



July 25, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - June 2018

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 June 30, 2018. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. During the month of June 2018, Moody's downgraded the rating for Union Pacific Corp. to Baa1 from A3 in the Logan Circle portfolio, which fell below the minimum credit requirement. After review by the Treasurer, the security was liquidated from the portfolio.

Recommendation

Receive and file as an information item.

Discussion

As of June 30, 2018, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$1.5 billion. The portfolio is divided into two managed portfolios: the liquid portfolio for immediate cash 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 1.97 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.

One security held in the portfolio managed by Logan Circle Partners fell below the minimum credit requirement. On Friday, June 1, 2018, Moody's downgraded the long-term debt ratings on Union Pacific Corp. to Baa1 from A3. The Treasurer reviewed the position and recommended the security be liquidated. The Treasurer presented his recommendation to the Deputy Chief Executive Officer who concurred. The security was sold on Monday, June 4, 2018.

OCTA's debt portfolio had an outstanding principal balance of \$578.8 million as of June 30, 2018. Approximately 54 percent of the outstanding balance is comprised of Measure M2 debt, 18 percent is associated with the 91 Express Lanes Program and 28 percent is 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 June 30, 2018.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending June 30, 2018.

Prepared by:



Rodney Johnson
Deputy Treasurer
Treasury/Public Finance
(714) 560-5675

Approved by:



Andrew Oftelie
Executive Director,
Finance and Administration
(714) 560-5649