



# Orange County Transportation Authority

## Board Agenda

Monday, May 22, 2023 at 9:00 a.m.

550 South Main Street, Orange, California

### Board Members

Gene Hernandez, Chairman

Tam Nguyen, Vice Chairman

Doug Chaffee

Jose Diaz

Andrew Do

Jon Dumitru

Jamey Federico

Katrina Foley

Brian Goodell

Patrick Harper

Michael Hennessey

Steve Jones

Fred Jung

Farrah N. Khan

Jessie Lopez

Vicente Sarmiento

Donald P. Wagner

Ryan Chamberlain, Ex-Officio

### Teleconference Site:

3300 Las Vegas Blvd. S

Las Vegas, NV 89109

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the Orange County Transportation Authority (OCTA) Clerk of the Board's office at (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

### Agenda Descriptions

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

### Public Availability of Agenda Materials

All documents relative to the items referenced in this agenda are available for public inspection at [www.octa.net](http://www.octa.net) or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

# BOARD MEETING AGENDA

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## Meeting Access and Public Comments on Agenda Items

Members of the public can either attend in-person or listen to audio live streaming of the Board and Committee meetings by clicking this link: <https://octa.legistar.com/Calendar.aspx>

## In-Person Comment

Members of the public may attend in-person and address the Board regarding any item. Please complete a speaker's card and submit it to the Clerk of the Board (or notify the Clerk of the Board the item number on which you wish to speak). Speakers will be recognized by the Chairman at the time the agenda item is to be considered. Comments shall be limited to three minutes.

## Written Comment

Written public comments may also be submitted by emailing them to [ClerkOffice@octa.net](mailto:ClerkOffice@octa.net), and must be sent by 5:00 p.m. the day prior to the meeting. If you wish to comment on a specific agenda item, please identify the item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

## Call to Order

### Invocation

Director Do

### Pledge of Allegiance

Director Chaffee

## Special Calendar

### Orange County Transportation Authority Special Calendar Matters

#### 1. Closed Session

##### *Overview*

A Closed Session is scheduled as follows:

Pursuant to Government Code Section 54956.9(d)(2) - Conference with General Counsel - Potential Litigation - One Matter.

#### 2. Presentation of Resolutions of Appreciation for Employees of the Month

##### *Overview*

Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2023-028, 2023-029, and 2023-030 to Kari Jackson, Coach Operator; Andy Xiong, Maintenance; and Rachel Mak, Administration, as Employees of the Month for May 2023.

# BOARD MEETING AGENDA

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## Consent Calendar (Items 3 through 9)

All matters on the Consent Calendar are to be approved in one motion unless a Board Member or a member of the public requests separate action on a specific item.

### Orange County Transportation Authority Consent Calendar Matters

#### 3. Approval of Minutes

**Recommendation**

Approve the minutes of the May 8, 2023 Orange County Transportation Authority and affiliated agencies' regular meeting.

**Attachments:**

[Minutes](#)

#### 4. Annual Update to Investment Policy

Robert Davis/Andrew Oftelie

**Overview**

The Treasurer is presenting the Orange County Transportation Authority's Proposed Fiscal Year 2023-24 Investment Policy. The governing body of a local agency is required to annually renew the delegation of authority for the Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds for a period of one year. Additionally, and as recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Proposed Fiscal Year 2023-24 Investment Policy to be reviewed at a public meeting.

**Recommendations**

- A. Adopt the Proposed Fiscal Year 2023-24 Investment Policy July 1, 2023.
- B. Authorize the Treasurer, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2023-24.

**Attachments:**

[Transmittal](#)

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

## BOARD MEETING AGENDA

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### 5. Agreement for Information Technology Contract Technical Staffing

Tom Young/Andrew Oftelie

#### **Overview**

On September 26, 2022, the Board of Directors authorized the release of a request for proposals for a firm to provide contract technical staffing for data warehouse administration, SharePoint administration, project management, help desk support, desktop support, network administration, and application support for the Information Systems Department. Proposals were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to execute an agreement to provide these services.

#### **Recommendations**

- A. Approve the selection of Intratek Computer, Inc., as the firm to provide contract staffing services for Information Technology technical positions.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2746 between the Orange County Transportation Authority and Intratek Computer, Inc., in the amount of \$23,621,941, for a five-year term effective July 1, 2023 through June 30, 2028, to provide contract technical staffing services for Information Technology technical positions.

#### **Attachments:**

[Transmittal](#)

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

[Attachment C](#)

### 6. Amendment to Cooperative Agreements with Non-Profit Agencies to Provide Senior Mobility Program Services

Joanne Jacobsen/Johnny Dunning, Jr.

#### **Overview**

The Senior Mobility Program is designed to offer transportation alternatives to seniors in addition to local fixed-route and OC ACCESS paratransit service. Three non-profit agencies participate in the Senior Mobility Program and receive funding from local sources other than Measure M2. The current funding agreements with these three agencies require amendments to include fiscal year 2023-24 funding in order to continue the service.

#### **Recommendations**

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3259 between the Orange County Transportation Authority and Abrazar, Inc., in the amount of \$90,497, to provide funding through June 30, 2024.



## BOARD MEETING AGENDA

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- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3260 between the Orange County Transportation Authority and Korean American Senior Association of Orange County, in the amount of \$111,260, to provide funding through June 30, 2024.
- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3261 between the Orange County Transportation Authority and Southland Integrated Services, Inc., in the amount of \$97,828, to provide funding through June 30, 2024.

***Attachments:***

[Transmittal](#)

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

[Attachment C](#)

[Attachment D](#)

**7. Amendments to Cooperative Agreements with Special Agencies for the Provision of Transportation Services**

Joanne Jacobsen/Johnny Dunning, Jr.

***Overview***

The Orange County Transportation Authority contracts with six agencies to help manage the demand for OC ACCESS service. On October 22, 2018, the Board of Directors approved five-year cooperative agreements with six agencies to provide this transportation service. These cooperative agreements are to be amended each year to adjust the per trip reimbursement rate and the maximum obligations. Board of Directors' approval is requested to amend the cooperative agreements with five special agencies for the continued provision of transportation services.

***Recommendations***

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1917 between the Orange County Transportation Authority and North County Senior Services, LLC, doing business as Acacia Adult Day Services, for continued services in the amount of \$667,586, and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$1,970,207.

## BOARD MEETING AGENDA

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- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1918 between the Orange County Transportation Authority and Alzheimer's Family Center for continued services in the amount of \$475,467 and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$1,819,066.
- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1919 between the Orange County Transportation Authority and Alzheimer's Orange County for continued services in the amount of \$364,751, and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$960,877.
- D. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1920 between the Orange County Transportation Authority and Community SeniorServ, doing business as Meals on Wheels Orange County, for continued services in the amount of \$788,983 and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$2,151,776.
- E. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1921 between the Orange County Transportation Authority and Orange County Adult Achievement Center, doing business as My Day Counts, for continued services in the amount of \$2,080,669, and to adjust the per trip rate to \$18.08 and the Regional Center of Orange County pass-through per trip rate to \$6.44 effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$5,452,289.

***Attachments:***

[Transmittal](#)

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

[Attachment C](#)

[Attachment D](#)

[Attachment E](#)

## BOARD MEETING AGENDA

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### 8. **Amendment to Agreement for Enterprise Asset Management System**

Marie Latino/Johnny Dunning, Jr.

#### **Overview**

On February 22, 2021, the Orange County Transportation Authority Board of Directors approved an agreement with 21Tech LLC for the implementation of a new Enterprise Asset Management system. An amendment to the existing agreement is needed to cover additional implementation costs.

#### **Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-0-2272 between Orange County Transportation Authority and 21Tech LLC, in the amount of \$738,920, to cover additional implementation costs. This will increase the maximum cumulative obligation of the agreement to a total contract value of \$5,965,037.

#### **Attachments:**

[Transmittal](#)

[Staff Report](#)

[Attachment A](#)

### **Orange County Transit District Consent Calendar Matters**

### 9. **Agreement for Security Gates Installation at the Anaheim, Garden Grove, and Santa Ana Bus Bases**

George Olivo/James G. Beil

#### **Overview**

On February 27, 2023, the Orange County Transportation Authority issued an invitation for bids for the installation of security gates at the Anaheim, Garden Grove, and Santa Ana bus bases. Bids were received in accordance with Board of Directors-approved public works procurement procedures. Board of Directors' approval is requested to execute the agreement.

#### **Recommendations**

- A. Find M.S. Construction Management Group, the apparent low bidder, as non-responsive for failure to complete the appropriate bid security form and submit a bid bond acknowledging terms and obligations in accordance with the bid instructions.
  
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-2279 between the Orange County Transportation Authority and Armstrong Cal Builders Inc., the lowest responsive, responsible bidder, in the amount of \$3,798,000 for the installation of security gates at the Anaheim, Garden Grove, and Santa Ana bus bases.

#### **Attachments:**

# BOARD MEETING AGENDA

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[Transmittal](#)

[Staff Report](#)

## Regular Calendar

### Orange County Local Transportation Authority Regular Calendar Matters

#### 10. Coordination of Transit Projects with the City of Irvine

Kelly Hart/Kia Mortazavi

##### **Overview**

At the September 8, 2022, Transit Committee, a request was made for additional information about prior coordination between the Orange County Transportation Authority and the City of Irvine to plan, fund, and implement past transit improvements in the City of Irvine, including the planned Orange County Maintenance Facility. Staff has prepared an overview of transit projects, services, and agreements executed by both agencies over the past several decades that demonstrate the Orange County Transportation Authority's committed partnership with the City of Irvine.

##### **Recommendation**

Direct staff to continue to coordinate with the City of Irvine on transit improvement projects, including the Orange County Maintenance Facility, and return to the Board of Directors for project approvals as necessary.

##### **Attachments:**

[Transmittal](#)

[Staff Report](#)

[Attachment A](#)

[Presentation](#)

#### 11. Measure M2 Eligibility for the City of Cypress

Adriann Cardoso/Kia Mortazavi

##### **Overview**

The Orange County Transportation Authority's Internal Auditor has concluded an audit of the City of Cypress financials for fiscal year 2021-22 related to Measure M2. The audit found the City of Cypress lacked adequate documentation to support whether it had spent sufficient discretionary funds on streets and road purposes to meet the maintenance of effort requirement for the Measure M2 Ordinance. Based on this information, recommendations related to compliance with the Measure M2 Ordinance are presented.

##### **Recommendations**

- A. Find the City of Cypress an ineligible jurisdiction to receive or apply for net Measure M2 revenues.

## BOARD MEETING AGENDA

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- B. Suspend payments of net Measure M2 revenues to the City of Cypress until the City of Cypress can demonstrate compliance with Measure M2 eligibility requirements and the Board of Directors acts to find the City of Cypress an eligible jurisdiction.
- C. Require the City of Cypress to demonstrate supplemental investment of discretionary transportation funds equal to the amount of discretionary investment that was short of the maintenance of effort benchmark in the fiscal year 2021-22 (approximately \$1.38 million) as a condition of accessing suspended funds upon being found an eligible jurisdiction.
- D. Authorize the Chief Executive Officer to execute Amendment No. 5 to Contract No. C-8-1911 with Crowe, LLP to revise the scope of work, add an additional task to apply agreed-upon procedures to assess compliance with maintenance of effort expenditure requirements, extend the agreement through December 31, 2025, and authorize staff to deduct audit costs from any future net Measure M2 payments to the City of Cypress.
- E. Authorize the Chief Executive Officer to negotiate and execute a settlement agreement with the City of Cypress to correct and remedy the fiscal year 2021-22 audit issues and confirm required actions to become an eligible jurisdiction.

***Attachments:***

[Transmittal](#)

[Staff Report](#)

[Attachment A](#)

### Discussion Items

**12. Update on the Interstate 5 Improvement Project Between State Route 73 and El Toro Road**

Niall Barrett/James G. Beil

***Overview***

Construction activities continue on the Interstate 5 Improvement Project Between State Route 73 and El Toro Road. This presentation provides a status of the latest progress and upcoming milestones.

***Attachments:***

[Presentation](#)

## **BOARD MEETING AGENDA**

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**13. Public Comments**

**14. Chief Executive Officer's Report**

**15. Directors' Reports**

**16. Adjournment**

The next regularly scheduled meeting of this Board will be held:

**9:00 a.m. on Monday, June 12, 2023**

OCTA Headquarters

Board Room

550 South Main Street

Orange, California



## **Call to Order**

The May 8, 2023, regular meeting of the Orange County Transportation Authority (OCTA) and affiliated agencies was called to order by Chairman Hernandez at 9:00 a.m. at the OCTA Headquarters, 550 South Main Street, Orange, California.

**Directors Present:** Gene Hernandez, Chairman  
Tam Nguyen, Vice Chairman  
Doug Chaffee  
Jose Diaz  
Jon Dumitru  
Jamey Federico  
Katrina Foley  
Brian Goodell  
Patrick Harper  
Michael Hennessey  
Steve Jones  
Fred Jung  
Farrah N. Khan  
Jessie Lopez  
Vicente Sarmiento  
Donald. P. Wagner  
Ryan Chamberlain, Ex-Officio

**Directors Absent:** Andrew Do

**Staff Present:** Darrell E. Johnson, Chief Executive Officer  
Jennifer L. Bergener, Deputy Chief Executive Officer  
Gina Ramirez, Clerk of the Board Specialist, Principal  
Allison Cheshire, Clerk of the Board Specialist, Senior  
Andrea West, Interim Clerk of the Board  
James Donich, General Counsel

## **Special Calendar**

### **1. Closed Session**

A Closed Session was held as follows:

- A. Pursuant to Government Code Section 54956.9(d)(1) - Conference with General Counsel - Existing Litigation - St. Andrew's by the Sea United Methodist Church v. State of California, et al., OCSC Case No. 30-2018-01018320.



- B. Pursuant to Government Code Section 54956.9(d)(1) - Conference with General Counsel - Existing Litigation - International Brotherhood of Teamsters, Local 952 v. Orange County Transportation Authority, PERB Case No. LA-CE-3-P.

There was no report out on this item.

**2. Proposed Fiscal Year 2023-24 Southern California Regional Rail Authority Budget**

Darren Kettle, Chief Executive Officer, Southern California Regional Rail Authority, provided a presentation on this item.

Following the discussion, no action was taken on this receive and file information item.

**Consent Calendar (Items 3 through 13)**

**3. Approval of Minutes**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to approve the minutes of the April 24, 2023, Orange County Transportation Authority and affiliated agencies' regular meeting.

**4. Fiscal Year 2022-23 Internal Audit Plan, Third Quarter Update**

This item was pulled for public comment from Peter Warner.

No action was taken on this receive and file information item.

**5. Amendment to Agreement for Health Insurance Brokerage Services**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-0-2078 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., to exercise the two-year option term effective June 1, 2023 through May 31, 2025, in the amount of \$238,000, to continue providing health insurance brokerage services. This will increase the maximum obligation of the agreement to a total contract value of \$580,000.





**6. Regional Planning Update**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to receive and file as an information item.

**7. Agreement for Demographic Research**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-2445 with the California State University, Fullerton Center for Demographic Research, in an amount not to exceed \$405,743, for a term of three years, to provide Orange County demographic data.

**8. 2023 Board of Directors and Chief Executive Officer Initiatives and Action Plan - First Quarter Progress Report**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to receive and file as an information item.

**9. Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Laguna Beach Public Transportation Services**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to:

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services, in the amount of \$1,531,335.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

**10. Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Public Transportation and Community Transit Services**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to:

- A. Approve the Orange County Transit District Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services, in the amount of \$211,736,396, and for community transit services, in the amount of \$11,224,618 for a total claim amount \$222,961,014.



- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

**11. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2022**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to:

- A. Direct staff to monitor implementation of recommendations by cities.
- B. Direct staff to review observations with legal counsel and develop recommendations for Board of Directors' consideration related to the City of Cypress' compliance with the Measure M2 Ordinance and Eligibility Guidelines.

**12. Third Quarter Fiscal Year 2022-23 Capital Action Plan Performance Metrics**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to receive and file as an information item.

**13. Consultant Selection for Construction Management Support Services for the State Route 91 Improvement Project Between State Route 55 and Lakeview Avenue**

A motion was made by Director Dumitru, seconded by Vice Chairman Nguyen, and declared passed by those present to:

- A. Approve the selection of WSP USA Inc., as the firm to provide construction management support services for the State Route 91 Improvement Project between State Route 55 and Lakeview Avenue.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2919 between the Orange County Transportation Authority and WSP USA Inc., to provide construction management support services for the State Route 91 Improvement Project between State Route 55 and Lakeview Avenue.

**Regular Calendar**

**14. Final Draft Long-Range Transportation Plan**

Greg Nord, Program Manager, and Marissa Espino, Principal Community Relations Specialist, provided a presentation on this item.



Public comment was received from Peter Warner.

A motion was made by Vice Chairman Nguyen, seconded by Director Foley, and declared passed by those present to direct staff to finalize the Long-Range Transportation Plan and submit it to the Southern California Association of Governments as input into the 2024 Regional Transportation Plan and Sustainable Communities Strategy.

## **Discussion Items**

### **15. Public Comments**

Public comment was received via email from Maria Lopez on April 27, 2023, and from Russell H. MacDonald on May 6, 2023, and provide to the Board of Directors on Sunday, May 7, 2023.

Additional public comment was received in person from the following:

- Gail Sanford, Teamsters 952
- Autumn Wright, Employee/ACCESS rider
- Andrew O'Connor, Teamsters 952
- Heriberto Romero, Teamsters 952
- Regina Mincy, Transdev
- Alfred Benoit, Driver/Teamsters 952
- Mark Garfield, Driver/Teamsters 952
- Mike Trimpey, Driver/Teamsters 952
- Peter Warner

### **16. Chief Executive Officer's Report**

Darrell E. Johnson, Chief Executive Officer, provided an update on the following:

- Passenger rail service
- National Bike Month – Bike rally on May 18

### **17. Directors' Reports**

Director Foley expressed concerns about OCTA not engaging in contract negotiations between Transdev and Teamsters 952.

Directors Lopez and Sarmiento expressed concerns about the work environment of employees provided contracted service.



Director Goodell discussed his attendance at the Southern California Association of Governments (SCAG) Annual Conference in Palm Desert on behalf of OCTA.

Chairman Hernandez noted he also attended the SCAG Annual Conference.

Jennifer L. Bergener, Deputy Chief Executive Officer, stated that OCTA is currently providing as many ACCESS rides as possible through supplemental services. She also noted this is not a contract management issue and will ask for a meeting with Transdev.

**18. Orange County Transportation Authority Fiscal Year 2023-24 Budget Workshop**

Andy Oftelie, Chief Financial Officer, and Sean Murdock, Director, Finance and Administration, provided a presentation on this item.

Public comment was received from Paul Hyek and Peter Warner.

Following the discussion, no action was taken on this receive and file information item.

**19. Adjournment**

The meeting was adjourned at 12:27 p.m.

The next regularly scheduled meeting of this Board will be held:

**9:00 a.m., on Monday, May 22, 2023**

OCTA Headquarters

Board Room

550 South Main Street

Orange, California



## COMMITTEE TRANSMITTAL

**May 22, 2023**

**To:** Members of the Board of Directors  
**From:** Andrea West, Interim Clerk of the Board *Andrea West*  
**Subject:** Annual Update to Investment Policy

### Finance and Administration Committee Meeting of May 10, 2023

**Present:** Directors Federico, Goodell, Harper, Hennessey, Jones, and Sarmiento  
**Absent:** Director Do

### **Committee Vote**

This item was passed by the Members present.

Director Sarmiento was not present to vote on this item.

### **Committee Recommendations**

- A. Adopt the Proposed Fiscal Year 2023-24 Investment Policy July 1, 2023.
- B. Authorize the Treasurer, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2023-24.



**May 10, 2023**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Annual Update to Investment Policy

**Overview**

The Treasurer is presenting the Orange County Transportation Authority's Proposed Fiscal Year 2023-24 Investment Policy. The governing body of a local agency is required to annually renew the delegation of authority for the Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds for a period of one year. Additionally, and as recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Proposed Fiscal Year 2023-24 Investment Policy to be reviewed at a public meeting.

**Recommendations**

- A. Adopt the Proposed Fiscal Year 2023-24 Investment Policy July 1, 2023.
- B. Authorize the Treasurer, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2023-24.

**Background**

The investment policy (Policy) sets forth the guidelines for all Orange County Transportation Authority (OCTA) investments that must conform to the California Government Code (Code). The main objectives of the Policy continue to be the preservation of capital, liquidity, diversification, and a market average rate of return through economic cycles.

The Policy is reviewed, updated, and approved by the Board of Directors (Board) at least annually. However, relevant changes to the Code may warrant amendments to the Policy throughout the year.

***Discussion***

The Proposed Fiscal Year (FY) 2023-24 Policy is being submitted for review and adoption by the Board. OCTA's four investment managers performed an objective evaluation of the Policy as it relates to effectiveness and risk. There was new legislation enacted resulting in updates to the Policy.

While there was marginal sentiment to reduce credit quality and increase the maximum allocation of funds for certain investments, staff believes that the current structure is a good match for the risk tolerance of OCTA, while providing sufficient latitude to navigate the fixed-income market.

Changes based on new legislation are summarized below:

- Added language to Section 12. Prohibited Investment Vehicles and Practices, prohibiting the purchase of a security with a forward settlement date exceeding 45 days from the time of investment.
- Added language to Section 16. Definitions and Terms, to clarify that a public agency investment's term or remaining maturity is to be measured from the settlement date to final maturity.

Changes to improve clarity of the policy are summarized below:

- Added language to Section 11-6. Commercial Paper, to clarify asset backed commercial paper falls under Commercial Paper.
- Language in brackets under Section 11-18. Derivatives, removed for clarity.

The Proposed FY 2023-24 Policy can be found in Attachment A, and as reference, a black line copy of the Policy (reflecting all proposed changes, including minor adjustments) can be found in Attachment B.

**Next Steps**

If the Board approves the Proposed FY 2023-24 Policy, a copy of the final Policy will be provided to each investment manager. Each investment manager will be required to acknowledge receipt and understanding of the Policy changes.

**Summary**

California Government Code Section 53646(a)(2) recommends that local agencies annually review their investment policy at a public meeting. The Treasurer is submitting the Orange County Transportation Authority's Proposed Fiscal Year 2023-24 Investment Policy for approval by the Board of Directors. Furthermore, the Orange County Transportation Authority requests approval by the Board of Directors, authorizing the Treasurer, for a period of one year, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2023-24.

**Attachments**

- A. Orange County Transportation Authority Fiscal Year 2023-24 Investment Policy, July 1, 2023
- B. Black-line Copy of Orange County Transportation Authority Fiscal Year 2023-24 Investment Policy, July 1, 2023

**Prepared by:**



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Robert Davis  
Department Manager  
Treasury/Public Finance  
714-560-5675

**Approved by:**



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Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
714-560-5649



**Orange County Transportation Authority  
Fiscal Year 2023-24 Investment Policy  
July 1, 2023**

**1. PURPOSE**

This Investment Policy (Policy) sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA). The objective of this Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity, and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Policy. The Policy conforms to the California Government Code (Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy and adhered to.

**2. SCOPE**

The Policy applies to the investment of all funds, excluding the investment of employees' retirement funds, separate trusts, Environmental Mitigation Program Endowment Fund, and funds invested separately under Bond Indenture Agreements (Bond Agreements). Bond Funds and Accounts (Bond Funds) shall be invested in the securities permitted by the applicable Bond Agreements. If the Bond Agreements are silent as to the permitted investments, the Bond Funds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed elsewhere in this Policy do not apply to Bond Funds.

**3. INVESTMENT OBJECTIVES**

The primary objectives, in priority order, of investment activities shall be:

- A. **Safety of Principal** -- Safety of principal is the foremost objective of OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
- B. **Liquidity** -- It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- C. **Total Return** -- OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
- D. **Diversification** -- Finally, OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

#### **4. PRUDENCE**

OCTA's Board, or persons authorized to make investment decisions on behalf of OCTA, are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with the Policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

#### **5. ETHICS AND CONFLICTS OF INTEREST**

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

#### **6. DELEGATION OF AUTHORITY**

Authority to manage OCTA's investment program is derived from an order of the Board. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

The Treasurer shall develop administrative procedures and internal control, consistent with this Policy, for the operation of OCTA's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

## **7. RESPONSIBILITIES**

The Finance and Administration (F&A) Committee of the OCTA Board, subject to the approval of the OCTA Board, is responsible for establishing the Policy and ensuring investments are made in compliance with this Policy. This Policy shall be reviewed annually by the Board at a public meeting.

The Treasurer is responsible for making investments and for compliance with this Policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. Pursuant to Section 53607 of the Code, the Treasurer shall make a monthly report to the Board. OCTA provides a monthly report to the F&A Committee and the Board in accordance with Section 53607 of the Code.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

## **8. COMPLIANCE**

OCTA has provided each of its portfolio managers with a copy of this Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Policy or the respective Bond Agreements as applicable. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and include a write-up in the monthly Debt and Investment Report to the F&A Committee and the Board.

The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Policy.

If OCTA's Treasurer, in their sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the F&A Committee shall review the error and may request that the portfolio manager responsible for the compliance violation meet with the Chairman of the F&A Committee and the Treasurer as soon as practical at which time it will be decided whether the Board will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Policy, the Treasurer shall notify the Board of the compliance violations. OCTA may terminate services for its convenience at any time by providing at least 30 days written notice.

## **9. FINANCIAL BENCHMARKS**

In order to establish a basis for evaluating investment results, OCTA uses two nationally recognized fixed-income security performance benchmarks to evaluate return on investments.

The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1–3-year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA’s short-term portfolios.

## **10. SAFEKEEPING AND CUSTODY**

To protect against potential losses by collapse of individual securities dealers, all deliverable securities owned by OCTA, including collateral on repurchase agreements, shall be held in safekeeping by a third-party bank trust department acting as agent for OCTA under the terms of a custody agreement executed by the bank and by OCTA. All deliverable securities will be received and delivered using standard delivery-versus-payment procedures.

## **11. PERMITTED INVESTMENTS**

### Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term no less than three months prior to the investment.

### Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Policy. If an eligible security already contained in OCTA’s portfolio is subsequently placed on “Negative Credit Watch” (Credit Watch) by any of the three Nationally Recognized Statistical Rating Organizations (NRSROs), or a purchase is made of a security already on Credit Watch by any of the three NRSROs, which is permitted under this Policy, then the security will be handled under the provisions of Credit Rating Actions. Percentage holding limits and credit quality minimums in this section are applicable at the time of purchase.

### **11-1. OCTA NOTES AND BONDS**

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency, or authority of OCTA, which may bear interest at a fixed or floating rate.

### **11-2. U.S. TREASURY OBLIGATIONS**

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

### 11-3. FEDERAL AGENCY OR U.S. GOVERNMENT SPONSORED ENTERPRISES

Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or the U.S. government sponsored enterprises.

### 11-4. MUNICIPAL DEBT

Such instruments defined as being issued by a local or state agency, including:

- A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- B. Bonds, notes, warrants, or other evidence of indebtedness of a local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or local agency or by a department, board, agency, or authority of the local agency.
- C. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- D. Defeased state and local obligations (as defined in A, B, or C above) as long as the obligations have been legally defeased with State and Local Government Series (SLGS), U.S. Treasury, and U.S. Agency securities and such obligations mature or otherwise terminate within five years of the date of purchase.

### 11-5. BANKERS ACCEPTANCES

Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

### 11-6. COMMERCIAL PAPER

The entity that issues commercial paper shall meet the following conditions:

- A. Be issued by corporations that have debt other than commercial paper, if any, that is rated in the ratings category of A or its equivalent or higher by two NRSROs, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by two NRSRO's.
- B. Be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000).

## 11-7. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federally licensed or state licensed branch of a foreign bank.

## 11-8. REPURCHASE AGREEMENTS

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the Federal Deposit Insurance Corporation (FDIC) provided:

- A. A Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and
- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and
- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

## 11-9. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

## 11-10. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares may not represent more than 10 percent of the funds or pool's asset and no more than 10 percent of the total portfolio may be invested in

shares of any one money market mutual fund.

#### 11-11. MORTGAGE OR ASSET-BACKED SECURITIES

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.

#### 11-12. SUPRANATIONALS

U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

#### 11-13. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

#### 11-14. ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

#### 11-15. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under the pools investment policy and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630.

#### 11-16. VARIABLE AND FLOATING RATE SECURITIES

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate) or SOFR (Secured Overnight Financing Rate), and must meet all minimum credit requirements previously detailed in the Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

## 11-17. BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO. Bank deposits are required to be collateralized as specified under Government Code Section 53630. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

## 11-18. DERIVATIVES

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the F&A Committee prior to entering into such investment.

### **Credit Rating Actions**

Rating criteria will apply at the time of purchase of a security and monitored for changes while retained within OCTA's portfolio. A security whose credit rating is on Credit Watch at the time of purchase, has been placed on Credit Watch, or whose credit rating has been downgraded (including downgrades resulting in the rating falling below the minimum credit rating requirements) subsequent to the time of purchase, is not a violation of OCTA's Investment Policy.

For any security, whose credit rating falls below the minimum required rating as per the California Government Code and the Policy or placed on Negative Credit Watch for imminent downgrade to below the minimum required ratings, the Treasurer will make the decision whether to continue to retain or sell the security. For all other security rating downgrades, and for securities placed on Negative Credit Watch, the decision to retain or sell the security will be left to the investment manager, and OCTA will be notified immediately of the decision along with rationale regarding the decision to retain or sell.

OCTA will notify the Board through its monthly reporting practices of all securities on Credit Watch at the time of purchase, placed on Credit Watch or downgraded during the reporting period. Securities whose credit rating falls below the minimum requirements will be noticed in the monthly debt and investment reports until the security is sold or meets the minimum credit rating requirements.



## Diversification and Maturity Restrictions

Diversification and maturity restrictions ensure the portfolio is not unduly concentrated in the securities of one type, industry, entity, or specific maturity thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Outside portfolio managers must review the portfolios they manage to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

### AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

Authorized Investments, Issuer Concentration and Maturity Restrictions					
Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S. Treasury Obligations	5 Years	100%	None	Same as CA Code	Same as CA Code
Federal Agency's or U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	40% **	"A-1" rated, or its equivalent or higher by an NRSRO	40%**	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	25%	"A" rating category or "A-1" rated, or its equivalent, by 2 NRSROs

Medium-Term Maturity Notes**	5 Years	30%**	"A" rating category, or its equivalent or higher, by an NRSRO	30%**	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	Same as CA Code	Same as CA Code
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)***	N/A	\$75 million per account	None	\$75 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

\*Additional portfolio restrictions include bank deposits (5 percent) and variable and floating rate securities (30 percent)

\*\*Combined 10 percent per issuer limit on commercial paper and medium-term maturity notes pursuant to the Code. Five percent per issuer limit in any one issuer pursuant to this Policy, see section titled Issuer/Counter-Party Diversification Guidelines for all Securities Except U.S. Treasuries and U.S. Government Agency Securities herein.

\*\*\*Current deposit limits for LAIF regular account are set by the State Treasurer

## **Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities**

Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed five percent of the portfolio.

## **Issuer/Counter-Party Diversification Guidelines for OCTA's Debt**

OCTA can purchase all or a portion of the OCTA's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25 percent of the maximum portfolio.

## **12. PROHIBITED INVESTMENT VEHICLES AND PRACTICES**

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Except securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted, under a provision sunseting on January 1, 2026,
- Step-up notes and dual-index notes are prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending, or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited. Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least \$100,000,000 in securities owned and invested.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

## **13. SECURITIES SAFE KEEPING**

All deliverable security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Deliverable securities shall be held by a third-party custodian designated by the Treasurer, evidenced by safekeeping receipts and in compliance with Code Section 53608.

## **14. BROKER DEALERS**

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Policy.

## **15. INVESTMENT POLICY REVIEW**

This Policy shall be reviewed annually by the F&A Committee of the OCTA Board to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification, and its relevance to current law and economic trends.

## **16. DEFINITION OF TERMS**

**ACCRUED INTEREST:** The amount of interest that is earned but unpaid since the last interest payment date.

**AGENCY SECURITIES:** (See U.S. Government Agency Securities)

**ASK PRICE:** (Offer Price) The price at which securities are offered from a seller.

**ASSET BACKED SECURITIES (ABS):** Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle (SPV) and held in trust. The SPV or trust will issue debt collateralized by the receivables.

**BANKERS ACCEPTANCES (BAs):** Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

**BASIS POINT:** When a yield is expressed as X.YZ percent, the YZ digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

**BID PRICE:** The price at which a buyer offers to buy a security.

**BOOK ENTRY:** The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

**BOOK VALUE:** The original cost of the investment.

**CALLABLE BONDS:** A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**CAPITAL GAIN/LOSS:** The profit or loss realized from the sale of a security.

**CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs):** A negotiable (marketable or

transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

**COLLATERAL:** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an investment agreement.

**COMMERCIAL PAPER (CP):** Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity.

**COUPON:** The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

**CURRENT YIELD:** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSTODIAN:** A bank or other financial institution that keeps custody of assets in the name of the depositor.

**DELIVERY VERSUS PAYMENT (DVP):** Delivery of securities with a simultaneous exchange of money for the securities.

**DERIVATIVE SECURITY:** Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**DISCOUNT:** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers' acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**DIVERSIFICATION:** An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

**DOLLAR-WEIGHTED AVERAGE MATURITY:** A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

**DURATION:** A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

**FEDERAL FUNDS RATE:** Interest rate at which banks lend federal funds to each other.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** A committee within the Federal Reserve System that determines the direction of monetary policy. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

**FEDERAL RESERVE SYSTEM:** A U.S. centralized banking system which has supervisory powers over the two Federal Reserve banks and about 3,000-member banks.

**FITCH Ratings referred to as Fitch:** (See Nationally Recognized Statistical Rating Organizations)

**INTEREST:** The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**INTEREST RATE RISK:** The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

**LIQUIDITY:** The speed and ease with which an investment can be converted to cash.

**MARK-TO-MARKET:** The process by which the value of a security is adjusted to reflect current market conditions.

**MARKET RISK:** The risk that the value of a security will rise or decline as a result of changes in market conditions.

**MARKET VALUE:** The current market price of a security.

**MATURITY:** The date that the principal or stated value of an investment becomes due and payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

**MEDIUM TERM MATURITY CORPORATE SECURITIES:** Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

**MONEY MARKET:** The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers' acceptances, etc.) are issued and traded.

**MONEY MARKET MUTUAL FUNDS:** An investment company that pools money from investors and invests in a variety of short-term money market instruments.

**MOODY'S INVESTORS SERVICE, INC. referred to as Moody's:** (See Nationally Recognized Statistical Rating Organizations)

**MORTGAGE-BACKED SECURITY:** A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

**MUNICIPAL DEBT:** Issued by public entities to meet capital needs.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's):** Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Global Ratings; Moody's Investor Services, Inc., Fitch Ratings and Kroll

Bond Rating Agency, Inc.

**NEGOTIABLE CD:** (See Certificates of Deposit)

**NET ASSET VALUE (NAV):** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets, which includes securities, cash, and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

**NON-CALLABLE:** Bond that is exempt from any kind of redemption for a stated time period.

**OCTA BONDS:** Bonds, notes, warrants, or other evidences of indebtedness.

**OFFER PRICE:** An indicated price at which market participants are willing to sell a security.

**PAR VALUE:** The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

**PHYSICAL DELIVERY:** The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

**PORTFOLIO:** A group of securities held by an investor.

**PREMIUM:** The amount by which the price paid for a security exceeds the security's par value.

**PRIME RATE:** A preferred interest rate charged by commercial banks to their most creditworthy customers.

**PRINCIPAL:** The face value or par value of an investment.

**PURCHASE DATE:** See (Trade Date)

**REINVESTMENT RISK:** The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

**REPURCHASE AGREEMENTS (REPOS):** A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

**SAFEKEEPING:** Holding of assets (e.g. securities) by a financial institution.

**SECURITIES & EXCHANGE COMMISSION (SEC):** The federal agency responsible for supervising and regulating the securities industry.

**SETTLEMENT DATE:** The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

**SPECIAL PURPOSE VEHICLE (SPV):** A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

**STANDARD & POOR'S GLOBAL RATINGS referred to as Standard and Poor's or S & P:** (See Nationally Recognized Statistical Rating Organizations)

**SUPRANATIONAL:** A supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in member countries.

**THIRD-PARTY CUSTODIAL AGREEMENT:** (See Custodian)

**TOTAL RETURN:** The sum of all investment income plus changes in the capital value of the portfolio.

**TRADE DATE:** The date and time corresponding to an investor's commitment to buy or sell a security.

**U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES:** U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture).

**U.S. TREASURY OBLIGATIONS:** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**Treasury bills:** non-interest-bearing discount securities of the U.S. Treasury with maturities under one year.

**Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

**Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from 10 to 30 years from the date of issue.

**Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

**Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

**VARIABLE AND FLOATING RATE SECURITIES:** Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.



**VOLATILITY:** The degree of fluctuation in the price and valuation of securities.

**YIELD:** The current rate of return on an investment security generally expressed as a percentage of the securities current price.

**ZERO COUPON SECURITIES:** Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

**Orange County Transportation Authority  
Fiscal Year ~~2022-23~~2023-24 Investment  
Policy July 1, ~~2022~~2023**

**1. PURPOSE**

This Investment Policy (Policy) sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA). The objective of this Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity, and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Policy. The Policy conforms to the California Government Code (Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy and adhered to.

**2. SCOPE**

The Policy applies to the investment of all funds, excluding the investment of employees' retirement funds, separate trusts, Environmental Mitigation Program Endowment Fund, and funds invested separately under Bond Indenture Agreements (Bond Agreements). Bond Funds and Accounts (Bond Funds) shall be invested in the securities permitted by the applicable Bond Agreements. If the Bond Agreements are silent as to the permitted investments, the Bond Funds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed elsewhere in this Policy do not apply to Bond Funds.

**3. INVESTMENT OBJECTIVES**

The primary objectives, in priority order, of investment activities shall be:

- A. **Safety of Principal** -- Safety of principal is the foremost objective of OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
- B. **Liquidity** -- It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- C. **Total Return** -- OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
- D. **Diversification** -- Finally, OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

#### **4. PRUDENCE**

OCTA's Board, or persons authorized to make investment decisions on behalf of OCTA, are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with the Policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

#### **5. ETHICS AND CONFLICTS OF INTEREST**

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

#### **6. DELEGATION OF AUTHORITY**

Authority to manage OCTA's investment program is derived from an order of the Board. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

The Treasurer shall develop administrative procedures and internal control, consistent with this Policy, for the operation of OCTA's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

## **7. RESPONSIBILITIES**

The Finance and Administration (F&A) Committee of the OCTA Board, subject to the approval of the OCTA Board, is responsible for establishing the Policy and ensuring investments are made in compliance with this Policy. This Policy shall be reviewed annually by the Board at a public meeting.

The Treasurer is responsible for making investments and for compliance with this Policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. Pursuant to Section 53607 of the Code, the Treasurer shall make a monthly report to the Board. OCTA provides a monthly report to the F&A Committee and the Board in accordance with Section 53607 of the Code.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

## **8. COMPLIANCE**

OCTA has provided each of its portfolio managers with a copy of this Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Policy or the respective Bond Agreements as applicable. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and include a write-up in the monthly Debt and Investment Report to the F&A Committee and the Board.

The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Policy.

If OCTA's Treasurer, in their sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the F&A Committee shall review the error and may request that the portfolio manager responsible for the compliance violation meet with the Chairman of the F&A Committee and the Treasurer as soon as practical at which time it will be decided whether the Board will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Policy, the Treasurer shall notify the Board of the compliance violations. OCTA may terminate services for its convenience at any time by providing at least 30 days written notice.

## **9. FINANCIAL BENCHMARKS**

In order to establish a basis for evaluating investment results, OCTA uses two nationally recognized fixed-income security performance benchmarks to evaluate return on investments.

The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1–3-year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA’s short-term portfolios.

## **10. SAFEKEEPING AND CUSTODY**

To protect against potential losses by collapse of individual securities dealers, all deliverable securities owned by OCTA, including collateral on repurchase agreements, shall be held in safekeeping by a third-party bank trust department acting as agent for OCTA under the terms of a custody agreement executed by the bank and by OCTA. All deliverable securities will be received and delivered using standard delivery-versus-payment procedures.

## **11. PERMITTED INVESTMENTS**

### Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term no less than three months prior to the investment.

### Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Policy. If an eligible security already contained in OCTA’s portfolio is subsequently placed on “Negative Credit Watch” (Credit Watch) by any of the three Nationally Recognized Statistical Rating Organizations (NRSROs), or a purchase is made of a security already on Credit Watch by any of the three NRSROs, which is permitted under this Policy, then the security will be handled under the provisions of Credit Rating Actions. Percentage holding limits and credit quality minimums in this section are applicable at the time of purchase.

### **11-1. OCTA NOTES AND BONDS**

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency, or authority of OCTA, which may bear interest at a fixed or floating rate.

### **11-2. U.S. TREASURY OBLIGATIONS**

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

### 11-3. FEDERAL AGENCY OR U.S. GOVERNMENT SPONSORED ENTERPRISES

Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or the U.S. government sponsored enterprises.

### 11-4. MUNICIPAL DEBT

Such instruments defined as being issued by a local or state agency, including:

- A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- B. Bonds, notes, warrants, or other evidence of indebtedness of a local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or local agency or by a department, board, agency, or authority of the local agency.
- C. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- D. Defeased state and local obligations (as defined in A, B, or C above) as long as the obligations have been legally defeased with State and Local Government Series (SLGS), U.S. Treasury, and U.S. Agency securities and such obligations mature or otherwise terminate within five years of the date of purchase.

### 11-5. BANKERS ACCEPTANCES

Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

### 11-6. COMMERCIAL PAPER

The entity that issues commercial paper shall meet the following conditions:

- A. Be issued by corporations that have debt other than commercial paper, if any, that is rated in the ratings category of A or its equivalent or higher by two NRSROs, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by two NRSRO's.
- B. Be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000).

## 11-7. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federally licensed or state licensed branch of a foreign bank.

## 11-8. REPURCHASE AGREEMENTS

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the Federal Deposit Insurance Corporation (FDIC) provided:

- A. A Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and
- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and
- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

## 11-9. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

## 11-10. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares may not represent more than 10 percent of the funds or pool's asset and no more than 10 percent of the total portfolio may be invested in

shares of any one money market mutual fund.

#### 11-11. MORTGAGE OR ASSET-BACKED SECURITIES

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.

#### 11-12. SUPRANATIONALS

U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

#### 11-13. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

#### 11-14. ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

#### 11-15. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under the pools investment policy and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630.

#### 11-16. VARIABLE AND FLOATING RATE SECURITIES

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate) or SOFR (Secured Overnight Financing Rate), and must meet all minimum credit requirements previously detailed in the Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.



## 11-17. BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO. Bank deposits are required to be collateralized as specified under Government Code Section 53630. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

## 11-18. DERIVATIVES

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the F&A Committee prior to entering into such investment.

~~[moved this section to "Prohibited Investment Vehicles and Practices" for clarity]~~

### **Credit Rating Actions**

Rating criteria will apply at the time of purchase of a security and monitored for changes while retained within OCTA's portfolio. A security whose credit rating is on Credit Watch at the time of purchase, has been placed on Credit Watch, or whose credit rating has been downgraded (including downgrades resulting in the rating falling below the minimum credit rating requirements) subsequent to the time of purchase, is not a violation of OCTA's Investment Policy.

For any security, whose credit rating falls below the minimum required rating as per the California Government Code and the Policy or placed on Negative Credit Watch for imminent downgrade to below the minimum required ratings, the Treasurer will make the decision whether to continue to retain or sell the security. For all other security rating downgrades, and for securities placed on Negative Credit Watch, the decision to retain or sell the security will be left to the investment manager, and OCTA will be notified immediately of the decision along with rationale regarding the decision to retain or sell.

OCTA will notify the Board through its monthly reporting practices of all securities on Credit Watch at the time of purchase, placed on Credit Watch or downgraded during the reporting period. Securities whose credit rating falls below the minimum requirements will be noticed in the monthly debt and investment reports until the security is sold or meets the minimum credit rating requirements.

## Diversification and Maturity Restrictions

Diversification and maturity restrictions ensure the portfolio is not unduly concentrated in the securities of one type, industry, entity, or specific maturity thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Outside portfolio managers must review the portfolios they manage to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

### AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

Authorized Investments, Issuer Concentration and Maturity Restrictions					
Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S. Treasury Obligations	5 Years	100%	None	Same as CA Code	Same as CA Code
Federal Agency's or U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	40% **	"A-1" rated, or its equivalent or higher by an NRSRO	40%**	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	25%	"A" rating category or "A-1" rated, or its equivalent, by 2 NRSROs

Medium-Term Maturity Notes**	5 Years	30%**	"A" rating category, or its equivalent or higher, by an NRSRO	30%**	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	Same as CA Code	Same as CA Code
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)***	N/A	\$75 million per account	None	\$75 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

\*Additional portfolio restrictions include bank deposits (5 percent) and variable and floating rate securities (30 percent)

\*\*Combined 10 percent per issuer limit on commercial paper and medium-term maturity notes pursuant to the Code. Five percent per issuer limit in any one issuer pursuant to this Policy, see section titled Issuer/Counter-Party Diversification Guidelines for all Securities Except U.S. Treasuries and U.S. Government Agency Securities herein.

\*\*\*Current deposit limits for LAIF regular account are set by the State Treasurer

## **Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities**

Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed five percent of the portfolio.

## **Issuer/Counter-Party Diversification Guidelines for OCTA's Debt**

OCTA can purchase all or a portion of the OCTA's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25 percent of the maximum portfolio.

## **12. PROHIBITED INVESTMENT VEHICLES AND PRACTICES**

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Except securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted, under a provision sunseting on January 1, 2026,
- Step-up notes and dual-index notes are prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending, or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited. Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least \$100,000,000 in securities owned and invested.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

## **13. SECURITIES SAFE KEEPING**

All deliverable security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Deliverable securities shall be held by a third-party custodian designated by the Treasurer, evidenced by safekeeping receipts and in compliance with Code Section 53608.

## **14. BROKER DEALERS**

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Policy.

## **15. INVESTMENT POLICY REVIEW**

This Policy shall be reviewed annually by the F&A Committee of the OCTA Board to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification, and its relevance to current law and economic trends.

## **16. DEFINITION OF TERMS**

**ACCRUED INTEREST:** The amount of interest that is earned but unpaid since the last interest payment date.

**AGENCY SECURITIES:** (See U.S. Government Agency Securities)

**ASK PRICE:** (Offer Price) The price at which securities are offered from a seller.

**ASSET BACKED SECURITIES (ABS):** Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle (SPV) and held in trust. The SPV or trust will issue debt collateralized by the receivables.

**BANKERS ACCEPTANCES (BAs):** Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

**BASIS POINT:** When a yield is expressed as X.YZ percent, the YZ digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

**BID PRICE:** The price at which a buyer offers to buy a security.

**BOOK ENTRY:** The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

**BOOK VALUE:** The original cost of the investment.

**CALLABLE BONDS:** A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**CAPITAL GAIN/LOSS:** The profit or loss realized from the sale of a security.

**CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs):** A negotiable (marketable or

transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

**COLLATERAL:** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an investment agreement.

**COMMERCIAL PAPER (CP):** Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity.

**COUPON:** The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

**CURRENT YIELD:** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSTODIAN:** A bank or other financial institution that keeps custody of assets in the name of the depositor.

**DELIVERY VERSUS PAYMENT (DVP):** Delivery of securities with a simultaneous exchange of money for the securities.

**DERIVATIVE SECURITY:** Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**DISCOUNT:** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers' acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**DIVERSIFICATION:** An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

**DOLLAR-WEIGHTED AVERAGE MATURITY:** A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

**DURATION:** A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

**FEDERAL FUNDS RATE:** Interest rate at which banks lend federal funds to each other.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** A committee within the Federal Reserve System that determines the direction of monetary policy. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

**FEDERAL RESERVE SYSTEM:** A U.S. centralized banking system which has supervisory powers over the two Federal Reserve banks and about 3,000-member banks.

**FITCH Ratings referred to as Fitch:** (See Nationally Recognized Statistical Rating Organizations)

**INTEREST:** The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**INTEREST RATE RISK:** The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

**LIQUIDITY:** The speed and ease with which an investment can be converted to cash.

**MARK-TO-MARKET:** The process by which the value of a security is adjusted to reflect current market conditions.

**MARKET RISK:** The risk that the value of a security will rise or decline as a result of changes in market conditions.

**MARKET VALUE:** The current market price of a security.

**MATURITY:** The date that the principal or stated value of an investment becomes due and payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

**MEDIUM TERM MATURITY CORPORATE SECURITIES:** Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

**MONEY MARKET:** The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers' acceptances, etc.) are issued and traded.

**MONEY MARKET MUTUAL FUNDS:** An investment company that pools money from investors and invests in a variety of short-term money market instruments.

**MOODY'S INVESTORS SERVICE, INC. referred to as Moody's:** (See Nationally Recognized Statistical Rating Organizations)

**MORTGAGE-BACKED SECURITY:** A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

**MUNICIPAL DEBT:** Issued by public entities to meet capital needs.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's):** Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Global Ratings; Moody's Investor Services, Inc., Fitch Ratings and Kroll

Bond Rating Agency, Inc.

**NEGOTIABLE CD:** (See Certificates of Deposit)

**NET ASSET VALUE (NAV):** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets, which includes securities, cash, and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

**NON-CALLABLE:** Bond that is exempt from any kind of redemption for a stated time period.

**OCTA BONDS:** Bonds, notes, warrants, or other evidences of indebtedness.

**OFFER PRICE:** An indicated price at which market participants are willing to sell a security.

**PAR VALUE:** The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

**PHYSICAL DELIVERY:** The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

**PORTFOLIO:** A group of securities held by an investor.

**PREMIUM:** The amount by which the price paid for a security exceeds the security's par value.

**PRIME RATE:** A preferred interest rate charged by commercial banks to their most creditworthy customers.

**PRINCIPAL:** The face value or par value of an investment.

**PURCHASE DATE:** See (Trade Date)

**REINVESTMENT RISK:** The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

**REPURCHASE AGREEMENTS (REPOS):** A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

**SAFEKEEPING:** Holding of assets (e.g. securities) by a financial institution.

**SECURITIES & EXCHANGE COMMISSION (SEC):** The federal agency responsible for supervising and regulating the securities industry.

**SETTLEMENT DATE:** The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.



**SPECIAL PURPOSE VEHICLE (SPV):** A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

**STANDARD & POOR'S GLOBAL RATINGS** referred to as **Standard and Poor's or S & P:** (See Nationally Recognized Statistical Rating Organizations)

**SUPRANATIONAL:** A supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in member countries.

**THIRD-PARTY CUSTODIAL AGREEMENT:** (See Custodian)

**TOTAL RETURN:** The sum of all investment income plus changes in the capital value of the portfolio.

**TRADE DATE:** The date and time corresponding to an investor's commitment to buy or sell a security.

**U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES:** U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture).

**U.S. TREASURY OBLIGATIONS:** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**Treasury bills:** non-interest-bearing discount securities of the U.S. Treasury with maturities under one year.

**Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

**Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from 10 to 30 years from the date of issue.

**Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

**Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

**VARIABLE AND FLOATING RATE SECURITIES:** Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

**VOLATILITY:** The degree of fluctuation in the price and valuation of securities.

**YIELD:** The current rate of return on an investment security generally expressed as a percentage of the securities current price.

**ZERO COUPON SECURITIES:** Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.



COMMITTEE TRANSMITTAL

**May 22, 2023**

**To:** Members of the Board of Directors  
**From:** Andrea West, Interim Clerk of the Board *Andrea West*  
**Subject:** Agreement for Information Technology Contract Technical Staffing

Finance and Administration Committee Meeting of May 10, 2023

**Present:** Directors Federico, Goodell, Harper, Hennessey, Jones, and Sarmiento  
**Absent:** Director Do

**Committee Vote**

This item was passed by the Members present.

**Committee Recommendations**

- A. Approve the selection of Intratek Computer, Inc., as the firm to provide contract staffing services for Information Technology technical positions.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2746 between the Orange County Transportation Authority and Intratek Computer, Inc., in the amount of \$23,621,941, for a five-year term effective July 1, 2023 through June 30, 2028, to provide contract technical staffing services for Information Technology technical positions.



**May 10, 2023**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Agreement for Information Technology Contract Technical Staffing

### **Overview**

On September 26, 2022, the Board of Directors authorized the release of a request for proposals for a firm to provide contract technical staffing for data warehouse administration, SharePoint administration, project management, help desk support, desktop support, network administration, and application support for the Information Systems Department. Proposals were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to execute an agreement to provide these services.

### **Recommendations**

- A. Approve the selection of Intratek Computer, Inc., as the firm to provide contract staffing services for Information Technology technical positions.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2746 between the Orange County Transportation Authority and Intratek Computer, Inc., in the amount of \$23,621,941, for a five-year term effective July 1, 2023 through June 30, 2028, to provide contract technical staffing services for Information Technology technical positions.

### **Discussion**

Since consolidation in 1991, the Orange County Transportation Authority (OCTA) has continually sought to improve the way in which business is conducted by identifying opportunities for privatization and contracting. By contracting various technical positions, the Information Systems (IS) Department has been able to extend the coverage of the existing full-time staff and keep up with the increasing workload of the IS Department. Staffing needs are evaluated

annually; however, on average, 15 to 20 full-time equivalent positions are contracted.

Supplemental consulting staffing allows the IS Department to quickly adjust resources based on overall workload and projects. The contracted technical staff responsibilities include supporting OCTA's project management, business applications and their associated infrastructure, including databases, data warehousing, network, and operating systems, as well as server and desktop hardware.

Each year the IS Department determines its need for contracted technical staffing. The current contract will expire June 30, 2023. As a result, the development of a request for proposals (RFP) to meet these needs was prepared.

This contract for technical staffing enables the IS Department to provide technical support to the current portfolio of projects that have been requested by various OCTA departments. Contract staff also provides support in maintaining the current technical infrastructure of 1,000 desktops, 120 network switches, 32 VMWare ESX host servers, 340 virtual Microsoft Windows/Linux Servers, 165 databases, and over 430 terabytes of storage.

### ***Procurement Approach***

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for professional and technical services. Various factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as prior experience with similar projects, staffing and project organization, work plan, as well as cost and price.

On September 26, 2022, the Board authorized the release of RFP 2-2746, which was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on September 26, 2022 and October 3, 2022. A pre-proposal conference was held on October 4, 2022, with 46 attendees representing 23 firms. Two addenda were issued to make available the pre-proposal conference registration sheets and presentation, as well as to respond to questions related to the RFP and to handle administrative issues.

On October 24, 2022, 51 proposals were received. This RFP was based on a two-phase evaluation process in which firms had to meet the minimum requirements in phase one in order to move on to the second phase of the

evaluation process. All 51 proposals met the minimum requirements in phase one and moved on to phase two of the evaluation process. An evaluation committee consisting of OCTA staff from Contracts Administration and Materials Management, Human Resources, and Information Systems departments met to review all of the proposals received during phase two of the evaluation process. The proposals were evaluated based on the following Board-approved evaluation criteria and weightings:

- Qualifications of the Firm 25 percent
- Staffing and Project Organization 20 percent
- Work Plan 30 percent
- Cost and Price 25 percent

Qualifications of the firm was weighted at 25 percent as the firm must have the experience and resources necessary to meet the immediate and long-term staffing requirements of this contract. Staffing and project organization was weighted at 20 percent as it is critical for the firm to have experienced and qualified in-house staff to achieve the requirements set forth in the scope of work. Work plan was weighted at 30 percent as the firm must be able to demonstrate their understanding of the project scope and their approach to providing information technology consultants with the required skill levels and experience. Cost and price was assigned a 25 percent weighting to ensure that OCTA receives competitive pricing and value for the services provided.

On January 4, 2023, the evaluation committee reviewed the 51 proposals based on the evaluation criteria and shortlisted the four most qualified firms provided below in alphabetical order:

22nd Century Technologies, Inc. (22nd Century)  
McLean, Virginia

Beacon Hill Staffing Group, LLC (Beacon Hill)  
Boston, Massachusetts

Intratek Computer, Inc. (Intratek)  
Irvine, California

Midtown Personnel, Inc., doing business as  
The Midtown Group (Midtown)  
Washington, District of Columbia

On January 11, 2023, the evaluation committee conducted interviews with the four short-listed firms. The interview consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements. The firms' project managers and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' process for sourcing qualified candidates for positions that are difficult to fill. The firms were also asked to elaborate on their benefits package and training program for contracted staff, as well as their transition plan to retain the current contracted staff. Finally, each team was asked specific clarification questions related to their proposal. Although scores were adjusted after the interviews, the rankings did not change. Intratek remained the highest-ranked firm.

Based on the evaluation of the written proposals and information obtained from the interviews, the evaluation committee is recommending Intratek for consideration of the award. The following is a brief summary of the proposal evaluation results.

#### Qualifications of the Firm

The four firms demonstrated relevant experience recruiting candidates in the highly competitive Information Technology (IT) field.

Intratek is the incumbent firm and has been providing contract technical staff to OCTA since 2011. Located in the City of Irvine, the firm has been providing IT staffing services since 1989 and has over 200 technical personnel on staff. Intratek's past work with other public agencies, such as Dallas/Fort Worth International Airport, Los Angeles County Superior Court, Southern California Regional Rail Authority, and OCTA, highlighted the firm's extensive experience in providing long-term contract staff. The firm received positive feedback from its references.

22nd Century has been in the IT staffing industry for over 26 years and has placed similar IT technical positions for various public agencies, such as the New York State Office of IT Services, Department of Defense Medical Examination Review Board, and United States Department of Agriculture.

Beacon Hill has over 23 years of experience in providing direct IT staffing across multiple industries, including the Walt Disney Company, Sempra-San Diego and Electric, and the Automobile Club of Southern California.

Midtown has been in the temporary staffing business for over 34 years and in 2007 expanded to providing IT services to clients such as the San Antonio Water System, Associate of American Medical Colleges, and Austin Community College. All firms received positive feedback from their references.

#### Staffing and Project Organization

The four firms all proposed experienced and well-rounded project teams with relevant experience in staffing for the positions that OCTA requires.

Intratek proposed keeping the same project team that is on OCTA's current technical staffing contract. The proposed account manager has served in this capacity for 18 years on previous technical staffing contracts. The proposed project team has extensive IT staffing experience and is committed to continuing the same level of support to OCTA. In addition to the proposed project team, Intratek has IT subject matter experts on staff to provide support or serve as emergency back-ups as needed. During the interview, Intratek presented a detailed plan for recruiting practices and candidate screening process. All team members participated and demonstrated a high level of commitment and a comprehensive understanding of OCTA's staffing requirements.

The other short-listed firms proposed knowledgeable project teams. 22nd Century proposed an account manager that has eight years of experience, as well as a supporting team of seven members to assist with OCTA's accounts. Beacon Hill proposed an account manager that has been employed with the firm since 2010 and proposed to provide a supporting team of five members. Midtown's proposed account executive has over 14 years of experience managing large projects across the country, serving private clients as well as local governments and schools. During the interview, the 22nd Century Project Manager and other key personnel had limited participation answering interview questions. Beacon Hill team members demonstrated a lack of communication among themselves and did not provide comprehensive responses during the interview. Midtown stated that all team members and client meetings, training, including "transition and/or first day", would take place virtually rather than being in-person as required in the scope of work. Additionally, the firms demonstrated a sufficient level of commitment to this project and a general understanding of OCTA's IT staffing requirements when responding to interview questions.

#### Work Plan

The four firms all met the service requirements of the RFP to provide long-term technical staffing services to support the IS Department.



Intratek presented a comprehensive work plan that addressed all elements of the scope of work. The firm demonstrated a clear understanding of the project requirements and discussed its approach to meeting these objectives, including a detailed recruitment and candidate screening process. Recruiting resources include networking events, technology-specific partner alliances, internal/external databases, social media, and professional associations. Intratek verifies candidates' qualifications by reviewing resumes, contacting references, and conducting telephone interviews, as well as administering job skills testing prior to referring these candidates to OCTA. The firm proposed to continue the assignments of the current contract personnel to ensure no loss of service or performance levels to OCTA. Intratek detailed its benefits package offered to long-term contract staff, which includes employees' standard health insurance premiums, as well as additional benefits such as vision, standard dental, and life insurance. Intratek also pays 100 percent of the premium cost for the health savings account plan. During the interview, all team members participated in providing full comprehensive responses to interview questions related to sourcing qualified candidates, the benefits package, and the training program.

The other short-listed firms discussed the different strategies they use for sourcing qualified candidates to fill difficult positions. 22nd Century partners with other staffing agencies to find qualified candidates, while Beacon Hill builds relationships with existing candidates and expands to other markets. Midtown defines skillsets unique to each candidate to build rapport for future referrals for sourcing qualified candidates. Additionally, the firms discussed their plans for transitioning the current contract personnel; however, 22nd Century proposed a transition process that may take up to 12 weeks, which may result in OCTA service interruptions, as well as staff health care coverage loss and potential salary reductions for current and future contracted employees. For Beacon Hill, transition may be as quick as 15 days, but all other benefits may take up to 90 days to be fully implemented, as well as potential salary reductions on some of the contracted positions. Midtown's transition process could take up to 30 days, all paperwork, interview, and hiring process is done online and potential salary reductions for current and future contracted employees. While all three firms offered a benefits package to their long-term contract personnel, 22<sup>nd</sup> Century's training is mostly online and if travel is involved, training costs may be billed separately to OCTA. Beacon Hill's benefit package may take up to 90 days to be implemented. Midtown offers various in-house training courses as part of its benefits package; however, the firm indicated during the interview that travel expenses associated with additional training would be billed separately to OCTA. The firms provided general responses to interview questions related to sourcing qualified candidates, benefits package, and their transition plan to retain the current contracted staff.

### Cost and Price

Pricing scores were based on a formula which assigned the highest score to the firm with the lowest average billable hourly rate and scored the other proposals' average billable hourly rates based on their relation to the lowest average billable hourly rate. Although Intratek did not propose the lowest average billable hourly rates, pricing was competitive with the other proposing firms and lower than the OCTA project manager's independent cost estimate. Therefore, the pricing submitted by Intratek is deemed fair and reasonable.

### Procurement Summary

Based on the evaluation of the written proposals, the firms' qualifications, and the information obtained from the interviews, the evaluation committee recommends the selection of Intratek as the top-ranked firm to provide contract technical staffing services for IT technical positions. Intratek delivered a comprehensive proposal and an interview that was responsive to the requirements of the RFP.

### Fiscal Impact

The project was approved in OCTA's Fiscal Year 2022-23 Budget, Finance and Administration / Information Systems, account nos: 1282-7519-A5354-2YH/ 1282-7519-A5354-OXW / 1282-7519-A5354-OYY / 1282-7519-A5354-9S4 / 1282-7519-A5354-9SC / 1282-7519-A5354-070 / 1285-7519-A5359-TSP / 1283-7519-A5352-9TU / 1284-7519-A5352-0X2 / 1284-7519-A5352-2M2 / 1284-7519-A5352-41A / 1284-7519-A5352-07Z and is funded through local funds. The funding for each year will be included within that fiscal year's budget.

### **Summary**

Staff is recommending the Board of Directors authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2746 between the Orange County Transportation Authority and Intratek Computer, Inc., in the amount of \$23,621,941, for a five-year term, effective July 1, 2023 through June 30, 2028, to provide contract technical staffing services for Information Technology technical positions.

**Attachments**

- A. Review of Proposals – RFP 2-2746 Information Technology Contracted Technical Staffing
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 2-2746 Information Technology Contracted Technical Staffing
- C. Contract History for the Past Two Years – RFP 2-2746 Information Technology Contracted Technical Staffing

**Prepared by:**



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Tom Young  
Section Manager,  
Information Systems  
714-560-5638

**Approved by:**



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Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
714-560-5649



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Pia Veesapen  
Director, Contracts Administration and  
Materials Management  
714-560-5619

**Review of Proposals**  
**RFP 2-2746 Information Technology Contracted Technical Staffing**  
 Presented to Finance and Administration Committee - May 10, 2023

**ATTACHMENT A**

**51 firms proposed, 4 firms were interviewed, 1 firm is being recommended**

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Average Hourly Billable Rate
1	87	<b>Intratek Computer, Inc.</b> Irvine, California	None	Highest-ranked firm overall. Excellent proposal, detailed information meeting all requirements. Extensive experience in providing similar contract staff for public sector clients. Proposed the same project team as current contract, as well as continue the assignments of the current contract staff. Most comprehensive and generous benefits package for contract personnel. Detailed recruiting practices and candidate screening process. Presented well and answered questions thoroughly during the interview. Positive feedback from references. Proposed competitive hourly billable rates.	\$105
2	83	<b>22nd Century Technologies, Inc.</b> McLean, Virginia	None	Second-ranked firm. Very good proposal overall. Large staffing firm with extensive relevant experience. Knowledgeable project team. Some trainings may be billable to OCTA. Good recruiting practices and candidate screening process. Positive feedback from references. Limited participation from Project Manager and other key personnel during the interview. Proposed the lowest hourly billable rates.	\$83
3	82	<b>Beacon Hill Staffing Group, LLC</b> Boston, Massachusetts	None	Experience working with clients in the public sector. Experienced project team. Offers training reimbursement on a case-by-case basis. Good recruiting practices and candidate screening process. Good technical training program. Transition of employees may take up to 90 days, including health insurance coverage. Positive feedback from references. Proposed competitive hourly billable rates.	\$102
3	82	<b>Midtown Personnel, Inc.</b> doing business as The Midtown Group Washington, District of Columbia	None	Good proposal overall. Experience placing and transitioning similar long-term contract personnel. Experienced project team. Good benefits package offered to long-term contract employees. Detailed a good transition plan. Travel expenses associated with additional trainings would be billed separately to OCTA. Good recruiting practices and candidate screening process. Positive feedback from references. Proposed competitive hourly billable rates.	\$94

**Evaluation Panel:**

Internal:

- Contracts Administration and Materials Management (2)
- Information Systems (2)
- Human Resources (1)

**Proposal Criteria**

**Weight Factors**

- Qualifications of the Firm 25%
- Staffing and Project Organization 20%
- Work Plan 30%
- Cost and Price 25%

**PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)**  
**RFP 2-2746 Information Technology Contracted Technical Staffing**

<b>Intratek Computer, Inc.</b>							
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Weights</b>	<b>Overall Score</b>
Qualifications of Firm	4.5	4.5	5.0	4.5	4.5	5	23.0
Staffing/Project Organization	4.5	4.0	4.5	4.0	4.5	4	17.2
Work Plan	4.5	4.0	5.0	4.0	5.0	6	27.0
Cost and Price	3.90	3.90	3.90	3.90	3.90	5	19.5
<b>Overall Score</b>	<b>87.0</b>	<b>82.0</b>	<b>92.5</b>	<b>82.0</b>	<b>90.0</b>		<b>87</b>

<b>22nd Century Technologies, Inc.</b>							
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Weights</b>	<b>Overall Score</b>
Qualifications of Firm	4.0	3.5	4.0	3.5	4.5	5	19.5
Staffing/Project Organization	4.5	3.5	4.0	3.5	3.5	4	15.2
Work Plan	4.5	3.5	4.0	3.5	4.0	6	23.4
Cost and Price	5.00	5.00	5.00	5.00	5.00	5	25.0
<b>Overall Score</b>	<b>90.0</b>	<b>77.5</b>	<b>85.0</b>	<b>77.5</b>	<b>85.5</b>		<b>83</b>

<b>Beacon Hill Staffing Group LLC</b>							
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Weights</b>	<b>Overall Score</b>
Qualifications of Firm	4.0	4.0	4.5	4.0	4.0	5	20.5
Staffing/Project Organization	4.5	3.5	4.5	3.5	4.0	4	16.0
Work Plan	4.0	4.5	4.5	4.0	4.0	6	25.2
Cost and Price	4.00	4.00	4.00	4.00	4.00	5	20.0
<b>Overall Score</b>	<b>82.0</b>	<b>81.0</b>	<b>87.5</b>	<b>78.0</b>	<b>80.0</b>		<b>82</b>

<b>Midtown Personnel, Inc., doing business as The Midtown Group</b>							
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Weights</b>	<b>Overall Score</b>
Qualifications of Firm	4.0	4.0	4.0	4.0	4.0	5	20.0
Staffing/Project Organization	4.0	4.0	4.5	4.0	4.0	4	16.4
Work Plan	4.0	3.5	4.5	4.0	3.5	6	23.4
Cost and Price	4.40	4.40	4.40	4.40	4.40	5	22.0
<b>Overall Score</b>	<b>82.0</b>	<b>79.0</b>	<b>87.0</b>	<b>82.0</b>	<b>79.0</b>		<b>82</b>

Range of scores for non-short-listed firms was 28 to 69.

**CONTRACT HISTORY FOR THE PAST TWO YEARS**  
**RFP 2-2746 Information Technology Contracted Technical Staffing**

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
<b>Intratek Computer, Inc.</b>						
Contract Type: Time-and-Expense	C-7-1949	Information Technology Contract Technical Staffing	February 16, 2018	June 30, 2023	N/A	\$ 14,366,775
Subconsultants: None						
<b>Sub Total</b>						<b>\$ 14,366,775</b>
<b>22nd Century Technologies, Inc.</b>						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
<b>Sub Total</b>						<b>\$ -</b>
<b>Beacon Hill Staffing Group, LLC</b>						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
<b>Sub Total</b>						<b>\$ -</b>
<b>Midtown Personnel, Inc., doing business as The Midtown Group</b>						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
<b>Sub Total</b>						<b>\$ -</b>



COMMITTEE TRANSMITTAL

**May 22, 2023**

**To:** Members of the Board of Directors  
**From:** Andrea West, Interim Clerk of the Board *Andrea West*  
**Subject:** Amendment to Cooperative Agreements with Non-Profit Agencies to Provide Senior Mobility Program Services

Transit Committee Meeting of May 11, 2023

**Present:** Directors Jones, Jung, Lopez, Nguyen, and Sarmiento  
**Absent:** Director Do

**Committee Vote**

This item was passed by the Members present.

Director Nguyen was not present to vote on this item.

**Committee Recommendations**

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3259 between the Orange County Transportation Authority and Abrazar, Inc., in the amount of \$90,497, to provide funding through June 30, 2024.
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3260 between the Orange County Transportation Authority and Korean American Senior Association of Orange County, in the amount of \$111,260, to provide funding through June 30, 2024.
- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3261 between the Orange County Transportation Authority and Southland Integrated Services, Inc., in the amount of \$97,828, to provide funding through June 30, 2024.



**May 11, 2023**

**To:** Transit Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Amendment to Cooperative Agreements with Non-Profit Agencies to Provide Senior Mobility Program Services

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" field.

**Overview**

The Senior Mobility Program is designed to offer transportation alternatives to seniors in addition to local fixed-route and OC ACCESS paratransit service. Three non-profit agencies participate in the Senior Mobility Program and receive funding from local sources other than Measure M2. The current funding agreements with these three agencies require amendments to include fiscal year 2023-24 funding in order to continue the service.

**Recommendations**

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3259 between the Orange County Transportation Authority and Abrazar, Inc., in the amount of \$90,497, to provide funding through June 30, 2024.
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3260 between the Orange County Transportation Authority and Korean American Senior Association of Orange County, in the amount of \$111,260, to provide funding through June 30, 2024.
- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-1-3261 between the Orange County Transportation Authority and Southland Integrated Services, Inc., in the amount of \$97,828, to provide funding through June 30, 2024.



***Discussion***

The Orange County Transportation Authority (OCTA) established the Senior Mobility Program (SMP) in 2001 to help expand transportation services for seniors. The SMP was originally funded with Transportation Development Act funds from 2001 through 2011. On November 7, 2006, Orange County voters approved the renewal of Measure M (M2), the one-half cent sales tax for transportation improvements. M2 Project U apportions funding to support specialized transportation programs for seniors and persons with disabilities, including the SMP. One percent of net M2 revenues is allocated to the SMP and distributed via formula, based on each city's population of residents age 60 and older, to participating Orange County cities.

To date, 32 cities have implemented SMP transportation services. In addition to the city-initiated programs, four local non-profit agencies also operated SMP transportation services before M2 became the primary funding source for SMP and have been grandfathered into the program. These agencies provide transportation services to seniors for trips that cross city boundaries, but do not qualify for M2 funding because the programs are operated by local non-profit agencies, not local jurisdictions. OCTA has continued to support these SMP programs using other local transit funding because of the significant transportation benefit provided to the community. In December 2018, the Jewish Federation and Family Services, one of the four non-profit agencies, discontinued its SMP.

The three non-profit agencies that remain in the SMP are Abrazar, Inc.; Korean American Senior Association of Orange County; and Southland Integrated Services, Inc., formerly doing business as the Vietnamese Community of Orange County. These three non-profit agencies provided 12,683 trips in fiscal year (FY) 2021-22 and received \$292,334 in funding. Although they are not eligible to receive M2 funding, they comply with all SMP guidelines and continue to receive funding from OCTA to provide a key link in the transportation network.

The current agreements with the three non-profit agencies were executed in July 2021 and require amendments each year to provide funding for the subsequent FY. The funding provided for these programs is based on the anticipated number of trips for each FY. Consistent with funding provided to participating cities for SMP, OCTA funds 80 percent of the trip cost and the organization must provide at least a 20 percent match.

In order to preserve these services and support OCTA's goal under M2 Project U to expand mobility choices for seniors and persons with disabilities, Board of Directors' (Board) approval is necessary to execute amendments to provide the funds for these services through June 30, 2024. The total local funding allocation necessary for these services is \$299,585 per year and has been included in OCTA's proposed FY 2023-24 Budget.

#### Fiscal Impact

These services are included in OCTA's proposed FY 2023-24 Budget, Operations Division, account nos. 0030-7831-D1502-PDK, 0030-7831-D1502-PDW, and 0030-7831-D1502-PEE using local transportation funds.

#### **Summary**

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute amendments in the total amount of \$299,585 between the Orange County Transportation Authority and Abrazar, Inc., Korean American Senior Association of Orange County, and Southland Integrated Services, Inc., to provide funding for trips to local seniors in Orange County through June 30, 2024.

**Attachments**

- A. FY 2023-24 Allocation and CC Contribution Requirement
- B. Abrazar, Inc., Cooperative Agreement No. C-1-3259 Fact Sheet
- C. Korean American Senior Association of Orange County, Cooperative Agreement No. C-1-3260 Fact Sheet
- D. Southland Integrated Services Inc., Cooperative Agreement No. C-1-3261 Fact Sheet

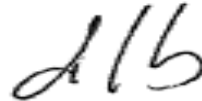
**Prepared by:**



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Joanne Jacobsen  
Senior Community Transportation  
Coordinator  
(714) 560-5660

**Approved by:**



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Damon Blythe  
Director of Bus Operations, Operations  
(714) 560-5688



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Pia Veesapen  
Director, Contracts Administration and  
Materials Management  
(714) 560-5619



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Johnny Dunning, Jr.  
Chief Operating Officer, Operations,  
(714) 560-5462



## FY 2023-24 Allocation and CC Contribution Requirement

Community Center (CC)	2023 Disbursement	2024 Allocation	2024 CC Contribution Projection
Abrazar	\$ 88,307	\$ 90,497	\$ 22,624
Korean American Center	108,567	111,260	27,815
Southland Integrated Services	95,460	97,828	24,457
<b>Total</b>	<b>\$ 292,334</b>	<b>\$ 299,585</b>	<b>\$ 74,896</b>
<b>Sales Tax Growth Rate</b>			<b>3.40%</b>

FY: Fiscal Year

**Abrazar, Inc.  
Cooperative Agreement No. C-1-3259 Fact Sheet**

1. May 24, 2021, Cooperative Agreement No. C-1-3259, \$82,248, approved by the Board of Directors (Board).
  - Agreement to provide funding for the provision of Senior Mobility Program (SMP) services.
  - Initial term effective through June 30, 2022.
  - Shuttle transportation to congregate meal programs in the cities of Midway City and Westminster. Service is for medical appointments, shopping, and personal appointments, as well as social/recreational activities at the Orange County Fair, Tet Festival, and Cinco de Mayo celebrations.
2. May 23, 2022, Amendment No. 1 to Cooperative Agreement No. C-1-3259, \$89,387, approved the Board.
  - Amendment to increase funding to support trips provided through June 30, 2023.
3. May 22, 2023, Amendment No. 2 to Cooperative Agreement No. C-1-3259, \$90,497, pending approval by the Board.
  - Amendment to increase funding to support trips provided through June 30, 2024.

Total committed to Abrazar, Inc., Cooperative Agreement No. C-1-3259: \$262,132.

## ATTACHMENT C

### **Korean American Senior Association of Orange County Cooperative Agreement No. C-1-3260 Fact Sheet**

1. May 2, 2021, Cooperative Agreement No. C-1-3260, \$101,116, approved by the Board of Directors (Board).
  - Agreement to provide funding for the provision of Senior Mobility Program (SMP) services.
  - Initial term effective through June 30, 2022.
  - Shuttle transportation to the senior center, medical appointments, shopping, and social/recreational trips to cultural events, libraries, religious institutions, and restaurants.
2. May 23, 2022, Amendment No. 1 to Cooperative Agreement No. C-1-3260, \$109,894, approved by the Board.
  - Amendment to increase funding to support trips provided through June 30, 2023.
3. May 22, 2023, Amendment No. 2 to Cooperative Agreement No. C-1-3260, \$111,260, pending approval by the Board.
  - Amendment to increase funding to support trips provided through June 30, 2024.

Total committed to Korean American Senior Association of Orange County, Cooperative Agreement No. C-1-3260: \$322,270.

## ATTACHMENT D

### **Southland Integrated Services, Inc. Cooperative Agreement No. C-1-3261 Fact Sheet**

1. May 24, 2021, Cooperative Agreement No. C-1-3261, \$88,910, approved by the Board of Directors (Board).
  - Agreement to provide funding for the provision of Senior Mobility Program (SMP) services.
  - Initial term effective through June 30, 2022.
  - Shuttle transportation to senior centers, medical appointments, and personal appointments, as well as social/recreational trips at local community events, parks, and government offices.
2. May 23, 2022, Amendment No. 1 to Cooperative Agreement No. C-1-3261, \$96,628, approved by the Board.
  - Amendment to increase funding to support trips provided through June 30, 2023.
3. May 22, 2023, Amendment No. 2 to Cooperative Agreement No. C-1-3261, \$97,828, pending approval by the Board.
  - Amendment to increase funding to support trips provided through June 30, 2024.

Total committed to Southland Integrated Services, Inc., Cooperative Agreement No. C-1-3261: \$283,366.



## COMMITTEE TRANSMITTAL

**May 22, 2023**

**To:** Members of the Board of Directors  
**From:** Andrea West, Interim Clerk of the Board *Andrea West*  
**Subject:** Amendments to Cooperative Agreements with Special Agencies for the Provision of Transportation Services

### Transit Committee Meeting of May 11, 2023

**Present:** Directors Jones, Jung, Lopez, Nguyen, and Sarmiento  
**Absent:** Director Do

### **Committee Vote**

This item was passed by the Members present.

Director Nguyen was not present to vote on this item.

### **Committee Recommendations**

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1917 between the Orange County Transportation Authority and North County Senior Services, LLC, doing business as Acacia Adult Day Services, for continued services in the amount of \$667,586, and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$1,970,207.
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1918 between the Orange County Transportation Authority and Alzheimer's Family Center for continued services in the amount of \$475,467 and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$1,819,066.





- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1919 between the Orange County Transportation Authority and Alzheimer's Orange County for continued services in the amount of \$364,751, and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$960,877.
  
- D. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1920 between the Orange County Transportation Authority and Community SeniorServ, doing business as Meals on Wheels Orange County, for continued services in the amount of \$788,983 and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$2,151,776.
  
- E. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1921 between the Orange County Transportation Authority and Orange County Adult Achievement Center, doing business as My Day Counts, for continued services in the amount of \$2,080,669, and to adjust the per trip rate to \$18.08 and the Regional Center of Orange County pass-through per trip rate to \$6.44 effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$5,452,289.



**May 11, 2023**

**To:** Transit Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Amendments to Cooperative Agreements with Special Agencies for the Provision of Transportation Services

**Overview**

The Orange County Transportation Authority contracts with six agencies to help manage the demand for OC ACCESS service. On October 22, 2018, the Board of Directors approved five-year cooperative agreements with six agencies to provide this transportation service. These cooperative agreements are to be amended each year to adjust the per trip reimbursement rate and the maximum obligations. Board of Directors' approval is requested to amend the cooperative agreements with five special agencies for the continued provision of transportation services.

**Recommendations**

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1917 between the Orange County Transportation Authority and North County Senior Services, LLC, doing business as Acacia Adult Day Services, for continued services in the amount of \$667,586, and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$1,970,207.
  
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1918 between the Orange County Transportation Authority and Alzheimer's Family Center for continued services in the amount of \$475,467 and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$1,819,066.

- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1919 between the Orange County Transportation Authority and Alzheimer's Orange County for continued services in the amount of \$364,751, and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$960,877.
  
- D. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1920 between the Orange County Transportation Authority and Community SeniorServ, doing business as Meals on Wheels Orange County, for continued services in the amount of \$788,983 and to adjust the per trip rate to \$17.51, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$2,151,776.
  
- E. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Cooperative Agreement No. C-8-1921 between the Orange County Transportation Authority and Orange County Adult Achievement Center, doing business as My Day Counts, for continued services in the amount of \$2,080,669, and to adjust the per trip rate to \$18.08, as well as the Regional Center of Orange County pass-through per trip rate to \$6.44, effective July 1, 2023 through June 30, 2024. This will increase the maximum obligation of the agreement to a total contract value of \$5,452,289.

***Discussion***

The Americans with Disabilities Act (ADA) requires agencies that operate fixed-route bus service to provide complementary paratransit service for individuals with disabilities who are unable to use the fixed-route system. To comply with the ADA, the Orange County Transportation Authority (OCTA) implemented OC ACCESS service in 1993. In October 2004, the OCTA Board of Directors (Board) approved the Paratransit Growth Management Plan. Since the implementation of the paratransit growth management strategies beginning in 2005, the Orange County Transportation Authority (OCTA) has been proactive in establishing community partnerships and encouraging the availability of alternative transportation programs as a viable option for OC ACCESS riders to help reduce the growth in the demand and cost of the OC ACCESS service.

A significant portion of OC ACCESS trips are provided to and from special agency programs (Programs) that serve persons with disabilities and are eligible OC ACCESS riders. The services provided by these Programs include nutrition, educational or social services, rehabilitative services, sheltered workshops, and vocational services. OCTA has had long-standing cost sharing agreements with six Programs in which OC ACCESS riders have been transitioned to alternative transportation service providers. OCTA provides a reimbursement of up to 80 percent of the total cost per trip and the Programs pay a minimum of 20 percent of the total cost per trip. Through these cooperative agreements, OCTA provides an operating subsidy based on a per trip cost for OC ACCESS-eligible riders traveling between their homes and the Programs utilizing an alternative transportation service provider. Since 2006, OCTA has worked in coordination with these Programs and their transportation service providers to successfully transition more than 750 OC ACCESS riders to transportation services provided through the Programs receiving these subsidies. The per trip subsidy provided by OCTA ranges from \$16.76 per trip to \$16.85 per trip. In fiscal year (FY) 2023, Innovative Integrated Health, formerly known as Sultan Adult Day Health Care, was removed from the Programs because they received trip reimbursement from CalOptima and OCTA will not subsidize trip expenses if the agency is reimbursed from other sources.

Implementation of these community transportation partnerships has helped to provide transportation options to those using the Programs and has provided benefit to both OCTA and the Programs. OCTA's potential cost savings for FY 2023-24 projected 219,506 trips provided by these agreements is estimated to be \$13.6 million if these trips were provided by OC ACCESS (FY 2021-22 average cost per trip of \$79.70).

Under the terms of the current agreements, the total cost for all five agreements for FY 2023-24 is projected to be \$3.7 million. OCTA's share is estimated at \$2.96 million based on the per trip subsidies provided, and the Programs' share is estimated \$742,000. There is a provision in the agreements to increase the reimbursement rate by Consumer Price Index on an annual basis. The agreements also cap the annual number of trips subsidized by OCTA for each Program at an increase rate of 1.1 percent. However, there is a provision in each contract that allows for the total number of trips to grow beyond the cap amount if the Program can provide information to OCTA that demonstrates that the additional trips would provide a direct cost offset to the OC ACCESS service.

Fiscal Impact

The project is included in the Proposed OCTA FY 2023-24 Budget, Operations Division, account nos. under 2131-7312-D1208, and is funded through the Local Transportation Fund.

***Summary***

Staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute amendments to cooperative agreements with North County Senior Services, LLC, doing business as Acacia Adult Day Services, Alzheimer's Family Center, Alzheimer's Orange County, Community SeniorServ, doing business as Meals on Wheels Orange County, and Orange County Adult Achievement Center, doing business as My Day Counts, in the total amount of \$4,377,456, to adjust the maximum contract obligations and cost per trip rates that will provide an operating subsidy for trips transitioned from OC ACCESS service to alternate service providers effective July 1, 2023 through June 30, 2024.

***Attachments***

- A. North County Senior Services, LLC, doing business as Acacia Adult Day Services, Cooperative Agreement No. C-8-1917 Fact Sheet
- B. Alzheimer's Family Center, Cooperative Agreement No. C-8-1918 Fact Sheet
- C. Alzheimer's Orange County, Cooperative Agreement No. C-8-1919 Fact Sheet
- D. Community SeniorServ, doing business as Meals on Wheels Orange County, Cooperative Agreement No. C-8-1920 Fact Sheet
- E. Orange County Adult Achievement Center, doing business as My Day Counts, Cooperative Agreement No. C-8-1921 Fact Sheet

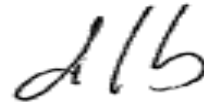
**Prepared by:**



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Joanne Jacobsen  
Senior Community Transportation  
Coordinator  
714-560-5660

**Approved by:**



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Damon Blythe  
Director of Bus Operations, Operations  
714-560-5688



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Pia Veesapen  
Director, Contracts Administration and  
Materials Management  
714-560-5619

**Approved by:**



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Johnny Dunning, Jr.  
Chief Operating Officer, Operations  
714-560-5710

**North County Senior Services, LLC doing business as Acacia Adult Day Services  
Cooperative Agreement No. C-8-1917  
Fact Sheet**

1. October 22, 2018, Cooperative Agreement No. C-8-1917, \$676,001, approved by the Board of Directors (Board).
  - Agreement to share in the cost of providing alternative transportation services for OC ACCESS customers.
  - Initial term effective July 1, 2019 through June 30, 2024, to be amended every year to adjust the per trip rate and the maximum obligation.
  - Reimbursed trip rate is \$16.22 per trip.
2. May 22, 2020, Amendment No. 1 to Cooperative Agreement No. C-8-1917, \$626,620, approved by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2021.
  - Amendment to increase reimbursed trip rate to \$16.49 per trip.
3. June 14, 2021, Amendment No. 2 to Cooperative Agreement No. C-8-1917, \$0.00, approved by the Board.
  - Amendment to increase reimbursed trip rate to \$16.55 per trip.
4. May 23, 2022, Amendment No. 3 to Cooperative Agreement No. C-8-1917, \$0.00, approved by the Board.
  - Amendment to increase reimbursed trip rate to \$16.85 per trip.
5. May 22, 2023, Amendment No. 4 to Cooperative Agreement No. C-8-1917, \$667,586, pending approval by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2024.
  - Amendment to increase reimbursed trip rate to \$17.51 per trip.

Total committed to North County Senior Services, LLC, doing business as Acacia Adult Day Services, Cooperative Agreement No. C-8-1917: \$1,970,207.

**Alzheimer's Family Center  
Cooperative Agreement No. C-8-1918  
Fact Sheet**

1. October 22, 2018, Cooperative Agreement No. C-8-1918, \$733,469, approved by the Board of Directors (Board).
  - Agreement to share in the cost of providing alternative transportation services for OC ACCESS customers.
  - Initial term effective July 1, 2019 through June 30, 2024, to be amended every year to adjust the per trip rate and the maximum obligation.
  - Reimbursed trip rate is \$16.22 per trip.
2. May 22, 2020, Amendment No. 1 to Cooperative Agreement No. C-8-1918, \$610,130, approved by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2021.
  - Amendment to increase reimbursed trip rate to \$16.49 per trip.
3. June 14, 2021, Amendment No. 2 to Cooperative Agreement No. C-8-1918, \$0.00, approved by the Board.
  - Amendment to increase reimbursed trip rate to \$16.55 per trip.
4. May 23, 2022, Amendment No. 3 to Cooperative Agreement No. C-8-1918, \$0.00 approved by the Board.
  - Amendment to increase reimbursed trip rate to \$16.85 per trip.
5. May 22, 2023, Amendment No. 4 to Cooperative Agreement No. C-8-1918, \$475,467, pending approval by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2024.
  - Amendment to increase reimbursed trip rate to \$17.51 per trip.

Total committed to Alzheimer's Family Center Cooperative Agreement No. C-8-1918:  
\$1,819,066.



**Alzheimer's Orange County  
Cooperative Agreement No. C-8-1919  
Fact Sheet**

1. October 22, 2018, Cooperative Agreement No. C-8-1919, \$360,198, approved by the Board of Directors (Board).
  - Agreement to share in the cost of providing alternative transportation services for OC ACCESS customers.
  - Initial term effective July 1, 2019 through June 30, 2024, to be amended every year to adjust the per trip rate and the maximum obligation.
  - Reimbursed trip rate is \$16.22 per trip.
2. May 22, 2020, Amendment No. 1 to Cooperative Agreement No. C-8-1919, \$206,125, approved by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2021.
  - Amendment to increase reimbursed trip rate to \$16.49 per trip.
3. June 14, 2021, Amendment No. 2 to Cooperative Agreement No. C-8-1919, \$0.00, approved by the Board.
  - Amendment to increase reimbursed trip rate to \$16.55 per trip.
4. May 23, 2022, Amendment No. 3 to Cooperative Agreement No. C-8-1919, \$29,803 approved by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2023.
  - Amendment to increase reimbursed trip rate to \$16.85 per trip.
5. May 22, 2023, Amendment No. 4 to Cooperative Agreement No. C-8-1919, \$364,751, pending approval by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2024.
  - Amendment to increase reimbursed trip rate to \$17.51 per trip.

Total committed to Alzheimer's Orange County Cooperative Agreement No. C-8-1919: \$960,877.

**Community SeniorServ doing business as Meals on Wheels Orange County  
Cooperative Agreement No. C-8-1920  
Fact Sheet**

1. October 22, 2018, Cooperative Agreement No. C-8-1920, \$769,153, approved by the Board of Directors (Board).
  - Agreement to share in the cost of providing alternative transportation services for OC ACCESS customers.
  - Initial term effective July 1, 2019 through June 30, 2024, to be amended every year to adjust the per trip rate and the maximum obligation.
  - Reimbursed trip rate is \$16.22 per trip.
2. May 22, 2020, Amendment No. 1 to Cooperative Agreement No. C-8-1920, \$593,640, approved by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2021.
  - Amendment to increase reimbursed trip rate to \$16.49 per trip.
3. June 14, 2021, Amendment No. 2 to Cooperative Agreement No. C-8-1920, \$0.00, approved by the Board.
  - Amendment to increase reimbursed trip rate to \$16.55 per trip.
4. May 23, 2022, Amendment No. 3 to Cooperative Agreement No. C-8-1920, \$0.00 approved by the Board.
  - Amendment to increase reimbursed trip rate to \$16.85 per trip.
5. May 22, 2023, Amendment No. 4 to Cooperative Agreement No. C-8-1920, \$788,983, pending approval by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2024.
  - Amendment to increase reimbursed trip rate to \$17.51 per trip.

Total committed to Community SeniorServ, doing business as Meals on Wheels Orange County, Cooperative Agreement No. C-8-1920: \$2,151,776.

## ATTACHMENT E

### **Orange County Adult Achievement Center doing business as My Day Counts Cooperative Agreement No. C-8-1921 Fact Sheet**

1. October 22 ,2018, Cooperative Agreement No. C-8-1921, \$1,705,661, approved by the Board of Directors (Board).
  - Agreement to share in the cost of providing alternative transportation services for OC ACCESS customers.
  - Initial term effective July 1, 2019 through June 30, 2024, to be amended every year to adjust the per trip rate and the maximum obligation.
  - Reimbursed trip rate is \$15.56 per trip and the Regional Center of Orange County pass-through per trip rate is \$5.96 per trip.
2. May 22, 2020, Amendment No. 1 to Cooperative Agreement No. C-8-1921, \$1,406,007, approved by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2021.
  - Amendment to increase the reimbursed trip rate to \$16.07 per trip and their Regional Center of Orange County pass-through per trip rate to \$6.14 per trip.
3. June 14, 2021, Amendment No. 2 to Cooperative Agreement No. C-8-1921, \$0.00, approved by the Board.
  - Amendment to increase the reimbursed trip rate to \$16.18 per trip and the Regional Center of Orange County pass-through per trip rate to \$6.18 per trip.
4. May 23, 2022, Amendment No. 3 to Cooperative Agreement No. C-8-1921, \$259,952, approved by the Board.
  - Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2023.
  - Amendment to increase the reimbursement trip rate to \$16.76 per trip and the Regional Center of Orange County pass-through per trip rate to \$6.31 per trip.

5. May 23, 2022, Amendment No. 4 to Cooperative Agreement No. C-8-1921, \$2,080,669, pending approval by the Board.
- Amendment to increase the maximum obligation to share in the cost of OC ACCESS service through June 30, 2024.
  - Amendment to increase the reimbursement trip rate to \$18.08 per trip and the Regional Center of Orange County pass-through per trip rate to \$6.44 per trip.

Total committed to Orange County Adult Achievement Center doing business as My Day Counts Cooperative Agreement No. C-8-1921: \$5,452,289.



COMMITTEE TRANSMITTAL

**May 22, 2023**

**To:** Members of the Board of Directors  
**From:** Andrea West, Interim Clerk of the Board *Andrea West*  
**Subject:** Amendment to Agreement for Enterprise Asset Management System

Transit Committee Meeting of May 11, 2023

**Present:** Directors Jones, Jung, Lopez, Nguyen, and Sarmiento  
**Absent:** Director Do

**Committee Vote**

This item was passed by the Members present.

Director Nguyen was not present to vote on this item.

**Committee Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-0-2272 between Orange County Transportation Authority and 21Tech LLC, in the amount of \$738,920, to cover additional implementation costs. This will increase the maximum cumulative obligation of the agreement to a total contract value of \$5,965,037.



**May 11, 2023**

**To:** Transit Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Amendment to Agreement for Enterprise Asset Management System

**Overview**

On February 22, 2021, the Orange County Transportation Authority Board of Directors approved an agreement with 21Tech LLC for the implementation of a new Enterprise Asset Management system. An amendment to the existing agreement is needed to cover additional implementation costs.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-0-2272 between the Orange County Transportation Authority and 21Tech LLC, in the amount of \$738,920, to cover additional implementation costs. This will increase the maximum cumulative obligation of the agreement to a total contract value of \$5,965,037.

**Discussion**

On February 22, 2021, the Orange County Transportation Authority (OCTA) Board of Directors (Board) approved an agreement with 21Tech LLC (21Tech) for the implementation of a new Enterprise Asset Management (EAM) system. The agreement includes the implementation of the EAM system, Hexagon, formerly known as Infor. The Hexagon EAM system will replace the current Ellipse EAM system and be integrated with existing ancillary systems. This agreement will also include seven years of hosting services. An amendment to the existing agreement is needed to cover additional implementation costs due to the additional time required to complete system requirements before the new EAM can go live.

The original project schedule allocated five months for the build phase, but unforeseen challenges arose during this phase. The team discovered previously unknown requirements related to account codes and blanket purchase orders

that are essential for the successful integration of OCTA's financial system, OneSolution. As a result, the scope of the project expanded and was deemed mission-critical, requiring an additional seven months to resolve.

The challenges primarily involved the team needing extra time to comprehend the complexity of new business processes for OCTA's financial system, transitioning from Ellipse to OneSolution for procurement, contracting, and blanket purchase orders. Additionally, the team faced difficulties in identifying new business processes for segments and logic for cost codes and general ledger account construction, which was not previously implemented.

OCTA and 21Tech have developed an agreed-upon course of action that would allow for the completion of the implementation of a new EAM system. It was determined that an amendment to establish a new go-live date of September 30, 2023, and an additional \$738,920 would be needed to accommodate and integrate the additional work into the scope.

### ***Procurement Approach***

This procurement was originally handled in accordance with OCTA's Board-approved policies and procedures for professional and technical services. On February 22, 2021, the Board approved the award of the agreement with 21Tech. The original agreement was awarded on a competitive basis and includes a seven-year initial term with two, two-year option terms. This agreement has been previously amended as shown in Attachment A.

The initial term of the agreement expires March 31, 2028. Amending the agreement will increase the maximum cumulative payment obligation by \$738,920, bringing the total contract value to \$5,965,037, which will allow for implementation of a new EAM system. OCTA staff negotiated the required level of effort with 21Tech to provide additional implementation efforts to complete system requirements. Staff found the amount of \$738,920 to be fair and reasonable relative to the negotiated level of effort and the hourly rates in the agreement, as well as to the independent cost estimate prepared by the OCTA project manager.

### **Fiscal Impact**

Funding for this work was approved in OCTA's Fiscal Year 2022-23 Budget, Finance and Administration Division, Information Systems Department, Account No. 1285-9028-IX080-0R5, and is funded through local funds.

**Summary**

Staff requests Board of Directors' approval to authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-0-2272 between the Orange County Transportation Authority and 21Tech LLC, in the amount of \$738,920, to cover additional implementation costs.

**Attachment**

- A. 21Tech LLC, Agreement No. C-0-2272 Fact Sheet

**Prepared by:**



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Marie Latino  
Section Manager III, Maintenance  
Resource Management  
(714) 560-5323

**Approved by:**



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Cliff Thorne  
Director, Maintenance Administration  
(714) 560-5975



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Pia Veaspen  
Director, Contracts Administration and  
Materials Management  
(714) 560-5619



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Johnny Dunning, Jr.  
Chief Operating Officer, Operations  
(714) 560-5710



**21Tech LLC  
Agreement No. C-0-2272 Fact Sheet**

1. February 22, 2021, Agreement No. C-0-2272, \$5,061,529, for a seven-year initial term with two, two-year option terms approved by the Board of Directors (Board).
  - Agreement for an enterprise asset management system.
  - Initial term effective April 1, 2021 through December 31, 2027, with two, two-year option terms.
2. September 8, 2022, Amendment No. 1 to Agreement No. C-0-2272, \$0, approved by the Contracts Administration and Materials Management Department (CAMM).
  - Amended to release the ten percent retention on the subscription license invoices at the end of each year of the agreement.
  - Amended to adjust the contract term dates as the agreement did not become effective until April 1, 2021 and the initial term was approved by OCTA's Board for seven years on February 22, 2021.
  - The new initial term is effective April 1, 2021 through March 31, 2028, with two, two-year option terms.
3. January 4, 2023, Amendment No. 2 to Agreement No. C-0-2272, \$164,588, approved by CAMM.
  - Amended for added functionality of the Enterprise Asset Management system.
4. May 22, 2023, Amendment No. 3 to Agreement No. C-0-2272, \$738,920, pending approval by the Board.
  - Amendment for additional implementation costs.

Total committed to 21Tech LLC, under Agreement No. C-0-2272: \$5,965,037.



## COMMITTEE TRANSMITTAL

**May 22, 2023**

**To:** Members of the Board of Directors

**From:** Andrea West, Interim Clerk of the Board *Andrea West*

**Subject:** Agreement for Security Gates Installation at the Anaheim, Garden Grove, and Santa Ana Bus Bases

### Transit Committee Meeting of May 11, 2023

**Present:** Directors Jones, Jung, Lopez, Nguyen, and Sarmiento  
**Absent:** Director Do

### **Committee Vote**

This item was passed by the Members present.

### **Committee Recommendations**

- A. Find M.S. Construction Management Group, the apparent low bidder, as non-responsive for failure to complete the appropriate bid security form and submit a bid bond acknowledging terms and obligations in accordance with the bid instructions.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-2279 between the Orange County Transportation Authority and Armstrong Cal Builders Inc., the lowest responsive, responsible bidder, in the amount of \$3,798,000 for the installation of security gates at the Anaheim, Garden Grove, and Santa Ana bus bases.



**May 11, 2023**

**To:** Transit Committee

**From:** Darrell E. Johnson, Chief Executive Officer

A handwritten signature in blue ink, appearing to read "D. Johnson", with the word "For" written in smaller letters above the signature.

**Subject:** Agreement for Security Gates Installation at the Anaheim, Garden Grove, and Santa Ana Bus Bases

**Overview**

On February 27, 2023, the Orange County Transportation Authority issued an invitation for bids for the installation of security gates at the Anaheim, Garden Grove, and Santa Ana bus bases. Bids were received in accordance with Board of Directors-approved public works procurement procedures. Board of Directors' approval is requested to execute the agreement.

**Recommendations**

- A. Find M.S. Construction Management Group, the apparent low bidder, as non-responsive for failure to complete the appropriate bid security form and submit a bid bond acknowledging terms and obligations in accordance with the bid instructions.
  
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-2279 between the Orange County Transportation Authority and Armstrong Cal Builders Inc., the lowest responsive, responsible bidder, in the amount of \$3,798,000 for the installation of security gates at the Anaheim, Garden Grove, and Santa Ana bus bases.

**Discussion**

The Orange County Transportation Authority (OCTA) completed construction of the Anaheim Bus Base in 1983, the Garden Grove Bus Base in 1978, and the Santa Ana Bus Base in 2005. In support of operations, the installation of security gates is needed at the Anaheim, Garden Grove, and Santa Ana bus bases for bus operations and maintenance to enhance the overall security and safety of the bus bases.

In 2016, the Orange County Intelligence Assessment Center completed a vulnerability assessment and mitigation report for OCTA that recommended the need, among other things, for security gates at bus bases. In 2018, the Transportation Security Administration conducted a baseline assessment for security enhancement, and it was recommended to upgrade the current gates and access-controlled system.

Motorized security gates with access control are needed at the operations and maintenance bus bases to better secure entry into OCTA's properties to reduce risk and threats to the facilities. This project does not cover all installation of gates at all bus bases, but rather the bases and gate locations that have had frequent incidents of unauthorized entry, including attempted employee and company car thefts and burglaries. The project includes installation of four new motorized security gates with access control at the Anaheim Bus Base, three at the Garden Grove Bus Base, and three at the Santa Ana Bus Base, including intercom, video surveillance cameras, infrastructure, base entry guard shacks, safety compliance, permits, and all related work.

### ***Procurement Approach***

The procurement was handled in accordance with OCTA's Board of Directors-approved procedures for public works projects. These procedures, which conform to both state and federal requirements, require that contracts are awarded to the lowest responsive, responsible bidder after a sealed bidding process.

Invitation for Bids (IFB) 3-2279 was released on February 27, 2023, through OCTA's CAMM NET system. The project was advertised on February 27 and March 6, 2023, in a newspaper of general circulation. A pre-bid conference and job walk were held on March 9, 2023, and were attended by seven firms. Two addenda were issued to provide the pre-bid conference registration sheets, respond to bidders' questions, and handle administrative issues related to the IFB. On March 27, 2023, two bids were received and publicly opened.

All bids were reviewed by staff from the Contracts Administration and Materials Management and Facilities Engineering departments to ensure compliance with the contract terms and conditions, as well as technical specifications. The list of bidders and bid amounts is presented below.

**Agreement for Security Gates Installation at Anaheim, Garden Grove, and Santa Ana Bus Bases** **Page 3**

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<u>Firm and Location</u>	<u>Bid Amount</u>
M.S. Construction Management Group Dana Point, California	\$3,385,000
Armstrong Cal Builders Inc. Signal Hill, California	\$3,798,000

The apparent low bidder, M.S. Construction Management Group, was found non-responsive as they did not submit the appropriate bid security form, and the submitted bid bond did not acknowledge the terms and obligations in accordance with the IFB instructions. As such, the award is recommended to Armstrong Cal Builders Inc., as the lowest responsive, responsible bidder. The engineer's estimate for this project was \$3,650,000. The recommended firm's bid is four percent above the engineer's estimate and is considered by staff to be fair and reasonable. Reference checks were received for projects completed by the bidder for similar work.

State law requires award to the lowest responsive, responsible bidder. As such, staff recommends award to Armstrong Cal Builders, Inc., the lowest, responsive, responsible bidder, in the amount of \$3,798,000, for the installation of security gates at Anaheim, Garden Grove, and Santa Ana bus bases.

**Fiscal Impact**

Funding for this project is included in OCTA's Fiscal Year 2022-23 Budget, Capital Programs Account No. 1722-9022-D3126-0V0, and is funded with State of California SB 1 (Chapter 5, Statutes of 2017) State of Good Repair Program grant funds.

**Summary**

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-2279 between the Orange County Transportation Authority and Armstrong Cal Builders Inc., the lowest responsive, responsible bidder, in the amount of \$3,798,000, for the installation of security gates at the Anaheim, Garden Grove, and Santa Ana bus bases.

***Attachment***

None.

**Prepared by:**



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Program Manager  
(714) 560-5872

**Approved by:**



James G. Beil, P.E.  
Executive Director, Capital Programs  
(714) 560-5646



Pia Veesapen  
Director, Contracts Administration and  
Materials Management  
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## COMMITTEE TRANSMITTAL

**May 22, 2023**

**To:** Members of the Board of Directors

**From:** Andrea West, Interim Clerk of the Board

*Andrea West*

**Subject:** Coordination of Transit Projects with the City of Irvine

### Transit Committee Meeting of May 11, 2023

**Present:** Directors Jones, Jung, Lopez, Nguyen, and Sarmiento

**Absent:** Director Do

### **Committee Vote**

This item was passed by the Members present.

Director Nguyen was not present to vote on this item.


### **Committee Recommendation**

Direct staff to continue to coordinate with the City of Irvine on transit improvement projects, including the Orange County Maintenance Facility, and return to the Board of Directors for project approvals as necessary.



**May 11, 2023**

**To:** Transit Committee

**From:** Darrell E. Johnson, Chief Executive Officer 

**Subject:** Coordination of Transit Projects with the City of Irvine

### **Overview**

At the September 8, 2022, Transit Committee, a request was made for additional information about prior coordination between the Orange County Transportation Authority and the City of Irvine to plan, fund, and implement past transit improvements in the City of Irvine, including the planned Orange County Maintenance Facility. Staff has prepared an overview of transit projects, services, and agreements executed by both agencies over the past several decades that demonstrate the Orange County Transportation Authority's committed partnership with the City of Irvine.

### **Recommendation**

Direct staff to continue to coordinate with the City of Irvine on transit improvement projects, including the Orange County Maintenance Facility, and return to the Board of Directors for project approvals as necessary.

### **Discussion**

The Orange County Transportation Authority (OCTA) has a long-standing history of partnering with the City of Irvine (City) to plan, fund, and deliver transit services and improvements to benefit the residents, commuters, and visitors that frequent the City daily. Construction of the Orange County Maintenance Facility (OCMF) is one more project in a series of OCTA investments in the City that are intended to enhance transit services in an area that serves one of the busiest Metrolink stations in Orange County. The City has been a cooperative partner in these efforts having taken numerous council actions over the years, such as adopting projects, executing cooperative agreements, accepting fund transfers, and reserving City-owned rights-of-way. These actions have demonstrated the City's shared objective with OCTA to deliver transit improvements in the City.



The following is an overview of completed and planned projects, including OCTA and City-led actions to advance their development. A map of these projects is included in Attachment A. This overview is intended to establish not just the mutual understanding between the two agencies in implementing the respective projects, but also that these projects were intended to complement each other with the mutual goal of accommodating increased transit service in a rapidly growing area of the County. In each of the projects, OCTA made significant investments in City infrastructure based upon the understanding that the City would uphold the terms of its respective agreements.

Building on this long-standing history of delivering projects in the City, there are several projects in the planning stages that OCTA continues to coordinate with the City, including the OCMF project as previously discussed with the OCTA Board of Directors (Board). While there are ongoing discussions occurring between both agencies on projects focused in and around the Irvine Metrolink Station and Great Park development, the likelihood of success for these planning efforts is dependent upon the City continuing to uphold mutual agreements with OCTA.

### Completed Projects

#### Irvine Fixed-Guideway Project/iShuttle

In 1990, California voters approved Proposition 116, the Clean Air and Transportation Improvement Act. The City received an earmark of \$125 million of Proposition 116 funds for the planning and construction of a guideway demonstration project. This project did not move forward, and, in 2009, OCTA and the City entered into an agreement in which the City would transfer remaining Proposition 116 funds to OCTA, in the amount of \$121.3 million. OCTA used the remaining Proposition 116 funds for a series of commuter rail improvements to support the expansion of Metrolink service. OCTA credited the City the same amount against the City's local match requirements for projects submitted by the City and approved by the Board under Measure M2 transit Projects S, T, and V. The credit is equal to the amount of Proposition 116 funds made available to OCTA. This arrangement relieved the City from the Proposition 116 requirement to provide dollar-for-dollar matching funds to access the funding.

Subsequently, in 2010, the City shifted its focus toward implementation of the new iShuttle service, a rubber-tired transit system connecting Metrolink stations to business centers within the City. As part of a new agreement, OCTA agreed to exchange the \$121.3 million in match credit for actual funding that the City could use for the iShuttle system, subject to specific provisions within the agreement. Each year, OCTA determines the fund source to be provided to the

City for the iShuttle, and this amount is subject to approval through OCTA's budget process. To date, OCTA has allocated approximately \$32 million to the City, and the remaining balance is \$89.3 million.

#### Operation of the iShuttle Service

Prior to 2016, the City managed and operated the iShuttle. An analysis in 2016 showed that when comparing the City's operating cost for the service to the estimated cost, the City could realize significant and ongoing savings if OCTA operated the service. As a result, the City requested, and OCTA agreed, to operate the iShuttle service on behalf of the City. The shift of iShuttle operations to OCTA resulted in significant savings to the City that could be used to deliver more service. At the same time, OCTA was able to better integrate the service with existing bus and rail services to deliver a more seamless transit experience.

#### Purchase and Sale Agreement for the 21.3-Acre Rail Maintenance Facility Site

Located south of the Great Park adjacent to the railroad tracks is a 21.3-acre parcel of land that was identified in 2003 in the City's Great Park Environmental Impact Report as the site for a future Metrolink maintenance facility. In 2010, the OCTA Board and City Council approved a funding term sheet for the Sand Canyon Grade Separation project, that included the following provisions related to the 21.3-acre site:

- The City to reserve 21.3 acres for the rail maintenance facility with a 15-year option for OCTA to purchase the property. Within the first four years OCTA may purchase the property at the current appraised value.
- OCTA to provide the City with 1.34 acres of the maintenance-of-way (MOW) facility property needed for the project and approximately four acres for relocation of the MOW facility.
- Credit to OCTA for the appraisal value of the MOW facility property against the purchase of the rail maintenance yard.

OCTA initiated the purchase process in late 2012, and in 2015, the purchase and sale agreement was approved by the City Council for the 21.3-acre site for \$14.1 million. OCTA waived any claim that it is exempt from the City's Zoning Code requirements and agreed to abide by the City's land-use authority. Also in 2015, the City Council approved Planning Area 51, which included the 21.3-acre site, in the City's general plan and designated the site for institutional use.

#### Sand Canyon Grade Separation

Located approximately one mile from the 21.3-acre site, the Sand Canyon Avenue Railroad Grade Separation project (Project) lowered Sand Canyon Avenue

under the railroad tracks and widened the City's roadway from four to six lanes. The newly constructed bridge was designed to improve safety and mobility for the traveling public and railroad operations. Retaining walls, landscaping, and relocation of the Walnut Bike Trail were also project features.

The funding term sheet for this Project was approved by the OCTA Board in 2010 and identified roles and responsibilities for the implementation of the Project. The City was the lead for project planning and design; however, after the City encountered challenges with another grade separation project, the City requested OCTA's assistance with project funding and delivery. It was agreed that based on its successful implementation of the OC Bridges program and its relationship with partnering agencies, OCTA should assume the responsibility for construction of the Project, which commenced in 2011.

The funding agreement also cited the cooperation between OCTA, City, and County in determining a location for a future 21.3-acre Metrolink Rail Maintenance Facility within the City, adjacent to the Great Park property as discussed earlier. The City Council approved the funding term sheet and cooperative agreement in 2010 to implement the funding agreement for the Project. The funding consisted of 76 percent in regional funds provided via OCTA and 24 percent in local funds for a total of \$62.1 million. The Sand Canyon railroad grade separation opened in 2014.

#### Irvine Metrolink Station Parking Structure

Located approximately 1.3 miles from the 21.3-acre site, the Irvine Metrolink Station opened in 1990. As the station grew to become the second busiest station in Orange County, a 1,500-space parking structure was built to meet the growing parking demand and to accommodate future growth. In 2003, OCTA and the City entered into a cooperative agreement for the design and construction of the parking structure. The City was the lead on the construction of the project. OCTA secured \$26.8 million in state and federal funding for the project, and in 2008 the parking structure was opened to the public.

#### Planned Projects

##### OCMF

In 2018, Metrolink approved the Southern California Optimized Rail Expansion (SCORE) Program, a \$10 billion capital program that includes grade crossing, station, and signal improvements as well as track additions across five counties. SCORE aims to improve accessibility for Southern California's growing population, accelerate Metrolink's goal towards a zero-emissions future and prepare for the millions of tourists, workers, and residents expected to participate

in the 2028 Olympics and Paralympics. To date, Metrolink has raised approximately \$2.4 billion of the \$10 billion funding goal. Two key SCORE projects are in the City including the OCMF and Irvine Station Improvement Project.

Utilizing the 21.3-acre site purchased by OCTA in 2015, OCTA is underway with environmental clearance of the OCMF. The initial phase of the project is funded with a state grant to support expanded use of rail over automobiles as Orange County prepares for future growth. The OCMF will include train storage tracks, locomotive and car service platforms, and a service building. Service platforms will include facilities for inspection, fueling and sanding, and interior and exterior car cleaning. OCMF will allow for greater efficiency of train service with more localized light maintenance services. This is pertinent because the City's daytime population nearly doubles from those commuting to work in the City. Having reliable and frequent train service is key to managing the related transportation demand and associated environmental impacts from those daily commuters.

In 2018, OCTA filed, and the City approved, a use permit for a temporary storage facility, which allowed OCTA and Metrolink to build a storage track on the 21.3-acre site. Metrolink began construction of the storage track in 2018, and it was recently completed and commissioned into service on February 16, 2023. In 2021, the City accepted an initial conditional use permit submittal from OCTA and provided written comments to the administrative draft of the Initial Study/Mitigated Negative Declaration, which OCTA accepted prior to releasing the document for public review. In 2022, the City submitted a letter to OCTA expressing their significant concerns with the project's environmental analysis and stated that the project is not compatible with current land-use designations. Most concerning, the City also cited reservations as to whether a conditional use permit, zone change, or general plan amendment for the project would receive the necessary approval to advance the project.

#### Irvine Metrolink Station Improvement Project

Another SCORE project is a plan to construct additional tracks and additional/expanded platforms at the Irvine Metrolink Station, including replacing the pedestrian bridge and elevators with a new pedestrian underpass, respacing railroad signals, and constructing new railroad bridges and retaining walls.

In 2022 environmental clearance commenced for the Irvine Metrolink Station Improvement project, and OCTA is currently evaluating alternatives and preparing environmental studies.

### Marine Way and Ada Grade Separations

To enhance access to the Great Park development, the City initiated a plan to extend Marine Way and Ada across the railroad tracks with grade separations on both sides of the Irvine Metrolink Station. In 2021, ten percent design plans for both grade separations were submitted to OCTA for technical review. In 2022, 30 percent of design plans for the Marine Way grade separation were submitted to OCTA. The City decided to proceed only with Marine Way and to hold off further design of Ada until a future date.

### Marine Way Realignment

To facilitate development in and around the Great Park, the City has plans to realign Marine Way to connect directly with the northbound Interstate 5 on- and off-ramp at Sand Canyon Avenue. This realignment has significant impacts to OCTA's Sand Canyon Bus Base, including the need for partial acquisition by the City and it requires significant reconfiguration of base facilities and operations.

In 2015, a memorandum of understanding (MOU) between OCTA and the City was executed to identify OCTA's intent to cooperate with the City in the City's potential purchase of a portion of the base in accordance with the terms of the MOU. The MOU expired in 2018, as the City took additional time to address several other issues, including Great Park development needs, cumulative impacts of the Great Park development, the proposed development of the nearby 100-acre parcel owned by the County, and the inability to mitigate additional impacts to the OCTA bus base that emerged from the more detailed roadway design work. After several years of stalled project activities due to completing Great Park developer priorities, the City took over coordination of the project from Five Point Development in 2022. Subsequently, the City has requested that OCTA and the California Department of Transportation reengage in project coordination discussions.

### Next Steps

OCTA has a long-standing history of partnering with the City on transit projects and supporting their initiatives as evident in the overview of completed and planned projects. As the regional transportation provider, OCTA has a responsibility to meet regional transportation needs, providing the associated air-quality and other environmental benefits, and works to balance those efforts with local priorities. Staff is seeking Board approval to continue to coordinate with the City on transit improvement projects, including the OCMF project. Staff will return to the Board with project approvals needed, including an overview of planned outreach activities, to advance the OCMF project in partnership with the City.

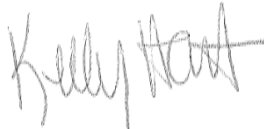
**Summary**

An overview of projects that OCTA has partnered with the City on is presented for the Board's review. Staff are seeking Board direction to continue to coordinate with the City on transit improvement projects, including the OCMF project.

**Attachment**

- A. Map of Planned/Completed Projects in the City of Irvine

**Prepared by:**

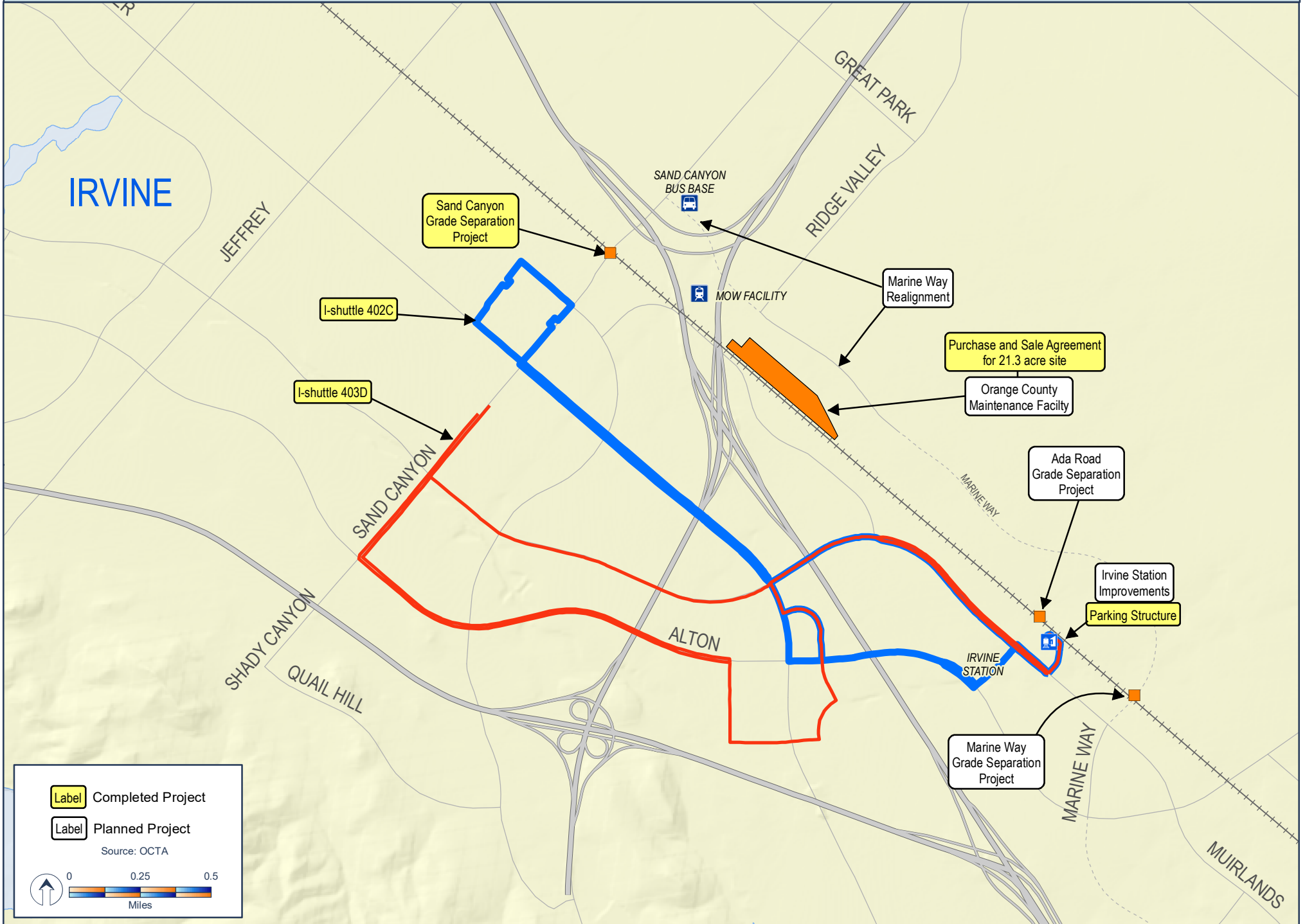


Kelly Hart  
Acting Department Manager, Regional  
Rail  
(714) 560-5725

**Approved by:**



Kia Mortazavi  
Executive Director, Planning  
(714) 560-5741



# Coordination of Transit Projects with the City of Irvine



# Overview of Partnership with City of Irvine

- Long-standing history of planning, funding, and delivering transit services and improvements in the City of Irvine (City)
- Irvine Metrolink Station— second busiest Metrolink station in Orange County
- Past City Council actions include adopting projects, executing cooperative agreements, accepting fund transfers, and reserving right-of-way
- Completed and planned projects have required, and continue to require, extensive coordination and shared objectives between Orange County Transportation Authority (OCTA) and City

# Irvine Transportation Center Amenities

- Parking – 1,650 spaces available – free parking up to 72 hours
- Bicycle racks and lockers
- Amtrak ticket office and waiting room
- Restrooms
- OC Bus routes:
  - OC Bus route 86
  - StationLink bus route 480
  - iShuttle routes 402C, 403D
- Loading zone for drop off/pick up, taxis, rideshare



# Irvine Transportation Center Services

- Metrolink Orange County Line
  - 19 weekday trains; 8 weekend trains
- Metrolink Inland Empire – Orange County Line
  - 14 weekday trains; 4 weekend trains
- Average weekday boardings – 428
- Average weekend boardings – 102
- Amtrak Pacific Surfliner
  - 20 daily trains
- Average boardings – 500



# Completed Projects

- Irvine Fixed-Guideway/Operation of iShuttle
  - 2009: Proposition 116 fund transfer from City to OCTA
  - 2010: Credit for iShuttle service from OCTA to City
  - 2016: City requests OCTA to operate iShuttle
- Sand Canyon Grade Separation
  - 2010: Funding term sheet approved by OCTA and City
  - 2010: OCTA agrees to relocate its maintenance-of-way property
  - 2011: OCTA begins construction as project lead
  - 2014: Grade separation completed
- Purchase and Sale Agreement for 21.3-Acre Rail Maintenance Facility Site
  - 2010: Funding term sheet approved by OCTA and City
  - 2010: City reserves 21.3-acre site for future maintenance facility
  - 2015: Purchase and sale agreement approved by OCTA and City
- Irvine Metrolink Station Parking Structure
  - 2003: OCTA and City entered into agreement for design and construction
  - 2006: OCTA secures \$25 million for construction
  - 2008: Parking structure completed



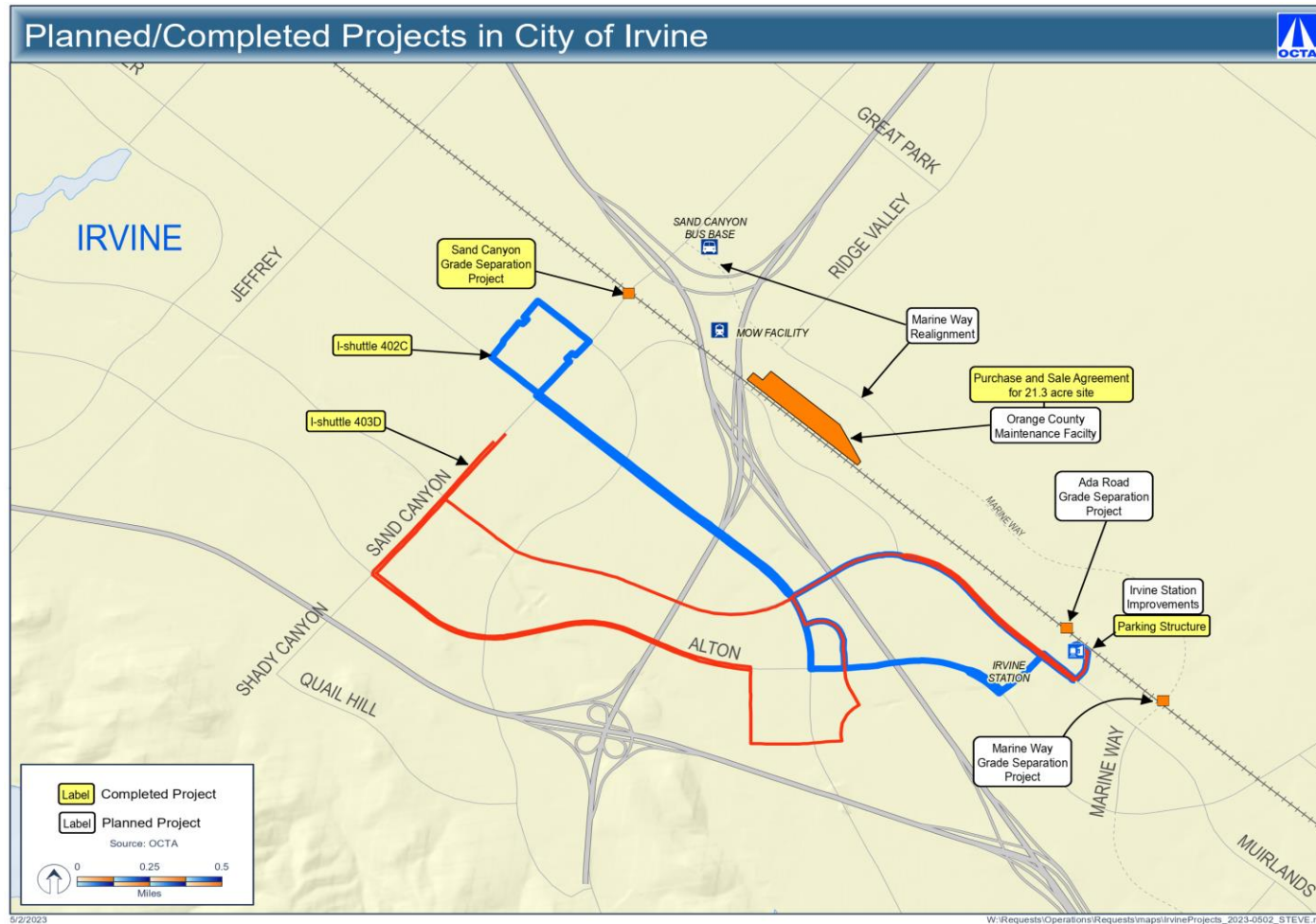


# Planned Projects

- Orange County Maintenance Facility
  - Part of Metrolink's Southern California Optimized Rail Expansion (SCORE) program
  - OCTA conducting environmental clearance
- Irvine Metrolink Station Improvement Project
  - Part of Metrolink's SCORE program
  - OCTA conducting environmental clearance
- Marine Way and Ada Grade Separations
  - City request for OCTA to review 30 percent design plans for Marine Way grade separation
- Marine Way Realignment
  - City request to realign Marine Way with northbound Interstate 5 on/off ramps at Sand Canyon Avenue



# Completed/Planned Projects in City



# Next Steps

- Based on history of partnering with City, OCTA will continue to balance regional transportation needs with local priorities
- Return to the Board of Directors for next steps on the Orange County Maintenance Facility, including additional outreach efforts





## COMMITTEE TRANSMITTAL

**May 8, 2023**

**To:** Members of the Board of Directors  
**From:** Andrea West, Interim Clerk of the Board *Andrea West*  
**Subject:** Measure M2 Eligibility for the City of Cypress

### Executive Committee Meeting of May 1, 2023

**Present:** Chairman Hernandez, Vice Chairman Nguyen, Directors Do, Goodell, Hennessey, and Jones  
**Absent:** None

### **Committee Vote**

This item was declared passed by the Members present.

### **Committee Recommendations**

- A. Find the City of Cypress an ineligible jurisdiction to receive or apply for net Measure M2 revenues.
- B. Suspend payments of net Measure M2 revenues to the City of Cypress until the City of Cypress can demonstrate compliance with Measure M2 eligibility requirements and the Board of Directors acts to find the City of Cypress an eligible jurisdiction.
- C. Require the City of Cypress to demonstrate supplemental investment of discretionary transportation funds equal to the amount of discretionary investment that was short of the maintenance of effort benchmark in the fiscal year 2021-22 (approximately \$1.38 million) as a condition of accessing suspended funds upon being found an eligible jurisdiction.
- D. Authorize the Chief Executive Officer to execute Amendment No. 5 to Contract No. C-8-1911 with Crowe, LLP to revise the scope of work, add an additional task to apply agreed-upon procedures to assess compliance with maintenance of effort expenditure requirements, extend the agreement through December 31, 2025, and authorize staff to deduct audit costs from any future net Measure M2 payments to the City of Cypress.





- E. Authorize the Chief Executive Officer to negotiate and execute a settlement agreement with the City of Cypress to correct and remedy the fiscal year 2021-22 audit issues and confirm required actions to become an eligible jurisdiction.



**May 1, 2023**

**To:** Executive Committee   
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Measure M2 Eligibility for the City of Cypress

**Overview**

The Orange County Transportation Authority’s Internal Auditor has concluded an audit of the City of Cypress financials for fiscal year 2021-22 related to Measure M2. The audit found the City of Cypress lacked adequate documentation to support whether it had spent sufficient discretionary funds on streets and road purposes to meet the maintenance of effort requirement for the Measure M2 Ordinance. Based on this information, recommendations related to compliance with the Measure M2 Ordinance are presented.

**Recommendations**

- A. Find the City of Cypress an ineligible jurisdiction to receive or apply for net Measure M2 revenues.
- B. Suspend payments of net Measure M2 revenues to the City of Cypress until the City of Cypress can demonstrate compliance with Measure M2 eligibility requirements and the Board of Directors acts to find the City of Cypress an eligible jurisdiction.
- C. Require the City of Cypress to demonstrate supplemental investment of discretionary transportation funds equal to the amount of discretionary investment that was short of the maintenance of effort benchmark in the fiscal year 2021-22 (approximately \$1.38 million) as a condition of accessing suspended funds upon being found an eligible jurisdiction.
- D. Authorize the Chief Executive Officer to execute Amendment No. 5 to Contract No. C-8-1911 with Crowe, LLP to revise the scope of work, add an additional task to apply agreed-upon procedures to assess compliance with maintenance of effort expenditure requirements, extend the agreement through December 31, 2025, and authorize staff to deduct audit costs from any future net Measure M2 payments to the City of Cypress.

- E. Authorize the Chief Executive Officer to negotiate and execute a settlement agreement with the City of Cypress to correct and remedy the fiscal year 2021-22 audit issues and confirm required actions to become an eligible jurisdiction.

***Background***

The Measure M2 (M2) Ordinance outlines eligibility requirements that each local jurisdiction must continually satisfy to receive net revenues from the M2 Program, including local fair share, Senior Mobility Program, and awards through competitive programs. One of the requirements is that a local jurisdiction must continue to invest a certain level of discretionary revenues, such as general funds that support street and road activities, to be deemed eligible for any M2 funding. This requirement is rooted in the California Public Utilities Code (PUC) 180001 that enables local transportation authorities to seek voter approval for sales tax measures. The PUC states the intent of the legislature is that funds generated through a sales tax ordinance “shall supplement existing local revenues used for public transportation purposes and that local governments maintain their existing commitment of local funds for transportation purposes” (PUC 180200).

In the eligibility process, this requirement is referred to as the maintenance of effort (MOE) requirement and was also included in the original M2 program. Each jurisdiction is required to maintain a minimum level of local streets and roads discretionary expenditures. The minimum level was based on the average of general fund expenditures for local street maintenance and construction over the period of fiscal year (FY) 1985-86 through FY 1989-90. M2 used a similar benchmark and requires the amount to be adjusted for inflation every three years beginning in 2011 commensurate with overall growth of the local jurisdiction’s general fund revenues or growth in the construction cost index, whichever is lower.

The local jurisdiction demonstrates its commitment to comply with the required MOE through budgeting the appropriate level of discretionary funding as part of the local jurisdiction budget process. The local jurisdiction must also provide the Orange County Transportation Authority (OCTA) with an annual expenditure report to validate that the local jurisdiction has met the MOE commitment for each FY.

The OCTA Board of Directors (Board) makes a determination of eligibility annually based on the information that is provided by each jurisdiction and with support from the Taxpayer Oversight Committee (TOC), which is also charged with reviewing certain submittals. Following the annual eligibility cycle, the TOC directs the internal auditor to carry out audits to confirm that funds have been spent in accordance with the M2 Ordinance and that each jurisdiction had sufficient expenditures to meet the previously self-certified MOE requirement.

Every year, OCTA's Finance and Administration, Internal Audit, and Planning staff, as well as the TOC, have provided training on MOE process and cautioned local agencies that budgeting at or just above the required MOE amount may put the jurisdiction's M2 funds at risk if they end up not meeting the requirement due to disallowed costs.

At the direction of the TOC, the OCTA Internal Auditor utilizes OCTA's independent financial audit firm to conduct these audits and presented results of the audits to the Finance and Administration Committee on April 26, 2023, and will be considered by the Board on May 8, 2023. The audit of the City of Cypress (City) reported that the City lacked adequate documentation to support indirect costs charged to MOE, and if these unsupported costs were removed from MOE expenditures, the City would not meet its MOE requirement. This will impact the City's eligibility determination and the disbursement of net M2 revenues to the City. It should be noted that the City has provided a response to the audit that is also included in Attachment A.

### ***Discussion***

In June 2021, the City provided the required MOE certification that stated it budgeted sufficient expenditures for FY 2021-22, consistent with the following requirement:

“The Authority shall not allocate any net revenues to any jurisdiction for any fiscal year until that jurisdiction has certified to the Authority that it has included in its budget for that fiscal year an amount of local discretionary funds for streets and roads purposes, at least equal to the level of its maintenance of effort requirement.”

The City met the MOE requirement through the submittal of the self-certification of intent to meet the MOE based on their FY 201-22 budget. The City's MOE benchmark for FY 2021-22 was \$3,607,878. The next submittal related to MOE was the expenditure report to verify that the budgeted amount was actually spent. The City Council approved the expenditure report through a resolution on November 14, 2022, and submitted it to OCTA on December 7, 2022. According to the expenditure report that was submitted, the City spent \$3,892,903 in discretionary revenues toward streets and roads-related costs to meet the MOE requirement.

However, the audit identified \$632 in ineligible direct charges, and the City could not provide documentation to confirm that any of the indirect costs allocated to MOE were based on a reasonable methodology. After the removal of ineligible direct costs and unsupported indirect costs, the City's shortfall from the MOE benchmark amounted to \$1,381,048. The City, in its response to the audit, disagreed with the finding noting that the allocation methodology that was used has been used for 30 years and is fair and reasonable and was not found

non-compliant in prior audits. In the internal audit staff report, it is noted that indirect costs were reviewed in audits in FY 2012-13 and FY 2016-17 and reported no exceptions. For the FY 2007-08 audit, no indirect costs were identified, and City staff confirmed no indirect costs were charged.

In addition, since those audits were conducted, there were audit findings for FY 2017-18 that led to ineligibility based on similar circumstances for the Cities of Santa Ana and Stanton for MOE. Since that finding of ineligibility, OCTA sent letters and emails and provided guidance through guidelines and the annual M2 Finance Director Workshops that indirect costs must have a reasonable basis or methodology for cost allocation.

The City has indicated that it could not produce the original allocation methodology that is being applied. The City only provided spreadsheets indicating the allocation of budgeted costs from various internal service funds and could not produce support for how the allocation percentages were derived or demonstrate that the allocations represented actual costs (rather than budgeted amounts). The City acknowledged that its documentation and method of allocating costs could be improved. After deducting these unverifiable expenditures, the City would not meet the MOE requirement for FY 2021-22.

Under this circumstance, the following M2 Ordinance requirement applies:

“A determination of non-eligibility of a jurisdiction shall be made only after a hearing has been conducted and a determination has been made by the Authority’s Board of Directors that the jurisdiction is not an eligible jurisdiction.”

Because the audit determined that the City did not provide sufficient verifiable expenditures to meet the MOE requirement, and in order to be consistent with the requirements of the M2 Ordinance and comply with the intent of the authorizing state statute, it is recommended that the Board find the City ineligible to receive Measure M2 revenues. Specific recommendations include:

- Find the City ineligible to receive or apply for net M2 revenues;
- Suspend payments to the City of net M2 revenues;
- Deduct audit costs for any future audits related to this eligibility finding from any future net M2 payments to the City;
- Require the City to demonstrate supplemental investment of discretionary transportation funds equal to the amount of discretionary investment that was short of the MOE benchmark in FY 2021-22 (approximately \$1.38 million) as a condition of accessing suspended funds upon being found an eligible jurisdiction, and
- Authorize the Chief Executive Officer to negotiate and execute an agreement with the City outlining the process to re-establish eligibility.

Based on these recommendations, subject to Board approval, net M2 payments would be suspended until the City can re-establish eligibility. The funds will be held in reserve until such a time that the City has re-established eligibility. The City will be required to demonstrate through a future OCTA audit that it has met the MOE required for FY 2022-23, plus made up for the underrun in MOE expenditures from FY 2021-22. Based on discussions with the City, the City may need more than one year to make up for the underrun. If an additional audit of FY 2023-24 is required in order to validate that the entire underrun amount has been expended, then an audit shall be conducted. Costs incurred for audits required to determine eligibility will be paid for by the City through a reduction in M2 revenues. The M2 Ordinance and eligibility guidelines do not include precise terms and conditions related to re-establishing eligibility. Therefore, staff will return to Board and seek further direction if the City has not re-established eligibility after two years. In the interim, OCTA will work with the City to enter into an agreement that details specific requirements and timeframes for submittals to support timely re-establishment of the City's eligibility.

**Summary**

A recent audit indicated that the City of Cypress did not meet Measure M2 eligibility requirements. Recommendations are presented to find the City of Cypress ineligible to receive net Measure M2 funds given the audit report and to remain consistent with the Measure M2 Ordinance.

**Attachment**

- A. Crowe, LLP, Certified Public Accounts, Independent Accountants' Report on Applying Agreed-Upon Procedures – City of Cypress

**Prepared by:**

Adriann Cardoso  
Department Manager,  
Capital Programming  
(714) 560-5915

**Approved by:**

Kia Mortazavi  
Executive Director, Planning  
(714) 560-5741



**Crowe LLP**  
Independent Member Crowe Global

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
CITY OF CYPRESS

Board of Directors  
Orange County Local Transportation Authority and  
the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Cypress's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies Maintenance of Effort (MOE) expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund and account number. The City recorded its MOE expenditures in its General Fund (111), Storm Drainage Fund (261), Capital Projects Fund (415) and various account numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

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(Continued)

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022, were \$3,892,903 (see Schedule A) which originally exceeded the MOE benchmark requirement of \$3,607,878. We agreed the total expenditures of \$3,892,903 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. However, after removal of indirect costs, outlined at Procedure #4, the City no longer met the minimum MOE benchmark requirement. No other exceptions were found as a result of this procedure.

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
  - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
  - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$949,195, which represented approximately 42% of direct MOE expenditures of \$2,247,663 for the fiscal year ended June 30, 2022. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation, and through discussion with the City's accounting personnel, we identified one expenditure related to a retirement lunch for a public works maintenance employee in the amount of \$97, which was not properly classified as a local street and road expenditure and is not allowable per the Ordinance. We selected an additional five direct MOE expenditures totaling \$535, which were comprised of \$48 for a grilling tools set, \$53 for reimbursement of a phone case and a screen protector, \$143 for an annual renewal fee to South Coast Air Quality Management District, \$269 for membership dues to American Public Works Association, and \$22 for picture frames. We found these expenditures were also not properly classified as local street and road expenditures, nor are they allowable per the Ordinance. We also identified \$20,201 of direct charges that should have been reported as indirect costs. They represented charges for pump station support, National Pollutant Discharge Elimination System (NPDES) annual license fee, data acquisition service, water quality permit fees, and other water quality contract services that were allocated 5% as direct charges. After removing the transactions above from total direct MOE expenditures, the City continued to meet the MOE benchmark requirement; however, if indirect costs were removed as outlined at Procedure #4 the City would no longer meet the minimum MOE benchmark requirement. No other exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We agreed the total indirect expenditures of \$1,645,240 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. We selected 25 indirect MOE costs for inspection totaling \$223,883, representing 14% of the total indirect MOE costs of \$1,645,240. During testing of direct expenditures, we also identified \$20,201 of direct costs that should have been reported as indirect costs. Refer to Procedure #3 above. The City applied internal service allocations based on fiscal year 2022 budget amounts for various indirect/overhead expenses. These expenses included payroll and benefits, liability insurance, monthly print shop/mail/phone charges, monthly office rental charges, monthly tools and equipment maintenance/replacement charges, monthly computer website maintenance charges, monthly vehicle replacement charges and various other charges. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology used to support the allocation of charges for the samples selected, including the \$20,201, identified in Procedure #3, that should have been reported as indirect costs.

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(Continued)



We then requested the City to provide a documented methodology used to support the allocation of the remaining indirect costs and the City was unable to provide documentation to support these allocations. As such, we lack information necessary to confirm these costs as fair and reasonable. After removing ineligible direct costs at Procedure #3, if unsupported indirect costs were removed from MOE, the City would no longer meet the benchmark requirement. The shortfall would amount to \$1,381,048.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$3,002,853 for the past three fiscal years ended June 30, 2020, 2021 and 2022. We agreed the fund balance of \$1,553,813 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and account number. The City recorded its LFS expenditures in its Measure M Fund and in various account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the Fiscal Year ended June 30, 2022 were \$693,309 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
  - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
  - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected five direct Measure M2 Local Fair Share expenditures for inspection totaling \$489,656 representing approximately 71% of total direct Measure M2 Local Fair Share expenditures of \$693,309 for the Fiscal Year ended June 30, 2022. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the Fiscal Year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$6,864 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California  
April 13, 2023

CITY OF CYPRESS, CALIFORNIA  
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
 Year ended June 30, 2022  
 (Unaudited)

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**SCHEDULE A**

<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,645,240
<b>Construction &amp; Right-of-Way</b>	
Street Reconstruction	736,174
Pedestrian Ways & Bikepaths	193,933
<b>Maintenance</b>	
Overlay & Sealing	58,627
Street Lights & Traffic Signals	93,371
Other Street Purpose Maintenance	<u>1,165,558</u>
<b>Total MOE Expenditures</b>	<u>\$ 3,892,903</u>
<b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
Residential Street Resurfacing	\$ 600,000
Traffic Signal Improvements	<u>93,309</u>
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 693,309</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u>\$ 4,586,212</u>

Note: The above amounts were taken directly from the financial records of the City of Cypress and were not audited.



# CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700      www.cypressca.org

April 13, 2023

**Exhibit 1**

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Cypress as of and for the fiscal year ended June 30, 2022.

### **Procedure #3**

Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$949,195, which represented approximately 42% of direct MOE expenditures of \$2,247,663 for the fiscal year ended June 30, 2022. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation, and through discussion with the City's accounting personnel, we identified one expenditure related to a retirement lunch for a public works maintenance employee in the amount of \$97, which was not properly classified as a local street and road expenditure and is not allowable per the Ordinance. We selected an additional five direct MOE expenditures totaling \$535, which were comprised of \$48 for a grilling tools set, \$53 for reimbursement of a phone case and a screen protector, \$143 for an annual renewal fee to South Coast Air Quality Management District, \$269 for membership dues to American Public Works Association, and \$22 for picture frames. We found these expenditures were also not properly classified as local street and road expenditures, nor are they allowable per the Ordinance. We also identified \$20,201 of direct charges that should have been reported as indirect costs. They represented charges for pump station support, National Pollutant Discharge Elimination System (NPDES) annual license fee, data acquisition service, water quality permit fees, and other water quality contract services that were allocated 5% as direct charges. After removing the transactions above from total direct MOE expenditures, the City continued to meet the MOE benchmark requirement; however, if indirect costs were removed as outlined at Procedure #4 the City

**Anne Hertz-Mallari, Mayor**

**Scott Minikus, Mayor Pro Tem**      **David Burke, Council Member**  
**Frances Marquez, Ph.D., Council Member**      **Bonnie Peat, Council Member**

would no longer met the minimum MOE benchmark requirement. No other exceptions were found as a result of this procedure.

City's Response:

We accept the determination these expenditures are not eligible to be classified as direct local street and road expenditures.

**Procedure #4**

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We agreed the total indirect expenditures of \$1,645,240 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. We selected 25 indirect MOE costs for inspection totaling \$223,883, representing 14% of the total indirect MOE costs of \$1,645,240. During testing of direct expenditures, we also identified \$20,201 of direct costs that should have been reported as indirect costs. Refer to Procedure #3 above. The City applied internal service allocations based on fiscal year 2022 budget amounts for various indirect/overhead expenses. These expenses included payroll and benefits, liability insurance, monthly print shop/mail/phone charges, monthly office rental charges, monthly tools and equipment maintenance/replacement charges, monthly computer website maintenance charges, monthly vehicle replacement charges and various other charges. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology used to support the allocation of charges for the samples selected, including the \$20,201, identified in Procedure #3, that should have been reported as indirect costs. We then requested the City to provide a documented methodology used to support the allocation of the remaining indirect costs and the City was unable to provide documentation to support these allocations. As such, we lack information necessary to confirm these costs as fair and reasonable. After removing ineligible direct costs at Procedure #3, if unsupported indirect costs were removed from MOE, the City would no longer meet the benchmark requirement. The shortfall would amount to \$1,381,048.

City's Response:

We acknowledge the above finding. The City uses internal service funds to allocate a variety of service costs to those departments/programs that utilize the services. This is a standard practice in municipal government and we assert the allocation methodology is documented and represents a fair and reasonable allocation of costs. Despite using this allocation methodology since Measure M was passed in 1990, it appears the City's documentation (which is largely based on the annual budget and historical trends) is no longer sufficient for OCTA. OCTA audit representatives have indicated documentation, such as a formal cost allocation plan and/or time and motion studies, would meet its needs. However, this was not previously requested of the City and the City has not had the need for such a plan to be prepared, nor is there sufficient time to prepare such a plan during the timeline for this audit. Further, the City calculates its MOE expenditures annually using



the same methodology that OCTA has repeatedly audited without any findings. In fact, during the FY 2017 audit, the costs that OCTA now identifies as undocumented, were specifically reviewed and reclassified (for reporting purposes) to the indirect cost line item at the suggestion of OCTA's auditor. No other suggestions or concerns were raised as part of the 2017 audit or during any previous audit review process. However, despite these facts we agree an update to our allocation methodology is appropriate to ensure the documentation is sufficient to meet OCTA standards.

Even though the City's documentation of its method of allocating indirect costs can be improved upon, a determination to potentially remove all indirect costs is not reasonable. For more than 30 years, the current indirect cost allocation documentation has been accepted. These indirect costs (\$1.6 million) represents more than 45% of Cypress' Maintenance of Effort (MOE) benchmark. Many of these costs are considered indirect because of how they are recorded in the City's general ledger (in separate internal service funds). For example, all fleet costs associated with street and right-of-way maintenance (including fuel, repairs, and vehicle replacement) are recorded as indirect costs and excluding these costs from the MOE calculation would not be appropriate. These costs are directly related to MOE activities and should be included for MOE purposes.

The City recognizes auditing standards and processes have evolved since the MOE benchmark was established; however, the documentation standard for determining if indirect costs are fair and reasonable does not appear clear and obvious. As Cypress' situation demonstrates, this determination may have significant impacts and requires a reasonable, common sense-based response and implementation. The City requests OCTA allow the current methodology for indirect costs until the City can complete a cost allocation study in the next 12 months. This study would provide the basis for an updated methodology for determining MOE eligible costs.

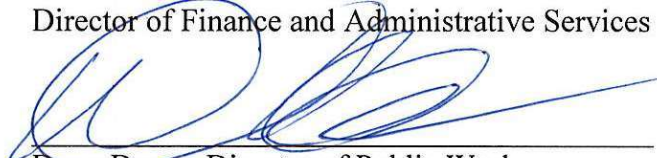
Cypress is one of the most financially stable cities in Orange County and takes great pride in the quality of its streets and roads. The City has not changed its cost allocation methodology in attempts to meet its MOE and it has always been a forthright, enthusiastic partner to OCTA. We appreciate and value the audit process and simply ask OCTA to provide the City the opportunity and necessary time to update past practices that have been consistently applied, reviewed and audited over the years. We look forward to continuing to partner with OCTA to address these concerns.



Peter Grant, City Manager

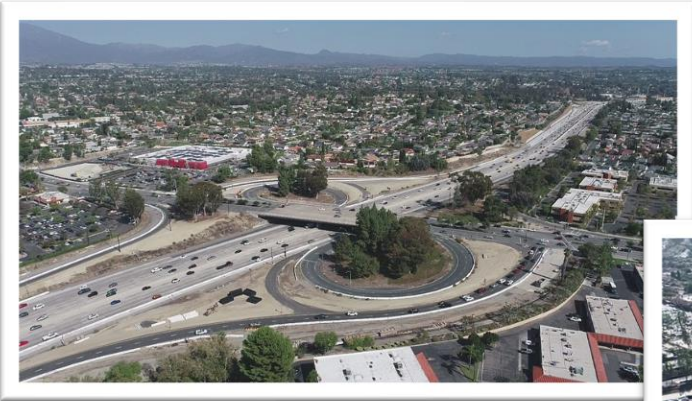


Matt Burton,  
Director of Finance and Administrative Services



Doug Danes, Director of Public Works

# Update on the Interstate 5 Improvement Project Between State Route 73 and El Toro Road

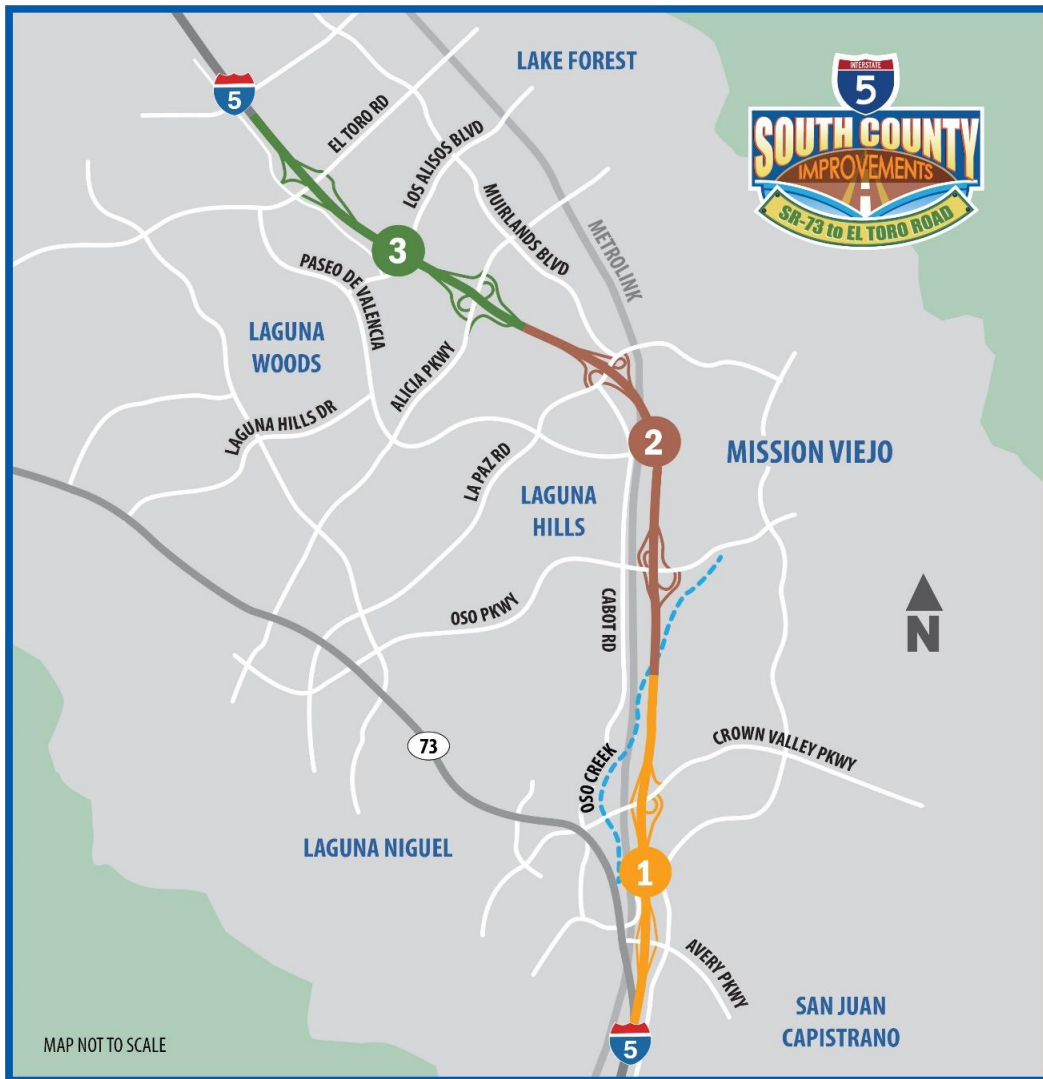


May 1, 2023





# Project Overview



**Segment 1**  
State Route 73 to Oso Parkway

**Segment 2**  
Oso Parkway to Alicia Parkway

**Segment 3**  
Alicia Parkway to El Toro Road

**Total length: 6.5 miles**  
**Total Estimated Cost: \$600 million**

**70%**  
complete





- 1** Add one general purpose lane in both directions from Avery Parkway to Alicia Parkway
- 2** Extend second carpool lane in both directions from Alicia Parkway to El Toro Road
- 3** Reconstruct Avery Parkway and La Paz Road interchanges, and Los Alisos Boulevard overcrossing
- 4** Reconstruct and add auxiliary lanes
- 5** Realign and/or improve on- and off-ramps

Segment	Major Milestones
<p><b>Segment 1</b> State Route 73 to Oso Parkway</p>	<ul style="list-style-type: none"><li>• <i>Construction is 73% complete</i></li><li>• <i>Reconstruction of Avery Parkway Interchange currently in (final) Stage 3</i></li></ul>
<p><b>Segment 2</b> Oso Parkway to Alicia Parkway</p>	<ul style="list-style-type: none"><li>• <i>Construction is 84% complete</i></li><li>• <i>Reconstruction of La Paz Road Interchange scheduled to move into Stage 3 in early May 2023</i></li></ul>
<p><b>Segment 3</b> Alicia Parkway to El Toro Road</p>	<ul style="list-style-type: none"><li>• <i>Construction is 58% complete</i></li><li>• <i>Reconstruction of Los Alisos Bridge Stage 1 opening and Stage 2 demolition scheduled for late May 2023</i></li></ul>



# I-5 at Avery Parkway Interchange





# Crown Valley Parkway





# Oso Parkway





# I-5 at La Paz Road Interchange





# North of La Paz Road: Roadway & Retaining Walls



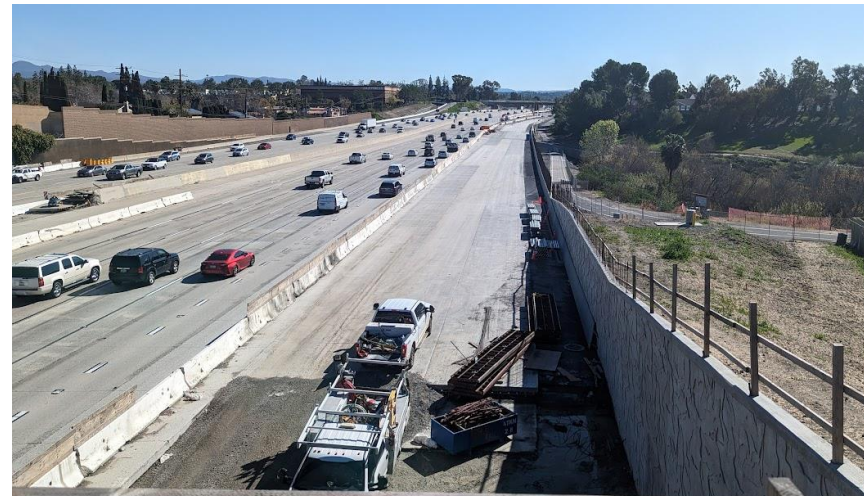


# I-5 at Alicia Parkway





# Los Alisos Boulevard Bridge





# Aliso Creek Bike and Hiking Trail





# El Toro Road

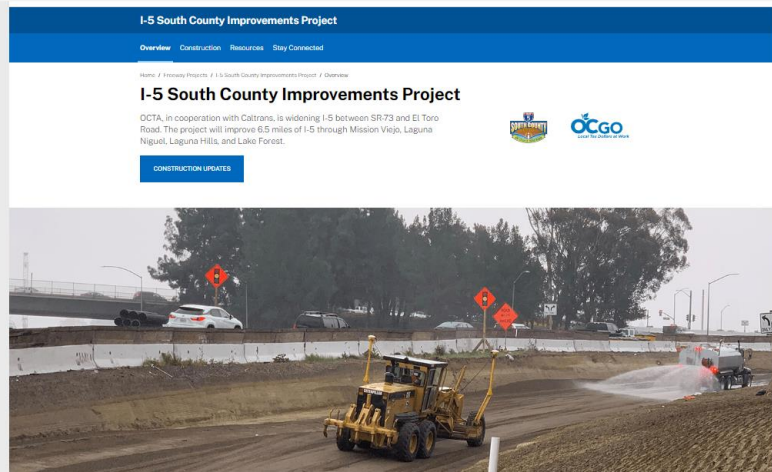




# SB I-5 at Los Alisos Boulevard







**WHERE:**  
Crews will be performing pile driving work along southbound I-5 adjacent to Avenida De La Carlota.

**WHEN:**

- Crews will mobilize equipment as early as Tuesday, March 14.
- Pile driving will begin as early as Wednesday, March 15, for up to three weeks.
- Weekdays, 6 a.m. to 6 p.m.

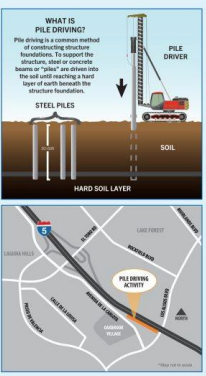
**WHY:**

- To construct the new concrete barrier and retaining wall along southbound I-5 at the Los Alisos bridge.

**WHAT TO EXPECT:**

- Construction noise.
- A total of 95 piles are needed at this location.

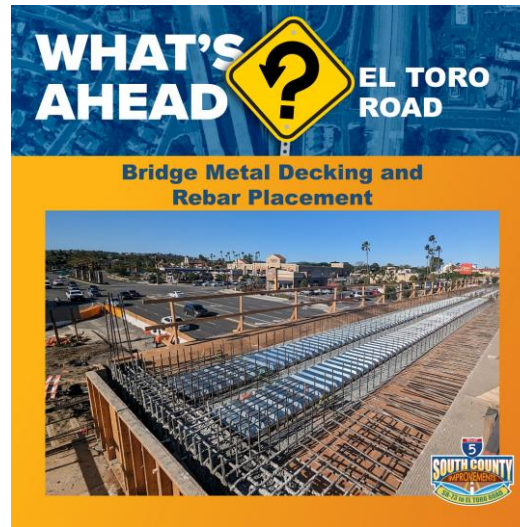
\*This work may be loud. The schedule is subject to change due to inclement weather or unforeseen operational issues.



**LET'S HEAR FROM YOU!**

The I-5 South County Improvements team is hosting an online community meeting and we want to hear from you. What topics are most important?

**Take Our Poll**



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# THANK YOU

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