



December 4, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report – October 2024

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line and extends into the "Subject:" line.

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending October 31, 2024. Starting in October 2024, the managed portfolio has been divided into two segments: a 1-3 year portfolio and a 1-5 year portfolio. The report has been reviewed and is consistent with the investment practices contained in the investment policy.

Recommendation

Receive and file as an information item.

Discussion

As of October 31, 2024, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.6 billion. The portfolio is divided into three portfolios: the liquid portfolio for immediate cash needs, the managed portfolio for future budgeted expenditures, and the bond proceeds portfolio to meet Measure M2 (M2) transportation program needs. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

Portfolio Compliance and Liquidity Requirements for the Next Six Months: The portfolio is in full compliance with OCTA's Investment Policy and the State of California Government Code. Additionally, OCTA has reviewed the liquidity requirements for the next six months and anticipates that OCTA's liquidity will be sufficient to meet projected expenditures during the next six months.

The weighted average book yield for OCTA's managed portfolio is 4.2 percent. The book yield measures the exact income, or interest, on a bond without regard to market price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

OCTA's month-end balance in the Local Agency Investment Fund (LAIF), a pooled investment fund for California local agencies, was \$7,116,960, with an average monthly effective yield of 4.52 percent. LAIF offers local agencies an opportunity to invest funds in a diversified portfolio of high-quality, short-term securities managed by the State Treasurer's Office. OCTA's month-end balance in the Orange County Investment Pool (OCIP), a collective investment fund for local government entities in Orange County, was \$797,682. For the month of September, the monthly gross yield for the OCIP was 4.46 percent. The yield for the month of October will be received in November 2024. OCIP allows local government entities to invest funds in a diversified portfolio managed by the Orange County Treasurer-Tax Collector's Office, aiming for competitive returns while prioritizing safety and liquidity. Mandated by the Transportation Development Act (TDA), OCTA is obliged to participate in the OCIP. It serves as a temporary holding account for TDA funds until claimed by OCTA and then processed by the County of Orange. This framework ensures effective fund management and adherence to regulatory compliance.

During the month of October, one security held within OCTA's investment portfolio was downgraded by Moody's Ratings and S&P Global Ratings. As of October 31, 2024, the security still meets the minimum rating requirements set forth by OCTA's Investment Policy. Please refer to A-4 (Rating Downgrades and Negative Credit Watch) of Attachment A for further details.

In May 2024, the Board approved the fiscal year 2024-25 investment policy, which incorporated the Intercontinental Exchange (ICE)/Bank of America Merrill Lynch (BAML) 1-5 Year Treasury Index, and the ICE/BAML 1-5 Year AAA-A United States (U.S.) Corporate and Government Index. These benchmarks enhance performance evaluation for longer term investments. Starting in October 2024, the managed portfolio was divided into two segments: the 1-3 Year Portfolio, benchmarked to the ICE/BAML 1-3 Year Treasury Index and AAA-A U.S. Corporate and Government Index, and the 1-5 Year Portfolio, benchmarked to the ICE/BAML 1-5 Year Treasury Index and AAA-A U.S. Corporate and Government Index (refer to page A-3).

OCTA's debt program is separate from its investment program and is comprised of M2 Sales Tax Revenue Bonds, 91 Express Lanes Toll Road

Revenue Bonds, and the 2021 Transportation Infrastructure Finance and Innovation Act Loan. The debt program currently has an outstanding principal balance of \$1.2 billion as of October 31, 2024. Approximately 46 percent of the outstanding balance is comprised of M2 debt, three percent is associated with the 91 Express Lanes Program, and 51 percent is associated with the 405 Express Lanes.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending October 31, 2024.

Attachments

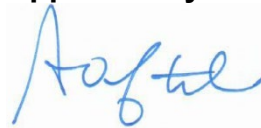
- A. Orange County Transportation Authority Investment and Debt Programs – For the Period Ending October 31, 2024
- B. Orange County Transportation Authority Portfolio Listing as of October 31, 2024

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