



**Committee Members Present**  
**Via Teleconference:**

Michael Hennessey, Chairman  
Steve Jones, Vice Chairman  
Brian Goodell  
Patrick Harper  
Gene Hernandez  
Joe Muller

**Staff Present**

Jennifer L. Bergener, Deputy Chief Executive Officer  
Gina Ramirez, Deputy Clerk of the Board  
Sahara Meisenheimer, Deputy Clerk of the Board

**Via Teleconference:**

Darrell E. Johnson, Chief Executive Officer  
Andrew Oftelie, Chief Financial Officer  
James Donich, General Counsel

**Committee Members Absent**

None

The February 24, 2021, regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chairman Hennessey at 10:32 a.m.

**Roll Call**

The Deputy Clerk of the Board conducted an attendance Roll Call and announced a quorum of the F&A Committee.

**Pledge of Allegiance**

Director Goodell led in the Pledge of Allegiance.

**1. Public Comments**

There were no Public Comments.

**Special Calendar**

**2. Investment Management Presentation**

Andy Oftelie, Chief Financial Officer (CFO), provided opening comments and introduced Erin Klepper, Portfolio Specialist of Metlife Investment Management (Metlife), who co-presented a PowerPoint presentation with Scott Pavlak, Head of Short Duration Fixed Income of Metlife, as follows:

- Table of Contents;
- Overview;
- Short Duration Fixed Income Team;

**2. (Continued)**

- Market Review;
  - Current Themes
  - Global Negative – Yielding Debt
  - Yields
  - Central Bank Assets
  - Fed Inflation Target
  - Inflation
  - Intercontinental Exchange ( ICE ) Bank of America Corporate 1-5 Year Index
  - Short Duration Cross Section Relative Value
- Portfolio Review;
- Portfolio Performance; and
- Performance Attributions.

A discussion ensued regarding:

- Pro-rata on the number of treasuries outstanding.
- An explanation of the drop in rates from the end of December 2019 to June 2020.
- Federal funds rate is cut.
- Measuring against the right index.
- Long-term yields and shortening the investment length.
- Portfolio year-to-date.

**Consent Calendar (Items 3 through 7)**

**3. Approval of Minutes**

A motion was made by Director Hernandez, seconded by Director Goodell, and following a roll call vote, declared passed 6-0, to approve the minutes of the Finance and Administration Committee meeting of February 10, 2021.

**4. OC Streetcar Project Management Consultant: Oversight Controls and Contract Compliance, Internal Audit Report No. 21-503**

Committee Chairman Hennessey pulled this item to inquire about the double-billing and what sufficient controls the Orange County Transportation Authority (OCTA) will have to prevent this in the future.



**4. (Continued)**

Janet Sutter, Executive Director of Internal Audit, responded that testing of \$21 million in consultant invoices identified double-billings under \$ 6,000.

Ms. Sutter stated the Internal Audit Department (Internal Audit) recommended recovering those double-billed costs. Internal Audit did not recommend any additional invoice review controls. Ms. Sutter noted that the review controls would probably outweigh the benefit.

Director Goodell inquired about the consultant rates being out of compliance and if the issue was resolved.

Ms. Sutter responded that Internal Audit recommended that management reconcile differences between the contract and policy requirements for establishing labor rates of staff moved from labor classifications to named personnel.

A motion was made by Committee Chairman Hennessey, seconded by Director Goodell, and following a roll call vote, declared passed 6-0, to direct staff to implement two recommendations provided in OC Streetcar Project Management Consultant: Oversight Controls and Contract Compliance, Internal Audit Report No. 21-503.

**5. Fiscal Year 2020-21 Second Quarter Grant Reimbursement Status Report**

A motion was made by Director Hernandez, seconded by Director Goodell, and following a roll call vote, declared passed 6-0, to receive and file as an information item.

**6. Environmental Mitigation Program Endowment Fund Investment Report for December 31, 2020**

Committee Chairman Hennessey pulled this item to inquire about OCTA being on track to meet the required amount by 2028.

Andrew Oftelie, CFO, responded that OCTA is currently ahead of schedule at \$17.6 million. He stated when the pandemic first started, OCTA dipped below the planned amount. However, the market has been strong in the last nine months, and OCTA's endowment fund has fully recovered.

Mr. Oftelie, CFO, stated if OCTA did not hit the required number by 2028, then OCTA would continue to make deposits of \$2.87 million as needed.

Director Muller inquired if this fund is for OCTA to purchase properties and if there are any opportunities for public use.



**6. (Continued)**

Darrell E. Johnson, Chief Executive Officer (CEO), responded the fund was created for the long-term management of OCTA's properties under the Measure M2 Program. He requested that Kia Mortazavi, Executive Director of Planning, provide a brief overview of the Endowment Fund.

Mr. Mortazavi provided an overview of the Environmental Mitigation Program Endowment Fund. He stated the plans allow for managed access with tours; however, these are environmental mitigation properties and preserves. There is minimal opportunity for general public use. OCTA does conduct tours, as well as riding and hiking events on a pre-arranged basis.

Director Muller inquired about setting up a joint maintenance program with Orange County Parks (OC Parks) as an opportunity to get more public utilization out of the preserves and have OC Parks manage the endowment and help OCTA save money while maintaining the properties.

Mr. Mortazavi stated OCTA is continually working with neighboring property owners, and each property has different requirements. OCTA has pledged resources on these properties, and they were credited against OCTA's freeway project impacts.

Mr. Johnson, CEO, wanted to note that Measure M created an Environmental Oversight Committee (EOC) in 2007. The EOC has 12 members, including two Board Members, the Army Corps of Engineers, the California Department of Transportation, and the California Department of Fish and Wildlife.

Mr. Johnson, CEO, stated that staff could provide Director Muller with a detailed briefing offline about the process and the decisions that the EOC has made in the past along with the OCTA Board of Directors. Also, OCTA has made specific commitments about the future uses of the properties in exchange for approval of the plans and freeway programs.

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

**7. Orange County Transportation Authority Investment and Debt Programs Report - January 2021**

A motion was made by Director Hernandez, seconded by Director Goodell, and following a roll call vote, declared passed 6-0, to receive and file as an information item.



## **Regular Calendar**

There were no Regular Calendar items scheduled.

## **Discussion Items**

### **8. Sales Tax Update**

Darrell E. Johnson, CEO, provided opening comments and introduced Sean Murdock, Director of Finance and Administration, who presented a PowerPoint presentation as follows:

- Background;
- Timing of Sales Tax Receipts;
- Comparison of Fiscal Year-to-Date Receipts;
- Impacts to Forecasts;
- Implications Going Forward; and
- Next Steps.

Mr. Johnson, CEO, noted there is a typo on Slide 8 of the PowerPoint. The Measure M2 Next 10 Delivery Plan should state April 201, not March 2021.

Mr. Johnson, CEO, discussed the following:

- Generally, staff would be updating OCTA's Next 10 Delivery Plan, the Comprehensive Business Plan, develop OCTA's budget for the upcoming year, and deliver the Capital Program Report to the rating agencies.
- Too many unknowns this year.
- In December 2020, staff provided the Board and Committee with three scenarios.
- The Committee and Board collectively agreed to wait until staff received the second quarter actual true-up.
- OCTA is on track. However, due to Coronavirus impacts, the plan was lowered.
- Staff must have the Board adopt a delivery for the Capital Program over the next two months.
- OCTA has outstanding debt on the Measure M program, and OCTA needs to show the bondholders and rating agencies the sales tax collections, forecast, and project delivery.



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

Mr. Johnson, CEO, reported on the following:

Construction Outreach -

- On February 24<sup>th</sup> at 5:30 p.m., OCTA construction project outreach will host a community meeting via Zoom and Metrolink to discuss the Serra Siding Extension Project, which would deliver rail improvements in the City of Dana Point (Dana Point). This proposed project would extend 1.2 miles of railroad track from Victoria Boulevard to Beach Road to provide safer and more reliable train service.
- Mr. Johnson, CEO, stated more information is available at [octa.net/SerraSiding](http://octa.net/SerraSiding).

Elected Official Briefings -

- Mr. Johnson, CEO, continues to meet with local elected officials to update them on OCTA's projects and programs.
- Earlier this week, Mr. Johnson met with State Senator Tom Umberg, who represents the 34th District. And next week, Mr. Johnson will be meeting with State Senator Pat Bates, representing the 36th District.

**10. Committee Members' Reports**

Director Muller stated he is no longer on the Metrolink Board as an Alternate and discussed how important the Serra Siding project is to Dana Point. He noted Dana Point would prefer an under crossing. However, that is not going to happen. This would tie directly into the South Orange County Multimodal Transportation Study for connecting from Doheny Village over to Doheny state parks.

Director Muller stated the community is very concerned about the project, specifically the Capistrano Beach area. Dana Point will be watching this closely. OCTA needs to find some community benefit to this project because they will be double-tracking along the beach, which will have a considerable impact on the community.

Committee Chairman Hennessey requested that staff provide the F&A Committee a status report on the Transportation Infrastructure Finance and Innovation Act (TIFIA) rate reset.



**10. (Continued)**

Mr. Johnson, CEO, requested that Andrew Oftelie, CFO, provide a brief status report on the TIFIA rate reset documents.

Mr. Oftelie, CFO, discussed how OCTA has been progressing on the refinancing of the TIFIA loan:

- Staff is progressing well with the Build America Bureau (Bureau) on the rate reset on the TIFIA loan.
- OCTA has received two required approvals on the documents in record time.
- OCTA needs to get the subsequent approvals through a credit council and finance.
- Staff believes OCTA is still on track for a potential close at the end of March.
- Currently, there are still a couple of hurdles to cross. The Bureau's staff has been very accommodating and is working on making sure there are no potential issues with the Office of Management of Budget and whether these types of resets can be approved. This issue would impact OCTA and any other agency trying to get a rate reset on loan.
- In OCTA's discussions with the Bureau, staff believes the issue would be resolved. While it continues to get resolved, the rates continue to rise.
- When staff began this process and received board approval to move forward, staff showed savings on a 30-year treasury rate at 1.4 percent, a savings of around \$200 million. At the close of the market yesterday, the rate was 2.18 percent. OCTA's savings at that rate is approximately 90 million.
- OCTA has done everything as quickly as possible. It is all in the Bureau's hands.
- OCTA is required to give the rating agency presentations scheduled for Thursday, February 25<sup>th</sup> and Friday, February 26<sup>th</sup>.

Mr. Oftelie, CFO, said he expects staff will bring forward the final documents to the next the F&A Committee meeting for approval. Staff would then ask the Board to approve those final documents at the March 22<sup>nd</sup> Board meeting.

Staff is doing everything to advance the loan reset forward. However, the earliest possible closing date will be the end of March, assuming the Bureau gets everything in line.



**11. Closed Session**

There were no Closed Session items scheduled.

**12. Adjournment**

The meeting was adjourned at 11:56 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, March 10, 2021**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

ATTEST

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Michael Hennessey  
Committee Chairman

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Gina Ramirez  
Deputy Clerk of the Board