January 22, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - December 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 December 31, 2019. 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 December 31, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled $2.1 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 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 2.2 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.

The OCTA's month-end balance in the Local Agency Investment Fund was $10,743,844, with an average monthly effective yield of 2.0 percent. The OCTA's month-end balance in the Orange County Investment Pool (OCIP) was $286,173. For the month of November, the monthly gross yield for the OCIP was 2.1 percent. Yields for the month of December will be received in January.

During the month of December, Moody's and S&P downgraded the senior unsecured debt rating of Boeing, to A3 from A2, and to A- from A, respectively. The downgrades resulted from the extension of the grounding of the 737 MAX into 2020 and the announced plans to shut down the program for some period of time. OCTA holds a medium-term note security position in Boeing for $975,000. The maturity date of the security is August 1, 2021. OCTA's current investment policy requires the issuer of medium-term notes to have a minimum rating of "A" by one of the nationally recognized statistical rating organizations. As of December 31, 2019, the security still meets the minimum ratings requirement and continues to be held in OCTA's portfolio.

Subsequent to the end of this reporting period on January 13, 2019, Moody's announced the placement of Boeing's A3 senior unsecured rating on review for possible downgrade. This will be reported in the January 2019 Debt and Investment Report. Staff continues to monitor the credit quality of this security.

OCTA's debt portfolio had an outstanding principal balance of $1.01 billion as of December 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 December 31, 2019.

Attachment

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

Prepared by: **Approved by:**

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