

**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
September 30, 2020**

INVESTMENT PROGRAM

OCTA Investment Dashboard

9/30/2020

Safety of Principal

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

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

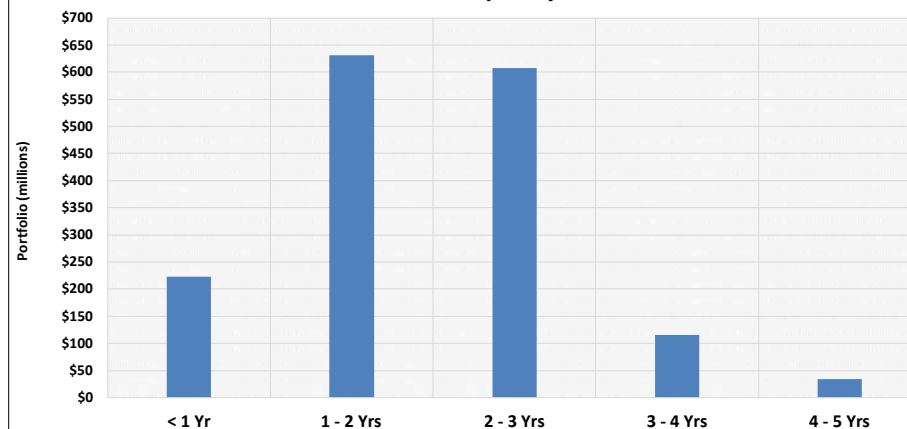
On Thursday, February 20, 2020, Moody's downgraded the long-term debt rating of Nissan to Baa1 from A3. OCTA holds three high quality AAA Nissan Auto/Lease asset backed security positions, respectively 0.3%, 0.4% and 0.6% of the portfolio. However, for asset backed securities, receivables are sold via 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.

Securities downgraded or placed on Negative Credit Watch during the month of September 2020, but remain in compliance with OCTA's Investment Policy:

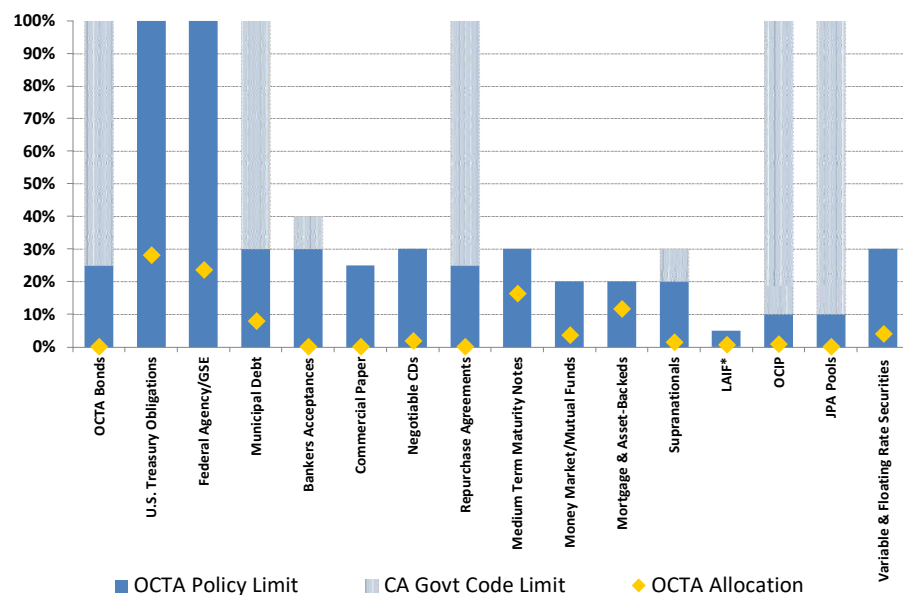
One security held within OCTA's investment portfolio was downgraded, and one was placed on negative credit watch during the month.

For further details please refer to I-8 & 1-9 of this report.

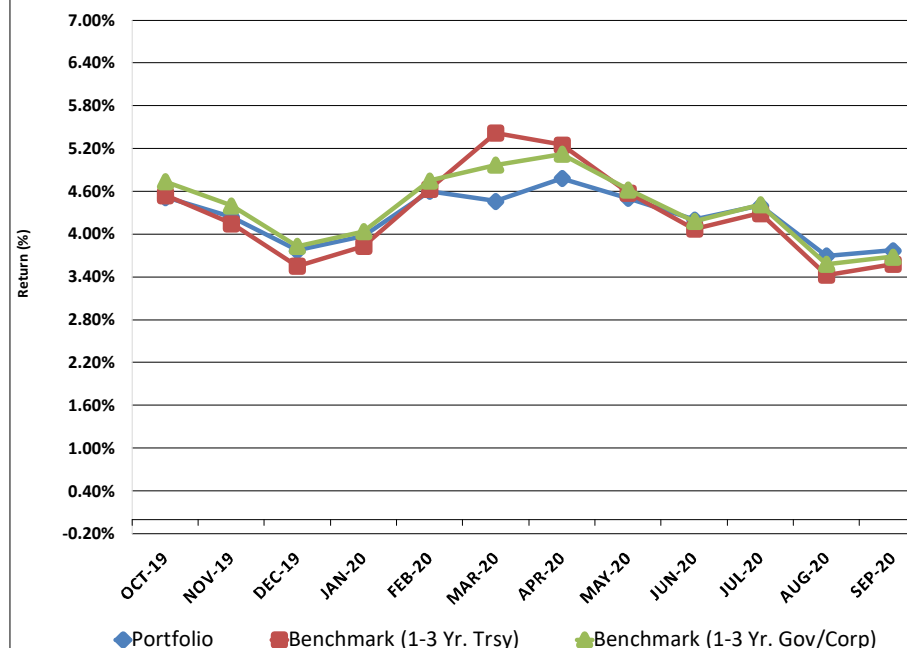
Portfolio Liquidity



Portfolio Diversification



Portfolio Return - 12 Month



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

Investment Compliance

9/30/2020

Portfolio Subject to Investment Policy			
Short-Term/Liquid Portfolio ¹	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Treasury Obligations	\$ 466,792,648	27.0%	100%
Federal Agency/GSE	391,124,200	22.6%	100%
Municipal Debt	130,786,434	7.6%	30%
Commercial Paper	-	0.0%	25%
Negotiable Certificates of Deposit	29,800,000	1.7%	30%
Repurchase Agreements	70,499,450	4.1%	25%
Medium Term Maturity Notes/Corporates	271,277,036	15.7%	30%
Money Market/Mutual Funds	59,389,733	3.4%	20%
Mortgage & Asset-Backed	194,079,312	11.2%	20%*
Supranationals	23,732,180	1.4%	20%
Local Agency Investment Fund	10,899,573	0.6%	\$ 75 Million
Orange County Investment Pool	15,640,428	0.9%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	253,511	0.0%	5%
Variable & Floating Rate Securities	64,450,407	3.7%	30%
Total Short-Term/Liquid Portfolio	\$ 1,728,724,914	100.0%	

1. Excludes portion of Liquid Portfolio subject to Indenture

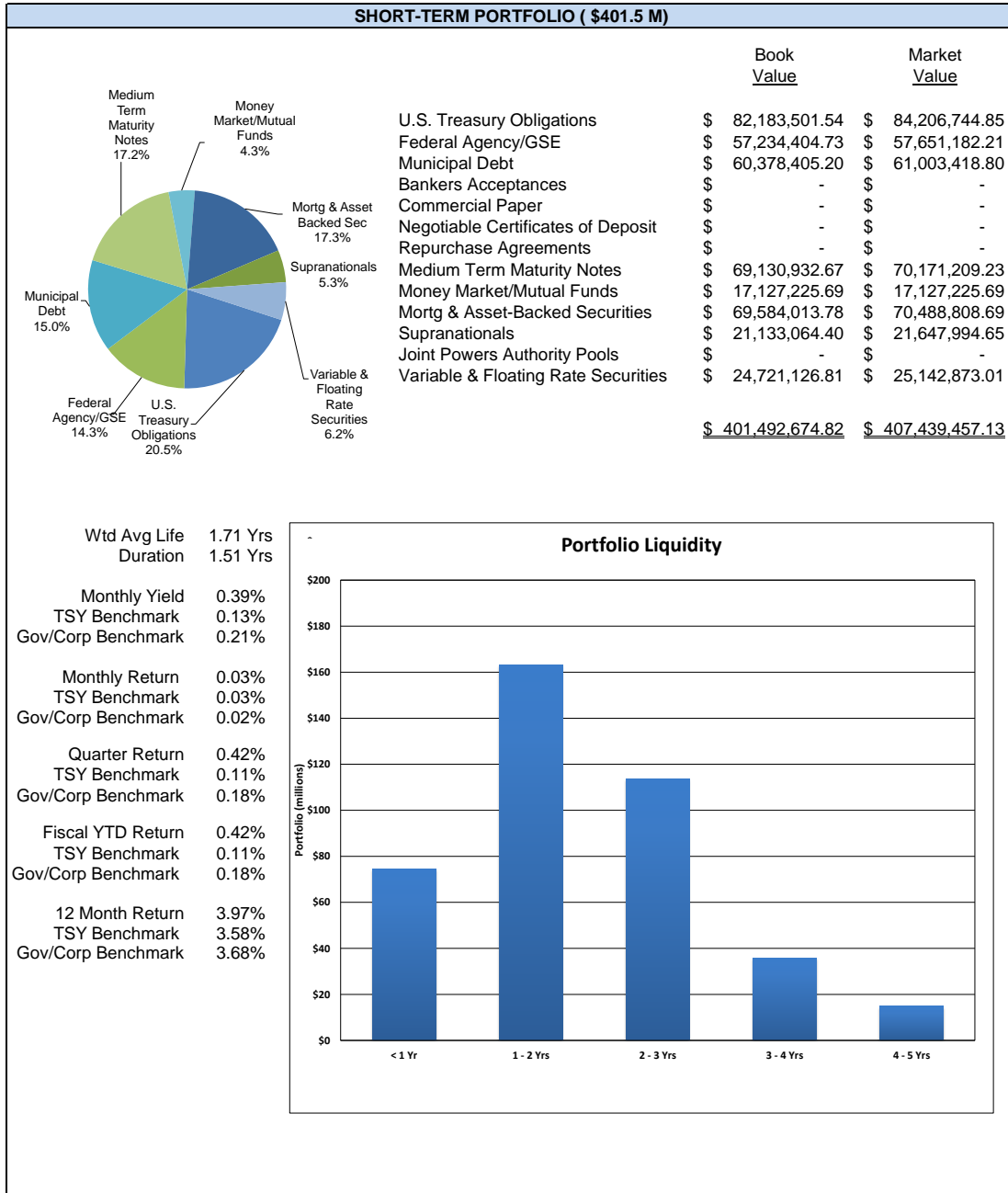
*Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

Portfolio Subject to Indenture					
	Dollar Amount Invested	Credit Quality	OCTA Term	Indenture Requirements	
				Credit Quality	Term
Liquid Portfolio*					
Money Market Funds	\$ 67,681,007	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Bond Proceeds Portfolio					
Money Market Funds	\$ 52,939,233	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Commercial Paper	\$ 59,974,875	P-1/F-1/A-1	60-90 days	Min. A2/A	Max. 4 years
Guaranteed Investment Contract	116,950,000	Aa2/AA-/A+	N/A	Min. A3/A-	N/A
Total Bond Proceeds Portfolio	\$ 229,864,108				
Reserve Funds Portfolio					
Commercial Paper	\$ 25,077,914	P-1/F-1	60-90 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	\$ 204,407				
US Treasuries Obligations	957	AAA/Aaa	30 days	Min. A2/A	Max. 5 years
Total Reserve Funds Portfolio	\$ 25,283,277				
Total Portfolio Subject to Indenture	\$ 255,147,385				
Portfolio Total	\$ 2,051,553,307				

*Reflects portion of Liquid Portfolio subject to Indenture

Investment Manager Diversification and Maturity Schedules

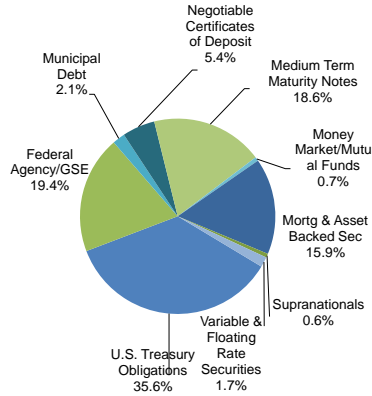
MetLife Investment Management
9/30/2020



Investment Manager Diversification and Maturity Schedules

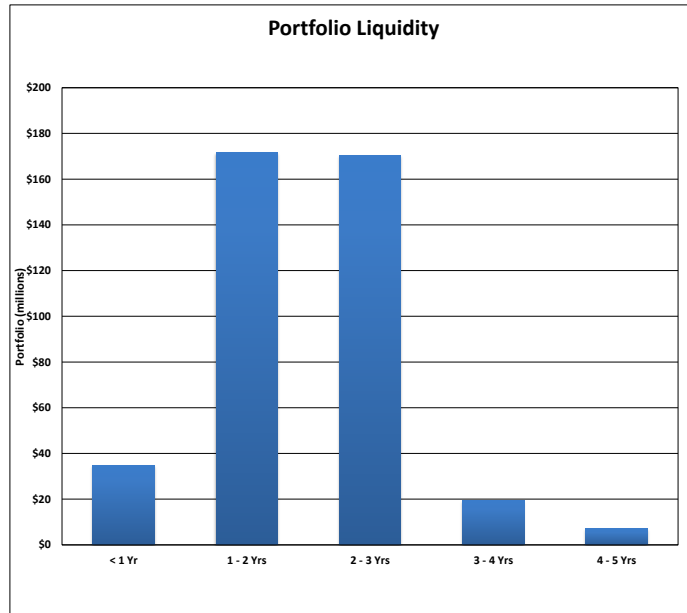
PFM
9/30/2020

SHORT-TERM PORTFOLIO (\$403.0 M)



	Book Value	Market Value
U.S. Treasury Obligations	\$ 143,455,807.86	\$ 147,995,380.65
Federal Agency/GSE	\$ 78,343,960.96	\$ 78,778,776.71
Municipal Debt	\$ 8,382,759.95	\$ 8,435,950.25
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ 21,800,000.00	\$ 22,286,345.75
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 74,796,499.15	\$ 76,612,925.05
Money Market/Mutual Funds	\$ 2,651,782.40	\$ 2,468,407.50
Mortg & Asset-Backed Securities	\$ 64,200,014.88	\$ 65,374,547.41
Supranationals	\$ 2,599,116.00	\$ 2,616,614.00
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 6,794,709.75	\$ 6,866,581.18
	<u>\$ 403,024,650.95</u>	<u>\$ 411,435,528.50</u>

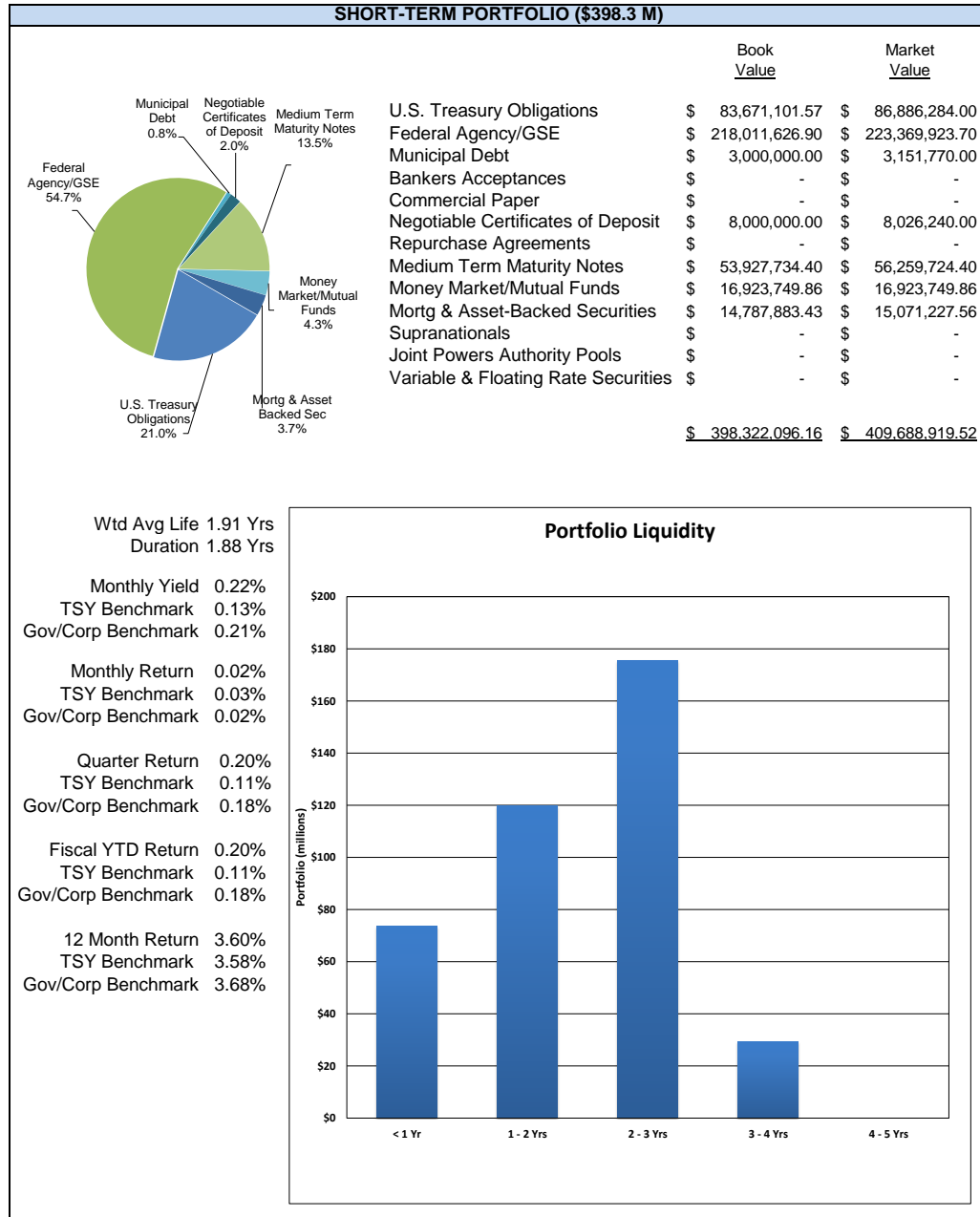
Wtd Avg Life	1.83 Yrs
Duration	1.80 Yrs
Monthly Yield	0.28%
TSY Benchmark	0.13%
Gov/Corp Benchmark	0.21%
Monthly Return	0.03%
TSY Benchmark	0.03%
Gov/Corp Benchmark	0.02%
Quarter Return	0.23%
TSY Benchmark	0.11%
Gov/Corp Benchmark	0.18%
Fiscal YTD Return	0.23%
TSY Benchmark	0.11%
Gov/Corp Benchmark	0.18%
12 Month Return	3.71%
TSY Benchmark	3.58%
Gov/Corp Benchmark	3.68%



Investment Manager Diversification and Maturity Schedules

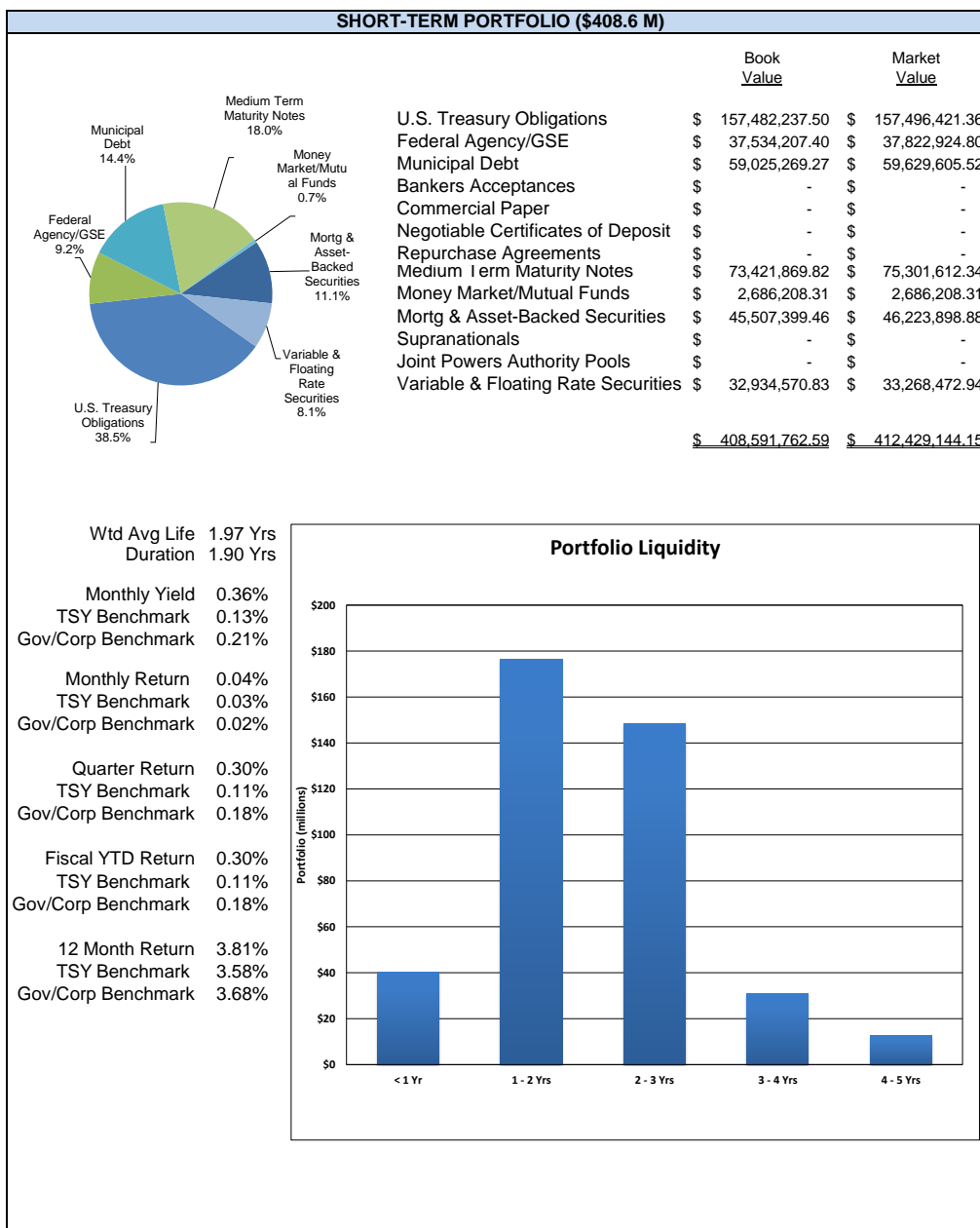
Chandler Asset Management

9/30/2020



Investment Manager Diversification and Maturity Schedules

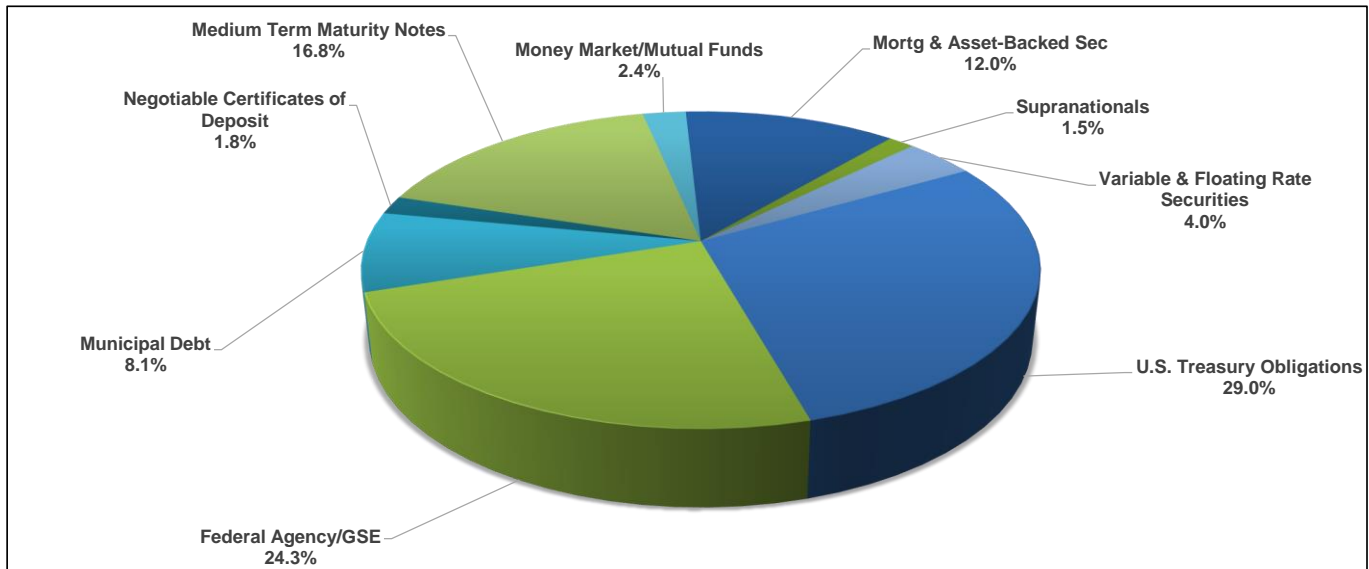
Payden & Rygel
9/30/2020



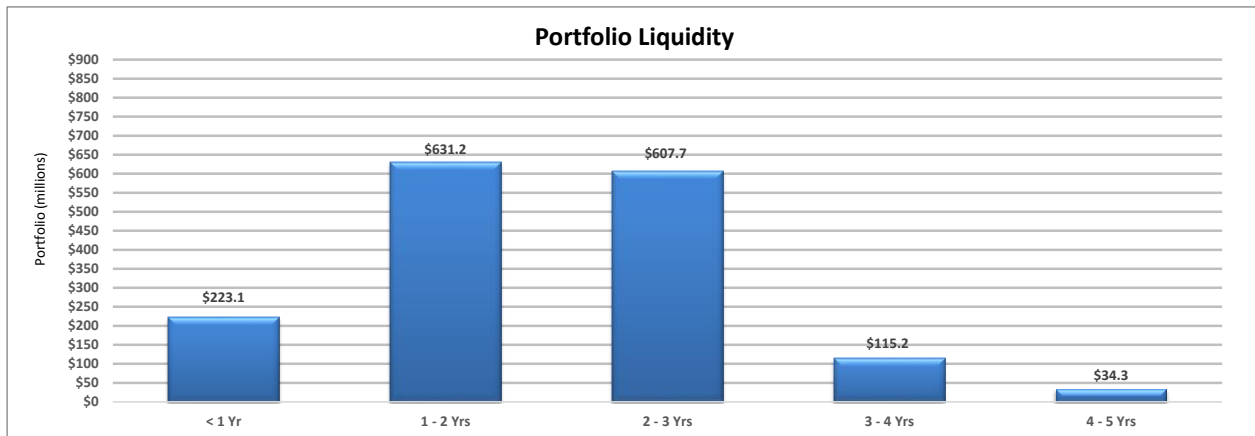
Short-Term Portfolio

9/30/2020

Portfolio Composition



Portfolio Liquidity



Rating Downgrades 9/30/2020

<u>Investment Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
MetLife Investment Management					
State of Hawaii Airport System	\$ 1,430,000	Various*	A-	A2	A
<p>On September 25, 2020, S&P downgraded the long-term ratings of the State of Hawaii Airport System (HISAPT) from A+ to A-. The downgrade is due to depressed levels of rental car activity at airports as a result of COVID-19. The security remains in compliance with the requirements of the Investment Policy. Based on the airports strong liquidity, CARES Act funding, and sufficient debt service reserve funds the investment manager believes HISAPT is well equipped to weather this pandemic into the next few years and is comfortable holding the security.</p>					

*7/1/22 & 7/1/24

Negative Credit Watch

9/30/2020

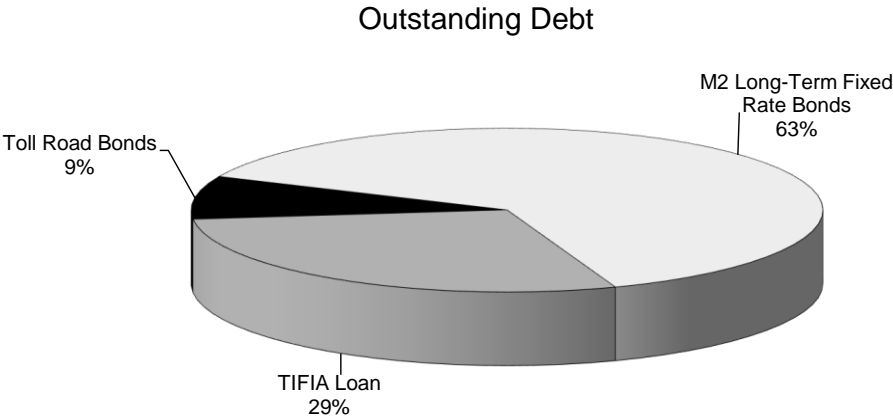
<u>Investment Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
PFM					
Pfizer On June 17, 2019, S&P and Fitch placed the long-term ratings of Pfizer Inc. under review for possible downgrade. The credit watch placement is due to Pfizer's announcement 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+
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-
Payden & Rygel Southern CA Public Power Authority On September 11, 2020, S&P placed the long-term ratings of the Southern CA Public Power Authority (SCAPPA) under review for possible downgrade. The credit watch placement is due to the weakening of one of the project participants, the City of Anaheim, this weakening comes as a result of implications from COVID-19, and its impacts on the tourism and hospitality industries. The security remains in compliance with the requirements of the Investment Policy. Based on the fundamental value of the utility itself as well as the inherent value of the bond the manager is comfortable holding the security.	\$ 2,735,000	7/1/2023	AA-	N/A	AA-

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

DEBT PROGRAM

(M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, 2017 TIFIA Loan (I-405))

Total Outstanding Debt*
As of 9/30/20



TOTAL OUTSTANDING DEBT: \$998,955,000

*Comprised of OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, and 2017 TIFIA Loan (I-405) currently outstanding and and irrespective of OCTA's investment program.

Outstanding Debt*

As of 9/30/20

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 2021:	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 2021:	26,569,650
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:	85,265,000
Debt Service FY 2021:	10,795,075
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:	18,164,459
Pledged Revenue Source:	405 Toll Road Revenues
Ratings (Moody's):	Baa2
Final Maturity:	2057

*Comprised of OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, and 2017 TIFIA Loan (I-405) currently outstanding and irrespective of OCTA's investment program.