

**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
August 31, 2023**

INVESTMENT PROGRAM

OCTA Investment Dashboard

8/31/2023

Safety of Principal

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

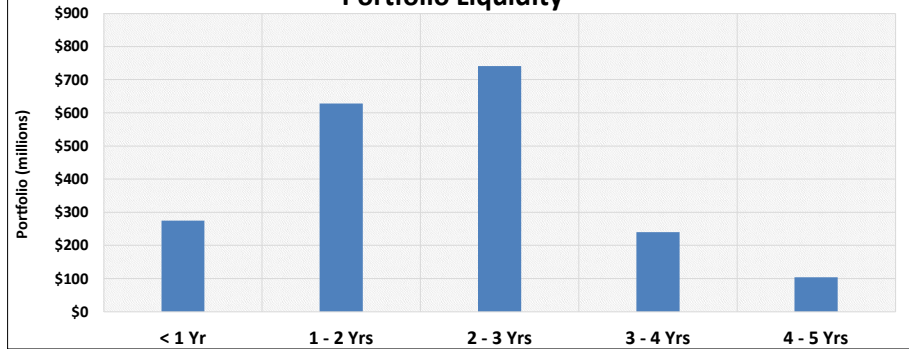
Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:
Not applicable.

Securities downgraded or placed on Negative Credit Watch during the month of August 2023, but remain in compliance with OCTA's Investment Policy:

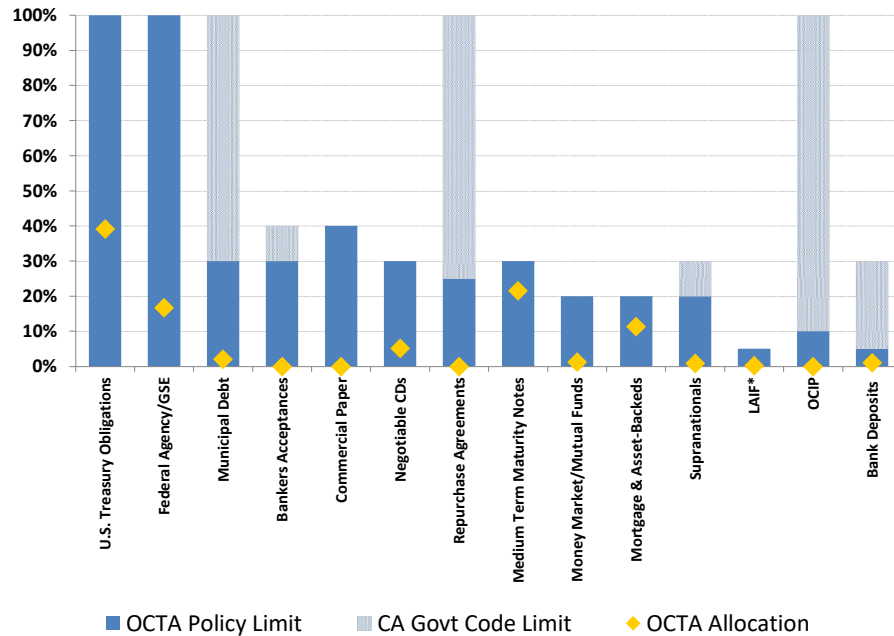
Various securities held within OCTA's investment portfolio were downgraded or placed on Negative Credit Watch for the month.

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

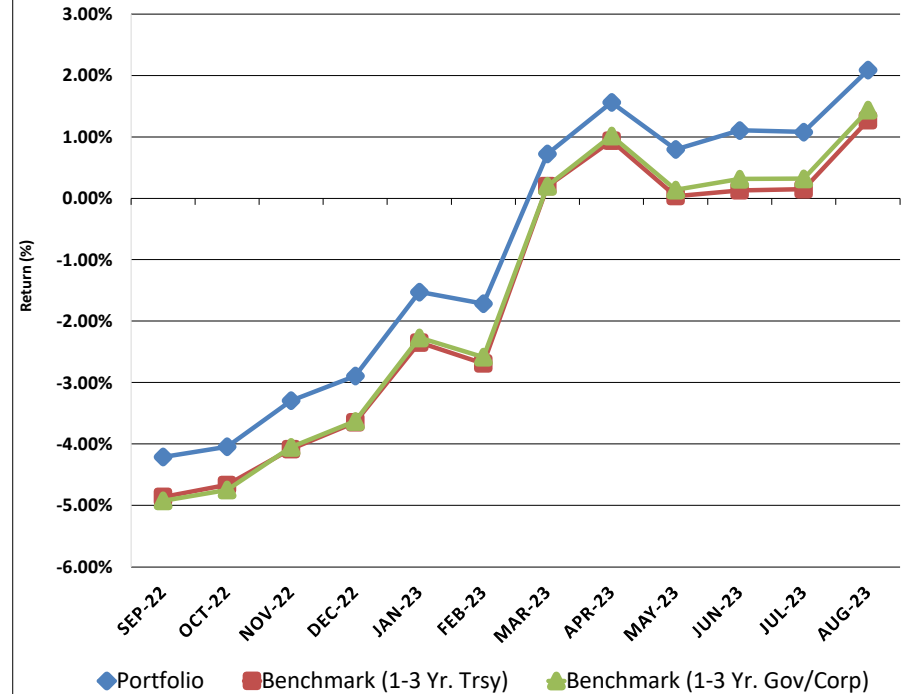
Portfolio Liquidity



Portfolio Diversification



Portfolio Return - 12 Month



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

** Per OCTA's Investment Policy the limit is 30% for variable and floating rate securities. As of August 31, 2023, 7.5% of the portfolio was invested in variable & floating rate securities.

Investment Compliance

8/31/2023

Portfolio Subject to Investment Policy			
Short-Term/Liquid Portfolio ¹	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Max. Percentages
U.S. Treasury Obligations	\$ 835,880,287	39.2%	100%
Federal Agency/GSE	358,317,641	16.8%	100%
Municipal Debt	\$ 44,880,577	2.1%	30%
Commercial Paper	-	0.0%	40%
Negotiable Certificates of Deposit	\$ 111,475,000	5.2%	30%
Repurchase Agreements	-	0.0%	25%
Medium Term Maturity Notes/Corporates	\$ 461,119,130	21.6%	30%
Money Market/Mutual Funds	28,016,126	1.3%	20%
Mortgage & Asset-Backed	\$ 243,081,515	11.4%	20%
Supranationals	19,370,014	0.9%	20%
Local Agency Investment Fund	\$ 6,683,889	0.3%	\$ 75 Million
Orange County Investment Pool	629,721	0.0%	10%
Bank Deposits	\$ 23,431,410	1.1%	5%
Total Short-Term/Liquid Portfolio²	\$ 2,132,885,312		

1. Excludes portion of Liquid Portfolio subject to Indenture

2. Includes variable & floating rate securities invested in the amount of \$160,953,934 (7.5% of total Short-Term/Liquid portfolio) and subject to 30% limit per OCTA's Investment Policy.

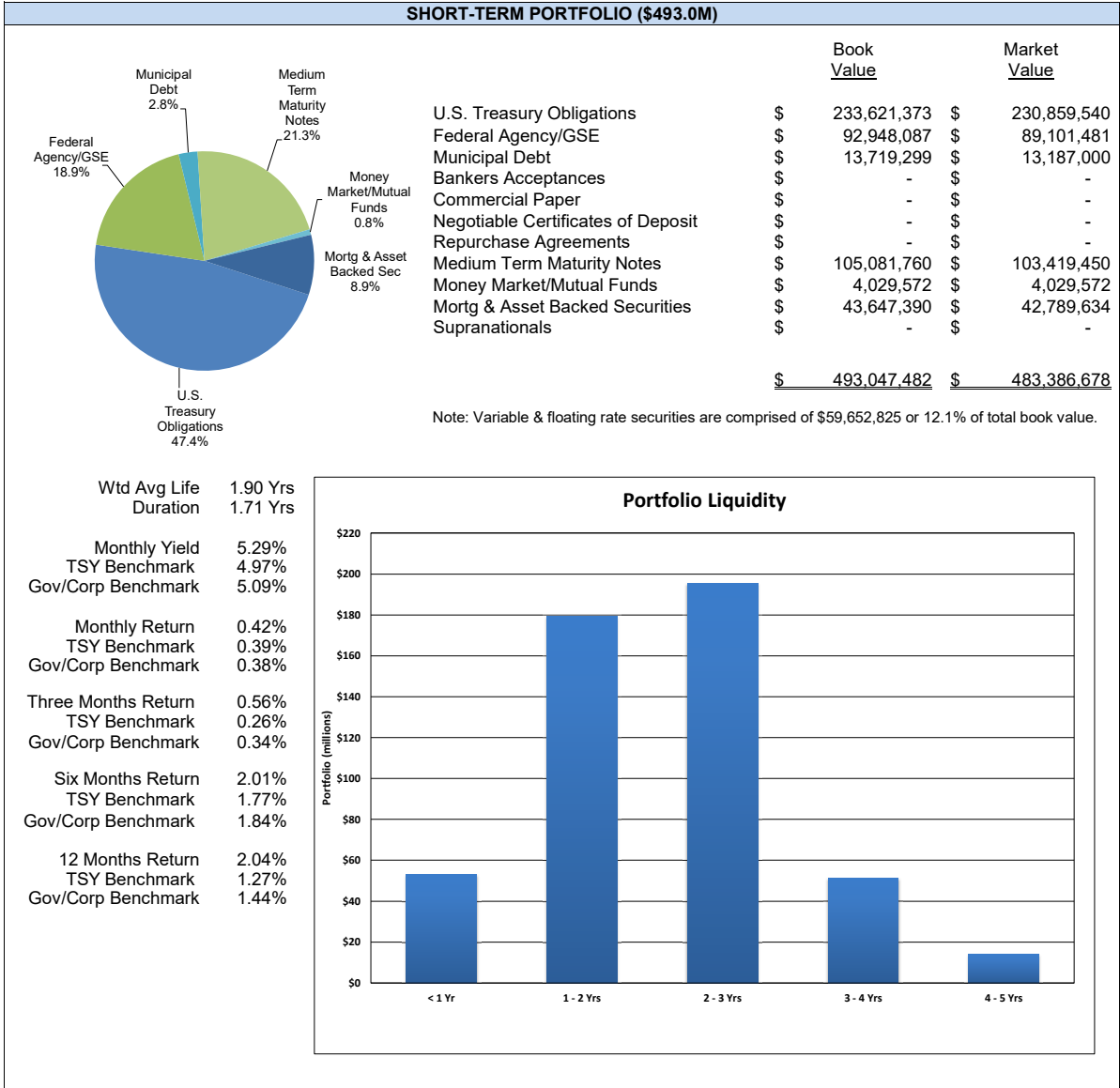
Portfolio Subject to Indenture					
Portfolio	Dollar Amount Invested	OCTA		Indenture Requirements	
		Credit Quality	Term	Min. Credit Quality	Max. Term
Liquid Portfolio*					
Government Obligations MMKT Fund	242,793,690	"AAAm"	N/A	AAA Category	N/A
Government Obligations MMKT Fund	24,321,952	"AAAm"/"Aammf"	N/A	AAA Category	N/A
Total Liquid Portfolio	\$ 267,115,642				
Bond Proceeds Portfolio					
2021 Bond Anticipation Notes (BANs):					
Government Obligations MMKT Fund	53,184	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	"AAAm" or "AAAm-G"	N/A
91 Express Lanes 2023 Bonds:					
Government Obligations MMKT Fund	68,557	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	N/A	N/A
Total Bond Proceeds Portfolio	\$ 121,742				
Reserve Funds Portfolio					
Bank Deposit	\$ 11,864	N/A	N/A	N/A	N/A
Government Obligations MMKT Fund	5,238,801	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	N/A	N/A
Negotiable Certificates of Deposit	5,000,000	"A-1"/"P-1"/"F1+"	90 days	"A-1"/"P-1"/"F1"	270 days
Negotiable Certificates of Deposit	3,300,000	"A-1"/"P-1"/"F1+"	180 days	"A-1"/"P-1"/"F1"	270 days
Government Obligations MMKT Fund**	5,301	"AAAm"/ "Aaa-mf"/"AAAmmf"	N/A	N/A	N/A
Total Reserve Funds Portfolio	\$ 13,555,966				
Total Portfolio Subject to Indenture	\$ 13,677,708				
Portfolio Total	\$ 2,413,678,661				

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

**91 EL Debt Service Fund

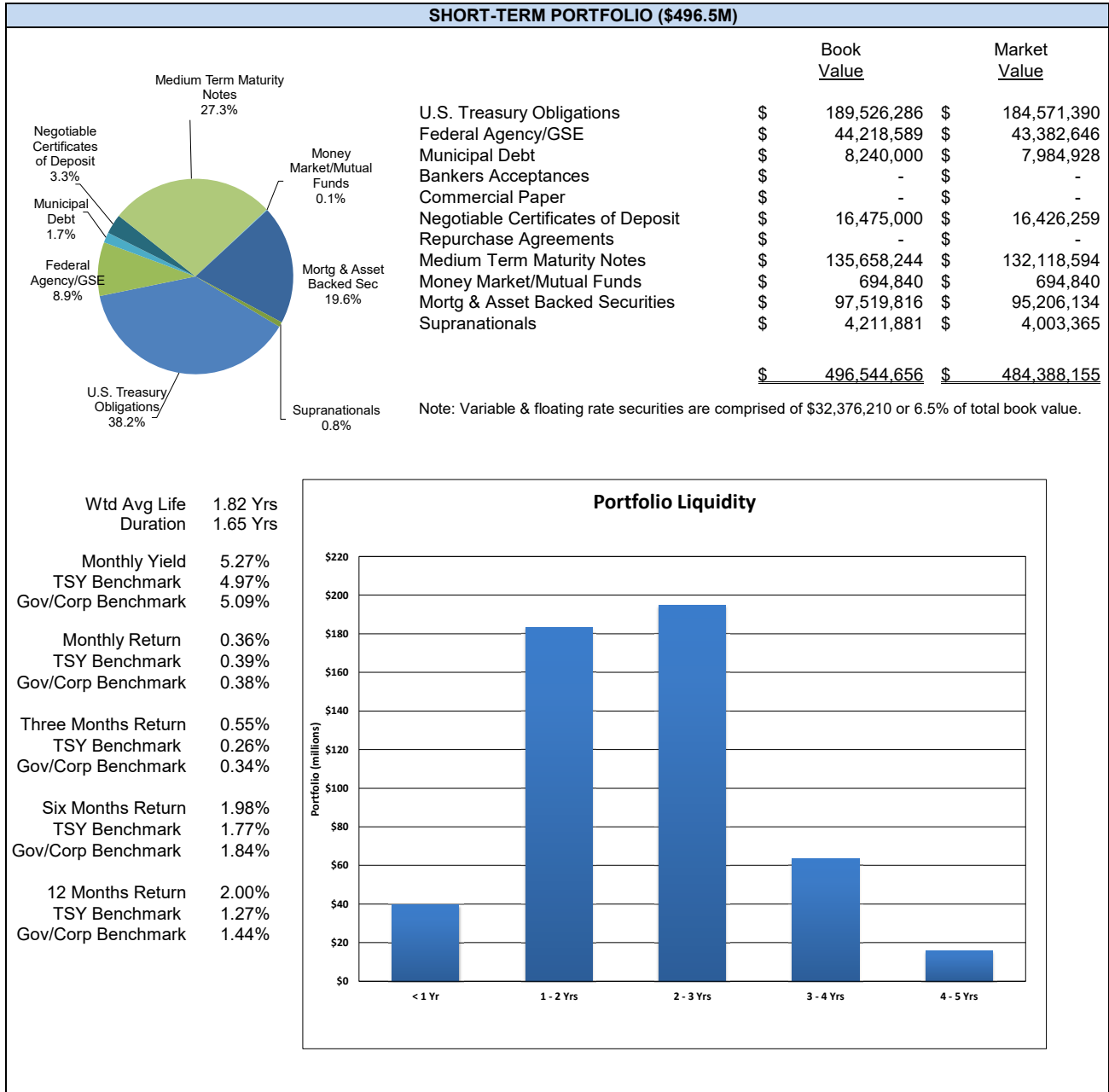
Investment Manager Diversification and Maturity Schedules

**MetLife Investment Management
8/31/2023**



Investment Manager Diversification and Maturity Schedules

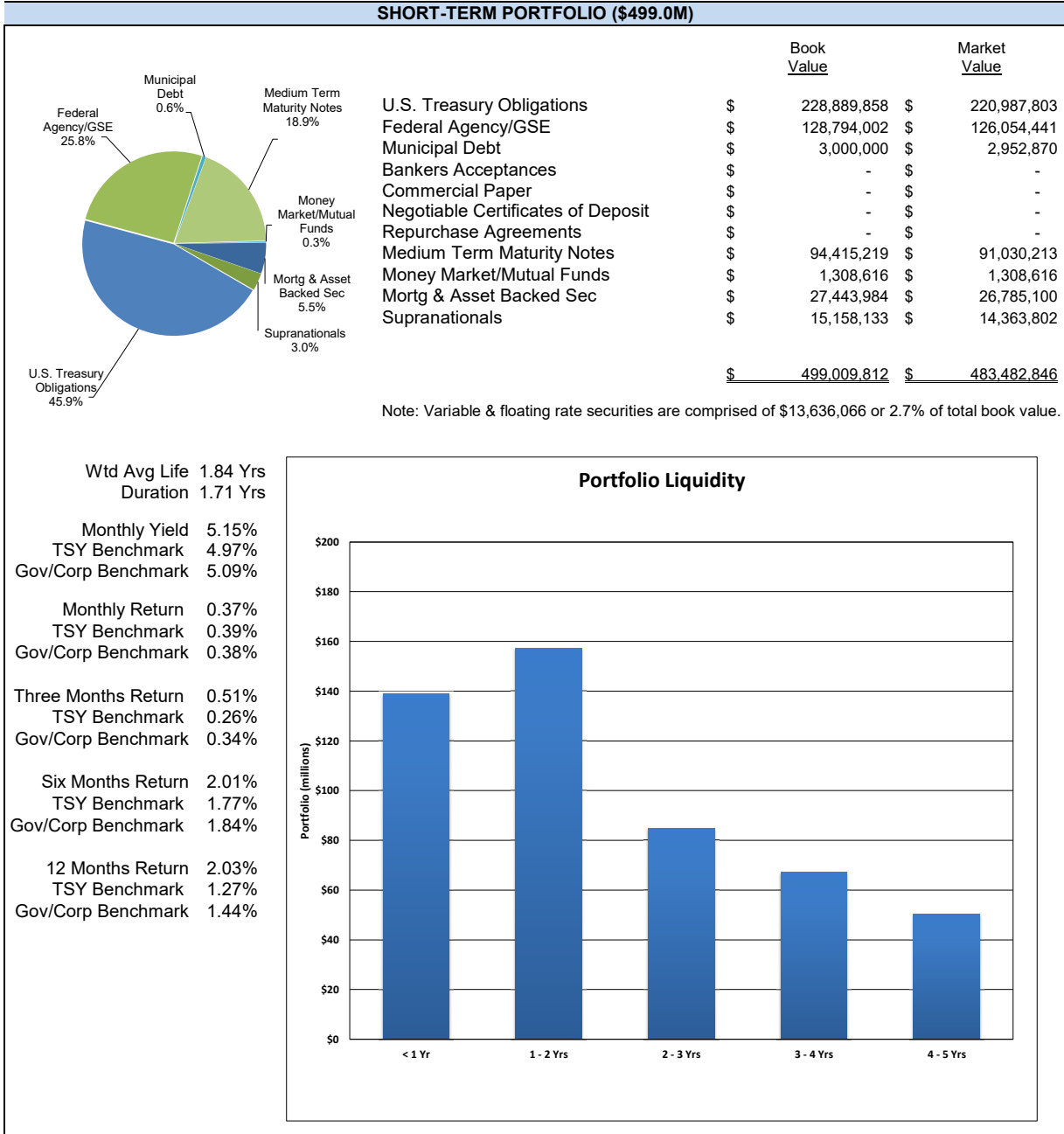
PFM
8/31/2023



Investment Manager Diversification and Maturity Schedules

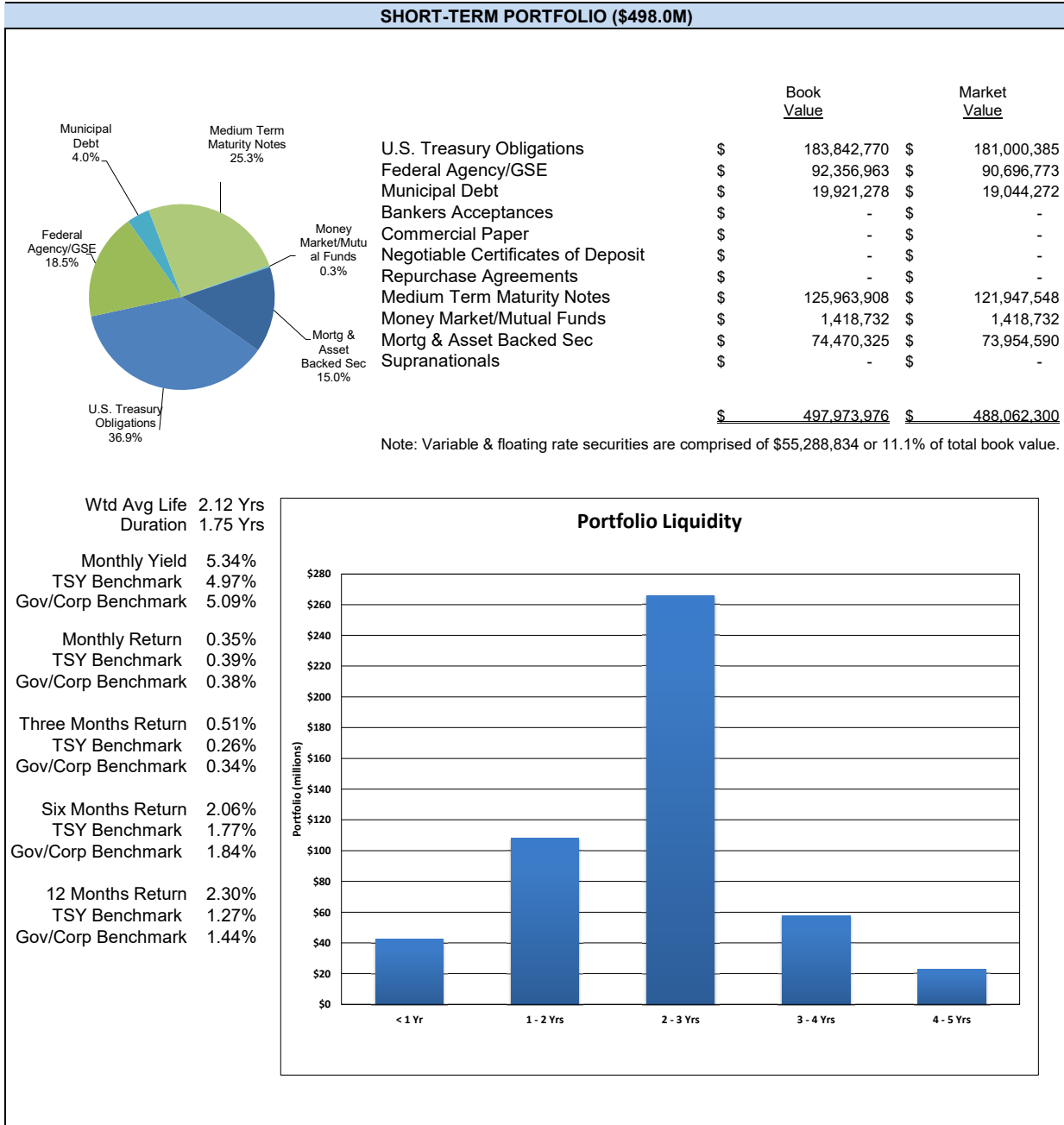
Chandler Asset Management

8/31/2023



Investment Manager Diversification and Maturity Schedules

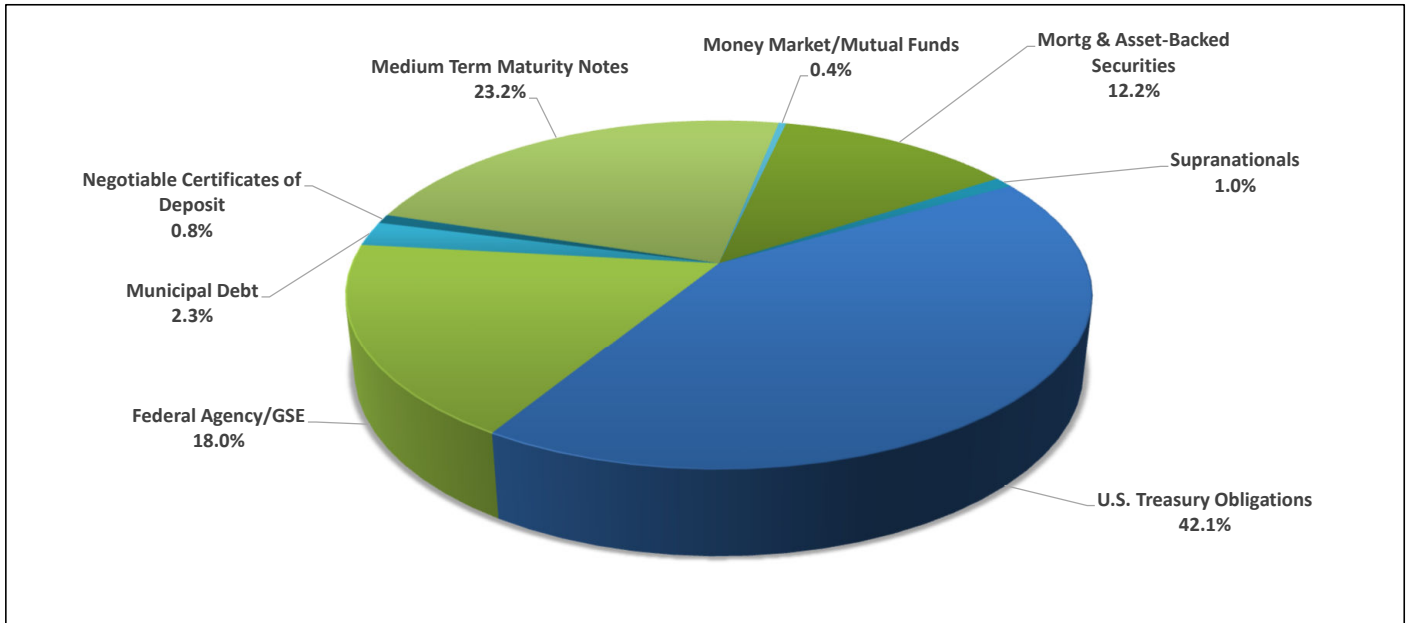
Payden & Rygel
8/31/2023



Short-Term Portfolio

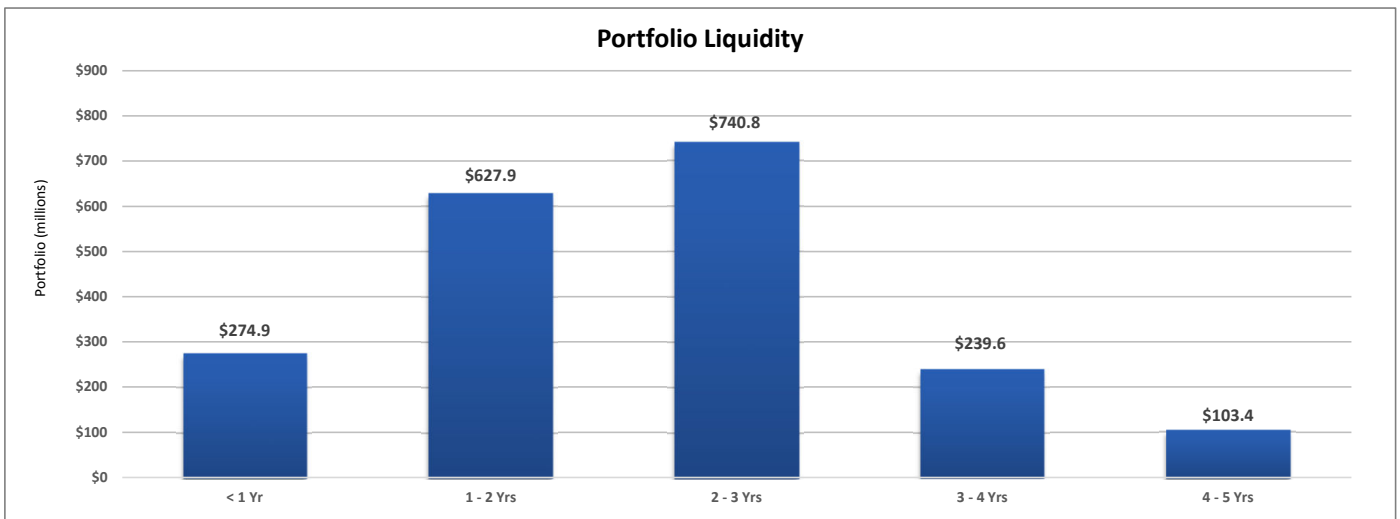
8/31/2023

Portfolio Composition



Note: Variable & floating rate securities are comprised of 8.1% of total book value.

Portfolio Liquidity



Rating Downgrades & Negative Credit Watch 8/31/2023

Investment Manager / Security	Par Amount	Maturity	S&P	Moody's	Fitch Ratings
Rating Downgrades:					
CAM, PFM, MetLife and Payden & Rygel					
UNITED STATES TREASURY OBLIGATIONS	\$ 844,416,000	10/31/2023 - 11/15/2027	AA+	Aaa	AA+
FEDERAL FARM CREDIT BANKS FUNDING CORP	\$ 18,000,000	10/02/2023 - 07/17/2026	AA+	Aaa	AA+
FEDERAL HOME LOAN BANKS	\$ 76,905,000	09/08/2023 - 06/30/2028	AA+	Aaa	AA+
FEDERAL HOME LOAN MORTGAGE CORP	\$ 13,162,387	04/25/2024 - 09/25/2027	AAA	Aaa	AA+
FEDERAL HOME LOAN MORTGAGE CORP	\$ 101,893,848	09/08/2023 - 08/25/2027	AA+	Aaa	AA+
FEDERAL NATIONAL MORTGAGE ASSOCIATION	\$ 38,847,425	06/25/2024 - 12/25/2027	AA+	Aaa	AA+

During the first week of August 2023, Fitch Ratings (Fitch) downgraded United States and its agencies one notch from "AAA" to "AA+". The downgrade is due to expected fiscal deterioration in the coming years, an elevated and growing debt burden, and an erosion in governance that has led to debt limit standoffs and brinkmanship. These investments comply with the credit ratings requirements of the investment policy and investment managers recommend holding the securities as the US Government is widely considered to be the highest credit quality in the world.

Payden & Rygel

MANUFACTURERS AND TRADERS TRUST CO	\$ 2,435,000	1/27/2026	A-	Baa1	A
------------------------------------	--------------	-----------	----	------	---

During the second week of August 2023, Moody's took negative rating actions on several US banks. Many of the banks were regional banks, and Moody's largely did not take action on US G-SIB banks, other than Bank of New York Mellon and State Street. This reflects several factors, namely:

- Elevated funding costs and declining net interest income, which are expected to erode profitability.
- Many US regional banks displaying weaker capital positions than their larger US and international peers.
- Increasing asset quality pressures, especially among smaller- and medium-sized banks with greater exposures to commercial real estate.

The security complies with the requirements of the Investment Policy, and the investment manager maintains a recommendation to hold the position.

Payden & Rygel

KEYBANK NATIONAL ASSOCIATION	\$ 3,720,000	06/14/2024 - 01/26/2026	BBB+	A3	A-
KEYCORP	\$ 240,000	5/23/2025	BBB	Baa1	A-

During the fourth week of August 2023, S&P downgraded KeyCorp one notch at the holding company as well as the bank level. The downgrade reflects the agency's view that a higher-for-longer rate environment is likely to constrain profitability at KeyCorp more than for other banks of similar size. In addition, KeyCorp has a lower-than-average capital ratio on a proforma basis when adjusted for unrealized losses on available-for-sale securities. The securities comply with the requirements of the Investment Policy, and the investment managers maintain a recommendation to hold the positions.

Negative Credit Watch:

Investment Manager / Security	Par Amount	Maturity	S&P	Moody's	Fitch Ratings
CAM, PFM, MetLife and Payden & Rygel					
BANK OF NEW YORK MELLON	\$ 4,845,000	5/22/2026	AA-	Aa2	AA
BANK OF NEW YORK MELLON CORP	\$ 19,320,000	10/25/2024 - 01/26/2027	A	A1	AA-
NORTHERN TRUST CORP	\$ 4,000,000	5/10/2027	A+	A2	A+
STATE STREET CORP	\$ 12,355,000	01/26/2026 - 11/04/2026	A	A1	AA-
TRUIST FINANCIAL CORP	\$ 10,815,000	08/01/2024 - 10/28/2026	A-	A3	A
US BANCORP	\$ 4,500,000	02/05/2024 - 07/30/2024	A	A3	A

During the second week of August 2023, Moody's took negative rating actions on several US banks. Many of the banks were regional banks, and Moody's largely did not take action on US G-SIB banks, other than Bank of New York Mellon and State Street. This reflects several factors, namely:

- Elevated funding costs and declining net interest income, which are expected to erode profitability.
- Many US regional banks displaying weaker capital positions than their larger US and international peers.
- Increasing asset quality pressures, especially among smaller- and medium-sized banks with greater exposures to commercial real estate.

The securities comply with the requirements of the Investment Policy, and the investment managers maintain a recommendation to hold the positions.

DEBT PROGRAM

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

Outstanding Debt¹

As of 8/31/2023

Orange County Local Transportation Authority (OCLTA-M2)

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

Issued:	\$	293,540,000
Outstanding:		250,000,000
Debt Service FY 2024:		17,270,000
All in True Interest Cost:		4.33%
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ Moody's/ S&P):		AA+/Aa2/AA+
Final Maturity:		2041

2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		340,235,000
Debt Service FY 2024:		37,601,900
All in True Interest Cost:		3.14%
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ S&P):		AA+/AA+
Final Maturity:		2041

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

91 Express Lanes

2023 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	47,545,000
Outstanding:		47,545,000
Debt Service FY 2024:		1,446,160
All in True Interest Cost:		2.80%
Pledged Revenue Source:	91 Toll Road Revenues	
Ratings (Fitch/ Moody's/ S&P):		AA-/Aa3/AA-
Final Maturity:		2030

Sub-total 91 Express Lanes Outstanding Debt	\$	47,545,000
--	-----------	-------------------

405 Express Lanes²

2021 TIFIA Loan

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

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

TOTAL OUTSTANDING DEBT:	\$	1,251,491,295
--------------------------------	-----------	----------------------

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

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