



**September 25, 2019**

**To:** Finance and Administration Committee

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

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

### **Overview**

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending August 31, 2019. During the month of August, one investment manager purchased a security that was not in compliance with the Investment Policy. As a result of the compliance violation, the investment manager was put on probation for one year per the requirements of the Investment Policy.

### **Recommendation**

Receive and file as an information item.

### **Discussion**

As of August 31, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.07 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 2.3 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 August 14, 2019, one of OCTA's investment managers, MetLife Investment Management, purchased commercial paper issued by the Arizona Public Service Company. OCTA's Investment Policy requires commercial paper securities to be rated A-1 equivalent or higher by two Nationally Recognized Statistical Rating Organizations (NRSRO). At the time of purchase, this security was rated by 3 NRSRO's, but only one of those ratings was equivalent to A-1. The Treasurer was informed of this violation and, per OCTA's investment guidelines, MetLife Investment Management was put on a one-year probation effective August 14, 2019. The security was sold on August 15, 2019 earning positive investment earnings for OCTA's portfolio.

The OCTA's month-end balance in the Local Agency Investment Fund was \$10,678,071, with an average monthly effective yield of 2.3 percent. The OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$23,591,302. For the month of July, the monthly gross yield for the OCIP was 2.3 percent. Yields for the month of August will be received in September.

OCTA's debt portfolio had an outstanding principal balance of \$1.01 billion as of August 31, 2019. Approximately 63 percent of the outstanding balance is comprised of M2 debt, nine percent is associated with the 91 Express Lanes Program, and 28 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

### ***Summary***

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

### ***Attachment***

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

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