



**January 9, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Orange County Transportation Authority Investment and Debt Programs Report - October 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 October 31, 2018. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. Four General Electric securities fell below the minimum credit quality during the month due to a downgrade. The securities are being held for the short term.

### **Recommendation**

Receive and file as an information item.

### **Discussion**

As of October 31, 2018, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$1.55 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 2.2 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.

On Wednesday, October 31, 2018, Moody's downgraded the long-term debt rating of General Electric to Baa1 from A2 with a stable outlook. Logan Circle Partners and Public Financial Management both manage General Electric securities in OCTA's portfolio. The final maturity of the four securities is October 17, 2021. 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.

OCTA's debt portfolio had an outstanding principal balance of \$573 million as of October 31, 2018. Approximately 54 percent of the outstanding balance is comprised of Measure M2 debt, 17 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 October 31, 2018.

***Attachment***

- A. Orange County Transportation Authority Investment and Debt Programs  
– For the Period Ending October 31, 2018.

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