

**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  
January 31, 2021**

# INVESTMENT PROGRAM

# OCTA Investment Dashboard

1/31/2021

## Safety of Principal

### Securities that fell below OCTA's minimum credit quality requirements during the month of January 2021:

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 security positions in Nissan Auto/Lease asset backed securities, representing less than 0.01% 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.

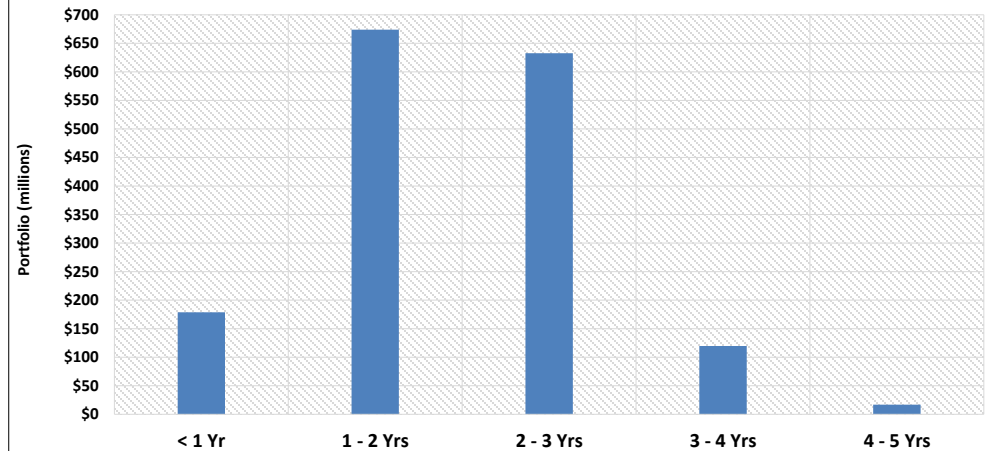
### Securities downgraded or placed on Negative Credit Watch during the month of January 2021,

#### but remain in compliance with OCTA's Investment Policy:

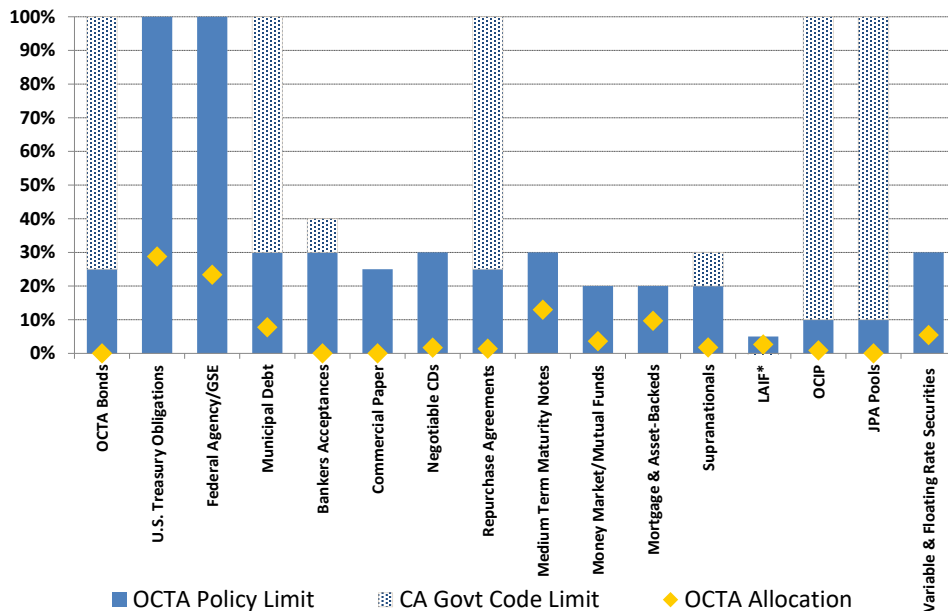
One security held within OCTA's investment portfolio was downgraded during the month. The total number of securities on the Negative Credit Watch list increased from three securities to six securities for the month.

For further details please refer to A-8 of this report.

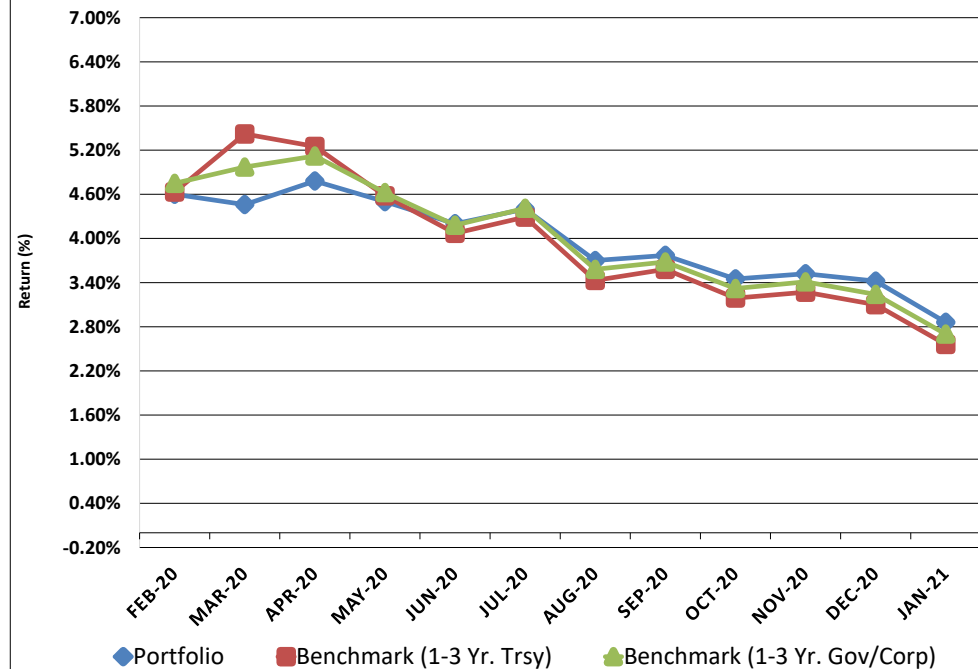
## Portfolio Liquidity



## Portfolio Diversification



## Portfolio Return - 12 Month



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

# Investment Compliance

1/31/2021

Portfolio Subject to Investment Policy			
Short-Term/Liquid Portfolio <sup>1</sup>	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Treasury Obligations	\$ 503,330,446	28.8%	100%
Federal Agency/GSE	408,387,164	23.4%	100%
Municipal Debt	135,772,053	7.8%	30%
Commercial Paper	-	0.0%	25%
Negotiable Certificates of Deposit	29,800,000	1.7%	30%
Repurchase Agreements	24,533,143	1.4%	25%
Medium Term Maturity Notes/Corporates	226,602,609	13.0%	30%
Money Market/Mutual Funds	63,360,988	3.6%	20%
Mortgage & Asset-Backed	169,135,530	9.7%	20%*
Supranationals	30,934,095	1.8%	20%
Local Agency Investment Fund**	45,939,988	2.6%	\$ 75 Million
Orange County Investment Pool	15,560,601	0.9%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	-	0.0%	5%
Variable & Floating Rate Securities	95,157,357	5.4%	30%
<b>Total Short-Term/Liquid Portfolio</b>	<b>\$ 1,748,513,975</b>	<b>100.0%</b>	

1. Excludes portion of Liquid Portfolio subject to Indenture

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

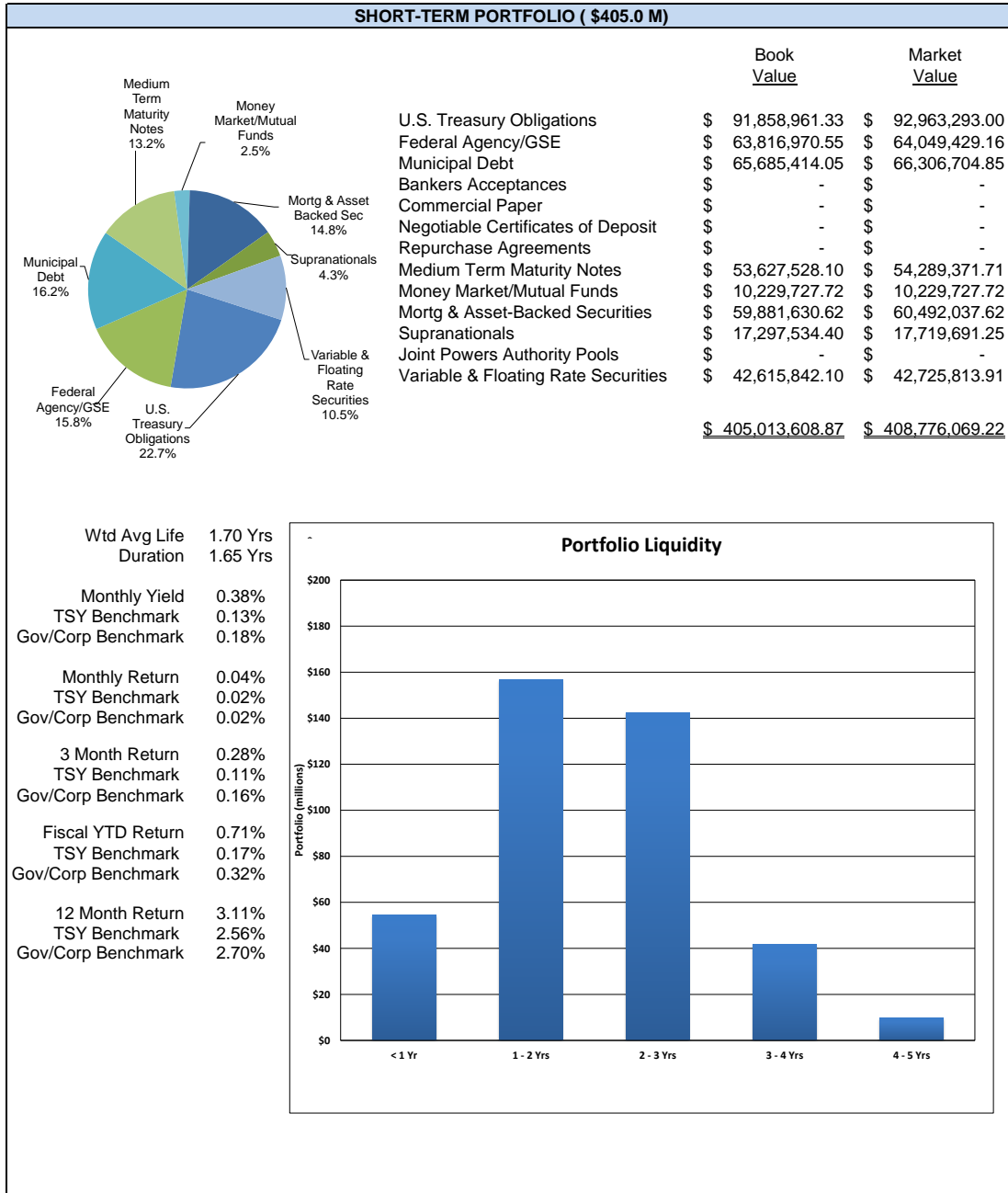
\*\*OCTA has increased the balance in the LAIF (Pool) from \$11m to \$46m during the month of January. The move allowed OCTA to increase yield from 0.20% to 0.44% on the funds while maintaining liquidity and safety of funds.

Portfolio Subject to Indenture					
	Dollar Amount Invested	Credit Quality	OCTA Term	Indenture Requirements Credit Quality	Indenture Requirements Term
<b>Liquid Portfolio*</b>					
Money Market Funds	\$ 55,212,631	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
<b>Bond Proceeds Portfolio</b>					
Money Market Funds	\$ 120,530,053	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Commercial Paper	\$ -	P-1/F-1/A-1	60-90 days	Min. A2/A	Max. 4 years
Guaranteed Investment Contract	50,350,000	Aa2/AA-/A+	N/A	Min. A3/A-	N/A
<b>Total Bond Proceeds Portfolio</b>	<b>\$ 170,880,053</b>				
<b>Reserve Funds Portfolio</b>					
Commercial Paper	\$ 25,076,772	P-1/F-1	60-150 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	\$ 213,077				
US Treasuries Obligations	515	AAA/Aaa	30 days	Min. A2/A	Max. 5 years
<b>Total Reserve Funds Portfolio</b>	<b>\$ 25,290,364</b>				
<b>Total Portfolio Subject to Indenture</b>	<b>\$ 196,170,416</b>				
<b>Portfolio Total</b>	<b>\$ 1,999,897,022</b>				

\*Reflects portion of Liquid Portfolio subject to Indenture

# Investment Manager Diversification and Maturity Schedules

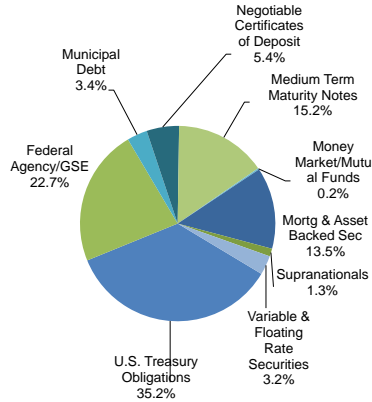
**MetLife Investment Management**  
1/31/2021



## Investment Manager Diversification and Maturity Schedules

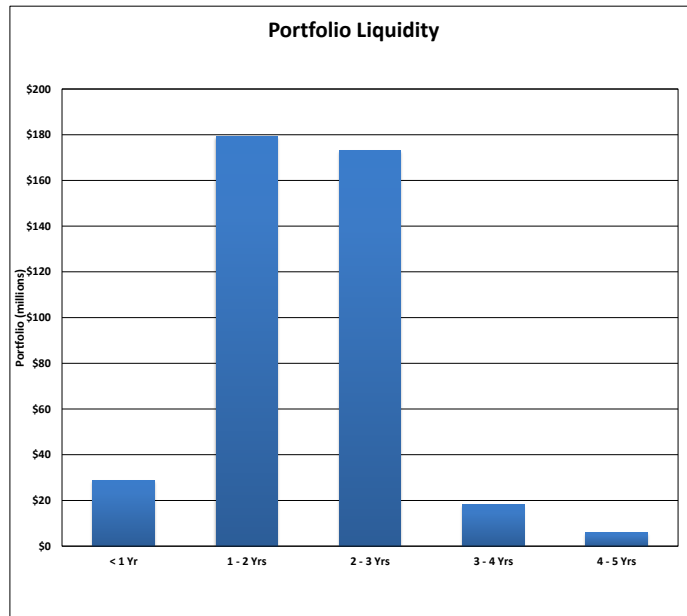
**PFM**  
1/31/2021

### SHORT-TERM PORTFOLIO ( \$406.1 M)



	Book Value	Market Value
U.S. Treasury Obligations	\$ 143,067,901.02	\$ 146,202,168.50
Federal Agency/GSE	\$ 92,026,837.73	\$ 92,386,262.69
Municipal Debt	\$ 13,662,759.95	\$ 13,763,447.25
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ 21,800,000.00	\$ 22,213,578.25
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 61,644,950.40	\$ 62,743,660.45
Money Market/Mutual Funds	\$ 967,765.91	\$ 967,765.91
Mortg & Asset-Backed Securities	\$ 54,822,753.68	\$ 55,752,049.95
Supranationals	\$ 5,243,418.50	\$ 5,269,185.00
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 12,868,964.67	\$ 12,965,103.80
	<u>\$ 406,105,351.86</u>	<u>\$ 412,263,221.80</u>

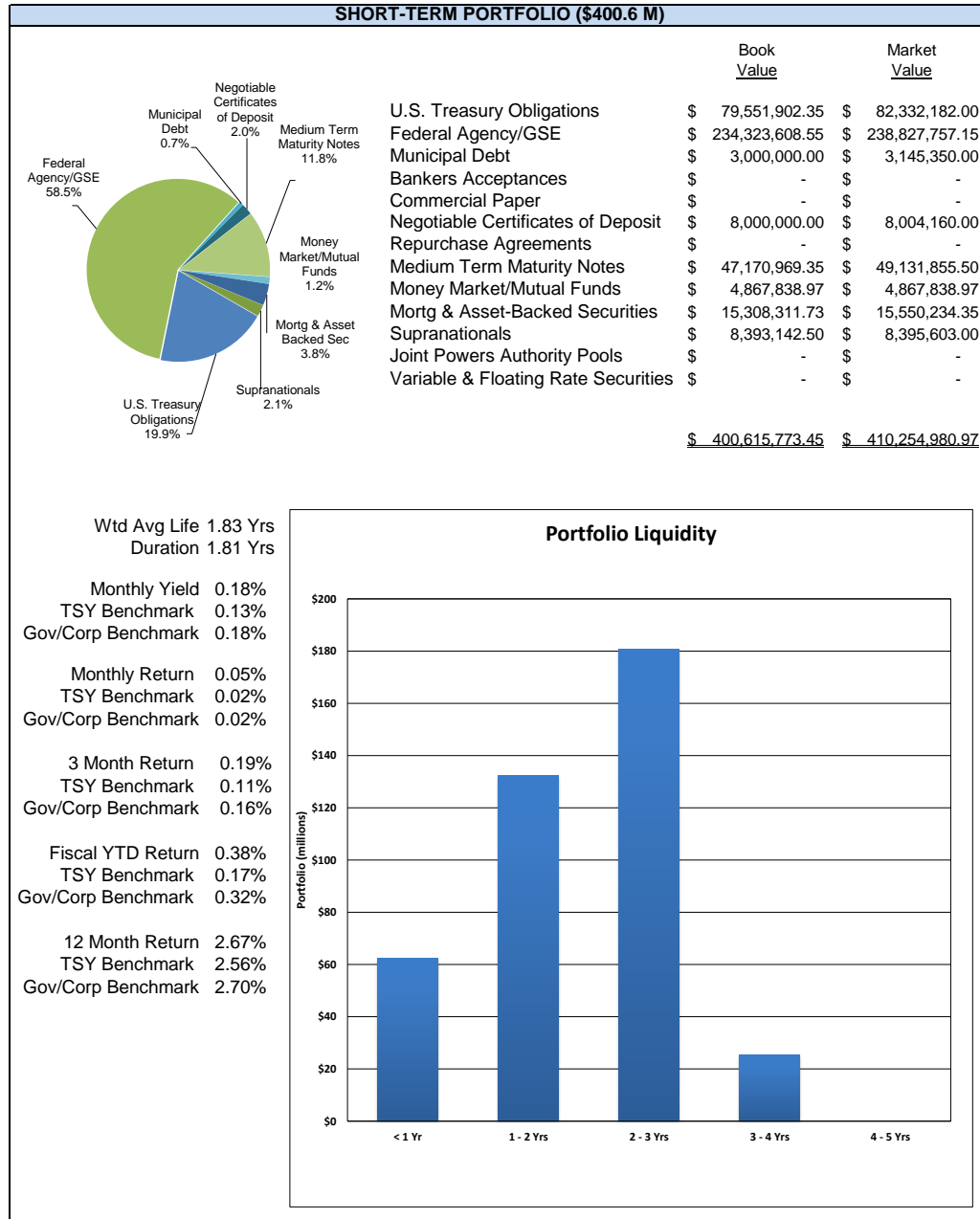
Wtd Avg Life	1.82 Yrs
Duration	1.81 Yrs
Monthly Yield	0.23%
TSY Benchmark	0.13%
Gov/Corp Benchmark	0.18%
Monthly Return	0.04%
TSY Benchmark	0.02%
Gov/Corp Benchmark	0.02%
3 Month Return	0.20%
TSY Benchmark	0.11%
Gov/Corp Benchmark	0.16%
Fiscal YTD Return	0.43%
TSY Benchmark	0.17%
Gov/Corp Benchmark	0.32%
12 Month Return	2.79%
TSY Benchmark	2.56%
Gov/Corp Benchmark	2.70%



## Investment Manager Diversification and Maturity Schedules

### Chandler Asset Management

1/31/2021

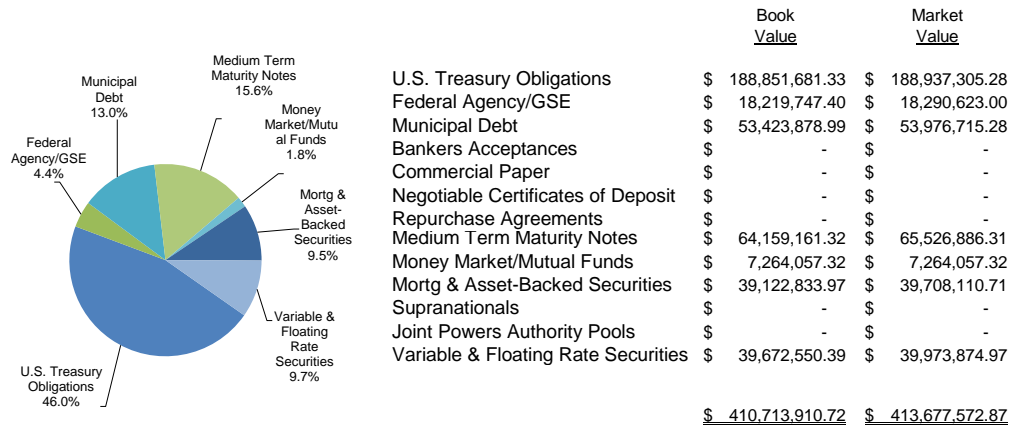


# Investment Manager Diversification and Maturity Schedules

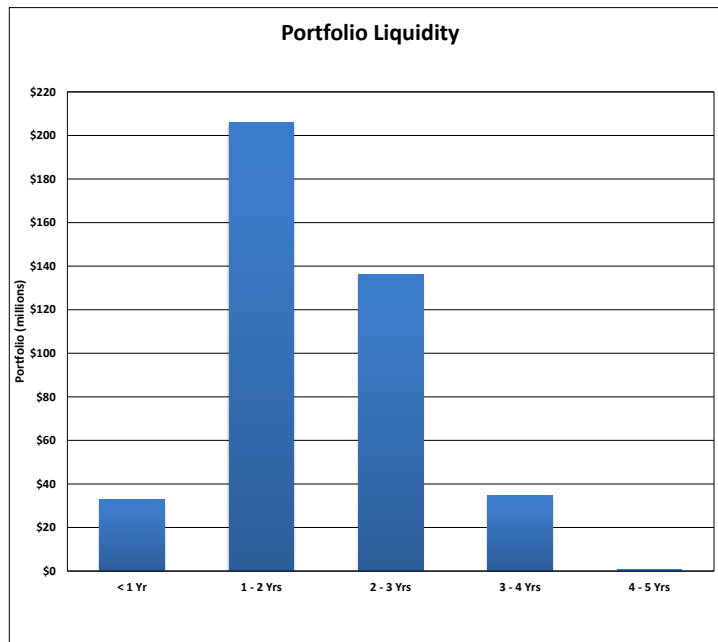
**Payden & Rygel**

1/31/2021

## SHORT-TERM PORTFOLIO (\$410.7 M)



Wtd Avg Life	1.95 Yrs
Duration	1.92 Yrs
Monthly Yield	0.24%
TSY Benchmark	0.13%
Gov/Corp Benchmark	0.18%
Monthly Return	0.04%
TSY Benchmark	0.02%
Gov/Corp Benchmark	0.02%
3 Month Return	0.24%
TSY Benchmark	0.11%
Gov/Corp Benchmark	0.16%
Fiscal YTD Return	0.55%
TSY Benchmark	0.17%
Gov/Corp Benchmark	0.32%
12 Month Return	2.88%
TSY Benchmark	2.56%
Gov/Corp Benchmark	2.70%

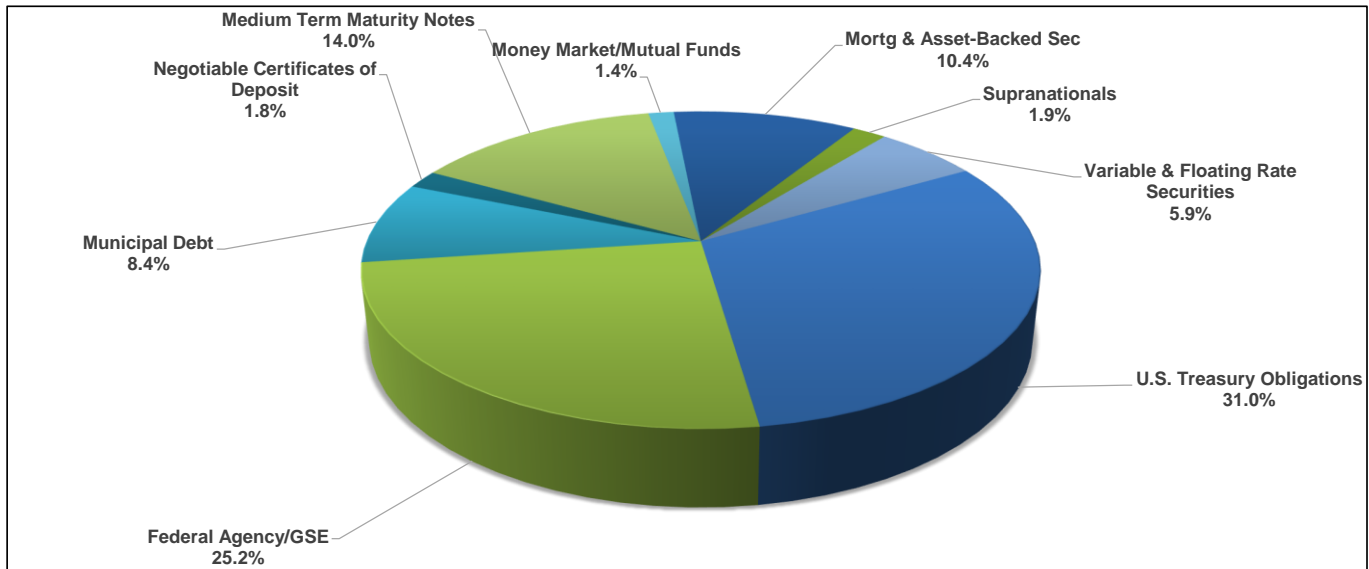




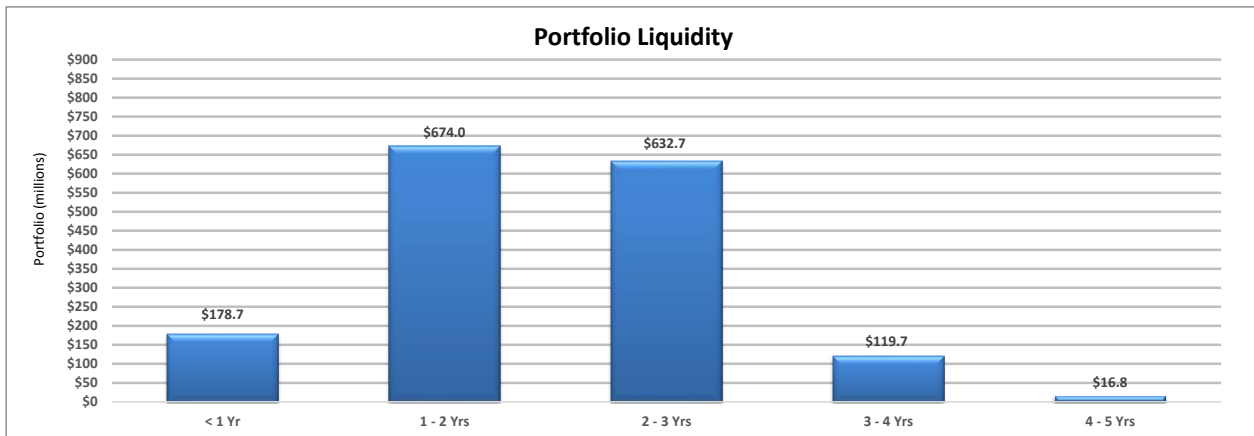
# Short-Term Portfolio

1/31/2021

## Portfolio Composition



## Portfolio Liquidity



# Rating Downgrades & Negative Credit Watch

1/31/2021

<u>Investment Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
<b>Rating Downgrades:</b>					
Port Authority of New York & New Jersey On January 19, 2021, Fitch downgraded the long-term ratings of the Port Authority from AA- to A+. The downgrade 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 the mature, diverse, and monopolistic transportation infrastructure the Port Authority provides, supported further by a conservative debt structure.	\$ 2,220,000	7/1/2023	A+	Aa3	A+
<b>Negative Credit Watch:</b>					
<b>PFM</b>					
Chevron On January 25, 2021, S&P placed the long-term ratings of Chevron under review for possible downgrade. The credit watch placement is due to an overall review of the energy sector by S&P, noting energy transitions, price volatility, and weaker profitability are increasing risks for oil and gas producers. S&P expects to resolve these CreditWatch placements within a few weeks. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Chevron's large scale and globally diversified operations.	\$ 1,375,000	Various*	AA	Aa2	N/A
Exxon On January 25, 2021, S&P placed the long-term ratings of Exxon under review for possible downgrade. The credit watch placement is due to an overall review of the energy sector by S&P, noting energy transitions, price volatility, and weaker profitability are increasing risks for oil and gas producers. S&P expects to resolve these CreditWatch placements within a few weeks. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Exxon's large scale and globally diversified operations.	\$ 1,600,000	3/6/2022	AA	Aa1	N/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+
<b>Payden &amp; Rygel</b>					
Chevron On January 25, 2021, S&P placed the long-term ratings of Chevron under review for possible downgrade. The credit watch placement is due to an overall review of the energy sector by S&P, noting energy transitions, price volatility, and weaker profitability are increasing risks for oil and gas producers. S&P expects to resolve these CreditWatch placements within a few weeks. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Chevron's large scale and globally diversified operations.	\$ 455,000	5/11/2023	AA	Aa2	N/A
Exxon On January 25, 2021, S&P placed the long-term ratings of Exxon under review for possible downgrade. The credit watch placement is due to an overall review of the energy sector by S&P, noting energy transitions, price volatility, and weaker profitability are increasing risks for oil and gas producers. S&P expects to resolve these CreditWatch placements within a few weeks. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Exxon's large scale and globally diversified operations.	\$ 2,065,000	4/15/2023	AA	Aa1	N/A
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 investment manager is comfortable holding the security.	\$ 2,735,000	7/1/2023	AA-	N/A	AA-

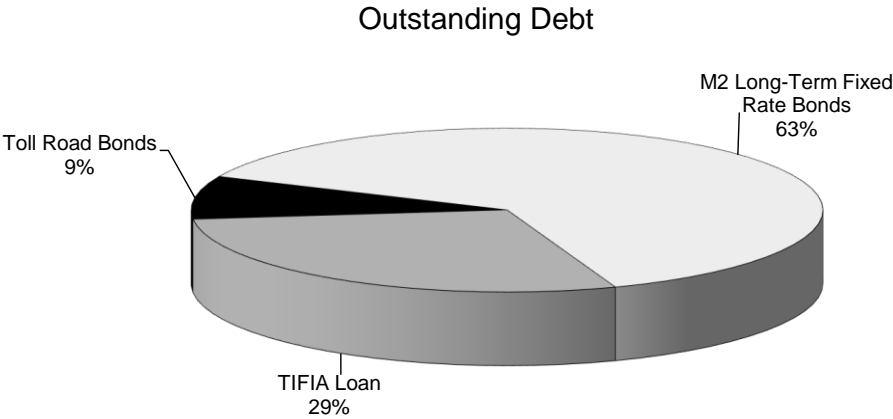
\*5/16/21,5/11/23,8/11/23

# **DEBT PROGRAM**

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

**Total Outstanding Debt\***  
**As of 1/31/21**

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**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 irrespective of OCTA's investment program.

# Outstanding Debt\*

## As of 1/31/21

### 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:	20,978,868
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.