



# **AGENDA**

## ***Finance and Administration Committee Meeting***

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### **Committee Members**

Michael Hennessey, Chairman  
Richard Murphy, Vice Chairman  
Andrew Do  
Gene Hernandez  
Steve Jones  
Michelle Steel  
Donald P. Wagner

Orange County Transportation Authority  
Headquarters  
550 South Main Street  
Board Room – Conf. Room 07  
Orange, California  
**Wednesday, July 10, 2019 at 10:30 a.m.**

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

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.

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.

### **Call to Order**

### **Pledge of Allegiance**

Director Wagner

### **1. Public Comments**

### **Special Calendar**

### **2. Taxable Sales Forecast - Chapman University - Raymond Sfeir, PhD, Professor of Economics** Sam Kaur/Andrew Oftelie

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in Spring 2019. Raymond Sfeir, PhD, from Chapman University will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.



### **Consent Calendar (Items 3 through 5)**

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

**3. Approval of Minutes**

Approval of the minutes of the Finance and Administration Committee meeting of June 26, 2019.

**4. Amendment to the 91 Express Lanes Three-Party Operating Agreement  
Kirk Avila/Kenneth Phipps**

**Overview**

The existing three-party agreement for joint operations of the combined 91 Express Lanes facility expires in June 2021. On April 22, 2019, the Orange County Transportation Authority Board of Directors authorized the release of a competitive procurement for contractor services for the joint operations of the 91 Express Lanes in Orange and Riverside counties. In the event that the approved contractor is not ready to commence operations for the 91 Express Lanes on July 1, 2021, an optional extension period with the current contractor is presented for approval for a period of up to six months.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-3-1529 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC, in an amount not to exceed \$3,437,496, for six, one-month optional extension periods from July 1, 2021 through December 31, 2021, for continued operating services on the 91 Express Lanes.



- 5. Amendment to Agreement for System Manager and Business Analyst Support**  
Victor Velasquez/Andrew Oftelie

**Overview**

On August 25, 2014, the Orange County Transportation Authority Board of Directors approved an agreement with Carpe Datum to provide system manager and business analyst support services for various financial systems used by the Financial Planning and Analysis Department for a five-year term, with one two-year option term. An amendment is required to exercise the option term of the agreement.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-4-1559 between the Orange County Transportation Authority and Carpe Datum to exercise the two-year option term of the agreement, effective September 1, 2019 through August 31, 2021, in the amount of \$383,984, to provide system manager and business analyst support. This will increase the maximum obligation for a total contract value of \$1,398,192.

**Regular Calendar**

- 6. Orange County Transportation Authority Investment and Debt Programs Report - May 2019**  
Sean Murdock/Andrew Oftelie

**Overview**

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending May 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. Nissan, an issuer for asset-backed securities held by Orange County Transportation Authority, was downgraded from A2 to A3, which is below Orange County Transportation Authority's investment policy requirement of A2. The asset-backed securities continue to be AAA-rated with no negative price action since the Nissan downgrade, so Orange County Transportation Authority has chosen to retain the securities.



**6. (Continued)**

**Recommendation**

Receive and file as an information item.

**Discussion Items**

**7. Status of Agreement No. C-8-1911 with Crowe LLP**

Janet Sutter

Provide direction to staff on actions to address deviations from scope of services.

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

**9. Committee Members' Reports**

**10. Closed Session**

There are no Closed Session items scheduled.

**11. Adjournment**

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 24, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

**Taxable Sales Forecast –  
Chapman University  
Raymond Sfeir, PhD,  
Professor of Economics**

# OCTA

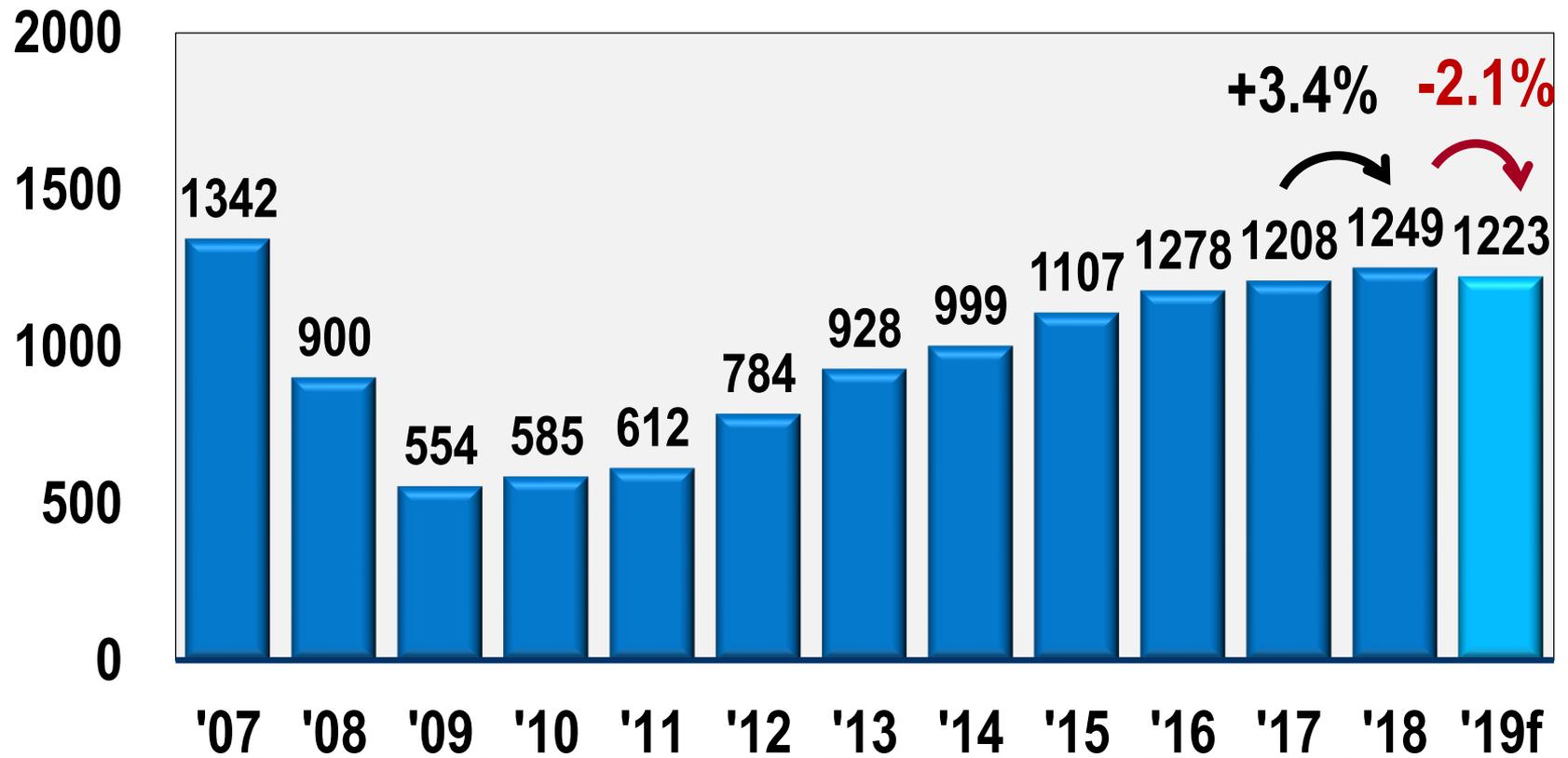
**Economic Forecast  
July 10, 2019**



**Raymond Sfeir, Director  
A. Gary Anderson Center for Economic Research  
Argyros School of Business and Economics  
Chapman University**

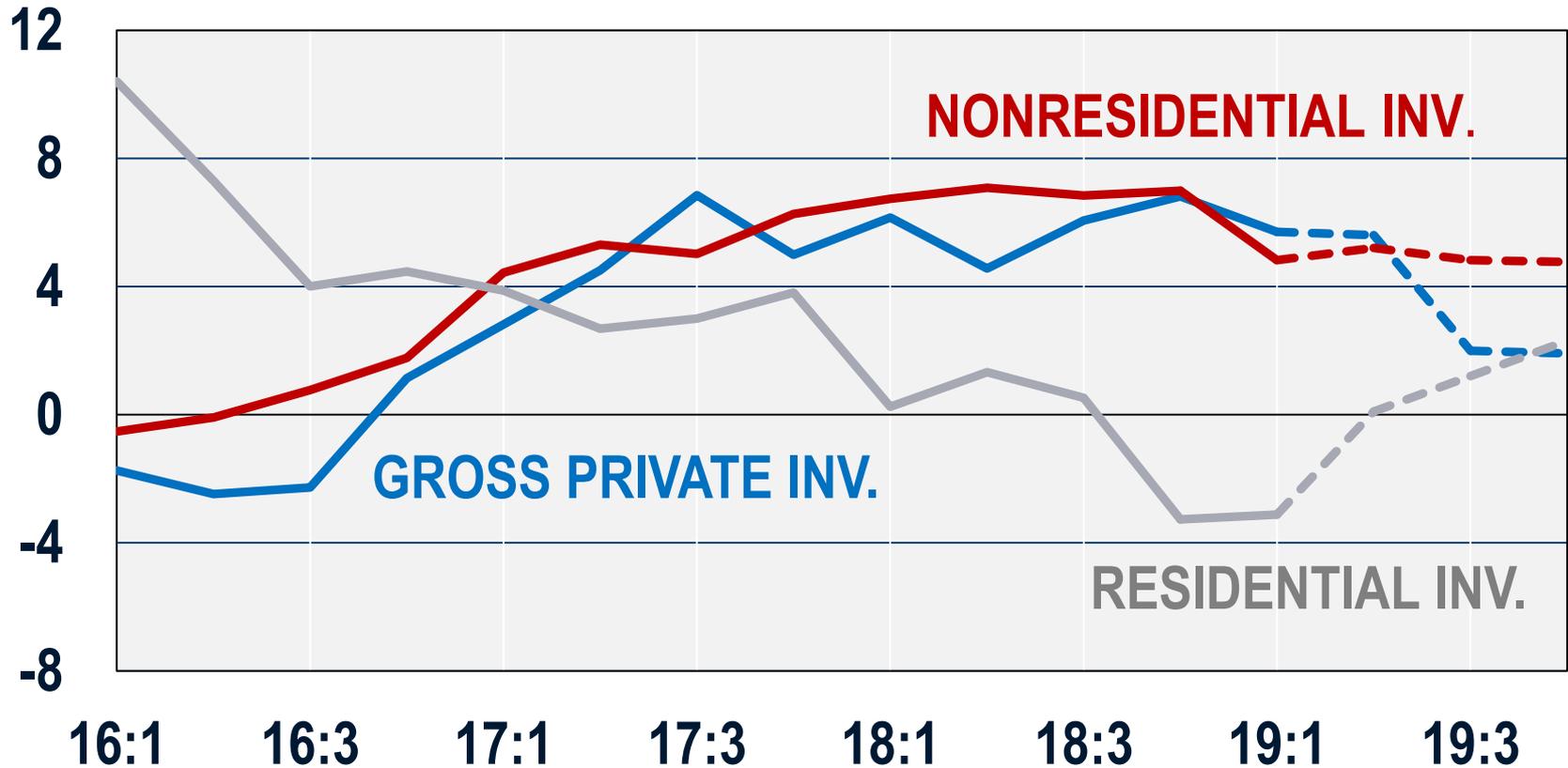
# Housing Starts

Thousands of Units



# Investment Spending

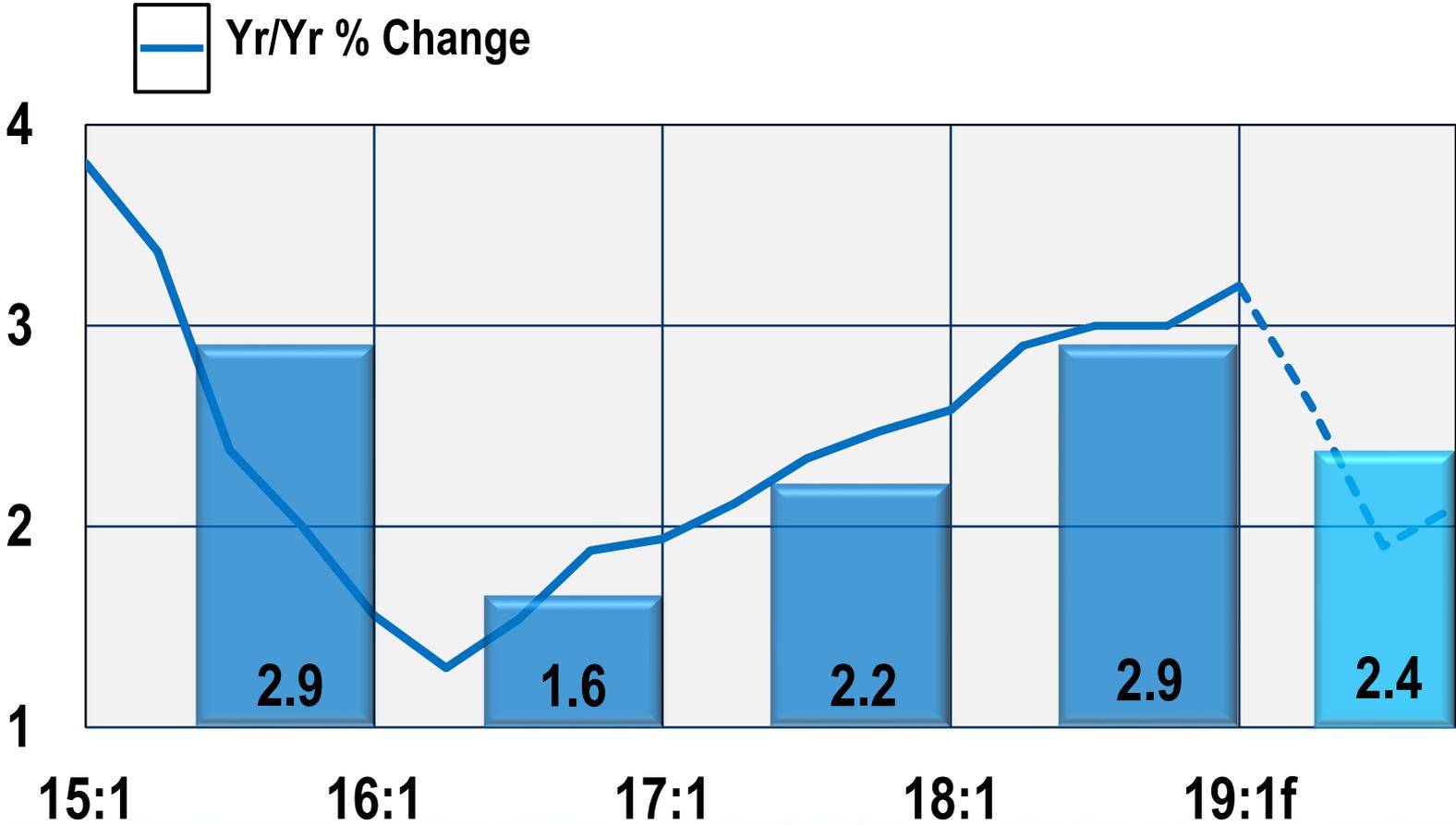
Percent



# Household Debt Service Payments As a Percentage of Disposable Income

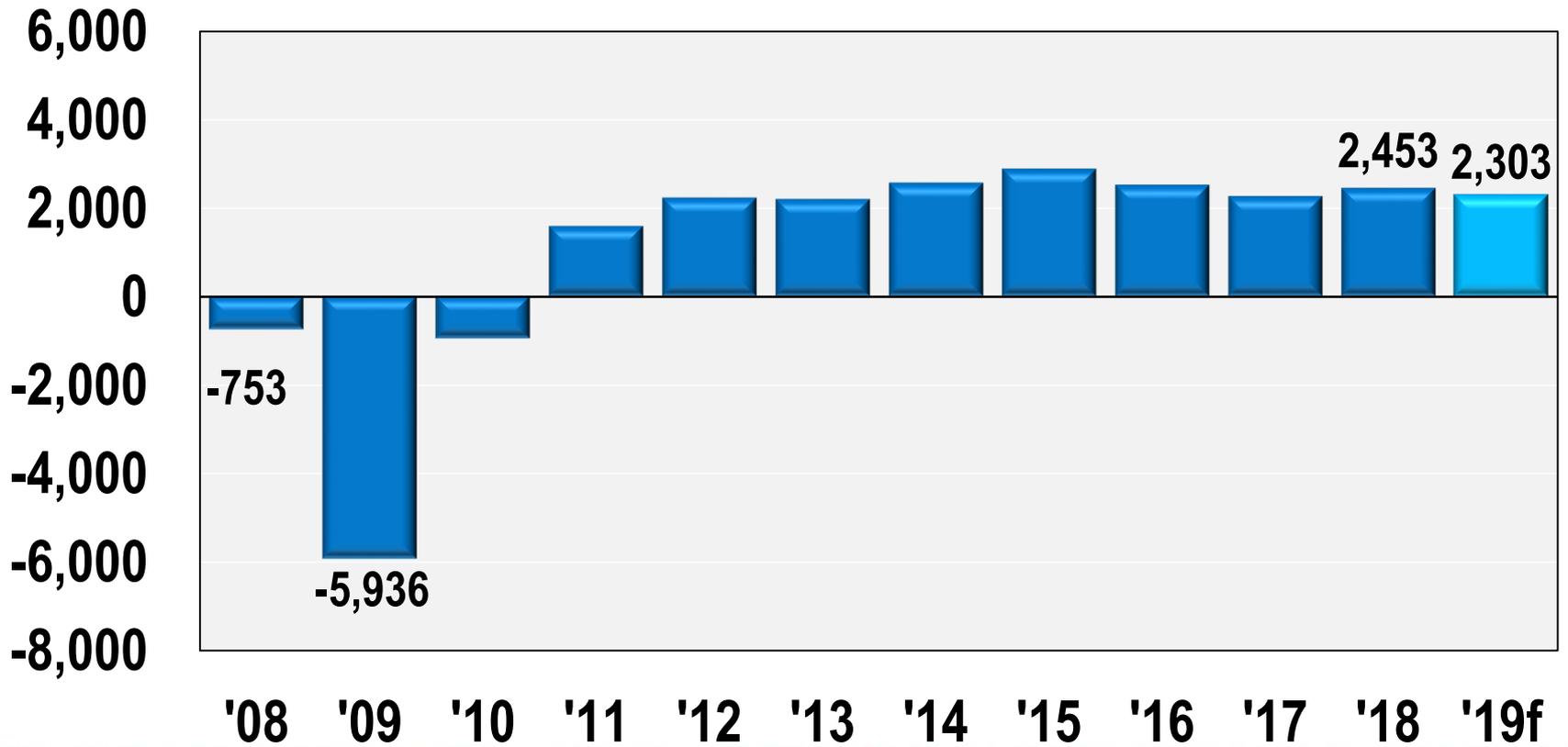


# Real GDP



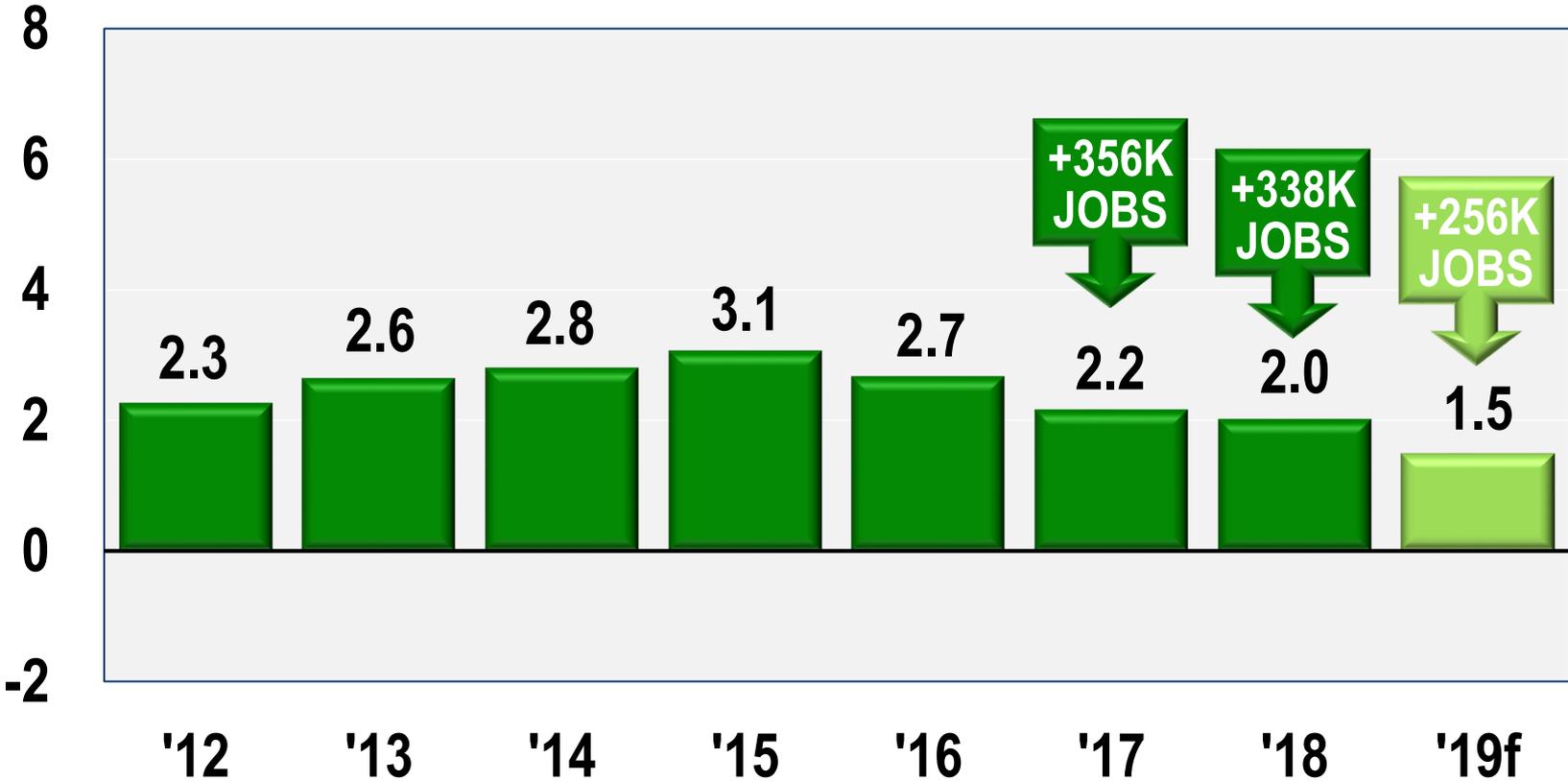
# Change in Payroll Employment

Thousands



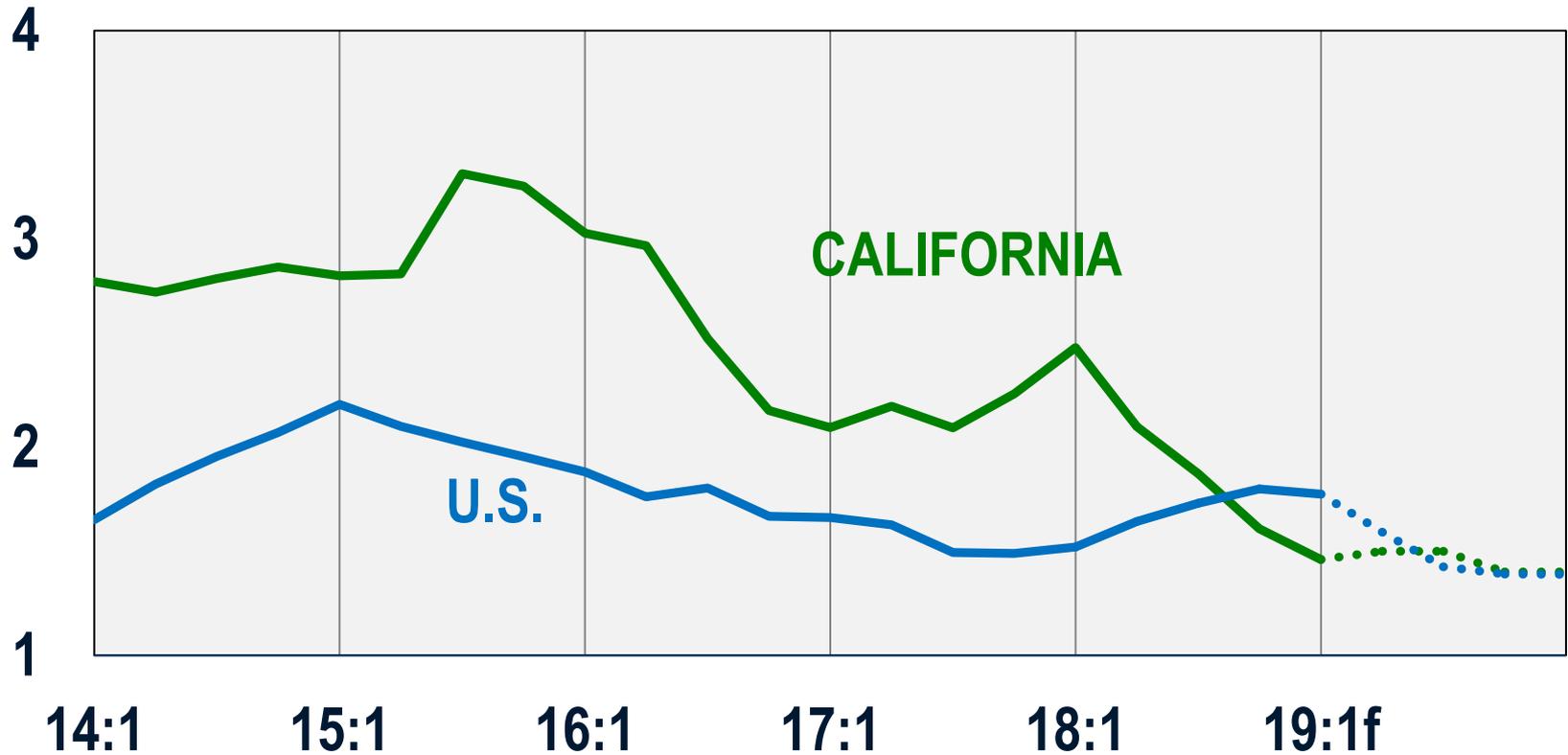
# Job Growth, California

Annual % Change



# Payroll Employment

Yr/Yr % Change



# Orange County Economic Outlook



The Hilbert Collection, Bradford J. Salamon, "Disneyland, Vintage 1960" 9

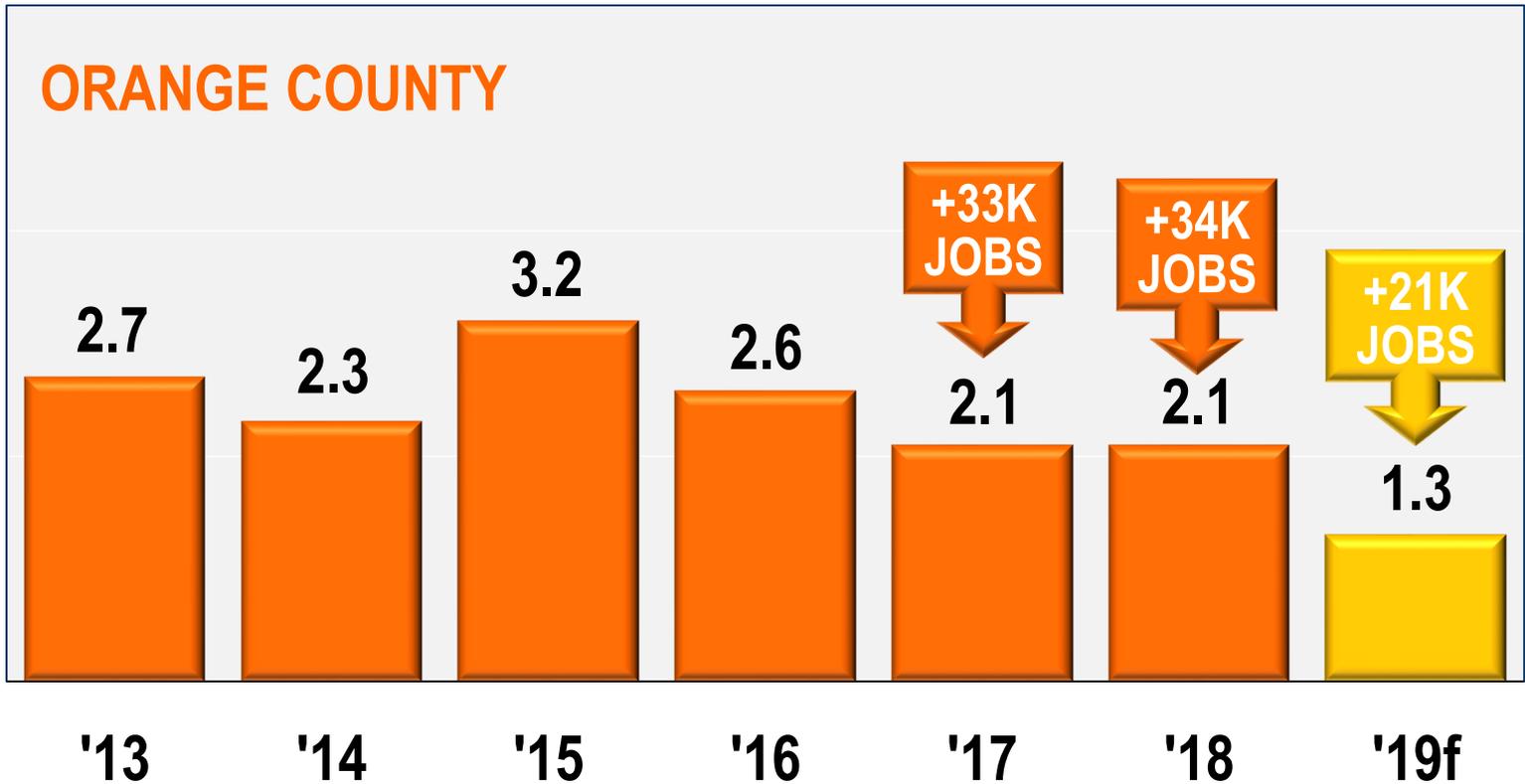
# Job Growth

Annual % Change

6

ORANGE COUNTY

4



2

0

'13

'14

'15

'16

'17

'18

'19f

# Manufacturing Jobs

<b>Total % Change 2007 to 2018</b>			
	<b>U.S.</b>	<b>California</b>	<b>Orange County</b>
<b>Manufacturing Jobs</b>	-8.6%	-9.6%	-11.8%

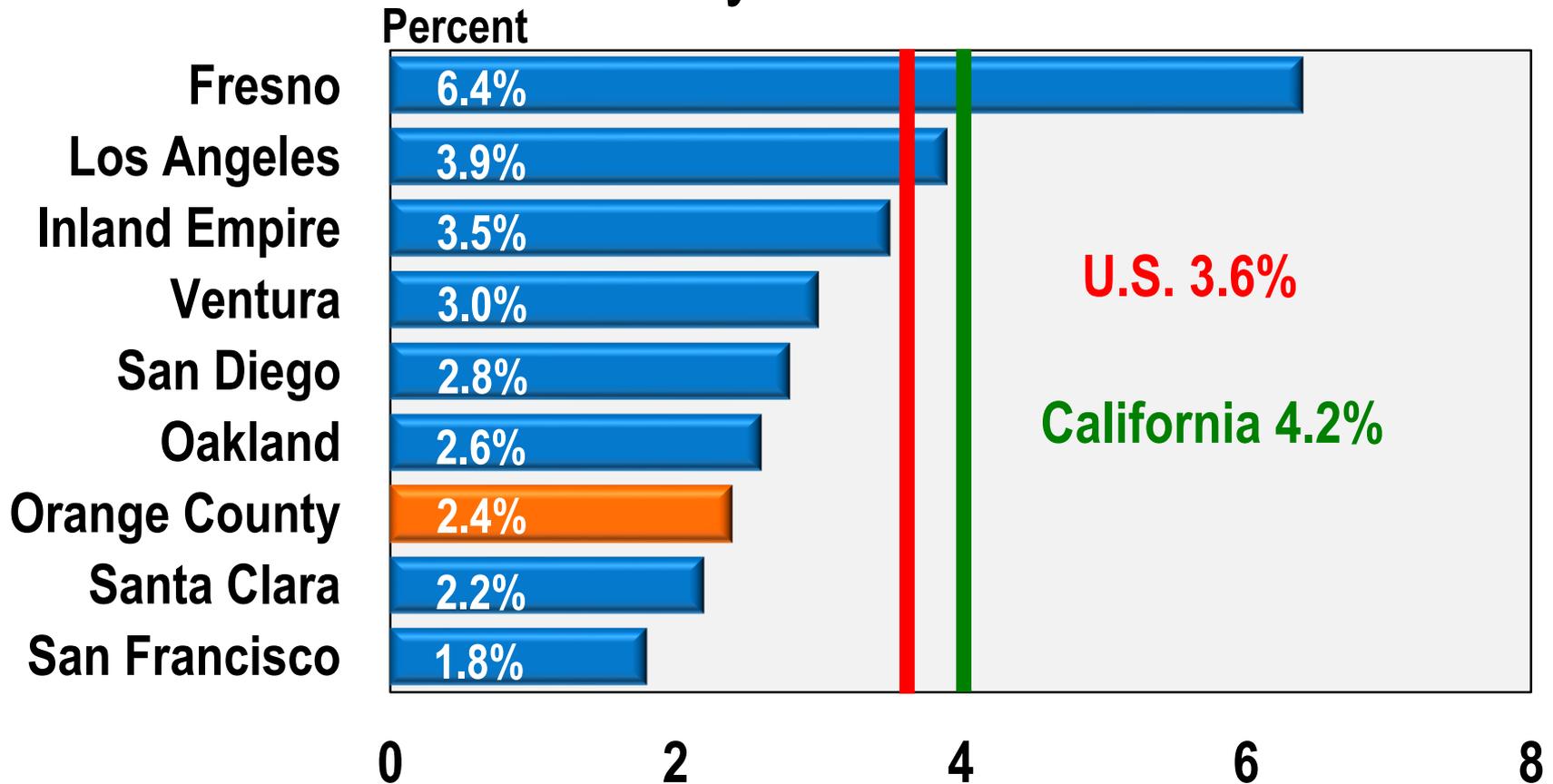
# Employment by Industry

## Orange County

<b>Sector</b>	<b>2018 Employment</b>	<b>Employment % Share</b>	<b>2010 – 2018 % Change</b>	<b>2018Q4 Annual Wages</b>
Leisure & Hospitality	222,617	13.5	32.0	\$27,976
Education & Health Services	224,992	13.6	33.0	\$53,092
Trade, Transportation & Utilities	262,217	15.9	7.5	\$56,160
Professional & Business Services	315,442	19.1	26.5	\$75,088
Construction	106,075	6.4	53.9	\$80,808
Manufacturing	159,792	9.7	5.8	\$85,904
Information	26,725	1.6	23.4	\$103,688
Financial Activities	119,067	7.2	14.9	\$106,652

# Unemployment Rate

## May 2019

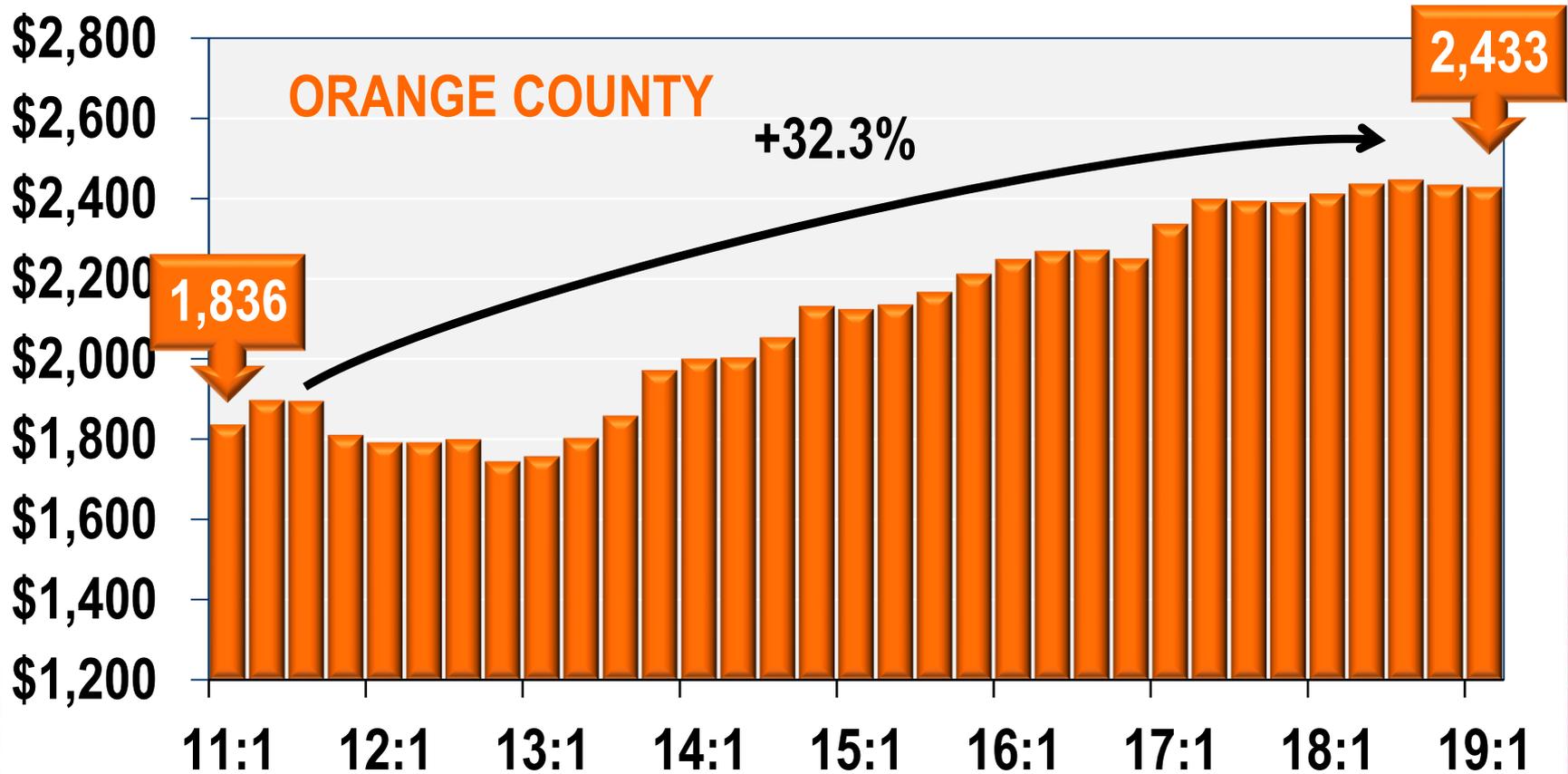


# Orange County Housing Outlook

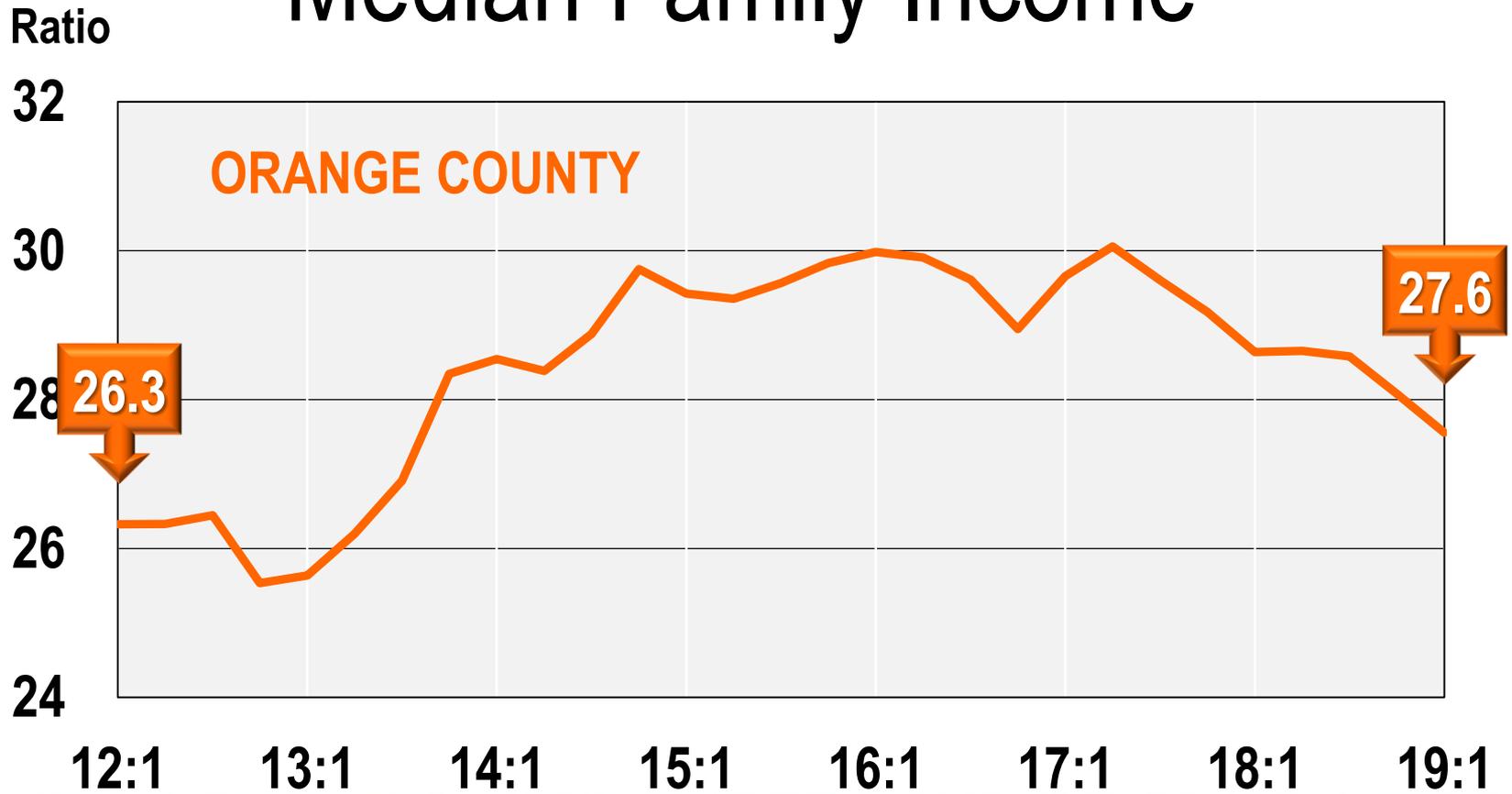


The Hilbert Collection, Phil Dike, "Westways Boats"

# 2-Bedroom Apartment Rent

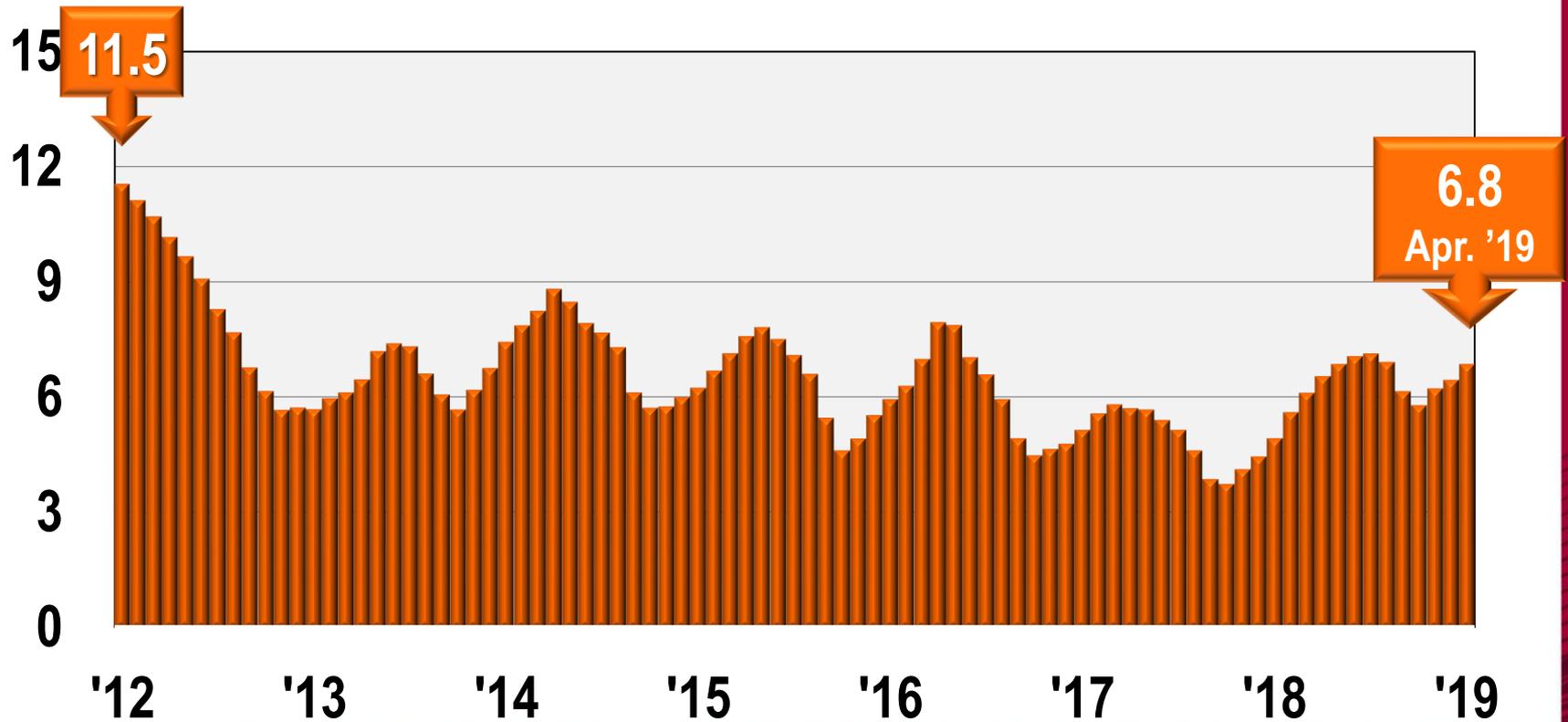


# Apartment Rent to Median Family Income



# Unsold Inventory - Orange County

Thousands



# Months to sell Inventory

Months

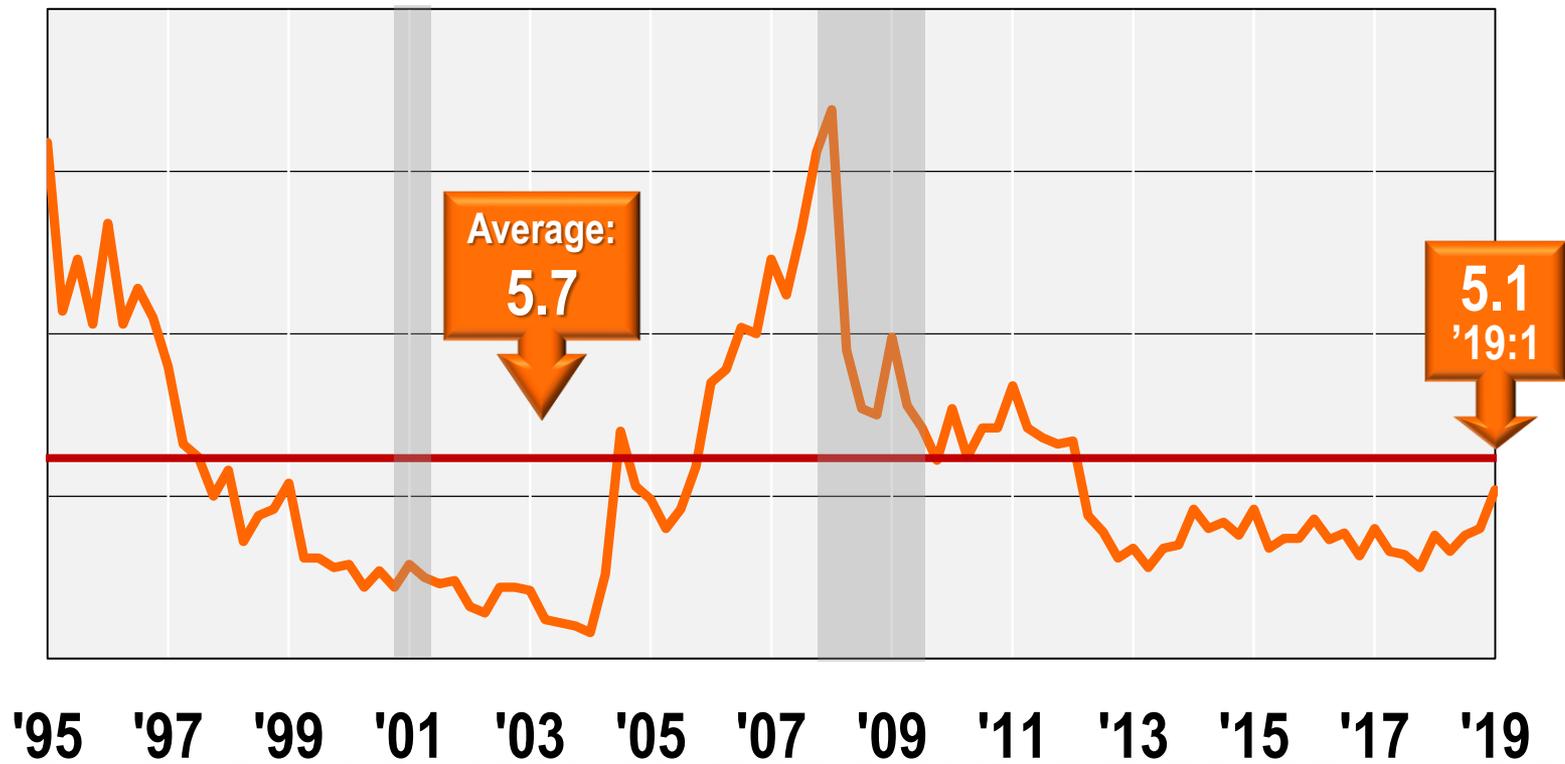
20

15

10

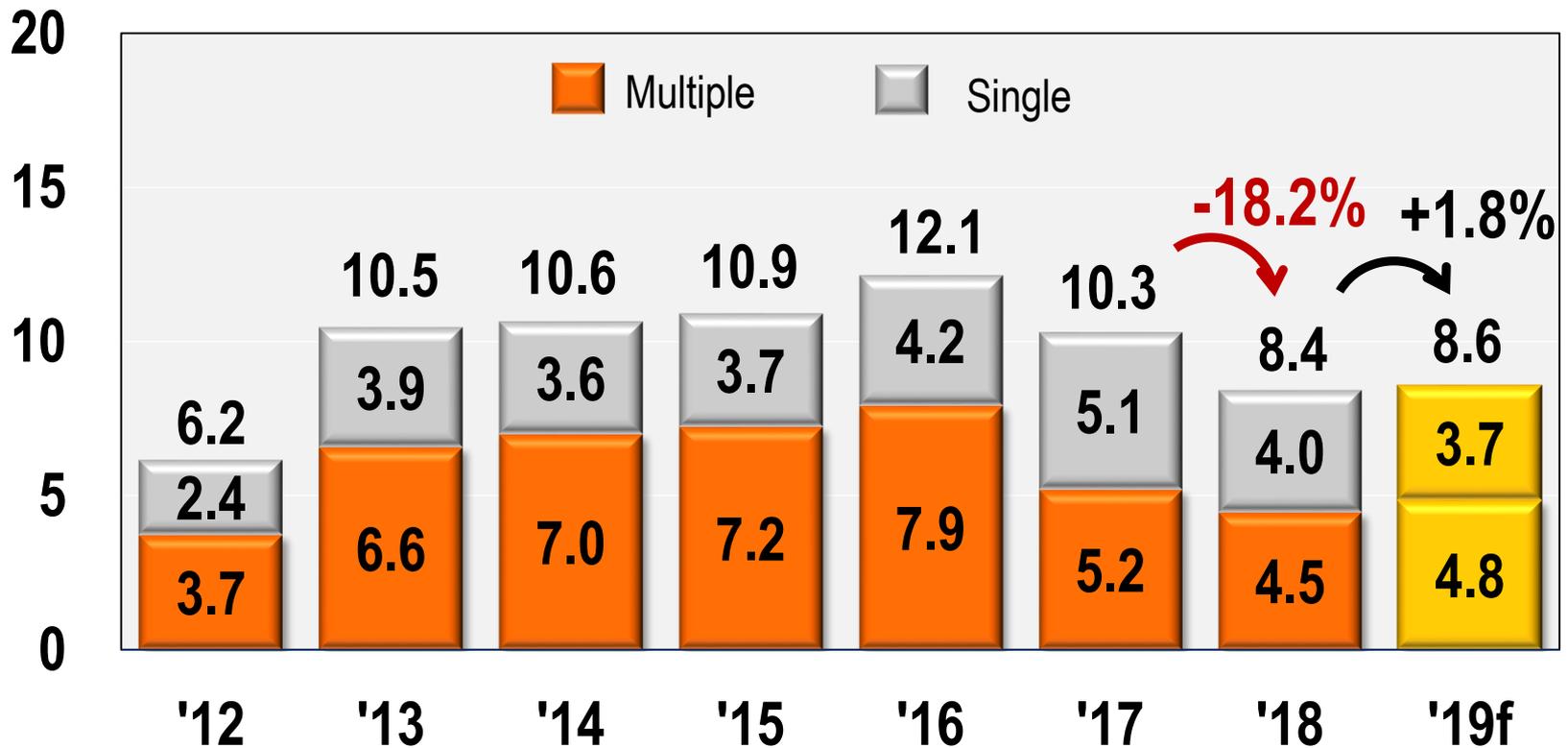
5

0



# Residential Building Permits Orange County

Thousands of Units



# Single-Family Homes as a Percentage of Total Residential Building Permits

Percent

70

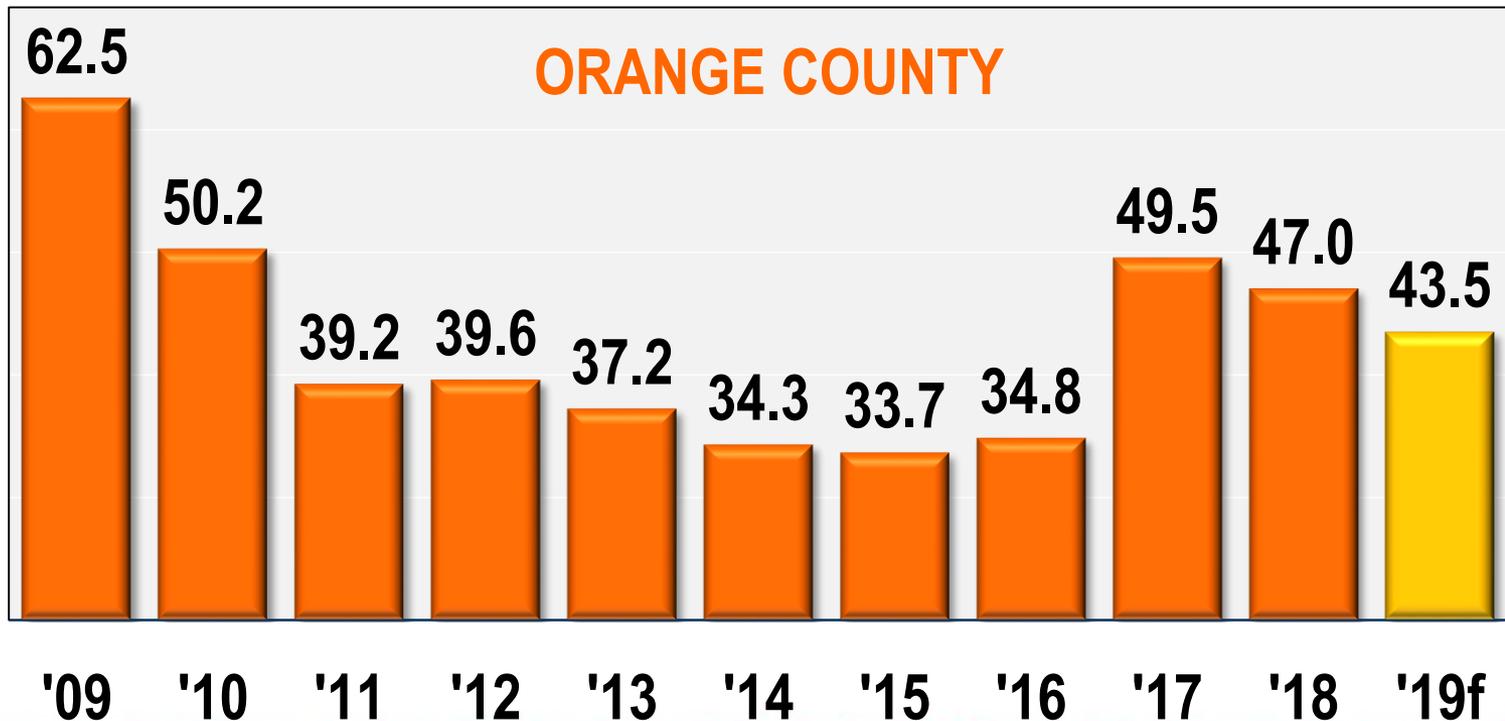
60

50

40

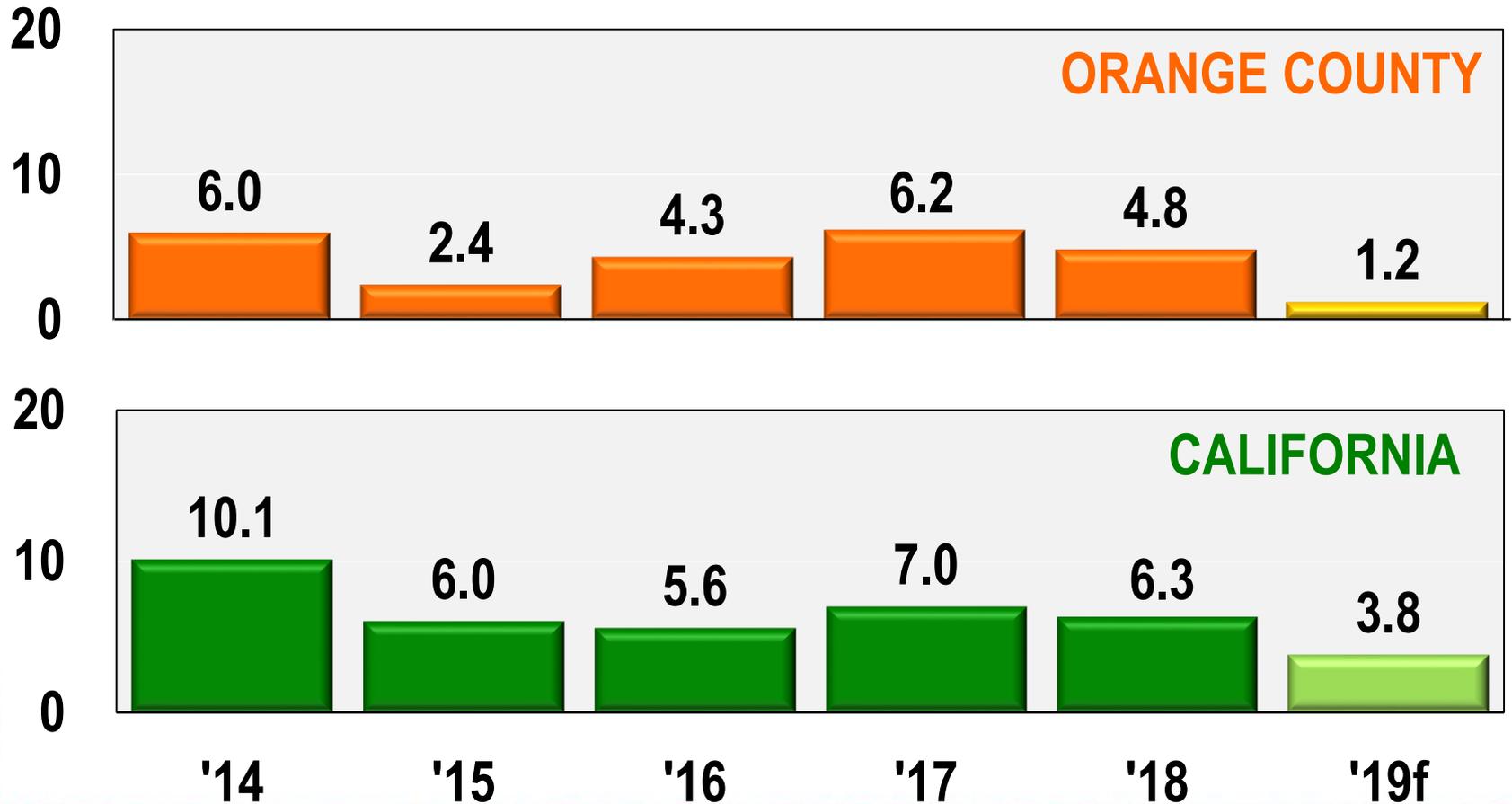
30

20



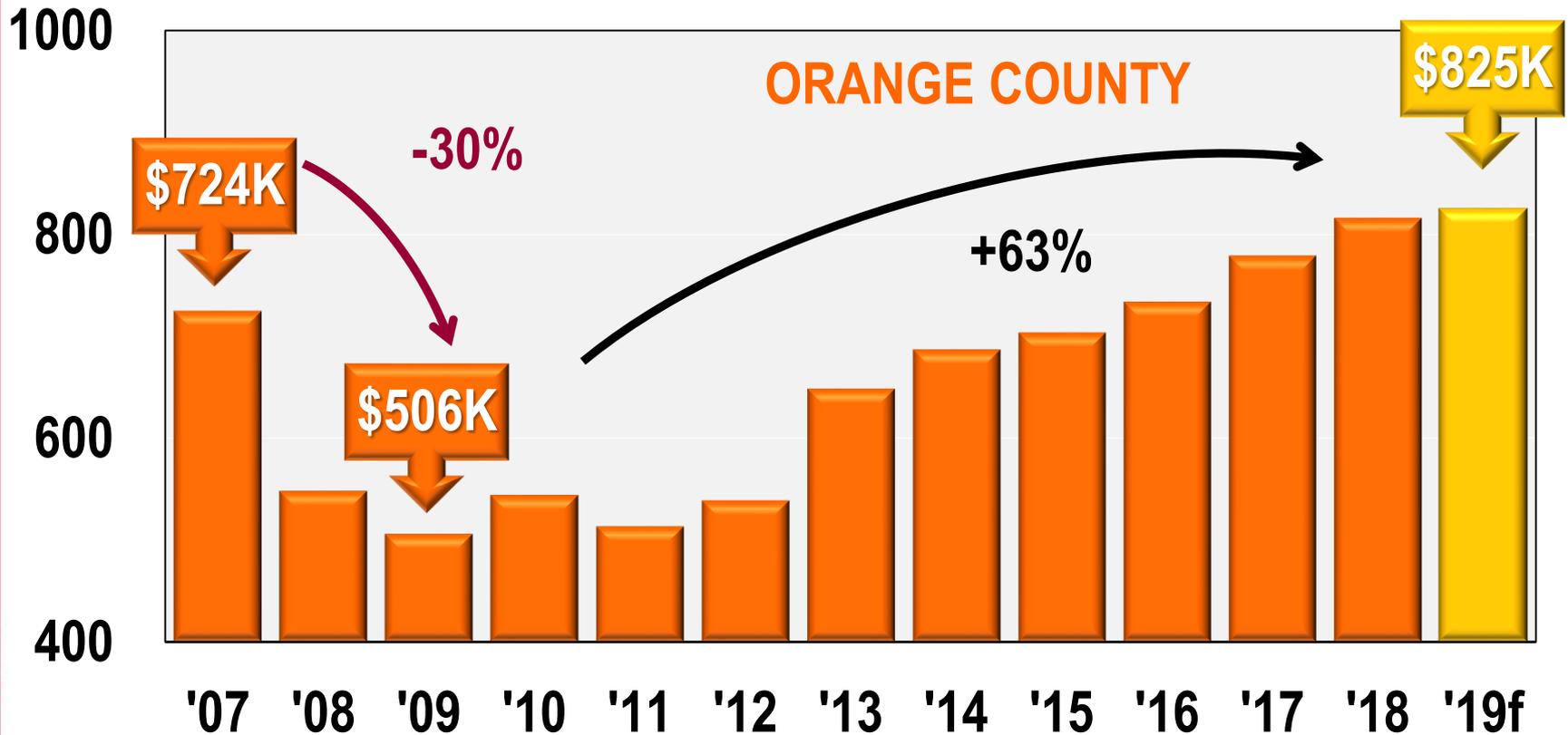
# Median Single-Family Home Price

Annual % Change



# Median Single-Family Home Price

Thousands of \$



# Factors Affecting Consumer Spending

- Mild wage growth
  - Lower level of employment growth
  - Small rise in home prices
  - Higher equity market
  - Lower debt service
  - Weaker consumer sentiment
- } Positive wealth effect

# Orange County Consumer Sentiment Composite

Index

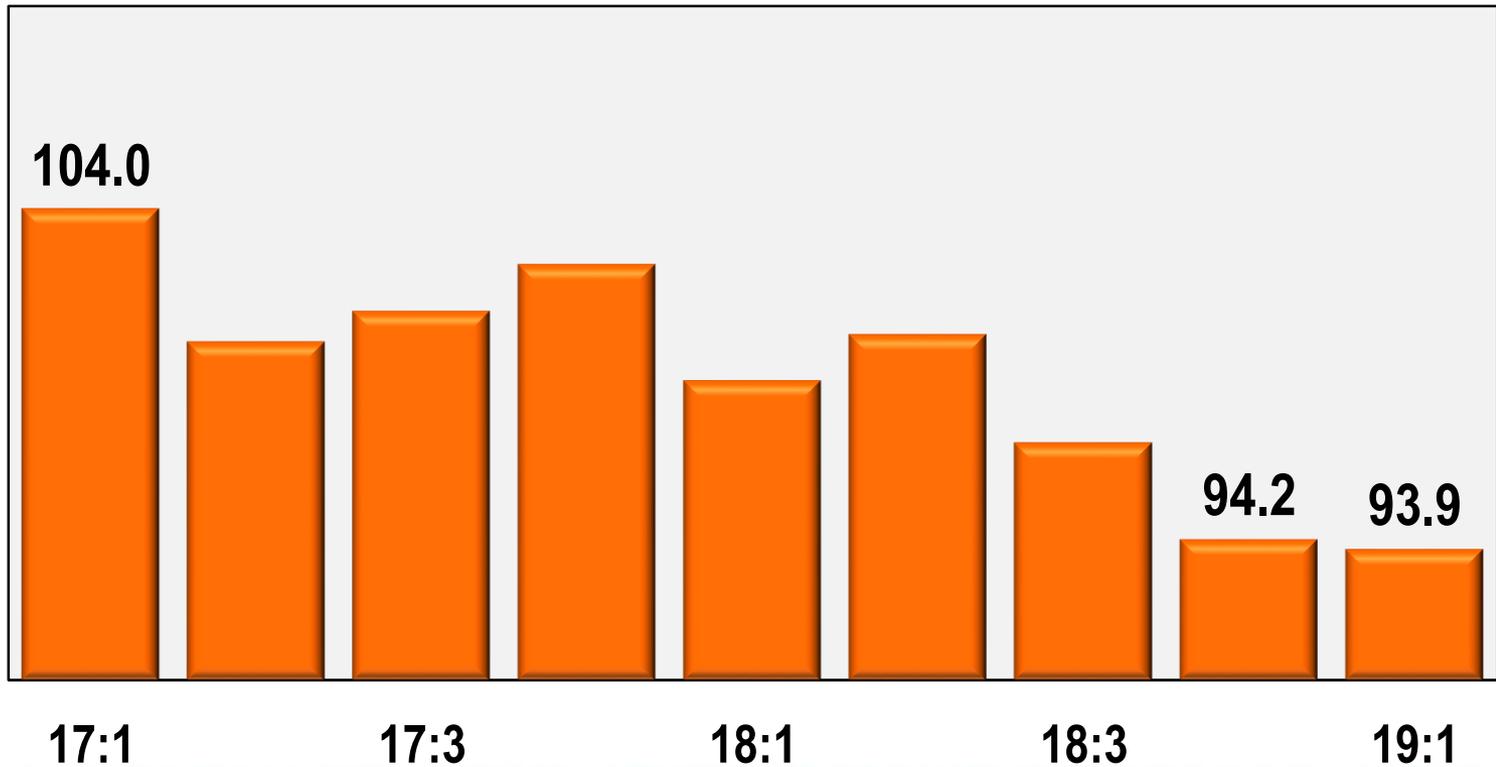
110

105

100

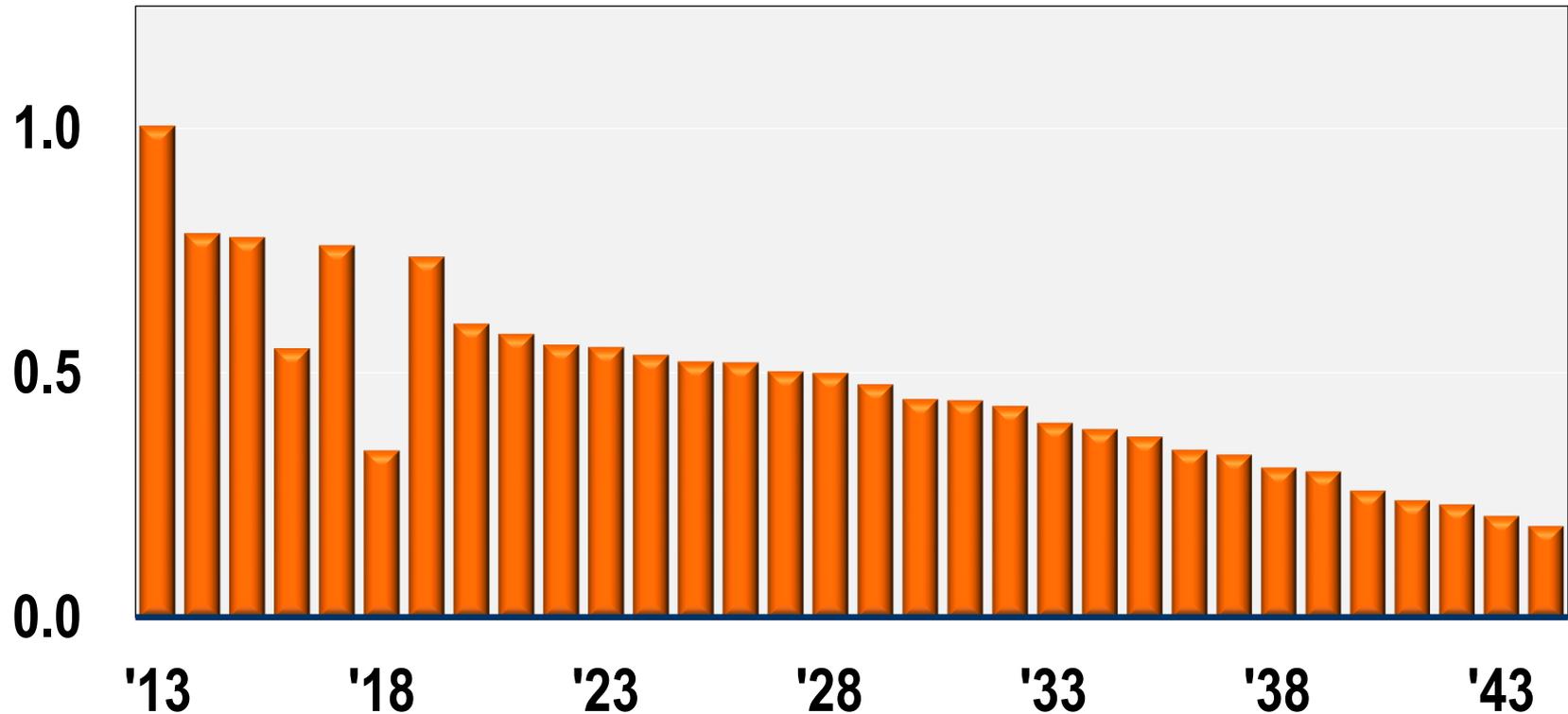
95

90



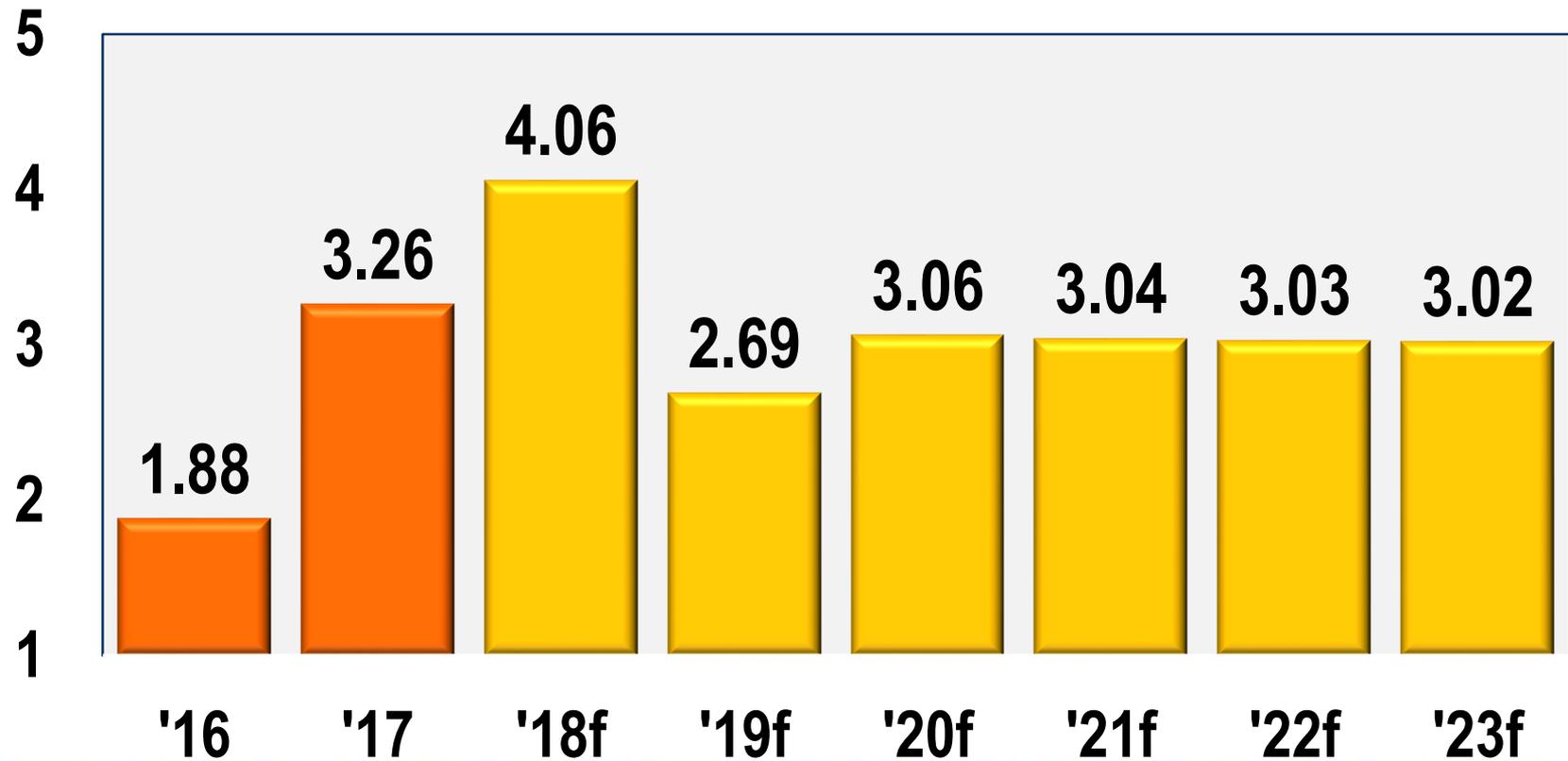
# Total Population Orange County

Yr/Yr % Change

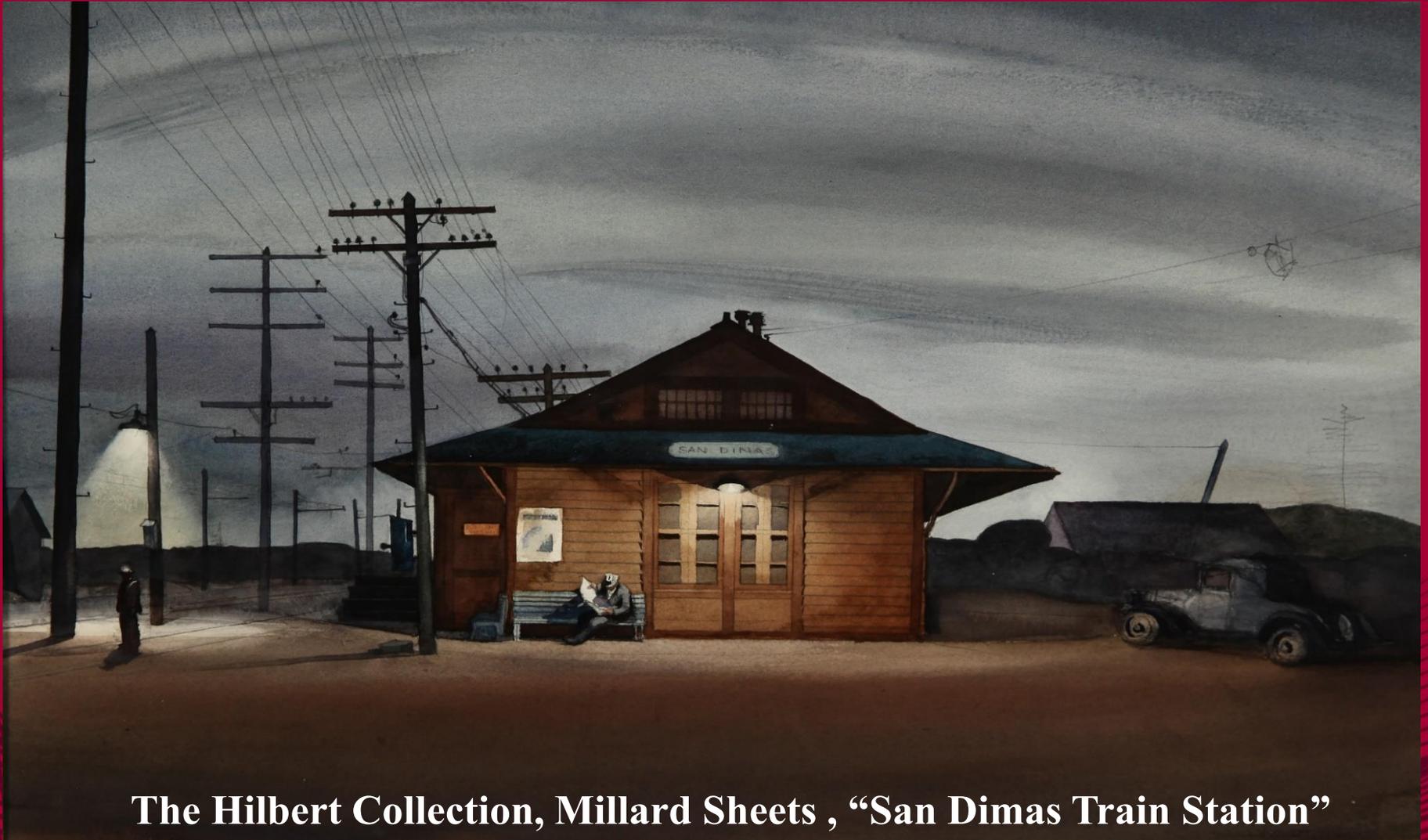


# Taxable Sales Orange County

Annual % Change

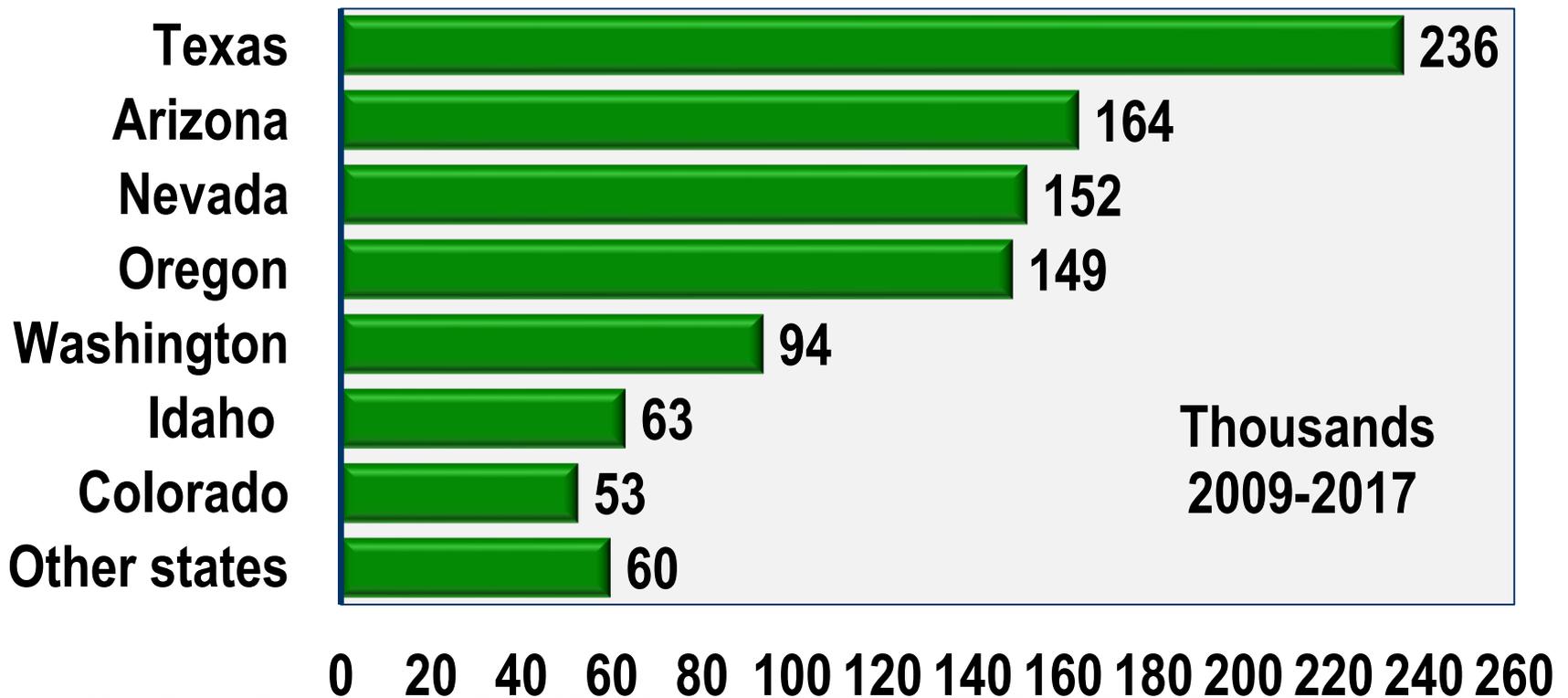


# Challenges



The Hilbert Collection, Millard Sheets , “San Dimas Train Station”

# Net Population Outflow and Destination Out of California



# Home Ownership Affordability

Index

140

120

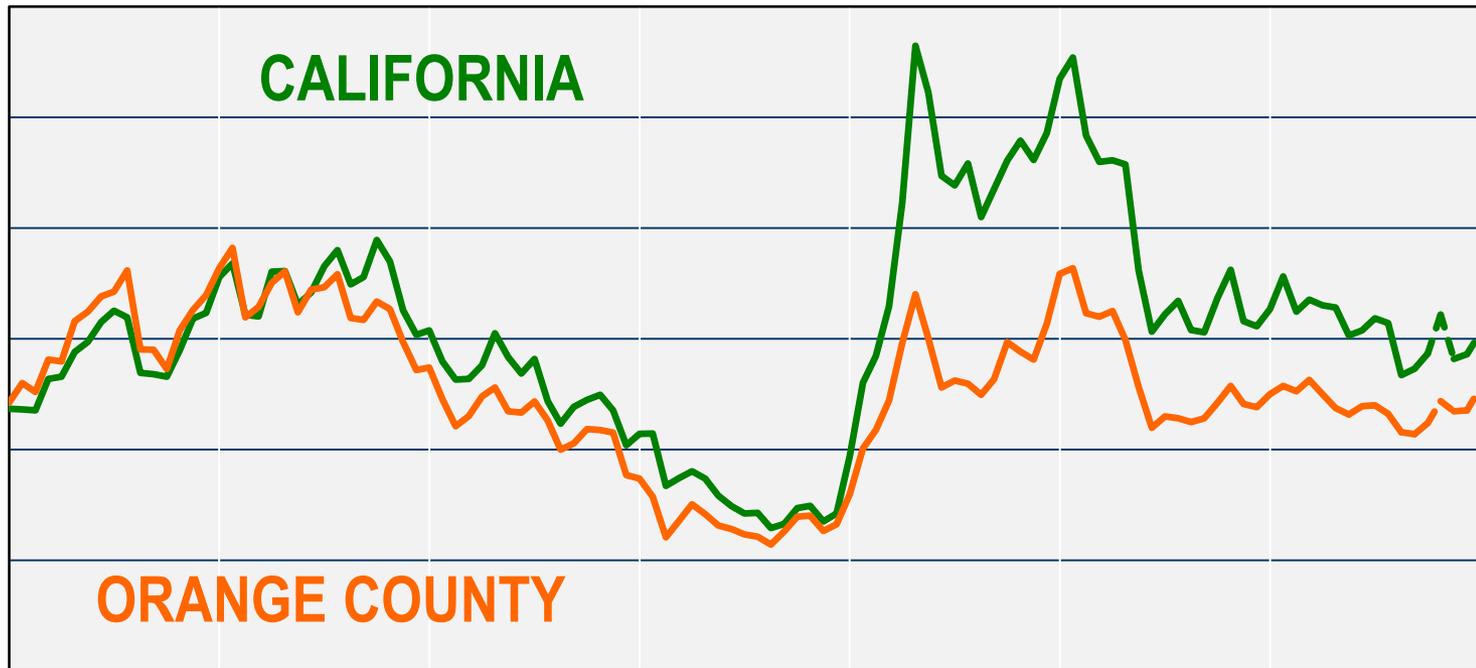
100

80

60

40

20



91:4

95:4

99:4

03:4

07:4

11:4

15:4

19:4

# OCTA

**Economic Forecast  
July 10, 2019**



**Raymond Sfeir, Director  
A. Gary Anderson Center for Economic Research  
Argyros School of Business and Economics  
Chapman University**



### **Committee Members Present**

Michael Hennessey, Chairman  
Andrew Do  
Gene Hernandez  
Steve Jones  
Michelle Steel

### **Staff Present**

Darrell E. Johnson, Chief Executive Officer  
Ken Phipps, Deputy Chief Executive Officer  
Laurena Weinert, Clerk of the Board  
Gina Ramirez, Deputy Clerk of the Board  
Cassie Trapesonian, Assistant, General Counsel  
OCTA Staff and Members of the General Public

### **Committee Members Absent**

Richard Murphy, Vice Chairman  
Donald P. Wagner

### **Call to Order**

The June 26, 2019 regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chairman Hennessey at 10:34 a.m.

### **Pledge of Allegiance**

Director Jones led in the Pledge of Allegiance.

#### **1. Public Comments**

No public comments were received.

### **Special Calendar**

#### **2. Taxable Sales Forecast - University of California at Los Angeles Anderson Forecast - Jerry Nickelsburg, PhD, Senior Economist, and William Yu, PhD, Economist**

Andrew Oftelie, Chief Financial Officer (CFO), provided a brief biography and introduced Dr. Jerry Nickelsburg, PhD, Senior Economist and Dr. William Yu, PhD, Economist from the University of California, Los Angeles (UCLA) Anderson Forecast.

Dr. Yu provided a PowerPoint presentation as follows:

- United States (U.S.) Economy is Growing at 3%;
- Real Gross Domestic Product Growth Slowing-Recession Risk in Late 2020;



**2. (Continued)**

A discussion ensued regarding the following:

- Past recession patterns.
- Inverted yield curve as a predictor of a recession in the next eight to ten months.
- Brick and mortar shopping is shifting to online shopping which leads to imbalance.

Director Do inquired on the change in the forecast from this year versus last year.

Dr. Nickelsburg stated there were three principle reasons for the forecast change, and highlighted the following:

- First: The sustained increase in investment that was promised with the tax cut did not appear.
- Second: More investment was pulled back from 2019 and 2020 than expected which means the expectation for investment is lower.
- Third: The difference between those two forecasts is the international economy is weaker than expected.

Dr. Yu continued the PowerPoint presentation as follows:

- Payroll Employment Growth Leveling Off;
- As Compensation Growth Approaches 4%;
- Inflation Runs Modestly Above 2%;
- How do Trade Tensions Impact Our Imports and Exports?;
- U.S. Imports: Declined the Most – Oil & Gas and Computer & Electronic Products;
- U.S. Imports: Increased the Most – Transportation Equipment;
- U.S. Exports: Declined the Most – Metals & Agricultural Products;
- U.S. Exports: Increased the Most – Oil & Gas;
- Top 10 Imports from China in Decline;
- The Impact of New Tariffs on Mexico;
- U.S. Metro Payroll Job Growth;
- Orange County Sector Payroll Job Growth;
- Where are We in the Housing Cycle?;
- Real Housing Price in Orange County and U.S. Business Cycle;
- Real Home Prices are Declining in Some Cities;
- Zillow’s Median Home Value Index in April 2019;
- California’s Federal Income Tax Gross Receipts Increased by 3.7% in 2018;



**2. (Continued)**

- California's Number of Federal Income Tax Returns Increased by 2% in 2018;
- Inflation on Housing and Medical Care is Higher Than That of Most Taxable Sales Goods;
- California Forecast;
- Orange County Nominal Taxable Sales Growth Forecast, and
- Conclusions.

A robust discussion ensued regarding:

- Federal Reserve looking at data retrospectively and independent of political views as opposed to looking at forecasted data;
- The UCLA point forecast map shows a slow-down at the end of 2019 and beginning of 2020;
- Education and health services, on average, the wage in that sector is relatively low;
- Leisure and hospitality tend to be on average a low-income sector;
- Real estate market is soft nationally;
- Sales of new and existing homes have decreased;
- Changes in living situations where people are living with parents, grandparents, or parents living with their children;
- Mobility is more difficult due to unemployment, or people wanting to stay close to family and friends;
- How the housing supply has been impacted by large homeless population in Orange County and the increased need to build affordable housing;
- Replacing housing stock with high-rise apartments or condos;
- How population of the state relates since each state is different; and
- Trade tensions between United States and China.

Director Steel inquired on how this all relates to sales tax in Orange County.

Dr. Nickelsburg responded that the forecasting is a slower economic growth rate of the U.S. economy through 2020, and 12 to 13 percent of that will feed down to Orange County. Additionally, UCLA reviews factors that might influence the economy such as changes in the tax law.



### **Consent Calendar (Items 3 and 4)**

**3. Approval of Minutes**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of June 12, 2019.

**4. Construction Safety Program, Internal Audit Report No. 19-506**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to direct staff to implement two recommendations provided in Construction Safety Program, Internal Audit Report No. 19-506.

### **Regular Calendar**

**5. Orange County Transportation Authority Investment and Debt Programs Report - May 2019**

Due to time constraints, this item was deferred to the Wednesday, July 10, 2019 Finance and Administration Committee meeting.

### **Discussion Items**

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

Darrell E. Johnson, Chief Executive Officer, reported that at the June 12th Finance and Administration Committee meeting, staff reported on some of the abnormalities in the reporting of the sales tax collections from the California Department of Tax and Fee Administration (CDTFA). He stated that staff has been working with CDTFA and asked Andrew Oftelie, CFO, to provide an update.

Mr. Oftelie, CFO, reported at the last F&A Committee meeting, staff reported a sharp decline in the third quarter sales tax collections. He also stated given the large discrepancy, the reported amounts may not be correct, and staff is continuing to work with the CDTFA. Additionally, OCTA did receive the April collections which included some collections from the prior period, and staff will report any updates to the F&A Committee.



**6. (Continued)**

Director Steel inquired on the forecasts from 2015 & 2016 which showed an eight percent growth.

Mr. Oftelie stated the universities were more optimistic than what was happening with the economy. He theorizes that there was some growth not being captured because the universities did not properly consider the impact of online sales, and OCTA was losing some collections.

Director Do requested staff to provide the historical forecasts from Muni-Services and all three universities to the Committee members and also place the information online.

**7. Committee Members' Reports**

There were no Committee Members' Reports.

**8. Closed Session**

There were no Closed Session items scheduled.

**9. Adjournment**

The meeting adjourned at 12:05 p.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 10, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

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Gina Ramirez  
Deputy Clerk of the Board

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Michael Hennessey  
Committee Chairman



**July 10, 2019**

**To:** Finance and Administration Committee  
*[Handwritten signature]*  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Amendment to the 91 Express Lanes Three-Party Operating Agreement

**Overview**

The existing three-party agreement for joint operations of the combined 91 Express Lanes facility expires in June 2021. On April 22, 2019, the Orange County Transportation Authority Board of Directors authorized the release of a competitive procurement for contractor services for the joint operations of the 91 Express Lanes in Orange and Riverside counties. In the event that the approved contractor is not ready to commence operations for the 91 Express Lanes on July 1, 2021, an optional extension period with the current contractor is presented for approval for a period of up to six months.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-3-1529 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC, in an amount not to exceed \$3,437,496, for six, one-month optional extension periods from July 1, 2021 through December 31, 2021, for continued operating services on the 91 Express Lanes.

**Background**

As a requirement of Senate Bill (SB) 1316, Correa, the Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) entered into a cooperative agreement that establishes a framework for partnership and sets forth various responsibilities between the two agencies for the operations of the 91 Express Lanes. The agreement, approved by OCTA Board of Directors (Board) and RCTC, details the joint operation of a combined 91 Express Lanes system with the intent and objective to operate the 91 Express Lanes in both counties so that customers will experience a seamless transition between the two facilities and view the 91 Express Lanes as a single

system. A joint operation not only provides benefits to the customers of the 91 Express Lanes, but it also creates economies of scale and cost benefits for both agencies through joint contracting and joint provisions relating to the operation and maintenance of the 91 Express Lanes.

In May 2013, OCTA and RCTC (Agencies) entered into a three-party agreement with Cofiroute USA, LLC (Cofiroute), for the joint operations of a combined 91 Express Lanes facility. Cofiroute is responsible for the day-to-day operations for both segments of the 91 Express Lanes, including the following toll-related services:

- Customer service,
- Violations processing and collections,
- Customer account management,
- Payments and other mail processing,
- Revenue collections and transaction processing,
- Traffic operations and incident management,
- Emergency services coordination,
- Transponder inventory management,
- Back-office software system,
- Telephone system,
- Hardware and software maintenance,
- Roadway and toll road systems maintenance.

The existing three-party agreement expires on June 30, 2021. Over the past several months, staff from the Agencies have worked on the development of procurement documents for operating services for the 91 Express Lanes which includes the back-office system and customer service center.

### ***Discussion***

On April 22, 2019, the OCTA Board authorized the release of the Request for Proposals (RFP) for the Back-Office System and Customer Service Center Operations Services for the 91 Express Lanes in Orange and Riverside counties. Responses to the RFP are due in mid-July 2019, with the evaluation committee recommendations anticipated to go to the OCTA Board and RCTC's Commission in October 2019 for approval.

Given this timetable, notice-to-proceed (NTP) is expected to be issued in the beginning of January 2020. This provides the selected contractor an 18-month period for the design, development, testing, and implementation of the new back-office system. In addition, data migration and transition will also need to be

accounted for during this period. Based upon discussions with the toll road industry, this 18-month period should provide enough time for the selected contractor to complete the implementation.

In the event that NTP is delayed or the selected contractor has not completed the transition, staff is recommending amending the existing three-party agreement for up to an additional six months at the discretion of the Agencies. The terms of the optional extension include one-month extensions commencing July 2021 through December 2021. For instance, if the Agencies only need two months, then only two months will be utilized from the amendment. The cost for the amendment would be equal to the same amount being paid for the last year of the three-party agreement (fiscal year 2021), plus the actual rate of inflation capped at five percent. The cost of the optional extension to OCTA, assuming an inflation rate of five percent, is estimated to be \$572,916 per month.

#### Fiscal Impact

Funding for Amendment No. 4 to Agreement No. C-3-1529 will be included in the 91 Express Lanes Fiscal Year 2021-22 Budget under account 0036-7350-B0100-A5H.

#### **Summary**

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-3-1529 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC, in an amount not to exceed \$3,437,496, for six, one-month optional extension periods from July 1, 2021 through December 31, 2021, for continued operating services on the 91 Express Lanes.

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**Attachment**

- A. Three-Party Operating Agreement No. C-3-1529 Fact Sheet

**Prepared by:**



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Kirk Avila  
General Manager  
Express Lanes Programs  
714-560-5674

**Approved by:**



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Kenneth Phipps  
Deputy, Chief Executive Officer  
Executive Office  
714-560-5637



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Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
714-560-5623

**Three-Party Operating Agreement No. C-3-1529  
Fact Sheet**

1. May 24, 2013, Agreement No. C-3-1529, \$30,594,517, approved by the Board of Directors (Board).
  - Cofiroute USA, LLC (Cofiroute) to provide management and operational services for the 91 Express Lanes.
  - Agreement to be effective upon Riverside County Transportation Commission's (RCTC) Actual Opening Date of the 91 Express Lanes extension in Riverside County.
2. December 14, 2016, Amendment No. 1 to Agreement No. C-3-1529, \$0.00, approved by Contracts Administration and Materials Management Department.
  - Removed certain services associated with the Customer Assistance Specialist role from the joint statement of work and re-assigned those services to the Orange County Transportation Authority's statement of work as requested by RCTC.
  - Revised RCTC's statement of work to remove the pre-operation costs related to Customer Assistance Specialist and include terms regarding maintenance vehicles to be acquired by Cofiroute.
3. March 27, 2017, Amendments Nos. 2 and 3 to Agreement No. C-3-1529, \$1,302,562, approved by the Board.
  - Amendment No. 2 for inclusion of the joint software license, software maintenance, and escrow agreements, \$0.00.
  - Amendment No. 3 for maintenance and support services for the 91 Express Lanes Electronic Toll and Traffic Management systems, \$1,302,562.
4. July 22, 2019, Amendment No. 4 to Agreement No. C-3-1529, \$3,437,496, pending approval by the Board.
  - Extend the agreement for six, one-month optional extension periods from July 1, 2021 through December 31, 2021.

Total commitment to Agreement No. C-3-1529: \$ 35,334,575



**July 10, 2019**

**To:** Finance and Administration Committee

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

**Subject:** Amendment to Agreement for System Manager and Business Analyst Support

**Overview**

On August 25, 2014, the Orange County Transportation Authority Board of Directors approved an agreement with Carpe Datum to provide system manager and business analyst support services for various financial systems used by the Financial Planning and Analysis Department for a five-year term, with one two-year option term. An amendment is required to exercise the option term of the agreement.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-4-1559 between the Orange County Transportation Authority and Carpe Datum to exercise the two-year option term of the agreement, effective September 1, 2019 through August 31, 2021, in the amount of \$383,984, to provide system manager and business analyst support. This will increase the maximum obligation for a total contract value of \$1,398,192.

**Discussion**

The Orange County Transportation Authority's (OCTA) Financial Planning and Analysis (FP&A) Department contracts with Carpe Datum to provide system development, ongoing systems maintenance, verification of data integrity, training for newly developed workspaces, as well as for recommendations to FP&A management regarding the impact of future improvement of financial models and technology trends.

The FP&A Department currently utilizes Budget and Budget-to-Actuals Reporting System (BUDBAR) to support one of its primary functions. This system helps ensure the development of the budget, tracking of budget-to-actuals, and contract purchase requisitions.

The consultant is responsible for ensuring the stability of each of these systems, as well as the integrity of the data. In addition, the consultant ensures the system operates efficiently and interfaces properly with other financial systems, including accounting, procurement, and payroll. The consultant is also responsible for working with FP&A staff to develop new systems, workspaces, reports, improve work efficiency, and quality of reporting within the FP&A Department. Combining the system manager function with the duties previously undertaken has proven to be a cost-effective way to manage the workload in the FP&A Department while maintaining a high-quality work product. The consultant is also responsible for providing technical leadership in the development of financial and business planning models in areas such as grant reimbursement, labor reporting, trend analysis, and cost-benefit analysis.

***Procurement Approach***

This procurement was originally handled in accordance with OCTA’s Board of Directors (Board)-approved policies and procedures for professional and technical services. On August 25, 2014, the Board approved the award of the agreement with Carpe Datum. The original agreement was awarded on a competitive basis and includes a five-year initial term with one, two-year option term, in the amount of \$881,920. The agreement has been previously amended in accordance with Attachment A. The initial term of the agreement will expire on August 31, 2019, requiring the option term to be exercised extending the term through August 31, 2021, in the amount of \$383,984, and bringing the total contract value to \$1,398,192.

The hourly rate for the option term was negotiated in the original agreement. Exercising the option term will allow Carpe Datum to continue providing system manager and business analyst support.

**Fiscal Impact**

The local funds allocated for this agreement are included in OCTA’s Finance and Administration Division Fiscal Year 2019-20 Budget; Financial Planning and Analysis, Account 1250-7519-A5266-CAV.

***Summary***

Staff is recommending the Board authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-4-1559 with Carpe Datum, to exercise the two-year option term in the amount of \$383,984, for a total contract value of \$1,398,192, to provide system manager and business analyst support.

***Attachment***

- A. Carpe Datum, Agreement No. C-4-1559 Fact Sheet

**Prepared by:**



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Victor Velasquez  
Department Manager, Financial  
Planning and Analysis  
(714) 560-5592

**Approved by:**



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



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Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
(714) 560-5623

**Carpe Datum  
Agreement No. C-4-1559  
Fact Sheet**

1. August 25, 2014, Agreement No. C-4-1559, \$881,920 for a five-year initial term with one, two-year option term approved by the Board of Directors (Board).
  - Carpe Datum provides system manager/business analysis support for the Financial Planning and Analysis Department
  - Initial term effective September 2, 2014 through August 31, 2019, with one, two-year option term
2. March 20, 2017, Amendment No. 1 to Agreement No. C-4-1559, \$0.00, approved by Contracts Administration and Materials Management (CAMM).
  - Amendment to update the physical address of the vendor
3. December 17, 2018, Amendment No. 2 to Agreement No. C-4-1559, \$132,288, approved by CAMM.
  - Amendment to increase the maximum obligation to accommodate continued support on existing ACCESS based modules
4. July 22, 2019, Amendment No. 3 to Agreement No. C-4-1559, \$383,984, pending approval by the Board.
  - Amendment to exercise the two-year option term of the agreement effective September 1, 2019 through August 31, 2021

Total commitment to Carpe Datum, Agreement No. C-4-1559: \$1,398,192.



**July 10, 2019**

**To:** Finance and Administration Committee

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

**Subject:** Orange County Transportation Authority Investment and Debt Programs Report – May 2019

**Overview**

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending May 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. Nissan, an issuer for asset-backed securities held by Orange County Transportation Authority, was downgraded from A2 to A3, which is below Orange County Transportation Authority's investment policy requirement of A2. The asset-backed securities continue to be AAA-rated with no negative price action since the Nissan downgrade, so Orange County Transportation Authority has chosen to retain the securities.

**Recommendation**

Receive and file as an information item.

**Discussion**

As of May 31, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.03 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, bond proceeds portfolio to meet Measure (M2) transportation program needs, and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

The weighted average book yield for the OCTA portfolio is 2.4 percent. The book yield measures the exact income, or interest, on a bond without regard to market

price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

The OCTA's month-end balance in the Local Agency Investment Fund was \$10,610,270, with an average monthly effective yield of 2.5 percent. The OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$206,243. Yields for the month of May will be received in June in alignment with the timing of the County of Orange investment report. For the month of April, the monthly gross yield for the OCIP was 2.2 percent.

On Friday, May 24, 2019, Moody's downgraded the long-term debt rating of Nissan from A2 to A3 based on the decline in profitability of its United States operations due to its passenger car focus and residual issues regarding its governance challenges. OCTA holds four asset-backed security positions in Nissan Auto/Lease for a total of \$9.1 million. OCTA's current investment policy requires the issuer of asset-backed securities to have long-term debt rated a minimum of A2, so the downgrade has put Nissan's long-term debt rating below the requirements of the investment policy. OCTA's investment policy also requires asset-backed securities to be AAA-rated, and the four Nissan asset-backed securities remain AAA-rated. Since the downgrade of Nissan's long-term debt, there has been no negative price action on the AAA-rated asset-backed securities. Given the continued strong AAA-rating of the asset-backed securities and the recommendation from the investment manager holding the Nissan securities, OCTA's treasurer has decided to retain the securities. The Treasurer presented his recommendation to the Deputy Chief Executive Officer who concurred. OCTA will continue to monitor Nissan and the ratings for both the long-term debt and asset-backed securities to ensure no further downgrades to Nissan's long-term debt rating and that the asset-backed securities retain a AAA-rating.

OCTA's debt portfolio had an outstanding principal balance of \$1.02 billion as of May 31, 2019. Approximately 62 percent of the outstanding balance is comprised of M2 debt, ten percent is associated with the 91 Express Lanes Program, and 28 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

### ***Summary***

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending May 31, 2019.

***Attachment***

- A. Orange County Transportation Authority Investment and Debt Programs  
– For the Period Ending May 31, 2019.

**Prepared by:**



Sean Murdock  
Director  
Finance and Administration  
(714) 560-5685

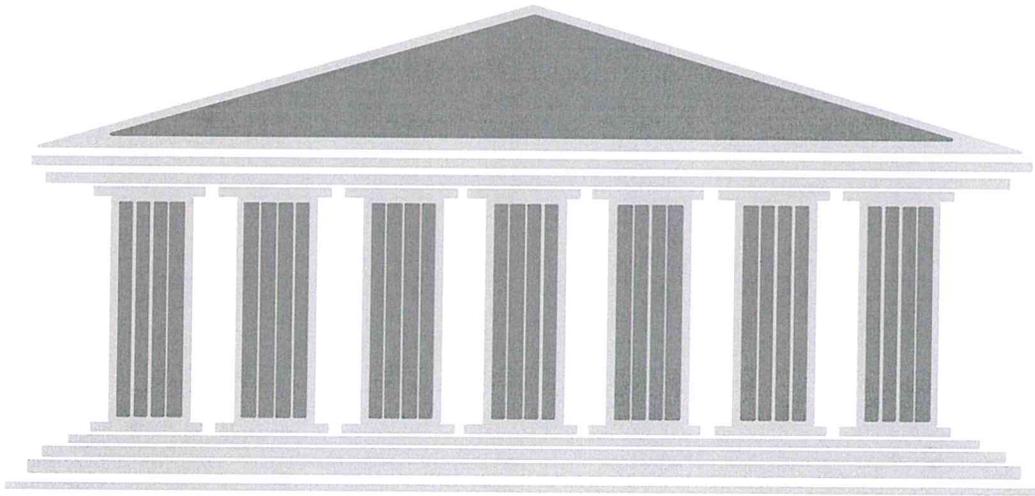
**Approved by:**



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

**Treasury/Public Finance Department's  
Report On**

**Orange County Transportation Authority  
Investment and Debt Programs**



**Presented to the  
Finance and Administration Committee**

**For The Period Ending  
May 31, 2019**

# INVESTMENT PROGRAM

# OCTA Investment Dashboard

As of 5/31/19

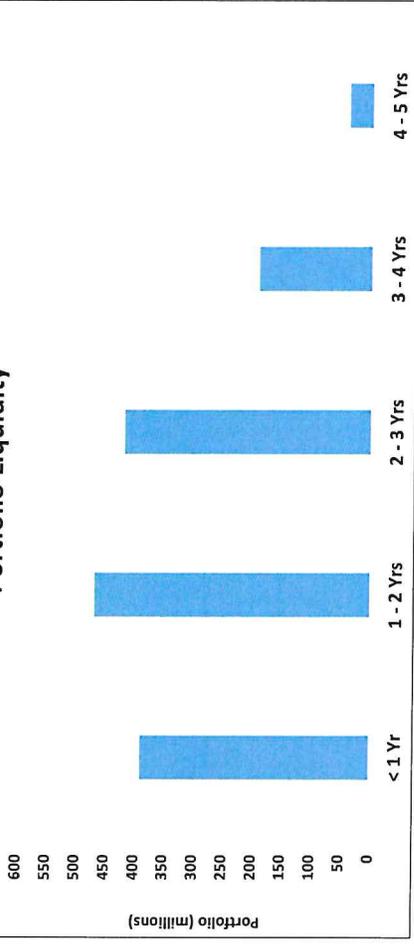
## Safety of Principal

Securities that fall below OCTA's minimum credit quality requirements:  
None

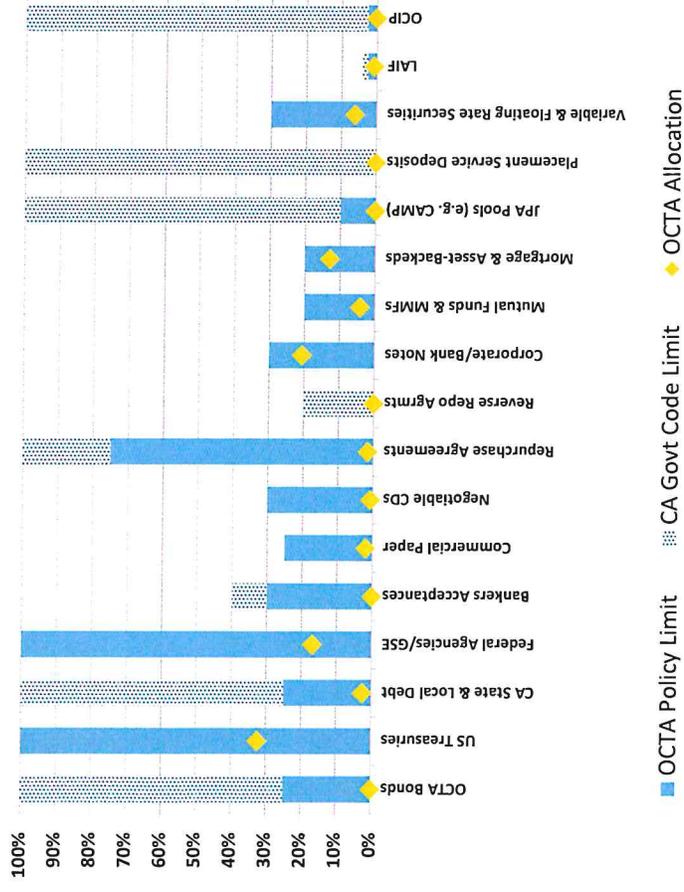
Issuers that fall below OCTA's minimum credit quality requirements:  
Payden & Rygel

On Friday, May 24, 2019 Moody's downgraded the long-term debt rating of Nissan to A3 from A2, which falls below the investment policy requirement of A2. Current Nissan securities held by OCTA were not impacted by issuer downgrade, and remain AAA rated which meets the requirements of the investment policy.

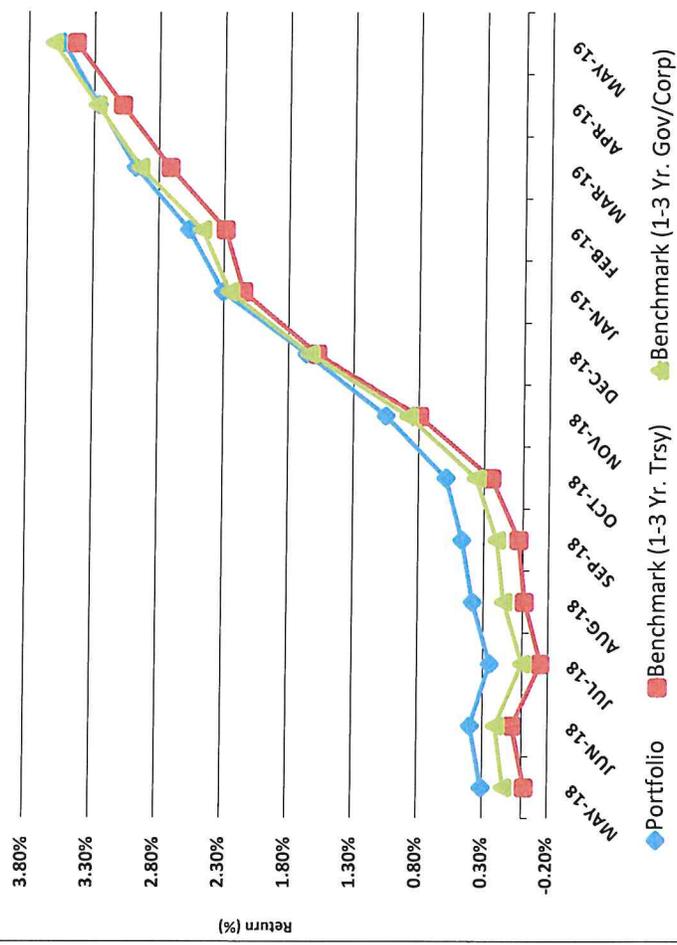
## Portfolio Liquidity



## Portfolio Diversification



## Portfolio Return - 12 Month



# Investment Profile

5/31/2019

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>LIQUID PORTFOLIO</i>				
OCTA	BNY Mellon	Trustee	Cash	60.0
OCTA	Bank of the West	Broker	Cash	24.5
OCTA	U.S Bank	Trustee	Cash	0.0
<i>SHORT-TERM PORTFOLIO</i>				
Logan Circle Partners	Union Bank	Custodian	Per OCTA Investment Policy	376.0
Chandler Asset Management	Union Bank	Custodian	Per OCTA Investment Policy	377.0
Payden & Rygel Investment Counsel	Union Bank	Custodian	Per OCTA Investment Policy	379.8
Public Financial Management (PFM)	Union Bank	Custodian	Per OCTA Investment Policy	377.4
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Per LAIF Investment Policy	10.6
Orange County Treasurer	OCIP	Custodian	Per OCIP Investment Policy	0.2
<i>BOND PROCEED PORTFOLIO</i>				
OCTA	Bank of Nova Scotia	Custodian	Per Measure M2 Bond Indenture	383.4
OCTA	BNY Mellon	Trustee	Per GIC Agreement	18.6
<i>RESERVE FUNDS PORTFOLIO</i>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	11.2
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.0
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.0
Bank Deposits/Cash				0.5
<b>TOTAL</b>				<b>\$2,032.2</b>

# Short-Term Portfolio - \$1.51 Billion

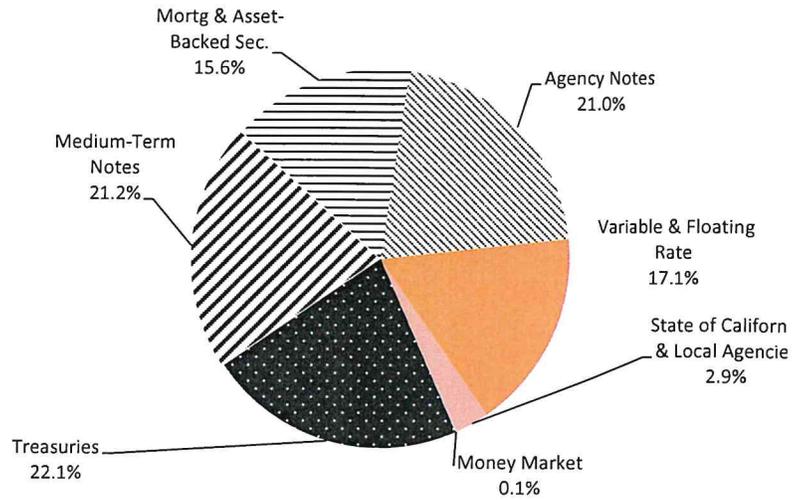
5/31/2019

Part 1 of 2

## Logan Circle Partners

Book Value \$ 376,045,982

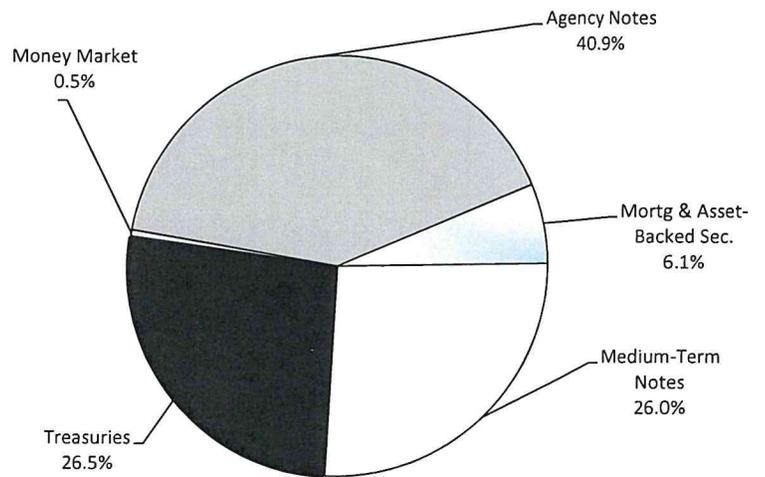
Market Value \$ 377,833,732



## Chandler Asset Management

Book Value \$ 377,020,661

Market Value \$ 379,839,826



Market Value Reported By Clearwater

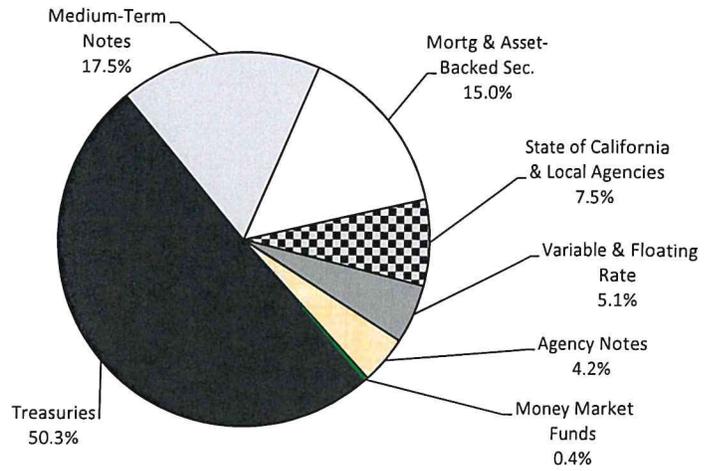
# Short-Term Portfolio - \$1.51 Billion

5/31/2019

Part 2 of 2

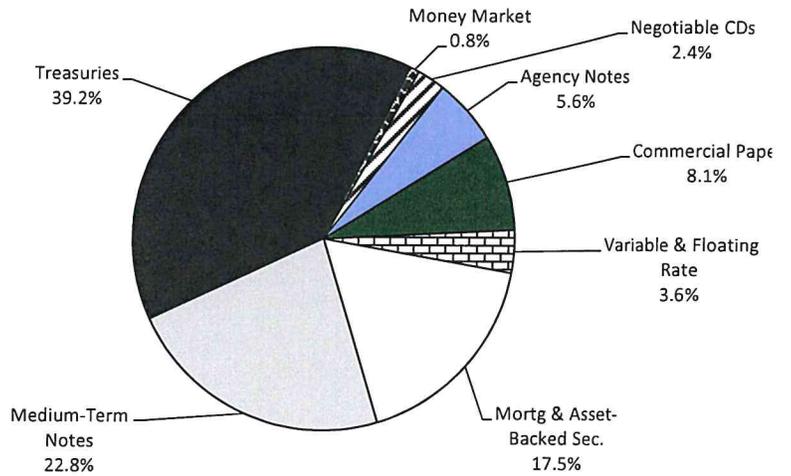
## Payden & Rygel

Book Value	\$	379,751,345
Market Value	\$	382,208,022



## Public Financial Management (PFM)

Book Value	\$	377,352,567
Market Value	\$	381,215,158



Market Value Reported By Clearwater

# Short-Term Portfolio Maturity Schedule

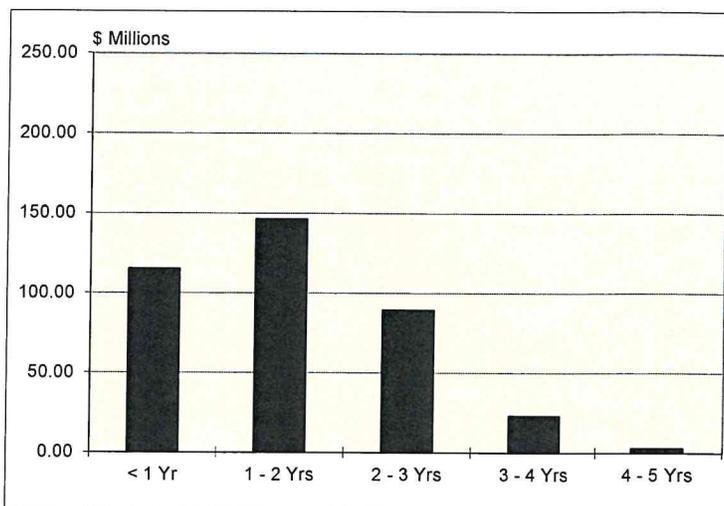
## 5/31/2019

### Logan Circle Partners (\$376.0 M)

Monthly Return 0.42%  
 TSY Benchmark 0.71%  
 Gov/Corp Benchmark 0.69%

Fiscal YTD Return 3.03%  
 TSY Benchmark 3.43%  
 Gov/Corp Benchmark 3.60%

12 Month Return 3.06%  
 TSY Benchmark 3.44%  
 Gov/Corp Benchmark 3.61%

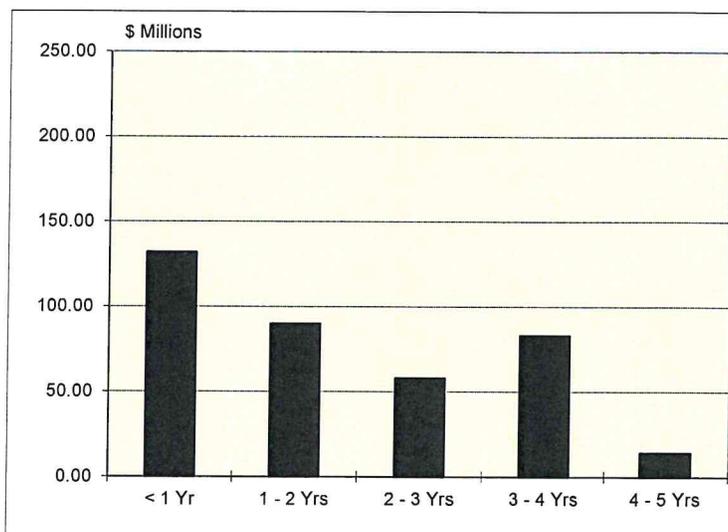


### Chandler Asset Management (\$377.0 M)

Monthly Return 0.66%  
 Benchmark Comparison 0.71%  
 Gov/Corp Benchmark 0.69%

Fiscal YTD Return 3.54%  
 TSY Benchmark 3.43%  
 Gov/Corp Benchmark 3.60%

12 Month Return 3.58%  
 TSY Benchmark 3.44%  
 Gov/Corp Benchmark 3.61%



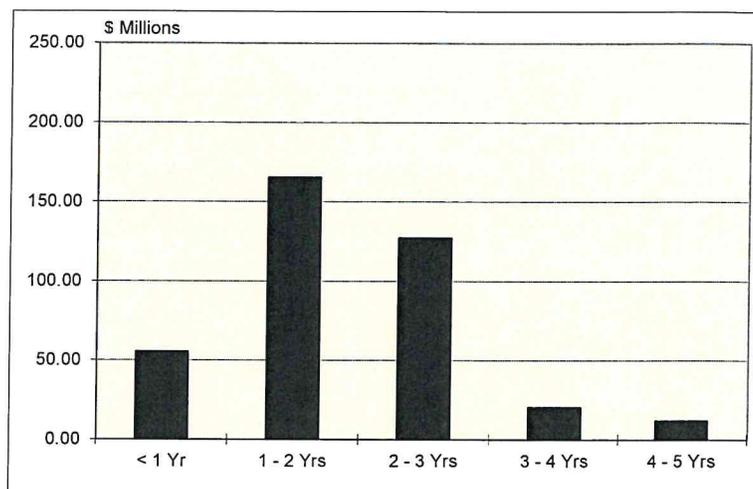
Yield Curve Change			
From 4/30/19 to 5/31/19			
	4/30/19	5/31/19	Change
1 Year	2.403%	2.040%	-0.3630%
2 Year	2.341%	1.839%	-0.5020%
3 Year	2.315%	1.806%	-0.5090%
5 Year	2.348%	1.864%	-0.4840%
30 Year	2.944%	2.625%	-0.3190%

# Short-Term Portfolio Maturity Schedule

## 5/31/2019

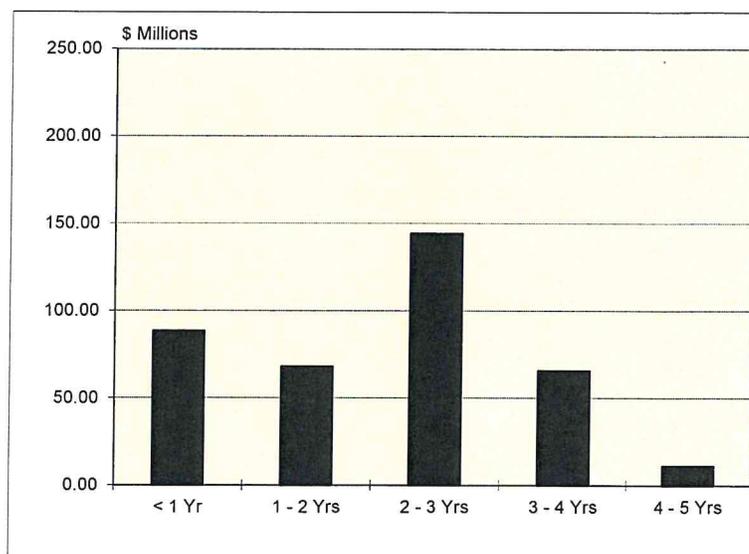
### Payden & Rygel (\$379.8 M)

Monthly Return	0.70%
TSY Benchmark	0.71%
Gov/Corp Benchmark	0.69%
Fiscal YTD Return	3.64%
TSY Benchmark	3.43%
Gov/Corp Benchmark	3.60%
12 Month Return	3.71%
TSY Benchmark	3.44%
Gov/Corp Benchmark	3.61%



### Public Financial Management (\$377.4 M)

Monthly Return	0.71%
TSY Benchmark	0.71%
Gov/Corp Benchmark	0.69%
Fiscal YTD Return	3.72%
TSY Benchmark	3.43%
Gov/Corp Benchmark	3.60%
12 Month Return	3.79%
TSY Benchmark	3.44%
Gov/Corp Benchmark	3.61%

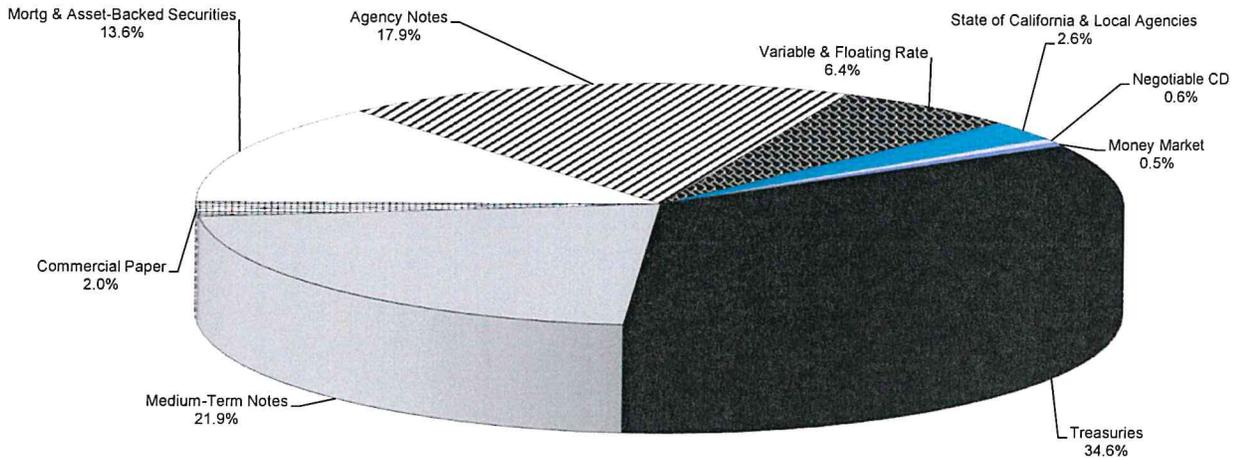


Yield Curve Change			
From 4/30/19 to 5/31/19			
	<u>4/30/19</u>	<u>5/31/19</u>	<u>Change</u>
1 Year	2.403%	2.040%	-0.3630%
2 Year	2.341%	1.839%	-0.5020%
3 Year	2.315%	1.806%	-0.5090%
5 Year	2.348%	1.864%	-0.4840%
30 Year	2.944%	2.625%	-0.3190%

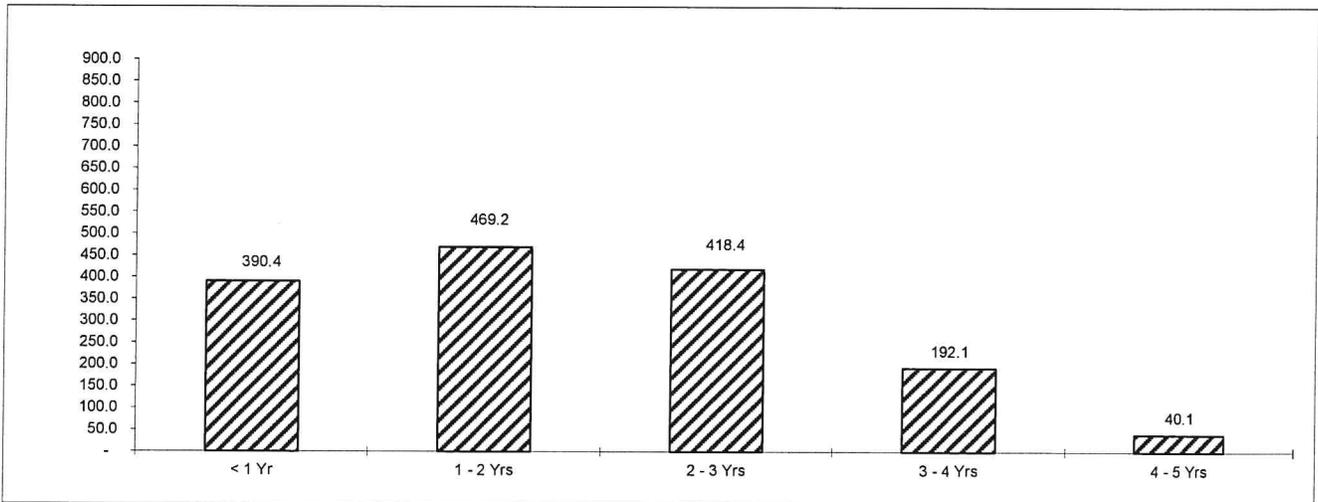
# Short-Term Portfolio

5/31/2019

## Total Portfolio Composition

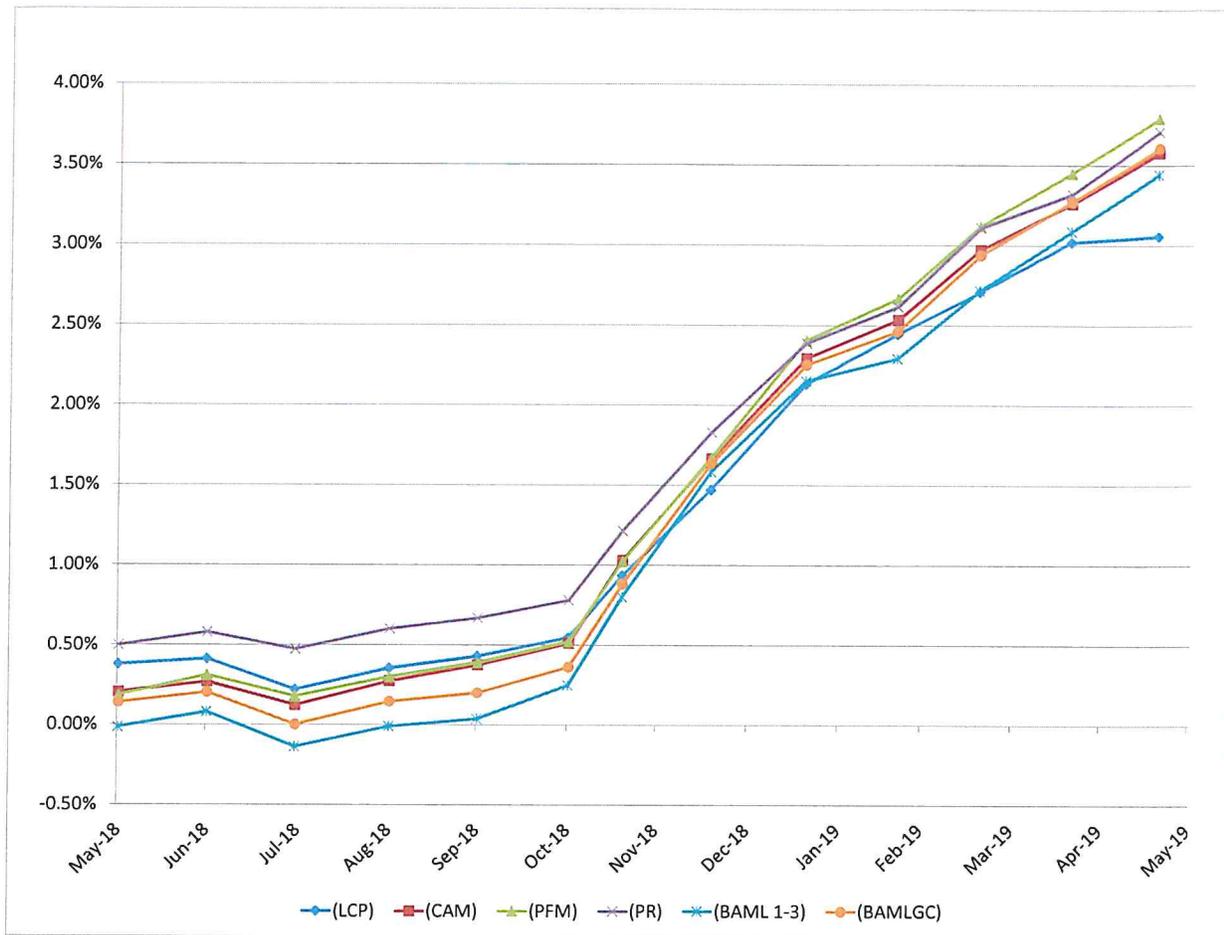


## Total Portfolio Maturity Schedule



## Short-Term Portfolio Performance 5/31/2019

**Trailing 1-Year Total Return  
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks**

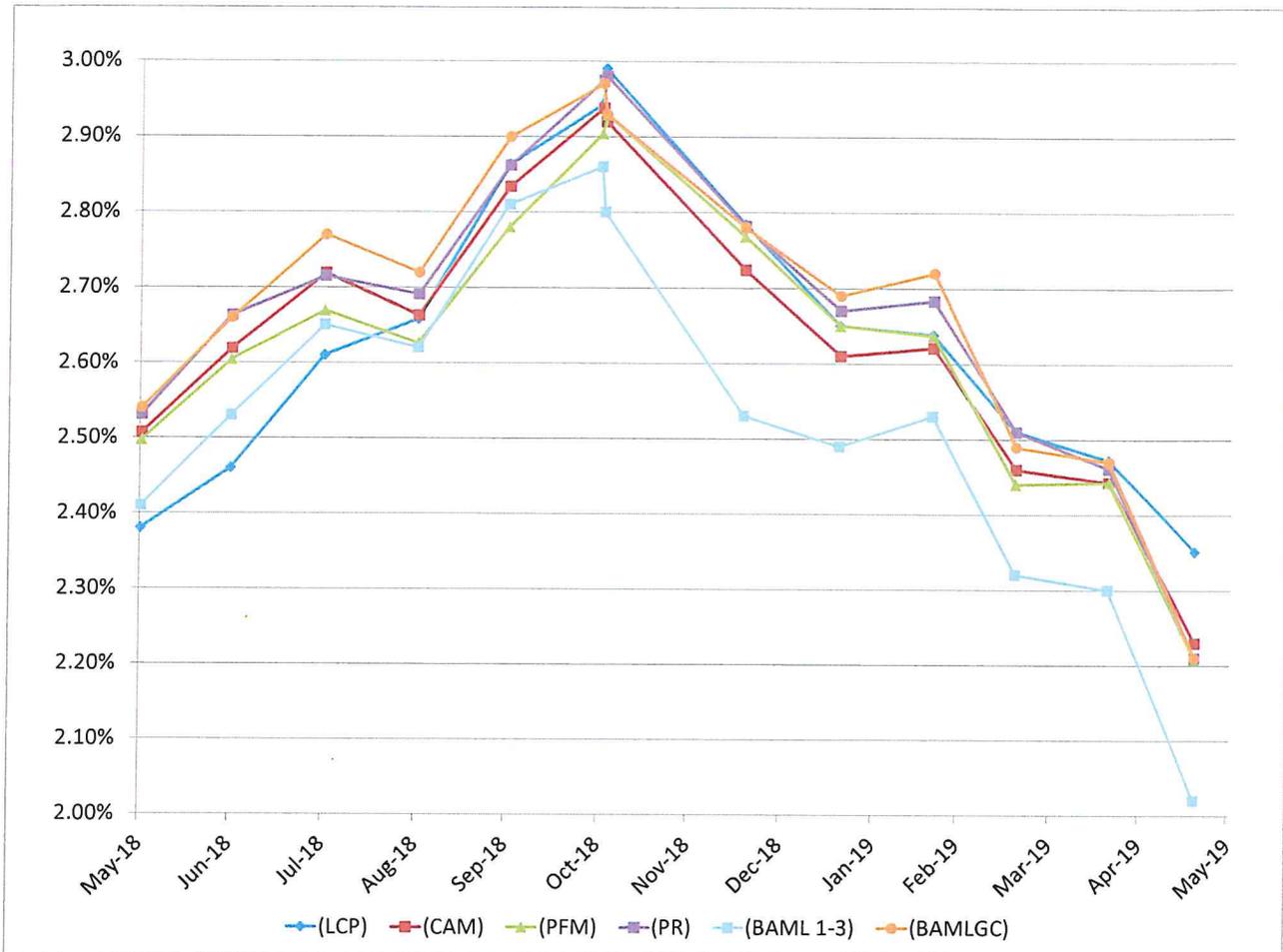


	Logan Circle Partners <u>(LCP)</u>	Chandler Asset Mgmt <u>(CAM)</u>	Public Fin Mgmt <u>(PFM)</u>	Payden & Rygel <u>(PR)</u>	ICE/BAML 1-3 Yr Trsy <u>(BAML 1-3)</u>	BAML 1-3 Yr Gov/Corp <u>(BAMLGC)</u>
May-18	0.38%	0.21%	0.18%	0.50%	-0.02%	0.14%
Jun-18	0.41%	0.27%	0.31%	0.58%	0.08%	0.20%
Jul-18	0.22%	0.12%	0.18%	0.47%	-0.14%	0.00%
Aug-18	0.35%	0.27%	0.30%	0.60%	-0.01%	0.15%
Sep-18	0.43%	0.38%	0.39%	0.67%	0.04%	0.20%
Oct-18	0.55%	0.51%	0.52%	0.78%	0.25%	0.36%
Nov-18	0.93%	1.03%	1.02%	1.22%	0.80%	0.88%
Dec-18	1.47%	1.67%	1.67%	1.83%	1.58%	1.64%
Jan-19	2.13%	2.29%	2.41%	2.39%	2.15%	2.25%
Feb-19	2.44%	2.54%	2.67%	2.62%	2.29%	2.46%
Mar-19	2.71%	2.97%	3.12%	3.11%	2.72%	2.94%
Apr-19	3.02%	3.26%	3.45%	3.32%	3.08%	3.27%
May-19	3.06%	3.58%	3.79%	3.71%	3.44%	3.61%

# Short-Term Portfolio Performance

5/31/2019

Historical Yields  
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
May-18	2.38%	2.51%	2.50%	2.53%	2.41%	2.54%
Jun-18	2.46%	2.62%	2.60%	2.66%	2.53%	2.66%
Jul-18	2.61%	2.72%	2.67%	2.72%	2.65%	2.77%
Aug-18	2.66%	2.66%	2.63%	2.69%	2.62%	2.72%
Sep-18	2.86%	2.83%	2.78%	2.86%	2.81%	2.90%
Oct-18	2.94%	2.94%	2.90%	2.98%	2.86%	2.97%
Nov-18	2.99%	2.92%	2.93%	2.98%	2.80%	2.93%
Dec-18	2.78%	2.72%	2.77%	2.78%	2.53%	2.78%
Jan-19	2.65%	2.61%	2.65%	2.67%	2.49%	2.69%
Feb-19	2.64%	2.62%	2.64%	2.68%	2.53%	2.72%
Mar-19	2.51%	2.46%	2.44%	2.51%	2.32%	2.49%
Apr-19	2.47%	2.44%	2.44%	2.46%	2.30%	2.47%
May-19	2.35%	2.23%	2.21%	2.21%	2.02%	2.21%

# Investment Policy Compliance

## 5/31/2019

---

Portfolio Subject to Investment Policy	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
<u>Liquid and Short-Term Portfolio</u>			
U.S. Treasuries	521,938,999	32.5%	100%
Federal Agencies & U.S. Government Sponsored *	269,952,905	16.8%	100%
State of California & Local Agencies	39,252,383	2.4%	25%
Bankers Acceptances	-	0.0%	30%
Commercial Paper	30,598,797	1.9%	25%
Negotiable Certificates of Deposit	9,000,000	0.6%	30%
Repurchase Agreements	24,560,517	1.5%	75%
Medium Term Maturity Corporate Securities	330,296,619	20.6%	30%
Money Market & Mutual Funds	66,899,273	4.2%	20%
Mortgage and Asset-backed Securities	205,083,183	12.8%	20%**
Local Agency Investment Fund (LAIF)	10,610,270	0.7%	\$ 40 Million
Orange County Investment Pool (OCIP)	206,243	0.0%	\$ 40 Million
Variable & Floating Rate Securities	97,150,991	6.1%	30%
<b>TOTAL</b>	<b>1,605,550,179</b>	<b>100.0%</b>	

\* See attached page for a detailed listing of this category

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

### Portfolio Subject to Indenture

#### Bond Proceeds Portfolio

	Dollar Amount Invested
Money Market Funds	18,554,034
Guaranteed Investment Contract	383,350,000
	<hr/> 401,904,034

#### Reserve Funds Portfolio

Commercial Paper	24,758,613
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# Investment Policy Compliance

## 5/31/2019

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### Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<i><u>Federal Agencies &amp; U.S. Government Sponsored</u></i>			
Federal Home Loan Bank (FHLB)	118,172,907	7.4%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	67,019,498	4.2%	35%
Federal Farm Credit Bank (FFCB)	37,674,091	2.3%	35%
Federal National Mortgage Association (FNMA)	68,080,045	4.2%	35%
	290,946,542 *	18.1%	

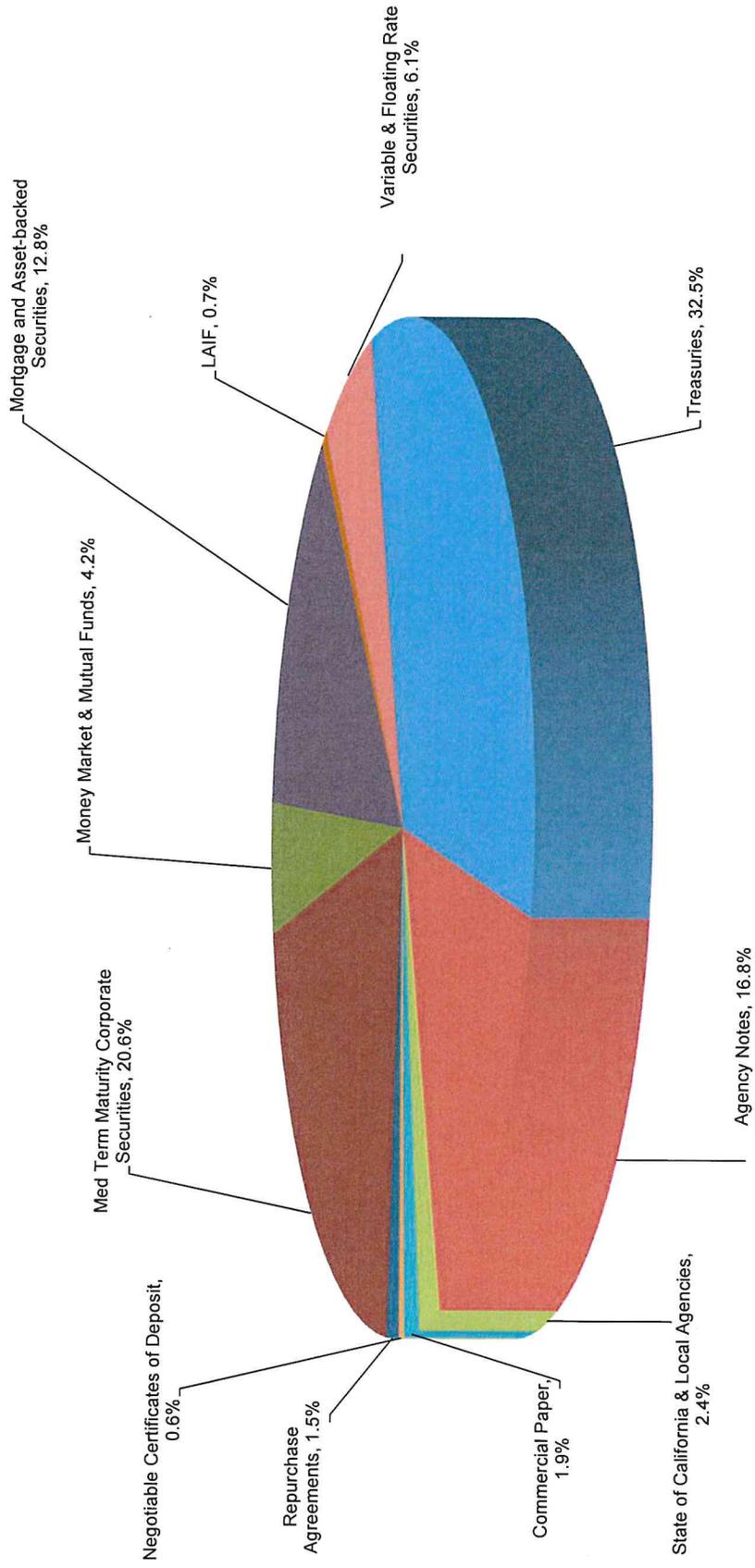
\* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

### Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	4,902	0.0%
Blackrock Institutional T-Fund	6,896,679	0.4%
Fidelity Treasury Obligations MMF	30,141,569	1.9%
Federated Treasury Obligations Fund	<u>29,856,123</u>	<u>1.9%</u>
	66,899,273	4.2%

# Investment Allocation for Liquid and Short-Term Portfolio

5/31/2019

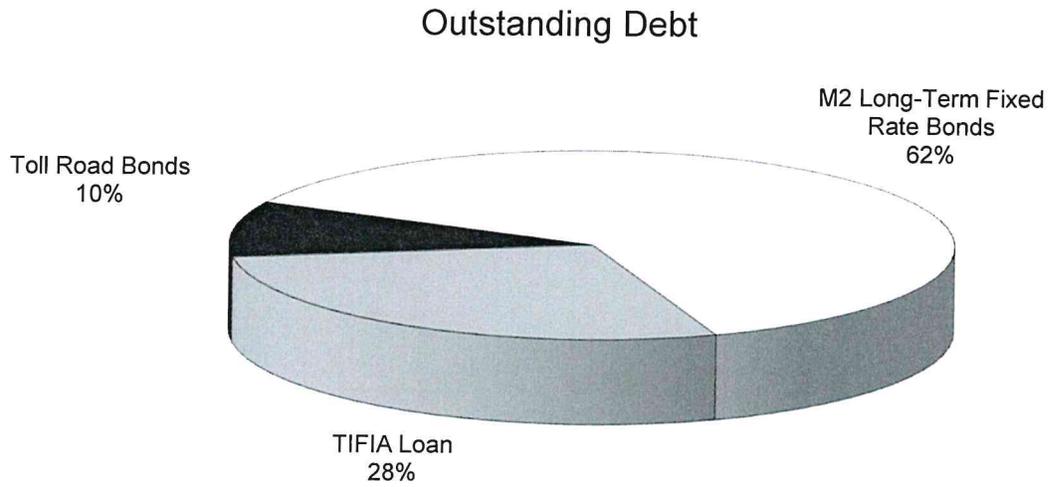


# DEBT PROGRAM

# Total Outstanding Debt

## As of 5/31/19

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**TOTAL OUTSTANDING DEBT: \$1,020,015,000**

# Outstanding Debt

## As of 5/31/19

### Orange County Local Transportation Authority (OCLTA-M2)

#### 2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Issued:	\$	293,540,000
Outstanding:		250,000,000
Debt Service FY 2019:		19,880,488
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings		Aa2/AA+/AA+
Final Maturity		2041

#### 2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:		8,530,000
Debt Service FY 2019:		8,914,350
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings		Aa2/AA+/AA+
Final Maturity		2020

#### 2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		376,690,000
Debt Service FY 2019:		-
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings:		AA+/AA+
Final Maturity:		2041

### 91 Express Lanes

#### 2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		97,795,000
Debt Service FY 2019:		10,796,325
Pledged Revenue Source:		91 Toll Road Revenues
Underlying Ratings		A1/AA-/A+
Final Maturity		2030

### 405 Express Lanes

#### 2017 TIFIA Loan

Outstanding:	\$	287,000,000
Accrued Debt Service FY 2019:	\$	6,998,351
Pledged Revenue Source:		405 Toll Road Revenues
Ratings		Baa2
Final Maturity		2057