



AGENDA

Finance and Administration Committee Meeting

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, October 23, 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 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

Committee Vice Chairman R. Murphy

1. Public Comments

Special Calendar

There are no Special Calendar matters.



Consent Calendar (Items 2 through 11)

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.

2. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of September 25, 2019.

3. Fiscal Year 2019-20 Internal Audit Plan, First Quarter Update Janet Sutter

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan on August 12, 2019. This update is for the first quarter of the fiscal year.

Recommendation

Receive and file the first quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan as an information item.

4. Property Insurance Policy Renewal Al Gorski/Maggie McJilton

Overview

The Orange County Transportation Authority holds a property insurance policy with Zurich Insurance Company. This policy is scheduled to expire on December 1, 2019.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A44100, in an amount not to exceed \$550,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the policy period of December 1, 2019 to December 1, 2020.



5. Fiscal Year 2018-19 Fourth Quarter Budget Status Report
Anthony Baruch/Andrew Oftelie

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2018-19 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the fourth quarter of fiscal year 2018-19.

Recommendation

Receive and file as an information item.

6. State Transit Assistance Fund and Senate Bill 1 State of Good Repair Claims for Fiscal Year 2019-20
Sam Kaur/Andrew Oftelie

Overview

The Orange County Transit District is eligible to receive funding from the State Transit Assistance Fund for providing public transportation services throughout Orange County. In order to receive these funds, the Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

The Orange County Transportation Authority is eligible to receive funding from the Senate Bill 1 State of Good Repair Program that is funded by the Transportation Improvement Fee on vehicle registrations. Funding recommendations for fiscal year 2019-20 were presented to the Board of Directors on August 12, 2019. Upon approval of the statewide list of fiscal year 2019-20 projects by the California Department of Transportation, the Orange County Transportation Authority must file claims on a quarterly basis to receive the funding.



6. (Continued)

Recommendations

- A. Adopt Resolution No. 2019-079 to authorize the filing of State Transit Assistance Fund claims, in the amount of revised estimate of \$38,396,928, or up to the actual allocation published by the State Controller's Office, to support public transportation.
- B. Authorize the filing of Senate Bill 1 State of Good Repair claims, in the amount of the revised estimate of \$5,933,032, or up to the actual allocation published by the State Controller's Office, to help sustain and upgrade the Orange County Transportation Authority's bus system.

7. 2019 Measure M2 Sales Tax Forecast

Sam Kaur/Andrew Oftelie

Overview

The Orange County Transportation Authority contracts with MuniServices, LLC, and three universities to forecast Measure M2 taxable sales. MuniServices, LLC, and the three universities have provided updated forecasts, and staff has incorporated the new information into the annual update for the long-range forecast of Measure M2 taxable sales.

Recommendation

Receive and file as an information item.

8. Orange County Transportation Authority Investment and Debt Programs Report - September 2019

Robert Davis/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 September 30, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.



8. (Continued)

Recommendation

Receive and file as an information item.

9. First Quarter Fiscal Year 2019-20 Procurement Status Report

Virginia Abadessa/Andrew Oftelie

Overview

The first quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from July 1 through September 30, 2019, that was approved by the Board of Directors during this period. The first quarter procurement status report also projects future procurement activity for the second quarter as identified in the fiscal year 2019-20 budget.

Recommendation

Receive and file as an information item.

10. New York Meetings Update - September 2019

Robert Davis/Andrew Oftelie

Overview

Since the early 1990s, the Orange County Transportation Authority has maintained an active investor relations program. As part of this program, each year the Orange County Transportation Authority conducts a series of meetings with the rating agencies and financial institutions in New York, New York. This year, the meetings took place on Thursday and Friday, September 19 - 20, 2019.

Recommendation

Receive and file as an information item.



11. Agreement for Budget and Forecasting Software

Victor Velasquez/Andrew Oftelie

Overview

The Orange County Transportation Authority requires a consultant to provide budget and forecasting software. 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 budget and forecasting software.

Recommendations

- A. Approve the selection of Clarity Partners, LLC, as the firm to provide budget and forecasting software.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1083 between the Orange County Transportation Authority and Clarity Partners, LLC, in the amount of \$536,067, for a term of three years with two, two-year option terms to provide budget and forecasting software.

Regular Calendar

12. Contractor Selection for the Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside Counties

Kirk Avila/Kenneth Phipps

Overview

On April 22, 2019, the Orange County Transportation Authority Board of Directors approved the release of a request for proposals to retain contractor services to provide a back-office system and customer service center operations for the 91 Express Lanes. Board of Directors' approval is requested for the selection of a firm to perform the required work.



12. (Continued)

Recommendations

- A. Approve the selection of Cofiroute USA, LLC., as the firm to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1177 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC., in the amount of \$72,982,804, to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties, for an initial term of seven years with two three-year option terms. The designated share for the Orange County Transportation Authority will be \$35,420,566.

Discussion Items

13. Chief Executive Officer's Report

14. Committee Members' Reports

15. Closed Session

There are no Closed Session items scheduled.

16. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, November 13, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



Committee Members Present

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones

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

Michelle Steel
Donald P. Wagner

Call to Order

The September 25, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Vice Chairman R. Murphy at 10:31 a.m.

Pledge of Allegiance

Director Hernandez led in the Pledge of Allegiance.

1. Public Comments

There were no Public Comments received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 6)

2. Approval of Minutes

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of August 28, 2019.

3. Coach Operator Scheduling, Internal Audit Report No. 19-505

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to receive and file Coach Operator Scheduling, Internal Audit Report No. 19-505, as an information item.



4. Communications by Independent Financial Statement Auditor

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

5. Fiscal Year 2018-19 Fourth Quarter Grant Reimbursement Status Report

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

6. Excess Liability Insurance Renewal

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A44072, in the amount of \$800,000, to Marsh Risk and Insurance Services, Inc., to purchase excess liability insurance on behalf of the Orange County Transportation Authority for the policy period of November 1, 2019 to November 1, 2020.

Regular Calendar

7. Orange County Transportation Authority Investment and Debt Programs Report - August 2019

Andrew Oftelie, Chief Financial Officer (CFO), reported that at the request of the Finance and Administration Committee an overview regarding a violation of the Orange County Transportation Authority's (OCTA) investment policy which occurred in August 2019 be provided to the Committee.

Mr. Oftelie provided an overview of the violation, which was due to MetLife Investment Management (MetLife) purchasing a security that did not comply with OCTA's Investment Policy. He stated no funds were lost, and that MetLife self-reported the violation. As a result of the compliance violation, MetLife has been placed on a one-year probation effective August 14, 2019, per OCTA's policy.

Mr. Oftelie also provided background on the investment guidelines and referenced Attachment A, A-1 of the Staff Report, which shows the revised dashboard, as well as the four investment objectives, which are principle, liquidity, diversification, and return.

Committee Chairman Hennessey commented that the new financial dashboard design is working well.



7. (Continued)

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

Discussion Items

8. Chief Executive Officer's Report

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

- On Friday, September 27th, the annual Mobility 21 Transportation Summit will be held at the Disneyland Hotel. Chairman Shaw will provide opening remarks and both he and Darrell E. Johnson, Chief Executive Officer will participate on panels. If the Committee Members have not RSVP'd, please let staff know.
- On Saturday, September 28th, the second phase of the Bushard Street bridge demolition is set for midnight. If the Committee Members have RSVP'd to attend and watch the demolition, there is a chance of rain and staff may have to delay the work. Staff is monitoring the weather forecast and will communicate to the Board of Directors the status of that scheduled demolition.
- On Saturday, September 28th OCTA's annual Rodeo will be held at the Santa Ana Base beginning at 7:30 a.m. Director Hernandez will be participating in the driving competition.

9. Committee Members' Reports

There were no Committee Members' reports.

10. Closed Session

There were no Closed Session items scheduled.



11. Adjournment

The meeting was adjourned at 10:42 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, October 23, 2019**, 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

Michael Hennessey
Committee Chairman



October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2019-20 Internal Audit Plan, First Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan on August 12, 2019. This update is for the first quarter of the fiscal year.

Recommendation

Receive and file the first quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Department Fiscal Year (FY) 2019-20 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the first quarter of the FY, Internal Audit issued the results of an audit of the agreement with Element Markets Renewable Energy, LLC, for the purchase of renewable natural gas and monetization of credits under the state Low Carbon Fuel Standard Program and the federal Renewable Fuel Standard Program. The audit found that program oversight controls are adequate, credit revenues are properly monitored, reconciled, and recorded, and invoices are properly reviewed and authorized.

Internal Audit also issued results of an audit of coach operator scheduling. The audit concluded that the coach operator scheduling process is adequate to ensure compliance with the Collective Bargaining Agreement between the Orange County Transportation Authority and Teamsters Local 952, and with the California Code of Regulations.

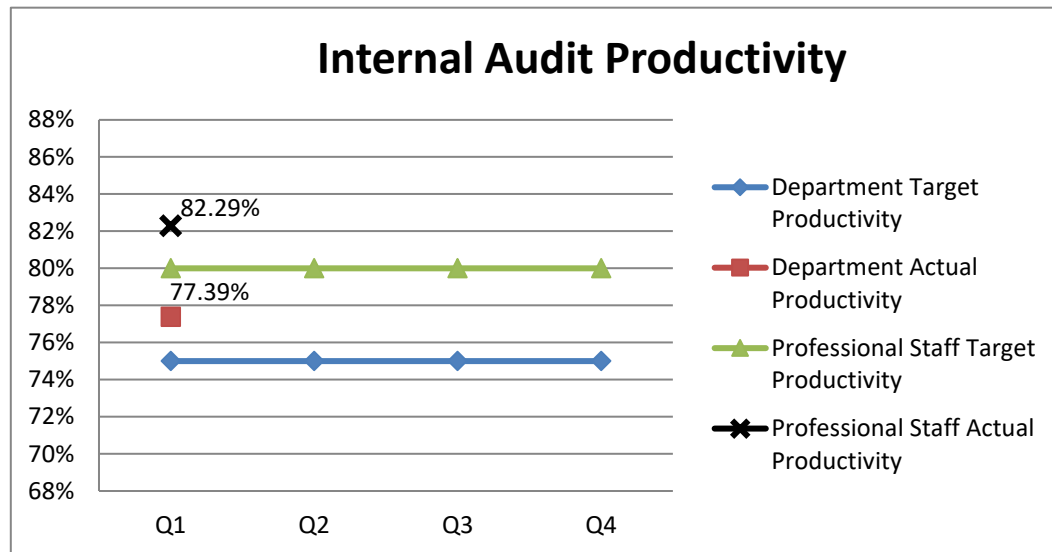
A required audit of the State Transportation Improvement Program Planning, Programming and Monitoring Program for Fiscal Year 2016-17, completed by the professional accounting firm of BCA Watson Rice LLP, found that project funds were used in conformance with Article XIX of the California State Constitution.

In addition to several ongoing audits, the primary focus of Internal Audit as of September 30, 2019, and in the ensuing months, will be to provide coordination of the annual financial audits and agreed upon procedure reviews conducted by Crowe LLP.

Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the Executive Director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for internal audit professional staff, not including the Executive Director, is 80 percent.

For the first quarter ended September 30, 2019, Internal Audit achieved productivity of 77 percent, and the professional staff achieved productivity of 82 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management Department (CAMM), and consistent with OCTA procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms, and sole source contractors, to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. During the first quarter, Internal Audit issued results of four price reviews.

Fraud Hotline

During the quarter ended September 30, 2019, Internal Audit received six reports through OCTA's Fraud Hotline, www.ethicspoint.com. Based on the nature of the complaints, four reports were referred to management for disposition and two were investigated, but not substantiated, by Internal Audit. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended September 30, 2019, Internal Audit made initial contact within two business days.

Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan as

Attachment B. Internal Audit includes the findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended September 30, 2018, Internal Audit completed follow-up reviews of four outstanding audit recommendations and closed all four (Attachment C). No recommendations were added as a result of audits issued during the first quarter.

Summary

Internal Audit will continue to implement the Plan, report on performance metrics, follow-up on outstanding audit recommendations, and report progress on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan, First Quarter Update
- B. Outstanding Audit Recommendations, First Quarter, Fiscal Year 2019-20
- C. Audit Recommendations Closed During First Quarter, Fiscal Year 2019-20

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY20-001 through FY20-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2019-20.	Financial	450	90	360	
Federal Triennial Review	FY20-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80	12	68	
External Regulatory Audits	FY20-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60		60	
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY20-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	200	52	148	
Quality Assurance and Self-Assessment	FY20-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	160	55	105	
Fraud Hotline Activities	FY20-102	Administrative duties related to maintenance of the fraud hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	28	213	6 Reports Received
Automated Workpaper Solution	FY20-103	System updates/training related to automated workpaper solution.	Workpaper System	40	3	37	
Internal Audits							
Clerk of the Board							
Board Compensation and Ethics Compliance	FY19-513	Review procedures and record-keeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180	191	(11)	In Process
Express Lanes Program							
Master Custodial Agreement	FY19-514	Review and test activities related to the Master Custodial Agreement between the Orange County Transportation Authority (OCTA), Riverside County Transportation Commission, and the Bank of the West for tracking and deposit of revenues and transponder deposits.	Compliance	300	152	148	In Process
Human Resources and Organizational Development							
Medical Exams	FY20-5XX	Assess and test controls to ensure compliance with Federal Motor Carrier Safety Administration regulations, policy and procedurs related to employee medical safety certifications.	Compliance	180		180	
Department of Motor Vehicles (DMV) Pull Notice Program	FY20-5XX	Assess and test operation of the DMV Pull Notice Program.	Compliance	240		240	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Capital Programs							
Interstate 5 (I-5) Project: State Route (SR) 55 to SR-57	FY20-5XX	Review the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control/ Compliance	300		300	
City of Orange Parking Expansion	FY19-508	Review of the Orange Parking Expansion project, including project administration, oversight controls, and contract compliance.		220	166	55	
Planning							
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-5XX	Review and assessment of OCTA's monitoring and reporting controls related to CTFP projects.	Internal Control	240		240	
Operations							
Coach Operator Scheduling	FY19-505	Review the coach operator scheduling process, including the use of the HASTUS application.	Operational	80	88	(8)	Issued 8-26-19
Same Day Taxi Service	FY20-503	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with Yellow Cab of Orange County for the provision of Same Day Taxi Service.	Internal Control/ Compliance	300	80	220	In Process
Revenue Vehicle Maintenance	FY20-5XX	Evaluate the adequacy of controls in place to ensure compliance with revenue vehicle maintenance standards and test for compliance with maintenance policy and procedures.		300		300	
Finance and Accounting							
Treasury	FY20-502	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	57	143	
Grant Closeouts	FY19-510	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	22	18	Complete 7-31-19
Renewable Natural Gas Credits	FY19-511	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	60	23	37	Complete 7-16-19
Corporate Credit Cards	FY20-5XX	Evaluate the adequacy of controls over corporate credit cards and test for compliance with policy and procedures.	Operational	240		240	
Interagency Revenue Agreements	FY20-5XX	Review and test activities related to the interagency fare revenue agreements between OCTA and Southern California Regional Rail Authority and the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency.	Operational	240		240	
Banking Services - Bank of the West	FY20-5XX	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Operational/ Compliance	240		240	
Information Systems							
Patch Management	FY20-501	Assess the adequacy of the patch management program.	Operational	120	28	92	In Process

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
First Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Contract Administration and Materials Management (Camm)							
Price Reviews	PR20-5XX	As requested by the Contracts Administration and Materials Management (Camm) Department, apply agreed-upon procedures to Sole Source, Single Bid, and Architectural and Engineering firm proposals.	Price Review	800	143	657	4 Reports Issued
Buy America	FY20-5XX	As requested by Camm, apply agreed-upon procedures to determine compliance with Buy America requirements.	Buy America	200		200	
External Affairs							
Bus Marketing	FY19-512	Review Bus Marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing, public outreach, etc.	Operational/ Compliance	160	406	(246)	In Process
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY20-800	Time allowed for unplanned audits and/or and to address requests from the Board and management.	Varies	240	23	217	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY20-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	3	57	
Metrolink Audit Activities	FY20-602	Obtain and review audit results of Metrolink activities.	Non-Audit Service	40		40	
Capital Asset Inventory Observation	FY20-603	At the request of the Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80		80	
Bus Base Inspections	FY20-604	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	12	28	
Follow-up Reviews							
Follow-up Reviews and Reporting	FY20-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320	63	257	
Total Audit Project Planned Hours (A)				6,650	1,696	4,954	

Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
First Quarter Update

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	27	153	
Executive Steering and Agenda Setting Meetings				180	33	147	
Internal Audit Staff Meetings				150	50	101	
Other Administration				1,500	386	1,114	
			Total Hours (B)	8,660	2,192	6,469	
			Department Target Efficiency (A/B)	75%	77%		
			Target Efficiency - Professional Staff	80%	82%		

**Outstanding Audit Recommendations
First Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
10/10/18	18-514	Operations Division and Finance and Administration (F&A)	ACCESS Service	Internal Audit recommends that management enhance procedures for monitoring of ACCESS fare revenue. Procedures should include monitoring of coupons collected by both MV Transportation, Inc. (MV) and Yellow Cab, reconciliation of MV's daily coupon count sheets to the farebox reconciliation document, and investigation of variances exceeding a stated threshold.	Oct-19	Management agrees to enhance procedures for monitoring of ACCESS fare revenue and coupons collected by both MV and Yellow Cab. In addition, management will continue to reconcile count sheets to the farebox reconciliation report and will establish a threshold for researching variances.	Update June 2019: Management will begin enforcing a 1 percent threshold for fare revenue variances on July 1, 2019, when the contract amendment is effective. Management has not implemented a procedure to monitor coupons collected by Yellow Cab.
3/12/19	N/A	Planning Division (Planning) and F&A	Measure M (M2) City Audits: Local Fair Share and Senior Mobility Program	M2 Local Programs staff should review observations with legal counsel and develop recommendations for the Board of Directors' (Board) consideration. In addition, Planning and F&A staff should monitor implementation of corrective action by cities.	Sep-19	Staff will review observations and make recommendations for the Boards' action. Staff will follow-up with the cities to verify implementation of corrective actions.	Not yet due.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Controls should be implemented to ensure timely removal of system access upon employee termination.	Oct-19	Information Systems management agrees to put procedures in place to ensure timely removal of system access upon employee termination or reassignment.	Not yet due.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Written policies and procedures should be developed for mobile ticketing operations and activities.	Oct-19	Management agrees with the recommendation and will develop policies and procedures to ensure proper identification and assignment of responsibilities, and continuity of operations in the absence of key staff.	Not yet due.
4/9/19	19-503	Human Resources and Organizational Development (HROD)	Recruitment and Employment	Internal Audit recommended management develop and implement detailed procedures that address all recruitment steps and reconsider whether to hire applicants with pending license suspensions or implement monitoring controls.	Oct-19	Management is in the process of revamping its procedures to address all recruitment steps, including procedures specific to coach operator and maintenance employee recruitments. Procedures will be developed to address the screening, hiring, and monitoring of applicants with pending license suspensions, pending criminal cases, and unfavorable or missing references, consistent with California law.	Not yet due.
4/9/19	19-503	HROD	Recruitment and Employment	Internal Audit recommended management enhance procedures to ensure offers of relocation are properly approved and adequately documented. Management should also implement monitoring controls to enhance compliance with recruitment policies and procedures.	Oct-19	A Reimbursement of Relocation Expenses Procedure has been provided to staff. In addition, template language has been developed to insert into any candidate offer letter that includes relocation expenses. The offer letter requires the candidate's signature and acknowledges receipt of, and agreement with, the Relocation Expenses Policy, which includes a payback provision. Management will determine the best means to implement controls to ensure compliance with policy.	Not yet due.

Outstanding Audit Recommendations
First Quarter, Fiscal Year 2019-20

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/9/19	19-503	HROD	Recruitment and Employment	Since service workers are required to operate buses, even on a limited basis, Internal Audit recommends that management reconsider the removal of the commercial driver license requirement. Alternatively, management should issue a formal directive to base management that service workers should never be asked or allowed to drive buses outside base property.	Oct-19	Management will update the Commercial Driver License (CDL) and Renewal Policy, to address the licensing of all Maintenance employees including what is required for each position. For positions that do not require a CDL, the policy will state those individuals shall not operate a vehicle outside of the base property. The policy changes will be tailgated, and Maintenance employees will sign an acknowledgement receipt of the policy. In addition, the policy will be included in new Maintenance employee orientation. Policy update, tailgating, and distribution will be completed within 30 days.	Not yet due.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1, 2018 - December 31, 2018	Internal Audit recommends that additional training be provided on the preparation of investment worksheets and reports. Also, Internal Audit recommends that Treasury use custodial statements as the basis for preparing the reports or, if Clearwater book values are used for reporting, that reconciliations be performed and documented.	Oct-19	Management agrees with the recommendation. In the future, if Clearwater book values are used for reporting, then staff will reconcile any differences between Clearwater book values and custodial statement book values. In addition, staff has already provided additional training and modified the review process in order to improve the reporting process going forward.	Not yet due.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1, 2018 - December 31, 2018	Internal Audit recommends Treasury implement controls to monitor the ten percent threshold for asset-backed securities and ensure secondary review of daily holding reports is performed as required.	Oct-19	Staff has worked with Clearwater and is already using a report which segregates mortgage and asset-backed securities so that the ten percent threshold on asset-backed securities can be monitored. In addition, staff has reviewed balances for asset-backed securities for all investment managers during the period and all investment managers were in compliance. In addition, a process has been put in place to ensure secondary review of the daily holdings reports is performed.	Not yet due.

Outstanding Audit Recommendations
First Quarter, Fiscal Year 2019-20

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/1/19	N/A	Operations, Planning, and F&A	Fiscal Year (FY) 2016-18 Transportation Development Act (TDA) Performance Audit OCTA	Kimley Horn provided seven recommendations for consideration. The recommendations focused primarily on continuing existing efforts to enhance reporting processes, increase ridership, maximize revenues, improve documentation of the farebox recovery ratio, and planning for impacts of longer bus lives and clean fleet requirements. Kimley Horn also offered recommendations to improve paratransit services by performing recurring route efficiency reviews and considering alternative contracting models for the service.	Oct-19	Management agreed to continue existing efforts and consider recommendations for enhancements.	Not yet due.
4/1/19	N/A	F&A	FY 2016-18 TDA Performance Audit Laguna Beach Municipal Transit Lines (LBMTL)	Direct staff to monitor implementation of recommendations included in the FY 2016-18 Triennial Performance Audit of LBMTL.	Oct-19	Staff will monitor implementation of recommendations by LBMTL.	Not yet due.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations.	Dec-19	Management concurs with the recommendation and will further evaluate the safety specifications levels and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety-related training for project managers and safety reporting by applicable contractors.	Not yet due.
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.	Dec-19	Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.	Not yet due.

**Audit Recommendations Closed During
First Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
7/12/18	18-505	Capital Programs	Interstate-405 (I-405) Improvement Project: Project Management Contracts	The Internal Audit Department (Internal Audit) recommends that management develop and implement appropriate controls to ensure labor classifications are only used as intended and all labor rates are held to contract escalation limits. Invoices should be monitored to ensure staff working steadily on the project are added to the contract in a timely manner.	Management agrees with the recommendation to develop and implement controls regarding the use of labor classifications. Staff that works, or is proposed to work, on a continuous basis for a period of six months or more will be added as named personnel to the contract. Labor classifications will continue to be utilized for staff working temporarily on the project. Additionally, management will require that consultants receive approval from the Orange County Transportation Authority's (OCTA) project manager in writing prior to adjusting the salary of individuals within labor classifications at a rate greater than the contractually allowable escalation rate for named personnel. Update July 2019: Management has implemented monitoring controls, processed amendments to consultant agreements to add applicable staff, and is requiring both consultants to confirm on invoices that there have been no rate increases greater than the contract escalation rate, based on their own internal monitoring.
11/29/18	18-512	Finance and Administration (F&A)	Interstate 5 (I-5) High Occupancy Vehicle (HOV) Improvement Project: Pacific Coast Highway (PCH) to San Juan Creek Road	Internal Audit recommends management enforce procurement policy or update the policy to include parameters for back-dating of formal amendments. Management should also remind staff that amendments should be requested in a timely fashion to ensure processing before contracts expire	Management agrees to enforce the current policy regarding processing of formal amendments. Management will conduct training for Contracts Administration and Materials Management (CAMP) staff and review the requirements for processing formal amendments. Staff is also working with the general counsel's office to address the changes in contract templates to eliminate any conflicts related to the interpretation of the "effective dates". CAMP also plans to conduct training for OCTA staff on the amendment process in 2019 through the Procurement 101 training series. Update September 2019: Management has provided staff training and revised contract templates to clarify effective dates and enforce policy.
11/29/18	18-512	F&A	I-5 HOV Improvement Project: PCH to San Juan Creek Road	Internal Audit recommends that changes to firm fixed pricing of individual tasks, as established in contracts, be made through the amendment process. Management should ensure amendments needed for additional services are requested and processed in a timely manner.	Management agrees with the recommendation to request amendments for changes to firm fixed pricing of individual tasks, as established in contracts which were procured with price as a factor. Management will reinforce with staff the need to request and process amendments for additional services in a timely manner. Update September 2019: Management has provided staff training to reinforce requirements for processing amendments and to emphasize timeliness.
11/29/18	18-512	F&A	I- 5 HOV Improvement Project: PCH to San Juan Creek Road	Management should either update its Program Management Procedures to reflect state and federal requirements or enhance controls to ensure that projects comply with all procedures identified in the manual.	Management agrees with the recommendation and will review the relevant procedures from the Program Management Procedures Manual with staff to ensure that projects are in compliance. Project managers will ensure that project management plans (PMP's) are prepared for each project. Update September 2019: Management has provided staff training to ensure requirements for preparing PMP's are complied with.

**Audit Recommendations Closed During
First Quarter, Fiscal Year 2019-20**

3/12/19	N/A	Planning Division (Planning) and F&A	Measure M (M2) City Audits: Local Fair Share and Senior Mobility Program	M2 Local Programs staff should review observations with legal counsel and develop recommendations for the Board of Directors' (Board) consideration. In addition, Planning and F&A staff should monitor implementation of corrective action by cities.	Staff will review observations and make recommendations for the Boards' action. Staff will follow-up with the cities to verify implementation of corrective actions. Update September 2019: Staff made recommendations to the Board at the May 13, 2019 Board meeting and obtained direction. As a result, both the City of Stanton and the City of Santa Ana were found ineligible to receive Measure M funds and the Chief Executive Officer was authorized to execute settlement agreements with each of the cities to outline requirements for restoring eligibility.
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October 23, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Property Insurance Policy Renewal

Overview

The Orange County Transportation Authority holds a property insurance policy with Zurich Insurance Company. This policy is scheduled to expire on December 1, 2019.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A44100, in an amount not to exceed \$550,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the policy period of December 1, 2019 to December 1, 2020.

Discussion

The Orange County Transportation Authority (OCTA) purchases insurance to protect OCTA property, including buildings, contents, and buses from accidental loss. OCTA is currently insured with Zurich Insurance Company for an annual net of commission premium of \$533,682.40, which is based on property values of \$566,232,099. The 91 Express Lanes property is insured under a separate insurance policy.

Insurance companies determine property insurance quotes based upon current insurance market conditions affecting rates per \$100 in property values. The current policy runs December 1, 2018 to December 1, 2019. The renewal of this policy will be based on updated property values of \$571,477,555, which includes real and business personal property, information system equipment, and directly-operated revenue and non-revenue vehicles. Due to the large number of insured buses included in this policy, there is a special insurance condition that OCTA buses are only insured while parked at the bus base.

Currently, a \$50,000 deductible is applied per occurrence for fire loss or damage to OCTA's bus fleet in this policy. Revenue vehicles are self-insured for property damage while in operation. OCTA's paratransit vehicles are not included in OCTA's insurable values since these vehicles are insured by MV Transportation, Inc., as required in Agreement No. C-2-1865, approved by the Board of Directors (Board) on March 25, 2013. In addition, fixed-route buses operated and insured by First Transit, Inc., as required in Agreement No. C-4-1737, approved by the Board on March 23, 2015, are also not included in OCTA's insurable values.

The property insurance policy limit is currently at \$225,000,000, which provides catastrophic protection equivalent to a total loss just above the current insurable values at OCTA's single largest property value location, the Santa Ana bus base. The insurance provides protection for real and business personal property, improvements and betterments, rolling stock, and extra expense incurred after a loss. Other coverage includes fire, flood, terrorism, civil authority, ingress/egress, leaks to fire sprinkler pipes caused by earthquakes, valuable papers, and boiler and machinery. Policy deductibles for this policy vary by category of coverage. The policy has a \$50,000 deductible that applies to all losses except:

- \$100,000 deductible for flood, except Flood Zone A
- \$500,000 deductible for flood in Flood Zone A

Flood protection is also provided in the current property insurance policy. Flood is defined in the policy as "surface water, underground water, waves, tides, tidal waves, tsunamis, overflow of any body of water, or their spray, all whether driven by wind or not." As with many properties in Orange County, OCTA has buildings that are in areas susceptible to flooding. Flood zones are identified by the National Flood Insurance Program and classified as a special flood hazard area if the area is within a 100-year flood boundary. A "100-year flood" does not refer to a flood that occurs once every 100 years, but refers to a flood level with a one percent or less chance of being equaled or exceeded in any given year. OCTA currently has flood protection included in the current policy with a limit of \$10,000,000, except for OCTA property in Flood Zone A that has a \$2,500,000 limit. Flood Zone A is an area of increased risk of flooding and carries a \$500,000 deductible. Currently, OCTA's Garden Grove Maintenance, Operations, General Services Warehouse, and Annex buildings are in Flood Zone A. Each of OCTA's other locations have been identified in Flood Zone X, which is defined as a moderate flood area.

Earthquake coverage is also provided in the current property insurance policy. The policy provides a \$10,000,000 limit subject to a five percent deductible of the insurable value per location, with a minimum of \$250,000 damage. Earthquake is defined in the policy “as the shaking or trembling of the earth's crust, caused by underground volcanic or tectonic forces, or by breaking or shifting of rock beneath the surface of the ground from natural causes, considering all events within a 168-hour period as one single event.”

OCTA's Broker of Record, Marsh Risk and Insurance Services, Inc. (Marsh), will provide marketing and will purchase the property insurance coverage on behalf of OCTA for this renewal. Marsh is paid an annual flat fee of \$100,000 for marketing and placing all property and casualty insurance per Agreement No. C-7-1585, approved by the Board on May 22, 2017. This flat fee paid to Marsh is not part of the \$550,000 Board-approved budget for the renewal of this policy. By agreement, Marsh does not earn any additional compensation or commission for its services. The contract further requires that any commissions offered by insurers will offset OCTA's premiums. In addition, Marsh has been instructed not to disclose broker compensation to prospective insurers to avoid having them net the broker's commission against their quoted premiums.

Marsh has identified a market trend of increased premium rates of 20 to 40 percent for insurance policies renewing this year. Although OCTA has a very favorable loss history, a premium rate increase is expected. Marsh has been directed to approach all possible markets to obtain the best coverage and premium options for this renewal. The carriers that will be approached for proposals with a required AM Best financial rating of A-7 or better are listed below in alphabetical order:

- Affiliated FM Insurance Company
- AIG (Lexington Insurance Company)
- Allianz Insurance Group
- Axis Insurance Company
- Chubb Insurance Company
- Liberty Mutual Insurance Company
- Travelers Property Casualty Company of America
- XL Insurance Company
- Zurich Insurance Company

Fiscal Impact

This expenditure was approved in OCTA's fiscal year 2019-20 Budget, Human Resources and Organizational Development Division, Risk Management Department, Account 0040-7563-A0017-DTS, and is funded through the Internal Service Fund.

Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Purchase Order No. XXXXX, in an amount not to exceed \$550,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the policy period of December 1, 2019 to December 1, 2020.

Attachment

None.

Prepared by:



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Approved by:



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Virginia Abadessa
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October 23, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2018-19 Fourth Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2018-19 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the fourth quarter of fiscal year 2018-19.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2018-19 Budget on June 11, 2018. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.31 billion. Sources of funds were comprised of \$1.07 billion in current FY revenues and \$237.8 million in use of prior year designations. Uses of funds were comprised of \$1.23 billion of current FY expenditures and \$80.3 million of designations.

The Board approved four amendments for the FY, increasing the expense budget by \$133.2 million. These amendments increased the budget to \$1.44 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2018	Adopted Budget	\$ 1,305,861
8/13/2018	Purchase of eight streetcar vehicles and spare parts	51,528
9/24/2018	Construction of the OC Streetcar Project	81,000
10/22/2018	Administration of the OC Taxi Administration Program	251
4/22/2019	Installation of Video Surveillance System at Bus Bases	452
	<i>Subtotal Amendments</i>	<i>133,231</i>
	Total Working Budget	\$ 1,439,092

*in thousands

Discussion

Staff monitors and analyzes revenues 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, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2).

Total salaries and benefits underran the budget by \$6.3 million. This underrun is primarily driven by vacancies. However, based on the Governmental Accounting Standards Board Statement Number 68 report provided by the Orange County Employees Retirement System, which requires that pension liability be recorded, OCTA recorded a liability adjustment. The net impact of this adjustment created an overrun of \$0.9 million in salaries and benefits.

Table 2 below provides a snapshot of actuals for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget through the fourth quarter.

Table 2 - Fiscal Year 2019 LTA and LTF Sales Tax Revenue

	Budget	Actual	\$ Variance	% Variance
LTA	\$ 328,555,671	\$ 328,810,968	\$ 255,297	0.08%
LTF	\$ 168,674,043	\$ 173,403,598	\$ 4,729,555	2.80%

Growth in LTA M2 Program sales tax was 3.38 percent in comparison to the budgeted growth rate of 3.7 percent. Growth in LTF Bus Program sales tax was 3.75 percent in comparison to the budgeted growth rate of 3.1 percent.

Bus Program operating revenue overran the budget by \$55.9 million, primarily due to an overrun of \$28.5 million from federal operating assistance funds for preventative maintenance and paratransit service. The funds received in the current FY were for prior FY expenditures. Also contributing to the overrun was

greater earnings on investments (\$10.9 million), higher sales tax revenue (\$4.7 million), and state operating assistance funds (\$5.3 million). Bus Program operating expenses underran by \$4.7 million, primarily due to contracted fixed-route service. For this service, penalties assessed primarily for missed trips reduced expenses incurred. Lower than anticipated claims for public liability and property damage also contributed to the underrun. The Bus Program finished the FY with an operating surplus of \$18.1 million.

Bus Program capital revenue underran by \$6 million primarily due to federal capital assistance grant funds in the amount of \$5.4 million. The federal funds, which are used to support major rehabilitation and new construction projects at the bus and maintenance bases, are anticipated to be reimbursed in the upcoming FY based on corresponding expenditures. Once the expenditures have been incurred, the capital grant funds can be sought for reimbursement. Capital expenses underran the budget by \$6 million primarily due to the replacement of the iShuttle service buses (\$3 million), engineering of the Transit Security and Operations Center project (\$1.7 million), and project timing for rehabilitation projects at the bus bases (\$1.3 million). The purchase for the replacement of iShuttle buses was moved to the FY 2019-20 budget after it was determined between OCTA and the City of Irvine that larger buses should be purchased in place of the smaller size due to anticipated passenger demand. Engineering of the Transit Security and Operations Center project began later than anticipated due to coordination efforts with the City of Anaheim on the conceptual design. Rehabilitation projects at the bus bases commenced later than anticipated in the FY based on contract execution timing.

The Rail Program finished the FY with a surplus of \$10.6 million. Rail Program operating revenue underran by \$4.2 million primarily due to federal operating assistance funds which were not received due to the corresponding expenses being lower than budgeted in the current FY for the Laguna Niguel/San Juan Capistrano Passing Siding project. Once expenditures occur next FY, the grant funds can be sought for reimbursement. Operating expenses underran by \$4.2 million, primarily due to the operating subsidy payment to Southern California Regional Rail Authority for OCTA's annual portion of the Metrolink operations. This underrun is the result of a credit received in the current FY based on prior year expenses finishing lower than anticipated. Also contributing to the underrun is a \$1 million variance associated with on-call design review services for the design phase of the Placentia Metrolink Station project.

Rail Program capital revenue underran by \$31.2 million primarily due to grant funds for the construction phase of the Laguna Niguel/San Juan Capistrano Passing Siding project (\$15.2 million). Expenses must be incurred before grant revenue can be sought. Once eligible expenditures take place, staff will seek grant reimbursement. Also contributing to the underrun was support funds from the 91 Express Lanes Program for the Placentia Metrolink Station

project (\$14.3 million). The supporting funds are based on expenditures as necessary for the project which were not needed this FY. Capital expenses underran the budget by \$41.8 million, primarily due to construction of the Placentia Metrolink Station (\$23.8 million) and the Laguna Niguel/San Juan Capistrano Passing Siding project (\$6.1 million). Due to negotiations associated with the rail right-of-way for the Placentia Metrolink Station project, the construction bidding process was moved to the following FY. The Laguna Niguel/San Juan Capistrano Passing Siding project underran due to an agreement to modify the invoicing methodology. Another contribution to the underrun was project savings on the construction phase of the Orange Transportation Center parking structure (\$5.4 million).

The 91 Express Lanes Program operating revenue underran by \$2.8 million, primarily due to lower than projected toll revenue received for the FY. OCTA contracts with a consulting firm to forecast the toll revenue each FY, and though traffic volumes exceeded the forecast, the revenue per vehicle trip was below those projections. The underrun was partially offset by overruns in fees collected for toll violations and account minimums, both of which are variable in nature. Operating expenses underran by \$19.6 million, primarily due to a \$14.3 million contribution to the Rail Program for the Placentia Metrolink Station project which did not take place as anticipated. The timing of the tolling infrastructure project to support new 6C protocol transponders contributed \$3 million to the underrun, as well as a \$1.5 million underrun for California Highway Patrol services due to an anticipated invoice for expenses from prior FYs which did not occur.

Capital revenue and expenses for the 91 Express Lanes Program each underran the budget by \$6.4 million primarily associated with contract execution timing for a new back office software system. At the time of budget development, staff planned for a vendor procurement by the end of the FY for development and implementation of the new system. However, due to the complexity of the proposed system, contract execution is now anticipated next FY. Due to the underrun in capital expenses, less capital revenue was utilized.

Motorist Services Program operating revenue overran by \$0.7 million. This is primarily due to higher than anticipated formula funds provided through the Road Repair and Accountability Act. Expenses for the program underran the budget by \$0.5 million due to lower than anticipated invoices for contracted tow service for the Freeway Service Patrol Program. Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated. The Motorist Services Program finished the FY with a surplus of \$1.2 million.

Expenses for the M2 Program underran the budget by \$191.1 million, primarily due to lower than anticipated right-of-way acquisition and right-of-way support services in the FY for the Interstate 405 Improvement Project and Interstate 5 South County Improvement Project. Streets and Roads expenses contributed

to the underrun due to payment requests from the cities and the county for the Regional Capacity and Regional Traffic Signal Synchronization programs which were lower than anticipated. These payment requests are variable in nature depending on the local jurisdiction's project completion. Transit expenses underran by \$6.5 million due to lower payments to cities under the community-based transit and circulators program. Payments to cities are variable in nature depending on utilization.

Summary

For FY 2018-19, OCTA operated within the budget parameters approved by the Board for all major programs. Sales tax revenue for both LTA and LTF finished higher than the budget, with LTA actual growth of 3.38 percent compared to the budgeted growth of 3.7 percent and LTF actual growth of 3.75 percent compared to the budgeted growth of 3.1 percent. Bus Program operating expenses underran the budget, and combined with higher than expected revenues, resulting in the Bus Program finishing the FY with an operating surplus of \$18.1 million. Bus Program capital revenues and expenditures generally underran the budget based on the timing of expenditures. The Rail program finished the FY with a surplus of \$10.6 million, primarily due to a prior year operating credit, as well as the timing and cost savings pertaining to capital expenditures. The 91 Express Lanes had a slight underrun in operating revenue, which was offset by underruns derived from the timing of contributions. The Motorist Services Program received more revenue than budgeted along with lower than anticipated expenses, which produced a \$1.2 million surplus. M2 Program expenses underran the budget primarily based on the timing of projects.

Attachment

- A. Quarterly Budget Status Report Fourth Quarter of Fiscal Year 2018-19

Prepared by:



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Approved by:

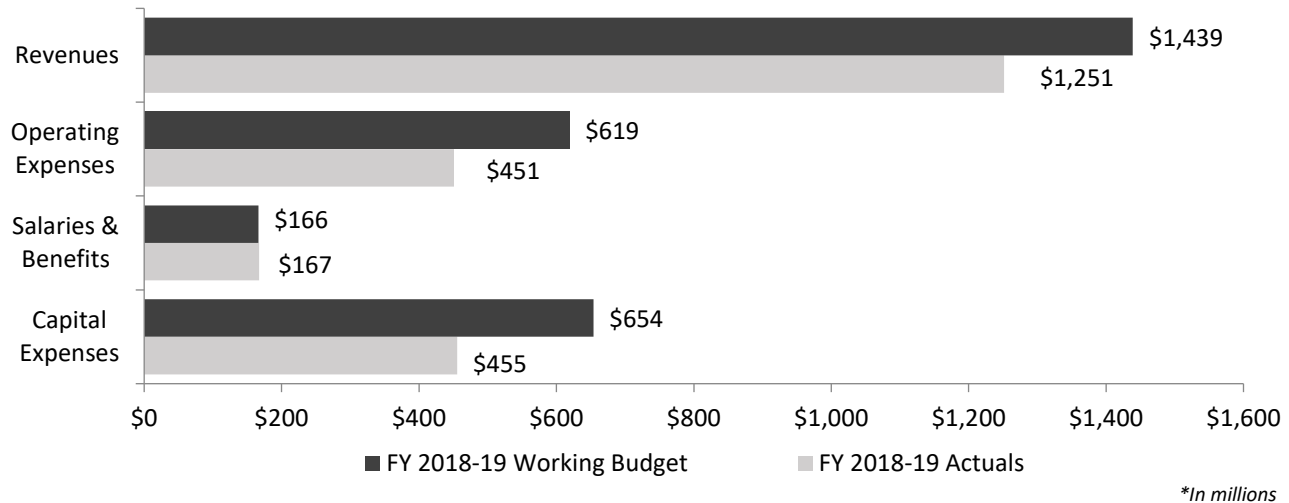


Andrew Oftelie
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Quarterly Budget Status Report

Fourth Quarter of Fiscal Year 2018-19



STAFFING

A staffing plan of 1,353 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2018-19. At the end of the fourth quarter, 1,287 of these positions were filled, representing a vacancy rate of 4.9 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	639	626	13	2.0%
Maintenance	171	151	20	11.7%
TCU	37	37	-	0.0%
<i>Union Subtotal</i>	847	814	33	3.9%
Bus Operations Support	165.5	156.5	9	5.4%
Other Administrative	340.5	316.5	24	7.0%
<i>Administrative Subtotal</i>	506	473	33	6.5%
Total OCTA	1,353	1,287	66	4.9%

TOTAL SALARIES AND BENEFITS

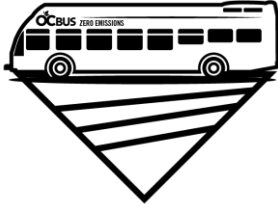
Total salaries and benefits of \$167.1 million were \$0.9 million higher than the budget of \$166.2 million. However, this \$0.9 million overrun is the result of a \$6.3 million underrun in salaries and benefits, driven by vacancies, and the recording of a pension liability adjustment. Based on the Governmental Accounting Standards Board Statement Number 68 report provided by the Orange County Employees Retirement System, which requires that pension liability be recorded, the Orange County Transportation Authority (OCTA) recorded a liability adjustment.

	Budget	Actual	\$ Variance	% Variance
Bus Program	\$ 107,777	\$ 112,131	\$ (4,354)	-4.0%
General Fund	58,432	54,947	3,485	6.0%
Total	\$ 166,209	\$ 167,077	\$ (868)	-0.5%

PROGRAM VARIANCES

Year-to-date material variances are listed on the following pages by program. All dollar amounts in tables are shown in thousands.

Bus Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 305,382	\$ 360,861	\$ 55,479	18.2%
Expenses	305,382	300,698	4,684	1.5%
Net Operating	\$ -	\$ 60,164		
Capital				
Revenue	61,478	55,480	(5,998)	-9.8%
Expenses	61,478	55,480	5,998	9.8%
Net Capital	\$ -	\$ -		

The Bus Program finished with net operating actuals of \$60.2 million. The timing of revenues and expenses account for \$42.1 million, resulting in an operating surplus of \$18.1 million.

Operating Revenue: Operating revenue for the Bus Program overran the budget by \$55.5 million primarily due to higher than anticipated federal operating assistance funds (\$28.5 million), earnings on investments (\$10.9 million), state transit operating assistance funds (\$5.3 million), and sales tax revenue (\$4.7 million).

The overrun of \$28.5 million for federal operating assistance revenue is associated with preventative maintenance on the bus fleet, as well as paratransit operating assistance. The funds received were prior FY grant funds received in the current FY.

Earnings on investments overran by \$10.9 million, primarily due to higher than anticipated investment performance. This is the result of a more favorable interest earnings rate than anticipated. The budgeted interest earnings for the FY was 1.5 percent, the actual interest earnings were approximately 3.8 percent.

State transit operating assistance funds overran by \$5.3 million, primarily due to the timing of allocation estimates and revisions from the California State Controller. The amount budgeted was based on the allocation estimates provided by the Controller's office in January 2018. However, based on higher than anticipated gas tax revenue,

the allocation to OCTA was revised after the adoption of the FY budget.

Sales tax revenue overran by \$4.7 million due to larger receipt of Local Transportation Fund sales tax than anticipated during budget development. The growth in sales tax was 3.75 percent for the FY compared to the budgeted growth rate of 3.1 percent.

Operating Expenses: The \$4.7 million underrun in Bus Program operating expenses was primarily the result of underruns in contracted fixed-route service (\$3.5 million), public liability and property damage insurance claims (\$2.2 million), Enhanced Mobility for Seniors and Disabled (EMSD) Grant Program (\$1.3 million), and as-needed repairs, supplies, and maintenance (\$1 million).

Contracted fixed-route service underran by \$3.5 million, primarily due to the penalties imposed. The contractor was assessed financial penalties due to missed trips.

Public liability and property damage insurance costs underran by \$2.2 million due to lower than anticipated claims which the amount and magnitude are variable in nature.

The EMSD Grant Program is contributing \$1.3 million to the underrun due to lower than anticipated grant applications by local agencies in the FY.

Capital Revenue: Capital revenue underran the budget by \$6 million, primarily due to the timing of federal capital assistance grant funds in the amount of \$5.4 million. The federal funds, which are used to support major rehabilitation and new construction projects at the bus and maintenance bases, are anticipated to be reimbursed in the upcoming FY based on corresponding expenditures. Projects such as heating/ventilation unit replacement, new steam clean bus hoists, and roofing replacement began in the fourth quarter and have not incurred significant expenditures. Once these expenditures have been incurred, the capital grant funds can be sought for reimbursement.

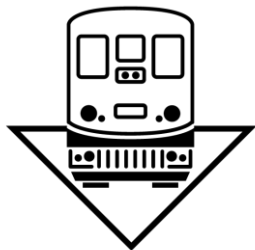
Capital Expenses: Capital expenses underran the budget by \$6 million, due to expenses associated with the purchase of iShuttle buses (\$3 million), Transit Security and Operations Center project (\$1.7 million), and multiple projects at bus bases across Orange County (\$1.2 million).

The underrun of \$3 million for iShuttle buses was due to a revision in the plan regarding the type of buses that would be procured. Originally, the City of Irvine and OCTA agreed on 32-foot gasoline buses, however upon further review it was determined that 40-foot compressed natural gas buses would be more appropriate to meet expected passenger demand. Due to this revision, additional time is required. This item has been rebudgeted in the following FY.

The underrun of \$1.7 million for the Transit Security and Operations Center project was due to extended initial design phase review requested by the City of Anaheim, where the project will be built. This caused expenses for the next design phase to be less than anticipated, and they have been rebudgeted in the following FY.

The remaining \$1.2 million underrun was primarily due to less than anticipated expenses for multiple bus base projects and transportation centers across Orange County. Most of the underrun resulted from contract execution timing which occurred later than anticipated. The expenses have been rebudgeted in the following FY.

Rail Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 39,461	\$ 35,287	\$ (4,174)	-10.6%
Expenses	39,461	35,259	4,202	10.6%
Net Operating	\$ -	\$ 29		
Capital				
Revenue	61,473	30,293	(31,180)	-50.7%
Expenses	61,473	19,688	41,785	68.0%
Net Capital	\$ -	\$ 10,606		

The Rail Program finished the FY with a surplus of \$10.6 million

Operating Revenue: Rail Program operating revenue underran by \$4.2 million, primarily due to federal operating assistance funds which were not received due to the corresponding expenditures being lower in the current FY for the Laguna Niguel/San Juan Capistrano Passing Siding Project. Once expenditures occur next FY, the grant funds can be sought for reimbursement.

Operating Expenses: Rail Program operating expenses underran the budget by \$4.2 million.

The underrun is primarily associated with a \$3.5 million underrun in OCTA's member contribution to Southern California Regional Rail Authority (SCRRA) for its share of the annual Metrolink operating subsidy. The underrun was due to a credit received in the current FY due to prior FY expenses finishing lower than originally anticipated.

Also contributing to the variance was a \$1 million underrun associated with on-call design review services for the design phase of the Placentia Metrolink Station Project. The

underrun was due to the timing of a shared-use agreement between SCRRA and Burlington Northern Santa Fe Railway (BNSF), which has not been finalized. The design review by BNSF will begin when the agreement is reached.

Capital Revenue: The \$31.2 million underrun in Rail Program capital revenue can be attributed to grant funds for the construction phase of the Laguna Niguel/San Juan Capistrano Passing Siding Project (\$15.2 million). Expenses must be incurred before grant revenue can be sought. Once eligible expenditures take place, staff will seek grant reimbursement. Also contributing to the underrun was support funds from the 91 Express Lanes Program for the Placentia Metrolink Station Project (\$14.3 million). The supporting funds are based on expenditures as necessary for the project, however in the FY the funds were not needed.

Capital Expenses: Rail Program capital expenses underran the budget by \$41.8 million, primarily due to construction projects at Metrolink stations.

Construction expenses for the Placentia Metrolink Station Project contributed \$23.8 million to the underrun. A BNSF maintenance agreement and approvals for leasing of their right-of-way in the project area required more time than was originally anticipated. As a result, an invitation for bids for construction of the project is planned next FY.

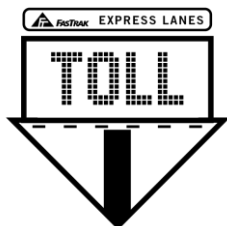
Construction for the Laguna Niguel/San Juan Capistrano Passing Siding Project contributed \$6.1 million to the underrun. During budget development, it was anticipated OCTA would provide funds upfront to SCRRA for construction of the project. However, it was decided between the two parties that OCTA would make federal grant funds available to SCRRA as a direct drawdown for construction. Also, construction management services and utility relocation work began later than anticipated based on the timing of construction resulting in the underrun for these services. These items have been rebudgeted accordingly next FY.

Construction expenses for the Orange Transportation Center Parking Structure Project contributed \$5.4 million to the underrun. Construction funds of \$7.1 million were budgeted in the FY, however not all the funds were needed to complete the project.

Right-of-way and construction management expenses for the Anaheim Canyon Metrolink Station Project contributed \$3.8 million to the underrun in the FY. Right-of-way expenses were budgeted at \$2 million for the possible relocation of two driveways in the project area, however due to design adjustments these driveways did not need to be acquired. Construction management expenses underran by \$1.8 million based on the timing of design phase

completion. As a result of updated design plans, the construction management budget was not utilized. This has been rebudgeted next FY.

91 Express Lanes Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 40,901	\$ 38,104	\$ (2,797)	-6.8%
Expenses	40,901	21,290	19,611	47.9%
Net Operating	\$ -	\$ 16,814		
Capital				
Revenue	34,649	28,250	(6,399)	-18.5%
Expenses	34,649	28,250	6,399	18.5%
Net Capital	\$ -	\$ -		

Operating Revenue: The 91 Express Lanes operating revenue underran by \$2.8 million due to offsetting factors.

Revenue from tolls underran the budget by \$3.5 million due to lower toll revenue than forecasted. OCTA contracts with a consulting firm to forecast monthly traffic patterns and toll revenue for the express lanes. To be conservative, staff uses 95 percent of the monthly revenue projections for budgeting purposes. However, though traffic volume exceeded the forecast, this FY revenue was below the forecasted budget based on lower toll revenue per vehicle trip. staff has taken a more conservative approach in the next FY budget, utilizing 90 percent of the consultant's revenue projection.

The underrun in toll revenue was partially offset by overruns in revenue from fees. Fees such as toll violations and account minimum fees collected overran due to the variable nature of this revenue source which can be difficult to forecast.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by \$19.6 million. The underrun was primarily due to a contribution for the Placentia Metrolink Station Project (\$14.3 million), the timing of the 6C protocol tolling infrastructure project (\$3 million), and California Highway Patrol (CHP) services (\$1.5 million).

The underrun of \$14.3 million for the Placentia Metrolink Station Project was the result of the timing of expenses for the project. The FY budget included a contribution of funds to support the project, however, due to timing of the project expenses, the contribution was not necessary this FY. This has been rebudgeted the following FY.

The 6C protocol tolling infrastructure project underran the budget by \$3 million. The project, led by Riverside County Transportation Commission, commenced later than anticipated in the FY. As a result, invoicing to OCTA for its portion of the project underran the budget. Also, sales of new 6C protocol transponders and marketing for the transponders underran the budget. As a result, expenses for the project have been rebudgeted next FY.

CHP services for roadway enforcement on the 91 Express Lanes underran by \$1.5 million due to an adjustment made to prior FY expenses. This FY, the vendor informed Staff they were unable to provide documentation to support their invoice charges and would therefore not be submitting the anticipated invoice.

Capital Revenue: Capital revenue for the 91 Express Lanes Program underran the budget by \$6.4 million and is directly tied to capital expenses.

Capital Expenses: Capital expenses for the 91 Express Lanes Program underran the budget by \$6.4 million. At the time of budget development, staff planned for a vendor procurement by the end of the FY for development and implementation of the system. However due to the complexity of the proposed system, contract execution did not occur in the FY but is anticipated early in the following FY. This expense has been rebudgeted.

Motorist Services Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 8,763	\$ 9,439	\$ 676	7.7%
Expenses	8,763	8,248	515	5.9%
Net Operating	\$ -	\$ 1,191		

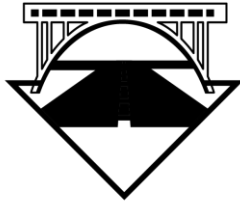
The Motorist Services Program finished the FY with a surplus of \$1.2 million.

Operating Revenue: Operating revenue for the Motorist Services Program overran the budget by \$0.7 million. This is primarily due to higher than anticipated formula funds provided through the Road Repair and Accountability Act (RRAA). At the time of budget development, it was unclear whether RRAA would get repealed, and to be conservative, staff did not budget to receive the funds. Once voters approved to keep the RRAA in place, OCTA received the formula funds resulting in the overrun.

Operating Expenses: Operating expenses for the Motorist Services Program underran the budget by \$0.5 million. The underrun is associated with lower than anticipated fuel cost for contracted tow services.

transit and circulators program. Payments to cities are variable in nature depending on utilization.

M2 Program



Revenue: M2 Program sales tax revenue overran the budget by \$0.3 million due to larger sales tax receipts than anticipated during budget development. The growth in sales tax was 3.38 percent for the FY compared to the budgeted growth rate of 3.7 percent. However, due to the previous FY sales tax revenue ending higher than anticipated, the base for the growth was higher, resulting in the revenue overrun.

Mode	Budget	Actual	\$ Variance	% Variance
Freeways	334,139	233,222	100,917	30.2%
Streets & Roads	170,386	104,438	65,947	38.7%
Debt Service	44,365	28,795	15,570	35.1%
Transit	16,577	10,089	6,488	39.1%
Administration	10,667	8,465	2,201	20.6%
Total	\$ 576,133	\$ 385,009	\$ 191,124	33.2%

Expenses: M2 Program expenditures underran the budget by \$191.1 million. Freeways contributed the majority of the underrun, with a variance of \$100.9 million. This was primarily due to right-of-way acquisition and support services for the I-405 Improvement Project and the I-5 South County Improvement Project. Per cooperative agreements with the California Department of Transportation, or at the direction of the court in the case of right-of-way condemnation, staff budgets each FY in the event all remaining parcels for a project will be acquired. However, the process of acquiring parcels can be lengthy and the expenses are not recognized until the final amounts have been agreed upon by all parties. Streets and Roads contributed \$65.9 million to the underrun due to lower than anticipated project payment requests from cities and the county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Debt Service underran \$15.6 million due to the refinancing of existing debt. During budget development, debt service payments were anticipated with the issuance of new M2 Program debt. However, based on the issuance occurring in the second half of the FY, no debt service payments were due until the following FY. Transit expenses underran by \$6.5 million due to lower payments to cities under the community-based



October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: State Transit Assistance Fund and Senate Bill 1 State of Good Repair Claims for Fiscal Year 2019-20

Overview

The Orange County Transit District is eligible to receive funding from the State Transit Assistance Fund for providing public transportation services throughout Orange County. In order to receive these funds, the Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

The Orange County Transportation Authority is eligible to receive funding from the Senate Bill 1 State of Good Repair Program that is funded by the Transportation Improvement Fee on vehicle registrations. Funding recommendations for fiscal year 2019-20 were presented to the Board of Directors on August 12, 2019. Upon approval of the statewide list of fiscal year 2019-20 projects by the California Department of Transportation, the Orange County Transportation Authority must file claims on a quarterly basis to receive the funding.

Recommendations

- A. Adopt Resolution No. 2019-079 to authorize the filing of State Transit Assistance Fund claims, in the amount of revised estimate of \$38,396,928, or up to the actual allocation published by the State Controller's Office, to support public transportation.
- B. Authorize the filing of Senate Bill 1 State of Good Repair claims, in the amount of the revised estimate of \$5,933,032, or up to the actual allocation published by the State Controller's Office, to help sustain and upgrade the Orange County Transportation Authority's bus system.

Background

State Transit Assistance Fund (STAF)

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to transit and non-transit related projects. The funding source consists of two parts: Local Transportation Fund, which is derived from 1/4 cent of the general sales tax collected statewide, and the STAF, which is generated from the statewide sales tax on diesel and funded through the Public Transportation Account. STAF revenues are appropriated to local agencies by formula on a quarterly basis.

The STAF revenues are distributed by the State Controller's Office (SCO) and returned quarterly to each regional entity based on the amount of the appropriation approved in the state budget. Estimates are typically provided in January, with revised estimates provided in August of each year. In Orange County, the STAF funds are deposited in the Orange County STAF Account (Fund 185) in the Orange County Treasury and administered by the Orange County Auditor-Controller (OCAC). STAF funds are distributed by the OCAC to the Orange County Transit District (OCTD) based on claims against the STAF as specified in the TDA.

State of Good Repair (SGR)

The SGR Program is funded by a portion of the new Transportation Improvement Fee on vehicle registrations due on or after January 1, 2018. The SCO annually publishes estimates of SGR funding levels per Public Utilities Code Sections 99313 and 99314. Estimates are typically provided in January, with revised estimates provided in August of each year. SGR funds are expected to be allocated quarterly beginning November 2019, upon receipt of the approved recipients from the California Department of Transportation and filing of claims by Orange County Transportation Authority (OCTA).

Discussion

STAF

Section 6732 of Title 21 of the California Code of Regulations requires OCTD to file a claim with OCTA to receive its STAF allocation for providing public transportation services. OCTD utilizes STAF revenues to fund ongoing capital requirements and operations of the bus program. OCTA has acknowledged that OCTD has met the required findings as per California Code of Regulations 6754, in order to be eligible to receive STAF funding.

In August 2019, the SCO determined that OCTA would receive \$38,396,928 of STAF for fiscal year (FY) 2019-20, which includes the increase from Senate Bill 1 (SB 1) funds. The SCO estimates OCTA to receive approximately 5.5 percent of an expected statewide STAF Program of \$696,519,000.

SGR

In August 2019, the SCO determined that OCTA would receive \$5,933,032 of SGR for FY 2019-20. On August 12, 2019, the OCTA Board of Directors (Board) approved the SB1 SGR Program recommendations for FY 2019-20. The funding recommendations included replacement of up to seven iShuttle buses, up to six El Dorado cutaways with 40-foot buses, and the emergency equipment at the Anaheim and Irvine bus bases.

SCO is anticipated to begin releasing FY 2019-20 funds to transit agencies, beginning November 2019. OCTA will then be able to submit claims to receive these funds on a quarterly basis.

Summary

The STAF provides funding to the OCTD for public transit services. In order to receive these funds, OCTD must file the appropriate STAF claims with OCTA. Staff recommends the OCTA Board to adopt Resolution No. 2019-079 to file these claims.

The SGR Program provides funding for transit capital projects or services to maintain or repair a transit operator's existing transit vehicle fleet or transit facilities that improve existing transit services, and transit services that complement local efforts. Staff recommends the OCTA Board to authorize filing of claims to receive SGR funds.

Attachment

- A. Resolution 2019-079 of the Orange County Transportation District,
Authorizing the Filing of State Transit Assistance Fund Claims

Prepared by:



Sam Kaur
Department Manager,
Revenue and Grants Administration
(714) 560-5889

Approved by:



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

**RESOLUTION 2019-079 OF THE
ORANGE COUNTY TRANSPORTATION DISTRICT**

**AUTHORIZING THE FILING OF
STATE TRANSIT ASSISTANCE FUND CLAIMS**

WHEREAS, the Orange County Transportation Fund was created by the Transportation Development Act (SB 325:1971) to aid in meeting the public transportation and community transit needs that exist in Orange County; and

WHEREAS, the Orange County Transit District is submitting transportation claims for funds from the Orange County Transportation Fund; and

WHEREAS, the Orange County Transportation Authority has the authority to review claims and allocate such funds in accordance with the California Code of Regulations and the California Transportation Development Act.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Orange County Transit District hereby requests the Orange County Transportation Authority, in connection to all findings in California Code of Regulations 6754, allocate funds to the Orange County Transit District for the purpose of providing the support of a public transportation system as described under Article 6.5 of the California Transportation Development Act.

BE IT FURTHER RESOLVED that the Orange County Transit District agrees to provide the Orange County Transportation Authority with such information as may be necessary to support these transportation claims.

ADOPTED, SIGNED AND APPROVED this 28th day of October, 2019.

AYES:

NOES:

ABSENT:

ATTEST:

Laurena Weinert
Clerk of the Board

Tim Shaw, Chairman
Orange County Transit District



October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: 2019 Measure M2 Sales Tax Forecast

Overview

The Orange County Transportation Authority contracts with MuniServices, LLC, and three universities to forecast Measure M2 taxable sales. MuniServices, LLC, and the three universities have provided updated forecasts, and staff has incorporated the new information into the annual update for the long-range forecast of Measure M2 taxable sales.

Recommendation

Receive and file as an information item.

Background

On March 28, 2016, the Orange County Transportation Authority (OCTA) Board of Directors (Board) directed staff to forecast taxable sales in Orange County by utilizing MuniServices, LLC, forecasted taxable sales growth rates for the first five years of the forecast period, and average growth rates based on forecasted taxable sales from three universities; Chapman University, University of California, Los Angeles, and California State University, Fullerton, for the remaining years. In addition, OCTA received final tax receipts for fiscal year (FY) 2018-19 in September 2019.

Discussion

OCTA received updated taxable sales forecasts from MuniServices, LLC, (MuniServices) and the three universities for the 2019 Measure M2 (M2) sales tax revenue forecast. The MuniServices forecast includes five fiscal years from FY 2020 through FY 2024. The average annual taxable sales growth rate over that period based on MuniServices forecast is 3.2 percent. The three-university average annual growth rate for the remaining years (FY 2025 through FY 2041) is 3.7 percent. The average annual growth rate over the entire forecast period is

3.6 percent. Based on the updated taxable sales forecasts, it is anticipated that total taxable sales available to support the M2 Program will be \$13.4 billion over the 30-year period. The forecasted amount of sales tax of \$13.4 billion represents a \$0.3 billion (2.2 percent) increase in forecasted taxable sales compared to the FY 2018 forecast.

The increase is based on a combination of factors, including California Department of Tax and Fee Administration's implementation of AB 147 (Chapter 5, Statutes of 2019). AB 147 provides important direction in state law for the implementation of the United States Supreme Court's *South Dakota v. Wayfair, Inc.* decision in California. AB 147 defines "engaged in business" in California as conducting at least \$500,000 in sales statewide. Under the bill, businesses outside Orange County meeting this new definition must begin collecting M2 revenues on sales in Orange County. The bill requires that businesses register with the CDFTA by October 1, 2019.

Summary

OCTA has received updated taxable sales forecasts from MuniServices and the three universities. Based on the implementation of the new sales tax collection law, it is anticipated that total taxable sales available for the M2 Program will be \$13.4 billion. This represents a year-over-year increase of \$0.3 billion (2.2 percent) in forecasted taxable sales when compared to last year's forecast.

Attachment

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast
- 2019

Prepared by:



Sam Kaur
Department Manager,
Revenue and Grants Administration
(714) 560-5889

Approved by:



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



Orange County Transportation Authority M2 Sales Tax Revenue Forecast - 2019

In Nominal Dollars

Fiscal Year	Actual Growth	Chapman		UCLA		CSUF		MuniServices		Board Approved Forecast	
		Gross Sales Tax*	Growth Rate	Gross Sales Tax	Growth Rate	Gross Sales Tax	Growth Rate	Gross Sales Tax	Growth Rate	Gross Sales Tax	Blended Growth Rate
2011 **	6.50%	61,756,868	-	61,756,868	-	61,756,868	-	61,756,868	-	61,756,868	-
2012	6.20%	250,892,931	-	250,892,931	-	250,892,931	-	250,892,931	-	250,892,931	-
2013	6.17%	266,384,076	-	266,384,076	-	266,384,076	-	266,384,076	-	266,384,076	-
2014	4.96%	279,599,946	-	279,599,946	-	279,599,946	-	279,599,946	-	279,599,946	-
2015	4.30%	291,615,675	-	291,615,675	-	291,615,675	-	291,615,675	-	291,615,675	-
2016	3.20%	300,944,523	-	300,944,523	-	300,944,523	-	300,944,523	-	300,944,523	-
2017	2.60%	308,768,664	-	308,768,664	-	308,768,664	-	308,768,664	-	308,768,664	-
2018	4.12%	321,480,529	-	321,480,529	-	321,480,529	-	321,480,529	-	321,480,529	-
2019	3.38%	332,358,188	-	332,358,188	-	332,358,188	-	332,358,188	-	332,358,188	-
2020		341,982,420	2.90%	353,876,468	6.47%	345,876,552	4.07%	346,649,590	4.30%	346,649,590	4.30%
2021		352,417,518	3.05%	360,120,984	1.76%	362,772,435	4.88%	354,969,180	2.40%	354,969,180	2.40%
2022		363,066,528	3.02%	368,616,783	2.36%	379,934,677	4.73%	363,843,409	2.50%	363,843,409	2.50%
2023		374,052,414	3.03%	383,454,033	4.03%	395,438,124	4.08%	376,214,085	3.40%	376,214,085	3.40%
2024		385,288,963	3.00%	397,142,045	3.57%	408,417,755	3.28%	389,005,364	3.40%	389,005,364	3.40%
2025		396,787,773	2.98%	411,895,802	3.71%	422,388,098	3.42%			402,127,873	3.37%
2026		408,730,015	3.01%	427,041,017	3.68%	439,004,767	3.93%			416,364,091	3.54%
2027		421,251,055	3.06%	442,801,066	3.69%	458,350,970	4.41%			431,853,886	3.72%
2028		434,044,442	3.04%	459,117,946	3.68%	479,597,080	4.64%			448,202,806	3.79%
2029		447,017,661	2.99%	476,046,697	3.69%	502,897,178	4.86%			465,435,327	3.84%
2030		460,414,056	3.00%	493,595,114	3.69%	528,387,855	5.07%			483,667,801	3.92%
2031		474,211,939	3.00%	511,792,358	3.69%	553,282,826	4.71%			502,039,135	3.80%
2032		488,423,341	3.00%	530,659,651	3.69%	579,112,615	4.67%			521,035,994	3.78%
2033		503,060,656	3.00%	550,222,841	3.69%	605,722,735	4.59%			540,624,189	3.76%
2034		518,136,649	3.00%	570,507,089	3.69%	632,979,828	4.50%			560,777,459	3.73%
2035		533,664,468	3.00%	591,539,182	3.69%	660,756,182	4.39%			581,473,154	3.69%
2036		549,657,654	3.00%	613,346,629	3.69%	689,864,042	4.41%			602,965,674	3.70%
2037		566,130,156	3.00%	635,958,017	3.69%	719,322,609	4.27%			624,981,205	3.65%
2038		583,096,338	3.00%	659,402,988	3.69%	750,061,461	4.27%			647,807,049	3.65%
2039		600,570,997	3.00%	683,712,271	3.69%	781,610,990	4.21%			671,321,780	3.63%
2040		618,569,373	3.00%	708,917,734	3.69%	814,805,498	4.25%			695,781,102	3.64%
2041 **		477,830,372	3.00%	551,289,303	3.69%	636,820,816	4.21%			540,781,379	3.63%
Total		\$ 12,712,206,188	3.00%	\$ 13,594,857,417	3.68%	\$ 14,561,206,492	4.36%	\$ 4,244,483,028	3.20%	\$ 13,381,722,934	3.58%

*Fiscal years 2011 through 2017 represent actual sales tax receipts. Fiscal Year 2018 is based on estimated sales tax revenues from MuniServices, LLC. Fiscal Year 2019 represent actual sales tax receipts plus \$1.58 million additional revenues received for Fiscal Year 2018 above MuniServices Fiscal Year 2018 estimate.

** Fiscal year 2011 includes sales tax receipts for one quarter and fiscal year 2041 represents forecasted sales tax receipts for three quarters.



October 23, 2019

To: Finance and Administration Committee
[Signature]
From: Darrell E. Johnson, Chief Executive Officer
Subject: Orange County Transportation Authority Investment and Debt Programs Report – September 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 September 30, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

Discussion

As of September 30, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.06 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, the short-term portfolio for future budgeted expenditures, and the bond proceeds portfolio to meet Measure (M2) transportation program needs. 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 2.2 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 \$10,678,071, with an average monthly effective yield of 2.3 percent. The OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$15,573,512. For the month of August, the monthly gross yield for the OCIP was 2.3 percent. Yields for the month of September will be received in October.

OCTA's debt portfolio had an outstanding principal balance of \$1.01 billion as of September 30, 2019. Approximately 63 percent of the outstanding balance is comprised of M2 debt, nine 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 September 30, 2019.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending September 30, 2019.

Prepared by:



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

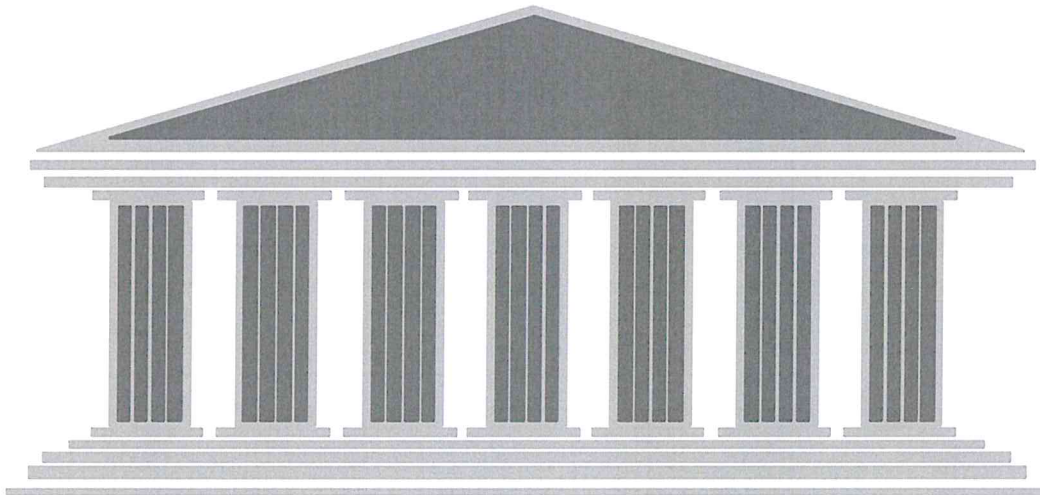
Approved by:



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
September 30, 2019**

INVESTMENT PROGRAM

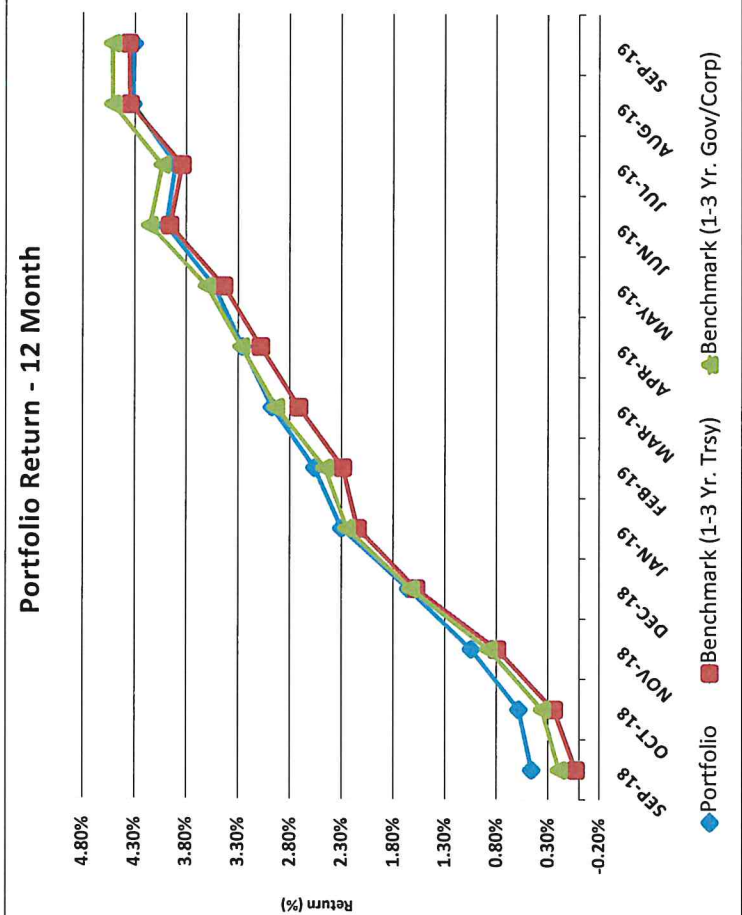
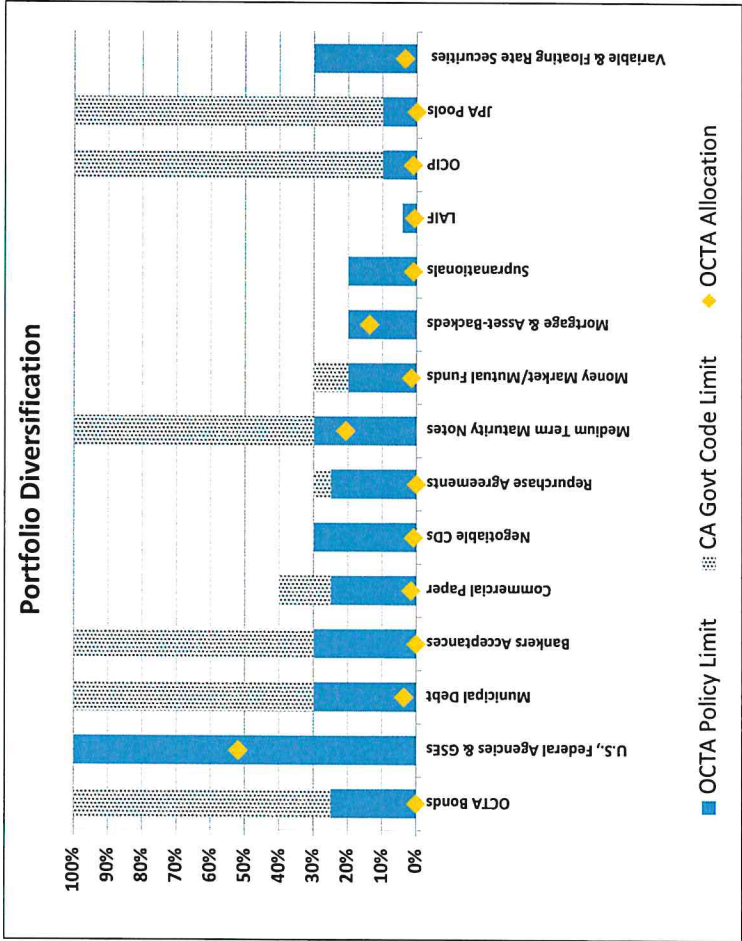
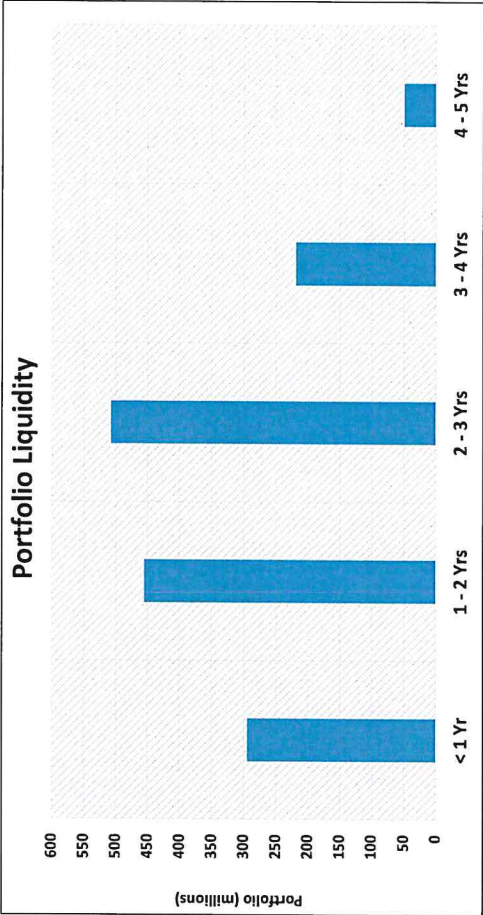
OCTA Investment Dashboard

9/30/2019

Safety of Principal

Securities that fall below OCTA's minimum credit quality requirements:

N/A



Investment Profile

9/30/2019

Portfolio / Managers	Depository	Role	Type of Investment	Amount (\$ Millions)
<u>LIQUID PORTFOLIO:</u>				
OCTA	BNY Mellon	Trustee	Cash	\$ 55.4
OCTA	Bank of the West	Broker	Cash	63.0
OCTA	U.S Bank	Trustee	Cash	0.0
Subtotal OCTA Liquid Portfolio				\$ 118.4
<u>SHORT-TERM PORTFOLIO:</u>				
<u>Investment Managers</u>				
MetLife Investment Management	Union Bank	Custodian	Per OCTA Investment Policy	\$ 379.2
Chandler Asset Management	Union Bank	Custodian	Per OCTA Investment Policy	380.0
Payden & Rygel Investment Counsel	Union Bank	Custodian	Per OCTA Investment Policy	385.2
Public Financial Management (PFM)	Union Bank	Custodian	Per OCTA Investment Policy	380.8
Subtotal Short-Term Portfolio (Investment Managers)				\$ 1,525.2
<u>Pooled Investments</u>				
California State Treasurer	LAIF	Custodian	Per LAIF Investment Policy	\$ 10.7
Orange County Treasurer	OCIP	Custodian	Per OCIP Investment Policy	15.6
Subtotal Short-Term Portfolio Pooled Investments (LAIF/OCIP)				\$ 26.3
Subtotal Short-Term Portfolio				\$ 1,551.5
<u>BOND PROCEED PORTFOLIO:</u>				
OCTA	Bank of Nova Scotia	Custodian	Per Measure M2 Bond Indenture	\$ 316.8
OCTA	BNY Mellon	Trustee	Per Measure M2 Bond Indenture	45.6
Subtotal OCTA Bond Proceeds Portfolio				\$ 362.4
<u>RESERVE FUNDS PORTFOLIO:</u>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	\$ 11.3
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.4
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.1
Bank Deposits/Cash				0.1
Subtotal OCTA Reserve Funds Portfolio				\$ 25.0
TOTAL				\$ 2,057.2

Short-Term Portfolio - \$1.53 Billion

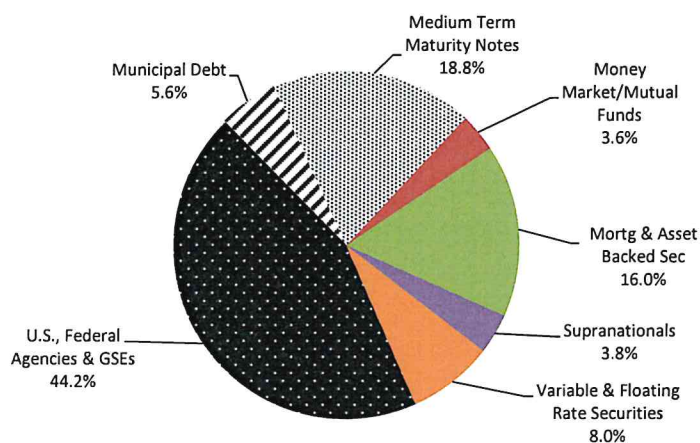
9/30/2019

Part 1 of 2

MetLife Investment Management

Book Value₍₁₎ \$ 379,168,447

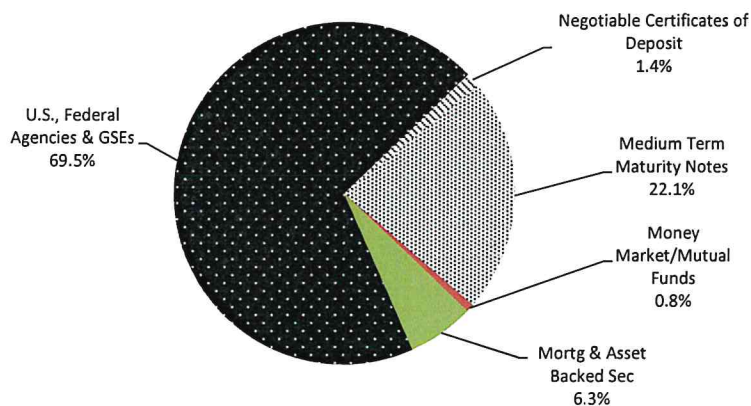
Market Value₍₂₎ \$ 381,765,257



Chandler Asset Management

Book Value₍₁₎ \$ 379,995,054

Market Value₍₂₎ \$ 385,086,851



⁽¹⁾ Book Value as Reported by Union Bank

⁽²⁾ Market Value as Reported by Clearwater

Short-Term Portfolio - \$1.53 Billion

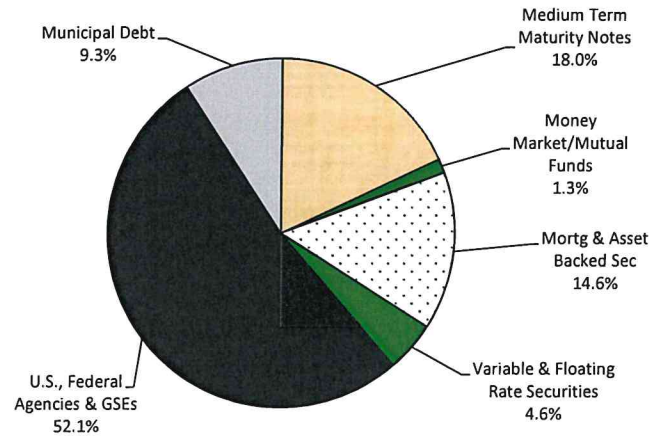
9/30/2019

Part 2 of 2

Payden & Rygel

Book Value₍₁₎ \$ 385,245,639

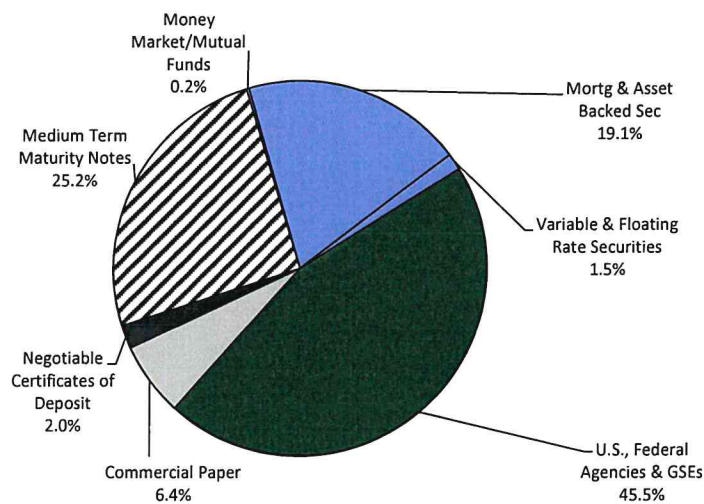
Market Value₍₂₎ \$ 386,501,985



Public Financial Management (PFM)

Book Value₍₁₎ \$ 380,797,221

Market Value₍₂₎ \$ 386,296,859



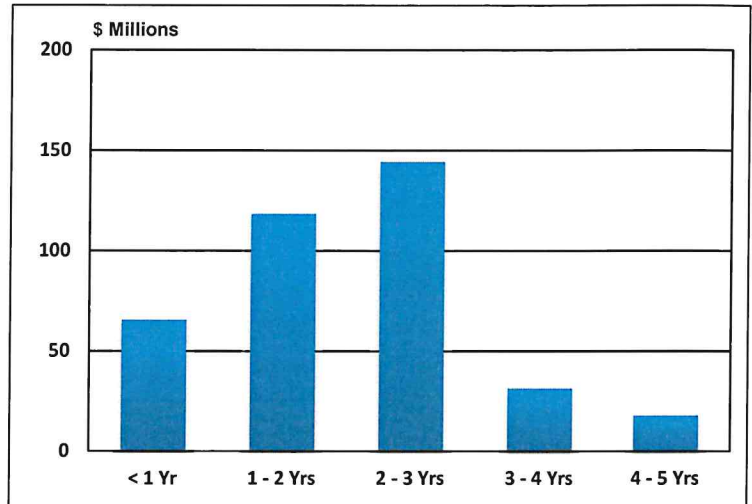
(1) Book Value as Reported by Union Bank
 (2) Market Value as Reported by Clearwater

Short-Term Portfolio Maturity Schedule

9/30/2019

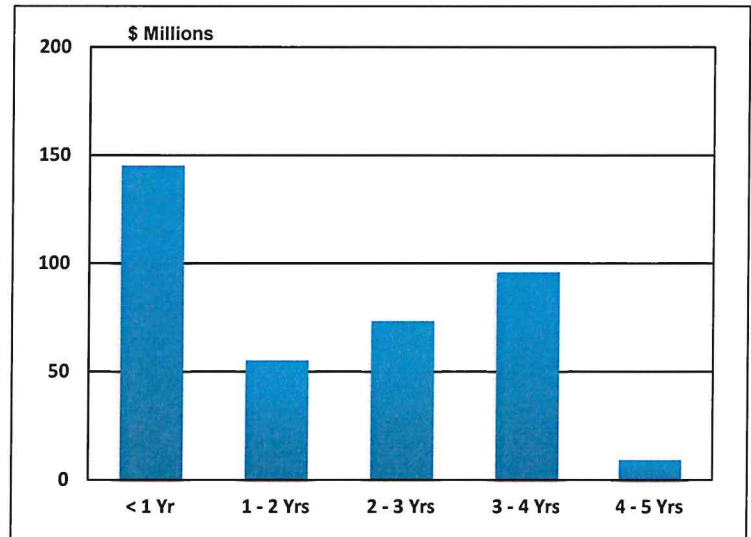
MetLife Investment Management (\$379.2 M)

Monthly Return	0.02%
TSY Benchmark	-0.11%
Gov/Corp Benchmark	-0.08%
Fiscal YTD Return	3.65%
TSY Benchmark	4.35%
Gov/Corp Benchmark	4.52%
12 Month Return	3.72%
TSY Benchmark	4.36%
Gov/Corp Benchmark	4.52%



Chandler Asset Management (\$380.0 M)

Monthly Return	-0.06%
TSY Benchmark	-0.11%
Gov/Corp Benchmark	-0.08%
Fiscal YTD Return	3.76%
TSY Benchmark	4.35%
Gov/Corp Benchmark	4.52%
12 Month Return	4.48%
TSY Benchmark	4.36%
Gov/Corp Benchmark	4.52%



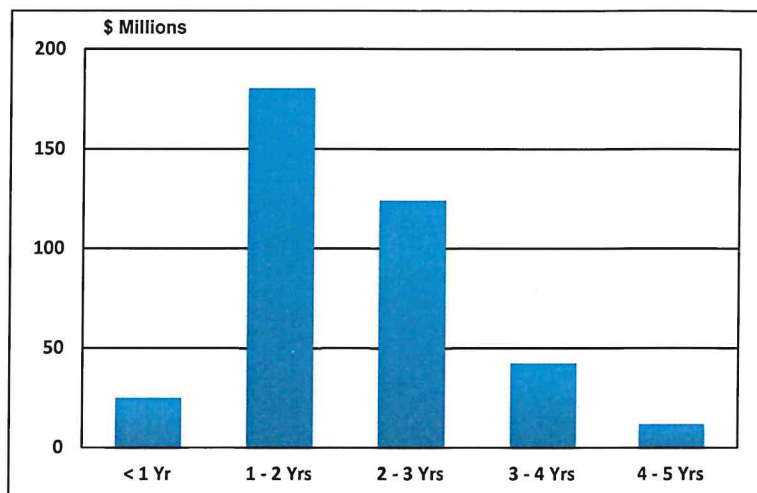
Yield Curve Change From 8/31/19 to 9/30/19			
	8/31/19	9/30/19	Change
1 Year	1.699%	1.595%	-0.1040%
2 Year	1.437%	1.391%	-0.0460%
3 Year	1.355%	1.347%	-0.0080%
5 Year	1.311%	1.348%	0.0370%
30 Year	1.953%	2.033%	0.0800%

Short-Term Portfolio Maturity Schedule

9/30/2019

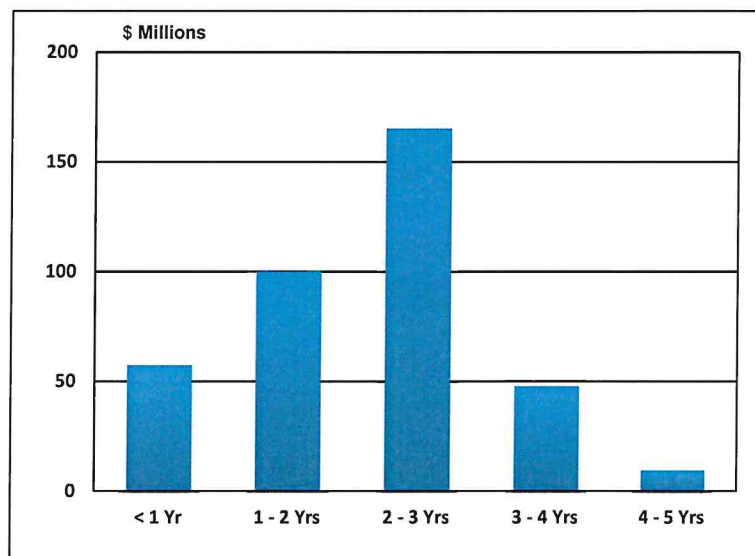
Payden & Rygel (\$385.2 M)

Monthly Return	-0.07%
TSY Benchmark	-0.11%
Gov/Corp Benchmark	-0.08%
Fiscal YTD Return	3.70%
TSY Benchmark	4.35%
Gov/Corp Benchmark	4.52%
12 Month Return	4.41%
TSY Benchmark	4.36%
Gov/Corp Benchmark	4.52%



Public Financial Management (\$380.8 M)

Monthly Return	-0.05%
TSY Benchmark	-0.11%
Gov/Corp Benchmark	-0.08%
Fiscal YTD Return	3.84%
TSY Benchmark	4.35%
Gov/Corp Benchmark	4.52%
12 Month Return	4.61%
TSY Benchmark	4.36%
Gov/Corp Benchmark	4.52%

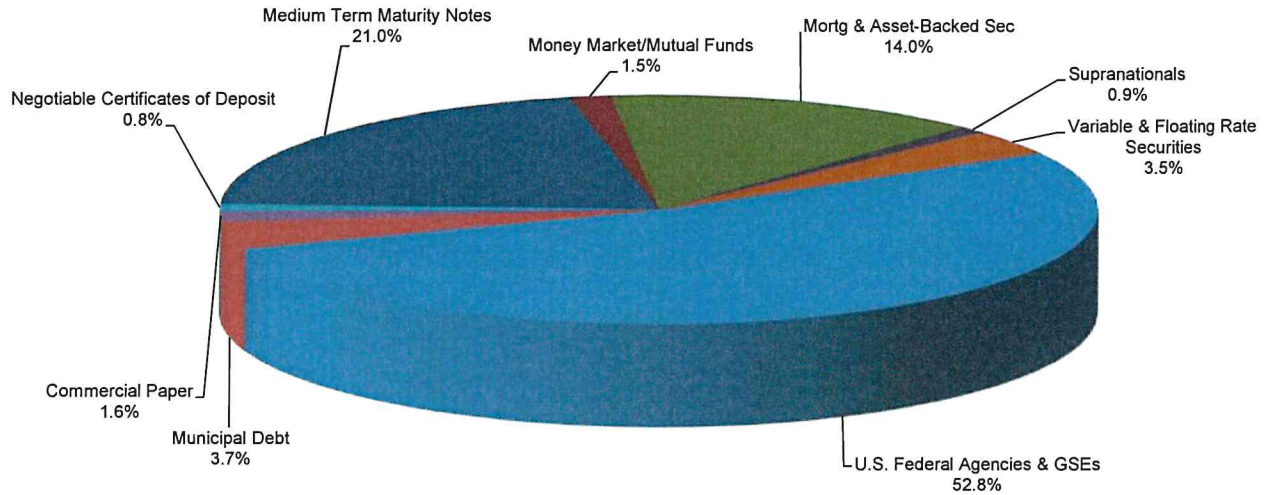


Yield Curve Change From 8/31/19 to 9/30/19			
	8/31/19	9/30/19	Change
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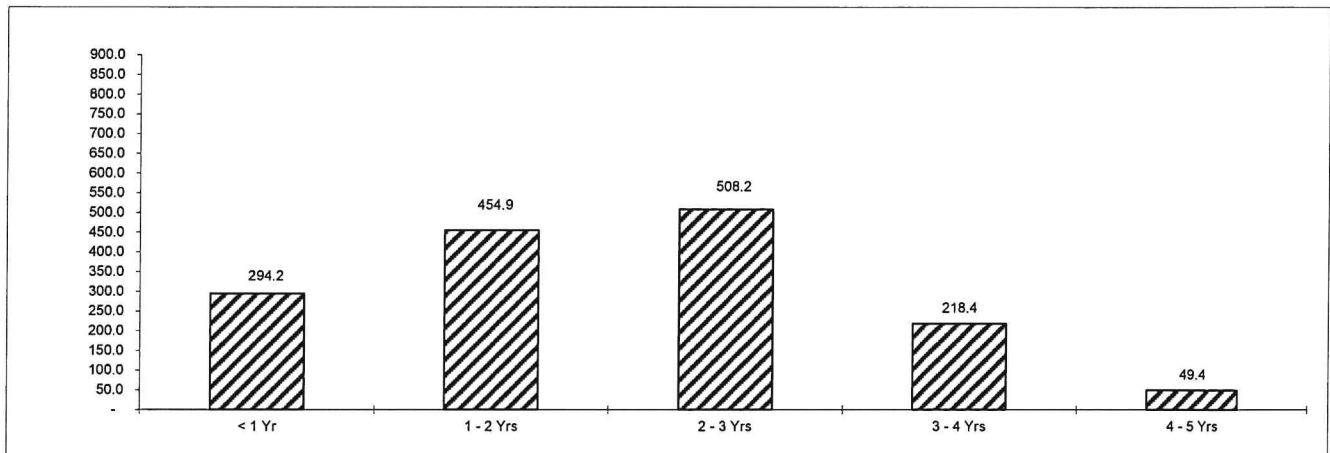
Short-Term Portfolio

9/30/2019

Portfolio Composition

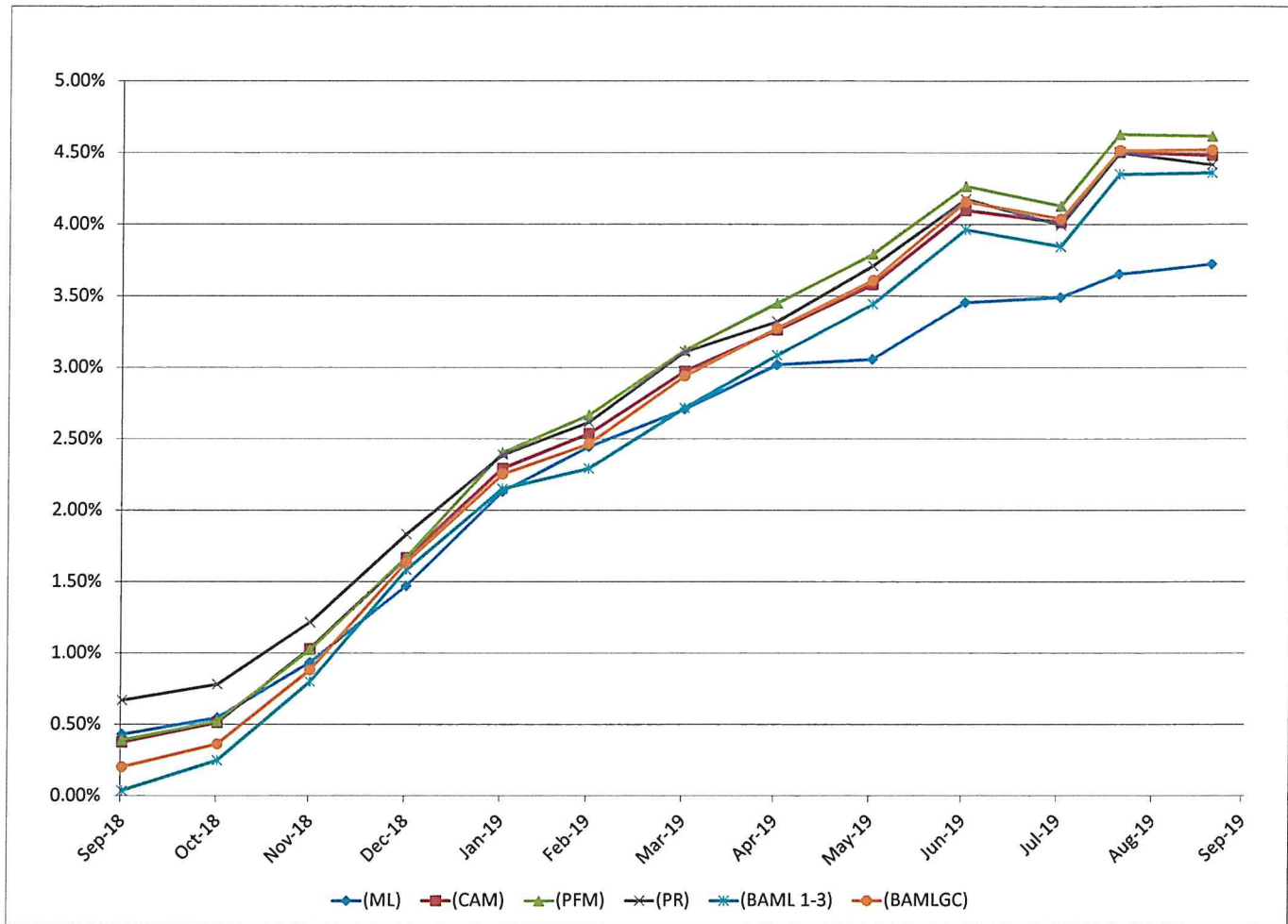


Maturity Schedule



Short-Term Portfolio Performance 9/30/2019

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

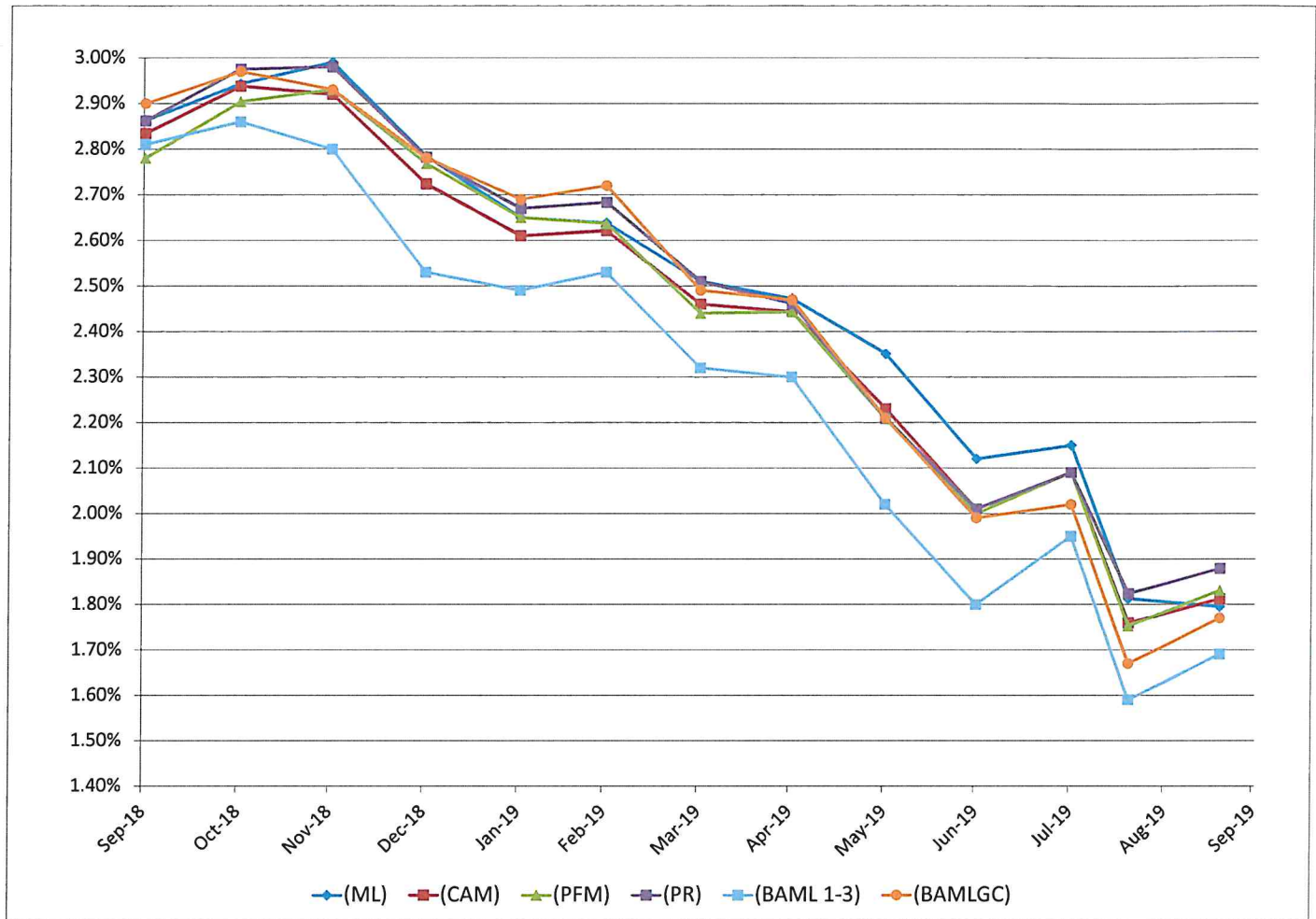


	MetLife Investment Mgmt (ML)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Sep-18	0.43%	0.38%	0.39%	0.67%	0.04%	0.20%
Oct-18	0.55%	0.51%	0.52%	0.78%	0.25%	0.36%
Nov-18	0.93%	1.03%	1.02%	1.22%	0.80%	0.88%
Dec-18	1.47%	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%
Jun-19	3.45%	4.10%	4.27%	4.17%	3.96%	4.16%
Jul-19	3.49%	4.01%	4.13%	3.99%	3.84%	4.04%
Aug-19	3.65%	4.50%	4.63%	4.50%	4.35%	4.52%
Sep-19	3.72%	4.48%	4.61%	4.41%	4.36%	4.52%

Short-Term Portfolio Performance

9/30/2019

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



	MetLife Investment Mgmt (ML)	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)
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%
Jun-19	2.12%	2.01%	2.00%	2.01%	1.80%	1.99%
Jul-19	2.15%	2.09%	2.09%	2.09%	1.95%	2.02%
Aug-19	1.81%	1.76%	1.75%	1.82%	1.59%	1.67%
Sep-19	1.80%	1.81%	1.83%	1.88%	1.69%	1.77%

Investment Policy Compliance

9/30/2019

Portfolio Subject to Investment Policy			
Short-Term Portfolio	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Federal Agencies & GSEs	\$ 805,790,608	51.9%	100%
Municipal Debt	56,893,007	3.7%	30%
Bankers Acceptances	-	0.0%	30%
Commercial Paper	24,301,277	1.6%	25%
Negotiable Certificates of Deposit	12,963,327	0.8%	30%
Repurchase Agreements	-	0.0%	25%
Medium Term Maturity Notes	320,818,193	20.7%	30%
Money Market/Mutual Funds	22,744,915	1.5%	20%
Mortgage & Asset-Backed	213,791,542	13.8%	20%*
Supranationals	14,319,780	0.9%	20%
Local Agency Investment Fund	10,678,071	0.7%	\$ 65 Million
Orange County Investment Pool	15,573,512	1.0%	10%
Joint Powers Authority Pools	-	0.0%	10%
Variable & Floating Rate Securities	53,583,712	3.5%	30%
Total Short-Term Portfolio	\$ 1,551,457,943	100.0%	

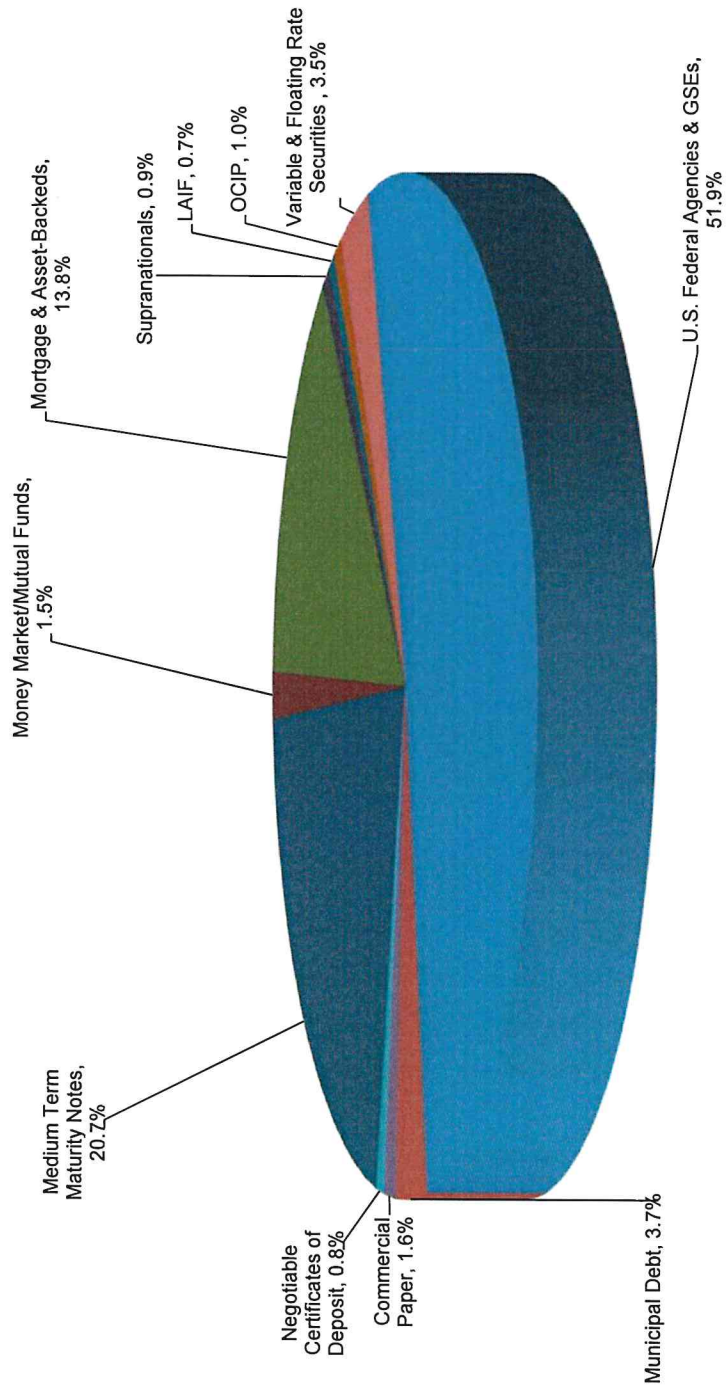
Portfolio Subject to Indenture	
	Dollar Amount Invested
Bond Proceeds Portfolio	
Money Market Funds	\$ 45,610,113
Guaranteed Investment Contract	316,750,000
Total Bond Proceeds Portfolio	\$ 362,360,113
Reserve Funds Portfolio	
Commercial Paper	\$ 24,957,353
Total Portfolio Subject to Indenture	\$ 387,317,465

Portfolio Total**	\$ 1,938,775,408
--------------------------	-------------------------

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

**Liquid Portfolio not included (\$118.4 million as of 9/30/2019)

Investment Allocation for Short-Term Portfolio*
9/30/2019



*Allocation percentages include pooled investments

Negative Credit Watch

9/30/2019

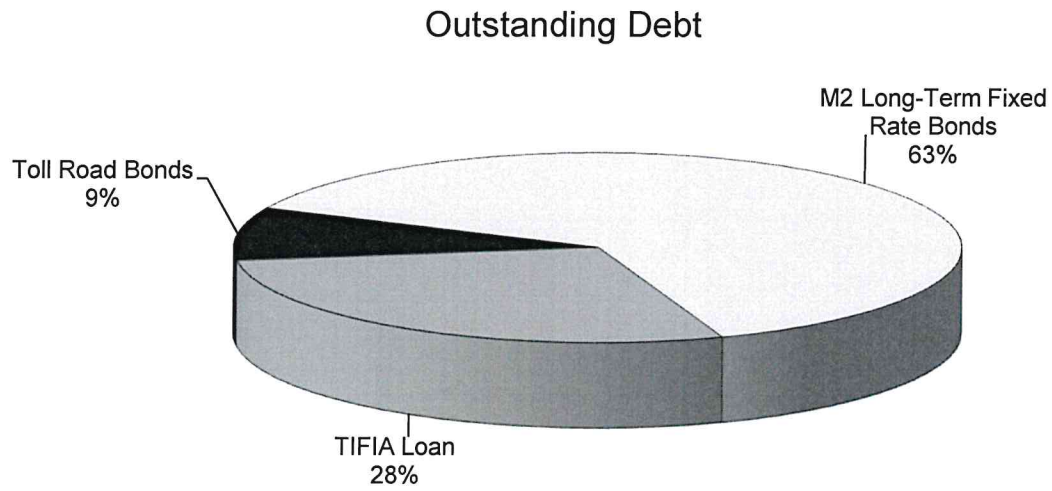
<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
PFM					
<i>Pfizer Inc.</i>	2,300,000	Various*	AA-	A1	A
On June 17, 2019, S&P, and Fitch placed the long-term ratings of Pfizer Inc. under review for possible downgrade.					
MetLife Investment Mgmt					
<i>Bristol-Myers Squibb Co.</i>	2,160,000	5/14/2021	A+	A2	A-
On January 3, 2019, S&P, and Fitch placed the long-term ratings of Bristol-Myers Squibb Co. under review for possible downgrade.					

*9/15/21 & 3/11/22

DEBT PROGRAM

Total Outstanding Debt

As of 9/30/19



TOTAL OUTSTANDING DEBT: \$1,013,905,000

Outstanding Debt

As of 9/30/19

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 2020:		17,270,000
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings (Fitch/ Moody's/ S&P):		AA+/Aa2/AA+
Final Maturity:		2041

2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:		8,530,000
Debt Service FY 2020:		8,913,850
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings (Fitch/ Moody's/ S&P):		AA+/Aa2/AA+
Final Maturity:		2020

2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		376,690,000
Debt Service FY 2020:		17,939,230
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings (Fitch/ S&P):		AA+/AA+
Final Maturity:		2041

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		91,685,000
Debt Service FY 2020:		10,798,325
Pledged Revenue Source:		91 Toll Road Revenues
Ratings (Fitch/ Moody's/ S&P):		A+/A1/AA-
Final Maturity:		2030

405 Express Lanes

2017 TIFIA Loan

Outstanding:	\$	287,000,000
Accrued Debt Service FY 2020:	\$	9,789,878
Pledged Revenue Source:		405 Toll Road Revenues
Ratings (Moody's):		Baa2
Final Maturity:		2057



October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: First Quarter Fiscal Year 2019-20 Procurement Status Report

Overview

The first quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from July 1 through September 30, 2019, that was approved by the Board of Directors during this period. The first quarter procurement status report also projects future procurement activity for the second quarter as identified in the fiscal year 2019-20 budget.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority Fiscal Year (FY) 2019-20 Budget, which identifies the goods and services that will be purchased during the FY. A quarterly procurement report has been prepared detailing the procurement activity for line items that were approved by the Board during the first quarter of FY 2019-20. The report also provides a “look-ahead” of upcoming procurement activity by Board committee. The quarterly procurement report identifies contractual activity, not dollars spent.

Discussion

During the first quarter of FY 2019-20, the Contracts Administration and Materials Management Department handled 447 different contractual documents. Of the total, 308 procurements, valued at \$52,314,991, were completed; the remaining procurements will be executed during the second quarter of FY 2019-20.

In the first quarter, the Board acted on 37 procurements. The procurements were split between 11 new agreements valued at \$16,722,828, nine amendments valued at \$29,861,121, two construction change orders valued at \$1,760,000, three cooperative agreements valued at \$1,065,424, two amendments to cooperative agreements valued at \$3,478,021, one purchase order valued at \$500,000, four amendments to purchase orders valued at \$437,000, one sole source agreement valued at \$1,348,248, and four option terms valued at \$5,067,966. Not all procurements are completed within the quarter in which they begin. Often, the procurements require cost and price reviews and negotiations which can lengthen the procurement process. Procurements not completed within the first quarter will be completed in the second quarter of FY 2019-20. Attachment A shows a list of Board-approved procurements during the first quarter.

Looking forward to the second quarter of FY 2019-20 (October through December 2019), the Board committees will be asked to take action on several items such as:

- Consultant selection for the Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside counties;
- Award an agreement for the purchase of buses for the i Shuttle service;
- Consultant selection to prepare preliminary engineering and environmental services for the Metrolink Orange County Maintenance Facility; and
- Cooperative agreement with the California Department of Transportation for the Interstate 5 Widening project between Alicia Parkway and El Toro Road.

The estimated value of these upcoming procurements is \$124,578,514. Attachments B through D identify procurement activity anticipated in the second quarter of FY 2019-20 by the committee that will review the items.

Summary

This report provides an update of the procurement activity for the first quarter of FY 2019-20, July through September 2019, as well as a look-ahead at anticipated procurement activity for the second quarter of FY 2019-20. Staff recommends that this report be received and filed as an information item.

Attachments

- A. Board-Approved Contracts – First Quarter FY 2019-2020
- B. Regional Planning and Highways Committee – Second Quarter Outlook
(October 1, 2019 – December 31, 2019)
- C. Transit Committee – Second Quarter Outlook
(October 1, 2019 – December 31, 2019)
- D. Finance and Administration Committee – Second Quarter Outlook
(October 1, 2019 – December 31, 2019)

Prepared by:



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

Approved by:



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

AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Conduent Transport Solutions, Inc.	9-1192	Integration of the OC Streetcar Vehicles Into the Existing Intelligent Transportation Management System	8/6/2019	7/31/2020	\$2,719,650
Mobility Management Partners, Inc.	9-1244	Mobility Management Services	8/5/2019	7/31/2020	248,911
WSP USA, Inc.	8-2072	Orange County Rail Infrastructure Defense Against Climate Change Plan	9/3/2019	11/30/2020	549,953
HDR, Inc.	9-1121	South Orange County Multimodal Transportation Study	9/30/2019	8/31/2021	750,000
U.S. Bank	9-1361	Custodial Banking Services for the Orange County Transportation Authority's Short-Term Investment Portfolio	11/1/2019	10/31/2024	381,400
Hendrickson Appraisal Company, Inc.	9-0995	On-Call Real Property Appraisals and Related Services	11/1/2019	10/31/2024	3,500,000 (Aggregate)
Hennessey and Hennessey, LLC	9-1473	On-Call Real Property Appraisals and Related Services	11/1/2019	10/31/2024	3,500,000 (Aggregate)
Integra Realty Resources, LLC	9-1474	On-Call Real Property Appraisals and Related Services	11/1/2019	10/31/2024	3,500,000 (Aggregate)
R.P. Laurain & Associates, Inc.	9-1475	On-Call Real Property Appraisals and Related Services	11/1/2019	10/31/2024	3,500,000 (Aggregate)
Parsons Transportation Group, Inc.	9-1160	Prepare Plans, Specifications, and Estimates for the SR 91 Improvement Project Between SR 55 and Lakeview Avenue	1/31/2020	6/30/2028	7,999,914
Cheshire Medical Corporation dba ProCare Work Injury Center & Urgent Care	9-1165	Medical Clinic Services	8/1/2019	7/31/2022	573,000
TOTAL NUMBER OF CONTRACTS					11
TOTAL DOLLAR VALUE					\$16,722,828

AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
First Transit, Inc.	4-1737	Amendment No. 9 Implement Wage Adjustments for Operating Staff	11/1/2019	6/1/2021	\$8,612,121
California State Association of Counties – Excess Insurance Authority for Kaiser Permanente Health Plan, Inc.	5-3649	Amendment No. 4 Prepaid Medical Services	1/1/2020	12/31/2020	\$13,260,000
California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross Health Maintenance Organization	5-3650	Amendment No. 4 Prepaid Medical Services	1/1/2020	12/31/2020	\$2,350,000
California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross Preferred Provider Organization	5-3651	Amendment No. 4 Prepaid Medical Services	1/1/2020	12/31/2020	\$1,600,000
California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross Consumer Driven Health Plan	5-3652	Amendment No. 4 Prepaid Medical Services	1/1/2020	12/31/2020	\$2,420,000
California State Association of Counties – Excess Insurance Authority for Delta Dental Preferred Provider Organization	1-2996	Amendment No. 9 Dental Services	1/1/2020	12/31/2020	\$1,297,000

Board-Approved Contracts - First Quarter FY 2019-2020

California State Association of Counties – Excess Insurance Authority for Delta Dental Health Maintenance Organization	1-2995	Amendment No. 9 Dental Services	1/1/2020	12/31/2020	\$54,000
California State Association of Counties – Excess Insurance Authority for Delta Dental Health Maintenance Organization	8-1869	Amendment No. 1 Dental Services	1/1/2020	12/31/2020	\$14,000
California State Association of Counties – Excess Insurance Authority for Vision Service Plan	1-2997	Amendment No. 7 Vision Services	1/1/2020	12/31/2020	\$254,000
TOTAL NUMBER OF CONTRACTS					9
TOTAL DOLLAR VALUE					\$29,861,121

CONTRACT CHANGE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Walsh Construction Company II, LLC	7-1904	Change Order No. 2.1 Removal and Disposal of Contaminated Materials at the Maintenance and Storage Facility Property for the OC Streetcar Project	8/15/2019	1/19/2022	\$160,000
Walsh Construction Company II, LLC	7-1904	Change Order No. 3 Removal and Disposal of Contaminated Materials Within the Pacific Electric Right-of-Way for the OC Streetcar Project	9/12/2019	1/19/2022	\$1,600,000
TOTAL NUMBER OF AMENDMENTS					2
TOTAL DOLLAR VALUE					\$1,760,000

COOPERATIVE AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Cities of Aliso Viejo and Laguna Niguel	9-1419	Aliso Creek Road Regional Traffic Signal Synchronization Project	1/1/2020	6/30/2023	\$285,995
Cities of Irvine, Laguna Hills and Lake Forest	9-1420	Lake Forest Drive Regional Traffic Signal Synchronization Project	1/1/2020	6/30/2023	\$360,411
Cities of Costa Mesa, Irvine and Tustin	9-1421	Red Hill Avenue Regional Traffic Signal Synchronization Project	1/1/2020	6/30/2023	\$419,018
TOTAL NUMBER OF CONTRACTS					3
TOTAL DOLLAR VALUE					Revenue \$1,065,424

COOPERATIVE AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Southern California Regional Rail Authority	6-1574	Amendment No. 2 Additional Railroad Flagging Inspection Services for the I-5 High-Occupancy Vehicle Improvement Project Between SR 55 and SR 57	8/20/2019	12/31/2020	\$40,525
Riverside County Transportation Commission	3-1529	Amendment No. 4 Continued Operating Services on the 91 Express Lanes	11/1/2019	12/31/2021	\$3,437,496
TOTAL NUMBER OF CONTRACTS					2
TOTAL DOLLAR VALUE					\$3,478,021

Board-Approved Contracts - First Quarter FY 2019-2020

PURCHASE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Marsh Risk and Insurance Services, Inc.	A43072	Excess Workers' Compensation Insurance on Behalf of the Orange County Transportation Authority	10/1/2019	10/1/2020	\$500,000
TOTAL NUMBER OF PURCHASE ORDERS					1
TOTAL DOLLAR VALUE					\$500,000

PURCHASE ORDER AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
California State Association of Counties – Excess Insurance Authority for VOYA	7-1897	Amendment No. 3 Life and Accidental Death and Dismemberment Insurance	1/1/2020	12/31/2020	\$240,000
California State Association of Counties – Excess Insurance Authority for VOYA	7-1898	Amendment No. 2 Supplemental Life Insurance	1/1/2020	12/31/2020	\$0
California State Association of Counties – Excess Insurance Authority for VOYA	7-1899	Amendment No. 2 Short-Term and Long-Term Disability	1/1/2020	12/31/2020	\$167,000
California State Association of Counties – Excess Insurance Authority for VOYA	7-1900	Amendment No. 2 Employee Leave Administration	1/1/2020	12/31/2020	\$30,000
TOTAL NUMBER OF CONTRACTS					4
TOTAL DOLLAR VALUE					\$437,000

SOLE SOURCE

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Cummins Pacific, LLC	9-1085	Purchase 19 Replacement Cummins L9N Near-Zero Emission Compressed Natural Gas-Powered Engines	8/13/2019	12/6/2019	\$1,348,248
TOTAL NUMBER OF CONTRACTS					1
TOTAL DOLLAR VALUE					\$1,348,248

OPTION YEARS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Carpe Datum	4-1559	Amendment No. 3 Exercise 1st Option Term Provide System Manager and Business Analyst Support.	9/1/2019	8/31/2021	\$383,984
Joshua Grading & Excavating, Inc.	4-1361	Amendment No. 4 Exercise 1st Option Term Right-Of-Way Maintenance Services on the Los Angeles - San Diego - San Luis Obispo Rail Corridor Orange/Olive Subdivisions	1/23/2020	1/22/2022	\$2,600,000
ShelterClean Services, Inc.	4-1620	Amendment No. 6 Exercise 2nd Option Term Bus Stop Maintenance.	12/1/2019	11/30/2021	\$977,976
Keolis Transit Services, LLC	7-2052	Amendment No. 3 Exercise 1st Option Term Operation and Maintenance of the OC Flex Microtransit Pilot Program	10/15/2019	10/14/2020	\$1,106,006
TOTAL NUMBER OF AMENDMENTS					4
TOTAL DOLLAR VALUE					\$5,067,966

REGIONAL PLANNING and HIGHWAYS COMMITTEE - Second Quarter Outlook (October 1, 2019 - December 31, 2019)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
October 7, 2019	Construction Change Order with the OC405 Partners for the Interstate 405 Improvement Project	\$656,000	Capital Programs
	Cooperative Agreements with the California Department of Transportation for freeway service patrol funding for fiscal years 2019-2020 through 2028-2029	\$39,870,510	Operations
November 4, 2019	Cooperative Agreement with the California Department of Transportation for the Interstate 5 Widening project between Alicia Parkway and El Toro Road	\$25,467,000	Capital Programs
	Construction Change Orders with the OC405 Partners for the Interstate 405 Improvement Project	\$1,470,239	Capital Programs
	Consultant selection for the development of a Safe Travels Education Program	\$500,000	Planning
December 2, 2019	No procurement actions on this agenda		

TRANSIT COMMITTEE - Second Quarter Outlook (October 1, 2019 - December 31, 2019)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
October 10, 2019	Consultant selection for the preparation of preliminary engineering and environmental services for the Metrolink Orange County Maintenance Facility	\$3,034,000	Capital Programs
	Amendment to Agreement with HNTB Corporation for additional design support during the construction phase	\$1,500,000	Capital Programs
	Construction Change Order with Reyes Construction, Inc. for the construction of the Laguna Niguel to San Juan Capistrano Passing Siding Project	\$2,300,000	Capital Programs
	Amendment to Cooperative Agreement with the City of Anaheim for the Anaheim Canyon Station Project	\$100,000	Capital Programs
	Consultant selection for federal strategic regulatory and funding consulting services	\$318,000	External Affairs
	Contract award for the purchase of buses for the iShuttle service	\$6,756,221	Operations

TRANSIT COMMITTEE - Second Quarter Outlook (October 1, 2019 - December 31, 2019)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
November 14, 2019	Contract award for the installation of a fence and gate at the Newport Transportation Center	\$503,433	Capital Programs
	Consultant selection for on-call testing and inspection services for various facilities projects	\$500,000	Capital Programs
	Consultant selection to prepare plans, specifications and estimates for the Transit Security and Operations Center	\$3,500,000	Capital Programs
<hr/>			
December 12, 2019	Contract award for the purchase of police interceptor hybrid vehicles	\$402,280	Operations
	Contract award for the purchase of ten staff vehicles	\$545,265	Operations

FINANCE AND ADMINISTRATION COMMITTEE - Second Quarter Outlook (October 1, 2019 - December 31, 2019)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
October 23, 2019	Consultant selection for the Back Office and Customer Service Center for the 91 Express Lanes in Orange and Riverside Counties	\$35,420,566	Chief Executive Office
	Renewal of Property Insurance Policy	\$550,000	Human Resources and Organizational Development
November 13, 2019	Sole Source Agreement for the purchase of a Xerox Nuvera 144 Digital Production System	\$195,000	Finance and Administration
December 11, 2019	Contract award for systems and ancillary furniture	\$990,000	Finance and Administration



October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: New York Meetings Update - September 2019

Overview

Since the early 1990s, the Orange County Transportation Authority has maintained an active investor relations program. As part of this program, each year the Orange County Transportation Authority conducts a series of meetings with the rating agencies and financial institutions in New York, New York. This year, the meetings took place on Thursday and Friday, September 19 - 20, 2019.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (OCTA) and its affiliated agencies have issued approximately \$2.4 billion of debt to advance various capital programs since 1987. One sub-component of debt issuance is the servicing of debt, which includes updating the rating agencies on the progress of OCTA's programs and services on an annual basis.

Every year, OCTA provides a comprehensive presentation to various organizations. This year, OCTA met with Moody's, S&P Global, Fitch Ratings, Bank of America, and Met Life Investment Management.

It is important for OCTA to provide constant communication to the municipal market. The annual meetings provide the opportunity to discuss the issues facing OCTA and the Orange County economy. OCTA's track record of providing projects on time and under budget has clearly established OCTA's credibility with the rating agencies.

Discussion

The following representatives from OCTA were in New York on Thursday and Friday, September 19-20, 2019: Chairman Tim Shaw, Vice-Chair Steve Jones, Director Michael Hennessey, Chairman of the Finance and Administration Committee, Darrell Johnson, Andy Oftelie, and Robert Davis. In addition, a representative from OCTA's financial advisory firm, Jim Martling, with Sperry Capital Inc., attended the meetings.

During the meetings, representatives discussed OCTA's programs and services. The meetings focused on recent activities of several Measure M2 (M2) projects including the OC Streetcar Project, OC Bus 360 improvements, and the I-405 Improvement Project. The OCTA team also provided an update on the Orange County economy, 91 Express Lanes traffic and toll revenue growth levels, fiscal year 2019-20 approved budget, M2 sales tax collections, and OCTA's debt profile including debt service coverage calculations. The meetings were well received, with interest and questions regarding the 405 Express Lanes Project, and the 91 Express Lanes, and Orange County economy. This information will be used by the rating agencies for their annual surveillance of OCTA.

A detailed summary report on all the New York meetings has been prepared by Sperry Capital Inc., and has been included as Attachment A. The report identifies the members of each firm and discusses the topics of concern for each of the organizations. A copy of the New York presentation book is provided as Attachment B.

Summary

The Orange County Transportation Authority has been proactive in delivering information to the municipal market to ensure that the Orange County Transportation Authority's credit ratings remain strong. A summary report of the most recent meetings in New York is provided as an attachment.

Attachments

- A. Letter from Sperry Capital Inc., to Robert Davis, Department Manager, Treasury/Public Finance, dated October 4, 2019, regarding 2019 New York Meetings
- B. Orange County Transportation Authority September 2019

Prepared by:



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

Approved by:



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

Sperry Capital Inc.

October 4, 2019

Mr. Robert Davis
Treasury/Public Finance Manager
Orange County Transportation Authority
550 South Main Street
Orange, California 92863-1584

Dear Robert:

OCTA's September 2019 trip to New York to meet with credit analysts from the three major rating agencies, Moody's, S&P Global, and Fitch Ratings (the "Rating Agencies"), was once again very successful. Since OCTA's first Measure M1 bond issues sold in 1992, Board members and staff have clearly established their credibility by emphasizing OCTA's "Promises Made, Promises Kept." philosophy.

The Rating Agencies thanked OCTA for continuing its commitment to provide annual updates in today's challenging economic and political environment and were all complimentary about the quality of the presentation book (September 2019 Update) and the presentations made by OCTA's Board of Directors and staff. OCTA also met with representatives of Bank of America and Met Life Investment Management ("Met Life").

OCTA met with the following firms in New York on September 19th and 20th.

Moody's	Moody's rates OCTA's Measure M2 Sales Tax Revenue Bonds Aa2, the 91 Express Lanes Bonds A1, and the TIFIA loan Baa2.
S&P Global	S&P Global rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+ and the 91 Express Lanes Bonds AA-.
Fitch Ratings	Fitch Ratings rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+ and the 91 Express Lanes Bonds A.
Bank of America	Bank of America currently provides OCTA with a \$500 million line of credit required by the TIFIA lender and was the lead manager for OCTA's \$376.7 million M2 Sales Tax Revenue Bonds issued in February 2019.
Met Life	Met Life is a global fixed-income investment firm headquartered in New York with \$586 billion in assets under management.

OCTA was represented by Chairman Tim Shaw, Vice-Chairman Steve Jones, Director Michael Hennessey, Chairman of the Finance and Administration Committee, as well as CEO Darrell Johnson, CFO Andy Oftelie, and you at the New York meetings. I attended the presentations as well. The Treasury/Public Finance Department, with support from many departments throughout OCTA, worked diligently in July and August to update and prepare the comprehensive 58-page, spiral

Sperry Capital Inc.

Mr. Robert Davis

October 4, 2019

Page Two

bound PowerPoint presentation, which was presented to the Rating Agencies, and Bank of America.

The September 2019 Update book was organized as follows:

	Presentation Participants, Overview, Summary	i through iii
I.	Orange County Transportation Authority	I-1 through I-8
II.	Orange County Economy	II-1 through II-9
III.	91 Express Lanes	III-1 through III-10
IV.	Agency Update	IV-1 through IV-9
V.	Measure M2 Sales Tax Program	V-1 through V-4
VI.	Debt Programs and Financing Plans	VI-1 through VI-7

Thursday, September 19

Moody's: We arrived at Moody's for a 9:30 a.m. meeting. Moody's was represented by Myra Shankin (Moody's new primary analyst for OCTA), Kurt Krummenacker (the head of Moody's Infrastructure and Project Finance Group), Theodora Yoch, and Camila Yochikawa. Moody's office, located at 7 World Trade Center, looks directly down into the continuing dramatic reconstruction activity at the main World Trade Center site. This was the first time OCTA has met with Myra Shankin in person, so she asked several good questions throughout the presentation.

Chairman Shaw greeted the Moody's analysts with, "Greetings from the happiest place on earth, home of Disneyland." After introducing each of the OCTA participants, Chairman Shaw said, "OCTA continues to make progress on advancing several M2 projects including the OC Streetcar Project, OC Bus 360 improvements, and the I-405 Improvement Project. In addition, I want to thank you for recently reaffirming the Moody's rating for our 405 Express Lanes TIFIA loan."

Chairman Shaw stated, "The Orange County economic environment continues to be positive with the creation of new jobs and very low levels of unemployment. Today's unemployment rate is 3.2%, down from 9% several years ago. In addition, the labor force exceeds pre-recessionary levels."

Chairman Shaw presented the first section of the PowerPoint presentation, Section I, entitled "The Orange County Transportation Authority." He praised the stability of the OCTA Board and the dedication of the OCTA staff and added, "Being elected to the OCTA Board was the brass ring of my career and I'm very proud to have been nominated as Chairman." He noted OCTA's experience and history of successful project delivery, and he summarized his 2019 Board strategic initiatives outlined on page I-5. He concluded his section of the presentation by stating, "I really want to focus on reinforcing a culture of safety at OCTA."

Vice-Chairman Jones presented Section II entitled "The Orange County Economy", "I'm very proud to be here. The picture I want to give you of the Orange County economy is based upon my

Mr. Robert Davis

October 4, 2019

Page Three

grassroots understanding of real estate. The Orange County diversity has been very helpful in stimulating jobs in my community. We've also seen a great deal of hotel development not only in Anaheim, but in the beach cities quarters as well. After the recession and our improvements, the Orange County economic position is fundamentally more attractive."

Myra Shankin asked, "Is the composition of jobs the same as in 2008?" Vice-Chairman Jones referred the Moody's analyst to page III-5 entitled "Employment and Compensation by Industry" and responded, "The key for us is that we have a diverse economy. Diversified and very strong."

Myra Shankin asked, "Are there risks in Orange County arising from the high level of unaffordability?" Vice-Chairman Jones replied, "In the last several years we have placed a significant emphasis on unaffordability. There has been a convergence of ideas to address the fundamental issues. This is a problem for many of our cities. But high real estate prices are a sign that we have a strong economy and that Orange County is a very attractive place to live."

Director Hennessey presented Section III. entitled "91 Express Lanes." Director Hennessey stated, "Traffic volumes and toll revenues have reached historic levels. Traffic volumes grew from 9.5 million to over 17.5 million in fiscal year 2019, an 84% increase. Total revenues are at an all-time high. Debt service coverage grew from 2.7 times to 3.95 times, an increase of 46%. These are very strong performance metrics by any standard."

CEO Johnson used page III-9 to describe the near-term improvement projects planned for the SR 91 Corridor, "The SR Implementation Plan includes four projects; the 91 Corridor Operation Project, the 15/91 Express Lanes Connector, the 91/71 Interchange Project, and the 241/91 Express Lanes Connector Project. We have developed the 91 Corridor Operation Project in close cooperation with RCTC. The 91 Corridor Operation Project straddles the Orange County and Riverside County line. Construction in the corridor will total approximately \$600 million in the next 10 years." CEO Johnson also provided an update on the I-405 Improvement Project, and OC Streetcar.

CFO Otfelie ended the presentation by providing a brief update on Measure M2 Sales Tax Collections.

S&P Global: We arrived at 11:30 a.m. for a working lunch meeting at their office, located at 55 Water Street. S&P Global was represented by Kevin Archer, Tim Little and Adam Torres. In addition, Chris Morgan and Todd Spence dialed in by phone. The OCTA team gave the S&P Global credit analysts a two-hour update.

After introductions, Chairman Shaw told the S&P Global analysts, "Our Board members are Republicans and Democrats. We have Board members from the South County and the North. But when we meet as a Board, we are non-partisan. We work well together for Orange County. We are

Sperry Capital Inc.

Mr. Robert Davis

October 4, 2019

Page Four

constantly referring to our motto of “Promises Made, Promises Kept”, in order to make sure we continue delivering services to our voters and our constituents.”

Vice-Chairman Jones spoke about the housing industry in Orange County and its impact on the economy, noting that “Due to aging demographics, our population is growing at a slow but stable pace. Today Orange County has a well-balanced economy by industry and sector.” Director Hennessey added, “The Orange County economy was the last in and first out of the last recession.”

Kevin Archer asked if the recent tariffs on Chinese goods were impacting the Orange County economy. CEO Johnson replied, “The answer is yes. Steel, in particular, is challenging for manufacturing and infrastructure projects in Orange County. Concrete is also a problem.”

Director Hennessey told the S&P Global analysts, “We have successfully managed the 91 Express Lanes through landmark events including lane closures, opening additional general-purpose lanes, and the great recession. Our management has withstood all these uncertainties and our traffic volumes, and 91 revenues have still increased. Our success is attributable to our superior management and the geography of the SR 91 Corridor. The Express Lanes is our crown jewel.”

Director Hennessey noted the westbound traffic volume change from the prior year on page III-4. Kevin Archer observed, “Westbound demand has increased significantly. It’s surprising that people will pay tolls going to work.” Director Hennessey replied, “The peak period in Riverside has shifted dramatically westbound in the morning. The shift reflects the increased utilization of 91 Express Lanes westbound from Riverside County through Orange County’s 91 Express Lanes.”

CFO Oftelie presented Section V. entitled “Measure M2 Sales Tax Program”. CFO Oftelie referred to page V-2 to show that sales tax revenues have grown for nine straight years and said, “Actual sales tax collections increased by 4.6% in Fiscal Year 2018 and are budgeted conservatively to grow by 3.7% in Fiscal Year 2019. We expect at least \$13.1 billion of sales tax revenue over 30 years which should be sufficient to delivery all of the M2 freeway projects.”

CFO Oftelie stated, “The Orange County Taxpayers Oversight Committee has determined that M2 is being delivered as promised to Orange County voters for the 28th consecutive year. This is something we are very proud of.”

Robert Davis summarized OCTA’s debt programs and financing plans with the charts, debt service coverage history and projections in Section VI of the September 2019 Update book. He referred the S&P Global analysts to page VI-7 entitled “Cash Balance Totals \$2.1 Billion (as of June 30 2019).” Robert Davis underscored OCTA’s philosophy to maintain sufficient funds for an unforeseen economic downturn. S&P Global was impressed with OCTA’s liquidity.

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S&P Global's Kevin Archer, who lives in Placentia, California, and works remotely for S&P Global's San Francisco office, thanked the OCTA representatives for their presentation and timely response to questions he asked a few days prior to the meeting.

Fitch Ratings: We arrived at Fitch Ratings for a 2:00 p.m. meeting. Fitch Ratings was represented by Cherian George, Henry Flynn, and Chad Lewis from Fitch's New York office. In addition, Scott Monroe and Andrew Ward from Fitch Rating's San Francisco office participated via telephone. OCTA enjoyed a lively two-hour dialogue with the Fitch Rating credit analysts during the 2019 Update.

Chairman Shaw introduced the OCTA team and summarized the highlights of the presentation. Then Chairman Shaw briefed Fitch Ratings on OCTA's continuing efforts to improve bus service through OC Bus 360° improvements, "There has been a general decline in bus ridership. We have adopted OC Bus 360° in rethinking our approach and looking for innovation. For example, for \$6 per semester a college student can use their college ID to ride bus transit for free for one semester. We think this is a great way for young people to ride the buses and we hope they will continue to be customers as they become adults."

Chairman Shaw added, "One of my favorite achievements is that OCTA was ranked number one again in the annual ranking of the pavement quality of all California's 58 counties."

Vice-Chairman Jones addressed the Orange County economy stating, "I am a developer of infill housing and I'll provide you with a ground floor view of the Orange County economy. Orange County was the epicenter of the subprime mortgage problem. However, the county has bounced back smartly."

Andrew Ward asked about the lack of a recession in the three university forecasts. CFO Oftelie explained, "Chapman University said that the chance of a recession was 40% in the next two years, but that means that there's a 60% chance there will be no recession. However, all three forecasters are in agreement that there will be recessions between now and 2041 but the sales tax will end up at the same point." Cherian George agreed and added, "We understand we tend to rate through the cycle."

Cherian George asked, "Given the concern about tolling in several states including Virginia, Texas and, Florida, has the toll paying mood changed in Orange County?" CEO Johnson responded, "Our customers appreciate that our net toll revenues are used for corridor improvements. We are selling certainty not maximizing revenue. We are a transportation agency and our focus is on mobility versus transactions." Director Michael Hennessey added, "The public wants certainty. We sell reliability."

Scott Monroe asked about OCTA's policy providing customers with a 65-mph free flow speed in the 91 Express Lanes. CEO Johnson responded, "The 45-mph target that some express lanes use may look good on a computer model but doesn't work on a daily basis. At 45-mph an hour, mobility breaks down. We can't play close to the edge."

Mr. Robert Davis

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Cherian George asked about the construction status of the I-405 Improvement Project. CEO Johnson updated the Fitch Ratings analysts, "At this point we have completed 30% of design and 33% of construction. The I-405 Improvement Project construction duration is like any other major construction project, the completion time estimate is like an accordion with the estimated schedule completion date going up and down in terms of various activities. OCTA wants to mitigate any schedule delays in a cost neutral way. We still expect to open the 405 Express Lanes in January 2023."

CEO Johnson added, "OCTA has an aggressive 405 project outreach program. OCTA receives, on average, 150 comments each month. These are not all complaints. 150 comments is a very low number for a project the size of the 405 project. OCTA's successful outreach has enabled OCTA to push for an extra two hours a day of construction work to increase the work window for the project, which we think will add to schedule improvements."

Chad Lewis asked, "When do you expect to issue M2 sales tax bonds for the 405 project?" CFO Oftelie responded, "We are reviewing our schedule for issuing the remaining \$500 million of M2 sales tax bonds for the 405 project in 2021. It's really a cash flow issue based on the 405 project spend curve and the other projects that need M2 sales tax funding."

Robert Davis summarized OCTA's debt programs and financing plans in Section V1. He referred the Fitch Ratings analysts to page VI-4 entitled "M2 Coverage Projections with Additional Debt" to underscore OCTA's ability to fund future projects.

At the conclusion of the Fitch Ratings briefing, Chairman Shaw thanked the Fitch Ratings analysts for their time and their insightful questions. Cherian George thanked OCTA for the annual update.

Friday, September 20

Bank of America and Met Life: OCTA met separately with Bank of America and Met Life. The Bank of America group was led by Kevin O'Brien and the Met Life group was led by Scott Pavlak. The update for the OCTA Bank of America group, presented by CFO Oftelie, focused on the M2 sales tax collections and the M2 sales tax projections that secure the remaining \$500 million letter of credit for the I-405 Improvement Project required by the TIFIA lender. Robert Davis concluded the presentation by summarizing OCTA's Debt Profile. Met Life updated OCTA on their economic forecast and the short-duration fixed income markets.

Summary: The September 2019 New York Update meetings were well received. The credit analysts at the Rating Agencies thanked OCTA for the detailed information in the September 2019 Update book and said that the information would be very useful for their respective 2019 surveillance reviews. The Rating Agencies and the Bank of America representatives congratulated the Board and staff on the successful management of the I-405 Improvement Project, as well as the continued financial, operating, and policy success of the 91 Express Lanes.

Sperry Capital Inc.

Mr. Robert Davis

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I have attached a complete list of the representatives from the Rating Agencies and institutional investors who participated in OCTA's September 2019 New York Update meetings.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Martling', with a stylized, cursive script.

James W. Martling
Principal

OCTA 2019 NYC Rating Agency Update Meeting Schedule

Date	Time	2019	Name	Title	Telephone	Location
Thursday Sept 19	9:30 am	Moody's Investors Service	Mike Mulvaney Kurt Krummenacker Myra Shankin Theodora Yoch Camila Yochikawa	Managing Director, Project Finance Manager, Project Finance & Infrastructure VP, Project Finance & Infrastructure (Primary Analyst NY) Associate Analyst Associate Analyst	212.663.3665 212.553.7241 212.553.2814 212/553.2998 212.553.6085	Moody's 7 World Trade Center
Thursday Sept 19 meeting & lunch	11:30 am	S&P Global Ratings	Todd Spence Kevin Archer Chris Morgan Adam Torres Tim Little	Director, (Primary Analyst Dallas) Associate Director (SF sales tax analyst) Director (SF) Director (NY) Director (NY)	214.871.1424 415.371.5031 415.371.5039 212.438.1141 212.438.7999	S&P Global Ratings 55 Water Street
Thursday Sept 19	2:00 pm	Fitch Ratings	Scott Monroe Cherian George Chad Lewis Andrew Ward Henry Flynn	Director, Infra/Project Finance (Primary Analyst SF) MD, Infrastructure/Project Finance Head Senior Director, Infrastructure/Project Finance Director, Public Finance (SF) (sales tax analyst) Director (NY)	415.732.5618 212.908.0519 212.908.0886 415.732.5617	Fitch Ratings 33 Whitehall Street
Friday Sept 20	9:00 am	BAML	Kevin O'Brien Bryon Rockwell Sandy Brinkert Grace Barvin	Managing Director, Public Finance (Los Angeles) Managing Director, Public Finance (Los Angeles) SVP (New York), Municipal Products Group SVP, Public Sector Banking (SF)	310.944.4756 213.345.9585 646.743.1312 415.913.2325	BAML One Bryant Park
Friday Sept 20	11:00 am	MetLife	Scott Pavlak Erin Klepper	Managing Director Associate Director	908.376.6336 973.355.4480	MetLife 200 Park Avenue



Orange County Transportation Authority



Presentation Participants



**Tim
Shaw**

Board of
Directors
Chairman



**Steve
Jones**

Board of
Directors
Vice-Chairman



**Michael
Hennessey**

Finance and
Administration
Committee
Chairman



**Darrell E.
Johnson**

Chief Executive
Officer



**Andrew
Oftelle**

Chief Financial
Officer



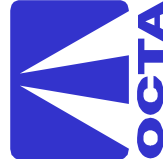
**Robert
Davis**

Treasury and
Public Finance
Manager

Financial Advisor

Sperry Capital Inc.

Jim Martling, Principal



Presentation Overview

- I. Orange County Transportation Authority
- II. Orange County Economy
- III. 91 Express Lanes
- IV. Agency Update
- V. Measure M2 Sales Tax Program
- VI. Debt Programs and Financing Plans

Presentation Summary

- ❑ Progress continues on advancing several Measure M2 projects, including the OC Streetcar project in Santa Ana and Garden Grove, and efforts continue on OCTA's OC Bus 360° improvements
- ❑ I-405 Improvement Project began construction on March 6, 2018, with two draws on TIFIA loan for a total of \$287 million
- ❑ Orange County's economic environment continues to be positive with the creation of new jobs, very low levels of unemployment, positive sales tax growth, and increasing home prices
- ❑ 91 Express Lanes traffic and toll revenue continue to grow at high levels in Orange County reaching historic levels in Fiscal Year 2019
- ❑ Approved FY 2019-20 Budget totals \$1.525 billion, which includes key investments in freeway projects, transit, commuter rail, and street and road improvements
- ❑ Debt service coverage ratios remain strong for all OCTA debt programs

I. Orange County Transportation Authority

The Agency

- ❑ Orange County's regional transportation agency created in 1991
- ❑ Governed by an 18-member Board of Directors
- ❑ Multi-modal focus
- ❑ OCTA's programs and services include:
 - Freeways
 - 91 and 405 Express Lanes
 - Streets
 - Rail
 - LOSSAN corridor services
 - Bus
 - Environmental Programs
 - Motorist Services
 - Active Transportation



2019 Board of Directors



Tim Shaw
Chairman
City Member
4th District



Steve Jones
Vice Chairman
City Member
1st District



Michael Hennessey
Finance and
Administration
Committee
Chairman
Public Member

Lisa A. Bartlett
Doug Chaffee
Laurie Davies
Barbara Delgleize
Andrew Do
Gene Hernandez
Jose F. Moreno
Joseph Muller
Mark A. Murphy
Richard Murphy
Miguel Pulido
Michelle Steel
Donald P. Wagner
Gregory T. Winterbottom
Ryan Chamberlain

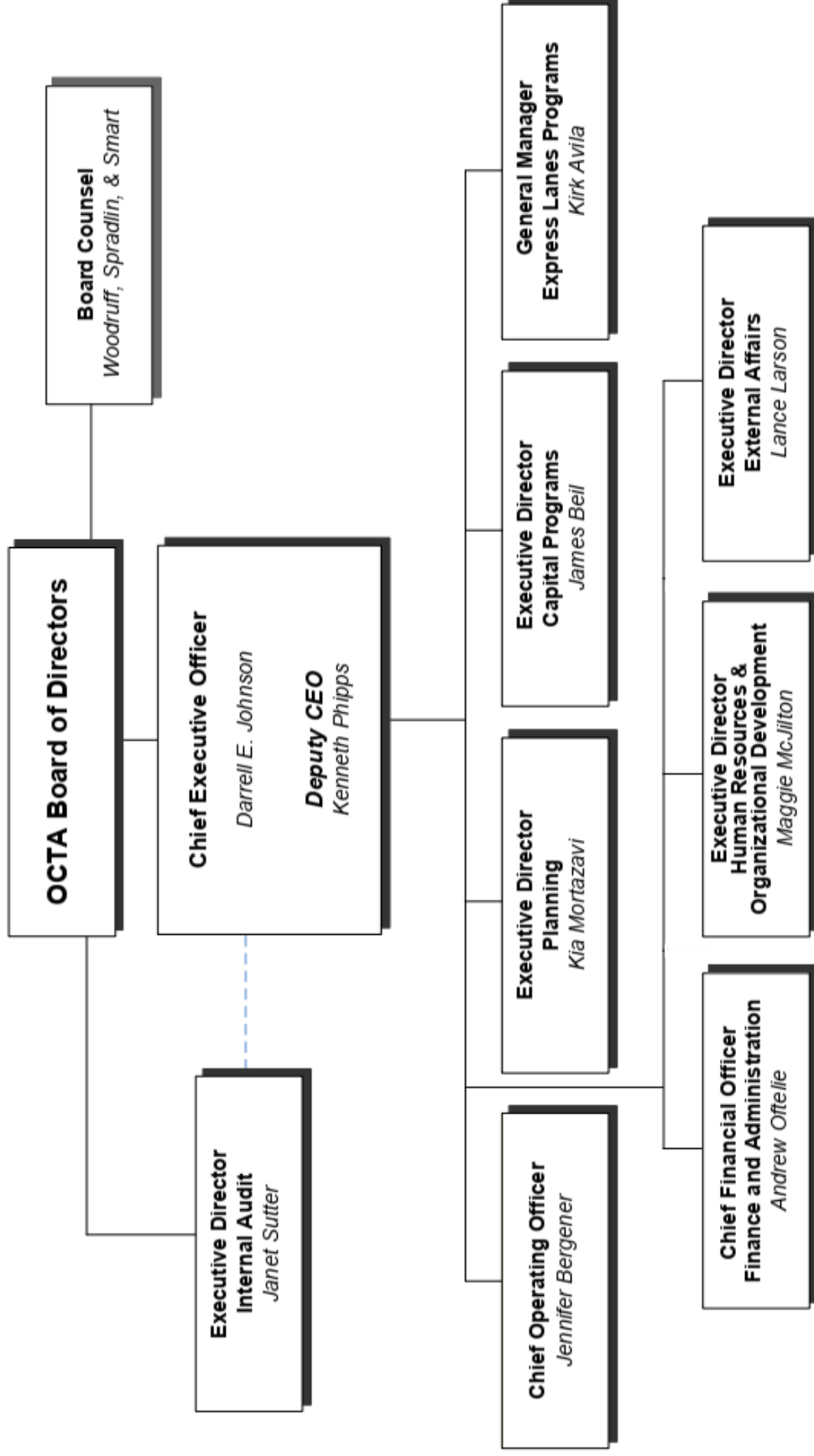
5th District Supervisor
4th District Supervisor
City Member, 5th District
City Member, 2nd District
1st District Supervisor
City Member, 3rd District
City Member, 4th District
City Member, 5th District
City Member, 3rd District
City Member, 2nd District
City Member, 1st District
2nd District Supervisor
3rd District Supervisor
Public Member
Governor's Caltrans Ex-Officio Member

OCTA Experience

- ❑ OCTA's history includes:
 - Experienced team of executive staff
 - Operating the 91 Express Lanes for over 16 years
 - Issued approximately \$2.4 billion of Measure M1 and Measure M2 bonds and non-recourse 91 Express Lanes bonds
 - Major project delivery experience with highways and grade separation projects
 - Closed a \$629 million federal TIFIA loan for the I-405 Improvement Project and a \$900 million line of credit secured by M2 required by TIFIA lender at financial close

- ❑ Successful project delivery history includes:
 - Delivering the \$4 billion Measure M1 20-year sales tax program
 - Major improvements on all Orange County freeways
 - \$550 million design-build project on the SR-22 freeway, the largest design-build project completed on an active freeway in California
 - Delivering over \$2 billion of Measure M2 projects including \$573 million of freeway projects, \$1.1 billion of local streets and roads projects, and \$362 million of transit projects

2019 Executive Management Team



2019 Board Strategic Initiatives

1

DELIVER CAPITAL PROJECTS

- Continue reconstruction of I-405 bridges
- Begin I-5 construction between El Toro Road and SR-73
- Improve Anaheim Canyon Station

2

CHAMPION FISCAL RESPONSIBILITY

- Set priorities for 2020 State Transportation Improvement Program funds
- Award Measure M grants to improve local streets, synchronize signals and enhance water quality
- Support State and Federal Legislation in support of funding for transportation

3

DEVELOP STATE-OF-THE-ART REGIONAL TRANSPORTATION PLANS

- Prepare initial set of transit alternatives along the Bristol Street Corridor
- Initiate work on the South Orange County multimodal transportation plan
- Deliver Board updates on Measure M environmental programs, and innovative transportation strategies and technologies

4

STRENGTHEN REGIONAL PARTNERSHIPS

- Update the SR-91 Implementation Plan with Riverside County Transportation Commission
- Work with LA Metro on intercounty transit connections study
- Collaborate with Caltrans on freeway improvements

5

IMPLEMENT OC BUS 360² VISION AND OFFER MODERN TRANSIT SOLUTIONS

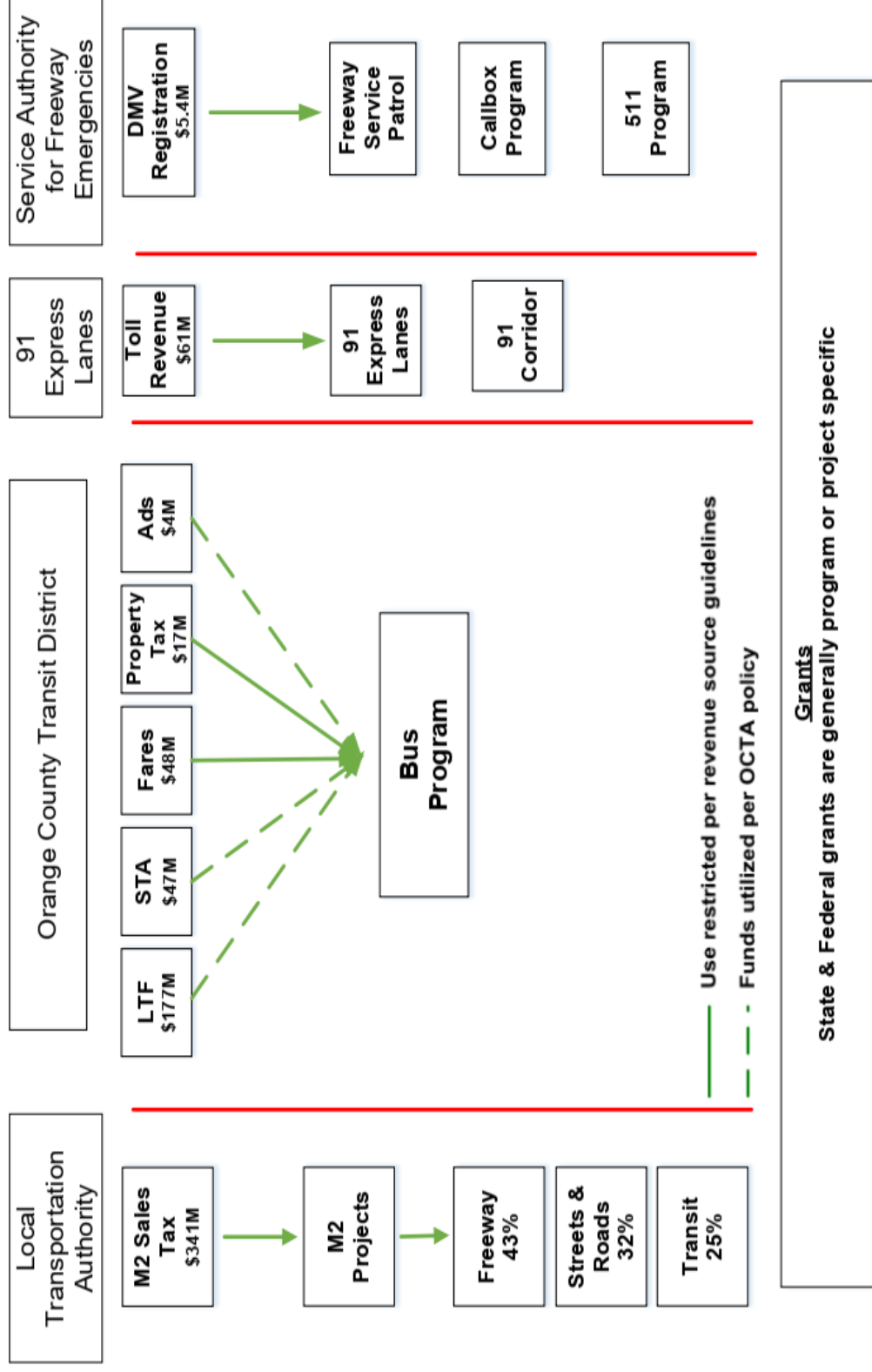
- Launch Bravol 529 service
- Award the OC Streetcar operations and maintenance contract
- Deploy hydrogen fuel cell buses

6

REINFORCE A CULTURE OF SAFETY

- Monitor pilot programs to enhance coach operator safety
- Ensure safety of the traveling public and employees through development of the Safety Management System
- Reinforce Safety value with ongoing employee training

OCTA Revenue Firewalls

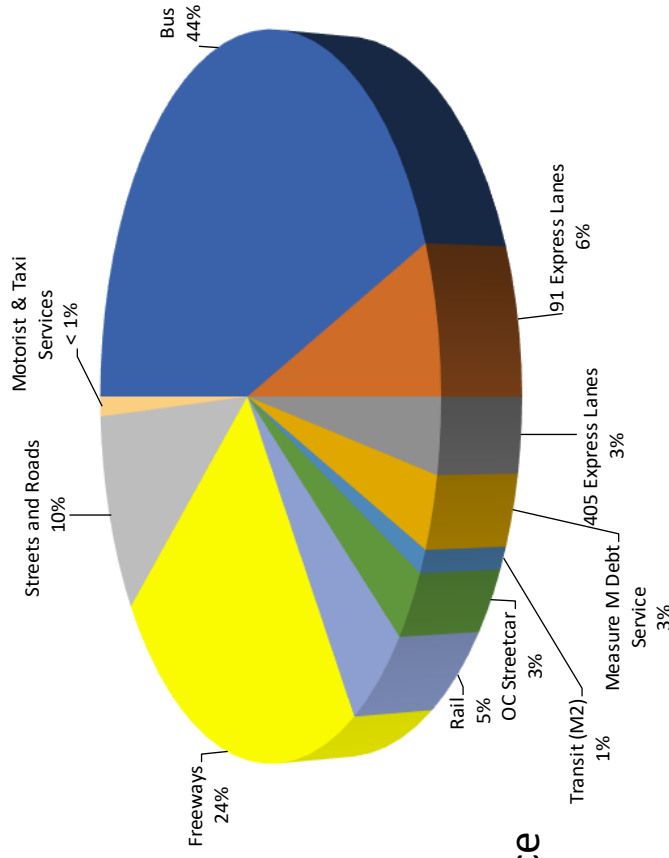


FY 2019-20 Approved Budget Totals \$1.525 Billion

- ❑ Budget initiatives include the continuation of the Updated Next 10 Plan, including:
 - Utilization of M2 and TIFIA funds for I-405 project
 - Continuation of OC Bus 360 with no change to bus service levels
 - OC Streetcar construction, vehicle delivery, and operations and maintenance contract

❑ Assumptions include:

- Sales tax revenue assumption consistent with Board approved sales tax forecasting methodology
- No bus fare adjustments
- Compensation per collective bargaining agreements for union employees and pay-for-performance for administrative employees



FY 2019-20 Approved Budget Summary

Revenue By Source (in Millions)		FY 2019-20 Approved Budget	Percent of Budget
Local Transportation Authority 1/2 Cent Sales Tax (M2)	\$	340.9	22.4%
Federal Grants		328.4	21.5%
Local Transportation Fund 1/4 Cent Sales Tax		176.7	11.6%
91 Express Lanes Revenues		60.5	4.0%
State Grants		58.2	3.8%
Interest		49.9	3.3%
Passenger Fares		47.9	3.1%
Road Repair and Accountability Act (State Transit)		24.3	1.6%
State Transit Assistance		22.5	1.5%
Property Tax		16.6	1.1%
Other		15.8	1.0%
Road Repair and Accountability Act (Competative)		14.1	0.9%
Advertising	\$	4.0	0.3%
Subtotal Sources	\$	1,159.8	
Use of Prior Year Designations		365.4	24.0%
Total Revenues / Use of Designations	\$	1,525.2	

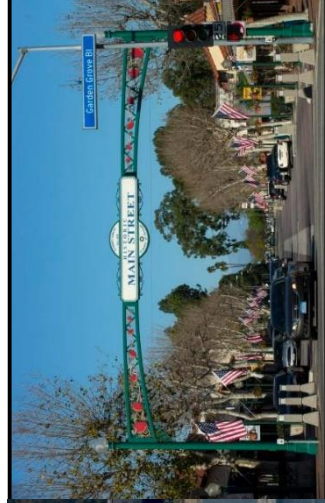
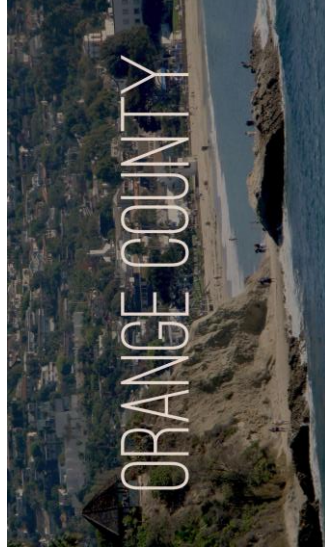
Expenditures (in Millions)		FY 2019-20 Approved Budget	Percent of Budget
Capital Expenditures	\$	667.8	43.8%
Professional and Outside Services		223.2	14.6%
Salaries and Benefits		169.7	11.1%
Contract Transportation Services		104.1	6.8%
Principal Payments and Interest Expense		59.0	3.9%
Measure M2 Local Fair Share		57.7	3.8%
Measure M2 Regional Capacity		57.0	3.7%
Contribution to Other Agencies		55.0	3.6%
Maintenance Parts and Fuel		21.5	1.4%
General & Administration		16.1	1.1%
Insurance Claims/Premiums		8.7	0.6%
LOSSAN Salaries and Benefits		2.7	0.2%
Subtotal Expenditures	\$	1,442.5	
Designation of Funds		82.7	5.4%
Total Expenditures / Designations	\$	1,525.2	

- ❑ In accordance with the Board Strategic Initiatives, CEO's goals, and the objectives of the Updated Next 10 Plan, OC Streetcar and OC Bus 360°
- ❑ Within the financial constraints of the Comprehensive Business Plan
- ❑ Approved budget reflects a 16.8 percent increase from FY 2018-19 approved budget

II. Orange County Economy

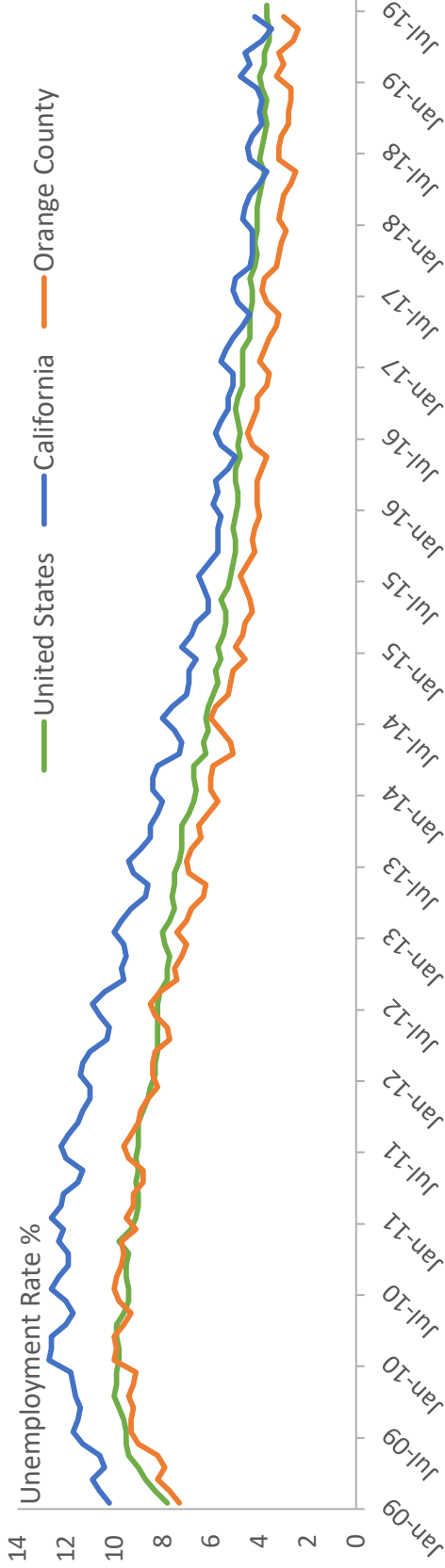
Orange County Highlights

- ❑ **3rd** most populous county in CA
- ❑ **2nd** most dense county in CA
- ❑ **Culturally** diverse communities
- ❑ **Thriving** business economy and a well-educated work force
- ❑ Home to a wide range of **tourist attractions**



Unemployment Rates Remain Low

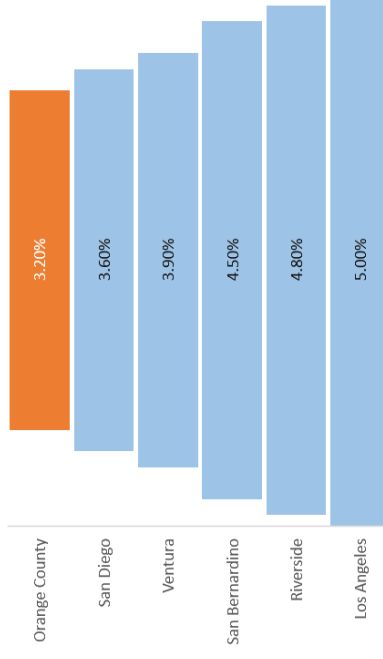
Unemployment Rates (January 2009 to July 2019)



Labor Force (January 2009 to July 2019)



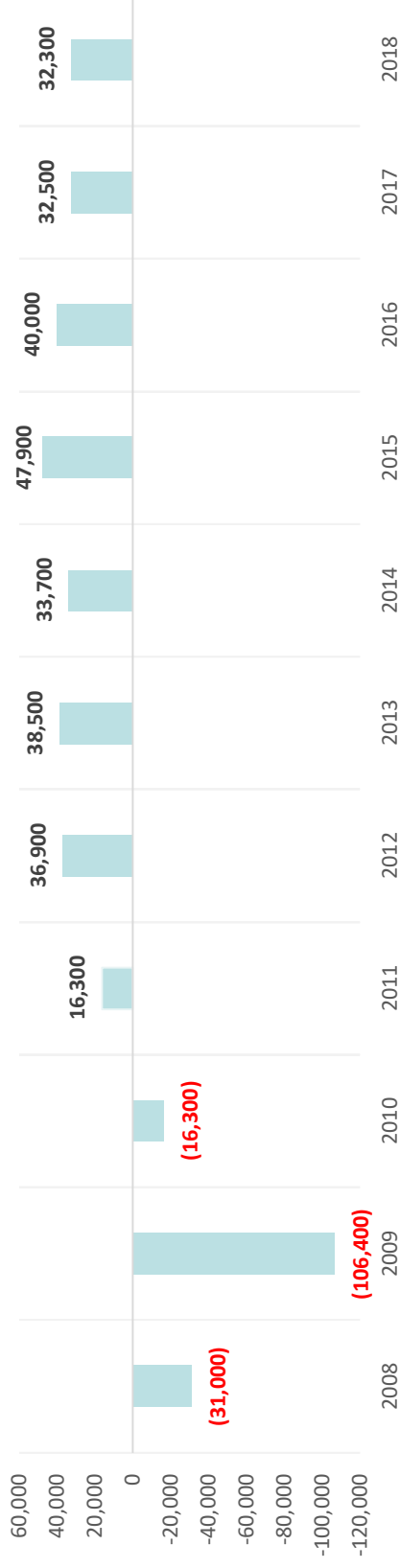
Southern California Unemployment Rates



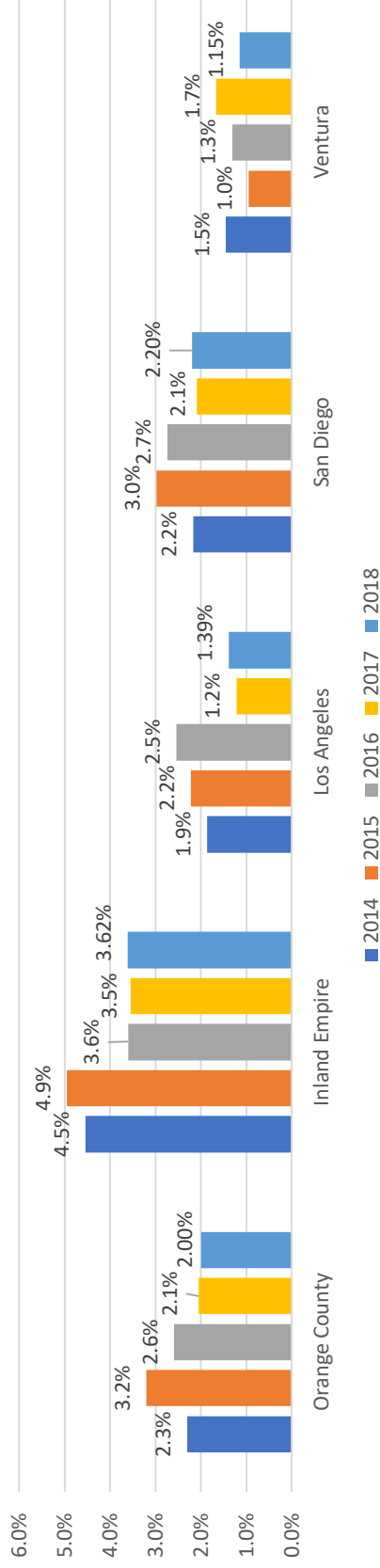
Source: State of California Employment Development Department

Employment Growth Continues for the Eighth Straight Year

Orange County Non-Farm Jobs YOY Annual Change



Southern California Counties Non-Farm Jobs YOY Annual Change (%)



Source: State of California Employment Development Department

Employment Changes Over the Past Year

Industry	2017	2018	Change YOY	Change YOY (%)
Construction	101,800	106,100	4,300	4.22%
Manufacturing	160,500	159,800	-700	-0.44%
Trade, Transportation & Utilities	260,500	262,200	1,700	0.65%
Information	26,800	26,700	-100	-0.37%
Financial Activities	119,600	119,100	-500	-0.42%
Professional & Business Services	303,000	315,400	12,400	4.09%
Educational & Health Services	215,900	225,000	9,100	4.21%
Leisure & Hospitality	218,100	222,600	4,500	2.06%
Other Services	50,300	51,100	800	1.59%
Federal Government	11,300	11,000	-300	-2.65%
State Government	148,900	149,800	900	0.60%
Local Government	117,500	117,900	400	0.34%
Total	1,734,200	1,766,700	32,500	1.87%

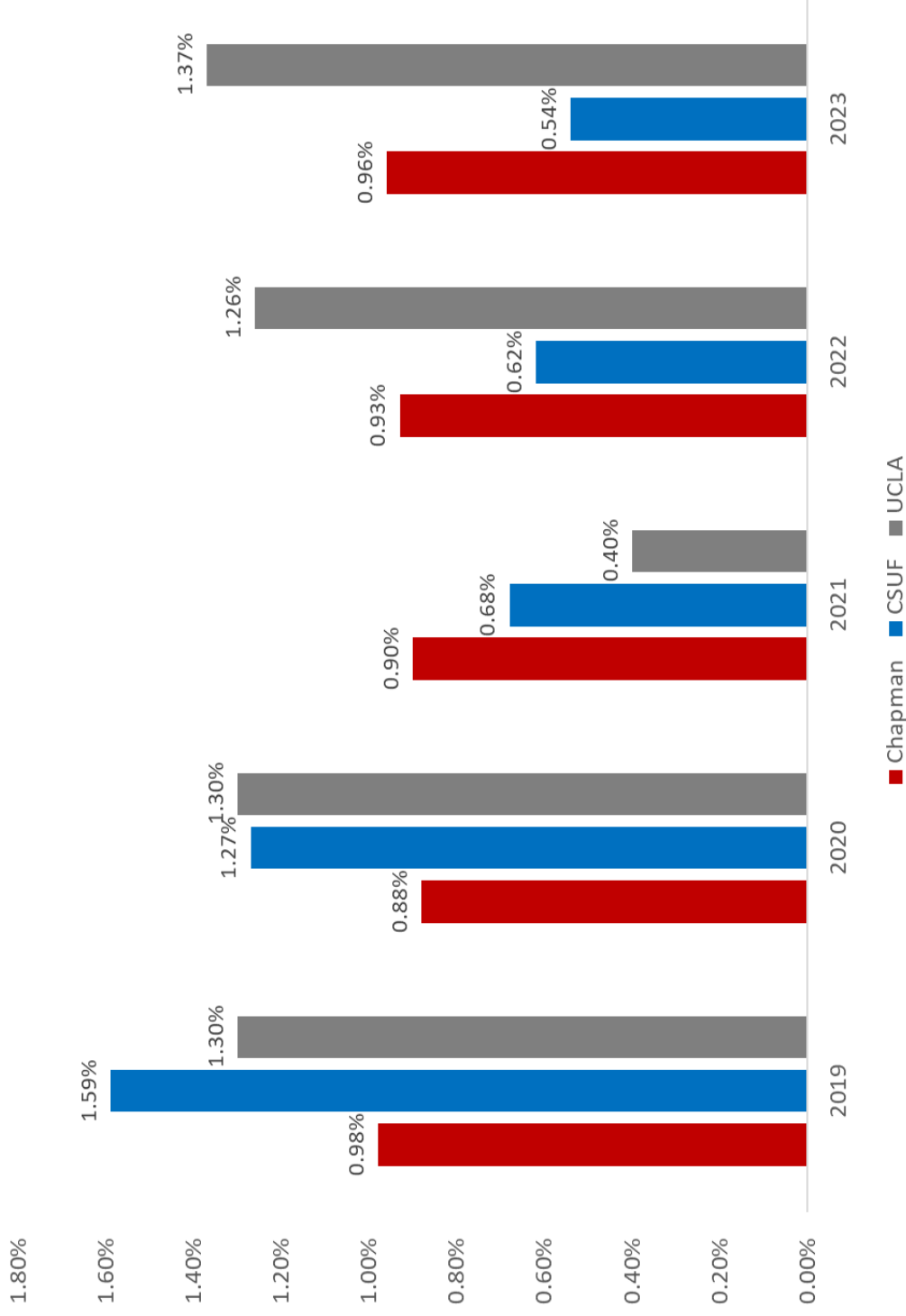
Source: State of California Employment Development Department

Employment and Compensation by Industry

Industry	2018	% of Employment	Change in Employment (2013-2018)	Annual Wages (Q4 2018)
Construction	106,100	6.0%	35.3%	\$ 80,808
Manufacturing	159,800	9.0%	0.6%	\$ 85,904
Trade, Transportation & Utilities	262,200	14.8%	4.5%	\$ 56,160
Information	26,700	1.5%	15.1%	\$ 103,688
Financial Activities	119,100	6.7%	5.0%	\$ 106,652
Professional & Business Services	315,400	17.9%	16.9%	\$ 75,088
Educational & Health Services	225,000	12.7%	21.0%	\$ 53,092
Leisure & Hospitality	222,600	12.6%	18.5%	\$ 27,976
Other Services	51,100	2.9%	12.1%	\$ 39,364
Federal Government	11,000	0.6%	0.0%	\$ 90,896
State Government	149,800	8.5%	8.8%	\$ 80,496
Local Government	117,900	6.7%	8.6%	\$ 61,672

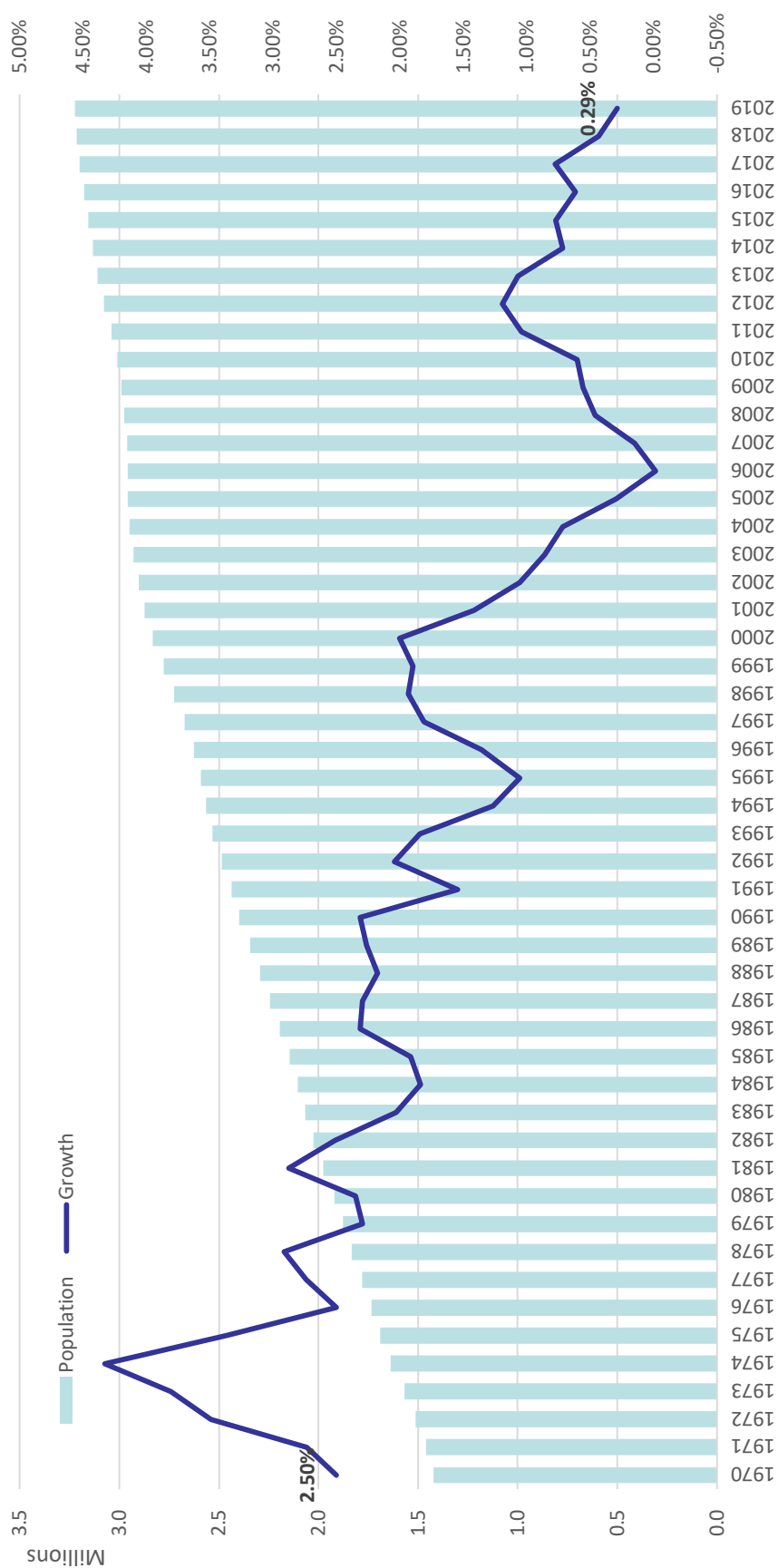
Source: State Board of Equalization

Employment Growth Projections for the Next Five Years



Source: Chapman University; California State University, Fullerton; University of California, Los Angeles

Orange County Population Growing at a Slower Pace

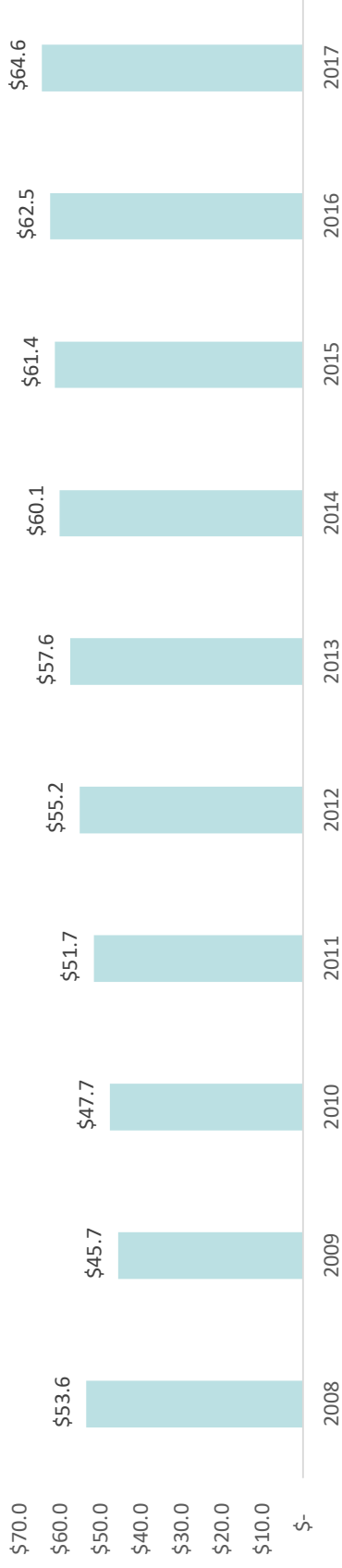


Source: California Department of Finance

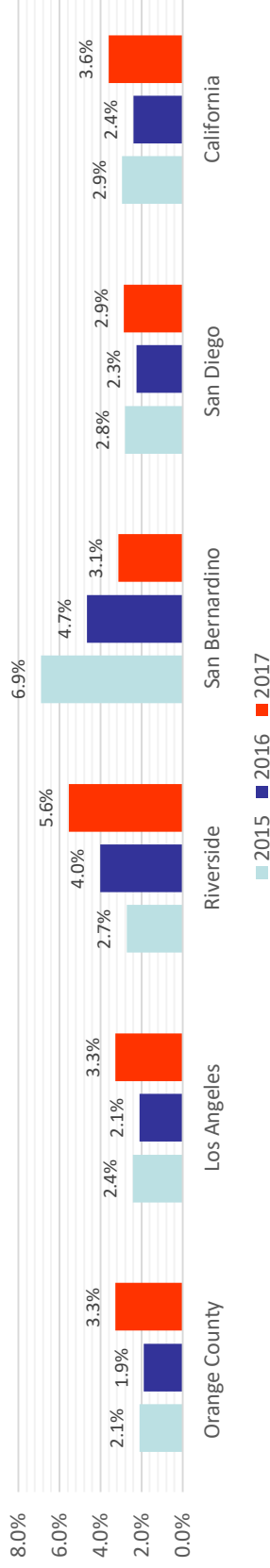


Positive Taxable Sales Growth

Orange County Taxable Sales



Taxable Sales Growth Rates



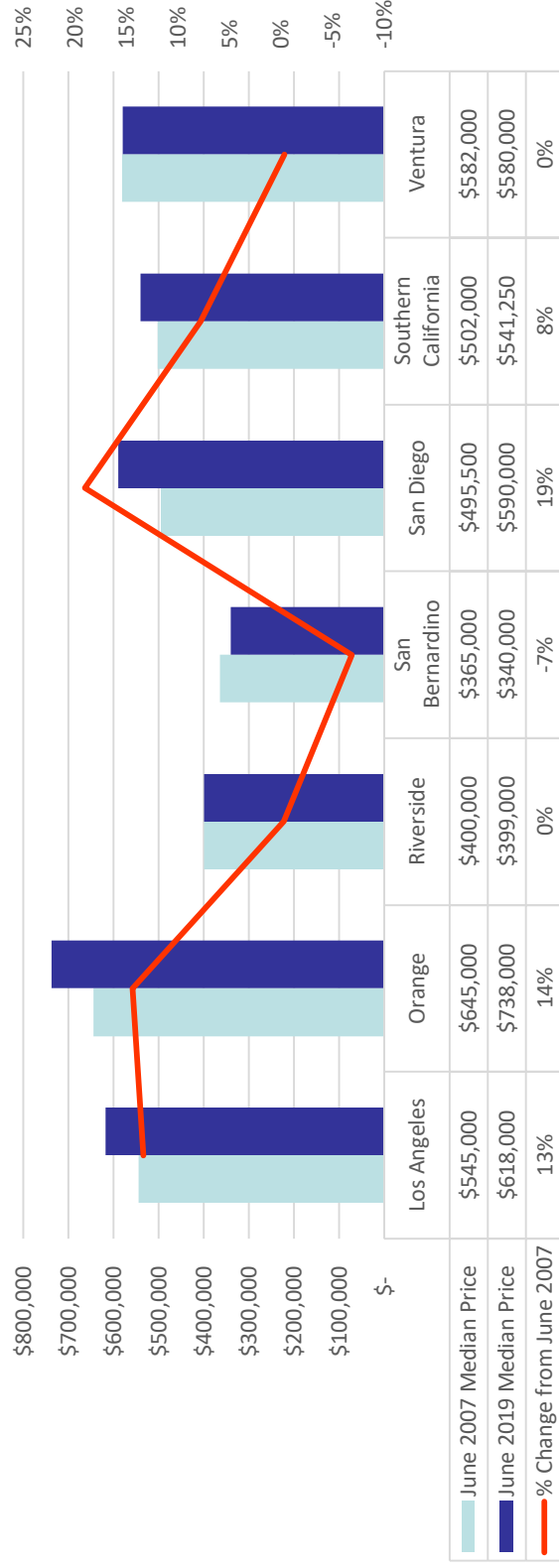
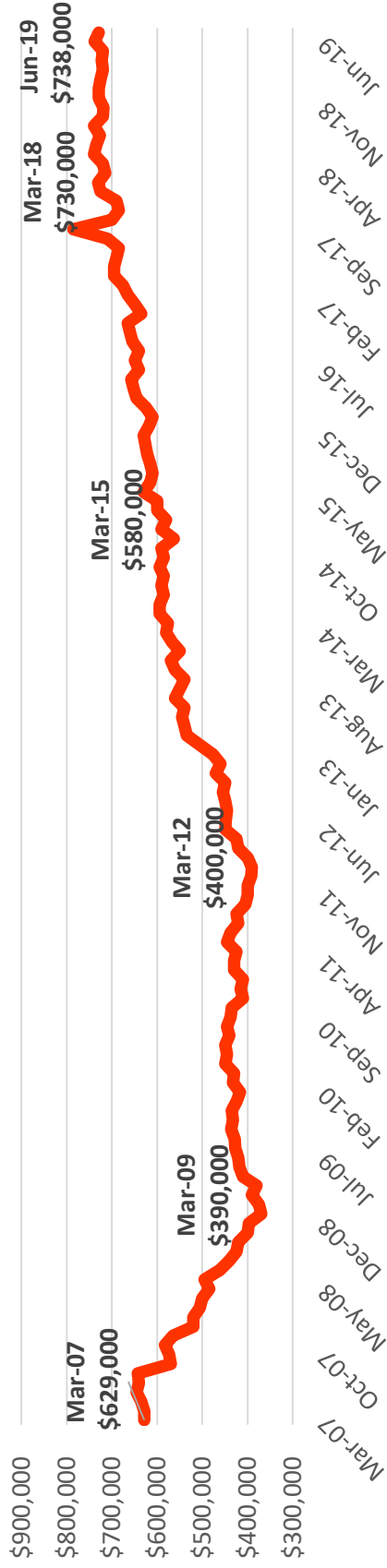
Taxable Sales Per Capita

Orange County	Los Angeles	Riverside	San Bernardino	San Diego	California
\$20,089	\$15,530	\$14,977	\$17,563	\$17,099	\$16,922

Source: California Department of Finance and State Board of Equalization

Home Prices at Historic Levels

Orange County Monthly Median Prices



Source: CoreLogic, June 2019

III. 91 Express Lanes

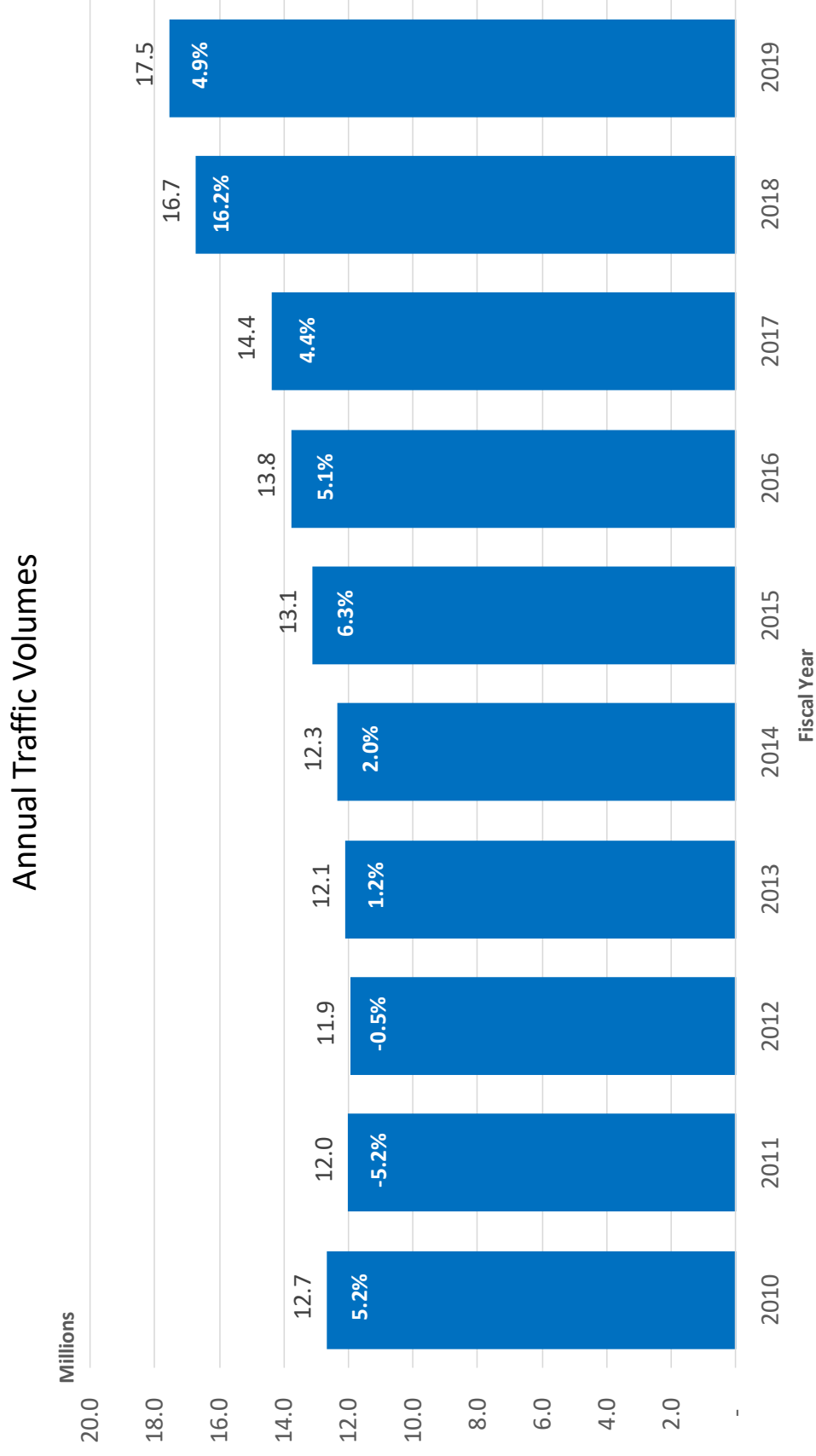
SR-91 Corridor in Orange and Riverside Counties



Summary of Fiscal Year 2019

- ❑ Traffic volumes, toll revenues, and the number of accounts reached historic levels
- ❑ Received Board of Directors approval for:
 - ❑ New account structures
 - ❑ Updated California Highway Patrol contract
 - ❑ Release of the procurement for back-office systems/customer service center
- ❑ Moved customer service center to a new location in Corona
- ❑ Began processing new paper license plates effective January 1, 2019
- ❑ Applied quarterly toll adjustments to peak period hours
- ❑ Generated excess toll revenues and transferred those funds into separate reserve funds

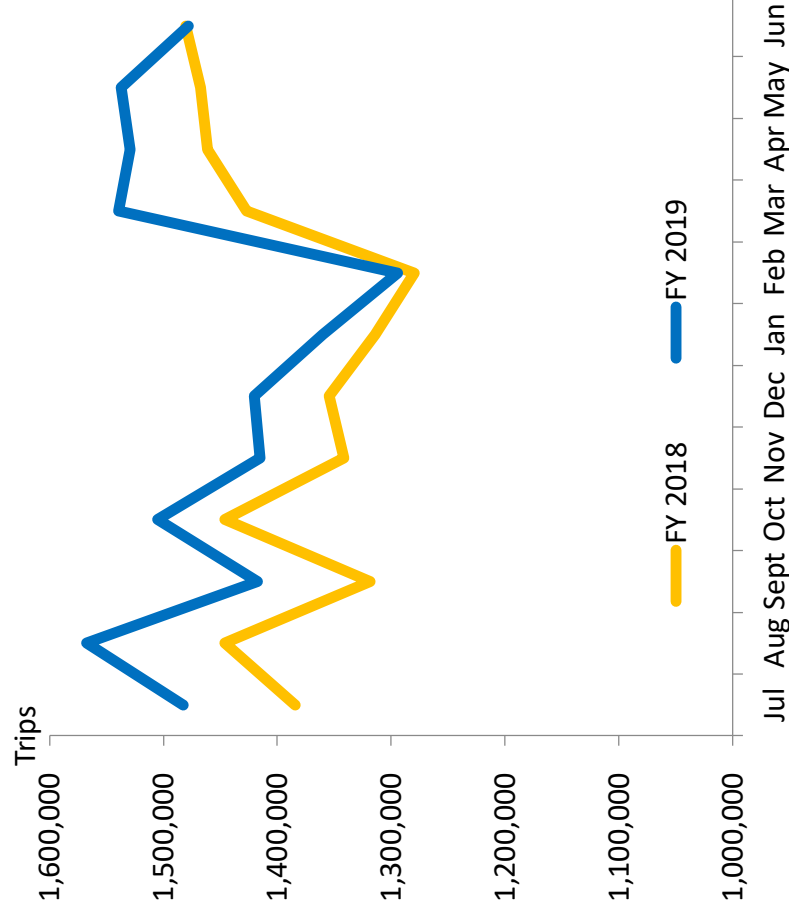
Traffic Volumes Reach 17.5 Million



Growth in Traffic Volumes Driven by Westbound Direction

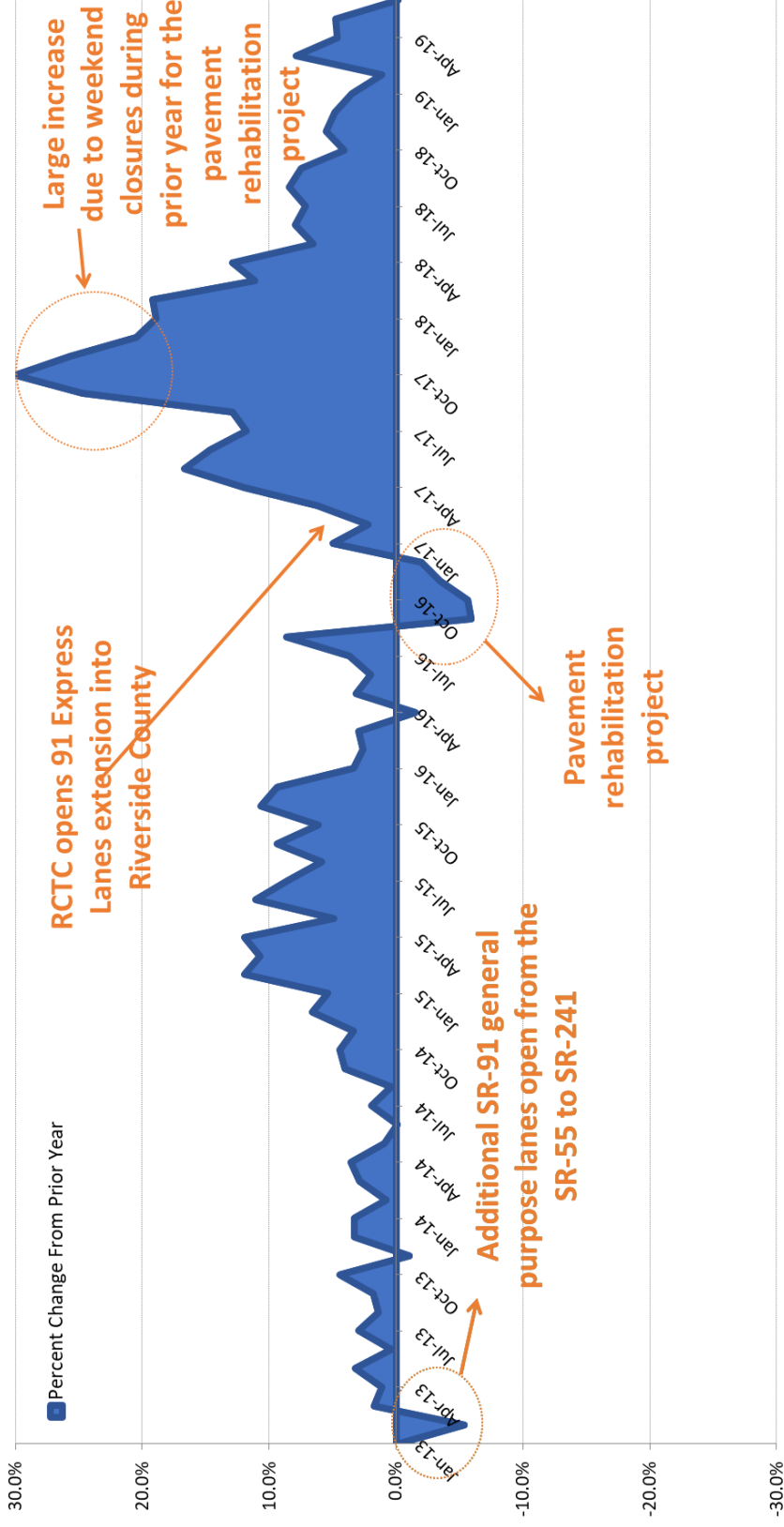
Monthly Traffic Volumes over the Past Two Years

Traffic Volume Change From Prior Year			
	Eastbound	Westbound	Total
Jul 2018	6.1%	8.2%	7.1%
Aug 2018	7.3%	9.6%	8.4%
Sep 2018	7.1%	7.9%	7.5%
Oct 2018	7.4%	0.8%	4.1%
Nov 2018	3.9%	7.3%	5.5%
Dec 2018	2.3%	7.7%	4.8%
Jan 2019	1.7%	5.5%	3.5%
Feb 2019	0.4%	2.0%	1.2%
Mar 2019	4.9%	11.1%	7.9%
Apr 2019	3.5%	5.9%	4.7%
May 2019	3.6%	5.9%	4.7%
Jun 2019	-0.3%	0.0%	-0.1%
Jul 2019	2.8%	5.8%	4.3%



Closer Look at Traffic Volumes Since 2013

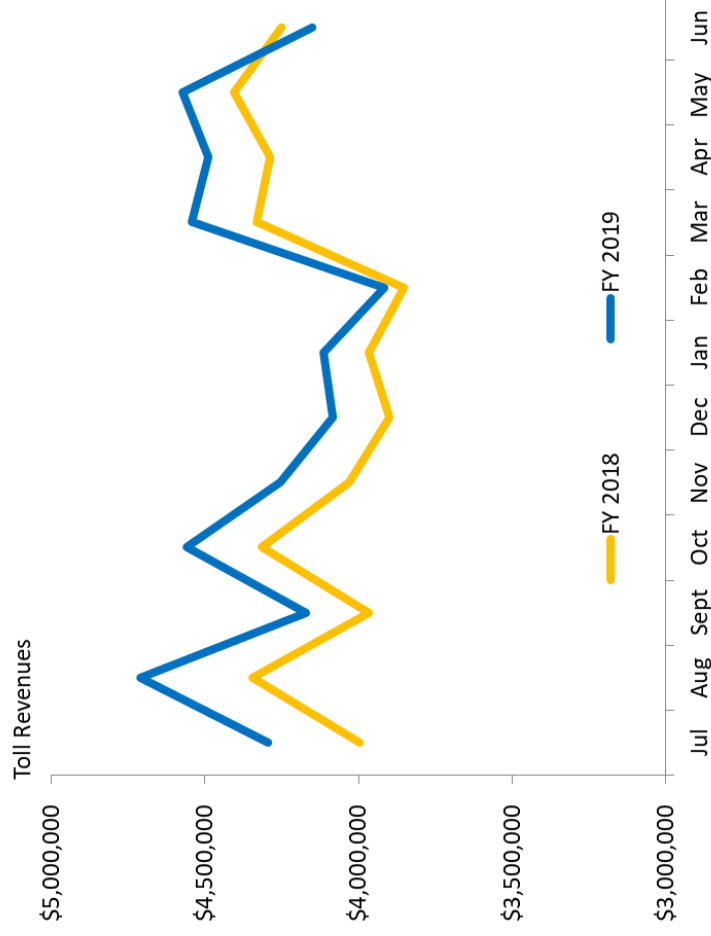
Change in Monthly Traffic Volumes from the Previous Year



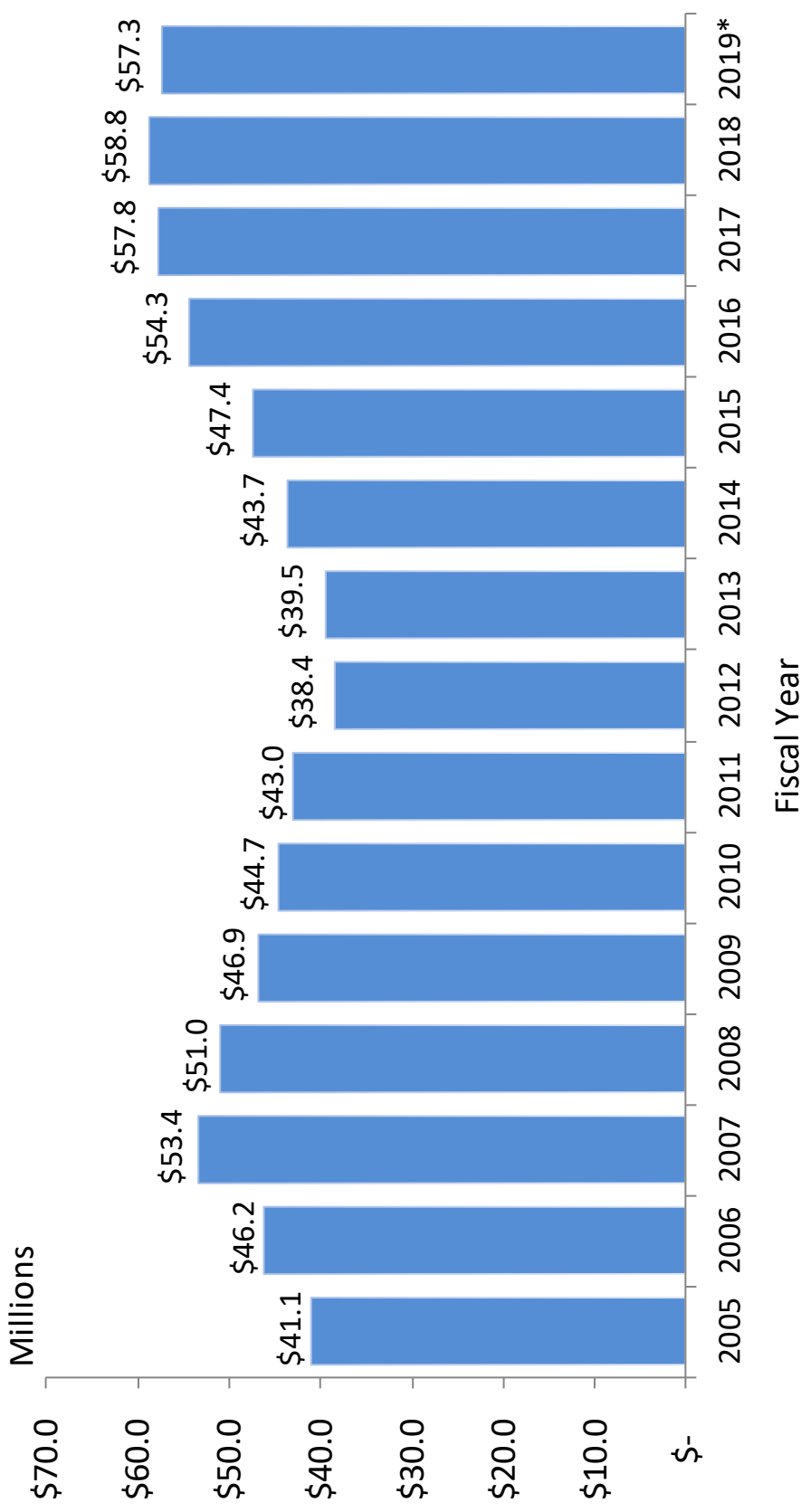
Toll Revenues Continue to Grow

Toll Revenue Change From Prior Year			
	Eastbound	Westbound	Total
Jul 2018	6.3%	9.1%	7.4%
Aug 2018	7.9%	9.1%	8.4%
Sep 2018	4.2%	6.5%	5.1%
Oct 2018	9.9%	-0.1%	5.6%
Nov 2018	4.1%	7.9%	5.6%
Dec 2018	2.1%	8.6%	4.7%
Jan 2019	1.5%	7.3%	3.7%
Feb 2019	0.5%	3.5%	1.7%
Mar 2019	1.0%	10.8%	4.8%
Apr 2019	2.9%	7.1%	4.6%
May 2019	2.6%	5.5%	3.8%
Jun 2019	-3.8%	-0.1%	-2.3%
Jul 2019	1.0%	6.8%	3.4%

Monthly Toll Revenues over the Past Two Years



Historical Total Revenues



* - Estimate for Fiscal Year 2019

Toll Rates as of July 1, 2019

Westbound

Riverside County Line to SR-55

	Sun	M	Tu	W	Th	F	Sat
Midnight	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
1:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
2:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
3:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
4:00 AM	\$1.70	\$3.05	\$3.05	\$3.05	\$3.05	\$3.05	\$1.70
5:00 AM	\$1.70	\$4.95	\$4.95	\$4.95	\$4.95	\$4.70	\$1.70
6:00 AM	\$1.70	\$5.15	\$5.15	\$5.15	\$5.15	\$4.95	\$1.70
7:00 AM	\$1.70	\$5.65	\$5.65	\$5.65	\$5.65	\$5.50	\$2.15
8:00 AM	\$2.15	\$5.15	\$5.15	\$5.15	\$5.15	\$4.95	\$2.50
9:00 AM	\$2.15	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$3.20
10:00 AM	\$3.20	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.20
11:00 AM	\$3.20	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.60
Noon	\$3.20	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.60
1:00 PM	\$3.60	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.60
2:00 PM	\$3.60	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.60
3:00 PM	\$3.60	\$2.50	\$2.50	\$2.50	\$2.50	\$3.20	\$3.60
4:00 PM	\$3.75	\$2.50	\$2.50	\$2.50	\$2.50	\$3.20	\$3.75
5:00 PM	\$3.75	\$2.50	\$2.50	\$2.50	\$2.50	\$3.20	\$3.75
6:00 PM	\$3.75	\$2.50	\$2.50	\$2.50	\$2.50	\$3.70	\$3.20
7:00 PM	\$3.20	\$1.70	\$1.70	\$1.70	\$1.70	\$2.50	\$2.50
8:00 PM	\$3.20	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
9:00 PM	\$3.20	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
10:00 PM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
11:00 PM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70

OCTA Westbound Maximum Rate: \$5.65

RCTC Westbound Maximum Rate: \$21.90

Maximum toll for each direction is highlighted in yellow

Eastbound

SR-55 to Riverside County Line

	Sun	M	Tu	W	Th	F	Sat
Midnight	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
1:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
2:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
3:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
4:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
5:00 AM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70
6:00 AM	\$1.70	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$1.70
7:00 AM	\$1.70	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$1.70
8:00 AM	\$2.05	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
9:00 AM	\$2.05	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
10:00 AM	\$3.20	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.20
11:00 AM	\$3.20	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.20
Noon	\$3.70	\$2.50	\$2.50	\$2.50	\$2.50	\$3.85	\$3.70
1:00 PM	\$3.70	\$3.55	\$3.55	\$3.55	\$3.85	\$6.00	\$3.70
2:00 PM	\$3.70	\$5.15	\$5.15	\$5.15	\$6.70	\$7.10	\$3.70
3:00 PM	\$3.20	\$5.50	\$5.75	\$7.75	\$6.75	\$9.15	\$3.70
4:00 PM	\$3.20	\$5.35	\$5.50	\$7.50	\$8.30	\$8.95	\$3.70
5:00 PM	\$3.20	\$5.30	\$5.40	\$6.40	\$8.70	\$7.05	\$3.70
6:00 PM	\$3.20	\$5.50	\$3.95	\$3.95	\$4.85	\$6.55	\$3.20
7:00 PM	\$3.20	\$3.85	\$3.85	\$3.85	\$5.60	\$6.05	\$2.50
8:00 PM	\$3.20	\$2.50	\$2.50	\$2.50	\$3.55	\$5.60	\$2.50
9:00 PM	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$3.55	\$2.50
10:00 PM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$2.50	\$1.70
11:00 PM	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70	\$1.70

OCTA Eastbound Maximum Rate: \$9.15

RCTC Eastbound Maximum Rate: \$19.65

Near-Term Improvement Projects Planned in the SR-91 Corridor



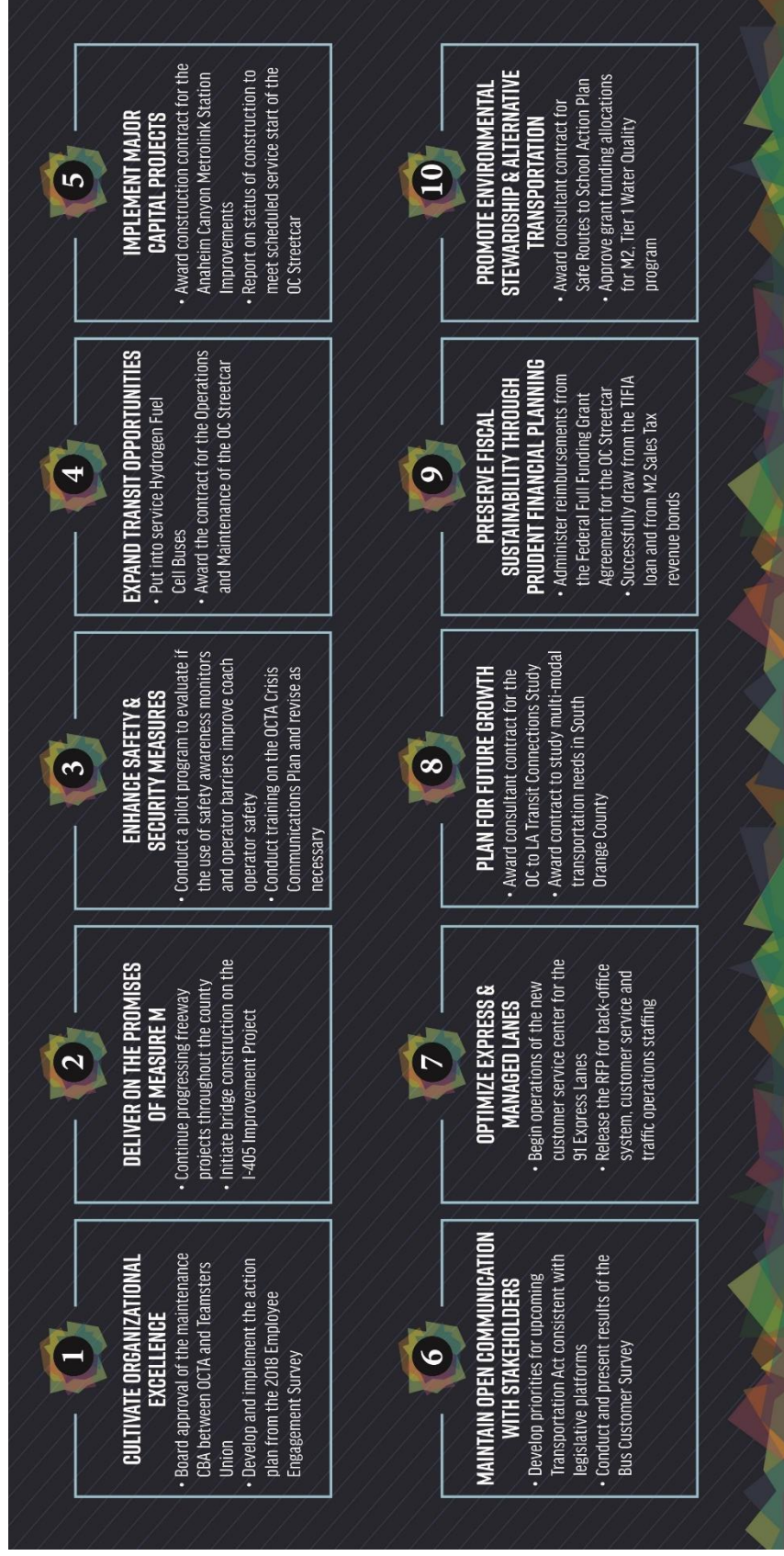
Upcoming Events

- ❑ Review traffic volumes at quarter end and determine any toll adjustments for October 1, 2019
- ❑ Complete transition to new account structure and distribute 6C transponders
- ❑ Approve selection of Operating Services Provider (back-office system, customer service center, traffic operations center, etc.) – required by June 2021
- ❑ Update traffic and revenue forecast



IV. Agency Update

CEO 2019 Initiatives & Action Plan in Line with Board Strategic Initiatives



OCTA Updates

- Workforce Development
 - Leadership Development Academy
 - Management Development Academy
 - Early Career, Mentor and Job Shadow programs
 - Variety of internal training classes offered
- Cybersecurity
 - Maintain vulnerability scanning and remediation
 - Provide regular agency-wide training
 - Continue 3rd party and internal risk assessments
 - Multi-year planning effort
- Project Updates
 - I-405 Improvement Project
 - OC Streetcar
 - OC Bus 360°

Succession Planning



OCSTREETCAR



I-405 Financing and Project Update

- ❑ Design-Builder current tasks include:
 - Finalizing design
 - Significant drainage and paving construction has begun
 - 12 bridges in construction
 - Over 20 walls in construction
- ❑ Right-of-way acquisition is on schedule
- ❑ Utility relocations and other risk items generally proceeding well
- ❑ Schedule mitigations to avoid delay to project completion
- ❑ Project expenditures through June of 2019 of \$622 million
- ❑ Two draws on the TIFIA loan totaling \$287 million
 - The September 2019 draw is being deferred based on strong cash balance



I-405 Preliminary Bridge Construction Timeline



Bridge Map as of 08/12/2019

I-405 Milestones and Next Steps

Activity/Milestone	Completion Date
Design-Build Implementation	
Construction began	March 2018
Design and construction	2017-2023
405 Express Lanes/Project opening	Early 2023
Toll Lanes System Integrator	
Contract awarded	May 2018
Back Office Support and Customer Service Procurement	
Request for proposal release	Early 2020
Project Financing	
Measure M2 debt issuance - \$400 million in proceeds	February 2019
Measure M2 debt issuance - \$500 million in proceeds	Spring 2021

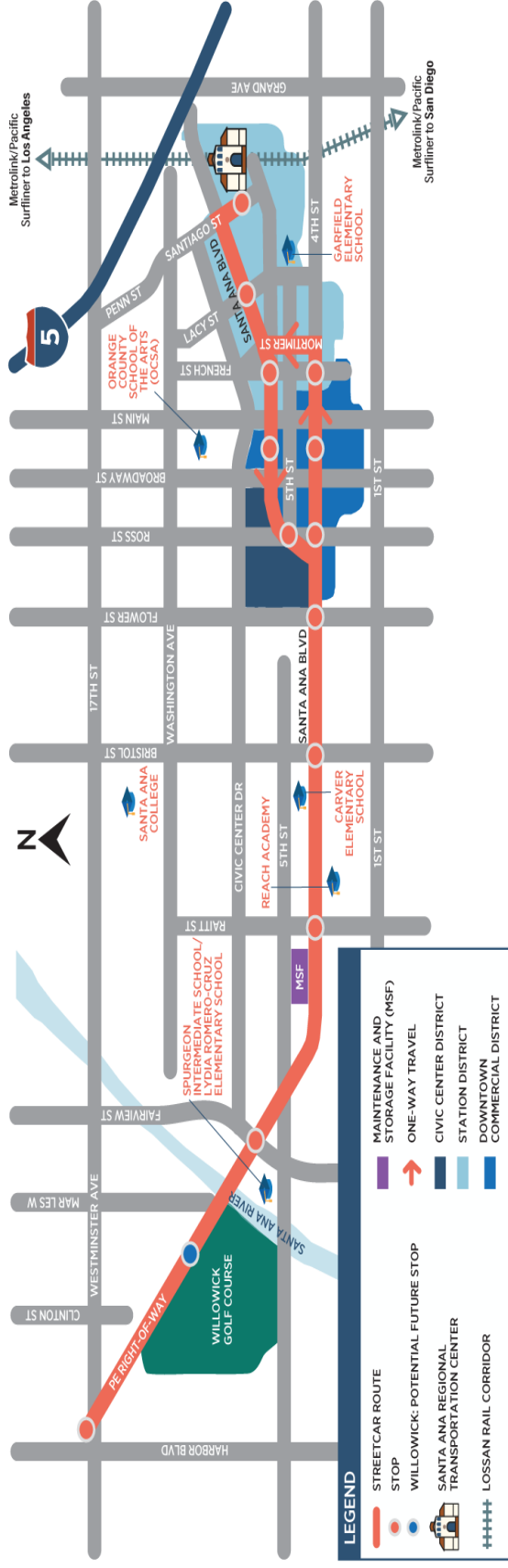
OC Streetcar Update

- ❑ The OC Streetcar is planned to travel along a 4.1-mile route from the Santa Ana Regional Transportation Center, through Downtown Santa Ana and the Civic Center, along the Pacific-Electric right-of-way, and connect to a new multimodal transit hub at Harbor Boulevard and Westminster Avenue in Garden Grove
- ❑ OCTA is the lead agency developing the project, which is expected to cost approximately \$407.7 million overall
- ❑ Federal funds to support half the cost of the project



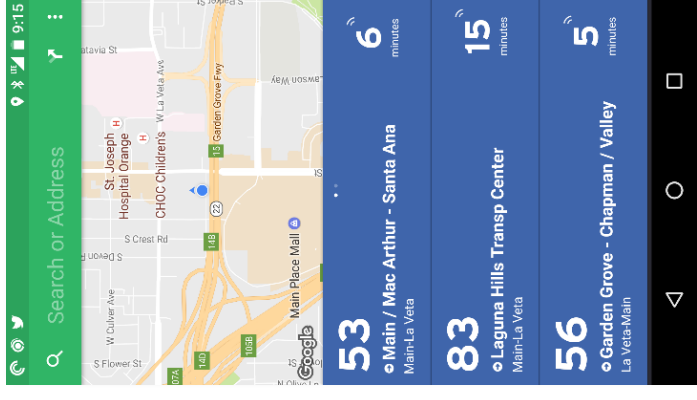
OC Streetcar Timeline

- ❑ Siemens Industries, Inc. was selected on March 26, 2018 to provide eight streetcar vehicles
- ❑ Walsh Construction selected on September 24, 2018 to provide construction services for the project
- ❑ Full Funding grant agreement executed by the Federal Transit Administration November 30, 2018, securing \$149 million for the project
- ❑ Award of operations and maintenance contract anticipated for first quarter



OC Bus 360° – Reinventing Bus Service

- ❑ Over the past several years, there have been continued declines in bus ridership and fare revenue
- ❑ To reverse this trend and build a bus system to meet customer needs, OCTA has:
 - Shifted 160,000 revenue hours to improve frequencies on high-demand corridors
 - Implemented electronic mobile ticketing readers on fixed-route buses
 - Implemented a new Bravo! Route 529 on Beach Boulevard in February 2019
 - Pass programs with Santa Ana, Santiago Canyon, Fullerton and Golden West Colleges with a valid student identification
 - Implemented OC Flex on-demand service in Fall 2018 in two communities
- ❑ Additional service to improve ridership
 - Reallocation of revenue hours to improve service continues in October 2019 and February 2020



V. Measure M2 Sales Tax Program

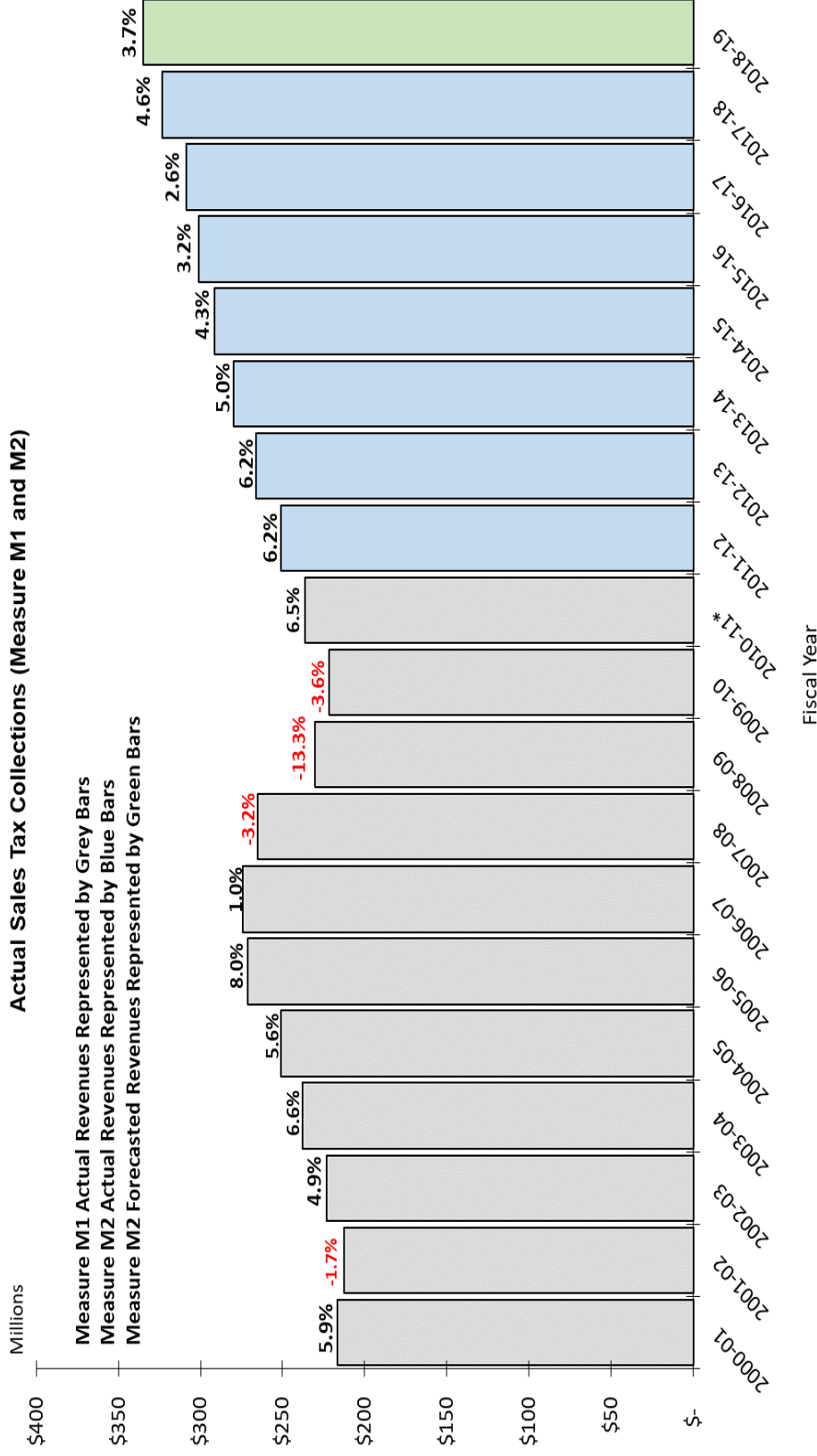
Measure M2 Update

- ❑ Actual M2 sales tax collections increased by 4.6% in FY 2018 and is budgeted to grow by 3.7% in FY 2019
- ❑ M2 sales tax forecast to total \$13.1 billion for 30 years
- ❑ Issued M2 Sales Tax Revenue Bonds, Series 2019 (par amount of \$376.7 million) and closed-out the initial tranche of the \$900 million line of credit secured by M2 revenues, reducing the line of credit to \$500 million
- ❑ Advanced over \$2.5 billion dollars for Measure M2 projects through June 30, 2019
- ❑ Board adopted updated Next 10 Plan in November 2018
- ❑ Taxpayers Oversight Committee determined that M2 is being delivered as promised to Orange County voters for the 28th consecutive year



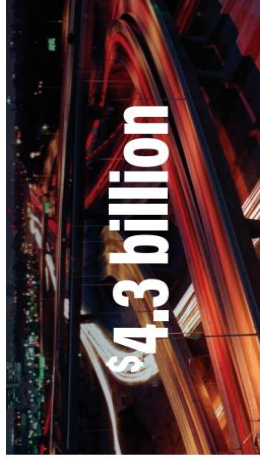
Sales Tax Collections (Measure M1 and M2)

Actual Sales Tax Collections Have Grown Seven Straight Years

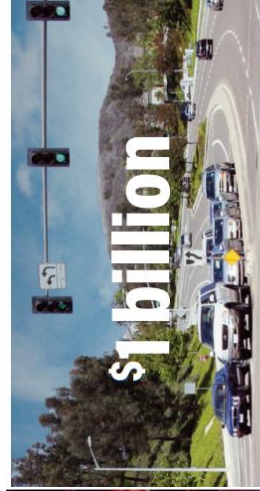


* Fiscal Year 2010-11 represents a combination of Measure M1 (three quarters of the year) and Measure M2 (one quarter of the year) sales tax revenues.

Updated Next 10 Plan



► Deliver \$4.3 billion in freeway projects



► Allocate approximately \$1 billion of funding for streets and roads improvements



► Invest up to \$1 billion to enhance access to rail and transit, including delivery of the OC Streetcar



► Ensure ongoing preservation of open space preserves and provide \$40 million in water quality grants

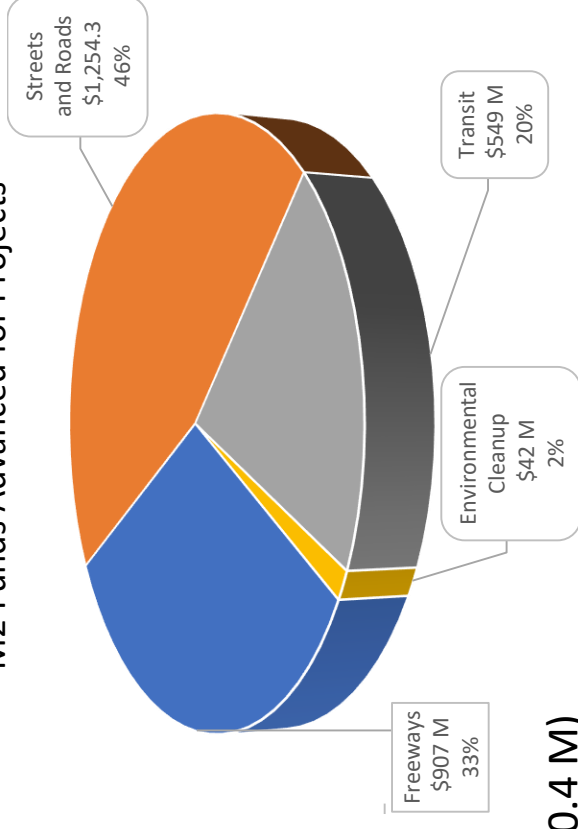
Freeways	Streets & Roads	Transit	Environmental
<ul style="list-style-type: none"> ▪ \$3.5 billion of improvements approved through construction ▪ Invest \$715 million more in revenues for a total of \$4.3 billion in freeway improvements 	<ul style="list-style-type: none"> ▪ \$400 million competitive funding to expand roadway capacity and synchronize signals ▪ \$600 million flexible funding to maintain aging streets or other transportation needs 	<ul style="list-style-type: none"> ▪ Extend Metrolink from OC to LA ▪ OC Streetcar ▪ \$115 million to expand mobility choices for seniors or persons with disabilities ▪ Provide grants for local agencies to implement efficient local transit services ▪ \$7 million to improve 100 busiest bus stops and modernize system 	<ul style="list-style-type: none"> ▪ Preservation of purchased open space ▪ Collaborate with Environmental Cleanup Allocation Committee to develop next tiers of water quality programs with goal to provide \$40 million in grants ▪ Improve water quality on a regional scale

NEXT 10 
DELIVERY PLAN

M2 Funds Advanced to Date (as of June 30, 2019)

- ❑ Freeway Projects: \$907 million
 - I-405 Improvements (\$488.4 M)
 - I-5 South of El Toro (\$143.4 M)
 - Freeway Mitigation (\$53.4 M)
 - SR-57 Improvements (51.2 M)
- ❑ Streets & Roads Projects: \$1.254 billion
 - Regional Capacity Program (\$742.5 M)
 - Local Fair Share Program (\$401.6 M)
- ❑ Transit Projects: \$549 million
 - High Frequency Metrolink Service (\$290.4 M)
 - Metrolink Gateways (\$98.2 M)
 - Mobility Choices for Seniors and Persons with Disabilities (\$71.6 M)
- ❑ Environmental Cleanup Projects: \$42 million
 - Clean Up Highway and Street Runoff (\$41.9 M)

Approximately \$2.7 Billion in
M2 Funds Advanced for Projects



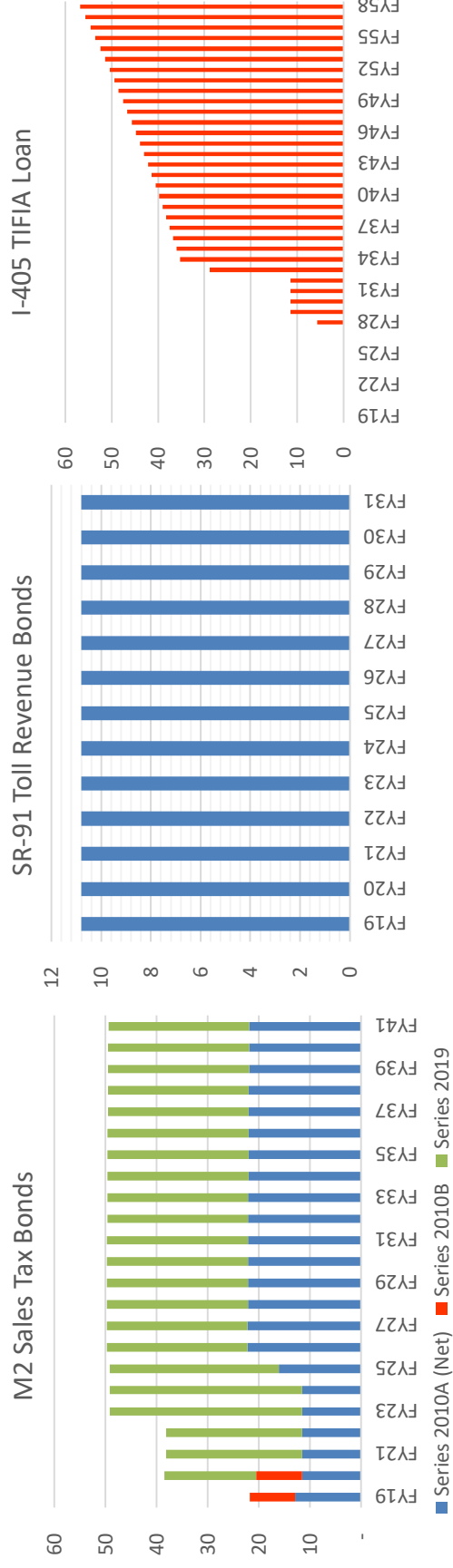
VI. Debt Programs and Financing Plans

Debt Profile - Outstanding Debt Totals \$1,013.9 Million

Debt Summary

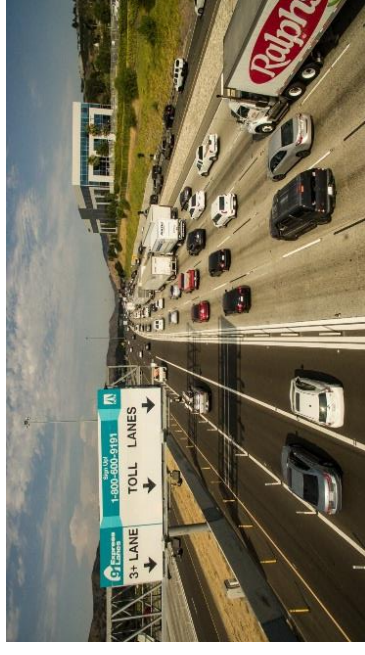
Credit	Original Par Amount	Outstanding Par Amount	Final Maturity	Ratings (Fitch/Moody's/S&P)
M2 Sales Tax Revenue Bonds				
2010 Series A (Taxable BABs)	\$ 293,540,000	\$ 250,000,000	2041	AA+/Aa2/AA+
2010 Series B (Tax-Exempt)	\$ 59,030,000	\$ 8,530,000	2020	AA+/Aa2/AA+
2019 Series (Tax-Exempt)	\$ 376,690,000	\$ 376,690,000	2041	AA+/-/AA+
91Toll Revenue Bonds (91 Express Lanes)				
2013 Series Refunding Bonds	\$ 124,415,000	\$ 91,685,000	2030	A+/A1/AA-
I-405 Toll Revenue Bonds (I-405 Express Lanes)				
2017 TIFIA Loan	\$ 628,930,000	\$ 287,000,000	2058	Baa2
Total		\$ 1,013,905,000		

Debt Service By Credit (\$MM)



91 Express Lanes Debt

- ❑ As of August 31, 2019, there is \$91.7 million in Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) outstanding for the 91 Express Lanes program
- ❑ Structure of the outstanding debt includes:
 - Fixed-rate debt with level annual debt service
 - Average debt service per year of \$10.8 million
 - Final maturity of December 2030
 - Open lien indenture
- ❑ Indenture-required reserves are fully funded:
 - Operating Reserve Fund at \$3 million
 - Major Maintenance Reserve Fund at \$10 million
 - Debt Service Reserve Fund at \$10.8 million
- ❑ Funded two additional OCTA reserves
 - Capital Reserve: \$23.4 million
 - SR-91 Corridor Projects Reserve: \$41 million
- ❑ Franchise Agreement terminates in 2065



91 Express Lanes Historical Coverage

<i>\$ in Millions</i>	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 (Estimate)
Gross Potential Toll Revenues	\$ 36.17	\$ 39.31	\$ 41.91	\$ 44.59	\$ 49.65	\$ 51.85
Tolls	34.05	36.65	39.04	41.40	45.33	46.65
Add: Non-Toll Revenues	9.66	10.71	15.20	16.43	13.46	10.67
Revenues	43.70	47.36	54.25	57.83	58.79	57.32
Less: Current Expenses	(15.83)	(16.53)	(18.69)	(31.83) *	(16.40)	(14.68)
Net Revenues for Debt Service	\$ 27.88	\$ 30.83	\$ 35.56	\$ 25.99	\$ 42.39	\$ 42.64
Debt Service	\$ 10.74	\$ 10.80	\$ 10.80	\$ 10.80	\$ 10.79	\$ 10.80
Debt Service Coverage Ratio	2.60x	2.86x	3.29x	2.41x	3.93x	3.95

* Current Expenses in FY 2017 include \$13.7 million for the pavement rehabilitation project which was classified as an operating expense instead of a capital expense. The project was funded with 91 Express Lanes capital reserve funds.

91 Express Lanes Coverage Projections

	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
\$ in Millions	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Gross Potential Toll Revenues (1)	\$ 57.30	\$ 59.20	\$ 62.80	\$ 66.60	\$ 70.70	\$ 75.00	\$ 79.10	\$ 83.30	\$ 87.90	\$ 92.70
Tolls (2)	54.44	56.24	59.66	63.27	67.17	71.25	75.15	79.14	83.51	83.51
Add: Non-Toll Revenues (3)	7.66	7.72	7.78	7.85	7.91	7.97	8.04	8.10	8.17	8.23
Revenues	62.10	63.96	67.44	71.12	75.07	79.22	83.18	87.24	91.68	91.74
Less: Current Expenses (4)	(19.00)	(19.67)	(20.35)	(21.07)	(21.80)	(22.57)	(23.36)	(24.17)	(25.02)	(25.90)
Net Revenues for Debt Service	\$ 43.10	\$ 44.30	\$ 47.09	\$ 50.05	\$ 53.27	\$ 56.66	\$ 59.83	\$ 63.06	\$ 66.66	\$ 65.85
2013 Bonds Debt Service	\$ 10.80	\$ 10.80	\$ 10.80	\$ 10.79	\$ 10.80	\$ 10.80	\$ 10.80	\$ 10.80	\$ 10.80	\$ 10.80

Debt Service Coverage Ratio for Outstanding Bonds	3.99x	4.10x	4.36x	4.64x	4.93x	5.25x	5.54x	5.84x	6.17x	6.10x
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(1) Per Stantec, May 2017

(2) Tolls reflect 95% of Gross Potential Toll Revenues

(3) Non-toll revenues are estimated to increase by 0.8% per year

(4) Current expenses are estimated to increase by an average of 3.5% per year

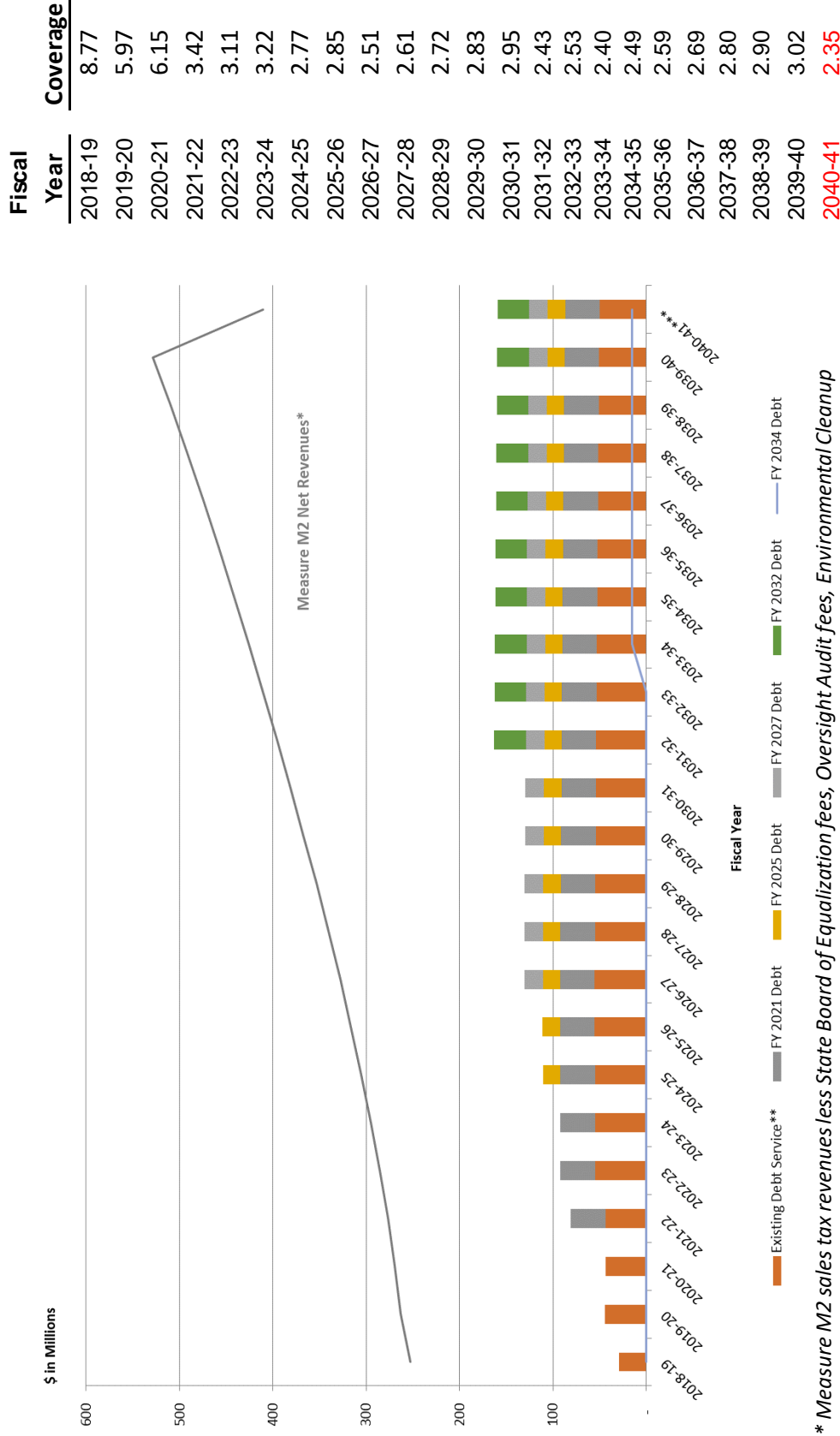
OCTA Financing Plans



- ❑ No additional debt currently planned for the 91 Express Lanes
- ❑ Plan to draw up to \$629 million in TIFIA proceeds for I-405 Improvement Project
 - \$287 million drawn (as of June 2019)
 - Non-recourse debt is secured by 405 Express Lanes net toll revenues
- ❑ M2 debt issuances planned for the I-405 Improvement Project in FY 2021
 - FY 2021 - \$500 million
- ❑ Additional M2 debt issuances planned in the future include:
 - FY 2025 - \$225 million
 - FY 2027 - \$225 million
 - FY 2032 - \$275 million
 - FY 2034 - \$100 million



M2 Coverage Projections with Additional Debt

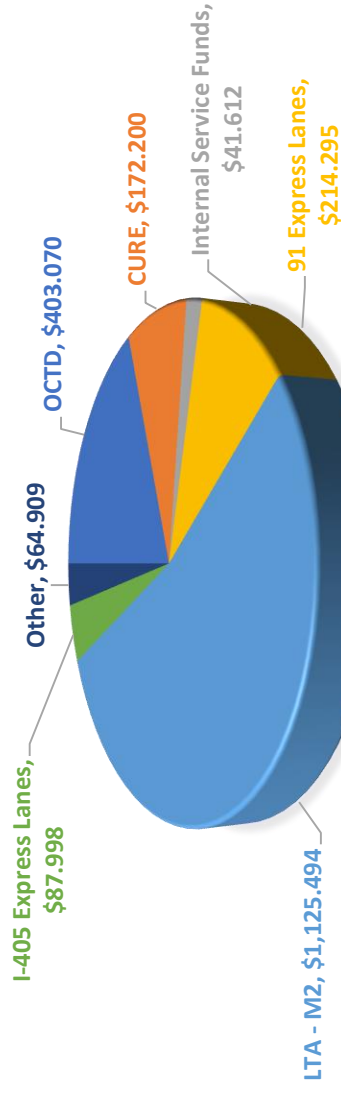


* Measure M2 sales tax revenues less State Board of Equalization fees, Oversight Audit fees, Environmental Cleanup allocation, and Local Fair Share funds.

** Existing debt service includes 2010 taxable and tax-exempt debt, and Series 2019.

*** Represents three quarters of a year of sales tax collections since the Measure M2 program ends March 31, 2041.

Cash Balance Totals \$2.1 Billion (as of June 2019)



\$Millions

OCTD - Orange County Transit District	LTA - Local Transportation Authority (M2)	CURE - Commuter Rail Endowment Fund	Internal Service Funds	91 Express Lanes	I-405 Express Lanes	Other
Fund supporting administrative, operational, and capital functions of fixed route, rail feeder, express, and paratransit bus service	Fund accounts for all Measure M2 revenues, bond proceeds, interest earnings, debt service, and project expenditures	Fund finances operating expenses for OCTA's participation in Metrolink's commuter rail services	Funds established to account for the costs of OCTA's liabilities and insurance programs	Fund established to account for the revenues and expenditures associated with the 91 Express Lanes	Fund established to account for the revenues and expenditures associated with the I-405 Express Lanes	Includes Orange County Unified Transportation Trust Fund, Local Transportation Fund, Service Authority for Freeway Emergencies, Transportation Development Capital, ARBA Trust Fund, etc.



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Treasury/Public Finance Manager
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October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Agreement for Budget and Forecasting Software

Overview

The Orange County Transportation Authority requires a consultant to provide budget and forecasting software. 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 budget and forecasting software.

Recommendations

- A. Approve the selection of Clarity Partners, LLC, as the firm to provide budget and forecasting software.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1083 between the Orange County Transportation Authority and Clarity Partners, LLC, in the amount of \$536,067, for a term of three years with two, two-year option terms to provide budget and forecasting software.

Discussion

The Orange County Transportation Authority's (OCTA) Financial Planning and Analysis (FP&A) Department provides financial forecasting, planning and analysis support, contract oversight, requisition budget authority verification, and budget transfers. The main three deliverables of the FP&A Department include the development of the annual budget, quarterly budget-to-actuals reporting (BAR), and the Comprehensive Business Plan (CBP).

Over the past 20 years, the development of the budget has been managed in an in-house software application using Microsoft Access as a front-end and Structured Query Language (SQL) server as a back-end. The home-grown

software is referred to as BUDBAR. The analysis for quarterly BAR reporting is also performed in BUDBAR, and the program-level analysis and reporting are performed in Microsoft Excel and Word. The CBP analysis and cash flows are built in a series of linked Excel models, while document publication is done in InDesign.

The FP&A Department issued a request for information (RFI) in June 2018. The purpose of the RFI was to explore the potential to acquire and implement a cloud-based budgeting and planning software available as a service to transition all processes and data out of BUDBAR, as well as to move entirely from on-premise to a cloud-based technology in order to provide optimal flexibility and ensure OCTA's data is secured with minimal interruptions to the end users. Based on the results, OCTA moved forward issuing a request for proposals.

In doing so, OCTA's FP&A Department has identified a solution that can accommodate the development and production of the FP&A Department's three main deliverables. This will result in a cost savings to OCTA and would eliminate the dependency on a consultant with both Microsoft Access and SQL programming experience to maintain the current home-grown system.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors-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 prior experience performing similar projects, staffing and project organization, work plan, as well as cost and price.

On April 25, 2019, Request for Proposals (RFP) 9-1083 was issued and sent electronically on CAMM NET. The project was advertised in a newspaper of general circulation on April 25 and May 2, 2019. Four addenda were issued to revise the scope of work, handle administrative matters, and provide responses to questions related to the RFP.

On June 12, 2019, 11 proposals were received. An evaluation committee comprised of OCTA staff from the Contracts Administration and Materials Management, FP&A, Accounting and Financial Reporting, and Information Systems departments, as well as an external consultant for the FP&A Department, met to review all proposals received. The proposals were evaluated based on the following evaluation criteria and weights:

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

Several factors were considered in establishing criteria weights. Work plan was weighted the highest at 35 percent to ensure the firm's approach and software would meet OCTA's budgeting and forecasting requirements. Qualifications of the firm and cost were weighted at 25 percent each to ensure the firm has prior experience providing the software outlined in the scope of work and OCTA receives value for the services provided. Staffing and project organization was weighted at 15 percent to ensure the firm's staff have the requisite experience and expertise for completing the project.

On June 25, 2019, the evaluation committee reviewed the 11 proposals based on the evaluation criteria and short-listed the four most qualified firms listed below in alphabetical order:

Firm and Location

Applications Software Technology, LLC
Santa Clara, California

Clarity Partners, LLC (Clarity)
Chicago, Illinois

Gibney Consulting, LLC
Costa Mesa, California

InnoFin Solutions, LLC
Denver, Colorado

On July 21, 2019, the evaluation committee conducted interviews with the four short-listed firms. The interviews consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements, as well as a software demonstration of the proposed solution. The firms' key team members had an opportunity to present their qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' approach for implementing and maintaining the software. In addition, each team was asked specific clarification questions related to their proposal.

After considering the responses to the questions asked during the interviews, the evaluation committee reviewed the preliminary ranking and made

adjustments to individual scores. Following the interviews, the ranking of the firms changed.

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

Qualifications of the Firm

The four short-listed firms demonstrated relevant experience and qualifications related to providing budget and forecasting software.

Founded in 2004, Clarity is headquartered in Chicago and has a workforce of 150 employees. The firm has prior experience in implementing a budget and forecasting software for the public sector, including the Cook County Government, City of Chicago, Forest Preserves of Cook County, and University of Chicago. Clarity's references reported that they were satisfied with Clarity's performance, and the proposal highlights the firm's proven ability and capacity to implement and maintain a budget and forecasting software. The demonstration of the software by Clarity during the interview addressed OCTA's requirements, and the firm provided responses to the evaluation committee's questions related to the firm's prior experience with similar projects.

The remaining three short-listed firms have demonstrated prior experience in the budget and forecasting software industry. The firms have previously performed work of a similar nature for public and private entities, including the Ohio Department of Transportation, Chicago Transit Authority, and First American Financial Corporation. During the interview, the firms demonstrated the software and provided responses to the evaluation committee's questions related to the firms' prior experience with similar projects.

Staffing and Project Organization

All four short-listed firms proposed experienced key personnel with relevant expertise performing similar work.

Clarity proposed a project manager with over 15 years of experience and a technical lead with over 20 years of experience in implementing and maintaining budget and forecasting software. Additionally, the firm's project executive has designed and delivered more than 70 similar projects. During the interview, the firm's team provided responses to the evaluation committee's

questions and demonstrated a comprehensive understanding of OCTA's requirements.

The other three short-listed firms proposed qualified staff and experienced project teams. The firms demonstrated they have staffing available with relevant capabilities and skill sets required to accomplish the project. During the interview, the teams provided responses to the evaluation committee's questions on their approach for implementing and maintaining the software.

Work Plan

The work plans proposed by the four short-listed firms provided an approach to implementing and maintaining budget and forecasting software.

Clarity provided a detailed approach for completing the project and demonstrated an understanding of the requirements addressed in the scope of work. The firm addressed the need to transition and centralize all processes and data from the budgeting, variance analysis, CBP, and oversight activities to the new software. Additionally, Clarity proposed to meet the six-month timeline for completing the implementation. During the interview, Clarity provided responses on the firm's approach for implementing and maintaining the software and identified the process for addressing questions or concerns regarding the software's functionality. Furthermore, the firm highlighted the requirement for training to transfer knowledge so that FP&A staff will be able to administer, manage, and maintain the new software. Clarity also emphasized the need to explore improved or more efficient processes during the implementation phase.

The work plan proposed by the remaining three short-listed firms provided a detailed approach for completing the project, including the need to transition and centralize all processes and data from the budgeting, variance analysis, CBP, and oversight activities to the new software. All three firms demonstrated an understanding of the requirements addressed in the scope of work, including the six-month timeline for completing the implementation. During the interview, the firms provided responses on their firm's approach for implementing and maintaining the software and identified the process for addressing questions or concerns regarding the software's functionality.

Cost and Price

Pricing scores were based on a formula which assigned the highest score to the lowest total firm-fixed price for the tasks to be completed and scored the other proposals' total firm-fixed prices based on their relation to the lowest total

firm-fixed price. Clarity's proposed price was the lowest among all the proposing firms.

Procurement Summary

Based on the evaluation of the written proposals, the firms' qualifications, as well as the information obtained from the interviews, the evaluation committee recommends the selection of Clarity Partners, LLC, as the top-ranked firm to provide budget and forecasting software. Clarity delivered a proposal and interview that were responsive to all the requirements of the RFP.

Fiscal Impact

The cost associated with this project was included in OCTA's Fiscal Year 2019-20 Approved Budget, Finance and Administration Division, Accounts 1250-7519-A0001-CAV and 1250-7669-A0001-4B9.

Summary

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1083 between the Orange County Transportation Authority and Clarity Partners, LLC, in the amount of \$536,067, for a term of three years with two, two-year option terms to provide budget and forecasting software.

Attachments

- A. Review of Proposals – RFP 9-1083 Budget and Forecasting Software
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 9-1083 Budget and Forecasting Software
- C. Contract History for the Past Two Years – RFP 9-1083 Budget and Forecasting Software

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Approved by:



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Virginia Abadessa
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Review of Proposals
RFP 9-1063 Budget and Forecasting Software
Presented to Finance and Administration Committee - October 23, 2019
11 proposals were received, 4 firms were interviewed, 1 firm is being recommended

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Total Firm-Fixed Price for Initial Term
1	87	Clarity Partners, LLC Chicago, Illinois	None	Highest-ranked firm overall. Experience in implementing and maintaining a budget and forecasting software. Proposed project manager has over 15 years of experience and a technical lead with over 20 years of experience. Demonstrated an understanding of the requirements included in the scope of work. Highlighted the transfer of knowledge to OCTA's staff during the implementation phase. Identified the process for addressing questions or concerns regarding software's functionality. Presented approach and answered questions during the interview. Received positive responses from references. Proposed the lowest total firm-fixed price.	\$536,067
2	82	Applied Software Technology, LLC Santa Clara, California	None	Second-ranked firm overall. Experience in implementing and maintaining a budget and forecasting software. Proposed project manager has over 20 years of experience and a technical lead with 15 years of experience. Demonstrated an understanding of the requirements included in the scope of work. Addressed quality control reviews to ensure accuracy and included a timeline for delivering final reports. Presented approach and answered questions during the interview. Received positive responses from references. Proposed a competitive total firm-fixed price.	\$708,000
3	80	InnoFin Solutions, LLC Denver, Colorado	None	Third-ranked firm overall. Experience in implementing and maintaining a budget and forecasting software. Proposed project manager has over 15 years of experience. Demonstrated an understanding of the requirements included in the scope of work. Addressed quality control reviews to ensure accuracy and included a timeline for delivering final reports. Presented approach and answered questions during the interview. Received positive responses from references. Proposed a competitive total firm-fixed price.	\$581,785
4	78	Gibney Consulting, LLC Costa Mesa, California	None	Fourth-ranked firm overall. Experience in implementing and maintaining a budget and forecasting software. Proposed project manager has over 15 years of experience. Demonstrated an understanding of the requirements included in the scope of work. Addressed quality control reviews to ensure accuracy and included a timeline for delivering final reports. Presented approach and answered questions during the interview. Received positive responses from references. Proposed the highest total firm-fixed price.	\$692,379

Evaluation Panel: (5 members)

- Contracts, Administration and Materials Management (1)
- Financial Planning and Analysis (2)
- Accounting and Financial Reporting (1)
- Information Systems (1)

Proposal Criteria

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

Weight Factors

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

PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)
RFP 9-1083: Budget and Forecasting Software

Firm: Clarity Partners, LLC						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	4.0	4.0	4.0	4.0	5	20.0
Staffing/Project Organization	4.5	4.0	4.0	4.0	4.5	3	12.6
Work Plan	4.5	4.0	4.0	4.0	4.5	7	29.4
Cost and Price	5.0	5.0	5.0	5.0	5.0	5	25.0
Overall Score	90.0	85.0	85.0	85.0	90.0		87

Firm: Applications Software Technology, LLC						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	4.0	4.5	4.5	4.0	5	21.0
Staffing/Project Organization	4.0	4.0	3.5	3.5	4.0	3	11.4
Work Plan	4.0	4.0	4.0	4.0	4.0	7	28.0
Cost and Price	4.3	4.3	4.3	4.3	4.3	5	21.5
Overall Score	81.5	81.5	82.5	82.5	81.5		82

Firm: InnoFin Solutions, LLC						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	3.5	3.5	3.5	3.5	5	18.0
Staffing/Project Organization	4.0	4.0	4.0	3.5	3.5	3	11.4
Work Plan	4.0	3.5	4.0	3.5	4.0	7	26.6
Cost and Price	4.7	4.7	4.7	4.7	4.7	5	23.5
Overall Score	83.5	77.5	81.0	76.0	79.5		80

Firm: Gibney Consulting, LLC						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	3.5	4.0	4.0	3.5	5	19.0
Staffing/Project Organization	4.0	3.5	3.5	4.0	3.5	3	11.1
Work Plan	4.0	4.0	3.5	4.0	4.0	7	27.3
Cost and Price	4.1	4.1	4.1	4.1	4.1	5	20.5
Overall Score	80.5	76.5	75.5	80.5	76.5		78

Range of scores for non-short-listed firms was 53 to 72.

CONTRACT HISTORY FOR THE PAST TWO YEARS
RFP 9-1083: Budget and Forecasting Software

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Applications Software Technology, LLC						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
					Subtotal: \$	-
Clarity Partners, LLC						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
					Subtotal: \$	-
Gibney Consulting, LLC						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
					Subtotal: \$	-
InnoFin Solutions, LLC						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
					Subtotal: \$	-
					Subtotal: \$	-



October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Contractor Selection for the Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside Counties

Overview

On April 22, 2019, the Orange County Transportation Authority Board of Directors approved the release of a request for proposals to retain contractor services to provide a back-office system and customer service center operations for the 91 Express Lanes. Board of Directors' approval is requested for the selection of a firm to perform the required work.

Recommendations

- A. Approve the selection of Cofiroute USA, LLC., as the firm to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1177 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC., in the amount of \$72,982,804, to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties, for an initial term of seven years with two three-year option terms. The designated share for the Orange County Transportation Authority will be \$35,420,566.

Discussion

As a requirement of Senate Bill (SB) 1316, Correa, the Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC), collectively referred to as Agencies, entered into a cooperative agreement that establishes a framework for cooperation and sets forth various responsibilities between the two agencies with the extension of the

91 Express Lanes (91EL) into Riverside County. The cooperative agreement, entered into on December 16, 2011 between the OCTA Board of Directors (Board) and RCTC Commission (Commission), details the joint operation of a combined 91EL facility with the intent and objective to operate the 91EL in both counties so that customers will experience a seamless transition between the two facilities and view the 91EL as a single system. A joint operation not only provides benefits to the customers of the 91EL, but also creates economies of scale and cost benefits to both agencies through joint contracting and joint provisions relating to the operation and maintenance of the 91EL.

In May 2013, OCTA and RCTC entered into a three-party agreement with Cofiroute USA, LLC., for the joint operations of a combined 91EL facility. The existing three-party agreement expires on June 30, 2021.

On April 22, 2019, the Board approved the release of a request for proposals (RFP) to retain contractor services to provide a back-office system (BOS) and customer service center (CSC) operations services (Project) for the 91EL for both Orange and Riverside counties. The Project includes the design, development, implementation, and maintenance of the back-office system for the 91EL. The back-office system retrieves data from the in-lane Electronic Traffic and Toll Management (ETTM) System and charges the appropriate toll fee to the customers' accounts or establishes a violation for the trip, if applicable. In addition, the contractor will be responsible for the day-to-day operations for both segments of the 91EL, including the following toll-related services:

- Back-office software system
- Hardware and software maintenance
- 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
- Telephone system

Although the current three-party agreement will not expire for another 20 months, during this time, the contractor will design, develop, test, and implement the new back-office system. In addition, efforts for data migration and transition from the

old system and operations to the new system and operations will be the responsibility of this contractor and are also accounted for in the Project schedule.

Procurement Approach

This procurement is a joint procurement between OCTA and RCTC. Agencies agreed that OCTA would be the lead agency throughout the joint procurement.

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

To initiate procurement discussions, an industry forum was held from April 17 through 19, 2018, at OCTA's administrative offices in advance of issuing the joint RFP for this Project. The objectives of this forum were:

- To introduce and gauge industry interest in the upcoming procurement;
- Allow the Agencies to gather industry input to potentially incorporate into the procurement; and
- Provide potential proposers with information regarding the Agencies' needs and the anticipated procurement process.

The forum was well-attended, allowing the Agencies the opportunity to meet one-on-one with 16 interested firms. The firms and Agencies were able to exchange valuable ideas regarding scope of work, Project schedule, and contract terms and conditions, some of which were incorporated in the RFP process.

On April 22, 2019, the Board authorized the release of RFP 9-1177 which was issued electronically on CAMM NET. The project was advertised on April 22 and 29, 2019, in a newspaper of general circulation, and also in trade magazines. A pre-proposal and site visits were held on May 7, 2019, with 25 attendees representing 20 firms. Five addenda were issued to make available a copy of the pre-proposal presentation and conference registration sheets, provide responses to questions received, and handle administrative issues related to the RFP.

On July 12, 2019, four proposals were received. A responsiveness evaluation was conducted on all proposals, which included a review by Agencies of any exceptions or deviations proposed by the four firms. One firm refused to retract all the exceptions that were not acceptable to Agencies, which resulted in the removal of their proposal from further consideration, in accordance with the instructions detailed in the RFP.

An evaluation committee consisting of staff from OCTA's and RCTC's Express Lanes Programs departments, as well as external representatives from the San Diego Association of Governments, and Los Angeles County Metropolitan Transportation Authority, met to review the remaining three proposals. The proposals were evaluated based on the following Board-approved evaluation criteria and weights:

Qualifications, Related Experience, and References of the Firm	15 percent
Staffing and Project Organization	15 percent
Implementation Work Plan and Technical Approach to BOS	30 percent
CSC Operations Work Plan, Transition, and Approach	20 percent
Cost and Price	20 percent

Several factors were considered in developing the criteria weights. Implementation work plan and technical approach together were given a combined weight of 30 percent due to the highly technical requirements of the BOS' software and its architecture. CSC operations work plan, transition, and approach were given a weight of 20 percent due to the importance of successfully transitioning and carrying out the day-to-day operations of the toll facility and managing customer services. The services required are significant to the accurate collection and reporting of revenue to the Agencies.

The criteria for qualifications of the firm, related experience, and references, as well as staff and project organization were assigned a weight of 15 percent each to emphasize the equal importance of the experience of the firm in handling similar work, and the staff's understanding of, and similar experience to, the Project, its challenges, and the approach to implementing the various elements of the scope of work. Cost and Price was weighted at 20 percent to ensure delivery of a cost-effective BOS and CSC operations over the term of the agreement.

On August 19, 2019, the evaluation committee reviewed the three proposals based on the evaluation criteria and found two firms most qualified to perform

the required services. The most qualified firms are listed below in alphabetical order:

Firm and Location

Cofiroute USA, LLC (Cofiroute)
Irvine, California

Conduent Transportation (Conduent)
Germantown, Maryland

On August 27, 2019, the evaluation committee conducted interviews with the two short-listed firms. Each firm had the opportunity to present its approach for accomplishing the requested services and demonstrate the detailed capabilities and various aspects of their BOS solution and approach to CSC Operations in supporting the Project's requirements. Each firm presented their key team members, their qualifications, and roles on this Project. During the interview, each firm described its understanding of the requirements of this Project in the areas of design, implementation, operation, and maintenance of their proposed BOS, data migration and transition, and CSC operations. In addition to answering questions of a general nature, both firms also answered specific clarifying questions related to each firm's proposal relative to the scope of work and requirements.

After considering the firms' solutions, demonstrations, and responses to the questions asked during the interviews, the evaluation committee adjusted the preliminary scores for the two-short listed firms. However, Cofiroute remained as the top-ranked firm with the highest cumulative score.

At the conclusion of the interview and system demonstrations, the shortlisted firms were requested to submit a Best and Final Offer (BAFO) in an effort to secure the best pricing for these services.

Based on the evaluation of written proposals, the information obtained from interviews, and the BAFO, it is recommended that Cofiroute be selected as the top-ranked firm to provide a back-office system and customer service center operations for the 91EL. The following is a summary of the proposal evaluation results.

Qualifications, Related Experiences, and References of the Firm

The two short-listed firms were found to be qualified to perform the types of services requested by the RFP. The firms demonstrated experience and understanding of the scope of work and the Project's needs in the areas of back-office system development and customer service center operations. Both firms are knowledgeable and experienced with the California tolling laws and environment and have interoperable operations familiarity with the California Toll Operators Committee agencies. Both firms are established with relevant experience and resources.

Cofiroute is part of the VINCI Group, one of the largest concessions and construction groups in the world, which employs more than 200,000 people in more than one hundred countries. Cofiroute is a tolling and express lanes operator specializing in the management, operation, and maintenance of express lanes systems. With 24 years of expertise in BOS and CSC implementation and operations, Cofiroute has been the operator for the 91EL since OCTA purchased the franchise rights from the California Private Transportation Company (CPTC) in 2003. Furthermore, Cofiroute was part of CPTC's consortium in the 1990s that was selected to finance, develop, and operate the 91EL. Cofiroute currently has 202 employees in California and Texas.

As a major subcontractor to Cofiroute, TollPlus will be responsible for delivering the BOS for the 91EL. TollPlus, founded in 2009, specializes in BOS deployment and customization for electronic toll collection. Cofiroute and TollPlus have worked together for nearly a decade on similar scopes of work, jointly designing, implementing, and maintaining innovative BOS and CSC operations projects. In 2011, Cofiroute and TollPlus deployed a new BOS for OCTA which required the migration of data from the legacy back-office system to the new system. The OCTA BOS has been operating reliably without any down time since implementation. Another example of the firms jointly working together include the implementation of updated BOS functionalities and expanded CSC operations to accommodate the extension of the 91EL into Riverside County for RCTC. Cofiroute and TollPlus have also jointly worked on the design, development, integration and transition of BOS and CSC operations for the Central Texas Regional Mobility Authority and North East Texas Regional Mobility Authority. Under this agreement, the firm's scope includes various components such as the website, account management, interactive voice response, emails, and mailings.

Cofiroute demonstrated their understanding of the scope of work and Project's needs in their detailed and comprehensive proposal, which was organized with a clear delineation of the area of responsibility of the team. Clients of Cofiroute and TollPlus provided the Agencies with positive references and feedback for recent work performed by the firms.

With over 82,000 employees in all 50 states and 22 countries globally, Conduent is a transportation service provider with 30 years of experience in providing electronic tolling solutions. Conduent operates the back-office and customer service centers for nine tolling programs in the United States and has experience integrating and managing a multi-agency toll program such as the Bay Area Toll Authority (BATA) and New Jersey E-Z Pass. In addition to BATA, Conduent currently supports the Los Angeles Metro Express Lanes in California. Conduent provided information of their subcontractors and their area of responsibility.

As part of their Project team, Northern Lakes Data Corporation (NLDC) is being brought on as a database consultant for the BOS implementation. NLDC was the BOS provider when OCTA purchased the 91EL from CPTC in 2003 and provided maintenance of the BOS system until 2011. Conduent is proposing to utilize a staffing agency as part of their Project team to fulfill some of the staffing support. Conduent has established working relationships with some of the subcontractors on their team. Clients of Conduent provided the Agencies with positive references and feedback for recent work performed by the firm.

Staffing and Project Organization

Both short-listed firms described their approach and philosophy to training and staffing and proposed qualified and diversified staff to adequately handle the work described in the scope of work and meet the RFP requirements.

Cofiroute considered all aspects of the scope requirements as evident by the comprehensive and detailed selection of subcontractors on their team, with many of whom they have had prior working relationships. In addition, they have proven successful working relationships with the current ETTM System provider for both OCTA and RCTC.

Cofiroute has proposed experienced and qualified teams for both the BOS implementation and operations and maintenance phases. Cofiroute's organization charts show a clear understanding of the requirements of the RFP, designating all key personnel in each required area of expertise and showing clear reporting structure from a firm and project staff level. All of the key

personnel proposed are employed by Cofiroute or Tollplus, and those who have a 100 percent level of commitment will provide local on-site presence. Cofiroute brings forth a Project team that has direct relevant experience. The proposed project managers for the BOS implementation and Operations and Maintenance (O&M) phases are well-versed in the toll industry, met the qualifications as stated in the scope of work, and have successfully implemented back-office systems and managed a full-service toll operation, respectively. The proposed deputy project manager in the BOS implementation phase is also qualified and will transition to the technical services manager position during the operations and maintenance phase, overseeing the full BOS and CSC systems and technology management that were put in place during the implementation phase. The CSC operations manager in the implementation phase brings forth extensive experience in customer service center operations, violation processing and collections, California tolling rules and regulations, all of which will be critical in the collaboration efforts with the system developers in delivering a comprehensive BOS solution. Cofiroute's interview and demonstration supported the firm's relevant experience, staffing, technical approach, and Project understanding.

Cofiroute's proposed staffing and training approach was comprehensive and utilized training tools, such as classrooms, manuals, side by side monitoring, quizzes, and calibration sessions so that staff are fully versed in business rules and processes for the new BOS, operational procedures, policies, and guidelines to ensure operational readiness. The firm discussed tailored and refined training for transitioning and new hires to ensure they are fully trained across their functional areas.

Conduent proposed a qualified team, some with decades of experience with the firm, but several were lacking required experience. Most key personnel are Conduent employees, but the firm also proposed some key personnel from a staffing agency to perform portions of the implementation, as well as during the O&M phase, which made it difficult for the evaluation committee to determine if the key personnel from the staffing agency had the experience with a project of a similar scope, to the systems provided on this Project, and with the proposed BOS solution. Conduent proposes to retain as many current operations staff in order to preserve institutional knowledge, but will utilize the staffing agency to fill any additional staffing needs. The firm's organizational charts and availability matrix show commitment and availability of the proposed key personnel.

Conduent offered an approach to training of all staff for CSC operations and planned to schedule training during off-hours to minimize disruption to existing

operations. Conduent's training approach will utilize classroom, computer-based training, monitoring, and job shadowing to ensure operational readiness.

Implementation Work Plan and Technical Approach to BOS

Both firms met the requirements of the RFP, and each firm adequately discussed its technical approach and work plan for the delivery of the BOS, including the design, development, installation, operations and maintenance, and how each firm will accomplish the Project's objectives and overall schedule.

Cofiroute provided a comprehensive BOS implementation work plan and technical approach, which incorporates management of key project activities and deliverables to ensure on-time delivery of the BOS. Their detailed narrative demonstrated a clear understanding of the Project's requirements. Cofiroute proposed a well-defined method of tracking all BOS implementation requirements and a step-by-step process for Quality Assurance/Quality Control (QA/QC). The QA/QC team will be comprised of team members from all areas of the project to ensure compliance with the requirements.

Cofiroute proposes using a hybrid cloud approach, which takes advantage of the existing data center in Anaheim, for hosting a primary on-premise private cloud infrastructure. This approach allows for more control and ensures a secure, well-maintained system infrastructure will be fully available. Cofiroute's disaster recovery solution addresses not only the BOS recovery time objective, but includes the seamless routing of customer calls between the Anaheim and Corona facilities, should it be necessary. The proposed system is a comprehensive end-to-end toll management solution with Customer Relationship Management (CRM) capabilities, which integrates with the interactive voice response system, interoperable agencies, and other third-party interfaces. The system, to be built on open standards and service-oriented architecture, will be comprehensive, scalable, secure, and will offer a high degree of configurability to provide for business growth and needs. During the interview, Cofiroute provided a live system demonstration of certain key components to the BOS, including account opening, performance monitoring and reporting, and new system functionalities, showcasing the robustness of the system.

Cofiroute's team is thoroughly familiar with the source and target data logic so it reduces both risks and the time required to accomplish the data migration for the Agencies. Their in-depth knowledge of the file structures and data flow will ease the transition effort. The data will be tested and validated before moving it into

the QA and production environments. Cofiroute submitted a detailed project implementation schedule that meets all project milestones, including the July 1, 2021, system and operations delivery.

Conduent provided a general discussion of the BOS implementation work plan and technical approach. The firm ensures successful project delivery through the development and maintenance of a detailed project management plan and will implement a complete and extensive training program to prepare for on-time transition. Conduent is one of the first organizations to achieve the ISO 20000 standard for Information Technology Service Management Certification and will apply the certified process to manage the requirements, business rules, design, and deployment of the system. Their QA team will conduct reviews and audits and monitor all project elements to assess quality and provide recommendations.

Conduent offered a detailed description of the solution architecture which features the use of Microsoft's Azure public cloud environment that is based on a full cloud-based solution platform and has strong security certifications. The Azure cloud-based solution eliminates the need for periodic data center upgrade/refresh requirement as the data is continually refreshed in the cloud. However, the proposed BOS has minimal allowance for future customization, modification, or new development to meet Agencies' needs. During the interview, Conduent provided a live system demonstration of certain key components to the BOS, including account opening, performance monitoring and reporting, and new system functionalities, showcasing the robustness of the system.

CSC Operations Work Plan, Transition, and Approach

Both firms discussed their work plan, transition and approach to CSC operations in meeting the Project's requirements. The firms are committed to using operations staff in support of the system implementation for the BOS and identified approaches to continuous improvement through the term of the agreement. Both firms understand the California tolling environment and are able to incorporate their knowledge and experience into the CSC operations.

Cofiroute's approach to project management and planning of CSC operations will utilize comprehensive project management plan, operations plan, quality management plans, and tight process controls to ensure effective project management, a seamless transition from the implementation phase, and supports ongoing project management during the O&M phase. CSC subject

matter experts will be involved with the design of the BOS and in reviewing business rules and performing system walk-throughs, allowing for potential opportunities for system improvements. Multiple workshops will be conducted, comprehensive plans and documentation will be prepared, and extensive testing and validation will be performed to ensure operational readiness of the system. Cofiroute provided a thorough approach to QA/QC for both the BOS and CSC O&M phase. QA/QC will be integrated into operations through training, quality reviews, monitoring sessions, and system-generated reports. With an understanding of Payment Card Industry (PCI) requirements, best practices for security policies and procedures will be implemented to adhere to Personally Identifiable Information and PCI regulations and standards. Cofiroute, in their role as the current 91EL operator, has a proven history of strong internal control processes related to financial management. Since 2013, Cofiroute has undergone various types of audits for the 91EL operations in which the auditors have issued a favorable opinion that the objectives of the internal controls as designed and implemented are being met and the controls operated efficiently.

Conduent's approach to project management and planning of CSC operations includes implementation of the concepts of operations across various disciplines and functions, including program management and quality assurance. Continuous process improvements approach utilizes a combination of tools and processes, such as a workforce management solution, known as NICE IEX, to optimize the call center workforce to handle day-to-day workload, to increase employee engagement, to produce precise forecasts, and to provide historical trend analysis. To be able to monitor CSC operations performance, key performance indicator dashboard, live call monitoring, and quality reviews and analysis will be implemented. As part of Conduent's QA/QC processes, the majority of Conduent's call centers go through a certification process to ensure consistency and adherences to best practices. Conduent received 2013 Certified Center of Excellence from Benchmark Portal, for their CSC operations.

Cost and Price

Cost was weighted at 20 percent of the overall score. All firms submitted the detailed price proposals as requested for the entire Project. Pricing scores were based on a formula which assigns the highest score to the firm with the lowest total price and scores the other proposals' total prices based on their relation to the lowest total price.

The total price was solicited separately from the firm's technical proposal, evaluated, and scored. Conduent received the higher price score based on the

initial and option terms pricing of \$132,228,957, and Cofiroute received the lower price score based on their proposed overall price of \$170,255,844 for the initial and option terms.

The established budget for this Project, as stated in the RFP, for the initial term, was \$73,050,000. The original price submitted by Cofiroute was for \$78,401,781, and the price submitted by Conduent was \$60,055,121. After the BAFO, Cofiroute submitted a final price of \$72,982,804 for the initial term of the contract, and Conduent submitted a final price of \$58,254,384. The overall price, for the 13-year term, submitted after the BAFO by Cofiroute was \$164,806,742 and Conduent's price was \$128,264,114. Contract award will be for the price of the initial term only. Option terms will be exercised at a future date.

Below is the price breakdown, by agency, as proposed by the short-listed firms, after exercising the BAFO, and compared with the Agencies' independent cost estimate for the initial term:

	Agencies' Independent Cost Estimate	Cofiroute	Conduent
INITIAL TERM			
Original Price	\$73,050,000	\$78,401,781	\$60,055,121
OCTA Share	\$35,600,000	\$38,076,263	\$29,119,980
RCTC Share	\$37,450,000	\$40,325,518	\$30,935,141
Revised Price (BAFO)	\$73,050,000	\$72,982,804	\$58,254,384
OCTA Share	\$35,600,000	\$35,420,566	\$28,246,823
RCTC Share	\$37,450,000	\$37,562,238	\$30,007,561

The estimated and proposed prices for RCTC's portion of the work is higher than that of the OCTA's portion due to the prices being directly proportional to the number of transactions that RCTC is anticipated to handle on their express lanes facility.

While the total price proposed for the initial term, after the BAFO, by Cofiroute was \$14,728,420 higher than Conduent's price for the same term, their qualifications in the planning, technical, and operational aspects of the work, their experience as the incumbent, reduced risk, and on-site staff availability

support the higher price. Cofiroute's proposed price for the initial term was within the Agencies' independent cost estimate.

Procurement Summary

Based on the evaluation of the written proposals, the firm's experience, the teams' qualifications, the BOS implementation and technical approach, CSC operation work plan, cost and price, information obtained from the interviews, and the BAFO, the evaluation committee recommends the selection of Cofiroute USA, LLC, as the top-ranked firm for the back-office system and customer center operations services for the 91 Express Lanes in Orange and Riverside counties.

Fiscal Impact

Funding of OCTA's portion of the BOS implementation is included in OCTA Fiscal Year 2019-20 Budget, 91 Express Lanes Account, 0036-9028-B0001-1GO. Funding for OCTA's portion of the operations and maintenance phases will be included in the 91 Express Lanes budget for the subsequent years.

Summary

Staff recommends Board approval for the Chief Executive Officer to negotiate and execute Agreement No. C-9-1177 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC., in the total amount of \$72,982,804, which includes OCTA's share of \$35,420,566 to provide the back-office system and customer service center operations for the 91 Express Lanes in Orange and Riverside counties, for an initial term of seven years with two three-year option terms.

Attachments

- A. Review of Proposals, RFP 9-1177 Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside Counties.
- B. Proposal Evaluation Criteria Matrix (All Proposers), RFP 9-1177 Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside Counties.
- C. Contract History for the Past Two Years, RFP 9-1177 Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside Counties.

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Review of Proposals

RFP 9-1177 Back-Office System and Customer Services Center Operations Services for the 91 Express Lanes in Orange and Riverside Counties

(Presented to Finance And Administration Committee - October 23, 2019)

4 proposals were received, 3 proposals evaluated, 2 firms were interviewed, 1 firm is being recommended

Overall Ranking	Overall Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Total Price
1	82	Cofiroute USA, LLC Irvine, California	TollPlus Proponisi Penn Credit SWC Group Infosend, Inc. David Cyprien Avtex Solutions , LLC	Cofiroute and major subcontractor TollPlus working together since 2011. TollPlus worked the legacy BOS for OCTA's 91 express lanes Knowledgeable of California's tolling environment Considered all aspects of the requirements in selecting their listed subcontractors and providers Qualified staff with required experience or certification BOS allows for generous customization and new development to meet Agencies' needs Availability and commitment of key personnel is more than adequate, with local presence throughout project term Detailed approach to CSC operations; and staff is cross-functionally trained Thorough project schedule that meets project's Go-live date Positive references Comprehensive interview and demonstration of BOS system and CSC Operations	\$72,982,804
2	75	State & Local Solutions, Inc. Germantown, Maryland	Northern Lakes Data Corp. Linebarger, Goggan Blair & Sampson, LLP Harris & Harris Ltd. Partners in Diversity, Inc. Content Critical Solutions, Inc.	Conduent has multi-agency project experience Major subcontractor NLDC worked on legacy BOS for OCTA's 91 EL Availability and commitment of proposed key personnel meets requirements Qualified key staff where several lacking required experience or certification Proposed use of staffing agency for BOS implementation personnel Proposed BOS allows for limited customization and new development to meet Agencies' needs Project schedule meets project's Go-live date Proposed executive oversight committee during both phases of the work Detailed approach to CSC operations Positive references Interview and demonstration of BOS system and CSC Operations were adequate	\$58,254,384

Evaluation Panel: Six Members

From OCTA and RCTC:

OCTA Express Lanes Programs (2)

RCTC Toll Programs (2)

External Members:

Los Angeles Metro (1)

San Diego Association of Governments (1)

Evaluation Criterion

Qualifications of the Firm

Staffing/Project Organization

Implementation Work Plan and Technical Approach to BOS

CSC Operations, Transition and Approach

Cost and Price

Weight

15%

15%

30%

20%

20%

PROPOSAL EVALUATION CRITERIA MATRIX All Proposers

**RFP 9-1177 Back-Office System and Customer Services Center Operations Services
for the 91 Express Lanes in Orange and Riverside Counties**

FIRM: Cofiroute USA, LLC							Weights	Criteria Score
Evaluator Number	1	2	3	4	5	6		
Qualifications, Related Experience, and References of Firm	3.50	4.00	4.00	4.00	4.00	4.00	3.00	11.75
Staffing/Project Organization	3.50	4.50	4.00	4.50	4.00	4.00	3.00	12.25
Implementation Work Plan and Technical Approach to BOS	4.00	4.50	4.50	4.00	4.00	4.50	6.00	25.50
CSC Operations Work Plan, Transition, and Approach	4.00	4.50	4.50	4.50	4.00	4.50	4.00	17.33
Cost and Price	3.89	3.89	3.89	3.89	3.89	3.89	4.00	15.56
								82.00
Overall Score	76.56	86.06	84.56	83.06	79.56	84.56		
FIRM: Conduent State and Local Solutions, Inc.							Weights	Criteria Score
Evaluator Number	1	2	3	4	5	6		
Qualifications, Related Experience, and References of Firm	3.50	3.50	3.50	3.50	3.50	3.50	3.00	10.50
Staffing/Project Organization	2.50	2.50	3.00	3.00	2.50	2.50	3.00	8.00
Implementation Work Plan and Technical Approach to BOS	3.50	3.50	4.00	4.00	3.00	4.00	6.00	22.00
CSC Operations Work Plan, Transition, and Approach	3.50	3.00	4.00	3.50	3.50	3.50	4.00	14.00
Cost and Price	5.00	5.00	5.00	5.00	5.00	5.00	4.00	20.00
								75.00
Overall Score	73.00	71.00	79.50	77.50	70.00	76.00		
Score for non-shortlisted firm is 52.83								

CONTRACT HISTORY FOR THE PAST TWO YEARS
RFP 9-1177 Back-Office System and Customer Services Center Operations Services
for the 91 Express Lanes in Orange and Riverside Counties

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Cofiroute USA, LLC						
Contract Type: Contract Task Order	C-5-0300	Management and Operational Services for the State Route 91 Express Lanes	October 24, 2005	June 30, 2021		\$ 82,552,604
Subconsultants:						
					\$ -	
					\$ -	
					\$ -	
Contract Type: Firm Fixed Price	C-3-1529	Tri-Party Agreement for the Management and Operational Services for the 91 Express Lanes	May 24, 2013	June 30, 2021		\$ 31,897,079
Subconsultants:						
					Subtotal:	\$ 114,449,683
Conduent State & Local Solutions, Inc.						
Contract Type: Firm Fixed Price	C-9-1192	Integration of the OC Streetcar Vehicles into the Existing Intelligent Transportation Management System	August 6, 2019	July 31, 2020		\$ 2,719,650
Subconsultants:						
Contract Type: Firm Fixed Price	C-9-1120	OrbCAD Core Build Updgrade	June 26, 2019	June 30, 2020		\$ 985,733
Subconsultants:						
Contract Type: Firm Fixed Price	C-9-1055	ArcGIS Map Engine Upgrade	June 20, 2019	June 30, 2020		\$ 137,056
Subconsultants:						
Contract Type: Firm Fixed Price	C-6-1273	Material and Installation for the Intelligent Transit Management System (ITMS) on 17 iShuttle Fixed Route Buses	December 19, 2016	June 30, 2020		\$ 526,977
Subconsultants:						
					Subtotal:	\$ 4,369,416



Contractor Selection for the Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside Counties

Background

- Board of Directors approved the release of a Request for Proposals for Back-Office System and Customer Service Center (BOS/CSC) Operations Services for the 91 Express Lanes in April 2019
- Procurement was jointly developed with the Riverside County Transportation Commission
- Agencies utilized the services of a Project Management Consultant with tolling expertise to develop the scope of work
- Existing BOS/CSC Operations Services agreement expires in June 2021

Modernizing the 91 Express Lanes



Toll Lane Systems
Integrator Services
February 2018

Modernizing the 91 Express Lanes



Toll Lane Systems
Integrator Services
February 2018

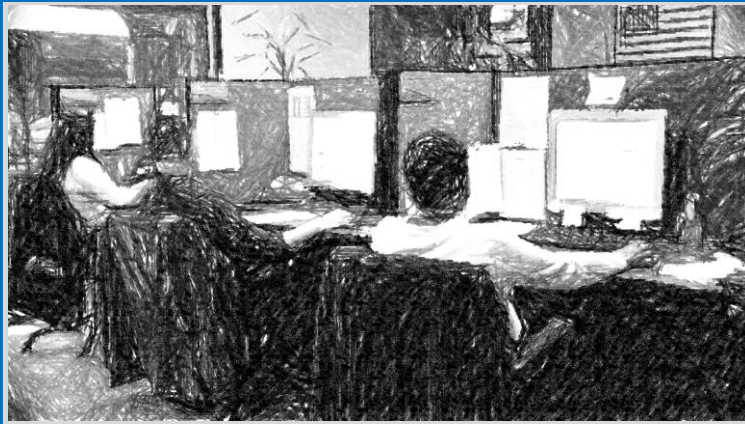


Back-Office
System/Customer Service
Center Procurement
October 2019

Modernizing the 91 Express Lanes



Toll Lane Systems
Integrator Services
February 2018



Back-Office
System/Customer Service
Center Procurement
October 2019



Roadway Services
Procurement
Mid-2020

Procurement Includes: Back-Office System

- Receives transactional data from the in-lane system
- Processes transactional data to customer accounts, interoperable agency accounts, and the Department of Motor Vehicles
- Also has functionality for the 91 Express Lanes website, inventory management systems, reporting systems, interactive voice response system, and customer service center
- External interfaces with credit card processing agencies, collections agency, mail house, etc.



Procurement Includes: Customer Service Center

- Customer service center staffing
- Telephone and walk-in customer service
- Customer account establishment
- Transponder inventory
- Violations processing
- Mailroom operations
- Scanning operations



Procurement Includes: Other Operational Functions

- Finance and accounting
- Standard and ad-hoc reporting
- Phone systems
- Traffic Operations Center staffing
- Emergency services coordination
- Oversight of collections and merchant banking services contracts
- Information Technology staffing for datacenter equipment and Payment Card Industry Data Security Standard requirements



Procurement Process

- Request for Proposals released on April 22, 2019
- Evaluation team established from four tolling/transportation agencies
- Received four proposals
- Short-listed two firms and interviewed on August 27, 2019
 - Cofiroute USA, LLC
 - Conduent Transportation
- Evaluation team recommends the selection of Cofiroute USA, LLC

Cofiroute USA, LLP Proposed Cost

	Existing Agreement Price*	Independent Cost Estimate	Cofiroute's Proposed Agreement Price
BOS Implementation Phase	N/A	\$8.500 M	\$7.125 M
Operations and Maintenance Phase (Years 1-5)	\$28.470 M	\$27.100 M	\$28.296 M
OCTA Share	N/A	\$35.600 M	\$35.421 M
RCTC Share	N/A	\$37.450 M	\$37.562 M
Total	N/A	\$73.050 M	\$72.983 M

* - Current agreement spans four and a half years.

BOS – Back-Office System

RCTC – Riverside County Transportation Commission

Recommendations

- Approve the selection of Cofiroute USA, LLP, as the firm to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties.
- Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1177 among OCTA, RCTC, and Cofiroute USA, LLC., in the amount of \$72,982,804, to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties, for an initial term of seven years with two three-year option terms. The designated share for OCTA will be \$35,420,566.

Next Steps

- Seek OCTA Board approval on November 11, 2019, and RCTC Board approval on November 14, 2019
- Finalize contract and issue notice to proceed
- Migrate customer data to new back-office system and prepare operational systems in the customer service center
- Transition all systems and commence operations under new agreement in July 2021