



AGENDA

Finance and Administration Committee Meeting

Committee Members

Andrew Do, Chairman
Richard Murphy, Vice Chairman
Michael Hennessey
Steve Jones
Todd Spitzer
Michelle Steel

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California

Wednesday, June 13, 2018 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 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 Steel

1. Public Comments

Special Calendar

2. Investment Management Presentation

Rodney Johnson/Andrew Oftelie

Orange County Transportation Authority contracts with four investment management firms to actively manage the short-term investment portfolio. Each of the three new firms will be presenting to the Finance and Administration Committee during the coming months. Mia Corral Brown and Jason Schmitt from Chandler Asset Management will present an introduction to their firm, and provide commentary on economic trends and the fixed-income market.



Consent Calendar (Items 3 through 6)

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 May 23, 2018.

4. Fiscal Year 2017-18 Third Quarter Budget Status Report

Anthony Baruch/Andrew Oftelie

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2017-18 budget. This report summarizes the material variances between the budget and actual revenue and expenses through the third quarter of fiscal year 2017-18.

Recommendation

Receive and file as an information item.

5. Sole Source Agreement for Upgraded ID Card System

Catherine Whitmore/Andrew Oftelie

Overview

The Orange County Transportation Authority originally purchased the UltraBadge Enterprise software in 2004 for various badging purposes. Staff is now seeking to upgrade the UltraBadge Automated Fare Management software. A proposal was solicited and received from Productive Solutions, Inc., in accordance with the Orange County Transportation Authority's sole source procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-8-1670 between the Orange County Transportation Authority and Productive Solutions, Inc., in the amount of \$120,000 for the purchase of software and services to upgrade to the Ultrabadge Automated Fare Management software version.



6. Agreement for Data Center Colocation Services
Barry Reynolds/Andrew Oftelie

Overview

The Orange County Transportation Authority requires a firm to provide data center colocation services for the hosting of the Orange County Transportation Authority's business application computing infrastructure. A competitive procurement has been conducted and offers were received 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 for these services.

Recommendations

- A. Approve the selection of Switch Ltd., as the firm to provide data center colocation services for the hosting of the Orange County Transportation Authority's business application computing infrastructure.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1507 between the Orange County Transportation Authority and Switch Ltd., in the amount of \$623,820, for a five-year initial term, with one, three-year option term to provide data center colocation services.

Regular Calendar

There are no Regular Calendar items scheduled.

Discussion Items

7. Update: Senior Mobility Program Operated by Korean American Senior Association
Janet Sutter

Staff will provide an update on the status of corrective actions taken by the Korean American Senior Association related to their senior mobility program.



AGENDA

Finance and Administration Committee Meeting

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, June 27, 2018**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

Orange County Transportation Authority

Investment Management Services

June 13, 2018

Jayson Schmitt, CFA
*Executive Vice President
Portfolio Manager*

Mia Corral Brown
*Senior Vice President
Relationship Manager*





SECTION 1

Introductions to Chandler Asset Management

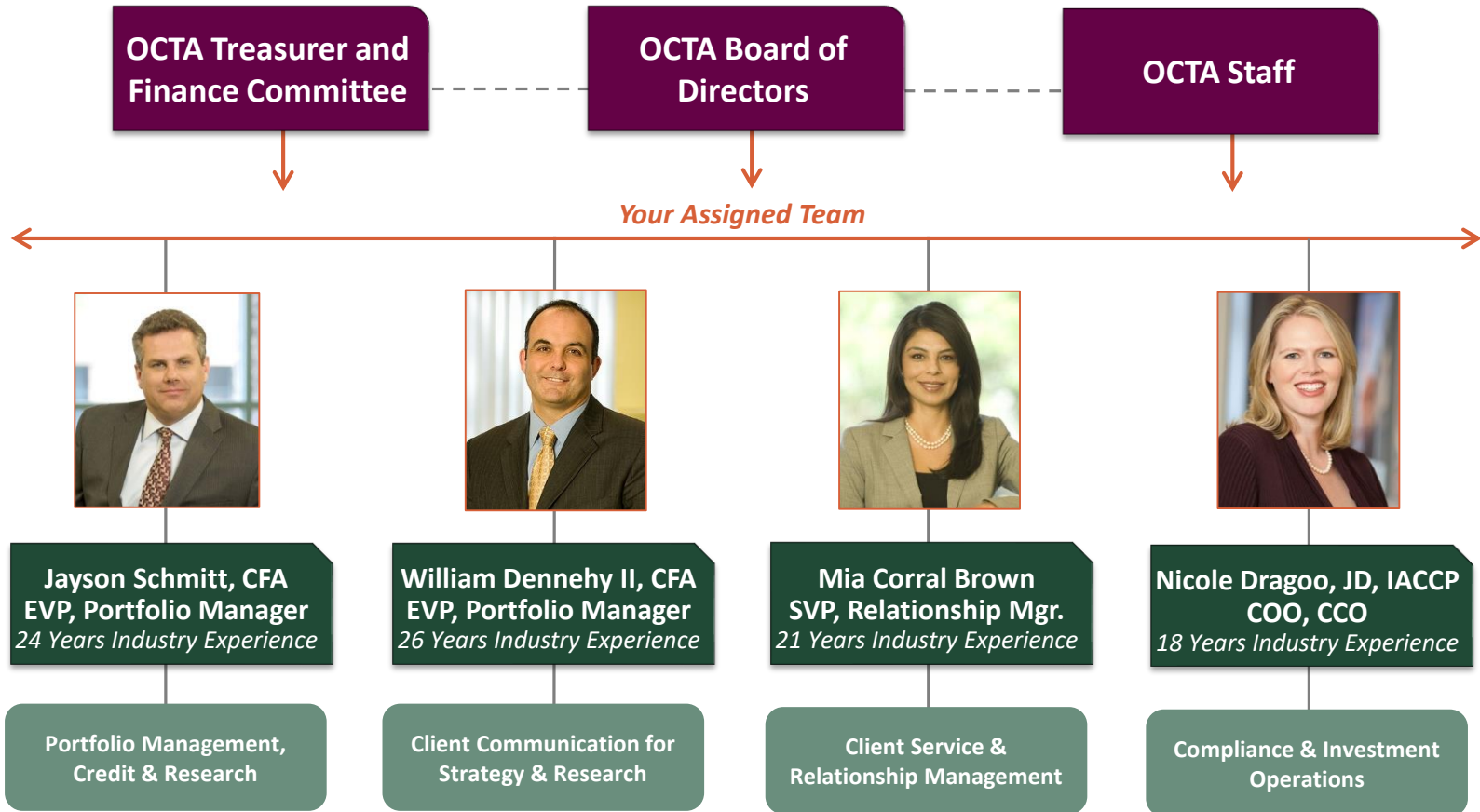
SECTION 2

Economic Update

Section 1 | Introduction to Chandler Asset Management



Experienced Engagement Team



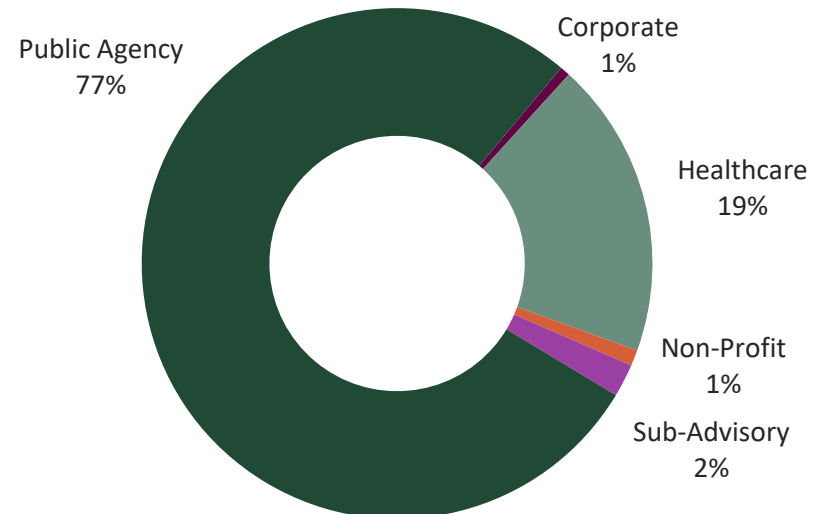
Supported by 26 Additional Professionals:
Investment Management, Compliance, Operations, Client Service and Administration



“We believe if we do what is right for our clients, our own success will follow.”

- *California Based, Independent & Employee-Owned*
 - Fixed income specialist since 1988
 - Founded by public investment professionals
 - Serve institutions with public sector focus
 - Headquartered in San Diego, CA
- *Custom Investment Programs*
 - Investment solutions based on your risk profile and return goals
 - Strategies for operating, short, and long term reserves
 - Direct contact with investment management team
- *Stable Team of Investment Professionals*
 - Team of investment professionals average over 21 years portfolio management experience
 - Disciplined, repeatable investment philosophy and process
 - Proprietary investment analysis

Assets Under Management \$14.9 Billion





Ten Largest Public Agency Clients

Client	AUM	Managed Since
Transportation Corridor Agencies, CA	\$952 M	2015
CSAC Excess Insurance Authority, CA	\$708 M	2015
Tulare County, CA	\$558 M	2002
Orange County Sanitation District, CA	\$506 M	2014
City of Tacoma, WA	\$478 M	2015
City of Long Beach, CA	\$434 M	2009
City and County of Denver, CO	\$401 M	2009
City of Boulder, CO	\$333 M	2013
Delaware State Treasury, DE	\$306 M	2013
Rancho California Water District, CA	\$265 M	1994

Sample Orange County and Transportation Clients

ACTA Corridor, CA

City of Brea, CA

City of Buena Park, CA

City of Costa Mesa, CA

City and County of Denver, CO (Airport Funds)

E-470 Highway Authority, CO

City of Fountain Valley, CA

Los Angeles County Metropolitan Transportation Authority, CA

Moulton Niguel Water District, CA

City of Newport Beach, CA

Orange County Sanitation District, CA

Sacramento Regional Transit District, CA

City of San Clemente, CA

Transportation Corridor Agencies, CA

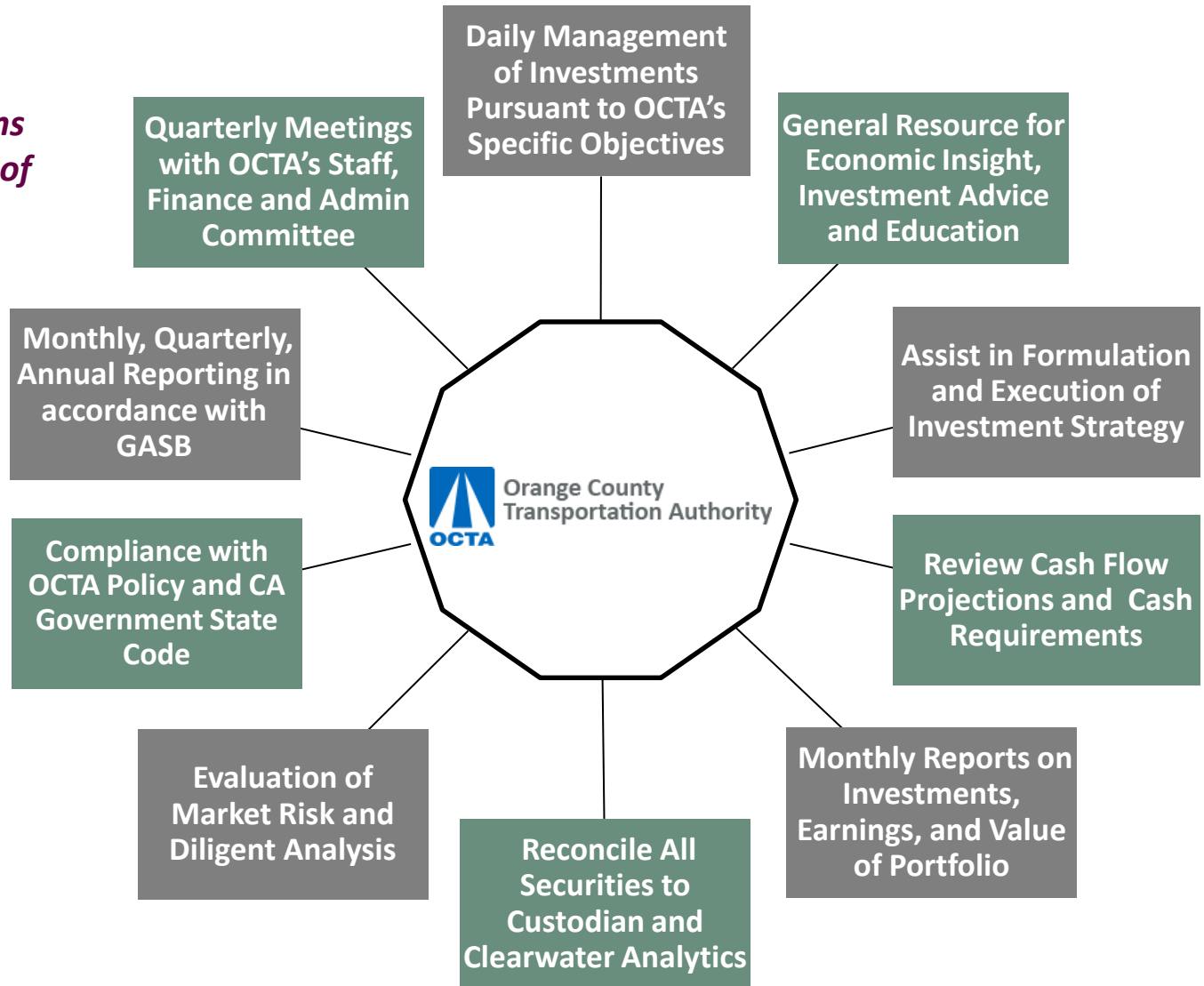
City of Westminster, CA

The list on the left includes Chandler's top ten public agency assets under management as of June 30, 2017. The list on the right includes sample Orange County, CA clients and Transportation clients as of March 31, 2018. Both lists only include clients that have given permission to be listed. It is not known whether the clients listed approve or disapprove of Chandler Asset Management and the advisory services provided. Includes discretionary and non-discretionary relationships.

We Work with You on All Aspects of Your Program



OCTA's Mission is to develop and deliver transportation solutions to enhance the quality of life and keep Orange County moving.



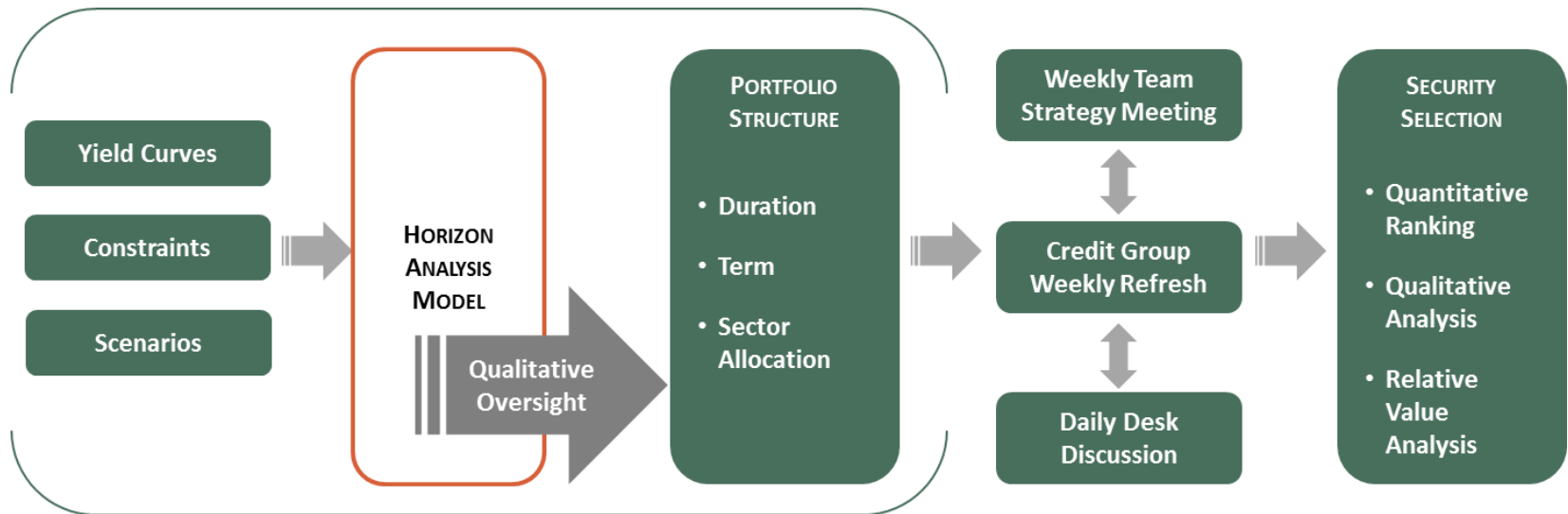


Consistent application of a disciplined, conservative investment process

- Our approach focuses on:
 - Safety of principal*
 - Appropriate levels of liquidity
 - Diversification of risk
 - Compliance with statutes, policies and objectives
 - Generating market yield and return

- Our approach utilizes investment processes and strategies we have managed for almost three decades

Chandler's Horizon Analysis Model



- Proprietary quantitative Horizon Analysis Model suggests target duration, sector allocation and term structure.
- The security selection process employs quantitative tools and rigorous qualitative analysis to determine relative value.

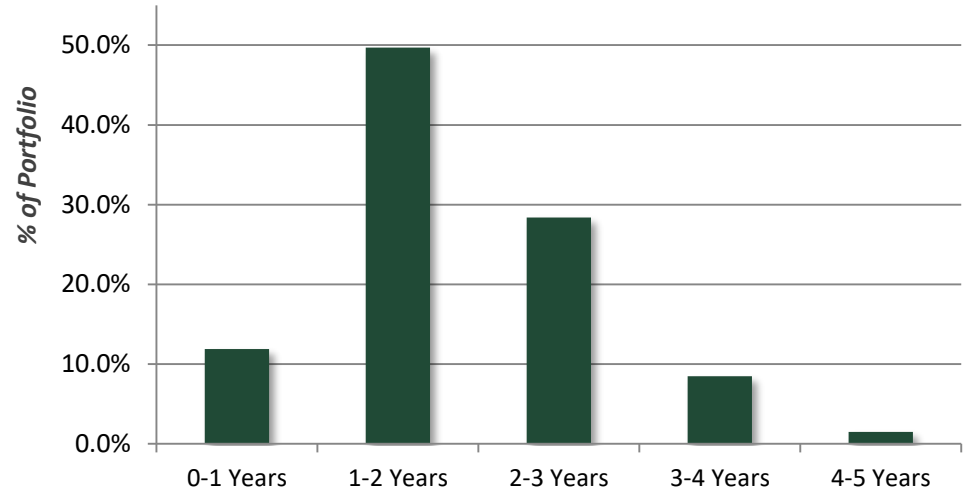
OCTA's Chandler Managed Portfolio as of May 31, 2018



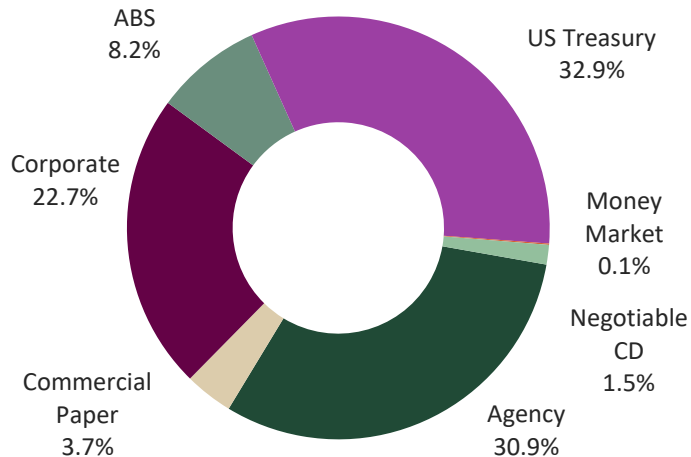
Portfolio Characteristics

Average Duration	1.65
Average Coupon	1.58%
Average Market Yield	2.52%
Average Quality (S&P/Moody)	AA/Aa1
Average Final Maturity	1.89 years
Benchmark	ICE BAML 1-3 year US Treasury Index*

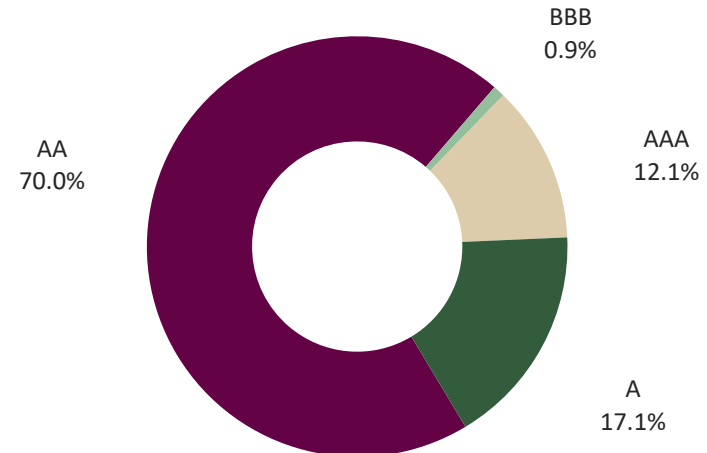
Maturity Distribution



Sector Allocation



Credit Quality (S&P)





CHANDLER VISION

“Our vision is to be the preferred and most trustworthy investment adviser. We bring the highest value, share knowledge and provide dedicated service to our employees, clients and community.”

CHANDLER PHILOSOPHY

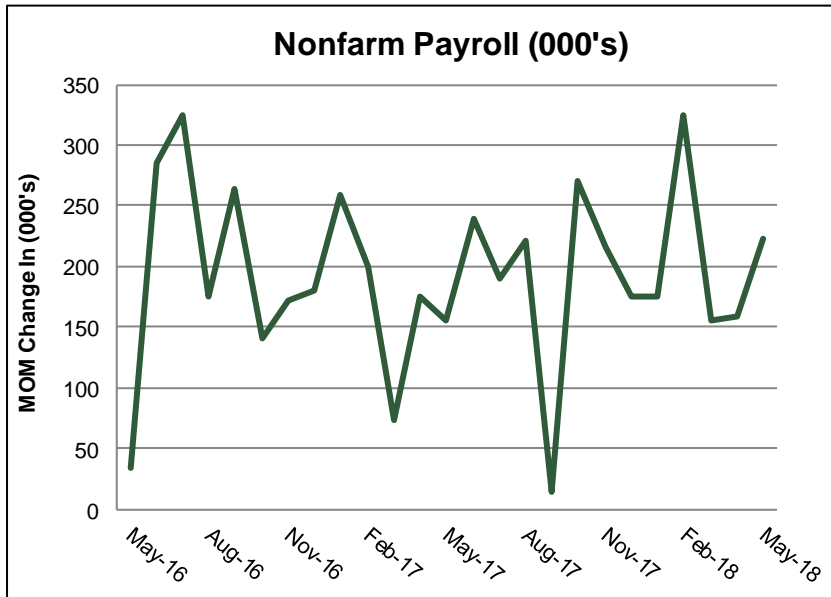
“We believe our forward-thinking, risk-controlled process results in client investment programs that protect principal, manage risk and enhance income.”

Section 2 | Economic Update

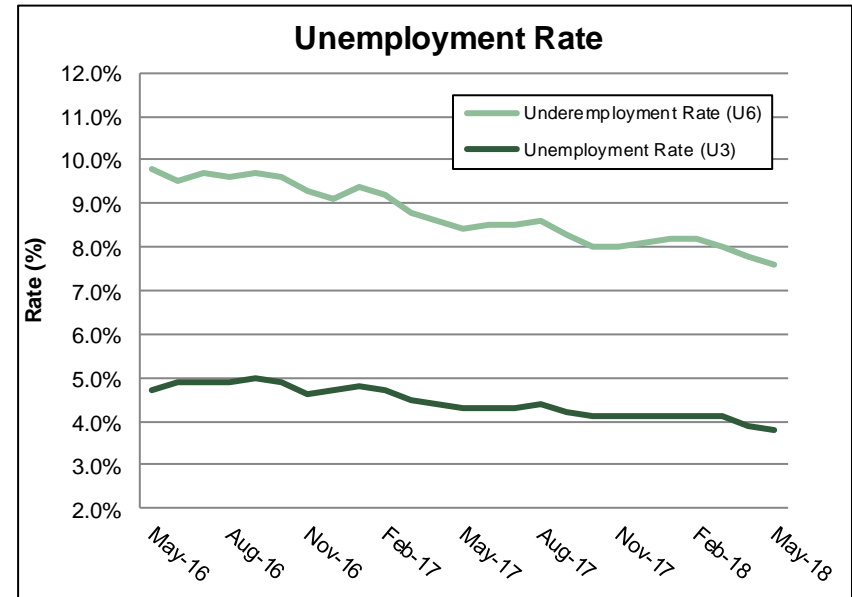




- The next Federal Open Market Committee meeting is scheduled for June 12-13. We expect the Fed to raise the fed funds rate by 25 basis points this month to a range of 1.75%-2.00%. In addition, we currently believe the Fed will hike the fed funds rate by another 25 basis points toward year-end. However, unless there is a significant pick-up in inflation, we do not think a fourth rate hike is likely this year and believe the pace of further rate hikes is likely to slow in 2019. In our view, the fed funds rate seems to be grinding closer to the equilibrium or neutral rate (i.e. the rate which is neither stimulative nor restrictive to the economy). Leading Economic Indicators have moderated, suggesting that overall economic growth is unlikely to strongly accelerate in the second half of the year. Meanwhile, inflationary pressures remain modest and we do not see signs that the economy is close to overheating. Given the recent strengthening of the dollar, upward pressure on oil prices, recently disappointing housing market data, uncertainty regarding global trade, and some signs of stress in emerging markets, we think the Fed will be wary of hiking rates too quickly and will remain on a gradual path of policy normalization.
- We are forecasting GDP growth of about 2.5%-3.0% in 2018, which is in line with the Fed's forecast and the market consensus. This would equate to an increase over 2017 GDP growth of 2.3%. Overall, economic data remains solid. The economy is at or near full employment, consumer confidence is strong, and leading indicators suggest the economy will continue to grow modestly.
- Treasury yields declined in May on a month-over-month basis. During the first half of the month rates across the curve increased, but the trend reversed during the second half of the month due to elevated geopolitical tension. At month-end, the 2-year Treasury yield was down six basis points to 2.43%, while the 10-year Treasury yield was down nearly ten basis points to 2.86%. The spread between 2- and 10-year Treasury yields narrowed to just 43 basis points at month-end. All else being equal, we believe the Fed's plan to normalize the balance sheet will help promote a steeper yield curve in the second half of this year. Increased issuance by the Treasury to fund the growing fiscal deficit is also likely to drive longer-term yields higher, however, that may be partially offset by ongoing monetary policy normalization which typically causes the curve to flatten.

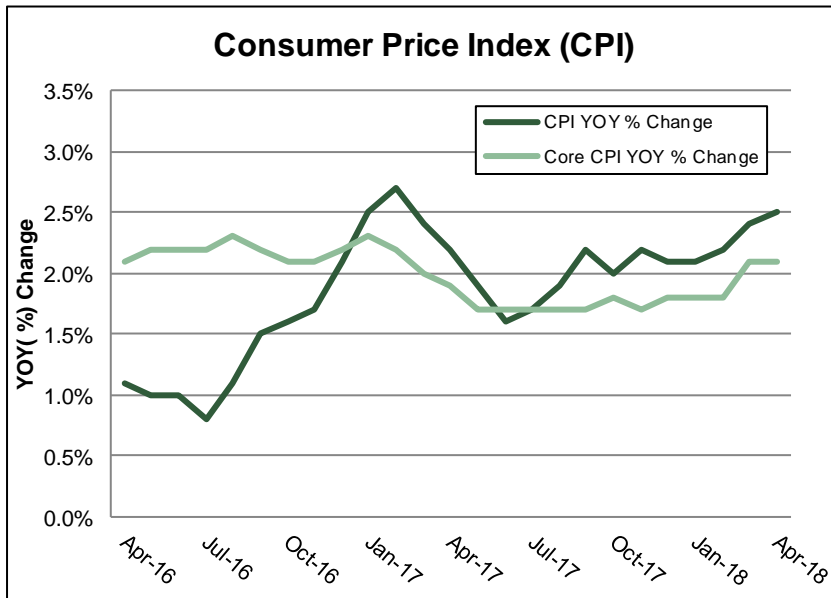


Source: US Department of Labor

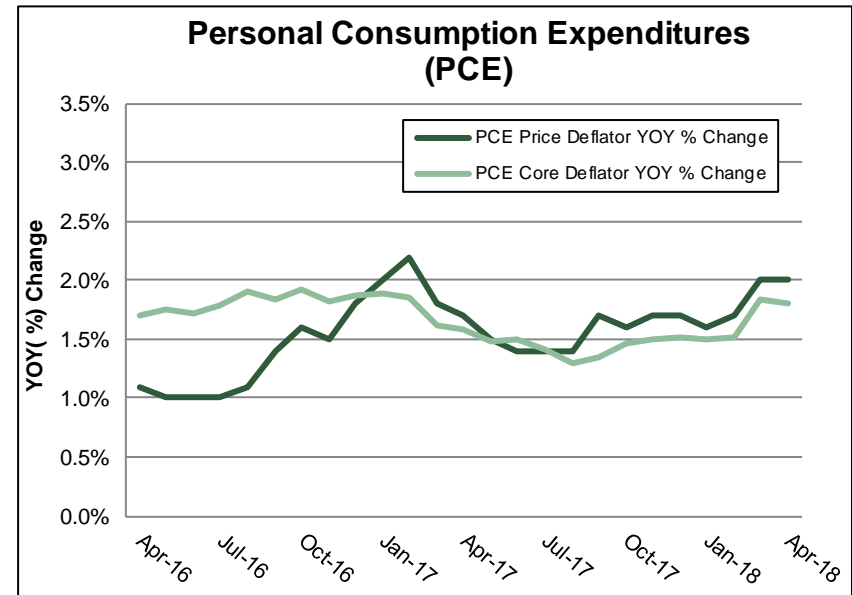


Source: US Department of Labor

U.S. payrolls rose by 223,000 in May, exceeding the consensus forecast of 190,000. March and April payrolls were revised up by a net total of 15,000. On a trailing 3-month and 6-month basis, payrolls increased by an average of 179,000 and 202,000 per month, respectively. The unemployment rate declined to 3.8% in May from 3.9% in April. The labor participation rate edged down to 62.7% from 62.8%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, declined to 7.6% from 7.8%. Wages rose 0.3% in May, slightly more than expected. Wages were up 2.7% on a year-over-year basis in May, up from 2.6% in April. The average workweek was unchanged at 34.5 hours.



Source: US Department of Labor



Source: US Department of Labor

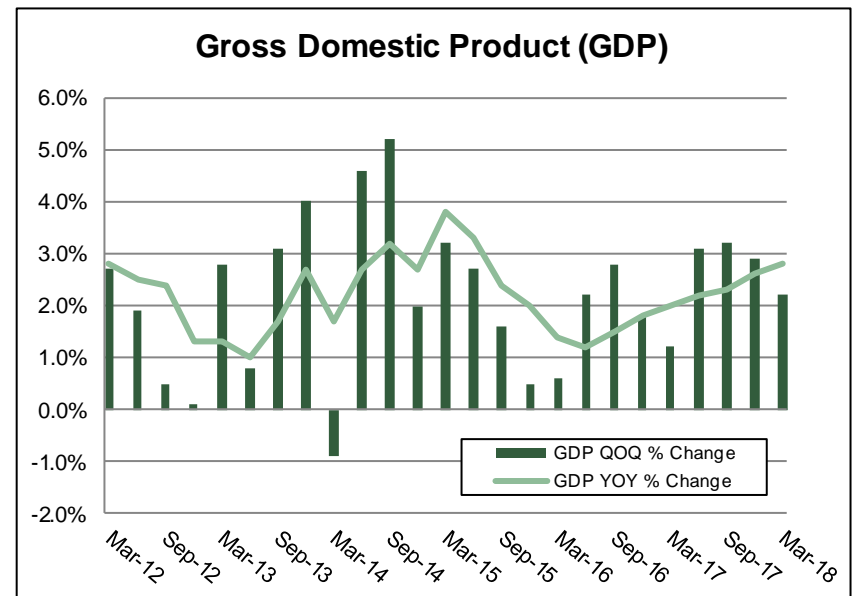
The Consumer Price Index (CPI) was up 2.5% year-over-year in April, up from 2.4% in March. Core CPI (CPI less food and energy) was up 2.1% year-over-year in April, unchanged from March. The Personal Consumption Expenditures (PCE) index was up 2.0% year-over-year in April, unchanged from March. Core PCE (excluding food and energy) was up just 1.8% on a year-over-year basis in April, in line with the downwardly-revised 1.8% year-over-year growth rate in March. Core PCE inflation remains below the Fed's 2.0% target.

Gross Domestic Product (GDP)



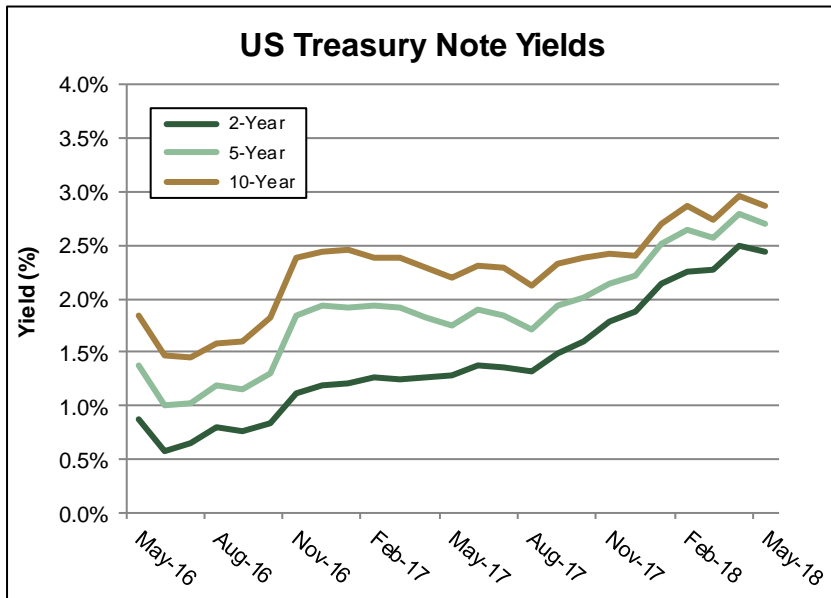
Components of GDP	6/17	9/17	12/17	3/18
Personal Consumption Expenditures	2.2%	1.5%	2.8%	0.7%
Gross Private Domestic Investment	0.6%	1.2%	0.8%	1.2%
Net Exports and Imports	0.2%	0.4%	-1.2%	0.1%
Federal Government Expenditures	0.1%	0.1%	0.2%	0.1%
State and Local (Consumption and Gross Investment)	-0.2%	0.0%	0.3%	0.1%
Total	3.1%	3.2%	2.9%	2.2%

Source: US Department of Commerce

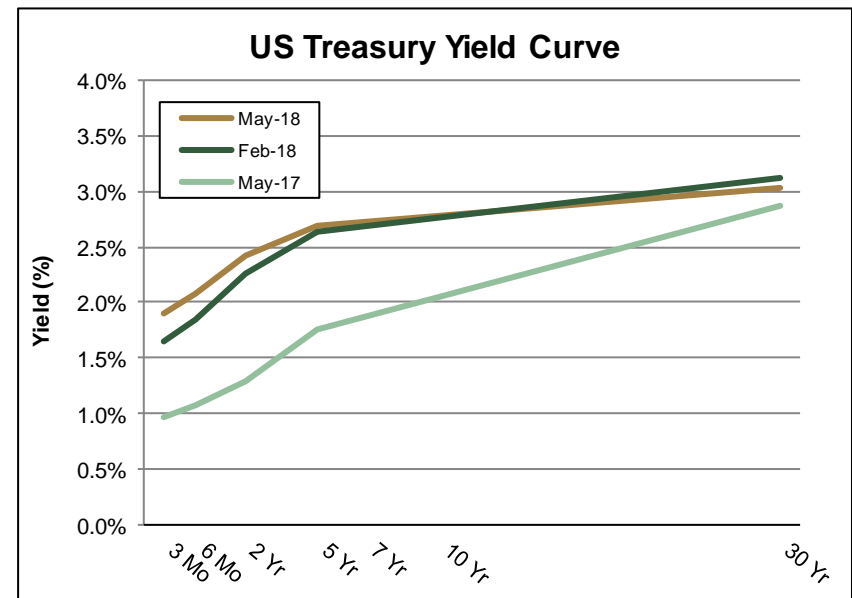


Source: US Department of Commerce

First quarter GDP growth was revised down to 2.2% from 2.3%, according to the second estimate, in line with expectations. Consumer spending was more subdued in the first quarter but was still favorable. GDP growth is expected to be stronger in the current quarter and second half of the year, compared with the first quarter. We expect overall GDP growth of 2.5%-3.0% for the full year, driven by ongoing labor market strength and a tailwind from tax reform.



Source: Bloomberg



Source: Bloomberg

On a year-over-year basis, the Treasury yield curve has flattened. Rate hikes by the Federal Reserve have put upward pressure on shorter-term rates, while supply and demand imbalances, technical factors, and subdued inflation expectations have kept longer rates relatively contained. The yield curve is currently quite flat by historical standards.



ICE BAML 1-3 Year US Treasury Index

The ICE BAML 1-3 Year US Treasury Index is comprised of US Treasury securities issued by the US Government. All securities in the index must have fixed coupon rates and have at least one year but not greater than three years to maturity regardless of any call features.

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Committee Members Present

Andrew Do, Chairman
Richard Murphy, Vice Chairman
Michael Hennessey
Steve Jones
Michelle Steel

Staff Present

Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
James Donich, General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Todd Spitzer

Call to Order

Pledge of Allegiance

Committee Vice Chairman R. Murphy

1. Public Comments

No public comments were received.

Director Steel introduced college intern Austin Sechrest, a sophomore from Harvard University who will be working in her office as summer interns.

Committee Chairman Do introduced college interns Bobby Surrige and Madeline Frank from the University of California, Berkeley who will be working in his office as summer interns.

Special Calendar

2. Taxable Sales Forecast - MuniServices - Doug Jensen, Senior Vice President, Client Services

Andrew Oftelie, Executive Director of Finance and Administration, made opening comments and introduced Doug Jensen, Senior Vice President for MuniServices. Mr. Jensen presented a PowerPoint presentation and highlighted the following areas:

- Current Sales Tax Performance,
- Estimated Annualized Employment and Gross Sales Tax Per Capita by Benchmark Year,
- Historical and Recent Trends in Total and by Category,
- Transportation Development Act (Long-Term Forecast) Projection,
- Measure M2 Forecast Projection,
- Assumptions, and
- Questions.



2. (Continued)

Committee Chairman Do referenced a staff report dated March 28, 2016, which noted the projection for sales tax for 2016 through 2021 was 4.3 percent each year, and he inquired on the drop in growth projection to 2.1 percent from the 2016 report.

Mr. Jensen responded that the sales tax assumptions were lowered; yet still projecting growth due to many industries changing.

A lengthy discussion ensued regarding the following:

- Shrinking labor,
- Interest rates,
- Weighted average for next recession costs-watching,
- Consumer spending habits,
- Auto sales and retail industries,
- Internet retail sales,
- Changing the sales tax sourcing to destination,
- Consumer decisions shifting over to experiential shopping, which does not generate sales tax,
- MuniServices is confident about the five year forecast, and
- How the Orange County Transportation Authority (OCTA) will translate the forecasts from MuniServices and the three universities into the OCTA sales tax forecast.

Consent Calendar (Items 3 through 17)

3. Approval of Minutes

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of April 25, 2018.

4. Brown Act Compliance, Internal Audit Report No. 18-508

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to direct staff to implement one recommendation provided in Brown Act Compliance, Internal Audit Report No.18-508.



5. Cooperative Agreement with Metrolink for the Control Point Fourth Project, Internal Audit Report No. 18-504

Committee Vice Chairman R. Murphy pulled this item and referenced Page 3 of the Staff Report, under Management Response, and asked how a Contract Task Order is determined to be the most appropriate procurement method.

Janet Sutter, Executive Director of Internal Audit, responded that the management response in the report is from OCTA management. Ms. Sutter stated Metrolink management is responsible for selecting a contractor from a bench without competition. In addition, the recommendation was for OCTA management to exercise additional oversight to ensure that Metrolink is following their own procedures.

A motion was made by Committee Vice Chairman R. Murphy, seconded by Committee Chairman Do, and declared passed by those present, to direct staff to implement one recommendation provided in the Cooperative Agreement with Metrolink for the Control Point Fourth Project, Internal Audit Report No. 18-504.

Director Hennessey was not present to vote on this item.

6. Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2018

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

7. Annual Update to Investment Policy

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to:

- A. Adopt the 2018 Investment Policy.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2018-19.



8. Proposed Overall Disadvantaged Business Enterprise Goal for Federal Transit Administration-Assisted Contracts for Federal Fiscal Years 2019-2021

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to adopt the proposed overall Disadvantaged Business Enterprise goal of 11 percent for all Federal Transit Administration-assisted contracts issued during the federal fiscal years 2019-21, in accordance with Title 49 Code of Federal Regulations, Part 26.

9. Local Agency Investment Fund - April 2018

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

10. Orange County Treasurer's Management Report - April 2018

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

11. Orange County Transportation Authority Investment and Debt Programs Report - April 2018

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

12. Resolution to Establish the Orange County Local Transportation Authority/Measure M2 Appropriations Limitation for Fiscal Year 2018-19

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to adopt Orange County Local Transportation Authority/Measure M2 Resolution No. 2018-055 to establish the Orange County Local Transportation Authority/Measure M2 appropriations limit at \$1,749,112,942 for fiscal year 2018-19.



13. Resolution to Establish the Orange County Transportation Authority General Fund Appropriations Limitation for Fiscal Year 2018-19

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to adopt Orange County Transportation Authority Resolution No. 2018-056 to establish the Orange County Transportation Authority General Fund appropriations limit at \$11,573,733 for fiscal year 2018-19.

14. Approval of the Fiscal Year 2018-19 Local Transportation Fund Claim for Laguna Beach Public Transportation Services

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to approve the Laguna Beach Municipal Transit Lines Fiscal Year 2018-19 Local Transportation Fund Claim for public transportation services, in the amount of \$1,142,777, and 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.

15. Approval of the Fiscal Year 2018-19 Local Transportation Fund Claim for Public Transportation and Community Transit Services

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to approve the Orange County Transit District Fiscal Year 2018-19 Local Transportation Fund Claim for public transportation services, in the amount of \$154,145,736, and for community transit services, in the amount of \$8,173,080, for a total claim amount of \$162,318,816, and authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.



16. Cooperative Agreement with the City of Laguna Beach for Federal Transit Administration, State Transit Administration, Senate Bill 1 State of Good Repair, and Cap and Trade Funds for Public Transit Services

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to authorize the Orange County Transportation Authority Chief Executive Officer to execute Cooperative Agreement No. C-8-1679 between the Orange County Transportation Authority and the City of Laguna Beach, for a maximum cumulative amount not to exceed \$950,000, for Federal Transit Administration funding, \$1,200,000 for State Transit Assistance funding, including Senate Bill 1 augmentation, \$250,000 for State of Good Repair funds provided through Senate Bill 1, and \$200,000 for Cap and Trade funds for the next five years commencing fiscal year 2018-19, for providing public transit services and operating assistance.

17. Fiscal Year 2017-18 Third Quarter Grant Reimbursement Status Report

A motion was made by Director Steel, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

Regular Calendar

18. Preview to the Public Hearing on Orange County Transportation Authority's Fiscal Year 2018-19 Budget and Personnel and Salary Resolution

Victor Velasquez, Manager of Financial Planning & Analysis, referenced a handout listing questions and answers that resulted from the May 14, 2018 Board budget workshop and recent committee meetings. Mr. Velazquez provided a PowerPoint presentation for this item as follows:

- Budget Themes,
- Budget Overview,
- Budget Adjustments – Uses,
- Budget Sources and Uses,
- Staffing Levels,
- Employee Compensation Assumptions,
- Personnel and Salary Resolution,
- Pay for Performance,
- Recommendations, and
- Next Steps.



18. (Continued)

Director Steel referenced the handout and inquired on the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency (LOSSAN) positions.

Mr. Velasquez responded that the LOSSAN positions are fully reimbursable by the LOSSAN agency.

Director Do inquired on the Take Home Vehicle Assignment policy, if it will address all the findings identified in the report discussed at the May 23, 2018 Finance and Administration Committee meeting.

Janet Sutter, Executive Director of Internal Audit, responded the policy is still outstanding and staff will provide an update at a future Finance and Administration Committee meeting.

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Steel, and declared passed by those present, to:

- A. Approve by Resolution the Orange County Transportation Authority's Fiscal Year 2018-19 Budget.
- B. Approve the Personnel and Salary Resolution for Fiscal Year 2018-19.
- C. Authorize the Chief Executive Officer to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approval of fiscal year 2018-19 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority in an amount up to \$29,403,103, including authorization of Federal Transit Administration funds, in an amount up to \$8,374,341, to be drawn down directly by Southern California Regional Rail Authority. In addition, approve capital and rehabilitation, expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation budgets. Orange County Transportation Authority portion of the costs for capital is \$2,378,558 and \$56,369,426 for rehabilitation.



Discussion Items

19. Chief Executive Officer's Report

Ken Phipps, Deputy Chief Executive Officer, reported on the following:

- The Angels Express service is doing well with nearly 15,000 boardings to date and 13 percent higher than last year at this time.
- On Thursday, May 24th, OCTA is hosting the second of six open houses to provide information and answer questions about the Interstate 405 Improvement Project from 6:00 p.m. to 8:00 p.m. at the Long Beach Veterans Administration Hospital.
- Additionally on Thursday, May 24th, OCTA is hosting the first of two public hearings for the Interstate 5 project from the Interstate 405 to the State Route 55 (Project B) from 5:30 p.m. to 8:00 p.m. at Tustin High School. The second public hearing will be held next Wednesday, May 30th at the Lakeview Senior Center in Irvine from 5:30 p.m. to 8:00 p.m.
- Introduced Jen Matano, who started on Monday, May 7th as OCTA's new Department Manager of Treasury and Public Finance. Ms. Matano has more than eight years of experience in public finance and infrastructure banking where she executed more than 30 transactions totaling over \$15 billion. Prior to her employment in public finance, Ms. Matano worked in a large portfolio management firm devising strategies on achieving competitive investment returns.

20. Committee Members' Reports

Committee Chairman Do thanked staff for inviting MuniServices to present the Taxable Sales Forecast under Item 2.

21. Closed Session

There were no Closed Session items scheduled.



22. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, June 13, 2018**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Andrew Do
Committee Chairman



June 13, 2018

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2017-18 Third Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2017-18 budget. This report summarizes the material variances between the budget and actual revenue and expenses through the third quarter of fiscal year 2017-18.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2017-18 Budget on June 12, 2017. The approved budget itemized the anticipated revenue and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.29 billion. Sources of funds were comprised of \$1.06 billion in current FY revenue and \$232.6 million in use of prior year designations. Uses of funds were comprised of \$1.15 billion of current year expenditures and \$142.7 million of designations.

The Board has approved six amendments through the third quarter, increasing the expense budget by \$61.9 million. The first amendment was approved on September 25, 2017, to support the new upcoming Bravo! Bus Route 529 and increased the maximum obligation with New Flyer of America, Inc., by \$3.6 million, exercising an option to purchase six, 40-foot, low-floor compressed natural gas buses wrapped with the Bravo! branding.

The second amendment was approved on October 9, 2017, in the amount of \$1.9 million. The amendment was necessary to accommodate a contract change

order with Bomel Construction Company, Inc., for the removal and disposal of contaminated materials discovered at the construction site of the Metrolink parking structure at the Orange Transportation Center.

A third amendment was approved by the Board on October 9, 2017, in the amount of \$6 million, to pay for a portion of OCTA's member contribution to Southern California Regional Rail Authority (SCRRA) in place of Federal Transit Administration (FTA) grant funds. When the Board originally approved the OCTA member contribution to SCRRA for Metrolink service, in an amount up to \$28.2 million, it included \$6 million of FTA grant funds to be drawn down directly by SCRRA. Subsequently, OCTA was notified by SCRRA that, due to the timeline of the FTA grant application and award process, they would not be able to utilize the \$6 million in the current FY. As a result, this budget amendment was necessary to supplant the FTA grant funds.

A fourth amendment, approved by the Board on November 13, 2017, increased the expense budget by \$13.3 million to accommodate the purchase of ten hydrogen fuel cell electric buses. The purchase will be completed through a new contract with New Flyer of America, Inc. A fifth amendment, also approved by the Board on November 13, 2017, increased the expense budget by \$4.8 million. This amendment was for construction of a liquid hydrogen fueling station at the Santa Ana Bus Base.

The sixth amendment was approved by the Board on February 26, 2018, in the amount of \$32.3 million, authorizing staff to procure a contractor for toll lanes systems integration of both the 91 Express Lanes and future 405 Express Lanes. In total, these amendments increased the working budget to \$1.35 billion.

Discussion

Staff monitors and analyzes revenue and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included in Attachment A are Bus, Rail, 91 Express Lanes, Motorist Services, and Measure M2 (M2).

Total salaries and benefits underran the budget by \$7 million. This is primarily due to vacancies OCTA-wide. As a result, an underrun can be expected to continue throughout the year based on future net vacancies.

Bus Program operating revenue overran by \$0.9 million, primarily due to higher than anticipated sales tax revenue. Bus program operating expenses underran the budget by \$12.1 million, primarily due to staffing vacancies, lower fuel and other consumables expenses, and lower-than-anticipated paratransit trips.

Capital revenue overran the budget by \$5.2 million due to prior year revenues received in the current FY for projects associated with bus bases and transit centers. Capital expenses underran the budget by \$1.3 million due to contract timing on a Park and Ride revitalization project and a metal siding and framing project at the Irvine Construction Circle Bus Base.

The Rail Program operating revenue was in line with the budget, coming within two percent. Operating expenses were \$7 million lower than the budget, or 22 percent, primarily due to timing of rail support service expenditures, the quarterly Metrolink operating subsidy payment to SCRRA, and Video Surveillance System projects at two Metrolink stations. Capital revenue underran the budget by \$16.6 million, or 89 percent, primarily due to the timing of the construction contract award for the Placentia Metrolink Station project. Capital expenses underran the budget by \$21.7 million, or 50 percent, also primarily due to the timing of the Placentia Metrolink Station project.

The 91 Express Lanes Program received \$7.5 million, or 38 percent, more in operating revenue than budgeted. This is primarily due to the continued increase in demand since Riverside County Transportation Commission's opening of the 91 Express Lanes extension into Riverside County. Actual operating expenses underran by \$2.8 million, or 18 percent, primarily due to underutilization of as-needed items for various services contracts.

Revenue and expenses for the Motorist Services Program each underran the budget by \$0.7 million, with a minor underrun in operating expense related to Freeway Service Patrol.

Sales tax revenue for the Local Transportation Authority M2 Program and Local Transportation Fund Bus Program grew by 3.29 percent and 3.23 percent through the second quarter, respectively, compared to the budgeted growth rates of 3.3 percent and 2.4 percent. However, the actual amount of sales tax receipts for the third quarter will not be finalized until August when OCTA receives the "true-up" payment.

Summary

Overall, OCTA revenue overran the budget by \$68 million. This is primarily due to receiving more operating capital grant revenue and sales tax revenue than budgeted. Salary and benefit expenses underran the budget by \$7 million, primarily due to vacancies in the Bus Program. Operating expenses underran the budget by \$74 million, primarily due to the lower than anticipated paratransit trips, supplies, and support services. Capital expenses underran the budget by \$281 million, primarily due to the timing of construction projects.

Attachment

- A. Quarterly Budget Status Report Third Quarter of Fiscal Year 2017-18

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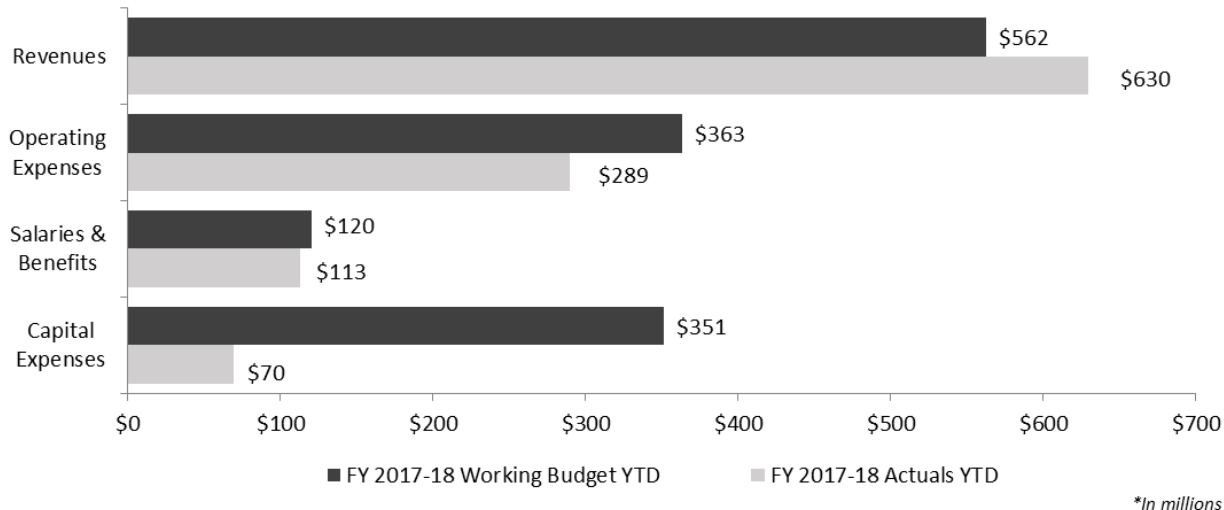


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Quarterly Budget Status Report

Third Quarter of Fiscal Year 2017-18



STAFFING

A staffing plan of 1,346.5 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2017-18. At the end of the third quarter, 1,246.5 of these positions were filled, representing a vacancy rate of 7.4 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	643.0	595.0	48.0	7.5%
Maintenance	171.0	146.0	25.0	14.6%
TCU	37.0	36.0	1.0	2.7%
<i>Union Subtotal</i>	<i>851.0</i>	<i>777.0</i>	<i>74.0</i>	<i>8.7%</i>
Bus Operations Support	164.5	156.0	8.5	5.2%
Other Administrative	331.0	313.5	17.5	5.3%
<i>Administrative Subtotal</i>	<i>495.5</i>	<i>469.5</i>	<i>26.0</i>	<i>5.2%</i>
Total OCTA	1,346.5	1,246.5	100.0	7.4%

TOTAL SALARIES AND BENEFITS

Total salaries and benefits of \$113.3 million were \$7 million lower than the budget of \$120.3 million. This variance is comprised of a \$5 million underrun in the Bus Program salaries and benefits, as well as a \$1.9 million underrun in the General Fund salaries and benefits. In both groups, the underruns are primarily driven by vacant positions.

	Budget	Actual	\$ Variance	% Variance
Bus Program	\$ 79,427	\$ 74,397	\$ 5,030	6.3%
General Fund	40,872	38,933	1,938	4.7%
Total	\$ 120,298	\$ 113,330	\$ 6,968	5.8%

PROGRAM VARIANCES

Year-to-date material variances are listed below by program. All dollar amounts in tables are shown in thousands.

Bus Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 180,287	\$ 181,220	\$ 934	0.5%
Expenses	175,643	163,525	12,118	6.9%
Net Operating	\$ 4,644	\$ 17,695		
Capital				
Revenue	35,035	40,199	5,163	14.7%
Expenses	26,980	25,663	1,317	4.9%
Net Capital	\$ 8,056	\$ 14,535		

Operating Revenue: Local Transportation Fund (LTF) Bus Program sales tax revenue grew by 3.23 percent through the second quarter compared to the budgeted growth rate of 2.4 percent. The actual amount of LTF sales tax revenue for the third quarter will not be finalized until August

when Orange County Transportation Authority (OCTA) receives the “true-up” payment.

Operating Expenses: The \$12.1 million underrun in Bus Program operating expenses can be attributed to salaries and benefits (\$5 million), fuel and other consumables (\$3.2 million), paratransit service (\$1.6 million), and bus facility and equipment maintenance (\$1 million).

Salaries and benefits underran the budget by \$5 million. This is primarily due to vacant positions. The vacancy rate at the end of the third quarter is 8.7 percent for Bus Program union employees and 5.2 percent for Bus Program administrative employees, compared to budgeted vacancy rates of 3 percent for each group.

The underrun of \$3.2 million for consumables such as tires, motor oil, hoses, and fuel are due to lower than anticipated utilization, as well as the Alternative Fuel Tax Credit (AFTC) of \$2.3 million from the federal government that offset fuel costs. The AFTC was not budgeted due to its uncertainty and dependency on legislation.

The underrun of \$1.6 million in paratransit service expenses can be attributed to lower-than-anticipated growth in trips for the on-demand services. Through the third quarter supplemental taxi service provided 17,000 less trips than anticipated and primary access operating 3,000 less revenue vehicle hours than anticipated.

The underrun of \$1 million for bus facility and equipment maintenance is primarily due to invoice timing for the maintenance of the Bus Program radio communications equipment (\$0.5 million), lower-than-anticipated as-needed bus stop maintenance and custodial services (\$0.2 million). Also, procurement timing for air duct cleaning at the bus bases is now anticipated to occur in the fourth quarter of the FY (\$0.1 million).

Capital Revenue: Capital revenue overran the budget by \$5.2 million. This overrun is primarily due to prior year revenues received in the current FY for prior year projects associated with bus bases and transit centers.

Capital Expenses: Capital expenses underran the budget by \$1.3 million due to contract timing on the Fullerton Park and Ride revitalization project and a building rehabilitation project at the Irvine Construction Circle Bus Base. For the Fullerton Park and Ride project, the Board awarded the contract in the third quarter, but the terms were not finalized until the fourth quarter. This variance will be resolved by the end of the FY. For the rehabilitation project at the Irvine Construction Circle Bus Base, initial bids for the project did not meet Disadvantaged Business Enterprise requirements, and the project will be re-bid in the next FY.

Rail Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 31,458	\$ 32,023	\$ 564	1.8%
Expenses	31,458	24,456	7,003	22.3%
Net Operating	\$ -	\$ 7,567		
Capital				
Revenue	18,600	1,988	(16,612)	-89.3%
Expenses	43,350	21,686	21,664	50.0%
Net Capital	\$ (24,750)	\$ (19,698)		

Operating Revenue: Rail Program operating revenue overran the budget by \$0.6 million. The overrun is due to timing of reimbursements from the City of Orange for the Orange Transportation Center Parking Structure project. Reimbursements related to the project were anticipated to be received in the fourth quarter; however, were received in the third quarter.

Operating Expenses: Rail Program operating expenses underran the budget by \$7 million. The underrun is primarily associated with Rail Support Services (\$3 million), OCTA’s member contribution to Southern California Regional Rail Authority (SCRRA) for Metrolink operating subsidy (\$2.5 million), and Video Surveillance System (VSS) projects at the Placentia and Laguna Niguel Metrolink stations (\$1.2 million).

Contributing to the \$3 million underrun in Rail Support Services was support to SCRRA for the Positive Train Control project (\$1.7 million). Invoices from SCRRA for project support were received and paid after the end of the third quarter. This variance will be resolved in the fourth quarter. Also within Rail Support Services, billing from the City of Fullerton for the Fullerton Transportation Center Elevator project has been less than anticipated (\$0.6 million). This is due to a moratorium on construction activity during the busy winter months initiated by Burlington Northern Santa Fe (BNSF), owner of the rail corridor. The variance is expected to continue through the remainder of the FY and the expenses have been rebudgeted in FY 2018-19. Another contributor to the variance in Rail Support Services is the Orange Transportation Center Parking Structure project (\$0.5 million). The City of Orange is the lead on the design phase and will invoice OCTA upon completion of the

project. This will occur next FY and the expenses have been rebudgeted.

The \$2.5 million underrun associated with the Metrolink operating subsidy is due to an unanticipated credit received in the current FY. Each FY, the Metrolink operating subsidy is adjusted based on operating subsidy deficits or surplus from previous FYs. Due to an operating subsidy surplus from a prior FY, actual contributions from OCTA are less than what was anticipated during the current FY budget development. This variance will continue for the remainder of the FY.

The \$1.2 million underrun for VSS projects at the Placentia and Laguna Niguel Metrolink stations is due to project timing. Work on both VSS projects will begin later than anticipated due to timing of primary construction projects at each station that must begin before the VSS project. This variance is expected to continue through the remainder of the FY and the expenses have been rebudgeted in FY 2018-19.

Net Capital: The underrun in capital revenue is associated with grant revenue for the Orange Transportation Center Parking Structure project and the Laguna Niguel to San Juan Capistrano (LN-SJC) Passing Siding project. As reflected in OCTA’s annual budget, grant revenue associated with capital expenditures are typically reimbursed within three months of the expenditures taking place. For each of these projects, the grant revenue was budgeted in the fourth quarter of the FY causing the negative net capital.

Capital Revenue: The \$16.6 million underrun in Rail Program capital revenue can be attributed to the Placentia Metrolink Station project. When the FY 2017-18 budget was adopted, funds for construction of the Metrolink station were to be transferred from 91 Express Lanes Program, as approved by the Board. However, the construction contract award is anticipated to be finalized next FY.

Capital Expenses: The \$21.7 million underrun in Rail Program capital expenses can be attributed to the Placentia Metrolink Station project (\$17.1 million) and the LN-SJC Passing Siding project (\$3.9 million).

The \$17.1 million underrun associated with the Placentia Metrolink Station project is due to later than anticipated execution of a construction contract. The contract cannot be advertised until a construction and maintenance agreement is in place with BNSF which owns the rail Right-of-Way (ROW). Originally anticipated to be complete in the current FY, this is now expected to take place next FY and has been rebudgeted.

The LN-SJC Passing Siding project has a \$3.9 million underrun. This is due to the timing of the construction phase cooperative agreement with SCRRA. This is the result of multiple stakeholder modification requests during the design phase of the project. Construction activity is now anticipated to take place next FY. This item has been rebudgeted.

91 Express Lanes Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 19,894	\$ 27,386	\$ 7,491	37.7%
Expenses	15,731	12,934	2,797	17.8%
Net Operating	\$ 4,163	\$ 14,451		
Capital				
Revenue	14,878	14,970	92	0.6%
Expenses	14,878	670	14,208	95.5%
Net Capital	\$ -	\$ 14,300		

Operating Revenue: The 91 Express Lanes operating revenue overran the budget by \$7.5 million. The overrun is primarily attributed to increased trips resulting from Riverside County Transportation Commission’s extension of the Express Lanes into Riverside County (\$3.8 million), and from fees such as violation processing and account minimum fees (\$2.2 million). There is also a positive variance in interest income (\$0.8 million) due to a higher average cash balance in the account than forecast at the time of budget development.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by \$2.8 million.

Part of the underrun can be attributed to underutilization of contingency costs related to the Pavement Rehabilitation project (\$0.7 million). Another cause of the underrun is the underutilization of as-needed items on the toll operations, maintenance, and insurance claims contracts (\$0.8 million). In addition, procurement timing of project management services for the Toll Lanes System Integration project, as well as deferment of the Pavement Plan project to next FY contributed to the underrun (\$1.1 million).

Capital Expenses: Capital expenses for the 91 Express Lanes underran the budget by \$14.2 million due to an expected transfer to the Placentia Metrolink Station project that did not occur. A Board approved transfer of

\$14.2 million was budgeted in the current FY, but based on the timing of the project, this transfer is now expected to take place next FY.

Motorist Services Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 4,526	\$ 3,872	\$ (653)	-14.4%
Expenses	4,526	3,872	653	14.4%
Net Operating	\$ -	\$ -		

Operating: Operating revenue and expenses for the Motorist Services Program both underran the budget by \$0.7 million. The underrun is primarily due to costs per hour for operating Freeway Service Patrol being lower than budgeted. This underrun is expected to continue for the remainder of the FY.

M2 Program



Revenue: Local Transportation Authority M2 Program sales tax advances grew by 3.29 percent through the second quarter in comparison to the budgeted growth rate of 3.3 percent. However, the amount of sales tax receipts for the third quarter will not be finalized until August when OCTA receives the “true-up” payment.

Mode	Budget	Actual	\$ Variance	% Variance
Freeways	\$ 109,907	\$ 38,674	\$ 71,233	64.8%
Streets & Roads	109,520	72,552	36,968	33.8%
Transit	21,224	6,894	14,330	67.5%
Administration	5,466	5,939	(473)	-8.7%
Debt Service	18,284	28,794	(10,509)	-57.5%
Total	\$ 264,402	\$ 152,853	\$ 111,549	42.2%

Expenses: The M2 Program expenditures underran the budget by \$111.5 million. Freeways contributed \$71.2 million to the underrun, primarily due to unused contract contingency expenses and ROW services for the

Interstate 405 Improvement project. Streets and Roads contributed \$37 million to the underrun due to lower than anticipated project payment requests from the cities and county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Transit contributed \$14.3 million to the underrun, primarily due to lower than anticipated transit circulator grant payments to cities as well as the timing of contract execution with SCRRA for costs associated with the San Juan Creek Bridge Replacement project. Debt Service slightly offset the M2 Program underrun with a \$10.5 million overrun. However, this variance is due to cash flow timing on a debt interest payment and will be resolved by next quarter.



June 13, 2018

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Sole Source Agreement for Upgraded ID Card System

Overview

The Orange County Transportation Authority originally purchased the UltraBadge Enterprise software in 2004 for various badging purposes. Staff is now seeking to upgrade the UltraBadge Automated Fare Management software. A proposal was solicited and received from Productive Solutions, Inc., in accordance with the Orange County Transportation Authority's sole source procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-8-1670 between the Orange County Transportation Authority and Productive Solutions, Inc., in the amount of \$120,000 for the purchase of software and services to upgrade to the Ultrabadge Automated Fare Management software version.

Background

The Orange County Transportation Authority's (OCTA) UltraBadge Enterprise (UBE) software was purchased from Productive Solutions, Inc., (Productive) in 2004. It is used for numerous badging purposes and covers approximately 2,000 individuals, including Board of Directors (Board) member identification (ID), employee ID, contractor ID badges, as well as reduced fare ID badges for senior, disabled, and mobility trainers as part of OCTA's eligibility process for ACCESS riders.

The UBE software is also used to produce specialty passes, such as OCTA employer and university passes. The specialty passes are provided to OCTA's customers so they can distribute them as part of their own transportation programs. For example, OCTA's annual Perk Pass is a swipe-card that can be used by employers on any local OCTA fixed-route bus. When the employer's

employees board a bus, they can swipe their card in the farebox. Another example of a specialty pass using the UBE software is the UPass, which allows local universities to partner with OCTA to provide students with an affordable and convenient transportation option.

Discussion

OCTA staff is seeking to upgrade from the UBE software version to the most current version called the Ultrabadge Automated Fare Management (AFM) to continue badging and specialty bus passes. The UBE software purchased originally in 2004 from Productive is now considered a legacy system, and it is limited to older operating systems, servers, and internet browser versions. The new AFM software provides more functionality and control over fare media processes to ensure more accurate tracking, reporting, and overall efficiencies. Productive, AFM system is a comprehensive enterprise resource planning family of fare media management modules that collectively provide end-to-end controls for transit pass ticket stock. OCTA will be using the Fare Media ID Encoding and Printing Modules. The rider's data is collected in a secure application that records and updates all edits made to the record. Each ID card that is printed is given a unique serial number and logged in the record holder's account. The system has the ability to encode our fare structure for either magnetic or smart cards as period passes so that they can be read on our GFI Genfare Fareboxes. If an ID is lost or stolen, the old pass can be turned off.

The upgrade to the AFM software will include licensing, project management, and on-site installation services, as well as interface, testing, and training services.

Procurement Approach

This procurement was handled in accordance with OCTA's Board-approved policies and procedures for a sole source procurement.

Productive is the exclusive owner of all proprietary rights for the Ultrabadge AFM software and the sole entity able to market and sell the software. In addition, Productive is the only vendor capable of integrating the encoding scheme of the GFI Genfare farebox used by OCTA. Therefore, Productive meets OCTA's criteria for a sole source procurement, and based on their technical ability and financial status, Productive is deemed responsible.

Productive's proposal was reviewed by staff from the Contracts Administration and Materials Management and Information Systems departments to ensure

compliance with the contract terms and conditions, as well as the technical requirements.

In accordance with OCTA's sole source procurement procedures, a sole source over \$50,000 requires OCTA's Internal Audit Department (Internal Audit) to conduct a price review of Productive's proposed pricing. Internal Audit concluded that Productive's quoted pricing for the upgrade and maintenance is consistent with the pricing quoted to other government agencies. Therefore, the quoted price is deemed fair and reasonable.

Based on the above, it is recommended that the contract be awarded to Productive.

Fiscal Impact

The project was included in the OCTA's Fiscal Year 2017-18 Budget and will be funded with local funds (1285-9028-A5359-9RS).

Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-8-1670 between the Orange County Transportation Authority and Productive Solutions, Inc., in the amount of \$120,000, for the purchase of software and services to upgrade to the Ultrabadge Automated Fare Management software version.

Attachment

None.

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June 13, 2018

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Agreement for Data Center Colocation Services

Overview

The Orange County Transportation Authority requires a firm to provide data center colocation services for the hosting of the Orange County Transportation Authority's business application computing infrastructure. A competitive procurement has been conducted and offers were received 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 for these services.

Recommendations

- A. Approve the selection of Switch Ltd., as the firm to provide data center colocation services for the hosting of the Orange County Transportation Authority's business application computing infrastructure.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1507 between the Orange County Transportation Authority and Switch Ltd., in the amount of \$623,820, for a five-year initial term, with one, three-year option term to provide data center colocation services.

Discussion

One of the key initiatives within the Orange County Transportation Authority's (OCTA) Information Systems (IS) Department is to discontinue the maintenance and operation of its own data center. Instead, the IS Department seeks to host the business application computing infrastructure in a privately-owned and classified Tier III or better colocation data center that is in a secure, reliable facility, offering scalability for growth and disaster recovery.

The existing data center located at OCTA's administrative building in the City of Orange was constructed in 1993. Some of the major components of the data center, such as air conditioning units and backup power generator, are reaching the end of their useful life and will need to be replaced within the next two years if the data center continues to be used. In addition, the existing data center is much larger than is needed due to the smaller footprint of the latest information technology equipment, and the cooling and power layout is very difficult to re-configure to a smaller space.

The benefits of moving to a colocation data center are as follows:

Location – Ability to geographically separate operations from the data center and to have the data center in a low risk natural disaster zone.

Security – Security measures include on-site security, closed circuit cameras, alarm systems, coded access, and biometric systems.

Stability – Diverse power feeds and distribution paths, redundant uninterruptable power battery backup systems, redundant backup power generators that can be re-fueled while in operation, and redundant cooling systems.

Scalability – Ability to increase or decrease the hosted data center space as needed.

Reduced Costs – More predictable operating expense model than the capital expenses of securing and maintaining one's own data center, as well as lower utility costs due to economies of scale.

Support – 24/7 highly experienced staff maintaining the data center and its underlying infrastructure (electrical, cooling, fire suppression).

Procurement Approach

This procurement was handled in accordance with Board of Directors (Board)-approved procedures for professional and technical services. In addition to cost, many other 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 staffing and project organization, prior experience with similar projects, work plan, and a fair and reasonable price structure.

On March 8, 2018, Requests for Proposals (RFP) 8-1507 was issued and sent electronically on CAMM NET. The project was advertised in a newspaper of

general circulation on March 8 and 15, 2018. Two addenda were issued to respond to questions related to the RFP.

On April 3, 2018, 12 proposals were received, two of which were deemed non-responsive. Navisite LLC (Navisite) submitted several contractual exceptions and/or deviations, which were deemed non-negotiable, and the firm was provided with the opportunity to retract the items. Navisite did not retract any of its exceptions/deviations; therefore, the firm's proposal was not included as part of the evaluation process. Coresite LLC's (Coresite) proposal was also deemed non-responsive as Coresite was unwilling to sign its proposal after being given an opportunity to do so.

An evaluation committee consisting of OCTA staff from Contracts Administration and Materials Management, Information Systems, Security and Emergency Preparedness, and Rail Programs and Facilities Engineering departments met to review the remaining ten proposals based on the following evaluation criteria and weights:

- Qualifications of the Firm 35 percent
- Staffing and Project Organization 15 percent
- Work Plan 25 percent
- Cost and Price 25 percent

Several factors were considered in developing the criteria weights. Qualifications of the firm was weighted the highest at 35 percent to ensure the firm has a secure, reliable facility offering space, power, cooling, and physical security, as well as scalability for growth and disaster recovery. Work plan, as well as cost and price, were both weighted 25 percent to ensure the firm demonstrated understanding of OCTA's colocation needs and requirements, and OCTA received value for the service provided. Staffing and project organization was weighted 15 percent to ensure the firm's staff have experience managing a data center.

The evaluation committee reviewed and discussed the remaining ten proposals based on the evaluation criteria. Two firms were short-listed and invited for an interview and site visit to be held at their proposed facilities. The two firms are listed on the next page in alphabetical order:

Firm and Location

Switch Ltd. (Switch)
Las Vegas, Nevada

VPLS, Inc. (VPLS)
Orange, California

The interviews were conducted at each firm's facility and consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements, followed by a facility tour, and a question and answer segment. 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' proposed facility and security measures, as well as contingency, maintenance, and redundancy plans. Finally, each team was asked specific clarification questions related to their proposal. At the conclusion of the interviews, a request for a best and final offer (BAFO) was sent to the two short-listed firms to clarify internet connectivity requirements and pricing.

After considering the responses to the questions asked during the interviews and the facility tours, as well as information provided in the BAFO, the evaluation committee reviewed the preliminary ranking for both firms and made adjustments to individual scores. As a result, the ranking of the firms remained unchanged.

Based on the evaluation of the written proposals, the firms' qualifications, and the information obtained from the interviews, site visits, BAFO, the evaluation committee recommends Switch for consideration of the award. The following is a summary of the proposal evaluation results.

Qualifications of the Firm

The two short-listed firms demonstrated relevant experience and qualifications related to colocation services.

Switch has been in business for 18 years and specializes in designing, building, and operating stand-alone, purpose-built colocation data centers that include space, power, connectivity, physical security, and remote hands services. The firm is headquartered in Las Vegas, Nevada and operates primary colocation data centers in four United States cities, including Las Vegas, Reno, Grand Rapids, and Atlanta. Its customers range from Fortune 100 companies and government agencies to midsized enterprises and startups, such as eBay, Sony, and the Los Angeles Department of Water and Power. Switch has received the Uptime Institute's highest Tier IV Gold certification for its data centers, which

exceeds the Tier III classification required under the scope of work for this project. The facilities have extensive fire, safety, security, and redundancy plans, including backup power, surveillance, and intrusion detection systems. In addition, Switch data centers run on 100 percent renewable energy.

Founded in 2005, VPLS's proposal and interview demonstrated relevant project experience in providing data center colocation services for private and public entities, including the Housing Authority of the City of Los Angeles, Triple8 Network, and the Firefighters First Credit Union. VPLS's proposed subconsultant, H5 Data Centers, has experience in providing colocation facilities required to successfully host OCTA's infrastructure. The proposed data center was built to meet Uptime Institute's Tier III rating as required under the scope of work of this project; however, the facility does not have an Uptime Institute certification.

Staffing and Project Organization

Both firms proposed experienced key personnel with relevant experience in providing data center colocation services.

Switch currently employs approximately 730 personnel, and the proposed project manager has been with the firm for over 14 years. The firm's security personnel have a military, law enforcement, or security background to ensure privacy, safety, and access to the facility. The project team provided excellent responses to interview questions that demonstrated a high level of competency and commitment to completing the project.

VPLS currently employs over 110 employees and proposed a qualified project team and staffing plan that included personnel with extensive expertise in their respective fields. The proposed project manager has over 15 years of experience in the industry and three years with the firm. In addition, the subconsultant's staff are very experienced in managing data centers. VPLS provided excellent responses to interview questions that demonstrated a high level of competency and commitment to completing the project.

Work Plan

The two short-listed firms demonstrated an understanding of OCTA's colocation requirements.

Switch clearly communicated its ability to meet or exceed all aspects of hosting OCTA's business application computing infrastructure in a secure, reliable facility offering scalability for growth, as well as disaster recovery measures.

Switch's proposed facility was constructed in 2016 and is approximately 357,556 square feet. The facility is wholly owned by Switch and has a very low disaster rating related to the probability of a natural disaster occurring near the site. The firm provided a detailed approach for the transition process of OCTA's equipment into the facility and offers a wide range of professional services at the site to ensure OCTA's needs are met remotely. During the interview and site visit, Switch provided comprehensive responses to OCTA's questions concerning the proposed facility.

VPLS's proposed facility was constructed in 2012 and currently features 25,000 square feet of data center space. The facility is wholly owned by its proposed subcontractor, H5 Data Centers, and has a very low disaster rating related to the probability of a natural disaster occurring near the site; however, the location has not been fully built out and there are plans for continued construction. During the interview and site tour, VPLS provided good responses to OCTA's questions concerning the proposed facility.

Cost and Price

The firms were asked to provide monthly rates for storage space and colocation services based on equipment to be housed at the proposed facility. Pricing scores were based on a formula which assigned the highest score to the lowest proposed price, and scored the other proposals based on their relation to the lowest price. Switch's proposed pricing is deemed fair and reasonable as it is lower than the OCTA Project Manager's independent cost estimate and competitive compared to other pricing received.

Procurement Summary

Based on the evaluation of the written proposals, firms' qualifications, and the information obtained from the interviews and site visits, as well as the BAFO, the evaluation committee recommends the selection of Switch as the firm to provide data center colocation services. Switch delivered a comprehensive proposal and interview that was responsive to all the requirements of the RFP.

Fiscal Impact

The project was approved in Orange County Transportation Authority's Fiscal Year 2017-18 Budget, Finance and Administration/Information Systems, Account 1284-7519-A5352-0EX, and is funded through local funds. The funding for each year will be included within that fiscal year's budget.

Summary

Staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1507 between the Orange County Transportation Authority and Switch Ltd., in the amount of \$623,820, for a five-year initial term, with one, three-year option term to provide data center colocation services.

Attachments

- A. Review of Proposals – RFP 8-1507 Data Center Colocation Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 8-1507 Data Center Colocation Services
- C. Contract History for the Past Two Years – RFP 8-1507 Data Center Colocation Services

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Review of Proposals
RFP 8-1507 Data Center Colocation Services
 Presented to Finance and Administration Committee - June 27, 2018
12 proposals were received, 10 proposals were evaluated, 2 firms were interviewed, 1 firm is being recommended.

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Total Firm Fixed Price
1	88	Switch Ltd. Las Vegas, Nevada	None	Extensive qualifications and experience providing data center colocation services. Facility is Tier IV Gold certified. Demonstrated an excellent understanding of project requirements. Proposed an experienced project team. Comprehensive work plan addressing all the elements of the scope of work. Very good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Proposed competitive pricing.	\$623,820
2	78	VPLS, Inc. Orange, California	H5 Data Centers	Good qualifications and experience providing data center colocation services. Facility is built to meet Tier III rating; however, it is not certified. Demonstrated a good understanding of project requirements. Proposed an experienced project team. Good work plan addressing all the elements of the scope of work. Very good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Proposed competitive pricing.	\$531,900

Evaluation Panel:

- Contracts Administration and Materials Management (1)
- Information Systems (2)
- Security and Emergency Preparedness (1)
- Rail Programs and Facilities Engineering (1)

Proposal Criteria

- Qualifications of the Firm
- Staffing and Project Organization
- Work Plan
- Price

Weight Factors

- 35%
- 15%
- 25%
- 25%

**PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)
RFP 8-1507: DATA CENTER COLOCATION SERVICES**

FIRM: SWITCH LTD.						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.5	5.0	4.5	4.5	5.0	7	32.9
Staffing/Project Organization	4.0	3.5	3.0	3.5	3.0	3	10.2
Work Plan	4.5	4.5	5.0	4.5	4.5	5	23.0
Cost and Price	4.3	4.3	4.3	4.3	4.3	5	21.5
Overall Score	87.5	89.5	87.0	86.0	88.0		88

FIRM: VPLS, INC.						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	3.5	3.5	3.5	3.0	3.5	7	23.8
Staffing/Project Organization	4.0	4.0	4.0	3.5	3.0	3	11.1
Work Plan	4.0	3.5	4.0	3.5	3.0	5	18.0
Cost and Price	5.0	5.0	5.0	5.0	5.0	5	25.0
Overall Score	81.5	79.0	81.5	74.0	73.5		78

The range of scores for the non-short-listed firms was 30-65.

CONTRACT HISTORY FOR THE PAST TWO YEARS

RFP 8-1507 DATA CENTER COLOCATION SERVICES

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Switch Ltd.						
	None	No contracts awarded	N/A	N/A	N/A	\$ -
<i>Subconsultant: N/A</i>						
					Subtotal: \$	-
VPLS, Inc.						
	None	No contracts awarded	N/A	N/A	N/A	\$ -
<i>Subconsultant: N/A</i>						
					Subtotal: \$	-

Update: Senior Mobility Program
Operated by the
Korean American Senior Association



Wheelchair Accessibility



Vehicle donated

On-site training provided

Cost Reporting & Support

All reports through April 2018 have been submitted and accepted.

 **Senior Mobility Program**
Monthly Reporting Form

Program Information

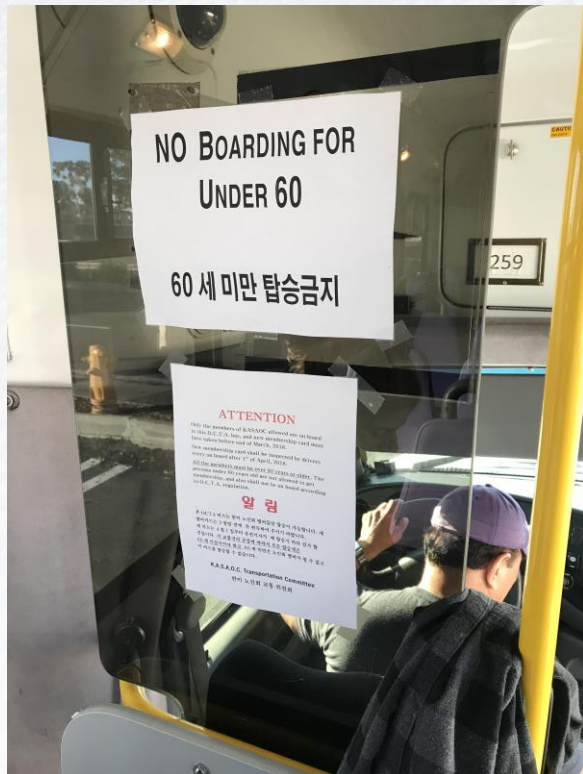
Service for the - Month of: March Year of: 2018
Program Name: Senior Mobility Program
Participating Agency: Korean-American Seniors Association
Agency Contact: YONG LEE
Contact Number: 714-943 6762

Trip Detail

Trip Category	One-Way Trips		Service Hours		Service Miles	
	Mar 2018	FYTD	Mar 2018	FYTD	Mar 2018	FYTD
Senior Center	357	740	38.00	109.00	527.00	1,454.00
Medical	74	206	21.00	59.00	376.00	872.00
Shopping	578	1,317	61.00	131.00	981.00	1,440.00
Social / Recreational	-	566	-	66.00	-	791.00
Beach / Park	-	264	-	24.00	-	320.00
Community-Cultural Event	-	302	-	42.00	-	471.00
Library / Museum / Historical Site	-	-	-	-	-	-
Religious Institution	-	-	-	-	-	-
Restaurant	-	-	-	-	-	-
Total	1,009	2,829	120.00	365.00	1,884.00	4,557.00

ENTERED
5/11

Minimum Age Requirement



May 23, 2018: OCTA staff observed drivers verifying membership identification cards.

Trips outside of the Service Plan

This issue was addressed in February 2018.
No other issues have been identified.