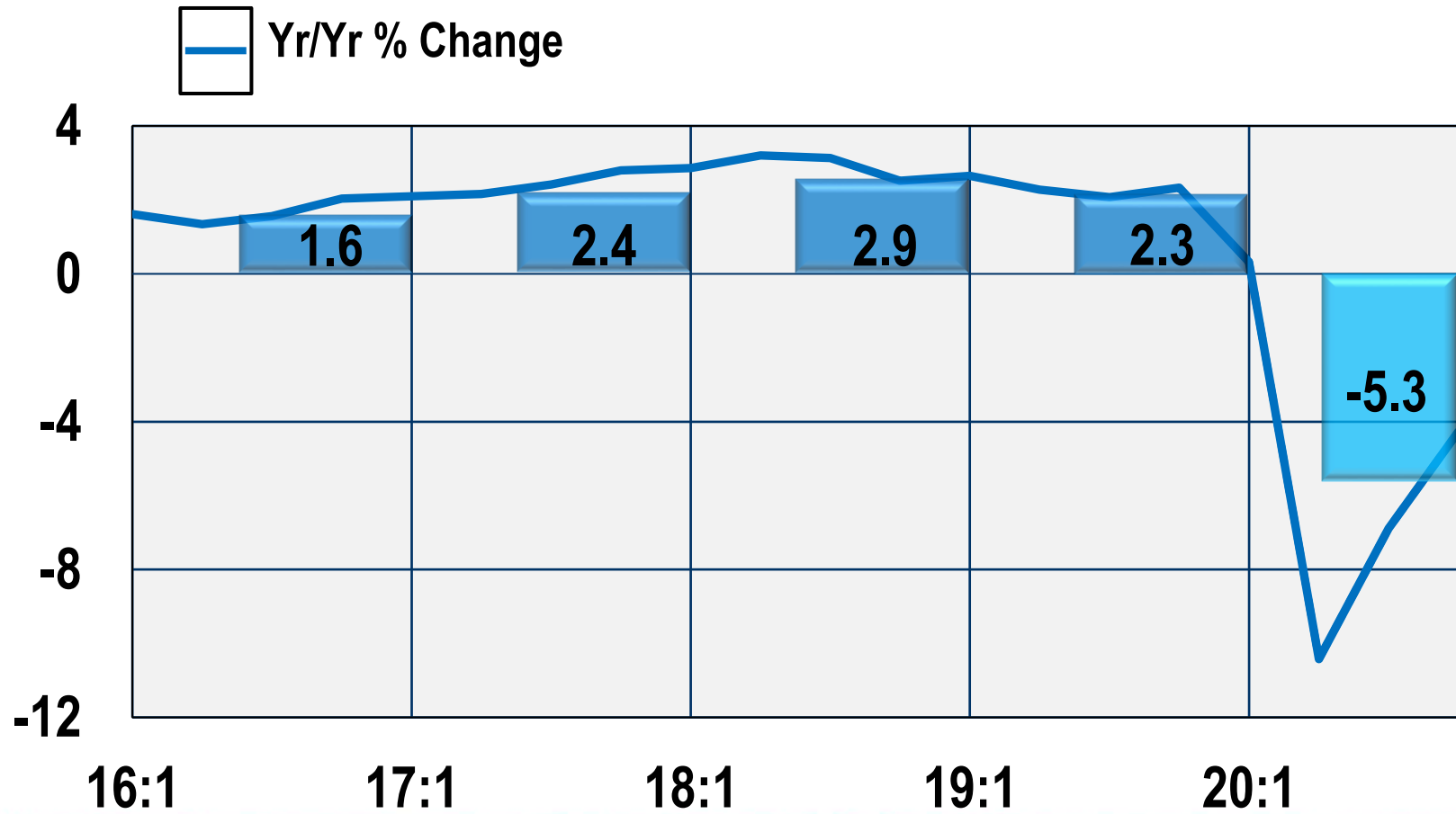


Investment Spending

Percent

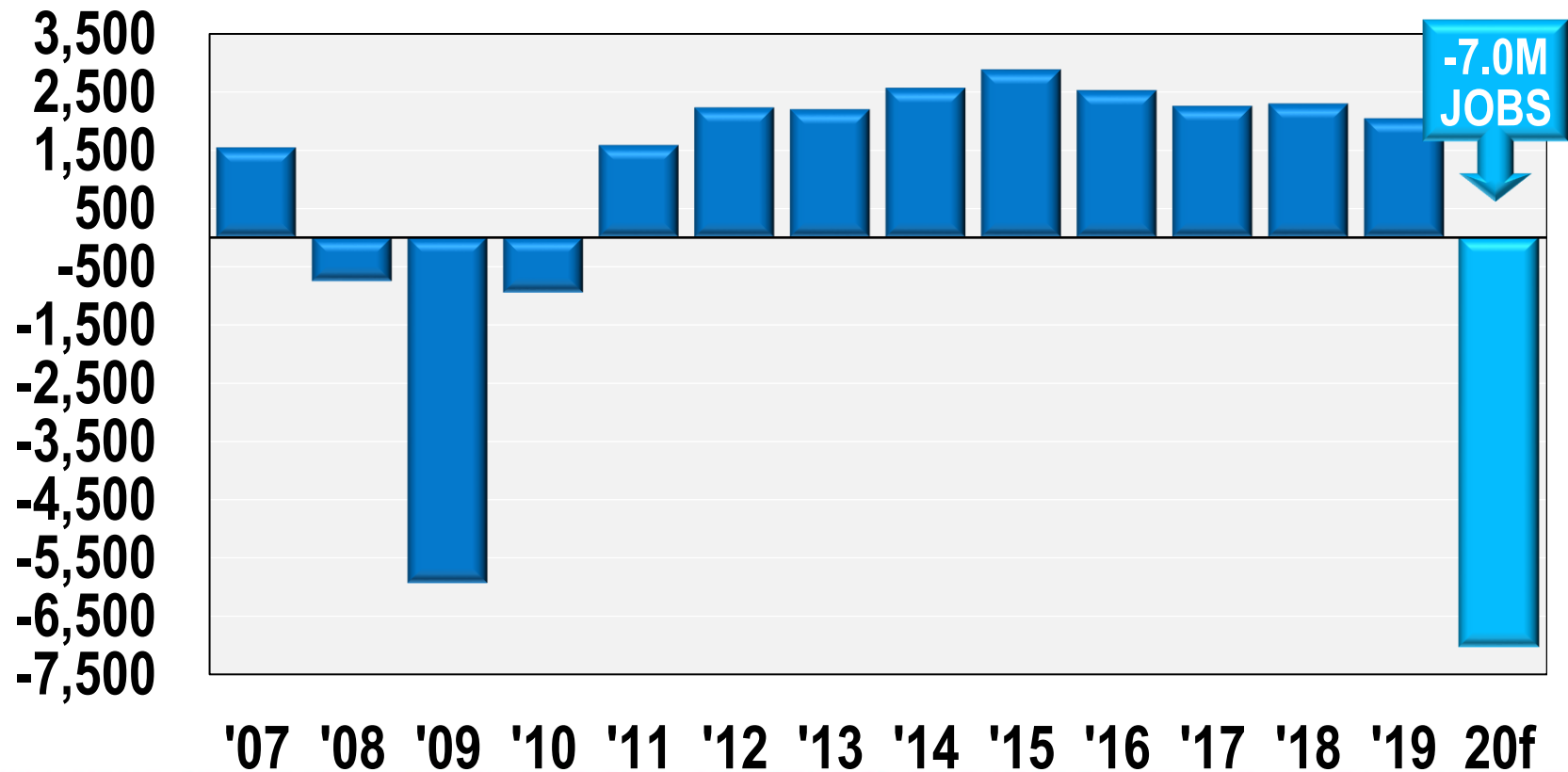


Real GDP



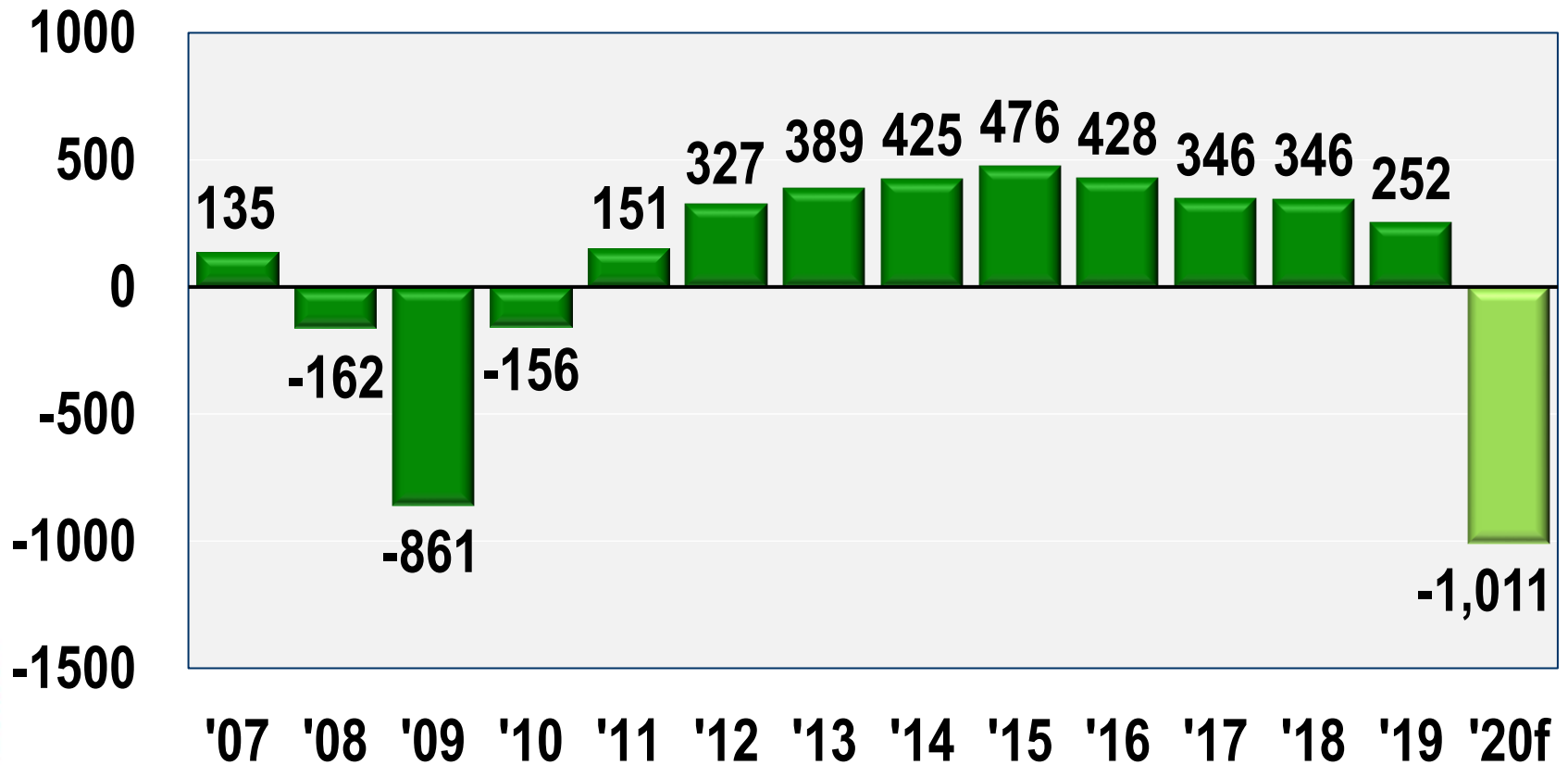
Change in U.S. Employment

In Thousands

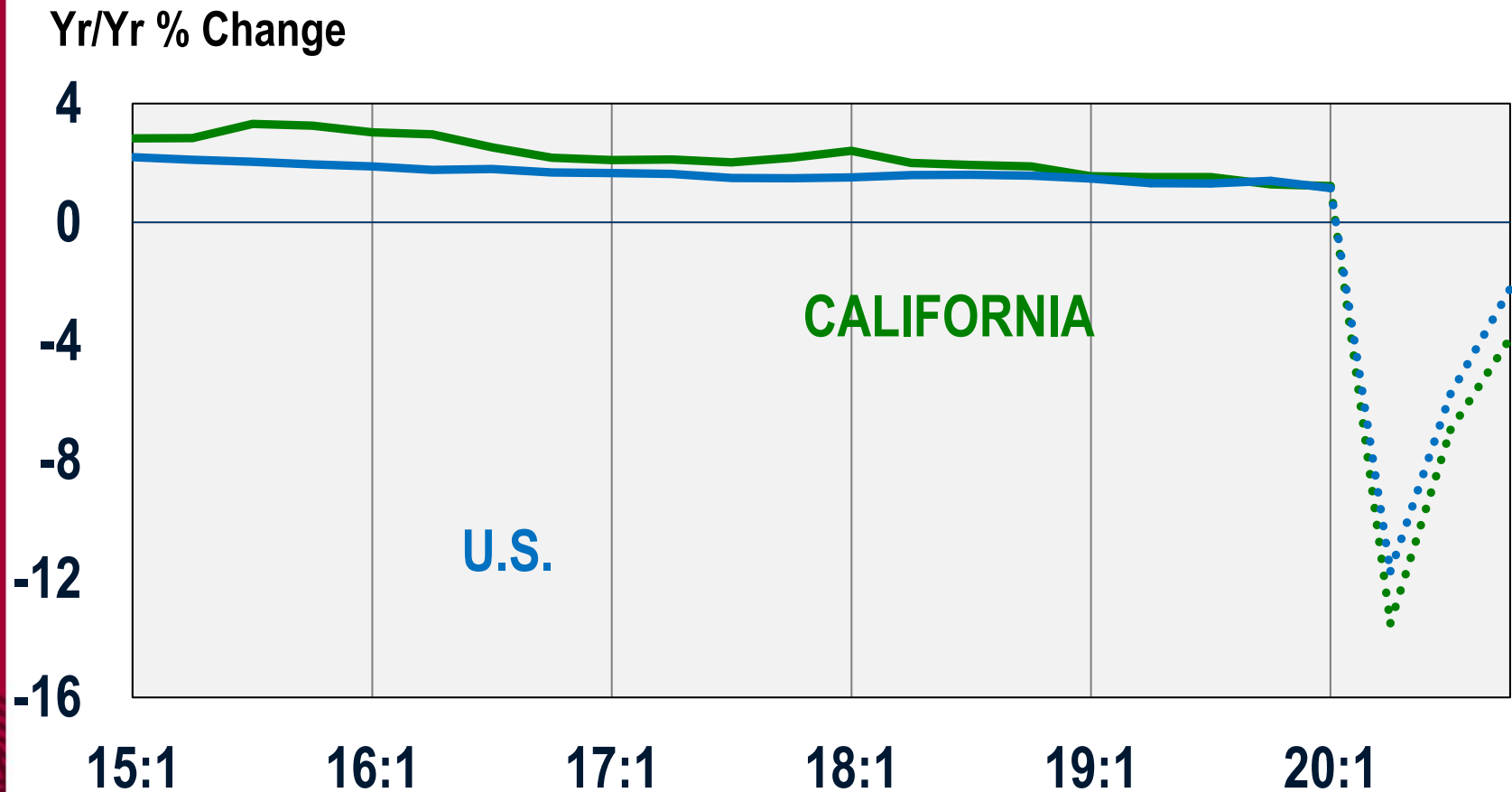


Change in California Employment

In Thousands



Payroll Employment

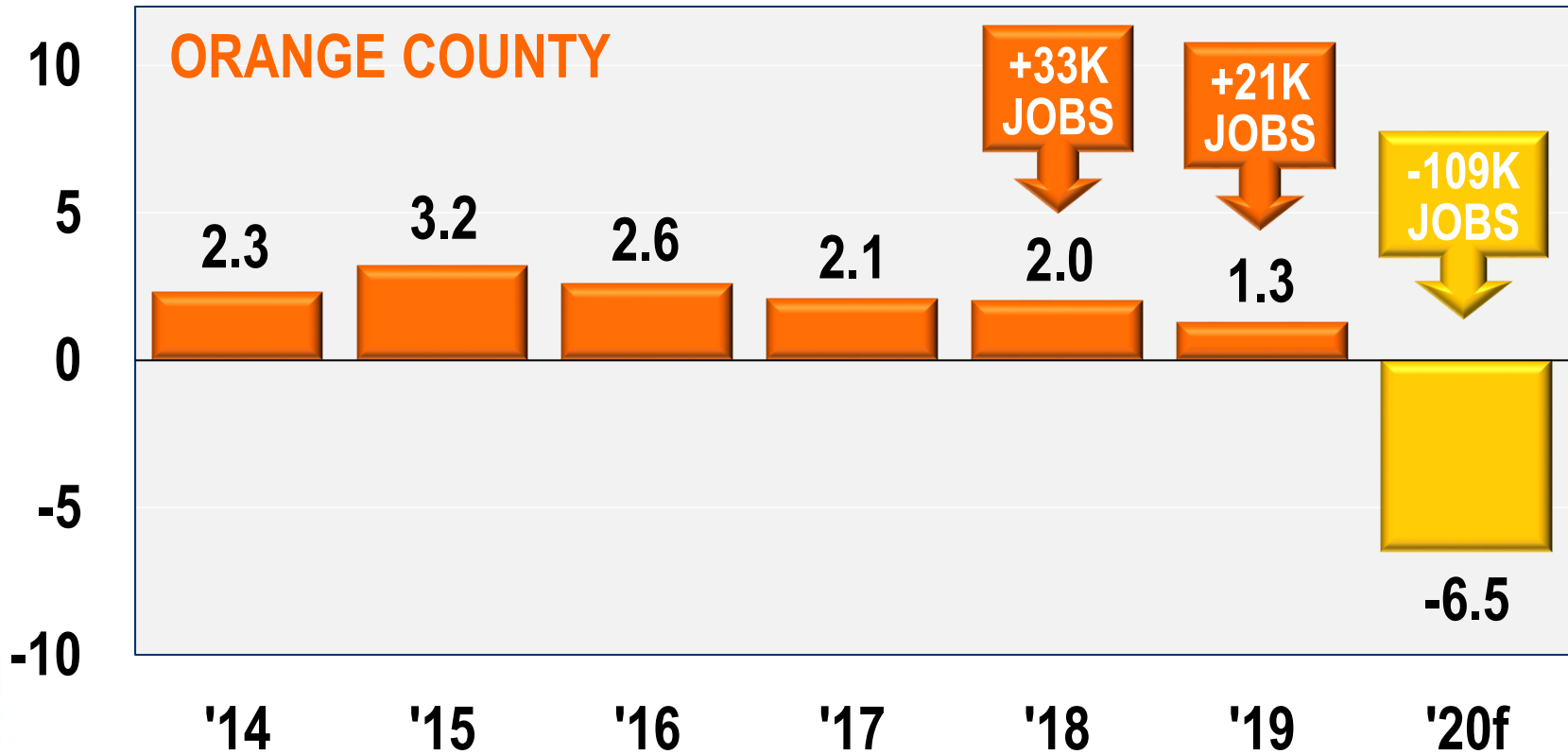


Orange County Economic Outlook



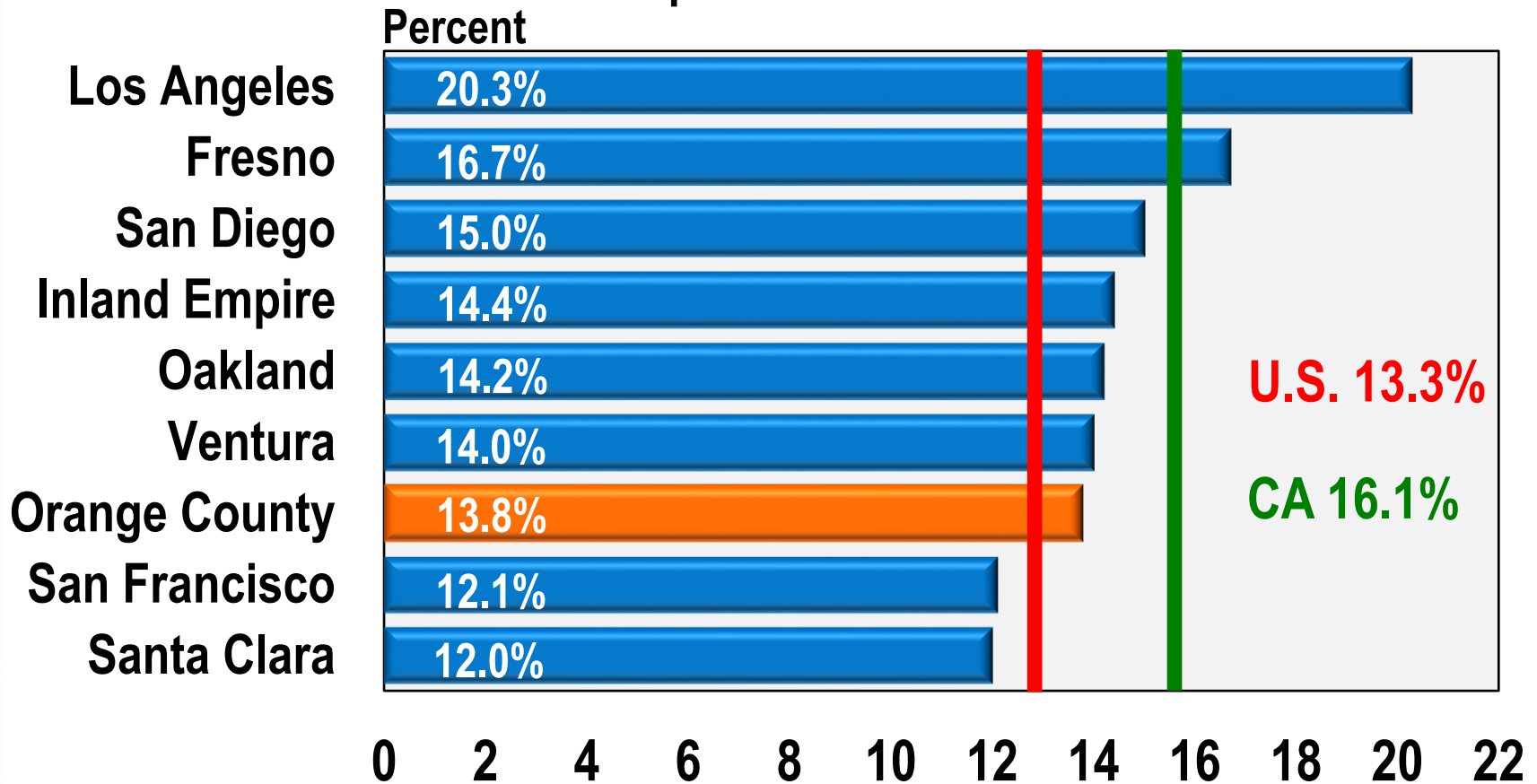
Job Growth

Annual % Change



Unemployment Rate

April 2020

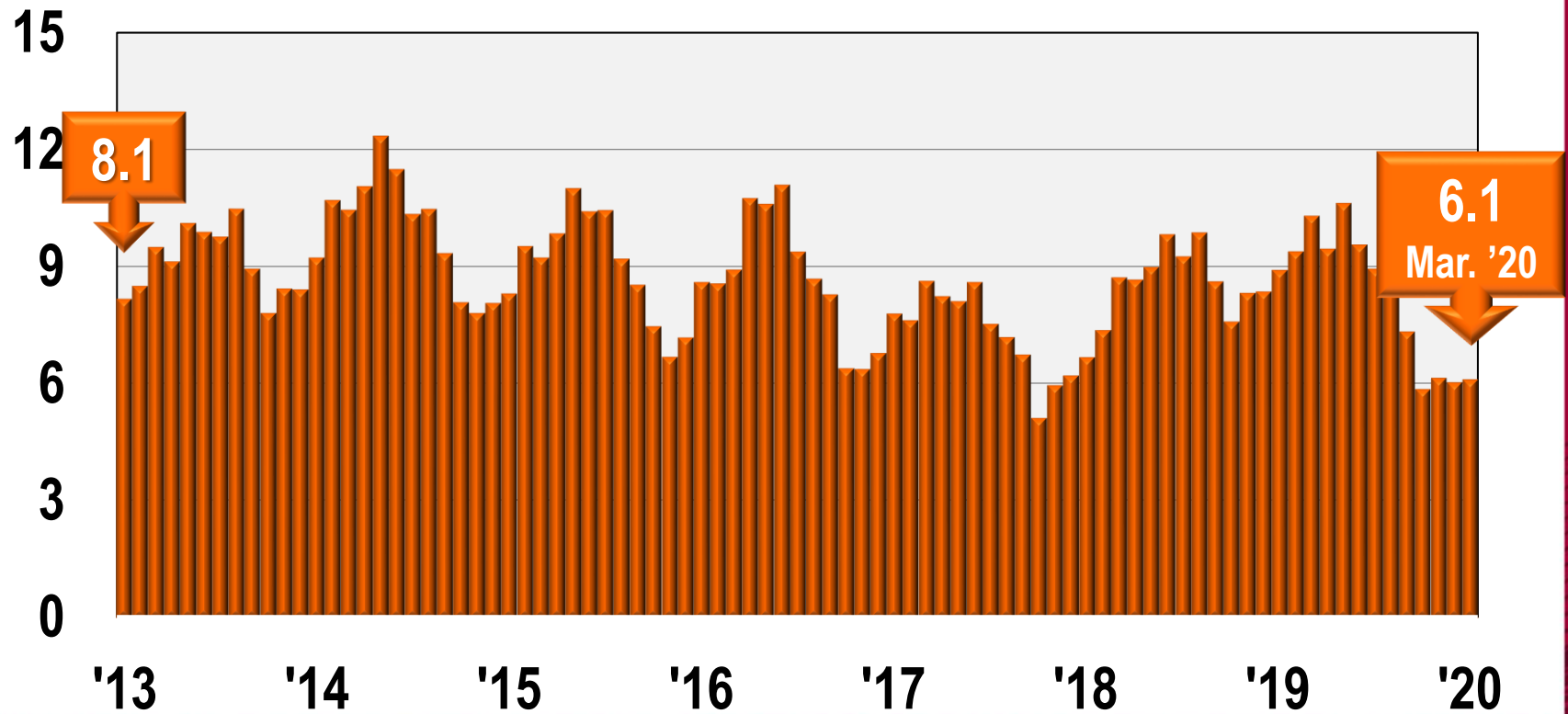


Orange County Housing Outlook

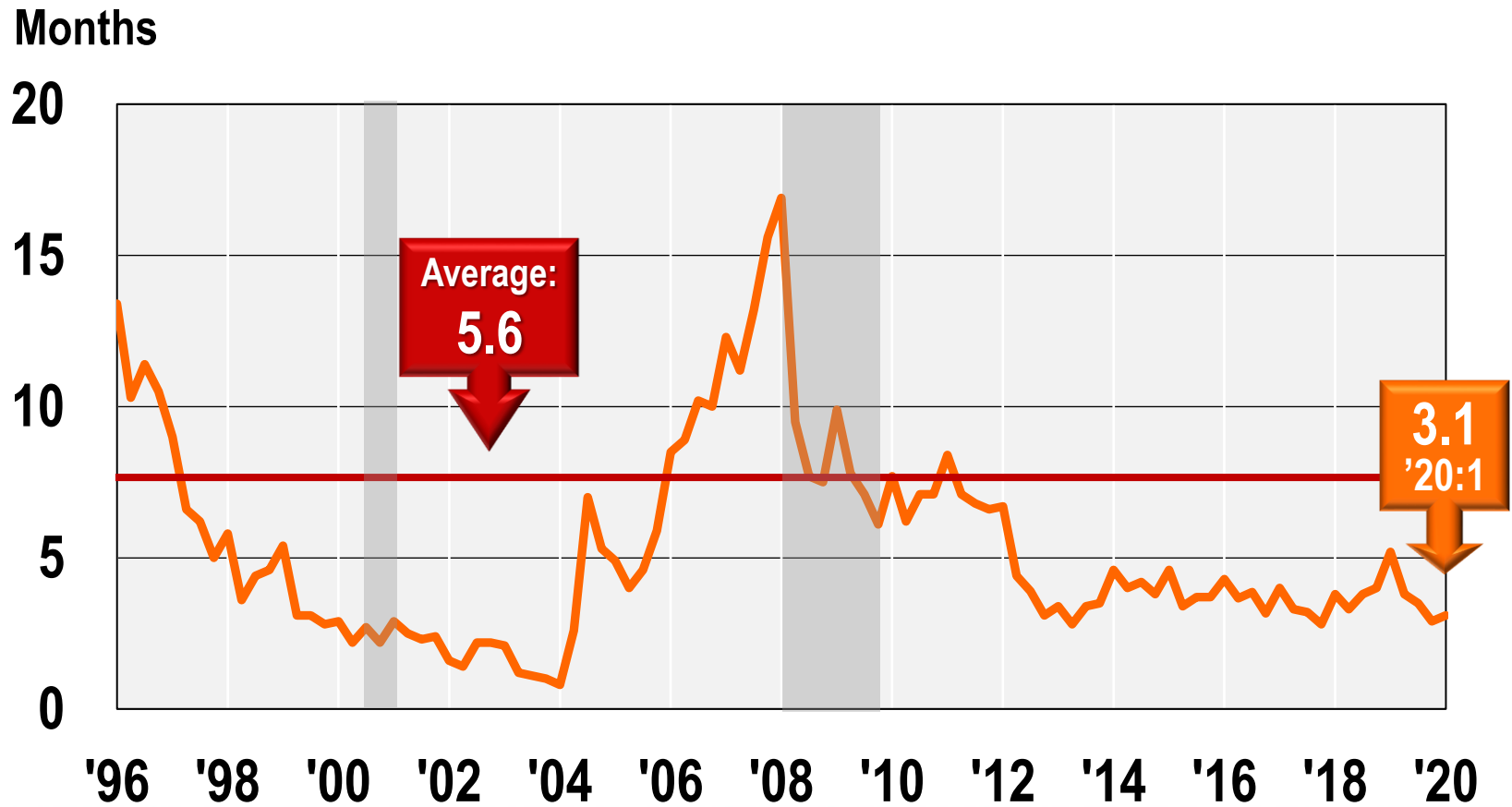


Unsold Inventory - Orange County

Thousands

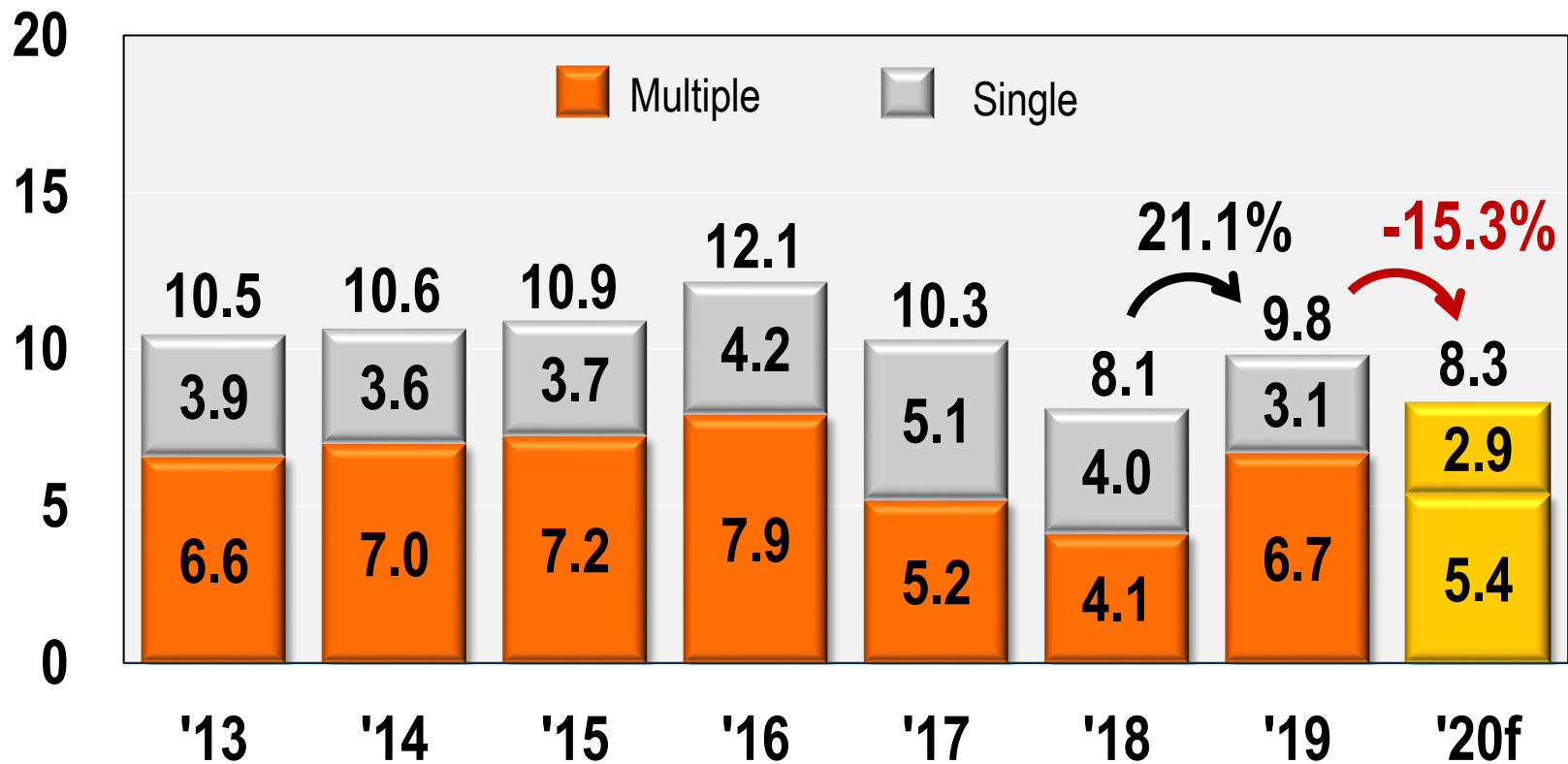


Months to sell Inventory



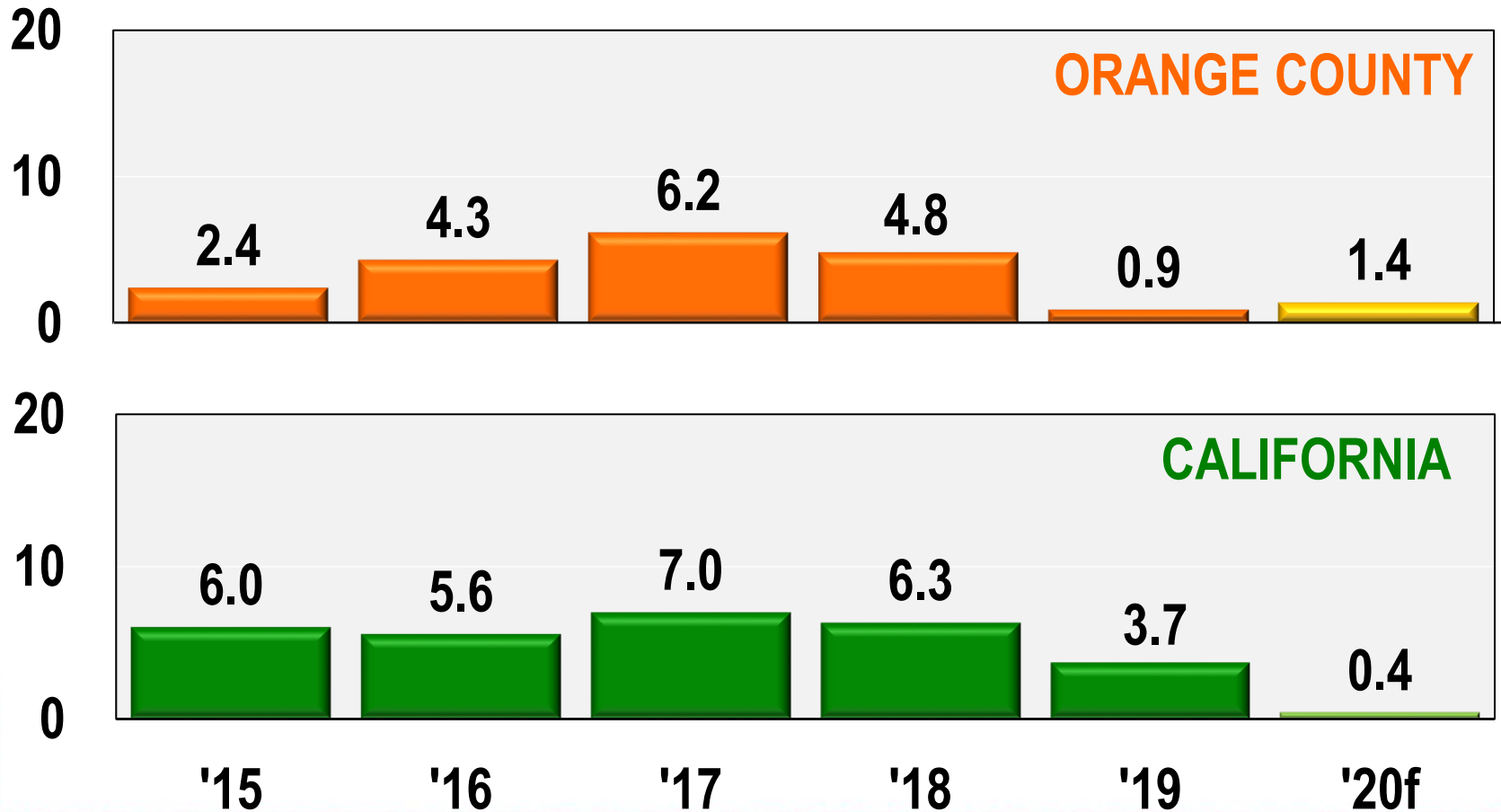
Residential Building Permits Orange County

Thousands of Units



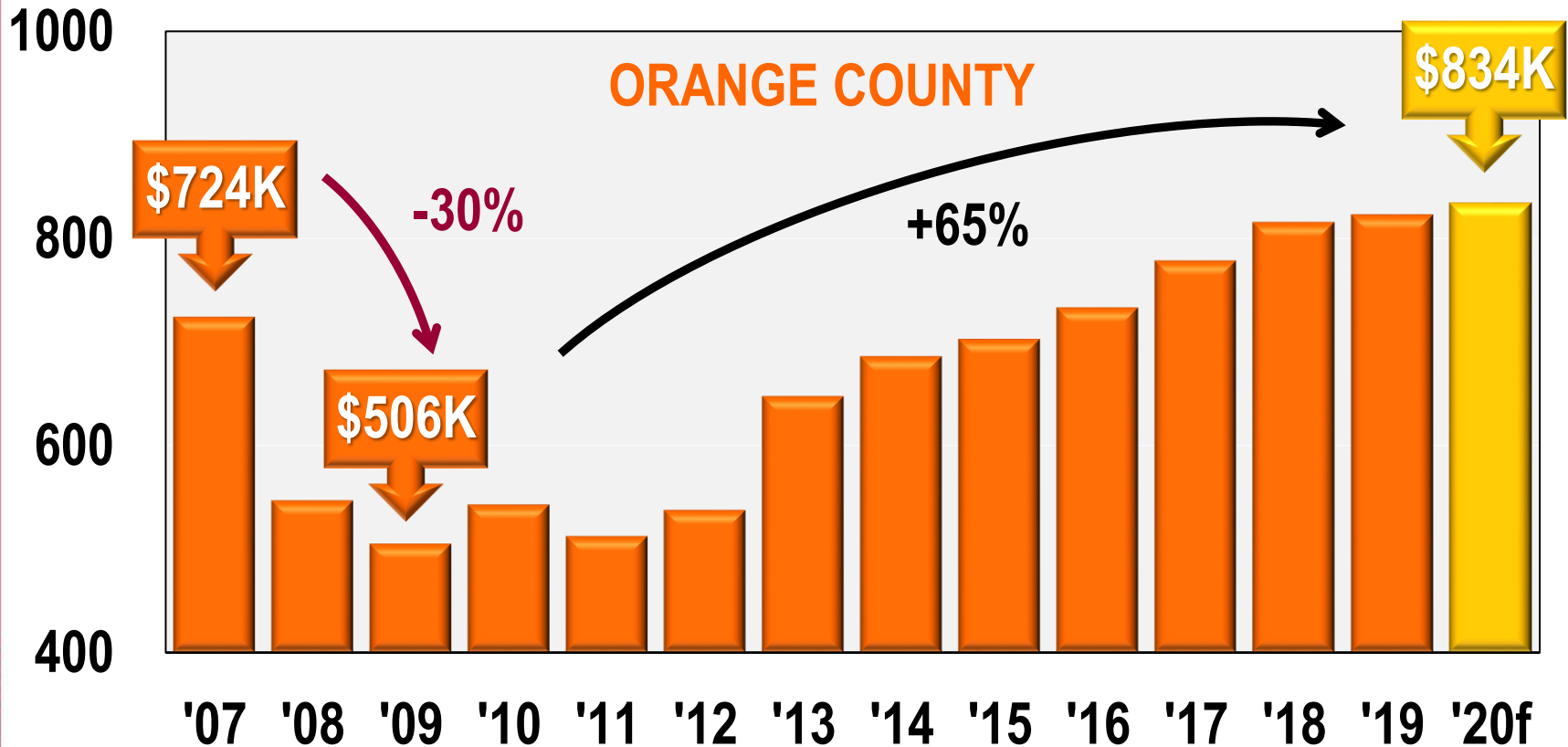
Median Single-Family Home Price

Annual % Change



Median Single-Family Home Price

Thousands of \$



Assumptions

- Employment recovery continues in third and fourth quarters
- Recovery lags in Leisure & Hospitality
- Decrease in saving rate
- Real GDP growth in third quarter

Orange County Consumer Sentiment Composite

Index

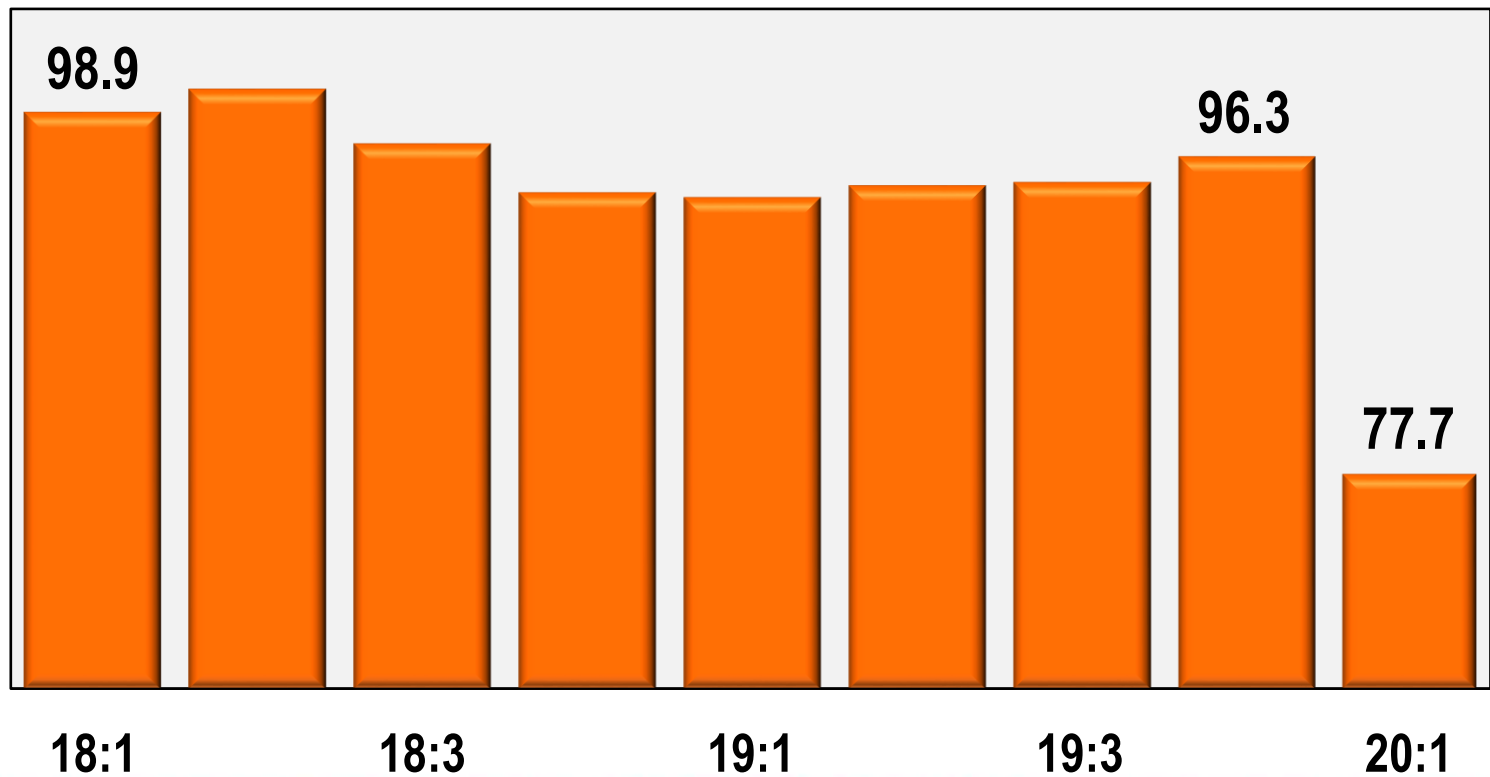
105

95

85

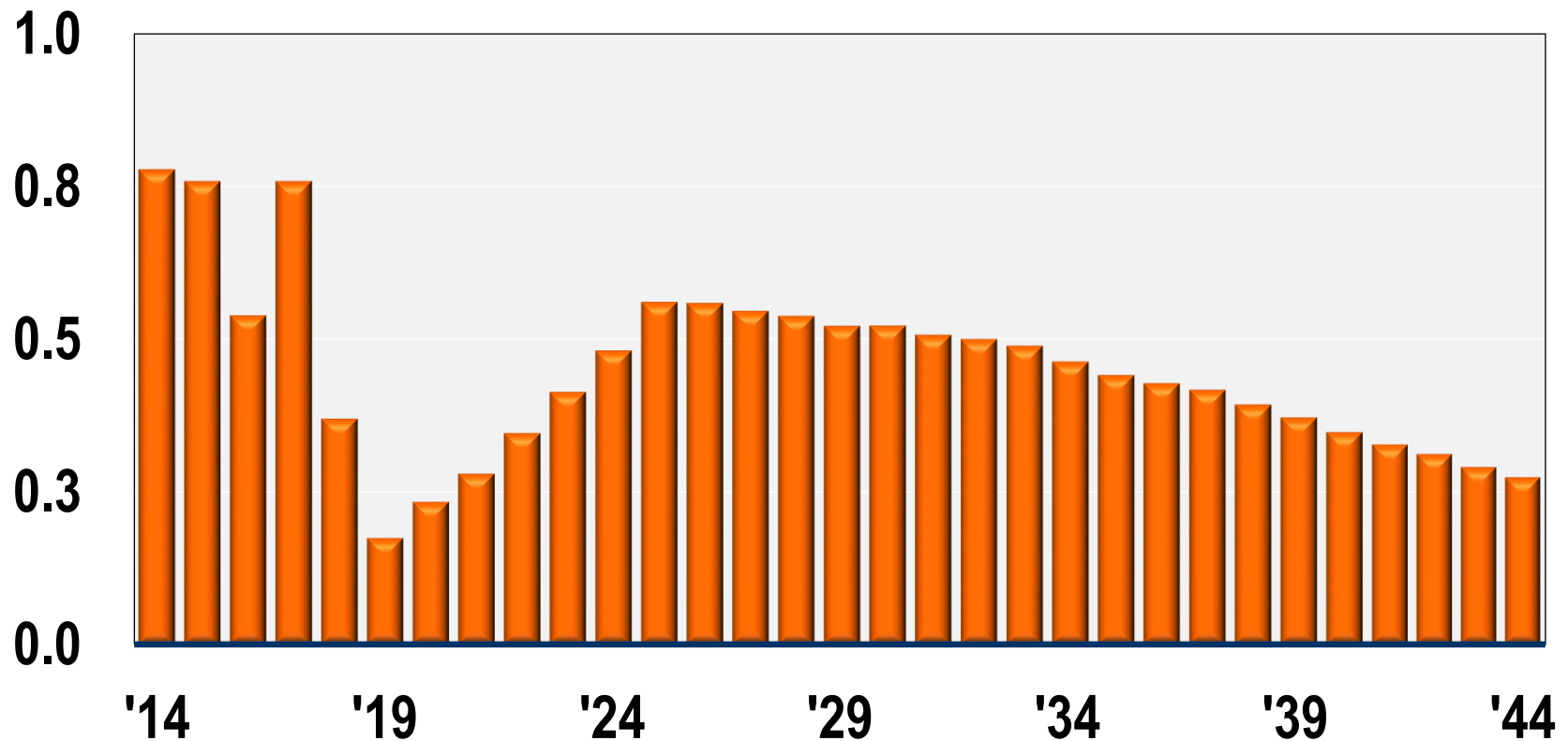
75

65



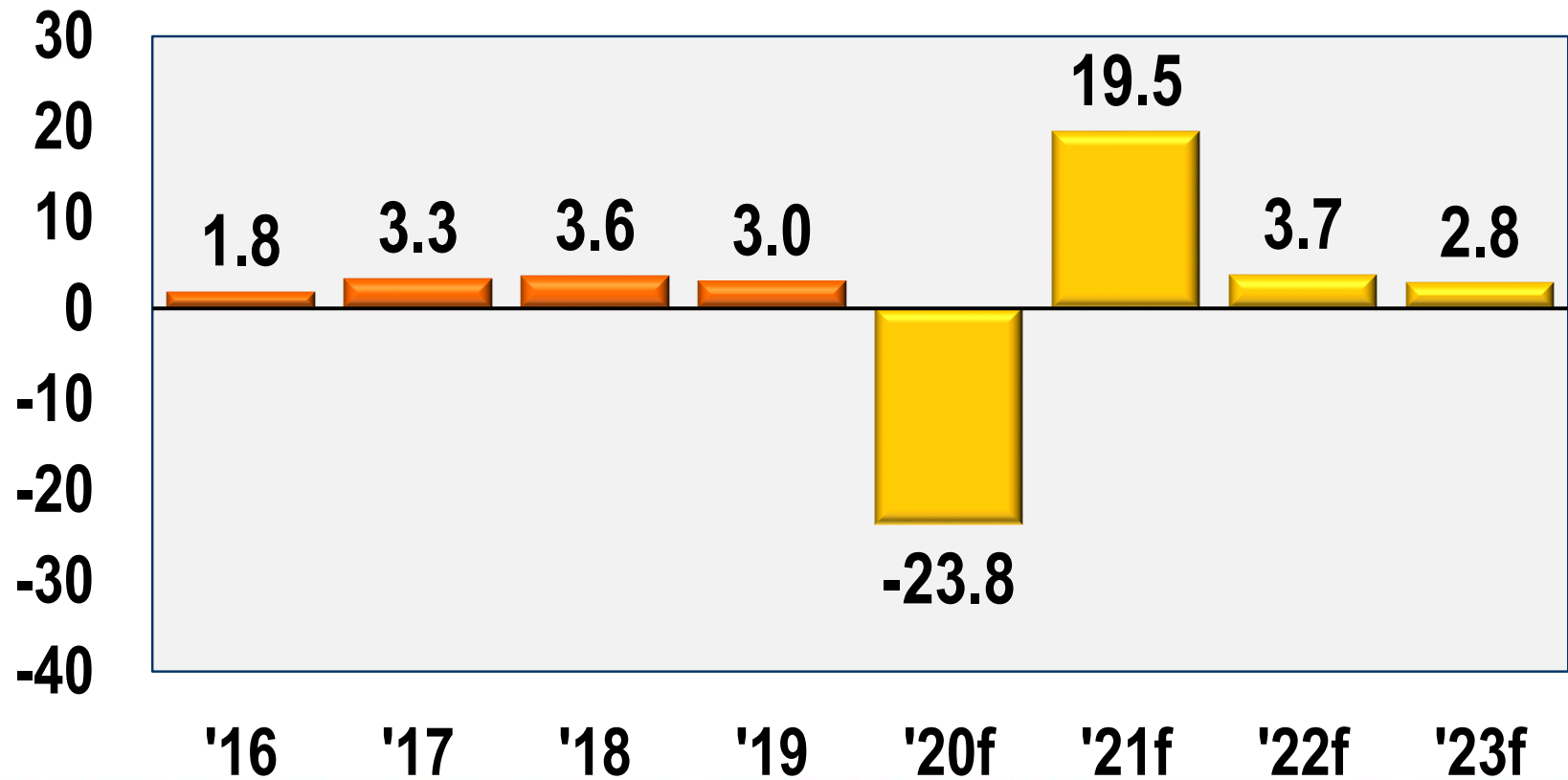
Total Population Orange County

Yr/Yr % Change



Taxable Sales Orange County

Annual % Change



Challenges



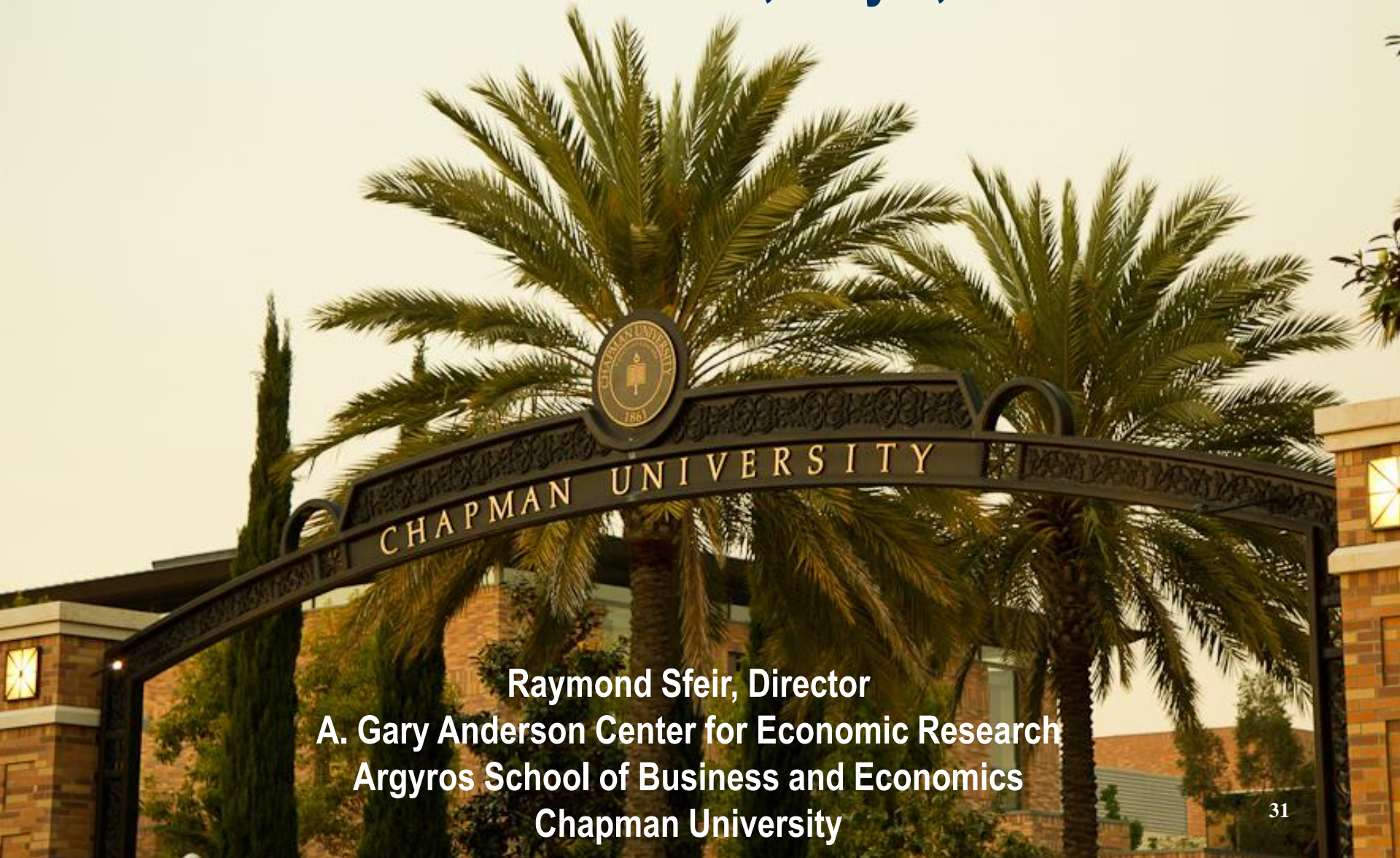
- Second wave of COVID-19
- COVID-19 vaccine and drugs
- Consumer sentiment and behavior
- State and local government budgets

The Chairman of the Federal Reserve, Jerome Powell, said in a virtual news conference on June 10, 2020:

“We are strongly committed to using our tools to do whatever we can and for as long as it takes to provide some relief and stability.”

OCTA

Economic Forecast, July 8, 2020



**Raymond Sfeir, Director
A. Gary Anderson Center for Economic Research
Argyros School of Business and Economics
Chapman University**



**Committee Members Present
Via Teleconference:**

Michael Hennessey, Chairman
Andrew Do
Gene Hernandez
Steve Jones
Joe Muller
Michelle Steel

Staff Present

Darrell E. Johnson, Chief Executive Officer
Jennifer E. Bergener, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
James Donich, General Counsel (teleconference)
OCTA Staff

Committee Members Absent

Richard Murphy, Vice Chairman

Call to Order

The June 10, 2020, regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Hennessey at 10:32 a.m.

Roll Call

The Deputy Clerk of the Board conducted an attendance Roll Call and announced that there was a quorum of the Finance and Administration Committee.

Pledge of Allegiance

Director Do led in the Pledge of Allegiance.

1. Public Comments

There were no Public Comments.

Special Calendar

2. Taxable Sales Forecast - University of California, Los Angeles

Andrew Oftelie, Chief Financial Officer (CFO), provided a brief biography and introduced Dr. Jerry Nickelsburg, PhD, Senior Economist and Dr. William Yu, PhD, Economist from the University of California, Los Angeles-Anderson Forecast.

Dr. Nickelsburg provided a PowerPoint presentation as follows:

- The global pandemic leads to the global recession;
- The pandemic devastates the economy due to mitigation policies: e.g., travel bans, stay-at home, social distancing;
- Mobility % Change: 2/15 to 4/30: Visiting to Retail & Recreation-United States (U.S.);



2. (Continued)

- Mobility % Change: 2/15 to 4/30: Visiting to Retail & Recreation-California;
- Traffic to retail and recreation declined by 55% in April in Orange County;
- Traffic to transit stations and workplaces declined by the same degree;
- Unemployment shot up in April in the U.S. and California;
- U.S. lost 2.1 million payroll jobs in April. Restaurant and retail sectors lost 8 million jobs. Unemployment rate escalated to 14.7%;
- The economy is estimated to recover rapidly in 2021 once the virus is gone. The \$2 Trillion CARES Act prevents further ripple effect;
- Federal reserve provides massive liquidity to the markets. An era of low but not negative interest rates;
- Globalization and global supply chains face serious challenges in the era of the coronavirus pandemic;
- U.S. advanced retail sales declined by 8.7% in March. Some sectors have increased sales (but not taxable);
- Orange County (O.C.) taxable sales had a 7% increase in e-commerce in 2019;
- O.C. taxable sales is expected to plunge by 50% in CY 2020Q2 and rebound as the economy gradually reopens;
- The long-term growth of O.C. taxable sales will convert to 3.7% in the 2020s and slow down to 3% in 2045;and
- Conclusions.

Consent Calendar (Items 3 through 9)

3. Approval of Minutes

A motion was made by Director Do, seconded by Director Hernandez, and following a roll call vote, declared passed 6-0, to approve the minutes of the Finance and Administration Committee meeting of May 27, 2020.

4. Revenue Vehicle Maintenance, Internal Audit Report No. 20-506

A motion was made by Director Do, seconded by Director Hernandez, and following a roll call vote, declared passed 6-0, to direct staff to implement the recommendation provided in Revenue Vehicle Maintenance, Internal Audit Report No. 20-506.



5. Annual Update to Investment Policy for 2020

A motion was made by Director Do, seconded by Director Hernandez, and following a roll call vote, declared passed 6-0, to:

- A. Adopt the 2020 Investment Policy dated June 10, 2020.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2020-21.

6. Resolution to Establish the Orange County Local Transportation Authority/Measure M2 Appropriations Limitation for Fiscal Year 2020-21

A motion was made by Director Do, seconded by Director Hernandez, and following a roll call vote, declared passed 6-0, to adopt Orange County Local Transportation Authority/Measure M2 Resolution No. 2020-022 to establish the Orange County Local Transportation Authority/Measure M2 appropriations limit at \$1,890,379,261, for fiscal year 2020-21.

7. Resolution to Establish the Orange County Transportation Authority General Fund Appropriations Limitation for Fiscal Year 2020-21

A motion was made by Director Do, seconded by Director Hernandez, and following a roll call vote, declared passed 6-0, to adopt Orange County Transportation Authority Resolution No. 2020-023 to establish the Orange County Transportation Authority General Fund appropriations limit at \$12,508,480, for fiscal year 2020-21.

8. Approval of the Amended and Restated Orange County Local Transportation Authority 2021 Credit and Fee Agreements

This item was pulled by Committee Chairman Hennessey, who requested staff provide an overview of this item.

Andrew Oftelie, CFO, reported that the Orange County Transportation Authority (OCTA) has a line of credit with Bank of America, which was a requirement from the Build America Bureau when the OCTA secured the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Interstate 405 (I-405) project.

Mr. Oftelie discussed the three options available to OCTA as follows:

- Issue \$500 million in bonds, which is the current plan;
- Escrow some cash for OCTA to invest the funds, and;
- Extend or issue a new line of credit.



8. (Continued)

He also stated staff is recommending to move forward with a new line of credit, which satisfies the TIFIA requirements, and OCTA will save \$100,000.

A motion was made by Committee Chairman Hennessey, seconded by Director Do, and following a roll call vote, declared passed 6-0, to:

- A. Approve the Amended and Restated 2021 Credit and Fee Agreements by and among Bank of America, N.A., the Orange County Transportation Authority, and the Orange County Local Transportation Authority each dated as of June 29, 2020, in substantially the form presented to this board at this meeting and in the total amount of \$500 million and authorize the Chief Executive Officer to negotiate and execute the final 2021 Amended and Restated Credit and Fee Agreements.
- B. Authorize the Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer, and Director of Finance and Administration to sign and deliver all documents relating to said agreements, including the credit agreement, fee agreement, incumbency certificate, closing certificate, bank note, receipts, notices, and agreements related thereto.

9. Extension of 91 Express Lanes Temporary Measures

A motion was made by Director Do, seconded by Director Hernandez, and following a roll call vote, declared passed 6-0, to:

- A. Authorize the Chief Executive Officer to temporarily waive for a period of up to 90 days, 91 Express Lanes monthly account fees, for the months of July 2020, August 2020, and September 2020.
- B. Authorize the Chief Executive Officer to temporarily modify for a period of up to 90 days the 91 Express Lanes Toll Policy to allow for the ability to remove automatic toll rate increases, if necessary.

Regular Calendar

There were no Regular Calendar items scheduled.



Discussion Items

10. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer (CEO), provided a report on the following:

Measure M Annual Public Hearing-

- On June 9th, the independent, 11-member Taxpayer Oversight Committee (TOC) held their annual Measure M public hearing via teleconference.
- Staff is pleased to report the TOC found OCTA in compliance with the ordinance for the 29th year in a row.
- OCTA takes overseeing the use of Measure M funds very seriously.
- Staff is pleased that the committee determined OCTA is keeping the promise to the voters of Orange County, particularly over these last few months, when OCTA has faced unprecedented sales tax revenue and forecast challenges due to the coronavirus outbreak.

11. Committee Members' Reports

Director Muller inquired about the status of the Anaheim Transportation Network (ATN) item that was pulled at the last Finance and Administration Committee meeting.

Mr. Johnson, CEO, responded that when the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed and signed by the president on March 27th. There was an apportionment process that provided transit relief dollars via the federal transit programs through the Southern California Association of Governments (SCAG) and to OCTA. OCTA has three sub-recipients, Metrolink, Laguna Beach Transit, and ATN. The Board of Directors previously approved the funding to be passed through to Laguna Beach Transit and Metrolink.



11. (Continued)

The item was pulled from May 27th Finance and Administration Committee agenda to discuss ATN's disagreement with the amount of funding. Staff has been working with ATN and has a meeting scheduled for the week of June 22nd, and the item will return to the July 8th Finance and Administration Committee meeting. OCTA is committed to helping ATN get the funding that the CARES Act provides them. However, staff also has to do it in a way that is consistent with the Federal Transit Administration apportionment process.

Committee Chairman Hennessey inquired about the emerging traffic patterns now that more people are working from home and how that will affect what OCTA does going forward.

Mr. Johnson, CEO, responded that staff is seeing traffic return at a pretty rapid pace on the freeway system. He stated that the California Department of Transportation (Caltrans) reported about 70 to 75 percent of normal traffic and as much as 85 percent by the end of June. Staff has spoken with Chairman Jones about OCTA's workforce and space needs and how, as an organization, OCTA can take advantage of remote working and telecommuting going forward. Staff is developing a quick survey for the residents of Orange County about their current, past, and planned future behaviors for commuting. Additionally, OCTA is having conversations with SCAG and Riverside County Transportation Commission about commuting patterns as well.

12. Closed Session

There were no Closed Session items scheduled.



13. Adjournment

The meeting was adjourned at 11:21 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 22, 2020**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Michael Hennessey
Committee Chairman



July 8, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Amendment to Orange County Local Transportation Authority Measure M2 Ordinance, Agreed-Upon Procedures, City of Santa Ana, Year Ended June 30, 2020

Overview

On June 22, 2020, the Board of Directors, in direct response to impacts from the novel coronavirus, approved an amendment to the Orange County Local Transportation Authority Measure M2 Ordinance, to remove minimum maintenance of effort requirements for agencies receiving Local Fair Share funds during fiscal year 2019-20. As a result of the change, agreed-upon procedures to be applied to the City of Santa Ana require revision.

Recommendation

Direct the Internal Audit Department to amend agreed-upon procedures to be applied to the City of Santa Ana for fiscal year 2019-20.

Background

On May 13, 2019, the Orange County Transportation Authority Board of Directors (Board) found the City of Santa Ana (City) ineligible to receive Measure M2 revenues after an audit found that the City had not met the minimum maintenance of effort (MOE) requirement of the Orange County Local Transportation Authority Measure M2 Ordinance (M2 Ordinance). In addition, the Board directed staff to conduct audits of the City for the fiscal years (FY) ending June 30, 2019 and June 30, 2020, to assess full (100 percent) compliance with MOE minimum requirements.

The Internal Audit Department (Internal Audit) engaged the firm Eide Bailly LLP (auditors) to conduct the audits. The auditors tested MOE expenditures

representing 100 percent of the City's minimum required expenditures for FY 2018-19, and found the City met the minimum required MOE.

Each year, the Audit Subcommittee of the Taxpayers Oversight Committee (Audit Subcommittee) selects cities for audit to determine compliance with the M2 Ordinance and guidelines. On June 9, 2020, the Audit Subcommittee directed staff to amend agreed-upon procedures (AUP) for cities selected for audit for FY 2019-20, following Board action to amend the M2 Ordinance. AUP were amended to remove comparison of reported expenditures against a minimum MOE benchmark. AUP will continue to include sample testing of MOE expenditures for compliance with the M2 Ordinance.

On June 22, 2020, following the required public process, the Board amended the M2 Ordinance to remove MOE minimum requirements for FY 2019-20.

Discussion

As a result of the Board-approved amendment to MOE benchmark requirements for FY 2019-20, AUP to be applied to the City require revision. The AUP will be revised to include sample testing of MOE expenditures reported by the City, rather than 100 percent testing of expenditures up to the MOE benchmark.

Summary

The AUP to be applied to the City for the FY 2019-20 will be revised to reflect amendment to the M2 Ordinance.

Attachment

None.


Prepared by:



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



July 8, 2020

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer 
Subject: Fiscal Year 2019-20 Third Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2019-20 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2019-20.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2019-20 Budget on June 10, 2019. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.525 billion. Sources of funds were comprised of \$1.16 billion in current FY revenues and \$365.4 million in use of prior year designations. Uses of funds were comprised of \$1.44 billion of current FY expenditures and \$82.7 million of designations.

The Board approved one amendment through the third quarter, increasing the expense budget by \$4.5 million. This increased the budget to \$1.53 billion as summarized on Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2019	Adopted Budget	\$ 1,525,194
7/22/2019	Contracted Fixed-Route Service Agreement	4,521
Total Working Budget		\$ 1,529,715

*in thousands

Discussion

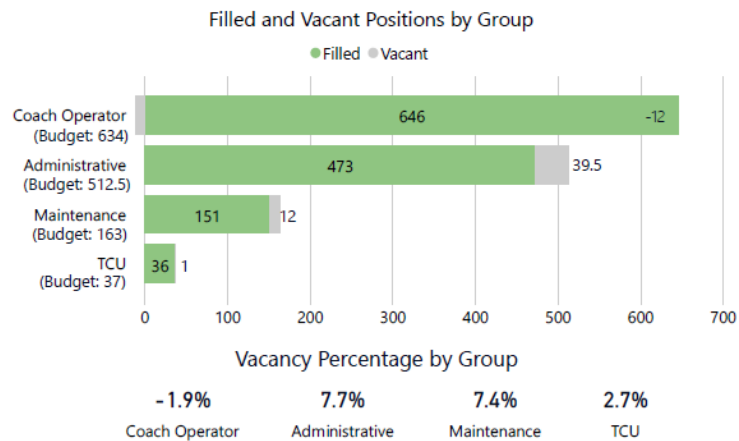
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2). A visual dashboard summary of this report is provided in Attachment A.

Unless indicated on an individual chart, the general color pattern used is outlined below:

- Gray – Budget
- Green – Within budget
- Yellow – Within five percent variance of budget
- Red – Over five percent variance of budget

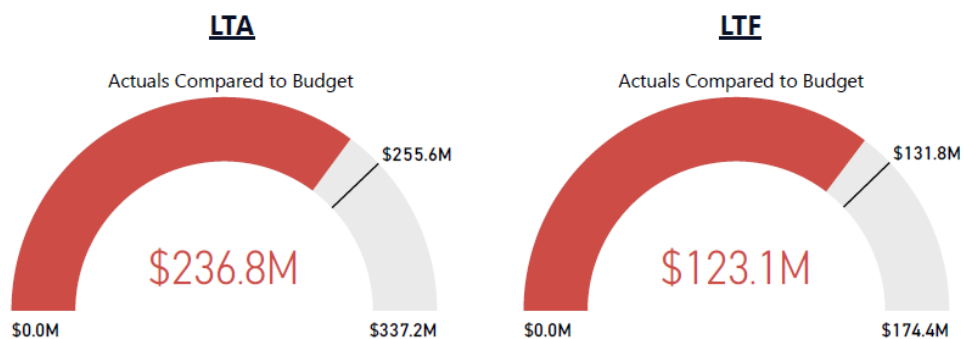
Staffing

Total salaries and benefits underran the budget by \$3.4 million. This is primarily due to vacancies OCTA-wide, with the largest vacancy percentages in the administrative (7.7 percent) and maintenance (7.4 percent) groups at the end of the quarter. At the end of the third quarter, there were 12 more filled coach operator positions than the budgeted amount of 634 (1.9 percent). This can be attributed to two factors, which were successful coach operator recruitment efforts coupled with a reduction in coach operator leave of absences. However, based on the impact of the novel coronavirus (COVID-19), recruitment for coach operators has been placed on hold and based on current attrition it is anticipated that the number of coach operators will reach the budget level in the August timeframe. Furthermore, it is important to note that on a financial basis, actual salaries and benefits for coach operator positions are underrunning the budget by \$1.6 million.



Sales Tax Receipts

The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. LTA sales tax receipts of \$236.8 million were \$18.8 million lower than the budget and LTF sales tax receipts of \$123.1 million were \$8.7 million lower than the budget. On a year-over-year basis, sales tax has grown between one to two percent through March, but at a rate less than budgeted. Furthermore, COVID-19 stay-at-home orders were put in place in mid-March 2020, which played a role in sales tax underrunning the budget in the third quarter and will play a larger role in the fourth quarter.



Major Programs

Bus Program



Operating Revenue

\$200.9M

\$214.5M YTD Budget

\$372.1M

Annual Budget

Operating Expense

\$179.2M

\$195.1M YTD Budget

\$372.1M

Annual Budget

Bus Program operating revenue of \$200.9 million underran the budget by \$13.6 million, primarily due to lower than anticipated LTF sales tax revenue (\$8.7 million) and State Transit Assistance (STA) sales tax revenue (\$4.1 million). The underrun in STA can be primarily attributed to lower fuel prices and fuel consumption through the third quarter. Bus Program operating expenses of \$179.2 million underran the budget by \$15.9 million, primarily due to tax credits received for the use of alternative fuels. In March 2020, OCTA received \$8 million in federal alternative fuel tax credits for two years' worth of compressed natural gas and liquid natural gas use, offsetting fuel expenses. Due to the varying nature of the credits, and their dependence on legislation to be approved, these were not budgeted for the FY. In addition to these credits, fuel consumption for the FY was lower than anticipated. Hydrogen fuel and gasoline underran due to lower miles driven than anticipated. Hydrogen fuel is used in ten buses, which were all anticipated to be in service beginning in July 2019, but were not fully employed until February 2020 due to the timing of completion of the hydrogen fueling infrastructure. Gasoline is used for OC ACCESS, the on-demand paratransit service, and less miles were driven than forecasted. Furthermore, expenses are anticipated to underrun because of decreased demand for the service due to the COVID-19 pandemic.

Capital Revenue

\$21.5M

\$18M YTD Budget

\$233.1M

Annual Budget

Capital Expense

\$9.1M

\$18M YTD Budget

\$233.1M

Annual Budget

Bus Program capital revenue of \$21.5 million overran the budget by \$3.5 million, primarily due to prior FY state grant revenue received in the current FY for the purchase of ten hydrogen fuel cell electric buses and hydrogen fueling infrastructure. California Air Resources Board grant revenue associated with the bus purchase was budgeted in a prior FY but received in the current FY based on corresponding expenditures. Capital expenses of \$9.1 million underran the budget by \$8.9 million, primarily due the timing of the purchase for ten battery electric buses and associated charging infrastructure of \$6.8 million. The bus purchase and charging infrastructure construction were

scheduled to commence by the third quarter of the FY. However, due to the associated state grant funding process, which is taking longer than anticipated, the project schedule has been revised. These items have been rebudgeted next FY. The remainder of capital underruns are due to contract execution and invoice timing for various capital projects. These projects include the Standby Power Generator Replacement project, Transit Facility Signage project, Park-n-Ride and Transportation Center Modernization project, locker room modifications, and a lighting improvement project at the bus bases. These items are anticipated to have contracts executed and be in alignment with the budget by the end of the FY.

Rail Program



Operating Revenue

\$27.8M

\$26.3M YTD Budget

\$44.5M

Annual Budget

Operating Expense

\$23.1M

\$26.3M YTD Budget

\$44.5M

Annual Budget

Rail Program operating revenue of \$27.8 million overran the budget by \$1.5 million, primarily due to higher than anticipated earnings on investments. Operating expenses of \$23.1 million underran by \$3.2 million, primarily due to the quarterly operating subsidy payment to Southern California Regional Rail Authority (SCRRA) for OCTA's annual portion of the Metrolink operations. This underrun is due to an operating surplus and a credit for preventative maintenance funds drawn down directly by SCRRA. Therefore, the subsidy provided by OCTA was less than anticipated. As a result, this underrun is expected to remain for the rest of the FY.

Capital Revenue

\$15.8M

\$1.7M YTD Budget

\$43.6M

Annual Budget

Capital Expense

\$3.8M

\$1.3M YTD Budget

\$43.6M

Annual Budget

Rail Program capital revenue of \$15.8 million overran the budget by \$14.1 million primarily due to the timing of grant funds and city contributions for construction of the Orange Transportation Center Parking Structure project and the Laguna Niguel to San Juan Capistrano passing siding project. For both projects, these funds were budgeted in prior FYs corresponding to expenses but received in the current FY. Capital expenses of \$3.8 million overran the budget by \$2.6 million due to the timing of construction phase expenses for the Laguna Niguel to San Juan Capistrano passing siding project. At the time of budget development, staff estimated expenses to take place later in the FY.

Due to execution of a construction contract, and the notice to proceed for construction activity occurring earlier than anticipated, this item is currently overrunning. However, this overrun will be resolved by the end of the FY when the actuals align with the budgeted amount.

91 Express Lanes Program



Operating Revenue

\$37.7M

\$38.1M YTD Budget

\$78.1M

Annual Budget

Operating Expense

\$13.0M

\$16.7M YTD Budget

\$78.1M

Annual Budget

The 91 Express Lanes Program operating revenue of \$37.7 million underran by \$0.4 million, primarily due to lower than anticipated toll revenue due to lower utilization of the toll lanes than forecasted (\$3.5 million). Partially offsetting the underrun was an overrun in fees collected for toll violations and account minimums which are variable in nature and difficult to forecast (\$2.1 million), and earnings on investments (\$1 million) which benefitted from higher than anticipated performance. Operating expenses of \$13 million underran by \$3.8 million, primarily due to as-needed expenses associated with toll road account servicing, legal services, and equipment repair/maintenance. The toll road operating contract contributed \$1 million to the underrun due to a reduction in services under the contract. The vendor will not be managing the electronic toll and traffic management system as originally anticipated, as that service will now be part of a separate contract.

Capital Revenue

\$9.8M

\$9.8M YTD Budget

\$38.1M

Annual Budget

Capital Expense

\$8.8M

\$9.8M YTD Budget

\$38.1M

Annual Budget

Capital revenue for the 91 Express Lanes of \$9.8 million was in line with the budget. Capital expenses of \$8.8 million underran by \$0.9 million, due to invoice timing for improvements to the customer service center. The invoice was paid in the prior FY after work was completed.

Motorist Services Program



Operating Revenue

\$8.5M

\$5.4M YTD Budget

\$9.2M

Annual Budget

Operating Expense

\$4.8M

\$5.4M YTD Budget

\$9.2M

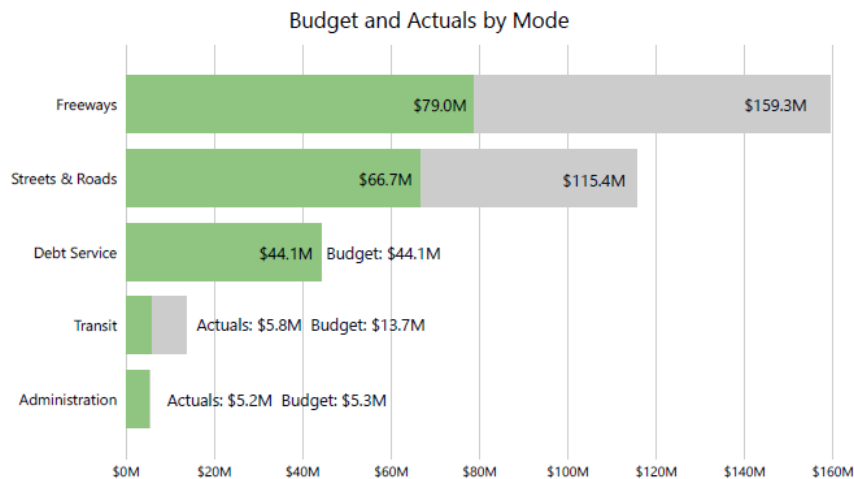
Annual Budget

Motorist Services Program revenue of \$8.5 million overran the budget by \$3.1 million, primarily due to state contribution funds for Freeway Service Patrol (FSP). The funds for operating the service were budgeted in a prior FY but received in the current FY. Expenses for the program of \$4.8 million underran the budget by \$0.6 million, primarily due to a freeway call box radio upgrade project which has been moved to next FY (\$0.4 million). The project was budgeted to facilitate the upgrade from 3G to 4G radio technology, but due to the vendor continuing 3G support for another year, the project was moved to the following FY. The remainder of the underrun is due to lower fuel cost for contracted tow service for the FSP Program. Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated.

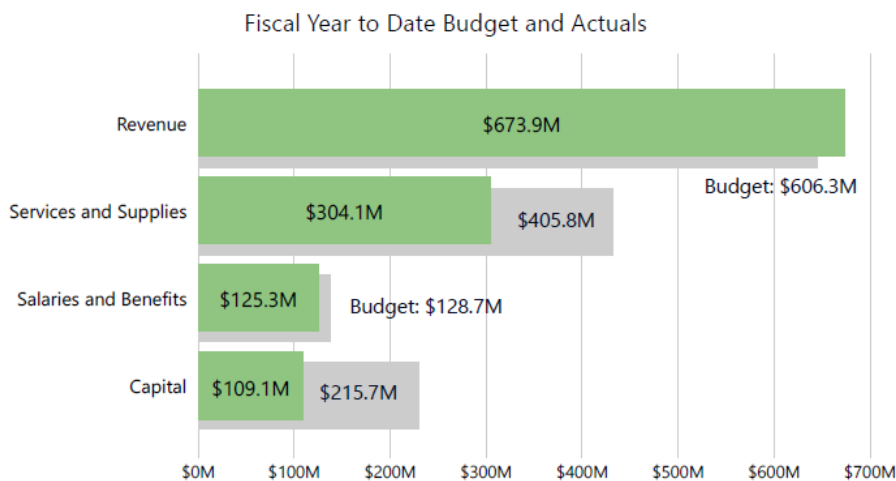
M2 Program



Total expenses for the M2 Program of \$200.8 million underran the budget by \$137.1 million, primarily due to lower than anticipated project payment requests from the cities for the Regional Capacity Program, Regional Traffic Signal Synchronization Program and Environmental Cleanup Program. Also contributing to the underrun is lower utilization of right-of-way capital and support expenses for the Interstate 5 South County Improvement project and the Interstate 405 Improvement Project.



Summary



Overall, revenue of \$673.9 million overran the budget by \$67.6 million, primarily due to the net effect of grant revenue budgeted in a prior FY, but received in the current FY offset with underruns of LTA sales tax receipts (\$18.8 million) and LTF sales tax receipts (\$8.7 million) and STA sales tax revenue (\$4.1 million).

Services and supplies expenses of \$304.1 million underran the budget by \$101.6 million, primarily due to an underrun in fuel costs for the bus fleet, the Metrolink operating subsidy, and contributions to local agencies based on lower than anticipated project payment requests for competitive M2 programs.

Capital expenses of \$109.1 million underran the budget by \$106.6 million, primarily due to construction and construction support services for the Interstate 5 South County Improvement project, the Interstate 405 Improvement Project, and the 91 Express Lanes Back-Office System, and Customer Service Center project.

Salaries and benefits of \$125.3 million underran the budget by \$3.4 million, due to vacancies, primarily in the administrative (7.7 percent underrun) and maintenance (7.4 percent underrun) groups.

Attachment

A. FY 2019-20 Third Quarter Budget Status Summary

Prepared by:

Anthony Baruch
Section Manager,
Financial Planning and Analysis
(714) 560-5332

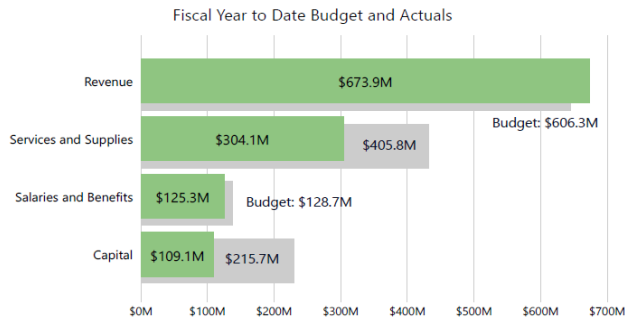
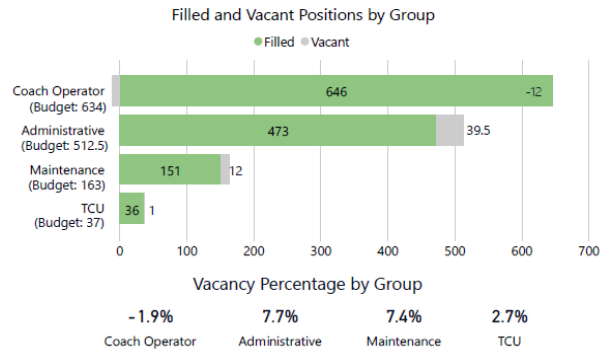
Approved by:

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

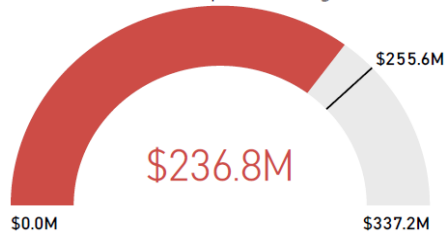


FY 2019-20 Third Quarter Budget Status Summary

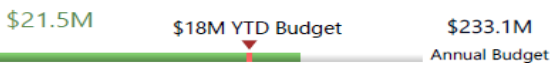
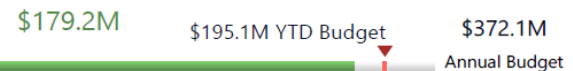
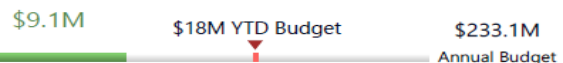
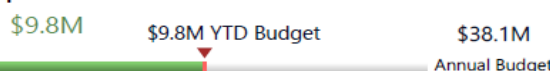
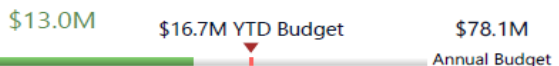
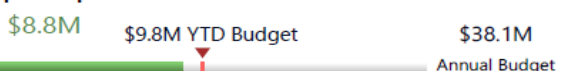
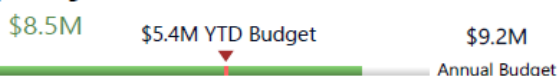
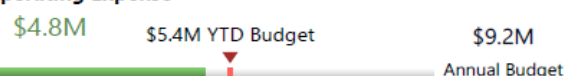
● Budget ● Within Budget ● Within 5% Variance ● Over 5% Variance

Total Authority**Staffing****Sales Tax Receipts****LTA**

Actuals Compared to Budget

**LTF**

Actuals Compared to Budget

**Major Operating Programs****Bus Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****Rail Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****91 Express Lanes Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****Motorist Services Program****Operating Revenue****Operating Expense**



July 8, 2020

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Orange County Transportation Authority Investment and Debt Programs Report – May 2020

For

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, 2020. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

Discussion

As of May 31, 2020, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, the short-term portfolio for future budgeted expenditures, and the bond proceeds portfolio to meet Measure M2 (M2) transportation program needs. 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 2.5 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 \$10,859,947, with an average monthly effective yield of 1.4 percent. OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$8,180,677. For the month of April, the monthly gross yield for the OCIP was 1.5 percent. Yields for the month of May will be received in June.

As a result of the novel coronavirus (COVID-19) pandemic, several rating actions have continued to occur throughout the month of May. Specifically, during the month of May, five securities held within OCTA's investment portfolio were downgraded. The total number of securities on the Negative Credit Watch list decreased from 13 to 11 (one security was sold and one security matured). Please refer to I-11 (Rating Downgrades) and I-12 (Negative Credit Watch) of Attachment A for further details. As of May 31, 2020, the securities reflected on I-11 and I-12 still meet the minimum ratings requirements set forth by OCTA's Investment Policy.

OCTA's debt portfolio had an outstanding principal balance of \$1 billion as of May 31, 2020. Approximately 62 percent of the outstanding balance is comprised of M2 debt, nine percent is associated with the 91 Express Lanes Program, and 29 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, 2020.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending May 31, 2020.

Prepared by:



Robert Davis
Department Manager
Treasury/Public Finance
(714) 560-5675

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, 2020**

INVESTMENT PROGRAM

OCTA Investment Dashboard

5/31/2020

Safety of Principal

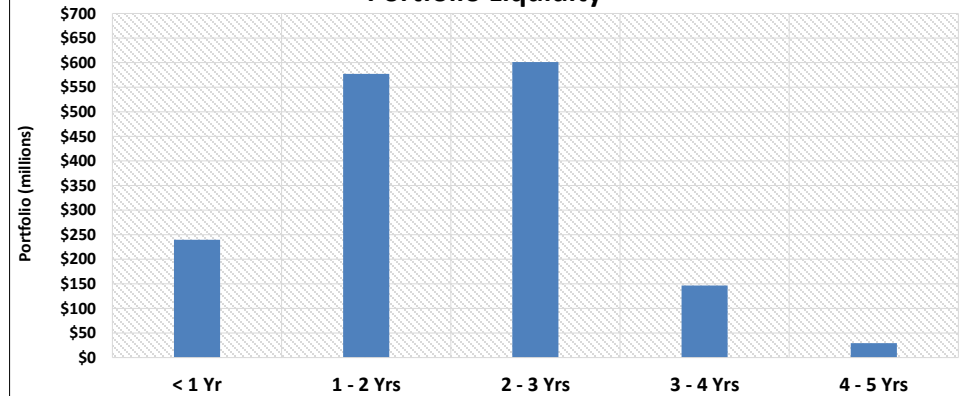
Securities that fell below OCTA's minimum credit quality requirements during the month of May 2020:

Not applicable.

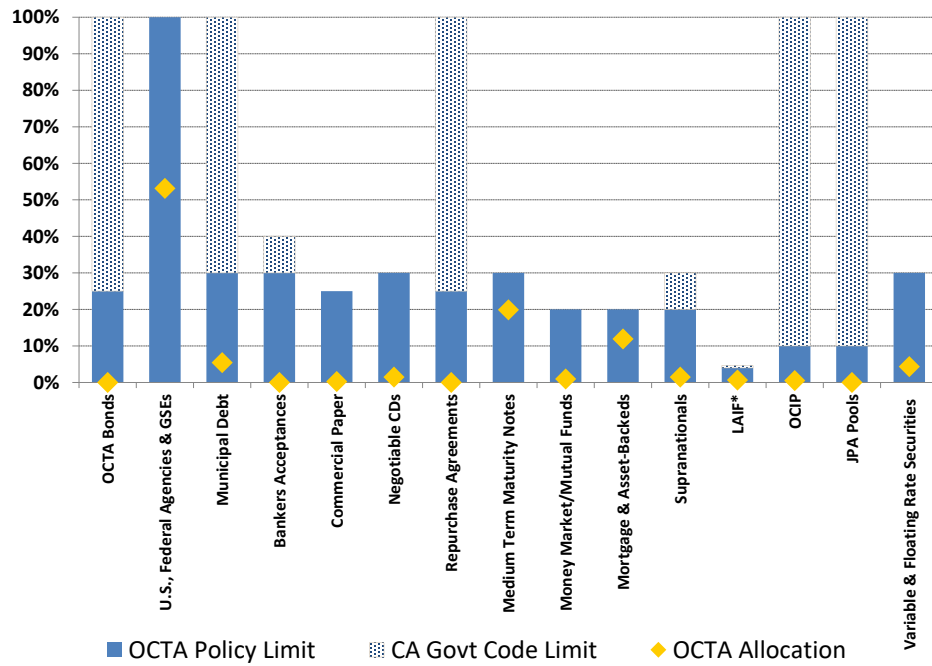
Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:

On Thursday, February 20, 2020, Moody's downgraded the long-term debt rating of Nissan to Baa1 from A3. OCTA holds three high quality AAA Nissan Auto/Lease asset backed security positions, respectively 0.3%, 0.4% and 0.6% of the portfolio. However, for asset backed securities, receivables are sold via a legal concept called "true sale" into a bankruptcy-remote issuing trust, therefore isolated from the financial health of the issuer. There has been no negative price action on the asset backed securities on news of the downgrade. The Treasurer reviewed the position and recommended the securities be held for the short-term. The Treasurer presented his recommendation to the Deputy Chief Executive Officer who concurred.

Portfolio Liquidity

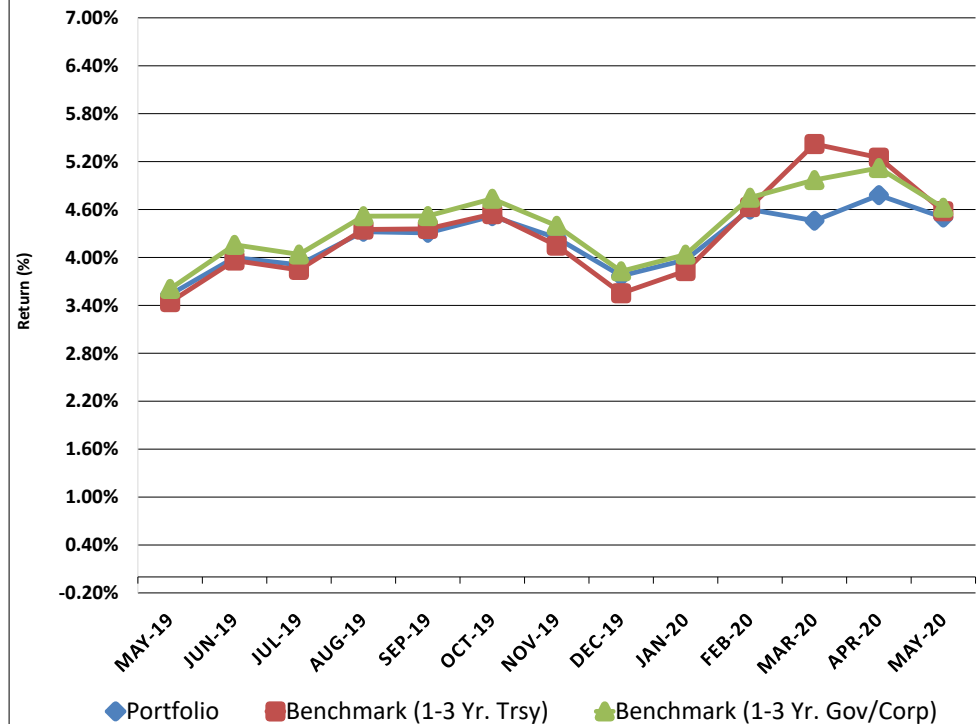


Portfolio Diversification



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

Portfolio Return - 12 Month



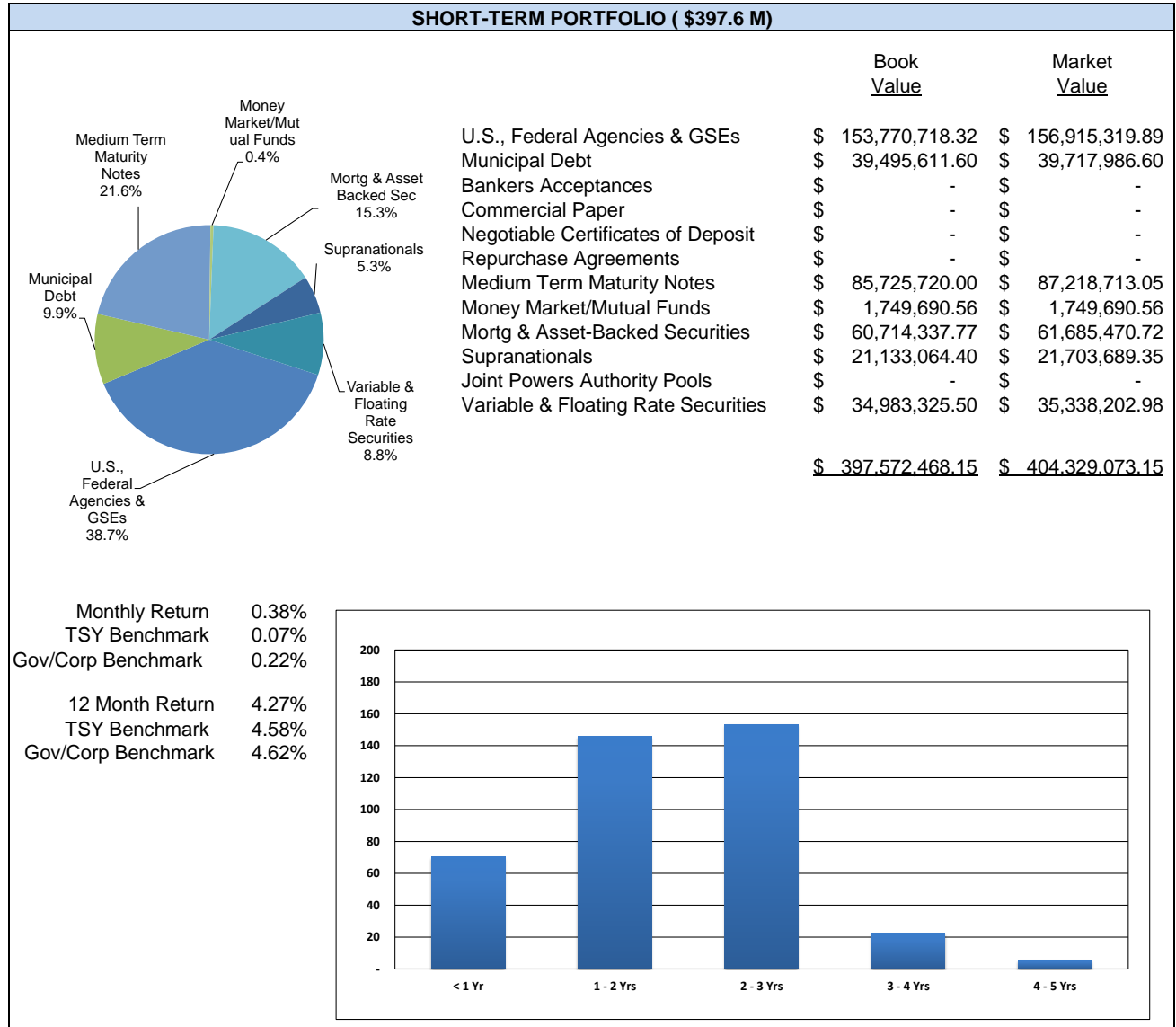
Investment Profile

5/31/2020

Portfolio / Managers	Depository	Role	Governing Document	Type of Investment	Amount (\$ Millions)
<u>LIQUID PORTFOLIO:</u>					
OCTA/ Measure M2	BNY Mellon	Trustee	Indenture	Money Market Fund	\$ 63.7
OCTA	Bank of the West	Broker	Investment Policy	Repurchase Agreement	39.8
OCTA	Bank of the West	Broker	Investment Policy	Bank Deposits	0.3
California State Treasurer	LAIF	Custodian	Investment Policy	Investment Pool/LAIF	10.9
Orange County Treasurer	OCIP	Custodian	Investment Policy	Investment Pool/OCIP	8.2
Subtotal OCTA Liquid Portfolio					\$ 122.8
<u>SHORT-TERM PORTFOLIO:</u>					
<u>Investment Managers</u>					
MetLife Investment Management	U.S Bank	Custodian	Investment Policy	Various	\$ 397.6
Chandler Asset Management	U.S Bank	Custodian	Investment Policy	Various	395.0
Payden & Rygel Investment Counsel	U.S Bank	Custodian	Investment Policy	Various	402.8
PFM Asset Management	U.S Bank	Custodian	Investment Policy	Various	398.5
Subtotal Short-Term Portfolio (Investment Managers)					\$ 1,593.8
<u>BOND PROCEEDS PORTFOLIO:</u>					
OCTA/ Measure M2	Bank of Nova Scotia	Custodian	Indenture/GIC	Guaranteed Investment Contract	\$ 183.6
OCTA/ Measure M2	BNY Mellon	Trustee	Indenture	Treasury Bills	-
OCTA/ Measure M2	BNY Mellon	Trustee	Indenture	Commercial Paper	81.8
OCTA/ Measure M2	BNY Mellon	Trustee	Indenture	Money Market Fund	1.1
Subtotal OCTA Bond Proceeds Portfolio					\$ 266.4
<u>RESERVE FUNDS PORTFOLIO:</u>					
OCTA/ 91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Indenture	Commercial Paper	\$ 11.5
OCTA/ 91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Indenture	Commercial Paper	10.5
OCTA/ 91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Indenture	Commercial Paper	3.1
OCTA/ 91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Indenture	U.S. Treasury Obligations	0.0
OCTA/ 91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Indenture	U.S. Treasury Obligations	0.0
Bank Deposits/Cash	Bank of the West	Trustee	Indenture	Cash	0.2
Subtotal OCTA Reserve Funds Portfolio					\$ 25.2
TOTAL					\$ 2,008.3

Investment Manager Diversification and Maturity Schedules

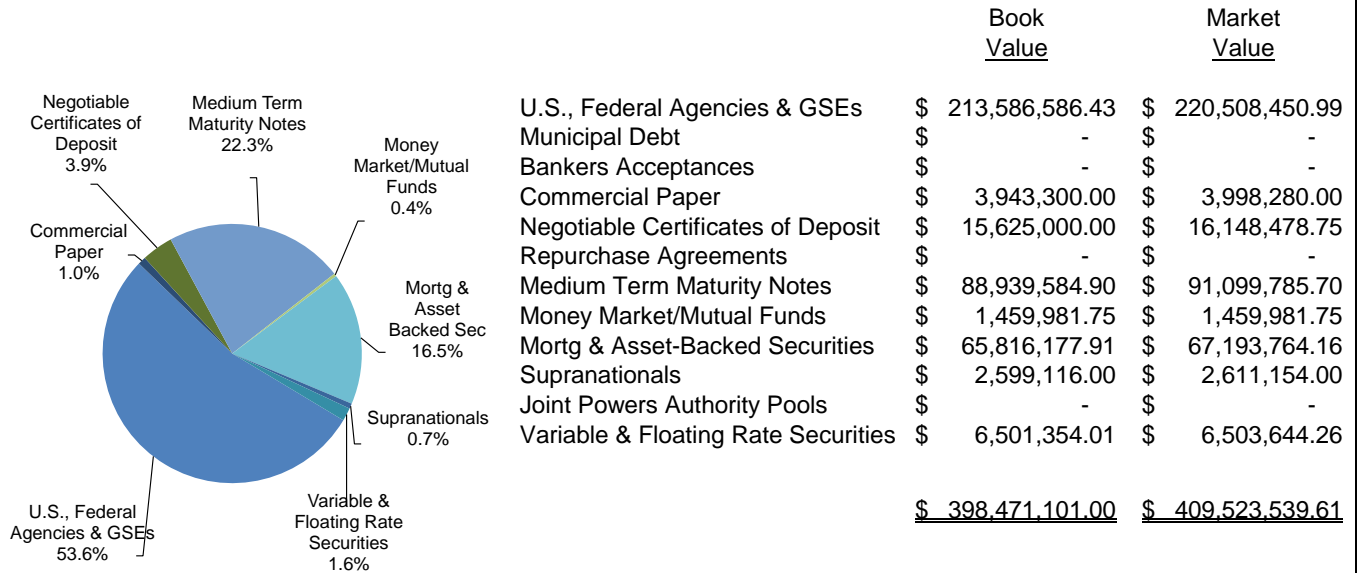
MetLife Investment Management 5/31/2020



Investment Manager Diversification and Maturity Schedules

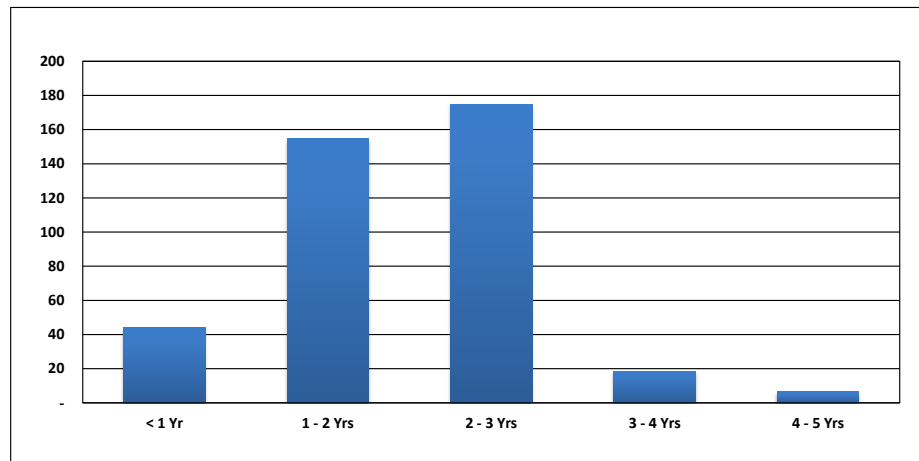
PFM
5/31/2020

SHORT-TERM PORTFOLIO (\$398.5 M)



Monthly Return 0.35%
TSY Benchmark 0.07%
Gov/Corp Benchmark 0.22%

12 Month Return 4.63%
TSY Benchmark 4.58%
Gov/Corp Benchmark 4.62%

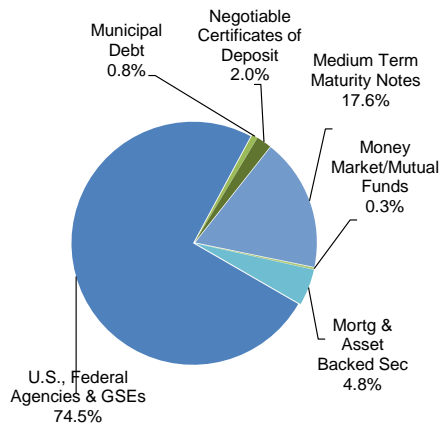


Investment Manager Diversification and Maturity Schedules

Chandler Asset Management

5/31/2020

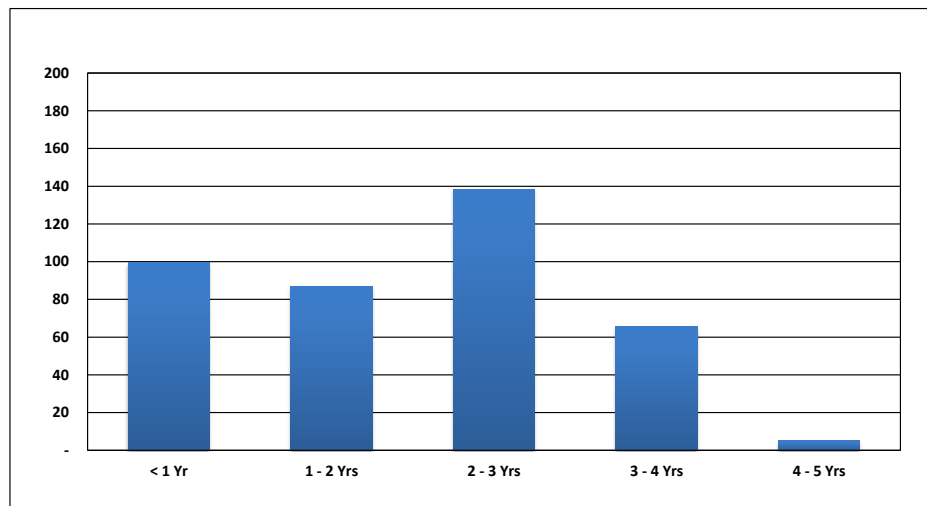
SHORT-TERM PORTFOLIO (\$395.0 M)



	Book Value	Market Value
U.S. Federal Agencies & GSEs	\$ 294,369,842.60	\$ 303,458,355.55
Municipal Debt	\$ 3,000,000.00	\$ 3,056,940.00
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ 8,000,000.00	\$ 8,040,400.00
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 69,472,572.25	\$ 72,613,278.80
Money Market/Mutual Funds	\$ 1,061,574.08	\$ 1,061,574.08
Mortg & Asset-Backed Securities	\$ 19,111,685.06	\$ 19,382,675.17
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ -	\$ -
	<u>\$ 395,015,673.99</u>	<u>\$ 407,613,223.60</u>

Monthly Return 0.30%
 TSY Benchmark 0.07%
 Gov/Corp Benchmark 0.22%

12 Month Return 4.61%
 TSY Benchmark 4.58%
 Gov/Corp Benchmark 4.62%

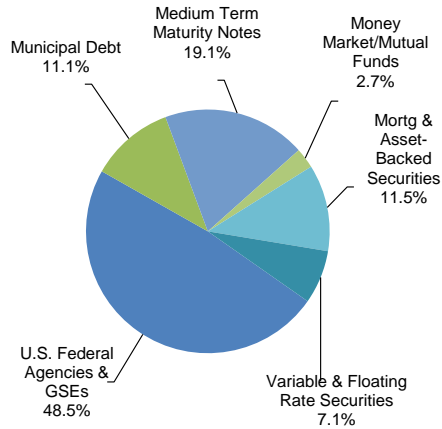


Investment Manager Diversification and Maturity Schedules

Payden & Rygel

5/31/2020

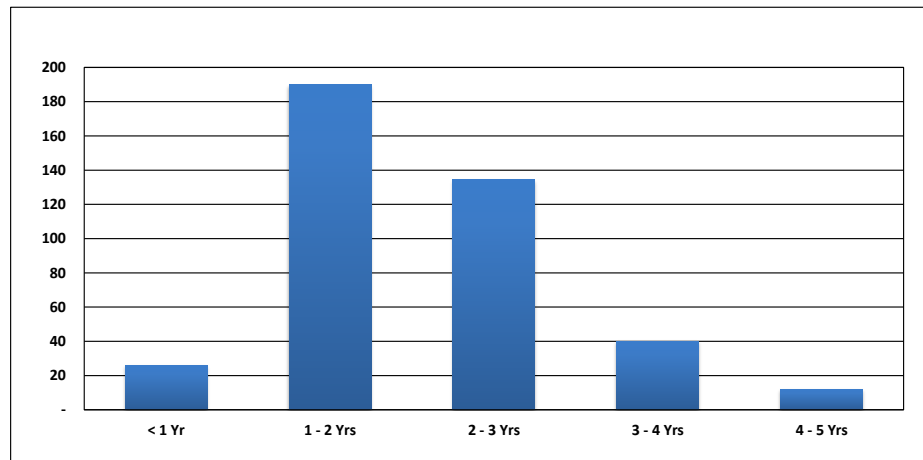
SHORT-TERM PORTFOLIO (\$402.8 M)



	Book Value	Market Value
U.S. Federal Agencies & GSEs	\$ 195,252,026.73	\$ 195,966,640.01
Municipal Debt	\$ 44,892,484.37	\$ 45,266,506.15
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 76,737,010.52	\$ 78,616,531.10
Money Market/Mutual Funds	\$ 10,863,121.90	\$ 10,863,121.90
Mortg & Asset-Backed Securities	\$ 46,394,371.02	\$ 47,296,185.53
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 28,636,417.12	\$ 29,007,509.26
	<u>\$ 402,775,431.66</u>	<u>\$ 407,016,493.95</u>

Monthly Return 0.39%
 TSY Benchmark 0.07%
 Gov/Corp Benchmark 0.22%

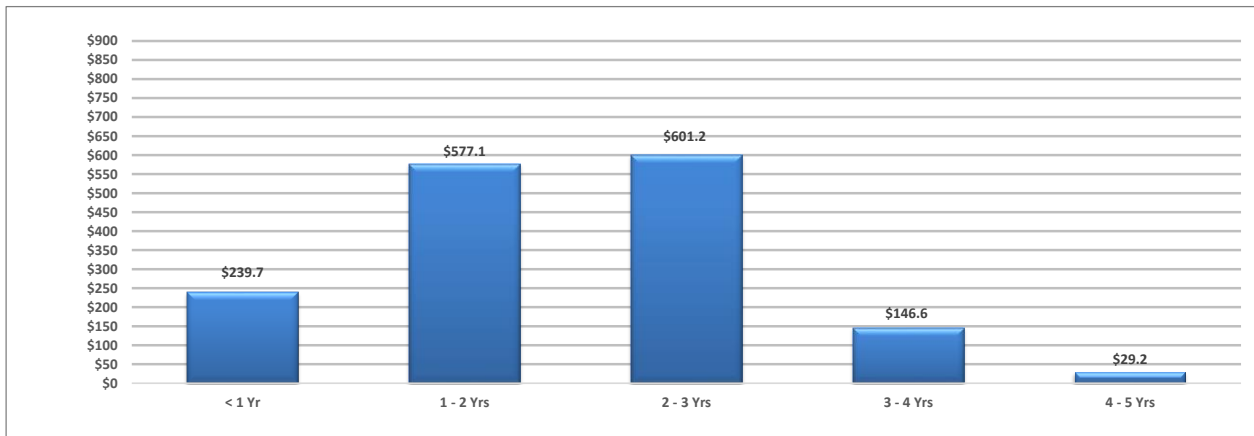
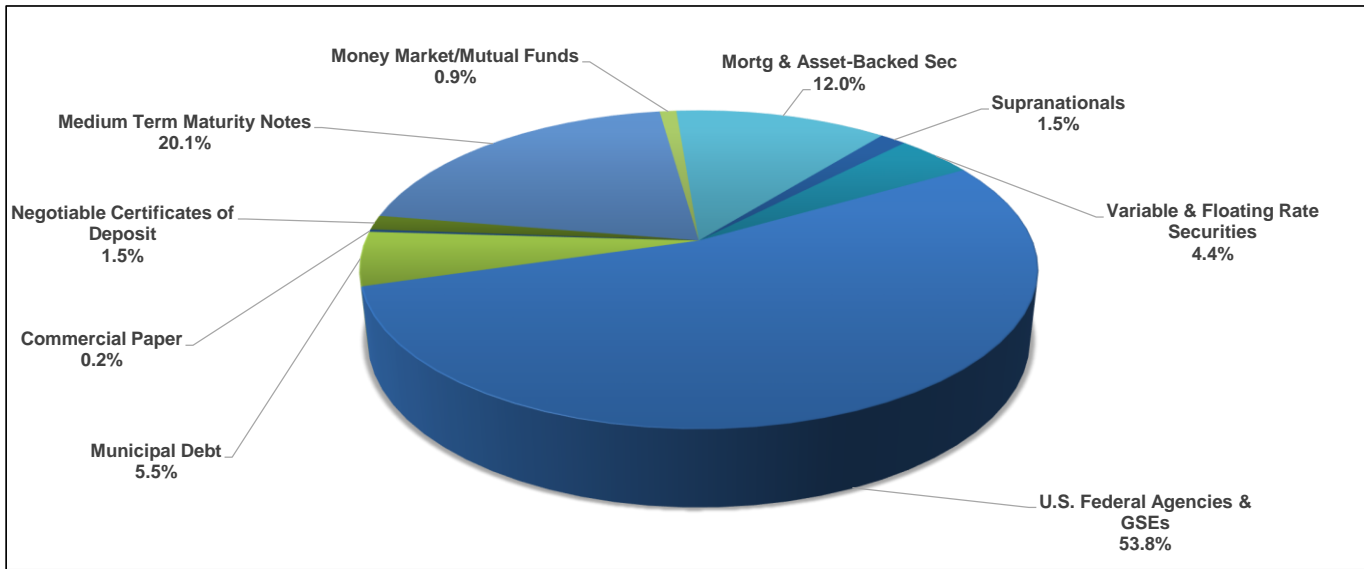
12 Month Return 4.49%
 TSY Benchmark 4.58%
 Gov/Corp Benchmark 4.62%



Short-Term Portfolio

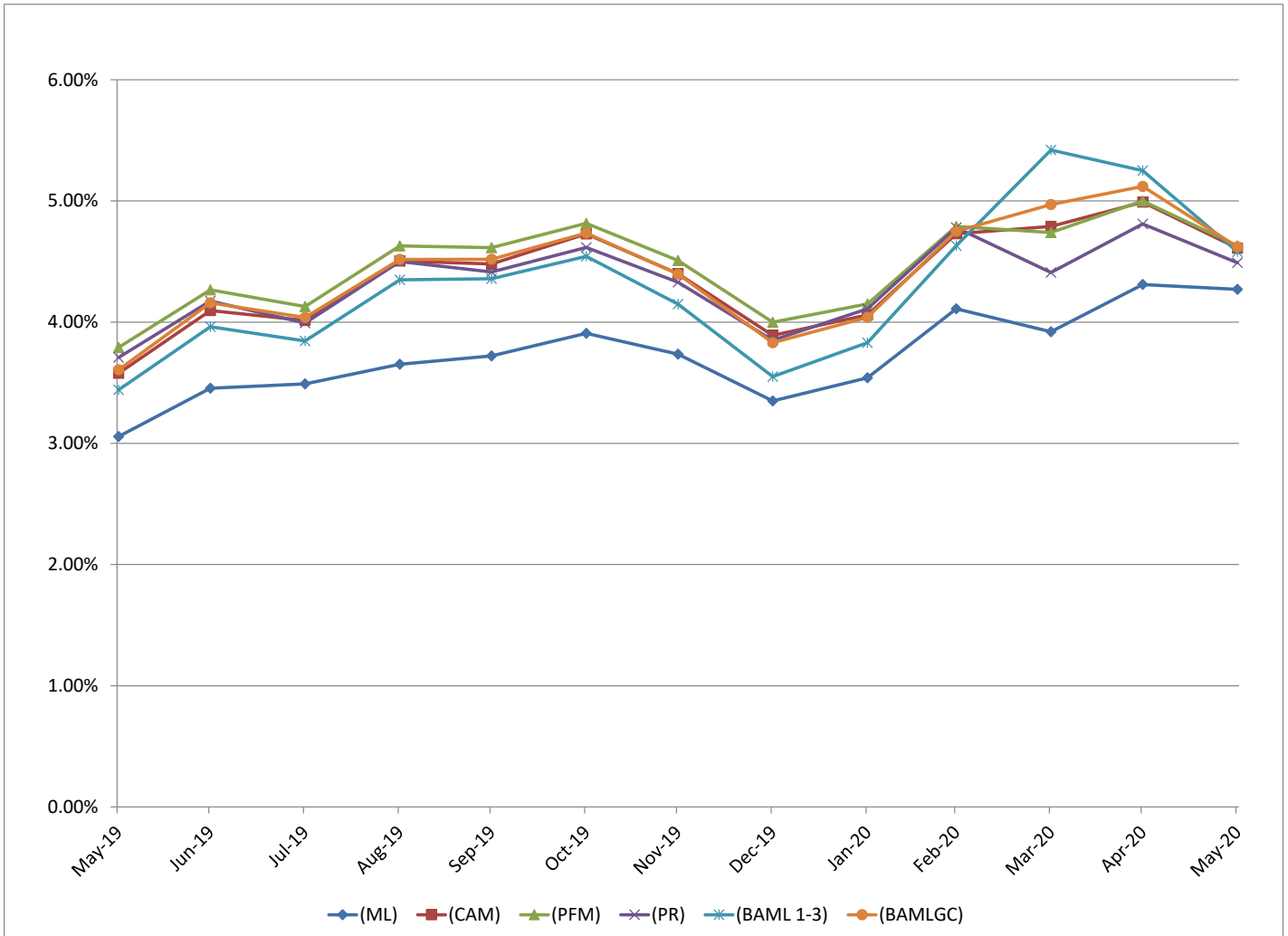
5/31/2020

Portfolio Composition



Orange County Transportation Authority
Short-Term Portfolio Performance
5/31/2020

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

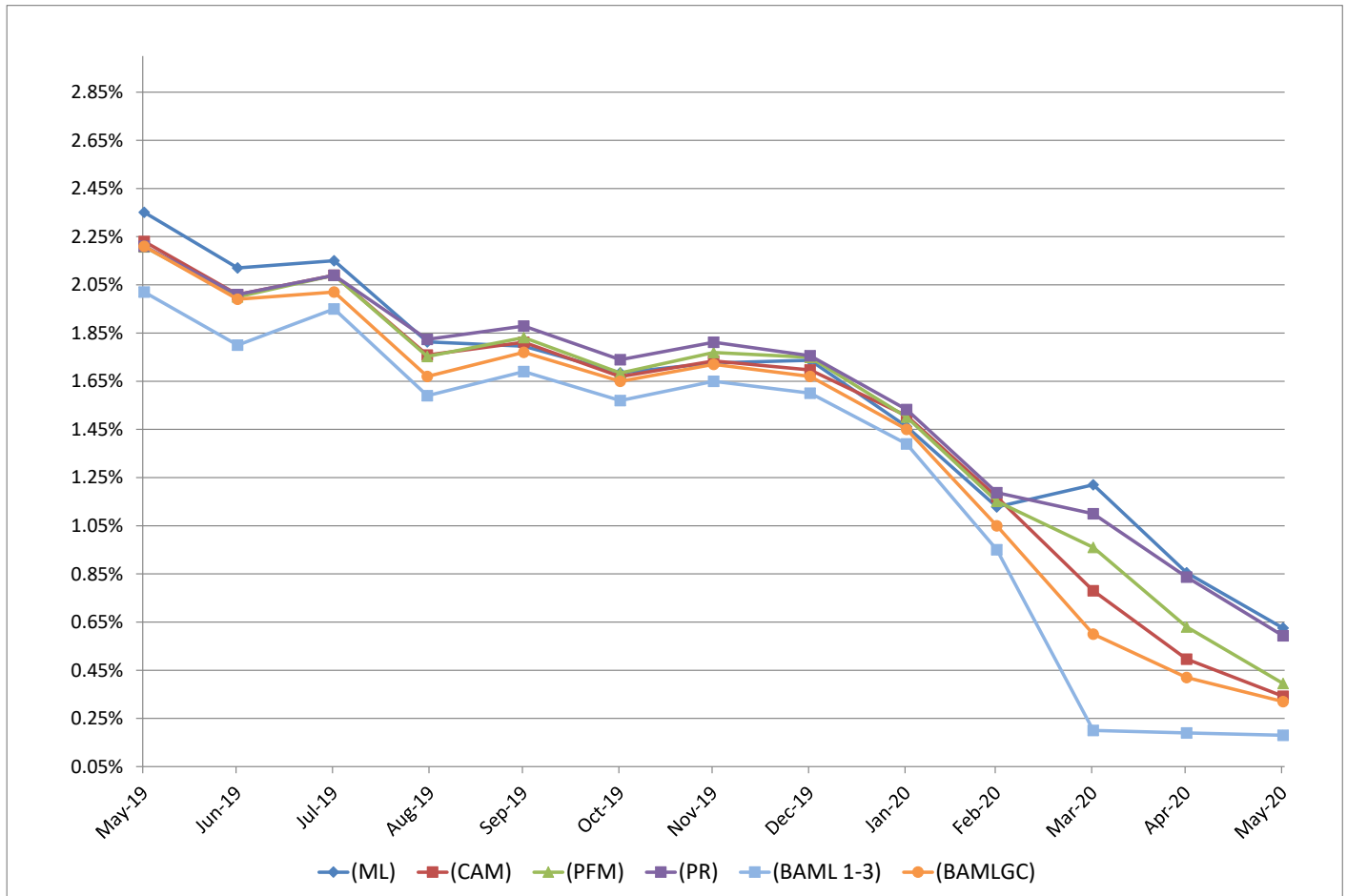


	MetLife Investment Mgmt (ML)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
May-19	3.06%	3.58%	3.79%	3.71%	3.44%	3.61%
Jun-19	3.45%	4.10%	4.27%	4.17%	3.96%	4.16%
Jul-19	3.49%	4.01%	4.13%	3.99%	3.84%	4.04%
Aug-19	3.65%	4.50%	4.63%	4.50%	4.35%	4.52%
Sep-19	3.72%	4.48%	4.61%	4.41%	4.36%	4.52%
Oct-19	3.91%	4.73%	4.82%	4.62%	4.54%	4.74%
Nov-19	3.74%	4.40%	4.51%	4.33%	4.15%	4.40%
Dec-19	3.35%	3.89%	4.00%	3.85%	3.55%	3.83%
Jan-20	3.54%	4.06%	4.15%	4.11%	3.83%	4.04%
Feb-20	4.11%	4.73%	4.79%	4.78%	4.63%	4.75%
Mar-20	3.92%	4.79%	4.74%	4.41%	5.42%	4.97%
Apr-20	4.31%	4.99%	5.00%	4.81%	5.25%	5.12%
May-20	4.27%	4.61%	4.63%	4.49%	4.58%	4.62%

Short-Term Portfolio Performance

5/31/2020

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



	MetLife Investment Mgmt (ML)	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-19	2.35%	2.23%	2.21%	2.21%	2.02%	2.21%
Jun-19	2.12%	2.01%	2.00%	2.01%	1.80%	1.99%
Jul-19	2.15%	2.09%	2.09%	2.09%	1.95%	2.02%
Aug-19	1.81%	1.76%	1.75%	1.82%	1.59%	1.67%
Sep-19	1.80%	1.81%	1.83%	1.88%	1.69%	1.77%
Oct-19	1.69%	1.67%	1.68%	1.74%	1.57%	1.65%
Nov-19	1.73%	1.73%	1.77%	1.81%	1.65%	1.72%
Dec-19	1.74%	1.70%	1.75%	1.76%	1.60%	1.67%
Jan-20	1.46%	1.51%	1.50%	1.53%	1.39%	1.45%
Feb-20	1.13%	1.17%	1.15%	1.19%	0.95%	1.05%
Mar-20	1.22%	0.78%	0.96%	1.10%	0.20%	0.60%
Apr-20	0.86%	0.50%	0.63%	0.84%	0.19%	0.42%
May-20	0.63%	0.34%	0.40%	0.59%	0.18%	0.32%

Investment Compliance

5/31/2020

Portfolio Subject to Investment Policy			
	Dollar Amount	Percent Of	Investment Policy
Short-Term/Liquid Portfolio ¹	Invested	Portfolio	Maximum Percentages
U.S. Federal Agencies & GSEs	\$ 856,979,174	51.8%	100%
Municipal Debt	87,388,096	5.3%	30%
Commercial Paper	3,943,300	0.2%	25%
Negotiable Certificates of Deposit	23,625,000	1.4%	30%
Repurchase Agreements	39,782,738	2.4%	25%
Medium Term Maturity Notes	320,874,888	19.4%	30%
Money Market/Mutual Funds	15,134,368	0.9%	20%
Mortgage & Asset-Backed	192,036,572	11.6%	20%*
Supranationals	23,732,180	1.4%	20%
Local Agency Investment Fund	10,859,947	0.7%	\$ 65 Million
Orange County Investment Pool	8,180,677	0.5%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	277,411	0.0%	5%
Variable & Floating Rate Securities	70,121,097	4.2%	30%
Total Short-Term/Liquid Portfolio	\$ 1,652,935,448	100.0%	

1. Excludes portion of Liquid Portfolio subject to Indenture

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

Portfolio Subject to Indenture						
	Dollar Amount		OCTA		Indenture Requirements	
	Invested	Credit Quality		Term	Credit Quality	Term
Liquid Portfolio*						
Money Market Funds	\$ 63,653,633	AAA/Aaa		45 days	Min. A2/A	Max. 4 years
Bond Proceeds Portfolio						
Money Market Funds	\$ 1,080,547	AAA/Aaa		45 days	Min. A2/A	Max. 4 years
Treasury Bills	-	AAA/Aaa/AA+		27 days	Min. A2/A	Max. 4 years
Commercial Paper	81,815,631	P-1/F-1/A-1		60-82 days	Min. A2/A	Max. 4 years
Guaranteed Investment Contract	183,550,000	Aa2/AA-/A+		N/A	Min. A3/A-	N/A
Total Bond Proceeds Portfolio	\$ 266,446,178					
Reserve Funds Portfolio						
Commercial Paper	\$ 25,025,925	P-1/F-1		30 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	198,967					
US Treasuries Obligations	1,332	AAA/Aaa		30 days	Min. A2/A	Max. 5 years
Total Reserve Funds Portfolio	\$ 25,226,224					
Total Portfolio Subject to Indenture	\$ 291,672,402					
Portfolio Total	\$ 2,008,261,483					

*Reflects portion of Liquid Portfolio subject to Indenture

Rating Downgrades

5/31/2020

<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
PFM					
<i>Toyota Motor Credit Corporation</i>	4,430,000	Various*	A+	A1	A+
On May 20, 2020, S&P downgraded the long-term ratings of Toyota Co. from AA- to A+. The downgrade is due to the impact the coronavirus pandemic will likely have on global car sales and factory operations. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their exceptional liquidity.					
<i>American Honda Finance Corporation</i>	3,800,000	6/27/2022	A-	A3	N/A
On May 20, 2020, S&P downgraded the long-term ratings of Honda Co. from A to A-. The downgrade is due to expected earnings pressure in the next one to two years due to the coronavirus pandemic's impact to sales in the US and China. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong competitive position, balance sheet, and liquidity position.					
Chandler Asset Management					
<i>HSBC USA Inc.</i>	4,530,000	8/7/2020	A-	A2	A+
On May 13, 2020, S&P downgraded the long-term ratings of HSBC from A to A-. The downgrade is due to the impact the coronavirus pandemic will likely have on the global economic outlook, and weaker bank earnings. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to HSBC'S strong balance sheet and diversification.					
<i>Toyota Motor Credit Corporation</i>	2,500,000	4/13/2021	A+	A1	A+
On May 20, 2020, S&P downgraded the long-term ratings of Toyota Co. from AA- to A+. The downgrade is due to the impact the coronavirus pandemic will likely have on global car sales and factory operations. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their exceptional liquidity.					
<i>American Honda Finance Corporation</i>	3,500,000	Various**	A-	A3	N/A
On May 20, 2020, S&P downgraded the long-term ratings of Honda Co. from A to A-. The downgrade is due to expected earnings pressure in the next one to two years due to the coronavirus pandemic's impact to sales in the US and China. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong competitive position, balance sheet, and liquidity position.					
*1/8/21 & 1/11/22					
**11/16/22 & 1/12/24					

Negative Credit Watch

5/31/2020

<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
PFM					
Pfizer On June 17, 2019, S&P, and Fitch placed the long-term ratings of Pfizer Inc. under review for possible downgrade. The credit watch placement is due to Pfizer's announcement of a debt-funded acquisition as well as an announcement to divest its mature off-patent business Upjohn. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Pfizer's product diversification and vast revenue streams.	2,300,000	Various*	AA-	A1	A
Skandinaviska Enskilda Banken AB (publ.) On March 31, 2020, Fitch placed the long-term ratings of Skandinaviska under review for possible downgrade. The credit watch placement is due to the negative impact COVID-19 will have on the banks credit profile. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the bank being well capitalized, and because of this they should be able to absorb the negative impact of an economic downturn.	3,875,000	8/26/2022	A+	P-1	AA
Merck & Co. On February 5, 2020, S&P placed the long-term ratings of Merck & Co. under review for possible downgrade. The credit watch placement is due to Merck's announcement that it will be spinning off a large portion of their brand. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Merck, and their vast pharmaceutical diversification.	1,250,000	2/10/2022	AA-	A1	A+
Toyota Motor Credit Corporation On March 26, 2020, S&P and Moody's placed the long-term ratings of Toyota Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification .	4,430,000	Various**	A+	A1	A+
American Honda Finance Corporation On March 27, 2020, S&P and Moody's placed the long-term ratings of Honda Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification.	3,800,000	6/27/2022	A-	A3	N/A
Walt Disney Co. On April 17, 2020, S&P placed the long-term ratings of Disney under review for possible downgrade. The credit watch placement is due to the impact COVID-19 has on a variety of Disney's businesses, in particular their theme parks, which remain closed indefinitely. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Disney's diverse business as well as strong leverage metrics.	875,000	9/1/2022	A	A2	A
Payden & Rygel					
San Francisco Bay Area Rapid Transit District (BART) On March 20,2020, Fitch placed the long-term ratings of San Francisco BART under review for possible downgrade. The credit watch placement is due to a broad sector revision of bonds secured by economically sensitive tax revenues in light of COVID-19. The security complies with the requirements of the Investment Policy and the manager is comfortable holding due to the strong credit quality of the agency as well as a strong cash flow.	630,000	7/1/2020	AA+	N/A	AA+
Chandler Asset Management					
Toyota Motor Credit Corporation On March 26, 2020, S&P and Moody's placed the long-term ratings of Toyota Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification .	3,500,000	Various***	A+	A1	A+
General Dynamics Corporation On March 20, 2020, S&P placed the long-term ratings of General Dynamics under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the company's demand for business jets and related services. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the dominate role defense plays in their overall business.	4,000,000	5/11/2021	A	A2	N/A
American Honda Finance Corporation On March 27, 2020, S&P and Moody's placed the long-term ratings of Honda Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification.	3,500,000	Various****	A-	A3	N/A
MetLife					
San Francisco Bay Area Rapid Transit District (BART) On March 20,2020, Fitch placed the long-term ratings of San Francisco BART under review for possible downgrade. The credit watch placement is due to a broad sector revision of bonds secured by economically sensitive tax revenues in light of COVID-19. The security complies with the requirements of the Investment Policy and the manager is comfortable holding due to the strong credit quality of the agency as well as a strong cash flow.	630,000	7/1/2020	AA+	N/A	AA+

*9/15/21 & 3/11/22

**1/8/21 & 1/11/22

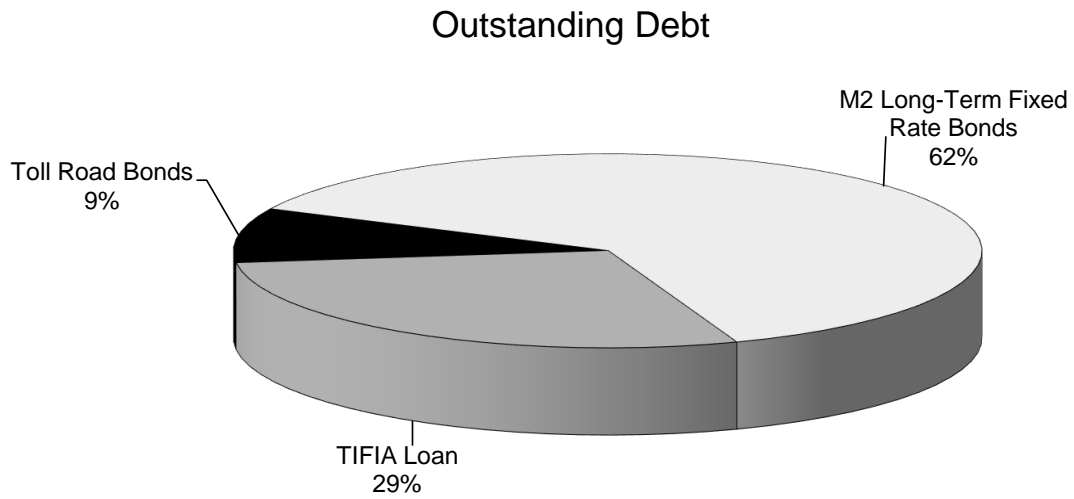
***4/17/20 & 4/13/21

****11/16/22 & 1/12/24

DEBT PROGRAM

Total Outstanding Debt

As of 5/31/20



TOTAL OUTSTANDING DEBT: \$1,005,375,000

Outstanding Debt

As of 5/31/20

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 2020:		17,270,000
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:		376,690,000
Debt Service FY 2020:		17,939,230
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ S&P):	AA+/AA+	
Final Maturity:		2041

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		91,685,000
Debt Service FY 2020:		10,798,325
Pledged Revenue Source:	91 Toll Road Revenues	
Ratings (Fitch/ Moody's/ S&P):	A+/A1/AA-	
Final Maturity:		2030


405 Express Lanes

2017 TIFIA Loan

Outstanding:	\$	287,000,000
Accrued Debt Service FY 2020:	\$	15,372,932
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings (Moody's):	Baa2	
Final Maturity:		2057



July 8, 2020

To: Finance and Administration Committee 
From: Darrell E. Johnson, Chief Executive Officer
Subject: Amendment to Cooperative Agreement with the Anaheim Transportation Network for Public Transit Services

Overview

On August 28, 2017, the Orange County Transportation Authority Board of Directors approved a cooperative agreement with the Anaheim Transportation Network for the continued operation of public transit services. Board of Directors' approval is requested to amend the cooperative agreement to provide the Anaheim Transportation Network with additional funds from the Coronavirus Aid, Relief, and Economic Security Act.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1760 between the Orange County Transportation Authority and the Anaheim Transportation Network, in the amount of \$2,354,802, for the pass through of Coronavirus Aid, Relief, and Economic Security Act funding. This will increase the maximum obligation of the cooperative agreement to a total contract value of \$6,559,862.

Background

The Anaheim Transportation Network (ATN) provides transportation services that generate federal funding. As a result, ATN is an eligible subrecipient of funding from the Federal Transit Administration (FTA) Section 5307 Urbanized Area and FTA Section 5339 Bus and Bus Facilities Programs. The Orange County Transportation Authority (OCTA), as the direct grant recipient, has the option to utilize the additional funds for OCTA-related transportation services or to provide the additional funds to ATN to support the transportation services they provide.

OCTA has historically utilized the federal funds generated by ATN for OCTA-related projects and provided an equivalent amount of unrestricted

Amendment to Cooperative Agreement with the Anaheim Page 2 Transportation Network for Public Transit Services

local funds to ATN to support the transportation services provided. On August 28, 2017, the OCTA Board of Directors (Board) approved a cooperative agreement for the pass through of unrestricted local funds to ATN for fiscal year (FY) 2016-17 through FY 2020-21.

In March 2020, the United States Senate introduced the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the novel coronavirus (COVID-19) pandemic. The CARES Act provides OCTA with an additional \$225 million of federal funding for economic relief caused by the pandemic. As subrecipient, OCTA has determined that ATN is eligible to receive \$2,354,802 of these funds.

Discussion

OCTA's current agreement with ATN requires an amendment to accommodate the increased funding available to ATN from the CARES Act. OCTA calculated the amount of CARES Act funding available to ATN to be \$2,354,802, utilizing the existing methodology used to determine ATN's share of the annual apportionment of FTA Section 5307 and Section 5339 formula funds. OCTA staff continues to work closely with ATN to discuss the methodology utilized to determine ATN's fair share of funds.

ATN staff has made it clear to OCTA staff that they do not agree with the calculations OCTA has used to determine the amount of CARES Act funds ATN should receive. In discussions with ATN, it was agreed to move this staff report forward using OCTA's existing methodology and to seek additional guidance from the FTA regarding ATN's concerns. If it is determined later that ATN should receive more funds than this agreement allows, OCTA will bring an amendment to this agreement back to the OCTA Board for approval.

The current cooperative agreement with ATN stipulates that OCTA will retain up to ten percent of the FTA Section 5307 grant funds to cover costs associated with applying for grant funds, processing payments, and ensuring compliance with federal regulations. This stipulation will remain with the addition of the CARES Act funds.

The amount ATN is to receive of CARES Act funds exceeds the maximum obligation in the existing cooperative agreement. This request will increase the maximum cumulative obligation from \$4,205,060 to \$6,559,862, to accommodate the pass through of additional funds.

**Amendment to Cooperative Agreement with the Anaheim Page 3
Transportation Network for Public Transit Services**

Fiscal Impact

There is no financial impact to OCTA. OCTA would utilize the federal funds and pass through unrestricted local funds to ATN.

Summary

Staff requests Board approval to authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1760 between the OCTA and ATN, in the amount of \$2,354,802, for the pass through of funding. This will increase the maximum obligation of the cooperative agreement to a total contract value of \$6,559,862.

Attachment

- A. Anaheim Transportation Network Cooperative Agreement No. C-7-1760
Fact Sheet

Prepared by:



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Approved by:



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Chief Financial Officer,
Finance and Administration
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Virginia Abadessa
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**Anaheim Transportation Network
Cooperative Agreement No. C-7-1760
Fact Sheet**

1. August 28, 2017, Cooperative Agreement No. C-7-1760, \$4,205,060, approved by the Board of Directors (Board).
 - Anaheim Transportation Network funding agreement for public transit services funded with unrestricted local funds in exchange for state and federal funds.
 - Effective August 27, 2017 through June 30, 2022.
2. July 13, 2020, Amendment No. 1 to Cooperative Agreement No. C-7-1760, \$2,354,802, pending approval by the Board.
 - Amendment to provide for the pass through of unrestricted local dollars in the amount equal to the Anaheim Transportation Network's share of Coronavirus Aid, Relief, and Economic Security Act funds.

Total commitment to the Anaheim Transportation Network, Agreement No. C-7-1760: \$6,559,862.