

**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
July 31, 2020**

INVESTMENT PROGRAM

OCTA Investment Dashboard

7/31/2020

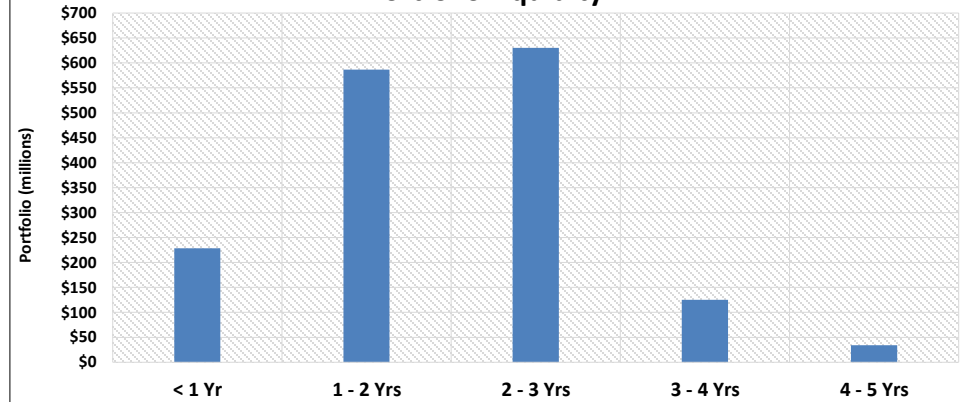
Safety of Principal

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

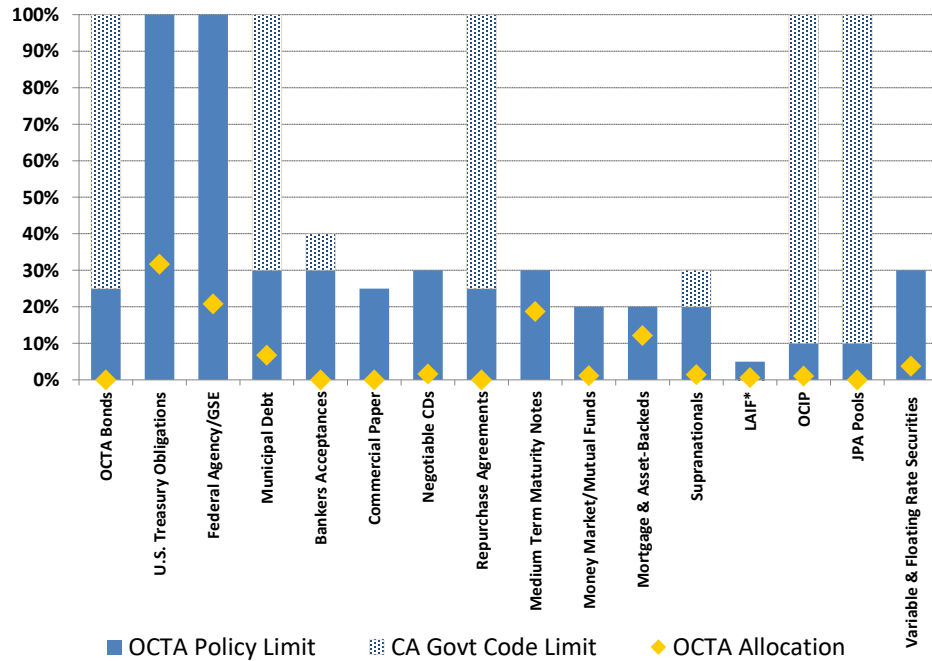
Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:

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

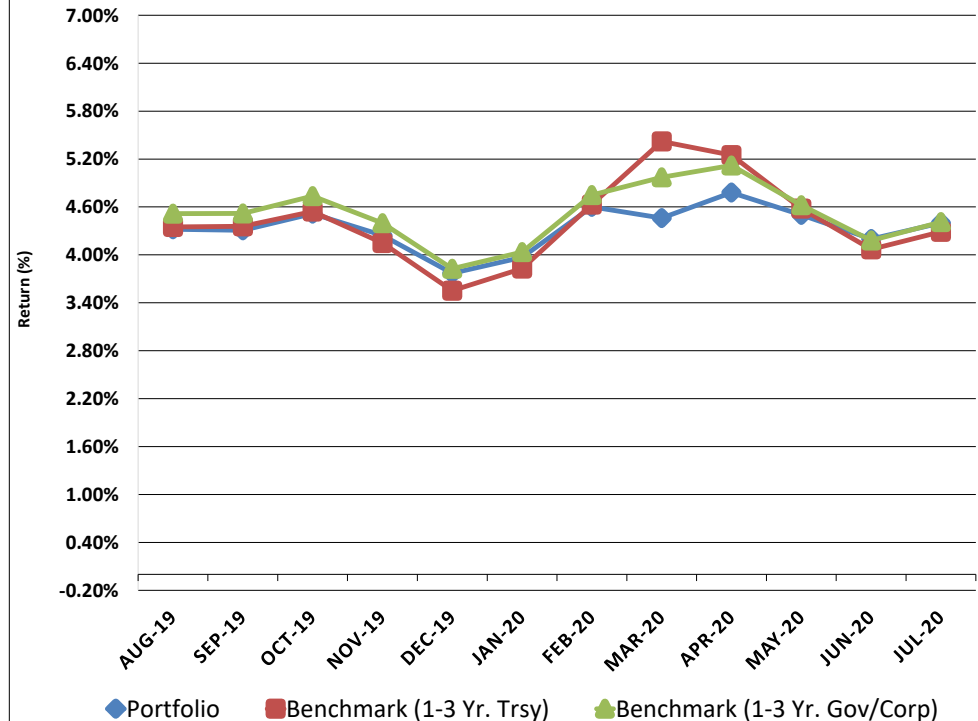


Portfolio Diversification



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

Portfolio Return - 12 Month



Investment Compliance

7/31/2020

Portfolio Subject to Investment Policy			
Short-Term/Liquid Portfolio ¹	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Treasury Obligations	\$ 517,289,177	30.5%	100%
Federal Agency/GSE	340,131,889	20.1%	100%
Municipal Debt	110,703,628	6.5%	30%
Commercial Paper	-	0.0%	25%
Negotiable Certificates of Deposit	26,700,000	1.6%	30%
Repurchase Agreements	63,223,679	3.7%	25%
Medium Term Maturity Notes/Corporates	306,218,947	18.1%	30%
Money Market/Mutual Funds	19,164,753	1.1%	20%
Mortgage & Asset-Backed	198,717,321	11.7%	20%*
Supranationals	23,732,180	1.4%	20%
Local Agency Investment Fund	10,899,573	0.6%	\$ 75 Million
Orange County Investment Pool	17,021,140	1.0%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	252,033	0.0%	5%
Variable & Floating Rate Securities	61,613,253	3.6%	30%
Total Short-Term/Liquid Portfolio	\$ 1,695,667,574	100.0%	

1. Excludes portion of Liquid Portfolio subject to Indenture

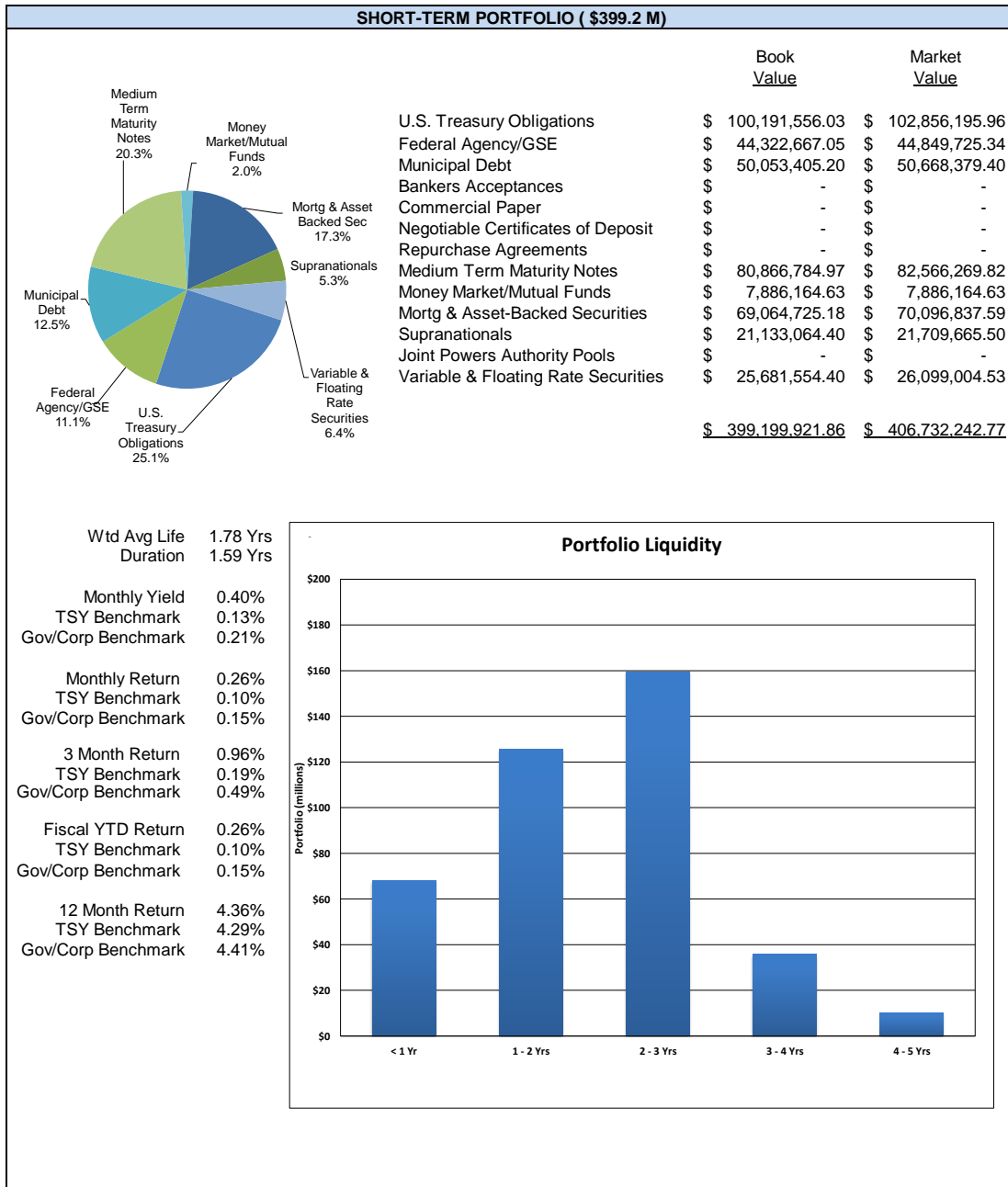
*Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

Portfolio Subject to Indenture					
	Dollar Amount Invested	Credit Quality	OCTA Term	Indenture Requirements Credit Quality	Indenture Requirements Term
Liquid Portfolio*					
Money Market Funds	\$ 81,868,949	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Bond Proceeds Portfolio					
Money Market Funds	\$ 12,539,073	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Treasury Bills	-	AAA/Aaa/AA+		Min. A2/A	Max. 4 years
Commercial Paper	81,944,293	P-1/F-1/A-1	60-90 days	Min. A2/A	Max. 4 years
Guaranteed Investment Contract	150,250,000	Aa2/AA-/A+	N/A	Min. A3/A-	N/A
Total Bond Proceeds Portfolio	\$ 244,733,366				
Reserve Funds Portfolio					
Commercial Paper	\$ 25,074,541	P-1/F-1	60-90 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	204,407				
US Treasuries Obligations	8,688,061	AAA/Aaa	30 days	Min. A2/A	Max. 5 years
Total Reserve Funds Portfolio	\$ 33,967,008				
Total Portfolio Subject to Indenture	\$ 278,700,374				
Portfolio Total	\$ 2,056,236,897				

*Reflects portion of Liquid Portfolio subject to Indenture

Investment Manager Diversification and Maturity Schedules

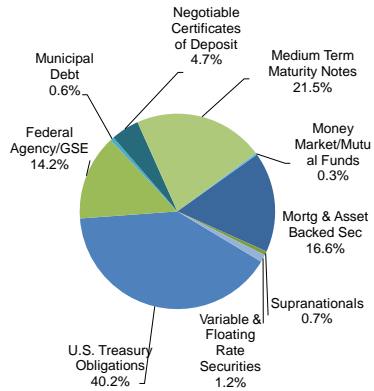
MetLife Investment Management 7/31/2020



Investment Manager Diversification and Maturity Schedules

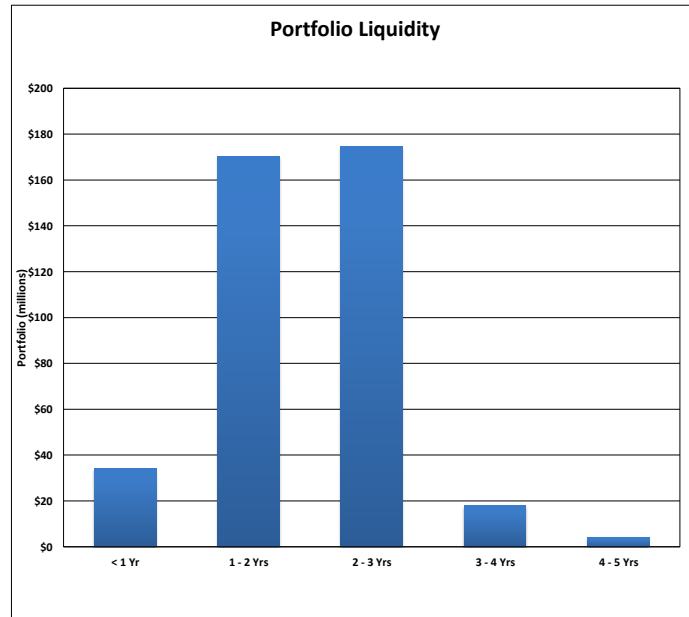
PFM
7/31/2020

SHORT-TERM PORTFOLIO (\$401.1 M)



	Book Value	Market Value
U.S. Treasury Obligations	\$ 161,356,858.64	\$ 166,942,224.60
Federal Agency/GSE	\$ 56,908,185.87	\$ 57,316,404.12
Municipal Debt	\$ 2,452,759.95	\$ 2,480,415.30
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ 18,700,000.00	\$ 19,213,285.50
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 86,202,918.00	\$ 88,393,094.35
Money Market/Mutual Funds	\$ 1,346,221.98	\$ 1,346,221.98
Mortg & Asset-Backed Securities	\$ 66,575,612.80	\$ 67,967,434.85
Supranationals	\$ 2,599,116.00	\$ 2,620,046.00
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 4,939,480.15	\$ 4,998,064.02
	\$ 401,081,153.39	\$ 411,277,190.72

Wtd Avg Life	1.85 Yrs
Duration	1.80 Yrs
Monthly Yield	0.27%
TSY Benchmark	0.13%
Gov/Corp Benchmark	0.21%
Monthly Return	0.17%
TSY Benchmark	0.10%
Gov/Corp Benchmark	0.15%
3 Month Return	0.65%
TSY Benchmark	0.19%
Gov/Corp Benchmark	0.49%
Fiscal YTD Return	0.17%
TSY Benchmark	0.10%
Gov/Corp Benchmark	0.15%
12 Month Return	4.44%
TSY Benchmark	4.29%
Gov/Corp Benchmark	4.41%

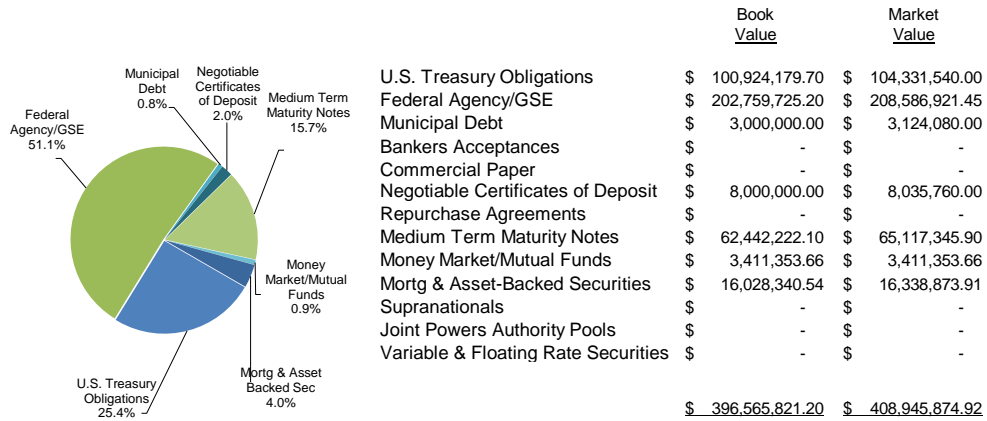


Investment Manager Diversification and Maturity Schedules

Chandler Asset Management

7/31/2020

SHORT-TERM PORTFOLIO (\$396.6 M)



Wtd Avg Life 1.84 Yrs
Duration 1.73 Yrs

Monthly Yield 0.25%
TSY Benchmark 0.13%
Gov/Corp Benchmark 0.21%

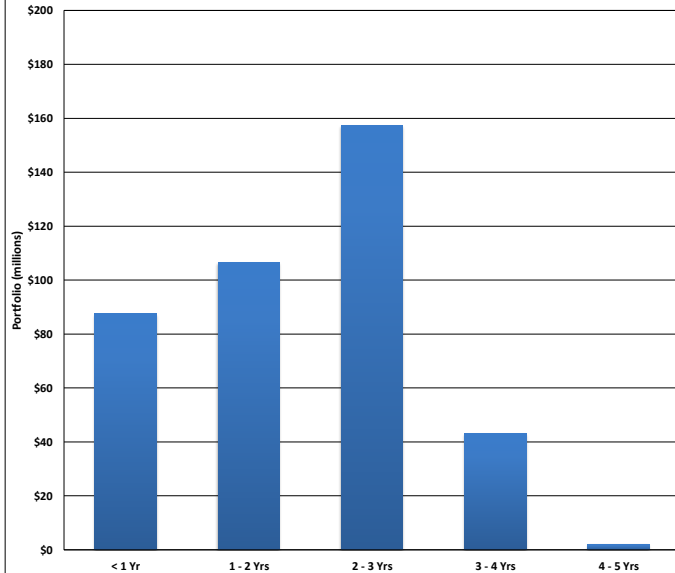
Monthly Return 0.14%
TSY Benchmark 0.10%
Gov/Corp Benchmark 0.15%

3 Month Return 0.56%
TSY Benchmark 0.19%
Gov/Corp Benchmark 0.49%

Fiscal YTD Return 0.14%
TSY Benchmark 0.10%
Gov/Corp Benchmark 0.15%

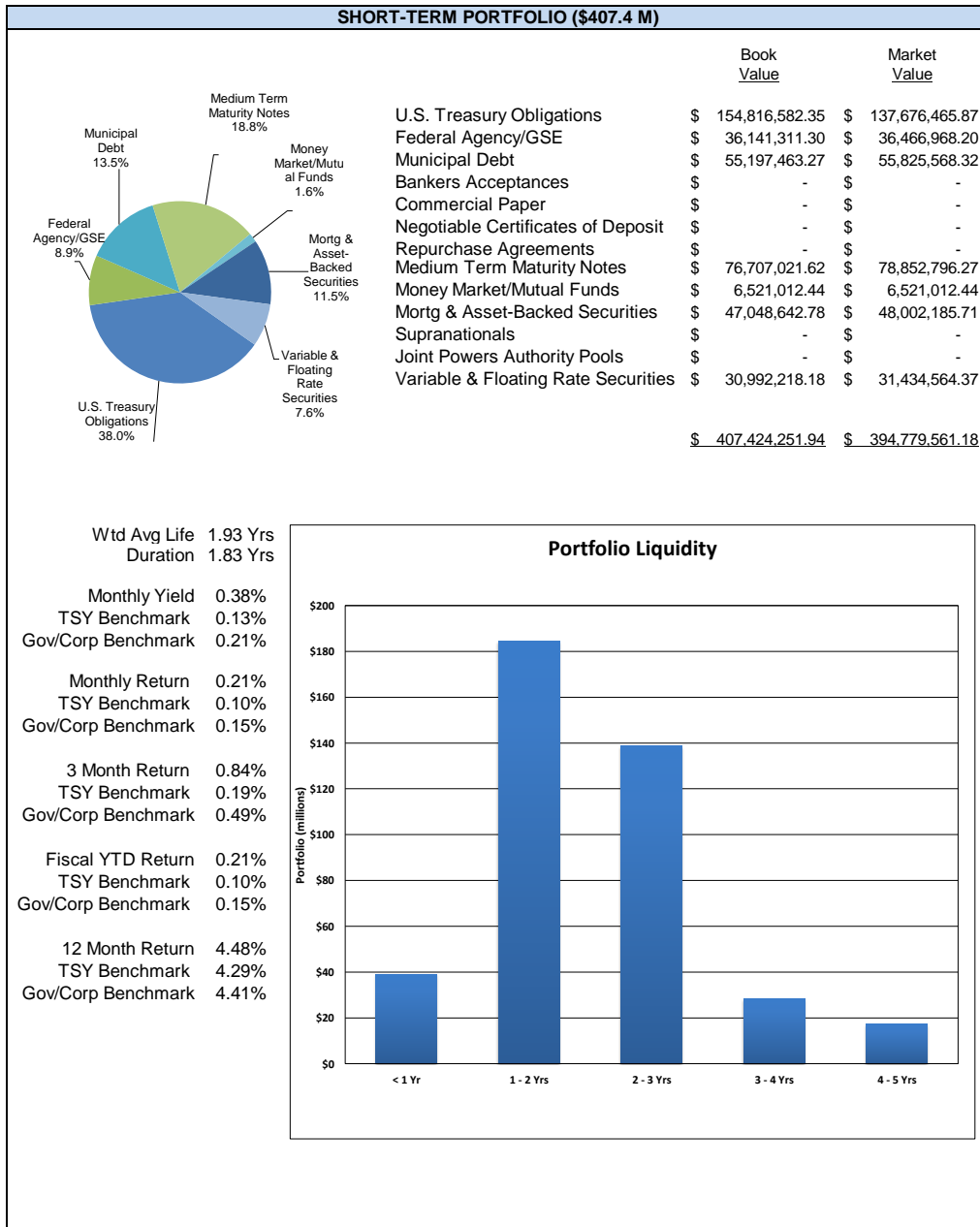
12 Month Return 4.32%
TSY Benchmark 4.29%
Gov/Corp Benchmark 4.41%

Portfolio Liquidity



Investment Manager Diversification and Maturity Schedules

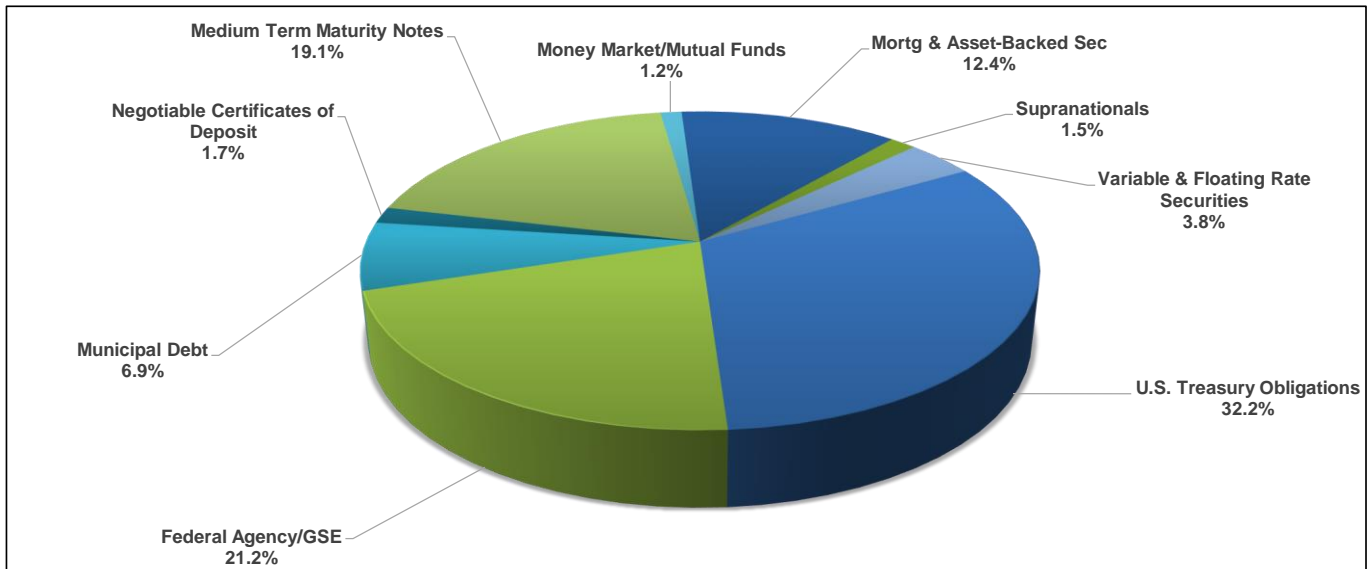
Payden & Rygel
7/31/2020



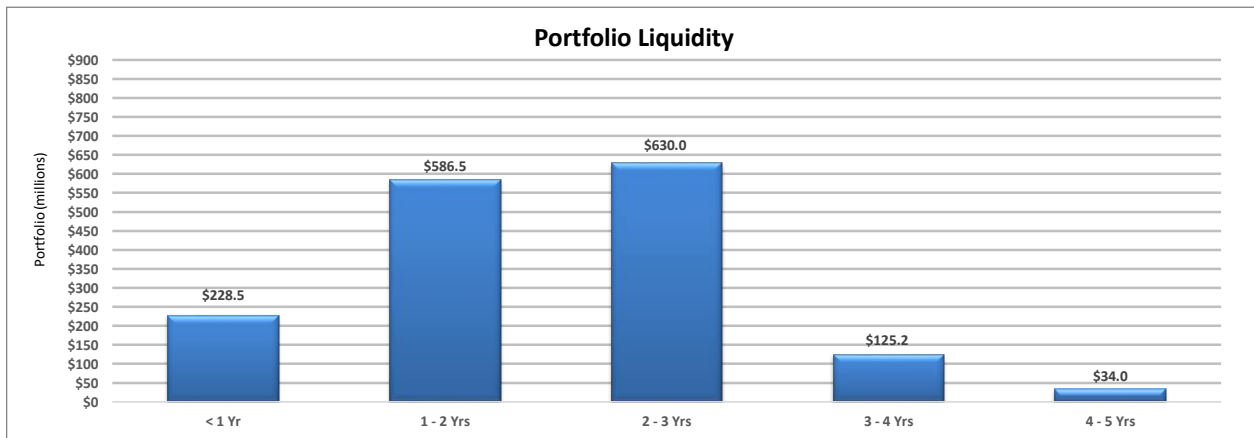
Short-Term Portfolio

7/31/2020

Portfolio Composition



Portfolio Liquidity



Rating Downgrades

7/31/2020

<u>Investment Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
PFM					
Wells Fargo & Company	\$ 1,500,000	4/1/2021	BBB+	A2	A+
On July 22, 2020, S&P downgraded the long-term ratings of Wells Fargo from A- to BBB+, given the company's ongoing regulatory challenges and earnings pressures in the midst of the economic downturn. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to the company's strong asset quality, liquidity, and the securities short time to maturity.					
MetLife Investment Management					
San Francisco City and County Airport Commission	\$ 3,810,000	Various*	A	A1	A+
On July 27, 2020, S&P downgraded the long-term ratings of San Francisco Airport (SFO) from A+ to A. The downgrade is due to depressed levels of airline travel as a result of COVID-19. The security remains in compliance with the requirements of the Investment Policy. Based on the airports rate setting ability, strong liquidity and CARES Act funding, the investment manager believes SFO is well equipped to whether this pandemic into the next few years and is comfortable holding the security.					
Chandler Asset Management					
Wells Fargo & Company	\$ 3,000,000	12/7/2020	BBB+	A2	A+
On July 22, 2020, S&P downgraded the long-term ratings of Wells Fargo from A- to BBB+, given the company's ongoing regulatory challenges and earnings pressures in the midst of the economic downturn. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to the company's strong asset quality, liquidity, and the securities short time to maturity.					
US Bancorp	\$ 2,000,000	2/5/2024	A+	A1	A+
On July 10, 2020, Fitch downgraded the long-term ratings of US Bank from AA- to A+. The downgrade is a result of Fitch moving to a more rigid rating methodology for bank securities. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to the banks consistent financial performance and the quality of their balance sheet.					

*5/1/22 & 5/1/23

Negative Credit Watch

7/31/2020

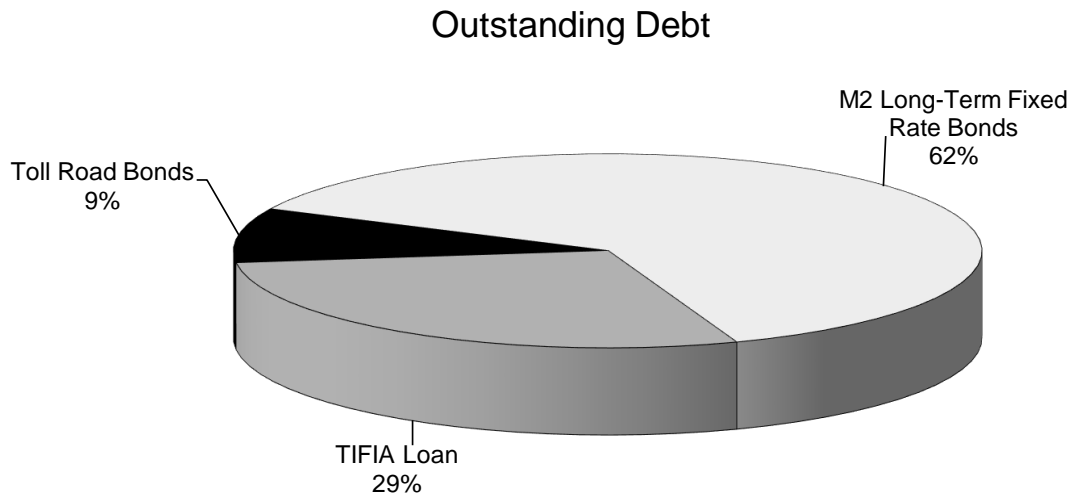
<u>Investment Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
PFM					
Pfizer On June 17, 2019, S&P and Fitch placed the long-term ratings of Pfizer Inc. under review for possible downgrade. The credit watch placement is due to Pfizer's announcement 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 investment manager is comfortable holding the security due to Pfizer's product diversification and vast revenue streams.	\$ 2,300,000	Various*	AA-	A1	A
Merck & Co. 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 investment manager is comfortable holding the security due to the industry strength of Merck, and their vast pharmaceutical diversification.	\$ 1,250,000	2/10/2022	AA-	A1	A+
Skandinaviska Enskilda Banken AB (publ.) 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 investment manager is comfortable holding the security as they believe the bank should be able to absorb the negative impact of an economic downturn due to the bank being well capitalized.	\$ 3,875,000	8/26/2022	A+	P-1	AA
Nordea Bank Abp, New York Branch On March 31, 2020, S&P and Fitch placed the long-term ratings of Nordea Bank under review for possible downgrade. The credit watch placement is due to ongoing economic stress faced by the banking industry due to COVID-19, leading to difficulties in achieving financial targets year over year. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Nordea's major initiatives to simplify group structure as well as implementing cost cutting measures to improve cost efficiencies.	\$ 3,875,000	8/26/2022	AA-	Aa3	AA
Walt Disney Co. 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 investment manager is comfortable holding the security due to Disney's diverse business.	\$ 875,000	9/1/2022	A	A2	A
Port Authority of New York & New Jersey On June 26, 2020, Fitch placed the long-term ratings of the Port Authority under review for possible downgrade. The credit watch placement reflects elevated stresses to both the agency's operating activities and revenue generation as a result of COVID-19. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to expectations of long-term revenue recoveries.	\$ 1,125,000	7/1/2023	A+	Aa3	AA-
MetLife					
San Francisco Bay Area Rapid Transit District (BART) 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 investment manager is comfortable holding the security due to the strong credit quality and cash flow of the agency.	\$ 1,460,000	7/1/2022	AA+	N/A	AA+

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

DEBT PROGRAM

Total Outstanding Debt

As of 7/31/20



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

Outstanding Debt

As of 7/31/20

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 Interest:	16,768,696
Pledged Revenue Source:	405 Toll Road Revenues
Ratings (Moody's):	Baa2
Final Maturity:	2057