



July 16, 2026

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report – May 2026

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 May 31, 2026. During the month of May, one investment manager purchased a security that was not in compliance with the investment policy. As a result of the compliance violation, the investment manager was put on probation for one year pursuant to the requirements of the investment policy.

Recommendation

Receive and file as an information item.

Discussion

As of May 31, 2026, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$3.2 billion. The portfolio is divided into two portfolios: the liquid portfolio for immediate cash needs and the managed portfolio for future budgeted expenditures. 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: As of May 31, 2026, 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 4.15 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 \$7,591,540, with an average monthly effective yield of 3.81 percent. The 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 \$183,005. For the month of April, the monthly gross yield for the OCIP was 4.01 percent. The yield for the month of May will be received in July. The 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 May, two securities held in OCTA's investment portfolio were downgraded or placed on Negative Credit Watch. Please refer to A-4 (Rating Downgrades and Negative Credit Watch) of Attachment A for further details.

Additionally, one investment manager purchased a security that was not in compliance with OCTA's Investment Policy. As required by the investment policy, the investment manager was issued a Notice of Violation and placed on probation for one year.

The violation involved a medium-term note issued by NSTAR Electric Company (CUSIP 67021CAY3) that was acquired for OCTA's portfolio. The security settled on May 13, 2026, and has a final maturity date of May 15, 2031. OCTA's Investment Policy limits the maximum maturity of investments to five years, measured from settlement date to final maturity. Based on those dates, the security exceeded OCTA's five-year maturity limit by two days.

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

Toll Road Revenue Bonds, and 2021 Transportation Infrastructure Finance and Innovation Act Loan. The debt program currently has an outstanding principal balance of \$1.2 billion as of May 31, 2026. Approximately 43 percent of the outstanding balance is comprised of M2 debt, three percent is associated with the 91 Express Lanes Program, and 54 percent is associated with the 405 Express Lanes.

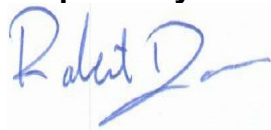
Summary

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 May 31, 2026.

Attachments

- A. Orange County Transportation Authority Investment and Debt Programs – For the Period Ending May 31, 2026
- B. Orange County Transportation Authority Portfolio Listing as of May 31, 2026

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