

**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  
March 31, 2021**

# OCTA Investment Dashboard

## 3/31/2021

### Safety of Principal

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

Not applicable.

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

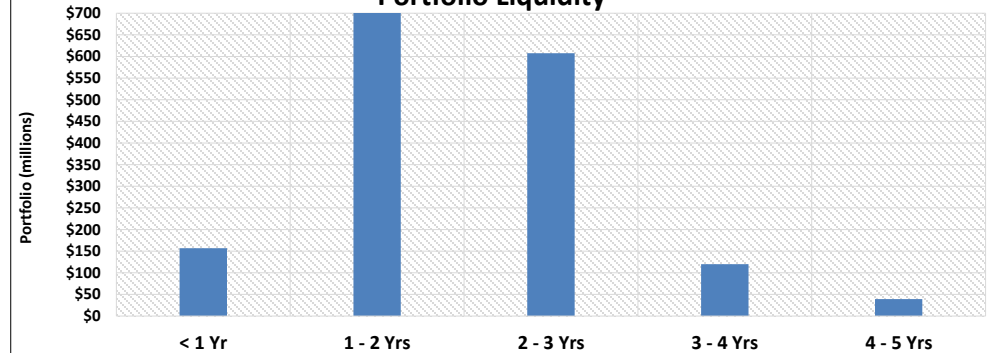
Not applicable.

Securities downgraded or placed on Negative Credit Watch during the month of March 2021, but remain in compliance with OCTA's Investment Policy:

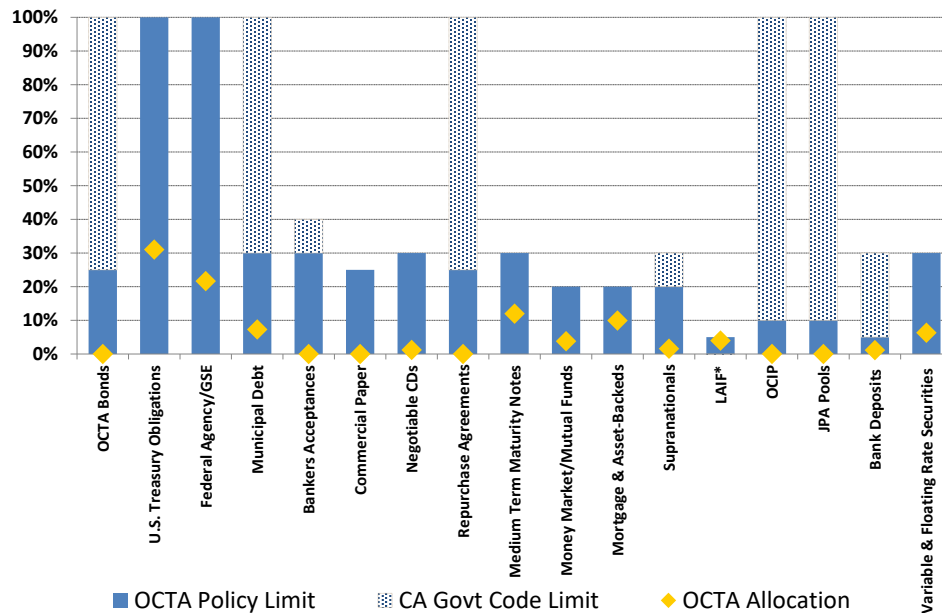
Five securities held within OCTA's investment portfolio were downgraded during the month. The total number of securities on the Negative Credit Watch list decreased from three securities to two securities for the month.

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

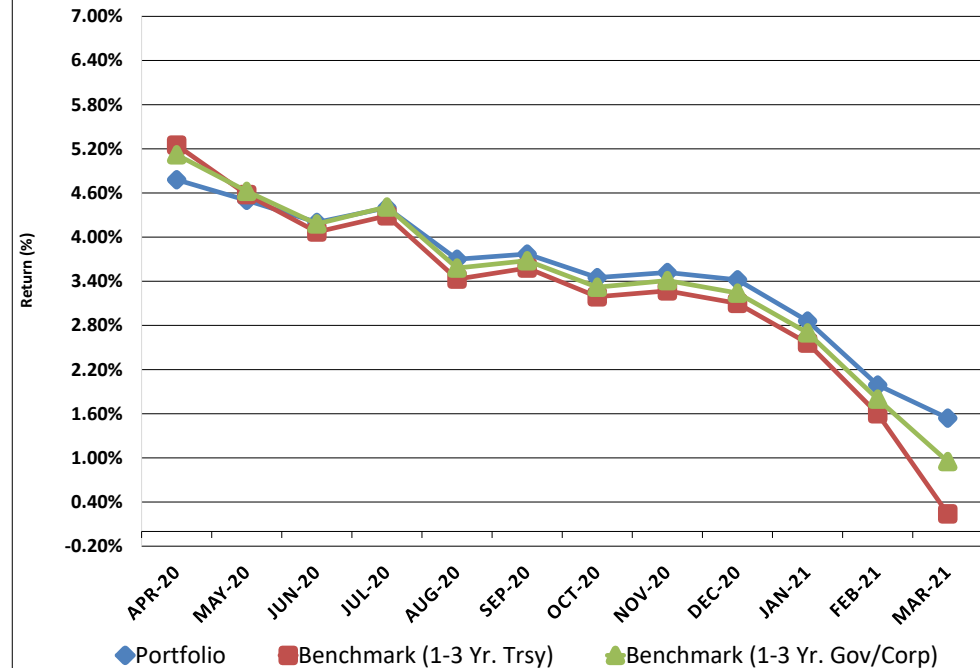
### Portfolio Liquidity



### Portfolio Diversification



### Portfolio Return - 12 Month



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

# Investment Compliance

3/31/2021

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	\$ 550,639,596	31.0%	100%
Federal Agency/GSE	384,681,301	21.7%	100%
Municipal Debt	129,572,781	7.3%	30%
Commercial Paper	-	0.0%	25%
Negotiable Certificates of Deposit	21,800,000	1.2%	30%
Repurchase Agreements	-	0.0%	25%
Medium Term Maturity Notes/Corporates	212,833,056	12.0%	30%
Money Market/Mutual Funds	67,346,933	3.8%	20%
Mortgage & Asset-Backed	176,483,378	9.9%	20%*
Supranationals	28,044,993	1.6%	20%
Local Agency Investment Fund**	70,939,988	4.0%	\$ 75 Million
Orange County Investment Pool	616,668	0.0%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	20,365,794	1.1%	5%
Variable & Floating Rate Securities	112,455,604	6.3%	30%
<b>Total Short-Term/Liquid Portfolio</b>	<b>\$ 1,775,780,094</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

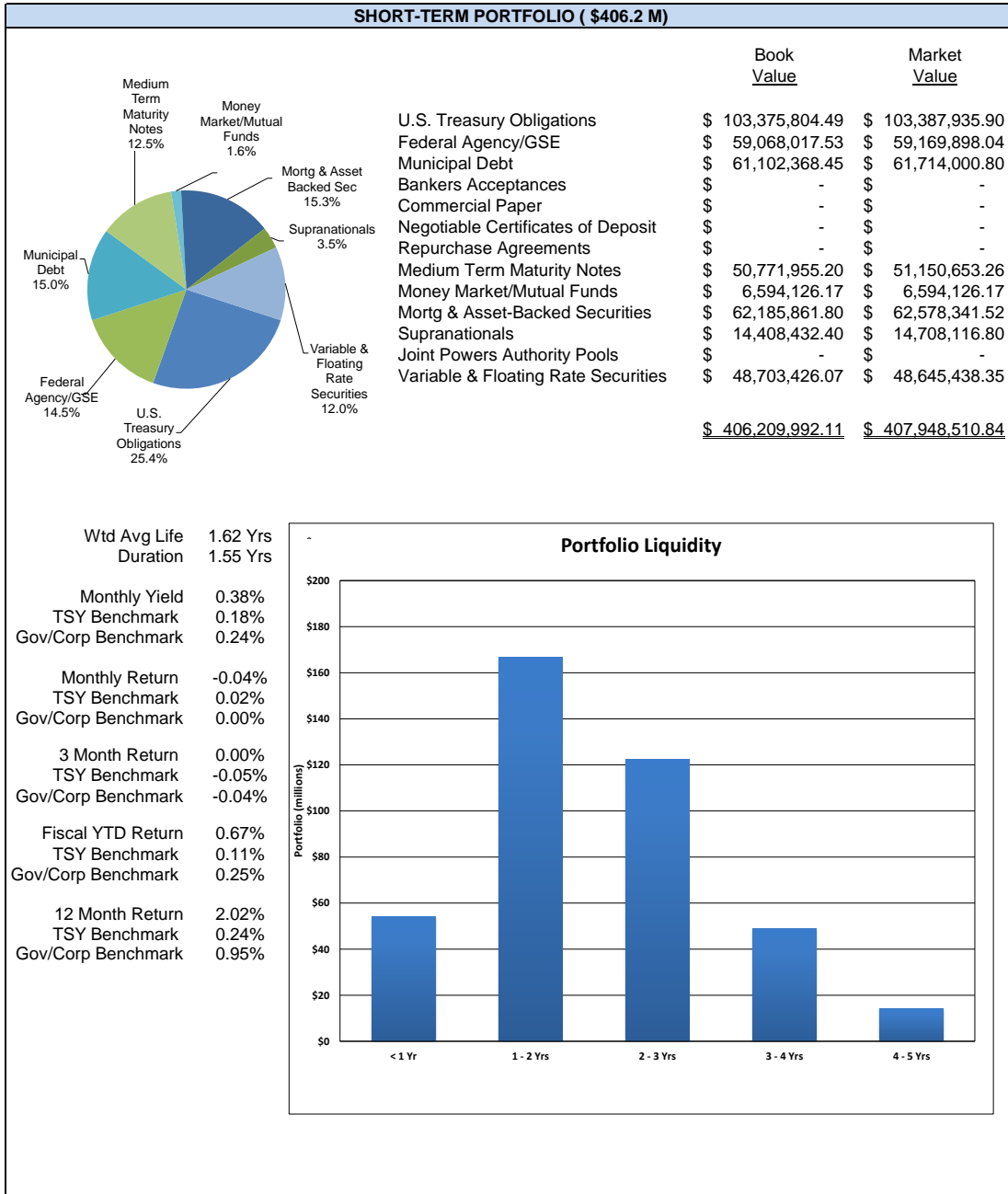
\*\*OCTA has increased the balance in the LAIF (Pool) from \$46m to \$71m during the month of February. The move allowed OCTA to increase yield from 0.10% to 0.41% on the funds while maintaining liquidity and safety of funds.

Portfolio Subject to Indenture					
	Dollar Amount Invested	OCTA Credit Quality	OCTA Term	Indenture Requirements Credit Quality	Indenture Requirements Term
<b>Liquid Portfolio*</b>					
Money Market Funds	\$ 38,447,141	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
<b>Bond Proceeds Portfolio</b>					
Money Market Funds	\$ 154,054,342	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	17,050,000	Aa2/AA-/A+	N/A	Min. A3/A-	N/A
<b>Total Bond Proceeds Portfolio</b>	<b>\$ 171,104,342</b>				
<b>Reserve Funds Portfolio</b>					
Commercial Paper	\$ 25,080,080	P-1/F-1	60-150 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	\$ 218,921				
US Treasuries Obligations	482	AAA/Aaa	30 days	Min. A2/A	Max. 5 years
<b>Total Reserve Funds Portfolio</b>	<b>\$ 25,299,482</b>				
<b>Total Portfolio Subject to Indenture</b>	<b>\$ 196,403,824</b>				
<b>Portfolio Total</b>	<b>\$ 2,010,631,059</b>				

\*Reflects portion of Liquid Portfolio subject to Indenture

## Investment Manager Diversification and Maturity Schedules

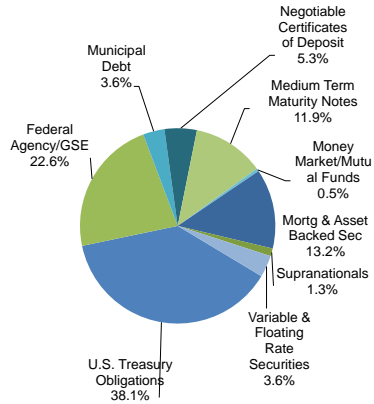
**MetLife Investment Management**  
3/31/2021



# Investment Manager Diversification and Maturity Schedules

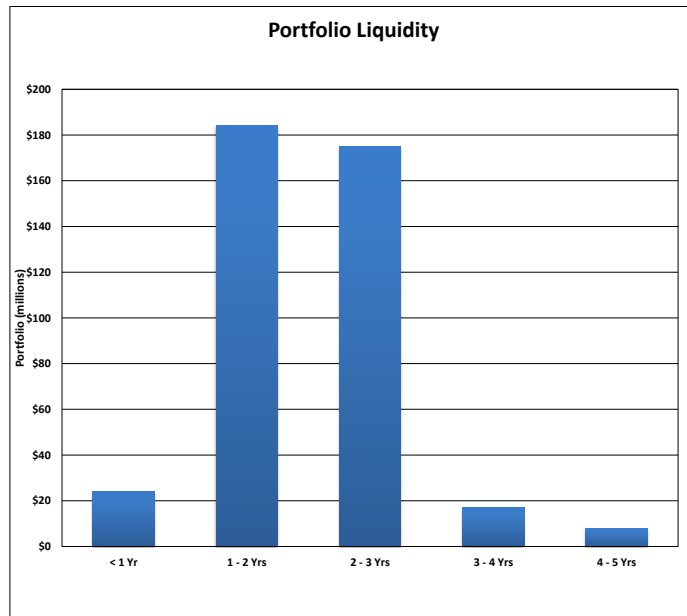
**PFM**  
3/31/2021

## SHORT-TERM PORTFOLIO ( \$407.9 M)



	Book Value	Market Value
U.S. Treasury Obligations	\$ 155,401,773.08	\$ 157,932,501.40
Federal Agency/GSE	\$ 91,994,519.84	\$ 92,207,655.40
Municipal Debt	\$ 14,512,759.95	\$ 14,539,337.35
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ 21,800,000.00	\$ 22,162,060.50
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 48,389,750.70	\$ 49,133,599.95
Money Market/Mutual Funds	\$ 1,997,200.37	\$ 1,997,200.37
Mortg & Asset-Backed Securities	\$ 53,848,143.05	\$ 54,592,013.45
Supranationals	\$ 5,243,418.50	\$ 5,255,685.00
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 14,683,964.67	\$ 14,735,919.60
	<u>\$ 407,871,530.16</u>	<u>\$ 412,555,973.02</u>

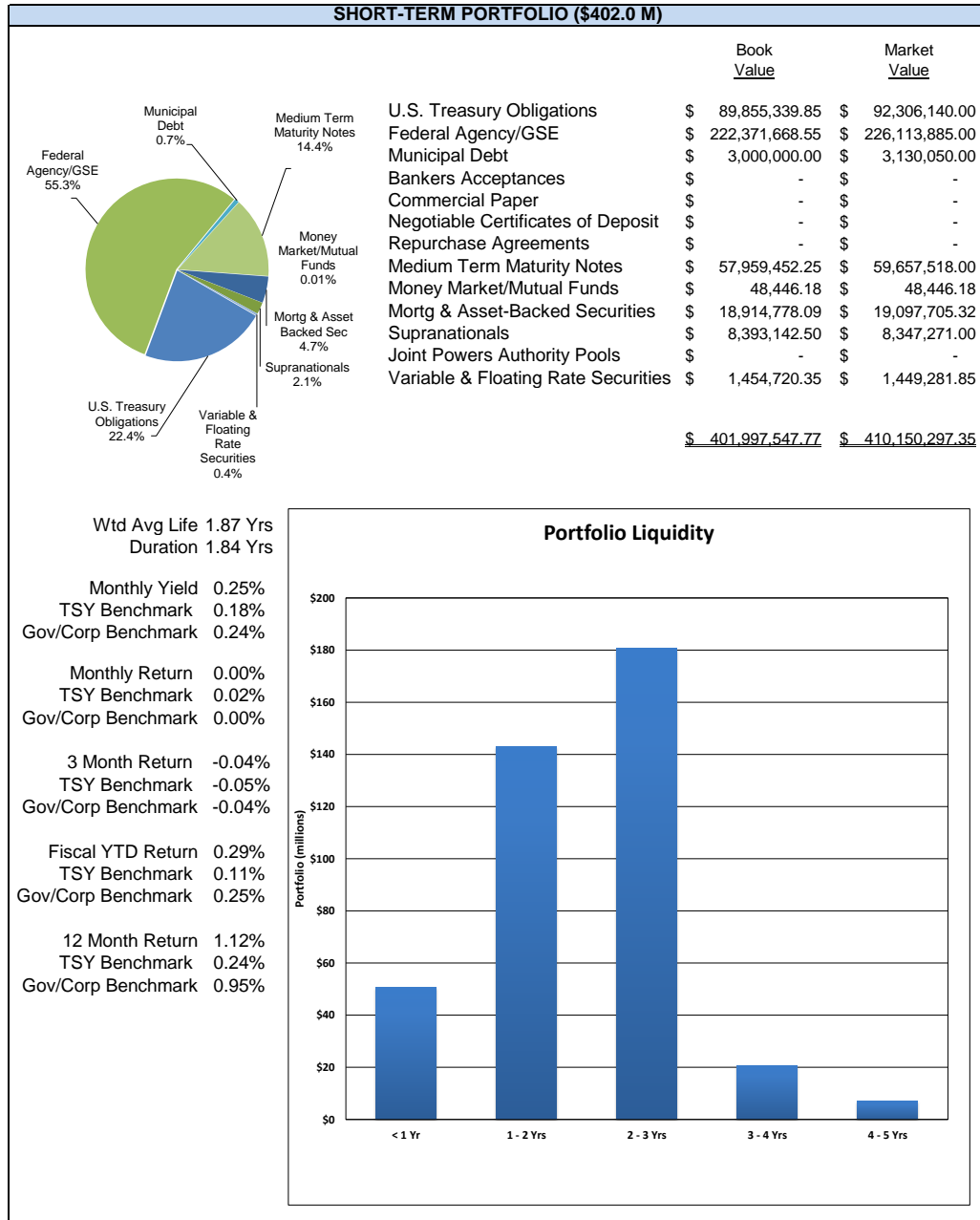
Wtd Avg Life	1.82 Yrs
Duration	1.80 Yrs
Monthly Yield	0.28%
TSY Benchmark	0.18%
Gov/Corp Benchmark	0.24%
Monthly Return	0.00%
TSY Benchmark	0.02%
Gov/Corp Benchmark	0.00%
3 Month Return	-0.02%
TSY Benchmark	-0.05%
Gov/Corp Benchmark	-0.04%
Fiscal YTD Return	0.38%
TSY Benchmark	0.11%
Gov/Corp Benchmark	0.25%
12 Month Return	1.33%
TSY Benchmark	0.24%
Gov/Corp Benchmark	0.95%



## Investment Manager Diversification and Maturity Schedules

### Chandler Asset Management

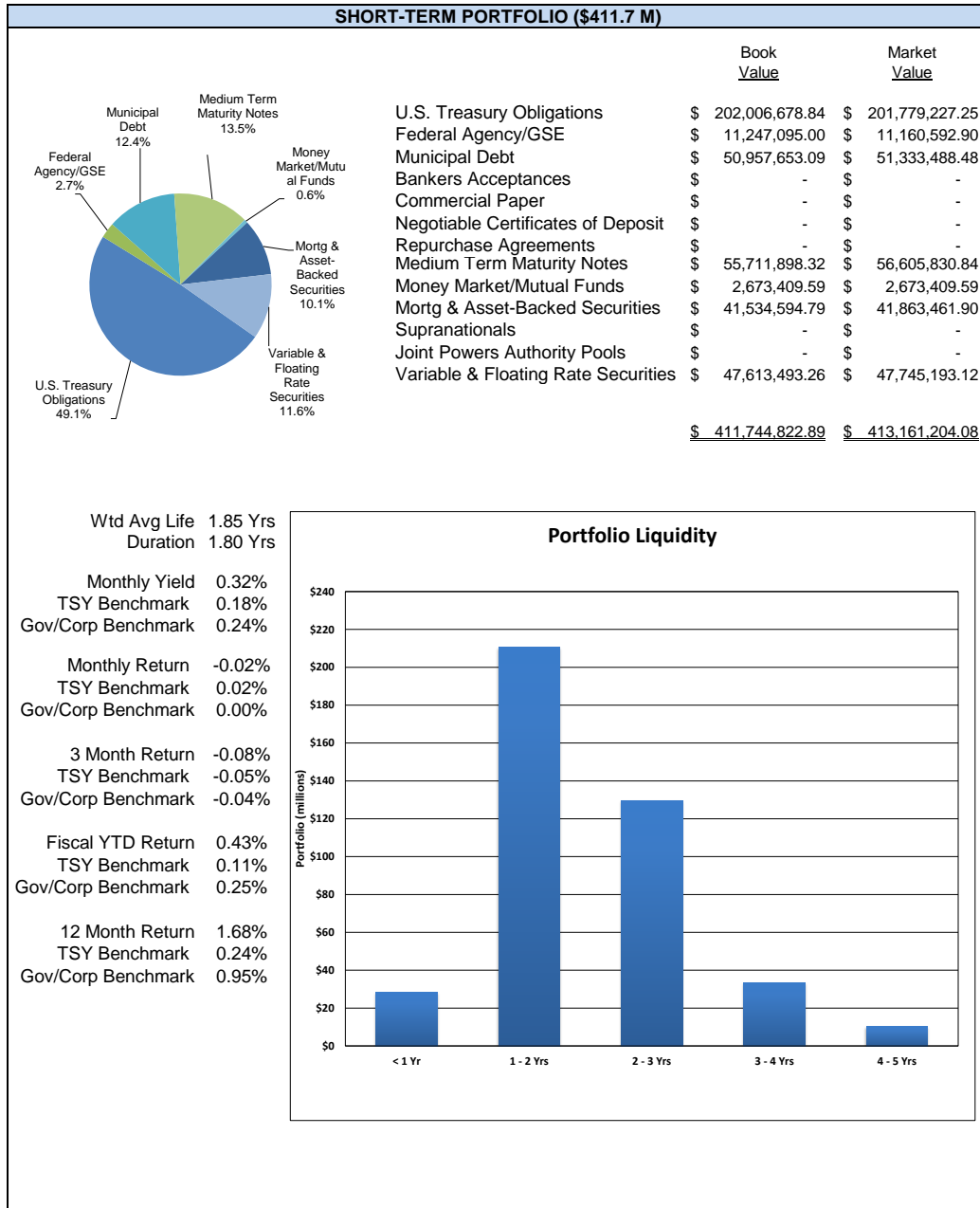
3/31/2021



## Investment Manager Diversification and Maturity Schedules

**Payden & Rygel**

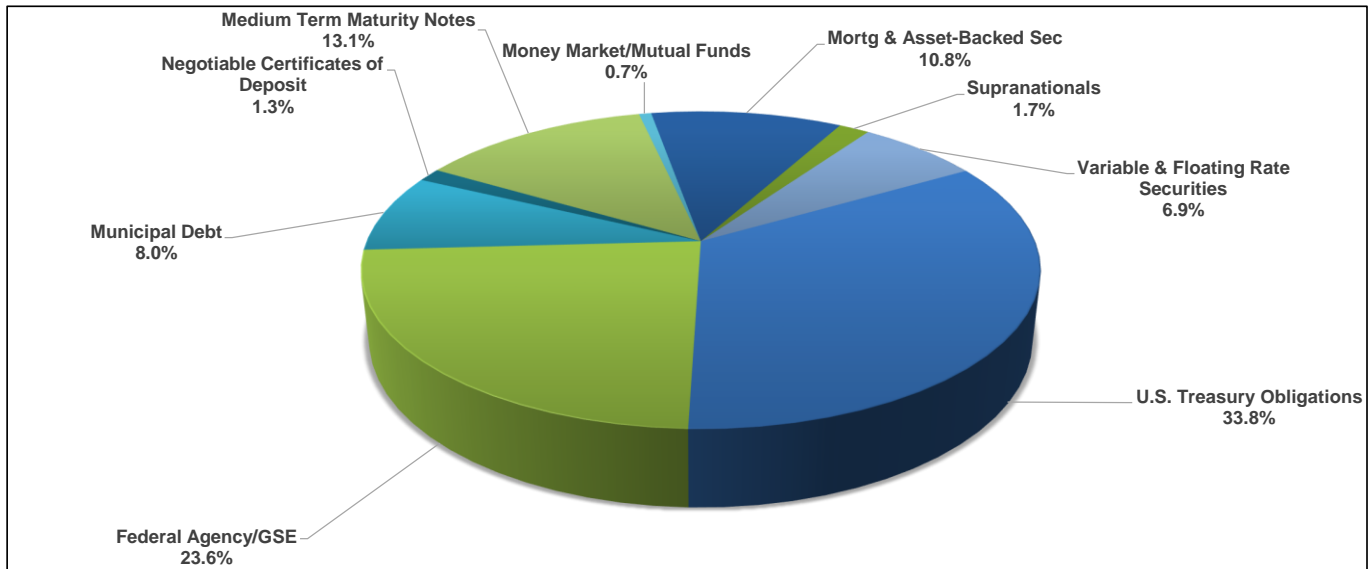
3/31/2021



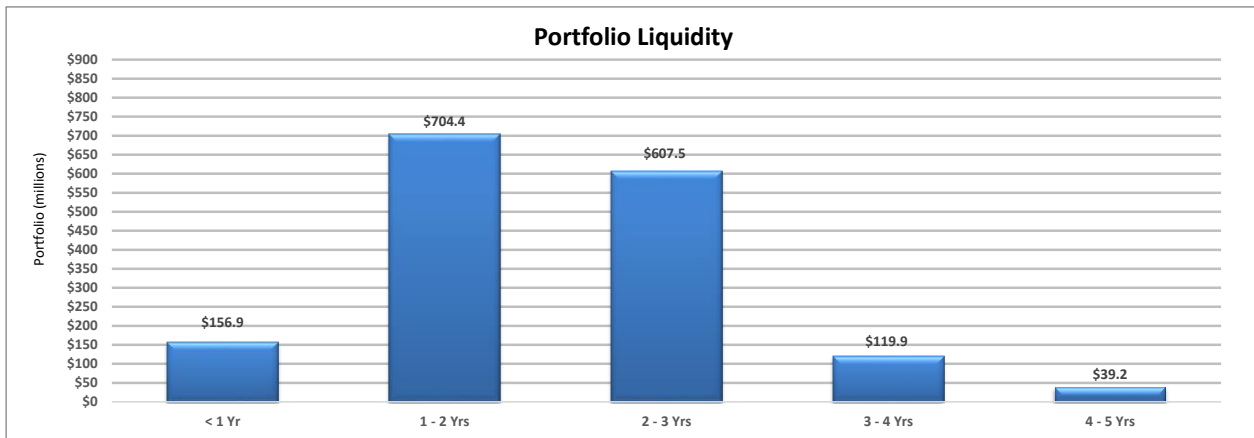
# Short-Term Portfolio

## 3/31/2021

### Portfolio Composition



### Portfolio Liquidity





# Rating Downgrades & Negative Credit Watch

## 3/31/2021

Investment Manager / Security	Par Amount	Maturity	S&P	Moody's	Fitch Ratings
<b>Rating Downgrades:</b>					
<b>PFM</b>					
National Rural Utilities (Sr. Secured) <i>On March 5, 2021, S&amp;P downgraded the long-term ratings of the National Rural Utilities (NRU) from A to A-. The downgrade is due to the NRU's exposure to the Texas energy market which has been negatively impacted by Winter Storm Uri. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding the security due to the low risk nature of the business, the negative exposure they are facing is seen as manageable, and the NRU has healthy revolving lines of credit for any liquidity needs.</i>	\$ 1,910,000	Various*	A-	A2	A
Exxon <i>On March 23, 2021, Moody's downgraded the long-term ratings of Exxon from Aa1 to Aa2. The downgrade is due to pandemic induced struggles in the oil and gas industry as well as weakened financial leverage metrics. 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, globally diversified operations, and recent stabilizations in oil prices.</i>	\$ 1,600,000	3/6/2022	AA-	Aa2	N/A
<b>Payden &amp; Rygel</b>					
National Rural Utilities (Secured) <i>On March 5, 2021, S&amp;P downgraded the long-term ratings of the National Rural Utilities (NRU) from A to A-. The downgrade is due to the NRU's exposure to the Texas energy market which has been negatively impacted by Winter Storm Uri. The security complies with the requirements of the Investment Policy, and the manager is comfortable holding the security due to the low risk nature of the business, the negative exposure they are facing is seen as manageable, and the NRU has healthy revolving lines of credit for any liquidity needs.</i>	\$ 1,200,000	4/25/2022	A-	A1	A+
Duke Energy <i>On March 26, 2021, Moody's downgraded the senior unsecured ratings of Duke Energy (Duke) from Aa2 to Aa3. The downgrade is due to Duke's weakened financial credit metrics due to a recent regulatory settlement in North Carolina, Duke's largest state by assets. The security remains in compliance with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Duke's low business and operating risk profile.</i>	\$ 2,475,000	3/15/2023	A	Aa3	N/A
<b>Chandler Asset Management</b>					
Oracle Corporation <i>On March 22, 2021, Moody's and Fitch downgraded the long-term ratings of Oracle Corporation (Oracle) from A3 to Baa2 and A- to BBB+ respectively. The downgrade is due to Oracle's latest debt issuance being used towards share repurchases, payment of dividends, and debt repayments. The security remains in compliance with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Oracle's intentions to use the proceeds from their bond issuance to refinance short-term debt, which includes the bonds held by OCTA.</i>	\$ 4,000,000	5/15/2022	A	Baa2	BBB+
<b>Negative Credit Watch:</b>					
<b>PFM</b>					
Merck & Co. <i>On February 5, 2020, S&amp;P placed the long-term ratings of Merck &amp; 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.</i>	\$ 1,250,000	2/10/2022	AA-	A1	A+
<b>Chandler Asset Management</b>					
US Bancorp <i>On March 16, 2021, Moody's placed the long-term ratings of US Bancorp (US Bank) under review for possible downgrade. The credit watch placement is due to the narrowing outperformance of US Bank compared to its peers which is currently attributed to coronavirus related struggles. The security remains in compliance with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to US Bank's consistent financial performance and the quality of their balance sheet.</i>	\$ 4,500,000	Various**	A+	A1	A+

\*1/1/22 & 2/8/24

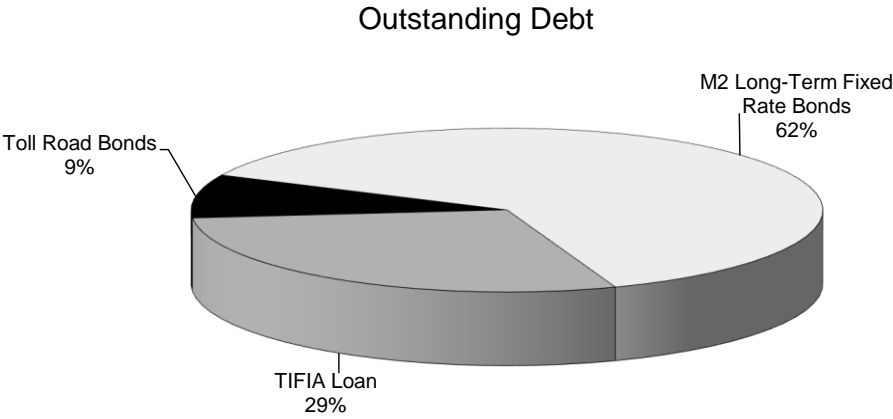
\*\*2/5/24 & 7/30/24

# **DEBT PROGRAM**

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

**Total Outstanding Debt\***  
**As of 3/31/21**

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**TOTAL OUTSTANDING DEBT:     \$990,890,000**

\*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 3/31/21

### 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:	368,625,000
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:	22,328,868
Pledged Revenue Source:	405 Toll Road Revenues
Ratings (Moody's):	Baa2
Final Maturity:	2058

\*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.