

**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
May 31, 2020**

INVESTMENT PROGRAM

OCTA Investment Dashboard

5/31/2020

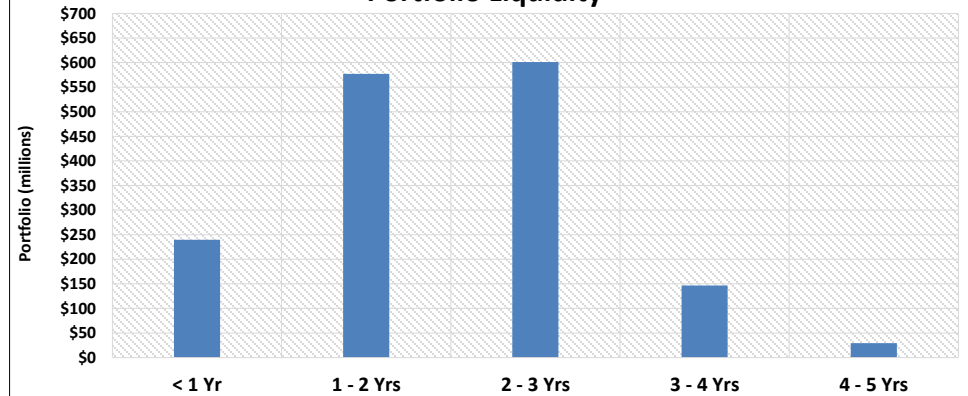
Safety of Principal

Securities that fell below OCTA's minimum credit quality requirements during the month of May 2020:
Not applicable.

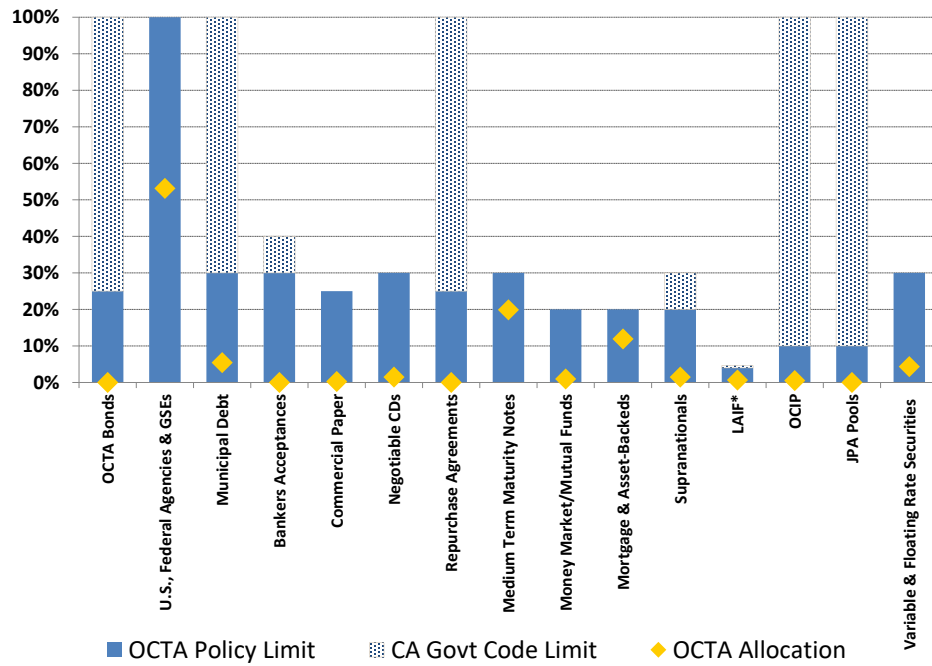
Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:

On Thursday, February 20, 2020, Moody's downgraded the long-term debt rating of Nissan to Baa1 from A3. OCTA holds three high quality AAA Nissan Auto/Lease asset backed security positions, respectively 0.3%, 0.4% and 0.6% of the portfolio. However, for asset backed securities, receivables are sold via a legal concept called "true sale" into a bankruptcy-remote issuing trust, therefore isolated from the financial health of the issuer. There has been no negative price action on the asset backed securities on news of the downgrade. 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.

Portfolio Liquidity

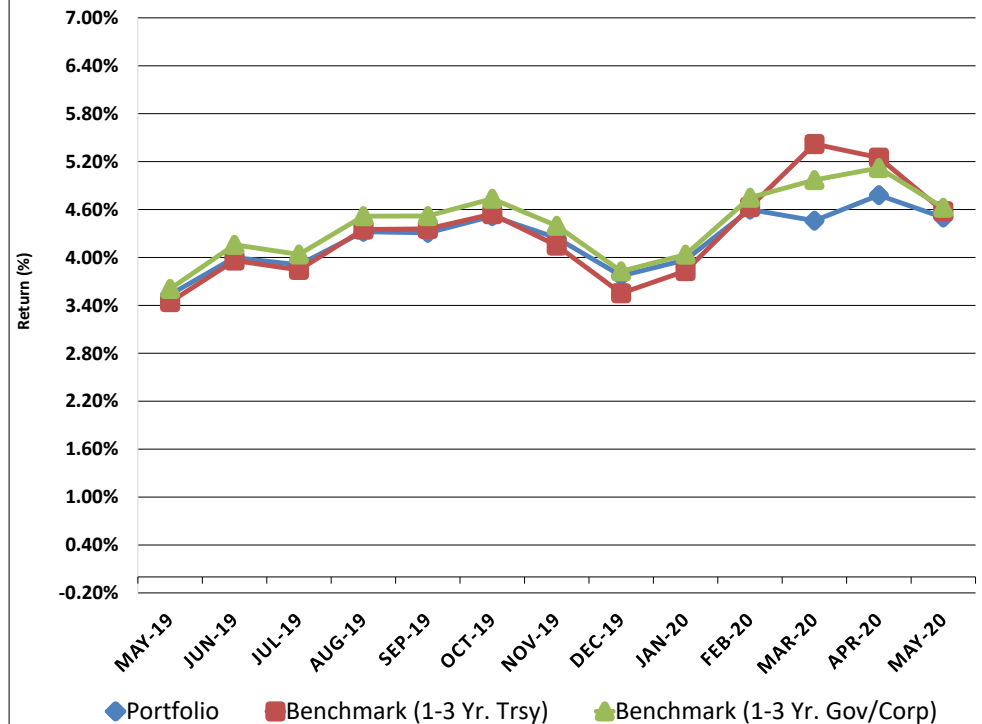


Portfolio Diversification



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

Portfolio Return - 12 Month



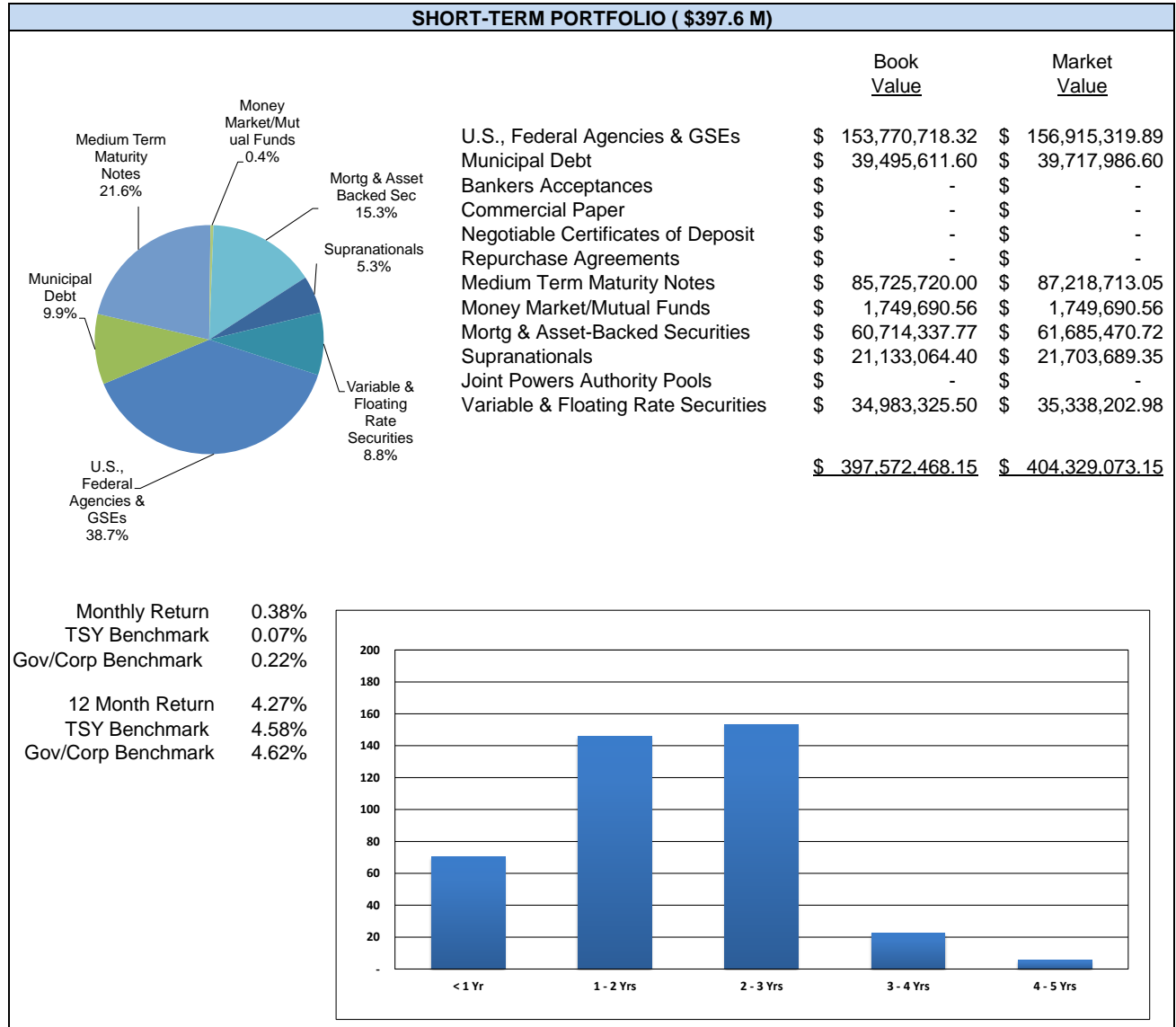
Investment Profile

5/31/2020

| Portfolio / Managers | Depository | Role | Governing Document | Type of Investment | Amount (\$ Millions) |
|--|---------------------|-----------|--------------------|--------------------------------|----------------------|
| <u>LIQUID PORTFOLIO:</u> | | | | | |
| OCTA/ Measure M2 | BNY Mellon | Trustee | Indenture | Money Market Fund | \$ 63.7 |
| OCTA | Bank of the West | Broker | Investment Policy | Repurchase Agreement | 39.8 |
| OCTA | Bank of the West | Broker | Investment Policy | Bank Deposits | 0.3 |
| California State Treasurer | LAIF | Custodian | Investment Policy | Investment Pool/LAIF | 10.9 |
| Orange County Treasurer | OCIP | Custodian | Investment Policy | Investment Pool/OCIP | 8.2 |
| Subtotal OCTA Liquid Portfolio | | | | | \$ 122.8 |
| <u>SHORT-TERM PORTFOLIO:</u> | | | | | |
| <u>Investment Managers</u> | | | | | |
| MetLife Investment Management | U.S Bank | Custodian | Investment Policy | Various | \$ 397.6 |
| Chandler Asset Management | U.S Bank | Custodian | Investment Policy | Various | 395.0 |
| Payden & Rygel Investment Counsel | U.S Bank | Custodian | Investment Policy | Various | 402.8 |
| PFM Asset Management | U.S Bank | Custodian | Investment Policy | Various | 398.5 |
| Subtotal Short-Term Portfolio (Investment Managers) | | | | | \$ 1,593.8 |
| <u>BOND PROCEEDS PORTFOLIO:</u> | | | | | |
| OCTA/ Measure M2 | Bank of Nova Scotia | Custodian | Indenture/GIC | Guaranteed Investment Contract | \$ 183.6 |
| OCTA/ Measure M2 | BNY Mellon | Trustee | Indenture | Treasury Bills | - |
| OCTA/ Measure M2 | BNY Mellon | Trustee | Indenture | Commercial Paper | 81.8 |
| OCTA/ Measure M2 | BNY Mellon | Trustee | Indenture | Money Market Fund | 1.1 |
| Subtotal OCTA Bond Proceeds Portfolio | | | | | \$ 266.4 |
| <u>RESERVE FUNDS PORTFOLIO:</u> | | | | | |
| OCTA/ 91 Express Lanes 2013 Ref. Bonds | U.S Bank | Trustee | Indenture | Commercial Paper | \$ 11.5 |
| OCTA/ 91 Express Lanes 2013 Ref. Bonds | Bank of the West | Trustee | Indenture | Commercial Paper | 10.5 |
| OCTA/ 91 Express Lanes 2013 Ref. Bonds | Bank of the West | Trustee | Indenture | Commercial Paper | 3.1 |
| OCTA/ 91 Express Lanes 2013 Ref. Bonds | U.S Bank | Trustee | Indenture | U.S. Treasury Obligations | 0.0 |
| OCTA/ 91 Express Lanes 2013 Ref. Bonds | U.S Bank | Trustee | Indenture | U.S. Treasury Obligations | 0.0 |
| Bank Deposits/Cash | Bank of the West | Trustee | Indenture | Cash | 0.2 |
| Subtotal OCTA Reserve Funds Portfolio | | | | | \$ 25.2 |
| TOTAL | | | | | \$ 2,008.3 |

Investment Manager Diversification and Maturity Schedules

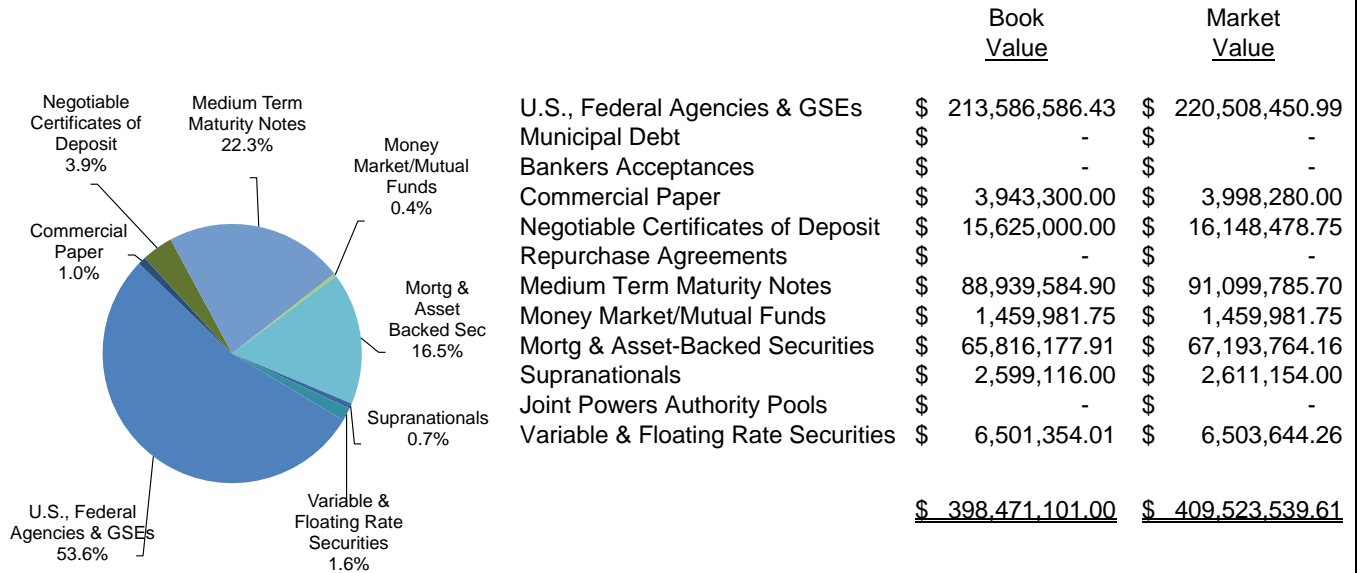
MetLife Investment Management 5/31/2020



Investment Manager Diversification and Maturity Schedules

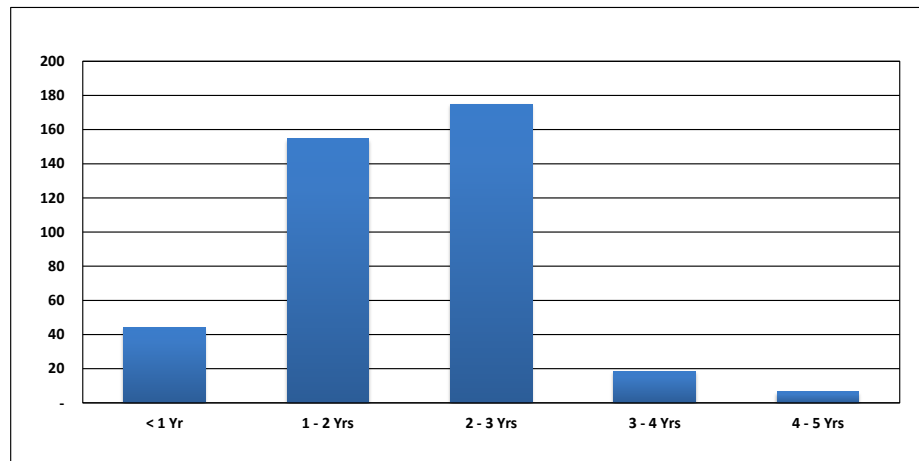
PFM
5/31/2020

SHORT-TERM PORTFOLIO (\$398.5 M)



Monthly Return 0.35%
TSY Benchmark 0.07%
Gov/Corp Benchmark 0.22%

12 Month Return 4.63%
TSY Benchmark 4.58%
Gov/Corp Benchmark 4.62%



Investment Manager Diversification and Maturity Schedules

Chandler Asset Management

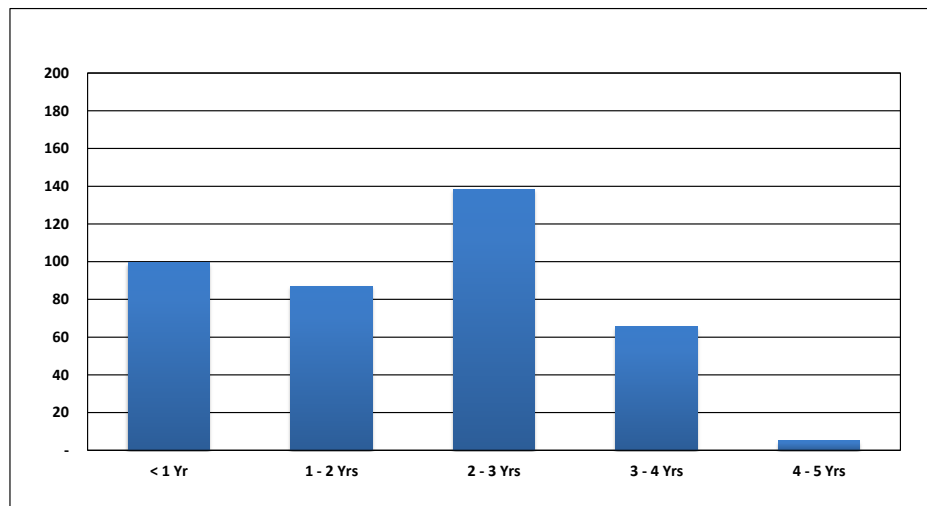
5/31/2020

SHORT-TERM PORTFOLIO (\$395.0 M)



Monthly Return 0.30%
 TSY Benchmark 0.07%
 Gov/Corp Benchmark 0.22%

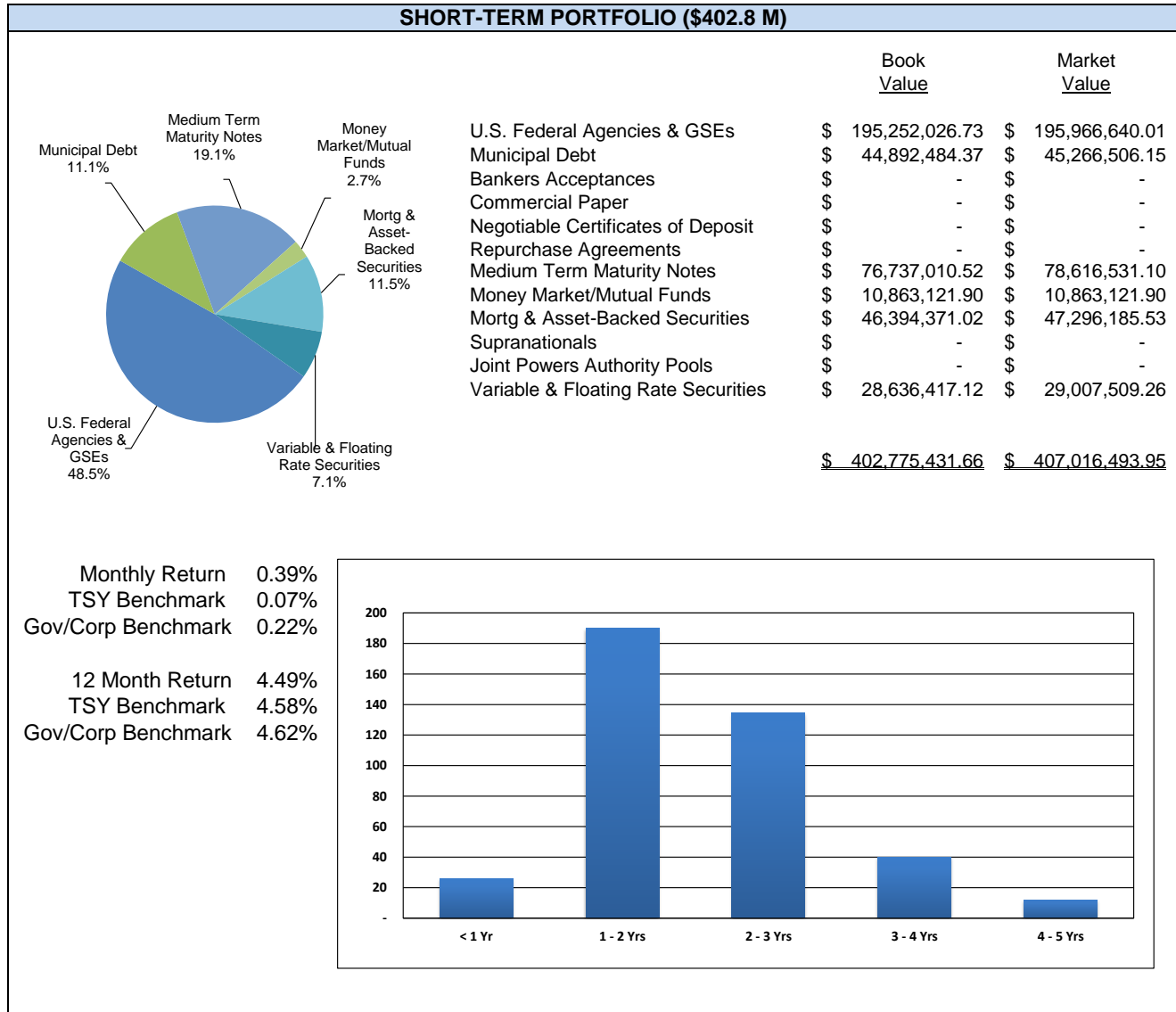
12 Month Return 4.61%
 TSY Benchmark 4.58%
 Gov/Corp Benchmark 4.62%



Investment Manager Diversification and Maturity Schedules

Payden & Rygel

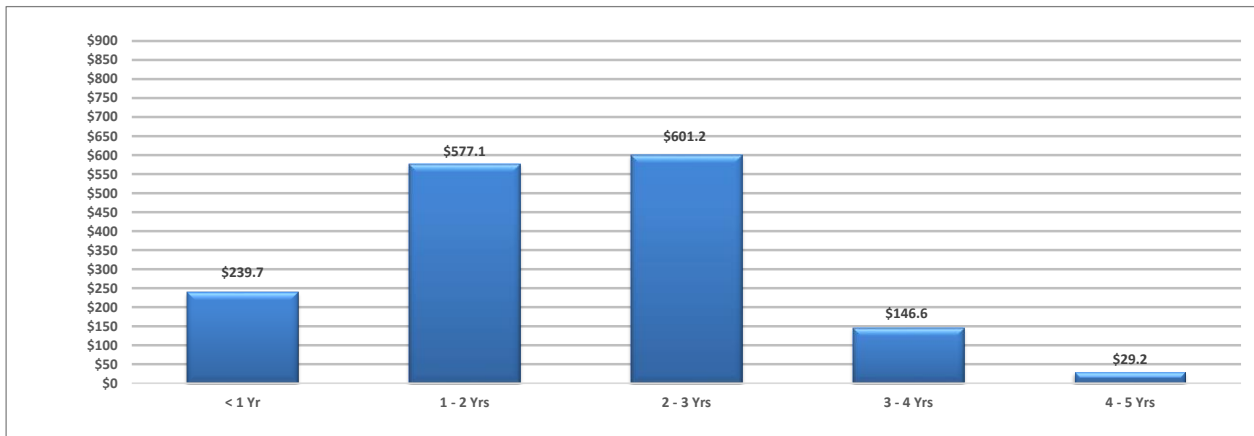
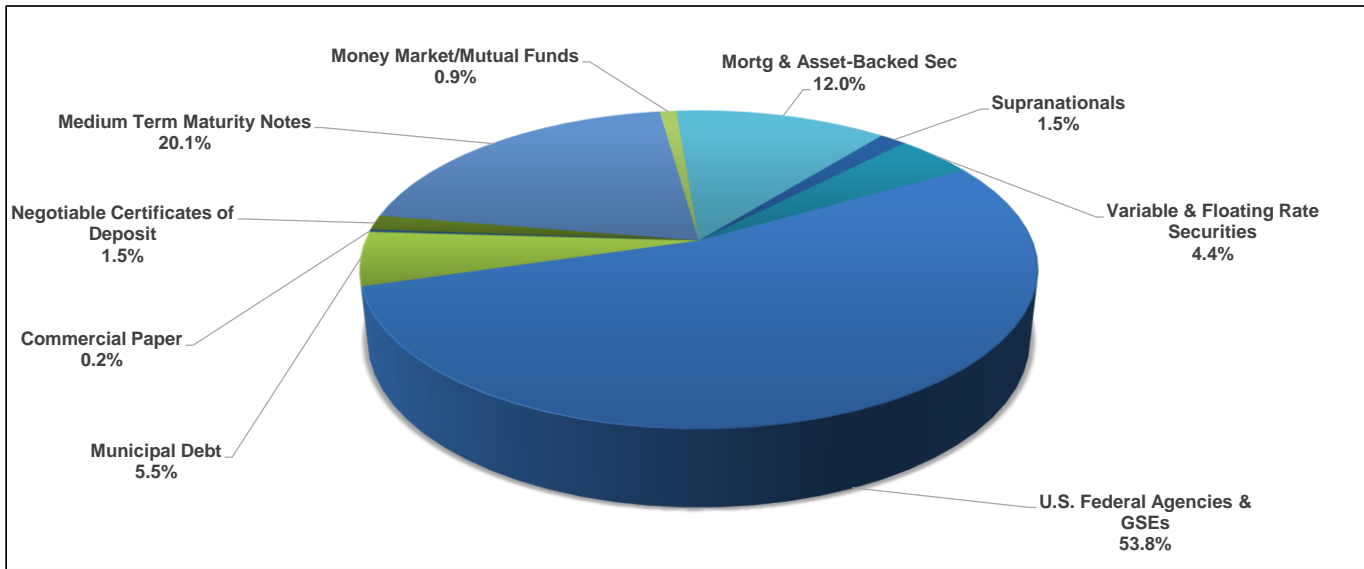
5/31/2020



Short-Term Portfolio

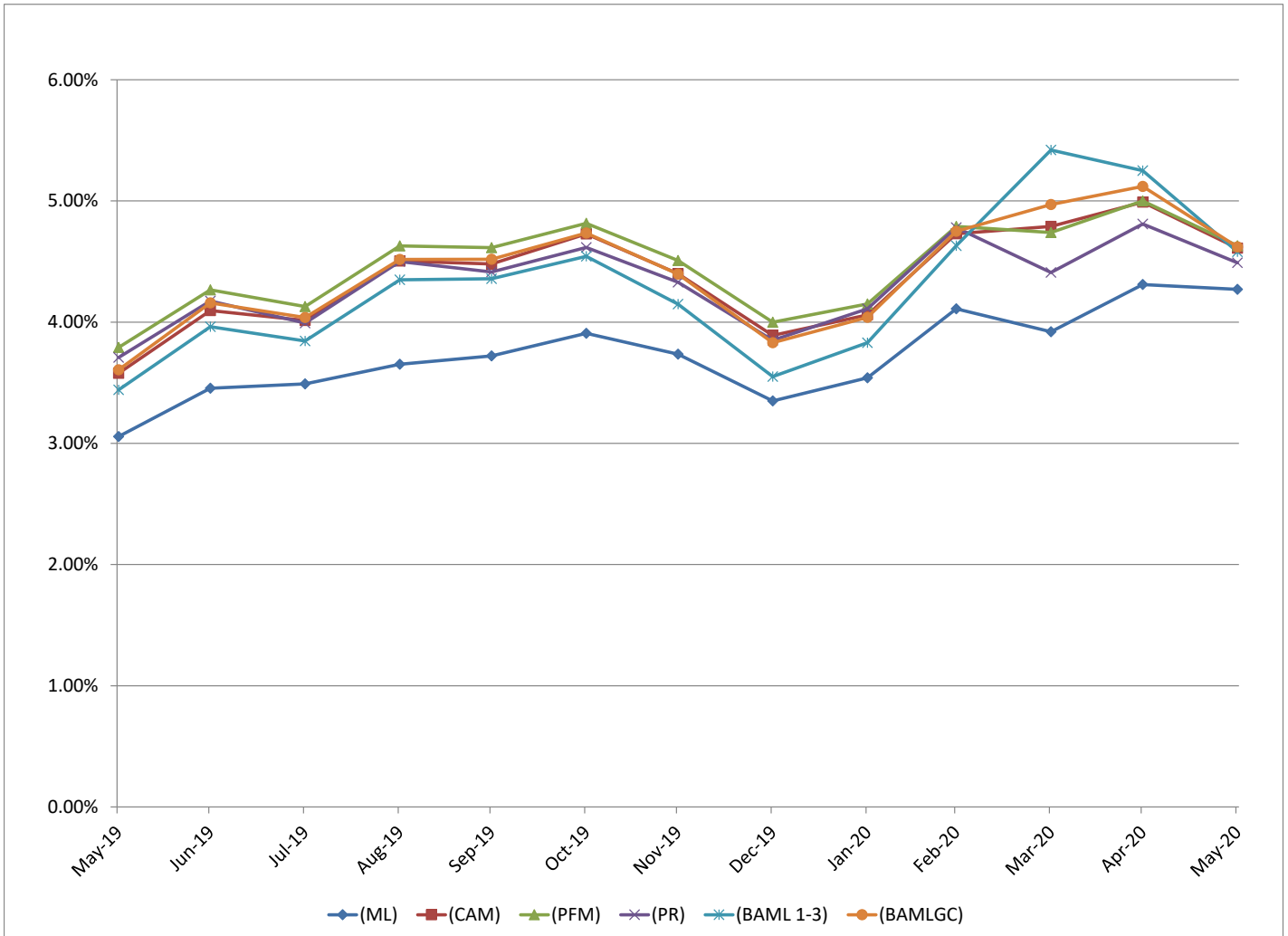
5/31/2020

Portfolio Composition



Orange County Transportation Authority
Short-Term Portfolio Performance
5/31/2020

Trailing 1-Year Total Return
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks

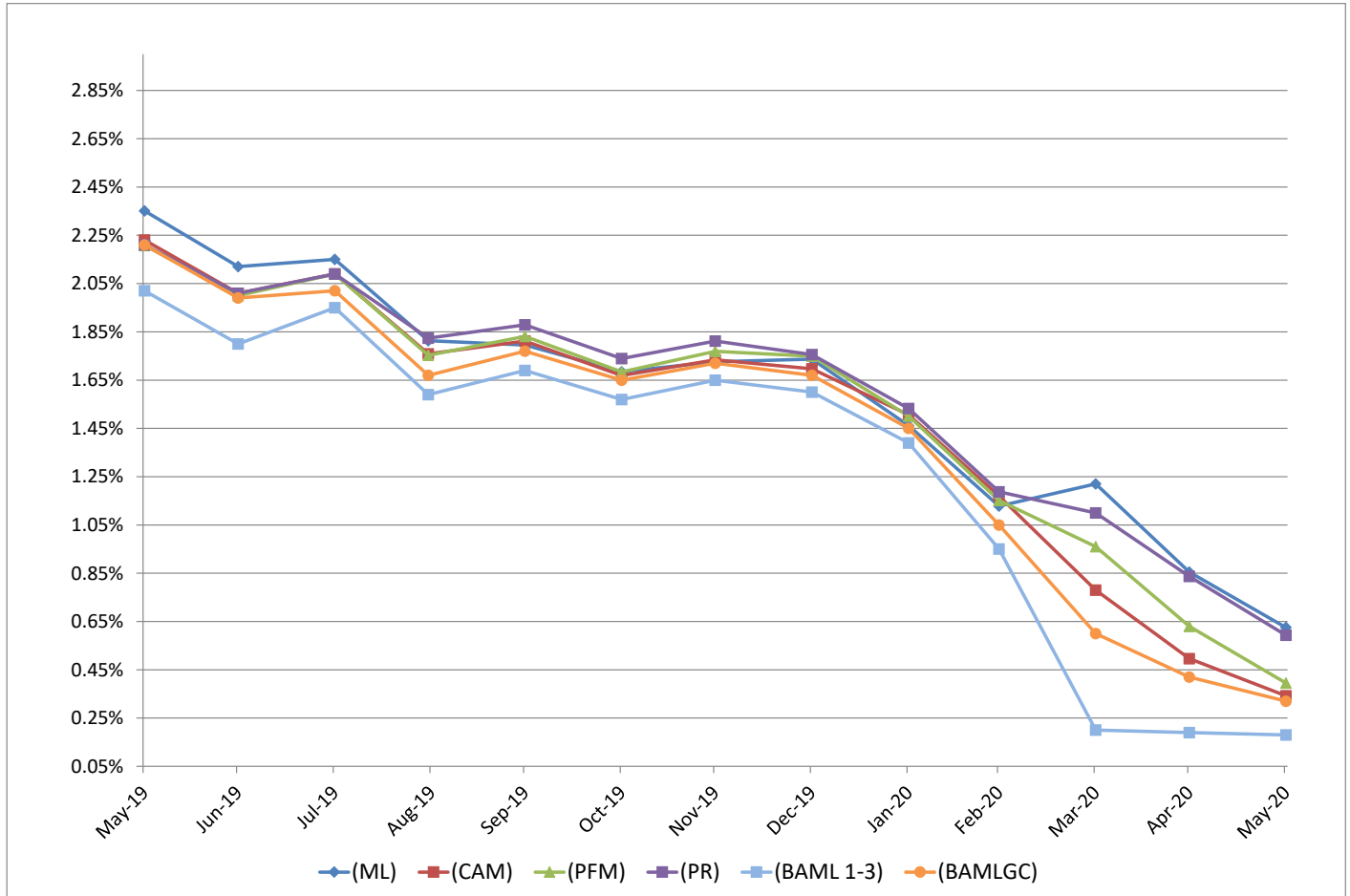


| | MetLife Investment Mgmt (ML) | Chandler Asset Mgmt (CAM) | Public Fin Mgmt (PFM) | Payden & Rygel (PR) | ICE/BAML 1-3 Yr Trsy (BAML 1-3) | BAML 1-3 Yr Gov/Corp (BAMLGC) |
|--------|------------------------------------|---------------------------------|-----------------------------|---------------------------|---------------------------------------|-------------------------------------|
| May-19 | 3.06% | 3.58% | 3.79% | 3.71% | 3.44% | 3.61% |
| Jun-19 | 3.45% | 4.10% | 4.27% | 4.17% | 3.96% | 4.16% |
| Jul-19 | 3.49% | 4.01% | 4.13% | 3.99% | 3.84% | 4.04% |
| Aug-19 | 3.65% | 4.50% | 4.63% | 4.50% | 4.35% | 4.52% |
| Sep-19 | 3.72% | 4.48% | 4.61% | 4.41% | 4.36% | 4.52% |
| Oct-19 | 3.91% | 4.73% | 4.82% | 4.62% | 4.54% | 4.74% |
| Nov-19 | 3.74% | 4.40% | 4.51% | 4.33% | 4.15% | 4.40% |
| Dec-19 | 3.35% | 3.89% | 4.00% | 3.85% | 3.55% | 3.83% |
| Jan-20 | 3.54% | 4.06% | 4.15% | 4.11% | 3.83% | 4.04% |
| Feb-20 | 4.11% | 4.73% | 4.79% | 4.78% | 4.63% | 4.75% |
| Mar-20 | 3.92% | 4.79% | 4.74% | 4.41% | 5.42% | 4.97% |
| Apr-20 | 4.31% | 4.99% | 5.00% | 4.81% | 5.25% | 5.12% |
| May-20 | 4.27% | 4.61% | 4.63% | 4.49% | 4.58% | 4.62% |

Short-Term Portfolio Performance

5/31/2020

Historical Yields
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



| | MetLife Investment Mgmt (ML) | Chandler Asset Mgmt (CAM) | Public Fin Mgmt (PFM) | Payden Rygel (PR) | ICE/BAML 1-3 Yr Trsy (BAML 1-3) | BAML 1-3 Yr Gov/Corp (BAMLGC) |
|--------|------------------------------------|---------------------------------|-----------------------------|-------------------------|---------------------------------------|-------------------------------------|
| May-19 | 2.35% | 2.23% | 2.21% | 2.21% | 2.02% | 2.21% |
| Jun-19 | 2.12% | 2.01% | 2.00% | 2.01% | 1.80% | 1.99% |
| Jul-19 | 2.15% | 2.09% | 2.09% | 2.09% | 1.95% | 2.02% |
| Aug-19 | 1.81% | 1.76% | 1.75% | 1.82% | 1.59% | 1.67% |
| Sep-19 | 1.80% | 1.81% | 1.83% | 1.88% | 1.69% | 1.77% |
| Oct-19 | 1.69% | 1.67% | 1.68% | 1.74% | 1.57% | 1.65% |
| Nov-19 | 1.73% | 1.73% | 1.77% | 1.81% | 1.65% | 1.72% |
| Dec-19 | 1.74% | 1.70% | 1.75% | 1.76% | 1.60% | 1.67% |
| Jan-20 | 1.46% | 1.51% | 1.50% | 1.53% | 1.39% | 1.45% |
| Feb-20 | 1.13% | 1.17% | 1.15% | 1.19% | 0.95% | 1.05% |
| Mar-20 | 1.22% | 0.78% | 0.96% | 1.10% | 0.20% | 0.60% |
| Apr-20 | 0.86% | 0.50% | 0.63% | 0.84% | 0.19% | 0.42% |
| May-20 | 0.63% | 0.34% | 0.40% | 0.59% | 0.18% | 0.32% |

Investment Compliance

5/31/2020

| Portfolio Subject to Investment Policy | | | |
|--|-------------------------|---------------|---------------------|
| | Dollar Amount | Percent Of | Investment Policy |
| Short-Term/Liquid Portfolio ¹ | Invested | Portfolio | Maximum Percentages |
| U.S. Federal Agencies & GSEs | \$ 856,979,174 | 51.8% | 100% |
| Municipal Debt | 87,388,096 | 5.3% | 30% |
| Commercial Paper | 3,943,300 | 0.2% | 25% |
| Negotiable Certificates of Deposit | 23,625,000 | 1.4% | 30% |
| Repurchase Agreements | 39,782,738 | 2.4% | 25% |
| Medium Term Maturity Notes | 320,874,888 | 19.4% | 30% |
| Money Market/Mutual Funds | 15,134,368 | 0.9% | 20% |
| Mortgage & Asset-Backed | 192,036,572 | 11.6% | 20%* |
| Supranationals | 23,732,180 | 1.4% | 20% |
| Local Agency Investment Fund | 10,859,947 | 0.7% | \$ 65 Million |
| Orange County Investment Pool | 8,180,677 | 0.5% | 10% |
| Joint Powers Authority Pools | - | 0.0% | 10% |
| Bank Deposits | 277,411 | 0.0% | 5% |
| Variable & Floating Rate Securities | 70,121,097 | 4.2% | 30% |
| Total Short-Term/Liquid Portfolio | \$ 1,652,935,448 | 100.0% | |

1. Excludes portion of Liquid Portfolio subject to Indenture

*Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

| Portfolio Subject to Indenture | | | | | | |
|---|-------------------------|----------------|------|------------|------------------------|---------------|
| | Dollar Amount | | OCTA | | Indenture Requirements | |
| | Invested | Credit Quality | | Term | Credit Quality | Term |
| Liquid Portfolio* | | | | | | |
| Money Market Funds | \$ 63,653,633 | AAA/Aaa | | 45 days | Min. A2/A | Max. 4 years |
| Bond Proceeds Portfolio | | | | | | |
| Money Market Funds | \$ 1,080,547 | AAA/Aaa | | 45 days | Min. A2/A | Max. 4 years |
| Treasury Bills | - | AAA/Aaa/AA+ | | 27 days | Min. A2/A | Max. 4 years |
| Commercial Paper | 81,815,631 | P-1/F-1/A-1 | | 60-82 days | Min. A2/A | Max. 4 years |
| Guaranteed Investment Contract | 183,550,000 | Aa2/AA-/A+ | | N/A | Min. A3/A- | N/A |
| Total Bond Proceeds Portfolio | \$ 266,446,178 | | | | | |
| Reserve Funds Portfolio | | | | | | |
| Commercial Paper | \$ 25,025,925 | P-1/F-1 | | 30 days | Min. A-1/P-1 | Max. 180 days |
| Bank Deposits | 198,967 | | | | | |
| US Treasuries Obligations | 1,332 | AAA/Aaa | | 30 days | Min. A2/A | Max. 5 years |
| Total Reserve Funds Portfolio | \$ 25,226,224 | | | | | |
| Total Portfolio Subject to Indenture | \$ 291,672,402 | | | | | |
| Portfolio Total | \$ 2,008,261,483 | | | | | |

*Reflects portion of Liquid Portfolio subject to Indenture

Rating Downgrades

5/31/2020

| <u>Manager / Security</u> | <u>Par Amount</u> | <u>Maturity</u> | <u>S&P</u> | <u>Moody's</u> | <u>Fitch Ratings</u> |
|---|-------------------|-----------------|----------------|----------------|----------------------|
| PFM | | | | | |
| <i>Toyota Motor Credit Corporation</i> | 4,430,000 | Various* | A+ | A1 | A+ |
| On May 20, 2020, S&P downgraded the long-term ratings of Toyota Co. from AA- to A+. The downgrade is due to the impact the coronavirus pandemic will likely have on global car sales and factory operations. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their exceptional liquidity. | | | | | |
| <i>American Honda Finance Corporation</i> | 3,800,000 | 6/27/2022 | A- | A3 | N/A |
| On May 20, 2020, S&P downgraded the long-term ratings of Honda Co. from A to A-. The downgrade is due to expected earnings pressure in the next one to two years due to the coronavirus pandemic's impact to sales in the US and China. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong competitive position, balance sheet, and liquidity position. | | | | | |
| Chandler Asset Management | | | | | |
| <i>HSBC USA Inc.</i> | 4,530,000 | 8/7/2020 | A- | A2 | A+ |
| On May 13, 2020, S&P downgraded the long-term ratings of HSBC from A to A-. The downgrade is due to the impact the coronavirus pandemic will likely have on the global economic outlook, and weaker bank earnings. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to HSBC'S strong balance sheet and diversification. | | | | | |
| <i>Toyota Motor Credit Corporation</i> | 2,500,000 | 4/13/2021 | A+ | A1 | A+ |
| On May 20, 2020, S&P downgraded the long-term ratings of Toyota Co. from AA- to A+. The downgrade is due to the impact the coronavirus pandemic will likely have on global car sales and factory operations. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their exceptional liquidity. | | | | | |
| <i>American Honda Finance Corporation</i> | 3,500,000 | Various** | A- | A3 | N/A |
| On May 20, 2020, S&P downgraded the long-term ratings of Honda Co. from A to A-. The downgrade is due to expected earnings pressure in the next one to two years due to the coronavirus pandemic's impact to sales in the US and China. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong competitive position, balance sheet, and liquidity position. | | | | | |
| *1/8/21 & 1/11/22 | | | | | |
| **11/16/22 & 1/12/24 | | | | | |

Negative Credit Watch

5/31/2020

| <u>Manager / Security</u> | <u>Par Amount</u> | <u>Maturity</u> | <u>S&P</u> | <u>Moody's</u> | <u>Fitch Ratings</u> |
|---|-------------------|-----------------|----------------|----------------|----------------------|
| PFM | | | | | |
| <i>Pfizer</i> On June 17, 2019, S&P, and Fitch placed the long-term ratings of Pfizer Inc. under review for possible downgrade. The credit watch placement is due to Pfizer's announcement of a debt-funded acquisition as well as an announcement to divest its mature off-patent business Upjohn. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Pfizer's product diversification and vast revenue streams. | 2,300,000 | Various* | AA- | A1 | A |
| <i>Skandinaviska Enskilda Banken AB (publ.)</i> On March 31, 2020, Fitch placed the long-term ratings of Skandinaviska under review for possible downgrade. The credit watch placement is due to the negative impact COVID-19 will have on the banks credit profile. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the bank being well capitalized, and because of this they should be able to absorb the negative impact of an economic downturn. | 3,875,000 | 8/26/2022 | A+ | P-1 | AA |
| <i>Merck & Co.</i> On February 5, 2020, S&P placed the long-term ratings of Merck & Co. under review for possible downgrade. The credit watch placement is due to Merck's announcement that it will be spinning off a large portion of their brand. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Merck, and their vast pharmaceutical diversification. | 1,250,000 | 2/10/2022 | AA- | A1 | A+ |
| <i>Toyota Motor Credit Corporation</i> On March 26, 2020, S&P and Moody's placed the long-term ratings of Toyota Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification . | 4,430,000 | Various** | A+ | A1 | A+ |
| <i>American Honda Finance Corporation</i> On March 27, 2020, S&P and Moody's placed the long-term ratings of Honda Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification. | 3,800,000 | 6/27/2022 | A- | A3 | N/A |
| <i>Walt Disney Co.</i> On April 17, 2020, S&P placed the long-term ratings of Disney under review for possible downgrade. The credit watch placement is due to the impact COVID-19 has on a variety of Disney's businesses, in particular their theme parks, which remain closed indefinitely. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Disney's diverse business as well as strong leverage metrics. | 875,000 | 9/1/2022 | A | A2 | A |
| Payden & Rygel | | | | | |
| <i>San Francisco Bay Area Rapid Transit District (BART)</i> On March 20,2020, Fitch placed the long-term ratings of San Francisco BART under review for possible downgrade. The credit watch placement is due to a broad sector revision of bonds secured by economically sensitive tax revenues in light of COVID-19. The security complies with the requirements of the Investment Policy and the manager is comfortable holding due to the strong credit quality of the agency as well as a strong cash flow. | 630,000 | 7/1/2020 | AA+ | N/A | AA+ |
| Chandler Asset Management | | | | | |
| <i>Toyota Motor Credit Corporation</i> On March 26, 2020, S&P and Moody's placed the long-term ratings of Toyota Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the industry strength of Toyota, and their product diversification . | 3,500,000 | Various*** | A+ | A1 | A+ |
| <i>General Dynamics Corporation</i> On March 20, 2020, S&P placed the long-term ratings of General Dynamics under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the company's demand for business jets and related services. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to the dominate role defense plays in their overall business. | 4,000,000 | 5/11/2021 | A | A2 | N/A |
| <i>American Honda Finance Corporation</i> On March 27, 2020, S&P and Moody's placed the long-term ratings of Honda Co. under review for possible downgrade. The credit watch placement is due to the impact COVID-19 will have on the economy, car sales, and global production. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding due to Honda's strong balance sheet, and their product diversification. | 3,500,000 | Various**** | A- | A3 | N/A |
| MetLife | | | | | |
| <i>San Francisco Bay Area Rapid Transit District (BART)</i> On March 20,2020, Fitch placed the long-term ratings of San Francisco BART under review for possible downgrade. The credit watch placement is due to a broad sector revision of bonds secured by economically sensitive tax revenues in light of COVID-19. The security complies with the requirements of the Investment Policy and the manager is comfortable holding due to the strong credit quality of the agency as well as a strong cash flow. | 630,000 | 7/1/2020 | AA+ | N/A | AA+ |

*9/15/21 & 3/11/22

**1/8/21 & 1/11/22

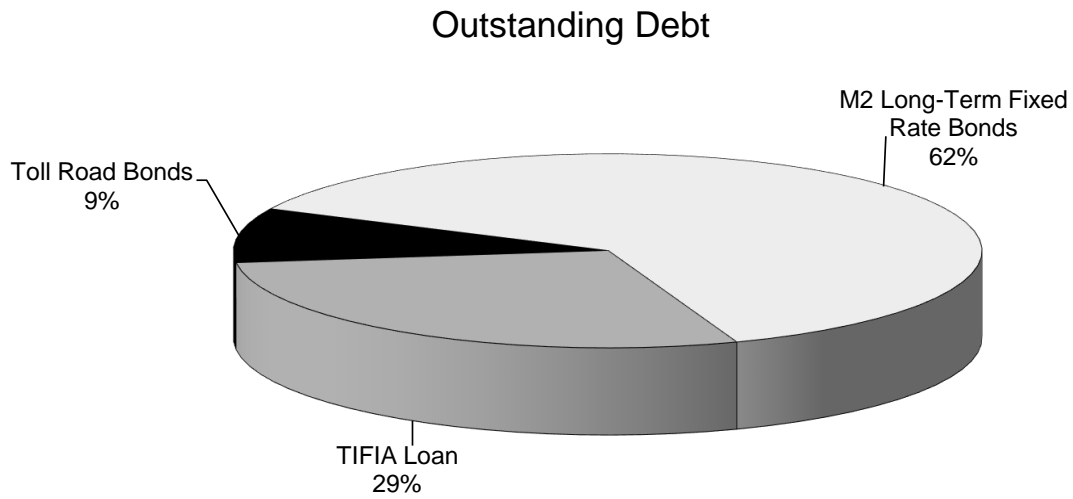
***4/17/20 & 4/13/21

****11/16/22 & 1/12/24

DEBT PROGRAM

Total Outstanding Debt

As of 5/31/20



TOTAL OUTSTANDING DEBT: \$1,005,375,000

Outstanding Debt

As of 5/31/20

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 2020: | | 17,270,000 |
| 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: | | 376,690,000 |
| Debt Service FY 2020: | | 17,939,230 |
| Pledged Revenue Source: | M2 Sales Tax Revenues | |
| Ratings (Fitch/ S&P): | | AA+/AA+ |
| Final Maturity: | | 2041 |

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

| | | |
|--------------------------------|-----------------------|-------------|
| Issued: | \$ | 124,415,000 |
| Outstanding: | | 91,685,000 |
| Debt Service FY 2020: | | 10,798,325 |
| Pledged Revenue Source: | 91 Toll Road Revenues | |
| Ratings (Fitch/ Moody's/ S&P): | | A+/A1/AA- |
| Final Maturity: | | 2030 |

405 Express Lanes

2017 TIFIA Loan

| | | |
|-------------------------------|------------------------|-------------|
| Outstanding: | \$ | 287,000,000 |
| Accrued Debt Service FY 2020: | \$ | 15,372,932 |
| Pledged Revenue Source: | 405 Toll Road Revenues | |
| Ratings (Moody's): | | Baa2 |
| Final Maturity: | | 2057 |