



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Joe Muller
Michelle Steel

Orange County Transportation Authority
Headquarters
Conference Room 07
550 South Main Street
Orange, California

Wednesday, October 14, 2020 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.

Guidance for Public Access to the Board of Directors/Committee Meeting

On March 12, 2020 and March 18, 2020, Governor Gavin Newsom enacted Executive Orders N-25-20 and N-29-20 authorizing a local legislative body to hold public meetings via teleconferencing and make public meetings accessible telephonically or electronically to all members of the public to promote social distancing due to the state and local State of Emergency resulting from the threat of Novel Coronavirus (COVID-19).

In accordance with Executive Order N-29-20, and in order to ensure the safety of the Orange County Transportation Authority (OCTA) Board of Directors (Board) and staff and for the purposes of limiting the risk of COVID-19, in-person public participation at public meetings of the OCTA will not be allowed during the time period covered by the above-referenced Executive Orders.

Instead, members of the public can listen to AUDIO live streaming of the Board and Committee meetings by clicking the below link:

<http://www.octa.net/About-OCTA/Who-We-Are/Board-of-Directors/Live-and-Archived-Audio/>



Guidance for Public Access to the Board of Directors/Committee Meeting (Continued)

Public comments may be submitted for the upcoming Board and Committee meetings by emailing them to boardofdirectors@octa.net

If you wish to comment on a specific agenda Item, please identify the Item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

In order to ensure that staff has the ability to provide comments to the Board Members in a timely manner, please submit your public comments **30 minutes prior to the start time of the Board and Committee meeting date.**



Call to Order

Roll Call

Pledge of Allegiance

Director Muller

1. Public Comments

Special Calendar

There are no Special Calendar matters.

Consent Calendar (Items 2 through 5)

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

2. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of September 23, 2020.

3. Fiscal Year 2020-21 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 2020-21 Internal Audit Plan on July 27, 2020. This report provides an update of activities 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 2020-21 Internal Audit Plan as an information item.



4. First Quarter Fiscal Year 2020-21 Procurement Status Report
Pia Veessapen/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, 2020, 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 2020-21 budget.

Recommendation

Receive and file as an information item.

5. State Transit Assistance Fund and SB 1 (Chapter 5, Statutes of 2017) State of Good Repair Claims for Fiscal Year 2020-21
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 also eligible to receive funding from the SB 1 State of Good Repair Program that is funded by the Transportation Improvement Fee on vehicle registrations. Funding recommendations for fiscal year 2020-21 were approved by the Board of Directors on August 24, 2020. Upon approval of the statewide list of fiscal year 2020-21 projects by the California Department of Transportation, the Orange County Transportation Authority must file claims on a quarterly basis to receive the funding.



5. (Continued)

Recommendations

- A. Adopt Resolution No. 2020-281 to authorize the filing of State Transit Assistance Fund claims, in the amount of \$22,592,552, or up to the actual allocation published by the State Controller's Office, to support public transportation.
- B. Authorize the filing of SB 1 State of Good Repair claims, in the amount of \$6,426,478, 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.

Regular Calendar

6. 2020 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. Within the past six months, MuniServices, LLC and the three universities have each 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

Direct staff to determine the impacts of the updated forecast to Measure M2 programs and projects and return to the Board of Directors with options to address the decrease in projected sales tax revenue.



7. **Transportation Infrastructure Finance and Innovation Act Loan Interest Rate Reset**

Robert Davis/Andrew Oftelie

Overview

On July 26, 2017, the Orange County Transportation Authority and the United States Department of Transportation Build America Bureau Credit Programs Office executed a Transportation Infrastructure Finance and Innovation Act Loan for up to \$628.93 million for the Interstate 405 Improvement Project. Over the past two months, staff has had several successful discussions with the Build America Bureau regarding the possibility of lowering the interest rate on the existing 2017 Transportation Infrastructure Finance and Innovation Act Loan. Staff is seeking approval to pursue lowering the current fixed rate of 2.91 percent interest rate based on current market conditions.

Recommendations

- A. Direct staff to proceed with pursuing an interest rate reset of Orange County Transportation Authority's Transportation Infrastructure Finance and Innovation Act Loan for the Interstate 405 Improvement Project.
- B. Authorize staff to execute Amendment No. 1 to Agreement No. C-7-2137 between the Orange County Transportation Authority and Sperry Capital, Inc. in the amount of \$170,000, to provide financial advisory services to the Orange County Transportation Authority for the interest rate reset transaction. The total contract amount will increase to \$665,000.
- C. Authorize staff to execute Amendment No. 1 to Agreement No. C-0-2021 between the Orange County Transportation Authority and Nossaman LLP, in the amount of \$65,000, to provide bond counsel services to the Orange County Transportation Authority for the interest rate reset transaction. The total contract amount will increase to \$301,000.
- D. Authorize the payment of fees and expenses required by the Build America Bureau to facilitate the interest rate reset.
- E. Direct staff to return to the Board of Directors for approval of the financing documents required to execute the closing of the transaction.



Discussion Items

8. Coronavirus Impacts to the 91 Express Lanes

Kirk Avila

Staff will present the impacts of coronavirus on the activities and operations of the 91 Express Lanes.

9. Chief Executive Officer's Report

10. Committee Members' Reports

11. Closed Session

There are no Closed Session items scheduled.

12. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, October 28, 2020**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.



MINUTES

Finance and Administration Committee Meeting

Committee Members Present

Michael Hennessey, Chairman

Via Teleconference:

Richard Murphy, Vice Chairman

Andrew Do

Gene Hernandez

Steve Jones

Joe Muller

Michelle Steel

Staff Present

Darrell E. Johnson, Chief Executive Officer (CEO)

Jennifer L. Bergener, Deputy CEO

Andrew Oftelie, Chief Financial Officer

Laurena Weinert, Clerk of the Board

Gina Ramirez, Deputy Clerk of the Board

OCTA Staff

Via Teleconference:

James Donich, General Counsel

Committee Members Absent

None

Call to Order

The September 23, 2020, regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chairman Hennessey at 10:34 a.m.

Roll Call

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

Pledge of Allegiance

Director Steel led in the Pledge of Allegiance.

1. Public Comments

There were no Public Comments.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 5)

2. Approval of Minutes

A motion was made by Director Hernandez, seconded by Director Steel, and following a roll call vote, declared passed 7-0, to approve the minutes of the Finance and Administration Committee meeting of September 9, 2020.



3. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2020

A motion was made by Director Hernandez, seconded by Director Steel, and following a roll call vote, declared passed 7-0, to receive and file Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2020, Internal Audit Report No. 21-502, as an information item.

4. Orange County Transportation Authority Investment and Debt Programs Report - August 2020

This item was pulled by Committee Chairman Hennessey, who inquired on the downgraded security not appearing on the Investment Dashboard.

Andrew Oftelie, Chief Financial Officer, responded that the Orange County Transportation Authority (OCTA) did have one security that was downgraded. However, this did not fall below the minimum criteria of the OCTA investment policy.

Mr. Oftelie referenced the Rating Downgrades, Page I-8 in Attachment A of the staff report, which shows any security that was downgraded in the period. He also referenced the Negative Credit Watch, Page I-9 of Attachment A of the staff report, that displays any security that OCTA is holding on. Staff will update the Investment Dashboard to include any changes to the Rating Downgrades or Negative Credit Watch lists.

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

5. Excess Liability Insurance Renewal

This item was pulled by Committee Chairman Hennessey, who had concerns about the self-insured retention of \$5 million per claim and \$7 million in excess liability.

Darrell E. Johnson, Chief Executive Officer (CEO), responded the insurance market has been volatile in recent years, and OCTA has made changes to some of its insurance levels in previous years.

Mr. Johnson, CEO, introduced Al Gorski, Department Manager of Risk Management, who provided background on why OCTA is self-insured, summarized the challenges, and where self-insurance is headed.

Committee Chairman Hennessey inquired on how the amount of self-insurance is determined.



5. (Continued)

Mr. Gorski responded that OCTA budgets for anticipated loss. Staff reviews catastrophic losses in previous years and examines different predictable models to pay the losses.

Committee Chairman Hennessey requested that staff return to the F&A Committee for further discussion before executing the contract.

Mr. Johnson, CEO, suggested an amendment to the recommendation and agreed to return to the F&A Committee with an outline of OCTA's insurance approach.

The recommendation was amended as follows:

A motion was made by Committee Chairman Hennessey, seconded by Director Do, and following a roll call vote, declared passed 7-0, to authorize the Chief Executive Officer to negotiate the terms of and execute Purchase Order No. A45739, in the amount of \$1,500,000, to Marsh Risk and Insurance Services, Inc. to purchase facilitate marketing the excess liability insurance on behalf of the Orange County Transportation Authority for the policy period of November 1, 2020, to November 1, 2021, and return to the Board of Directors for final approval.

Regular Calendar

6. Agreement for Armored Vehicle Transportation and Fare Collection Counting Services

Sam Kaur, Department Manager of Revenue Administration, presented the primary need for this item and the procurement process.

A motion was made by Director Muller, seconded by Director Hernandez, and following a roll call vote, declared passed 7-0, to:

- A. Approve the selection of Los Angeles Federal Armored Services, Inc. as the firm to provide armored vehicle transportation and fare collection counting services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2256 between the Orange County Transportation Authority and Los Angeles Federal Armored Services, Inc., in the amount of \$2,700,000, for a seven-year term to provide armored vehicle transportation and fare collection counting services.



Discussion Items

7. Chief Executive Officer's Report

Front Door Boarding-

- OCTA has been temporarily boarding passengers through the rear doors on buses for several months to respond to the pandemic and ensure Coach Operator and passenger safety.
- On September 28th, OCTA will reintroduce front-door boarding on some bus routes that have been retrofitted with the new protective Plexiglas driver shields.
- OCTA is in the process of retrofitting the entire fleet with the shields, which should be complete in early November.
- Staff has also initiated a marketing campaign to let riders know that OCTA is reintroducing front-door boarding over the coming weeks.

Orange County Business Council Report-

- The OCBC has released its 2020–21 Orange County Community Indicators report. The indicators in the report track a broad range of issues important to Orange County's long-term health and prosperity.
- This year's report features a detailed look at the impacts of the coronavirus (COVID-19).
- One of the key takeaways is that COVID-19 has upended nearly every aspect of public and private life. It has forced schools, businesses, and residents to adapt to new practices that likely will continue long after the pandemic.
- The report also noted that Orange County will still be recovering through 2021.

8. Committee Members' Reports

- Committee Chairman Hennessey is looking forward to the self-insurance discussion at a future F&A Committee meeting.
- Committee Chairman Hennessey noted that after nearly 33 years of dedicated service to OCTA, Virginia Abadessa would be retiring on September 25th. He thanked Ms. Abadessa for her service and wished her well in retirement.



9. Closed Session

There were no Closed Session items scheduled.

10. Adjournment

The meeting was adjourned at 10:57 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, October 14, 2020**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Michael Hennessey
Committee Chairman



October 14, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2020-21 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 2020-21 Internal Audit Plan on July 27, 2020. This report provides an update of activities 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 2020-21 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) 2020-21 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the first quarter of the FY, Internal Audit issued results of an audit of oversight controls and contract compliance related to the Interstate 5 Project: State Route 55 to State Route 57. Internal Audit tested compliance with project management procedures and found evidence of management and oversight controls. In addition, procurements and amendments were handled in accordance with procurement policies and procedures, and contract deliverables were received. Internal Audit made one recommendation to improve review of the construction management consultant invoices. Management agreed with the recommendation and indicated that corrective actions are being implemented.

Internal Audit also issued results of the semi-annual audit of investments for the period January 1 through June 30, 2020. Based on the audit, OCTA complied with its debt, investment, and reporting policies and procedures.

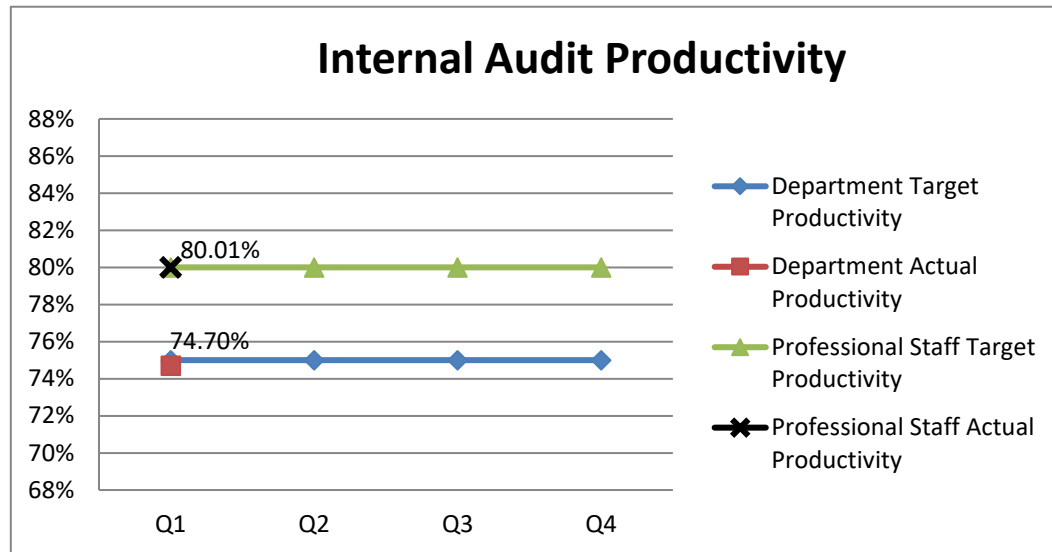
Also, during the quarter, OCTA was notified by the Department of Finance, Office of State Audits and Examinations, of their intention to audit four Proposition 1B-funded projects. Internal Audit is providing assistance and coordination of the audit and will report results once received.

The primary focus of Internal Audit as of September 30, 2020, and in the ensuing months, will be to provide coordination of the annual financial audits and agreed-upon procedure reviews conducted by OCTA's independent auditor, 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, 2020, Internal Audit achieved productivity of 74.6 percent, and the professional staff achieved productivity of 80 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (CAMM) Department, and consistent with OCTA's 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 ten price reviews.

Fraud Hotline

During the quarter ended September 30, 2020, Internal Audit received two reports through OCTA's Fraud Hotline, www.ethicspoint.com. Based on the nature of the complaints, both were referred to Customer Service. 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, 2020, 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, 2020, Internal Audit completed follow-up reviews of ten outstanding audit recommendations and closed one (Attachment C). In addition, one recommendation was 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 Fiscal Year 2020-21 Internal Audit Plan, First Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through September 30, 2020
- C. Audit Recommendations Closed During First Quarter, Fiscal Year 2020-21

Prepared by:



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

**Orange County Transportation Authority
Fiscal Year 2020-21 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 (AUP) Procedures Reviews	FY21-001 through FY21-004	Coordinate and report on annual financial and AUP reviews for fiscal year 2019-20.	Financial	450	67	383	In Process
External Regulatory Audits	FY21-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	33	27	In Process
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY21-100	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	180	41	139	
Quality Assurance and Self-Assessment	FY21-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	160	15	145	
Fraud Hotline Activities	FY21-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	26	214	2 Reports
Automated Workpaper Solution	FY21-103	System updates/training related to automated workpaper solution.	Workpaper System	40	3	37	
Internal Audits							
Security and Emergency Preparedness							
Physical Access Security	FY21-5XX	Review and test controls in place to ensure physical access security at Orange County Transportation Authority (OCTA) locations.	Internal Control / Operational	240		240	
Clerk of the Board							
Form 700 Disclosures	FY21-5XX	Review and test controls in place related to coordination of Form 700 disclosures by designated employees.	Compliance	240		240	

**Orange County Transportation Authority
Fiscal Year 2020-21 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)
Human Resources and Organizational Development							
Department of Motor Vehicles (DMV) Pull Notice Program	FY20-5XX	Assess controls and test operation of the DMV Pull Notice Program.	Internal Control/Operational	240		240	
Separations	FY21-501	Assess and test controls related to employee separations.	Operational	220	217	3	In Process
Capital Programs							
Interstate 5 (I-5) Project: State Route 55 (SR-55) to State Route 57 (SR-57)	FY20-510	Review of the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	60	57	3	Complete 7-29-20
OC Streetcar Project Management	FY21-503	Review of the OC Streetcar project management controls, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	320	46	274	In Process
Planning							
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-512	Review of OCTA monitoring and reporting controls over CTFP projects.	Internal Control	160	90	70	In Process
Operations							
Facilities Maintenance	FY21-5XX	Review of facilities maintenance function within Operations Division, including oversight controls and contract compliance.	Operational / Compliance	300		300	
Bridgestone/Firestone Tire Lease and Services	FY21-5XX	Evaluate and test oversight controls and contract compliance related to the agreement with Bridgestone/Firestone for lease of tires and related services.	Internal Controls / Compliance	240		240	
Finance and Accounting							
Treasury	FY21-5XX	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	120	80	
Banking Services - Bank of the West	FY20-507	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Compliance	100	169	(69)	In Process

**Orange County Transportation Authority
Fiscal Year 2020-21 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	PR21-XXX	As requested by the Camm Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	800	343.5	457	10 Reports Issued
Buy America	PR21-XXX	As requested by the Camm Department, apply AUP to determine compliance with Buy America requirements.	Buy America	180		180	
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY21-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240	10	230	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY21-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	8	52	
Metrolink Audit Activities	FY21-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	20	47	(27)	
Capital Asset Inventory Observation	FY20-603	At the request of the Finance and Administration Department, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80	85	(5)	In Process
Bus Base Inspections	FY20-604	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	21	19	
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY21-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	280	26	254	
Total Audit Project Planned Hours (A)				5,150	1,425	3,726	

**Orange County Transportation Authority
Fiscal Year 2020-21 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	37	143	
Executive Steering and Agenda Setting Meetings				180	37	143	
Internal Audit Staff Meetings				150	27.5	123	
Other Administration				1,250	389.5	861	
Total Hours (B)				6,910	1,916	4,995	
Department Target Efficiency (A/B)				75%	75%		75%
Target Efficiency - Professional Staff				80%	80%		80%

Outstanding Audit Recommendations
Audit Reports Issued Through September 30, 2020

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
10/31/19	19-508	Capital Programs and Finance and Administration (F&A)	Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project	<p>The Internal Audit Department (Internal Audit) recommends that prime and sub-consultants be required to have an adequate labor timekeeping system.</p> <p>Management should remind consultants of the need to request amendments to add staff, labor rates, and other direct costs in a timely fashion.</p>	Oct-20	<p>Capital Programs will work with the Contracts Administration and Materials Management (CAMP) Department to include language in the Personnel Qualifications and Responsibilities section of future request for proposals to require both prime contractors and sub-consultants to have an adequate labor timekeeping system.</p> <p>During project kick-off meetings after contract execution and in on-going meetings with the project managers, CAMP staff will emphasize the need for timely submission of requests for amendments.</p>	Update June 2020: CAMP is reminding consultants of the need to request amendments to add staff, labor rates, and other direct costs in a timely manner, at project kick-off meetings. This part of the recommendation will be closed. CAMP is planning to discuss requirements for consultant labor timekeeping systems at an upcoming meeting with a local engineering professional organization. This part of the recommendation will remain open pending the outcome of the meeting and CAMP's determination of the appropriate action.
12/5/19	19-512	External Affairs	Bus Marketing	Management should revise practices to ensure that contracts for similar services are combined and contract terms are set for longer periods when recurring services are sought. Management should train staff and perform monitoring, to ensure procurements are not being designed to fall under approval thresholds.	Dec-20	Management concurs and has begun to implement practices to have longer terms and consolidate future contracts for similar services to support Bus Marketing needs. External consulting expertise will be procured to provide project management training. Management has also implemented a requisition process with added controls that will ensure procurements are not being designed to fall under approval thresholds.	Update June 2020: Management has revised practices to ensure contracts are combined and/or issued for longer periods for recurring services. Management's development of a manual and training program is still in process. The recommendation will remain open pending completion of the manual and related training program.
12/5/19	19-512	External Affairs	Bus Marketing	Management should undergo training to reiterate the responsibilities of those charged with reviewing and approving invoices. Invoice Review Checklists should be blank and completed as invoices are reviewed.	Dec-20	Management has implemented a program controls function for all marketing and customer engagement contracts. This new function will ensure thorough and accurate reviews, approvals, and payments of contract invoices. Additionally, training will be provided.	Update June 2020: A Project Controls function has been implemented. Management's development of a manual and training program is still in process. The recommendation will remain open pending completion of the manual and related training program.

Outstanding Audit Recommendations
Audit Reports Issued Through September 30, 2020

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
12/5/19	19-512	External Affairs	Bus Marketing	Internal Audit recommends written procedures be reviewed with project managers, and management require documented compliance with requirements. Documentation should include the source and support of stated evaluation criteria and related results.	Dec-20	Management will evaluate and update the current processes and procedures manual to reflect current needs and work environment to include the source and support of stated evaluation criteria and related results. It is expected that the new processes, procedures, and training will be completed by the end of December 2020.	Update June 2020: Management's development of a manual and training program is still in process. The recommendation will remain open pending completion of the manual and related training program.
2/18/20	20-501	F&A	Patch Management Program (PMP)	The auditors offered one recommendation to expand the PMP to address all other operating systems hardware, software, and peripherals, and to incorporate all devices into the PMP. The auditors also offered four recommendations to further enhance the PMP by formalizing plans to address patch vulnerabilities, removing obsolete operating systems and software from the network, restricting users from installing unauthorized software, and developing test scripts to ensure system functionality after implementation of a patch.	Feb-21	Management agreed with the recommendations and indicated that progress has been made, and efforts will continue to implement these improvements.	Update September 2020: Management is in the process of implementing the recommendations, and expects all five recommendations to be completed no later than January 2021. The recommendations will remain open until fully recommended.
5/26/20	20-506	Operations	Revenue Vehicle Maintenance	Internal Audit recommends that management either incorporate several preventive maintenance tasks into the work order templates or document variances from the manufacturer guidelines with justification.	Nov-20	Maintenance concurs with the recommendation to incorporate these tasks into the work order templates or document variances from the manufacturer recommendation with justification. Maintenance will apply the recommended solution to the items outlined in the audit within the next six months and adopt this procedure for all subsequent deviations going forward.	

Outstanding Audit Recommendations
Audit Reports Issued Through September 30, 2020

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
7/29/20	20-510	Capital Programs	I-5 Project: SR-55 to SR-57	Internal Audit recommends that management add a step on reviewing labor rate escalation in its invoice review checklist. Internal Audit also recommends that management require cost documentation for other direct costs invoiced and request the consultant to bill all first-tier sub-consultants based on their contract rate schedules.	Jan-21	Management agrees with the recommendation, and items noted in the recommendation are currently being implemented. The invoice review checklist has been revised to add an additional step to include labor rate escalation review. Invoiced labor rate escalation is currently being reviewed. Management will be seeking recovery of the \$1,903 in over-billings due to the incorrect application of the contract's 2.5 percent annual labor escalation factor. Management had previously identified the first-tier subconsultant billing issue, and this was corrected with the consultant's April 2020 invoice. There was no increased cost to the OCTA based on the previous sub-consultant billings.	

**Audit Recommendations Closed During
First Quarter, Fiscal Year 2020-21**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
1/8/20	20-503	Finance and Administration	Same-Day Taxi Service	For future procurements, Internal Audit recommended that management assess the likelihood of competition. Internal Audit also recommended that management ensure compliance with policy and procedures (P&P) or revise the P&P accordingly.	Management updated the procedures to require that single-proposal procurements follow the same procedures as competitive procurements. Management also expressed a commitment to conduct an industry workshop with potential providers to assess the likelihood of competition for the next procurement.



October 14, 2020

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: First Quarter Fiscal Year 2020-21 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, 2020, 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 2020-21 budget.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2020-21 Budget on June 8, 2020, 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 2020-21. 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 2020-21, the Contracts Administration and Materials Management Department handled 467 different contractual documents. Of the total, 301 procurements, valued at \$202,500,787, were

completed; the remaining procurements will be executed during the second quarter of FY 2020-21.

In the first quarter, the Board acted on 37 procurements. The procurements were split between ten new agreements valued at \$26,494,579, nine amendments valued at \$24,546,081, two construction change orders valued at \$695,717, eight cooperative agreements valued at \$11,751,447, one amendment to cooperative agreements valued at \$2,354,802, four purchase order amendments valued at \$449,261, and three option-term amendments valued at \$4,279,773. 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, resulting in the procurement spanning two quarters. Procurements not completed within the first quarter will be completed in the second quarter of FY 2020-21. Attachment A shows a list of Board-approved procurements during the first quarter.

Looking forward to the second quarter of FY 2020-21 (October through December 2020), the Board committees will be asked to take action on several items such as:

- Consultant selection for public communications and community outreach services for the State Route 55 (SR-55) Improvement Project;
- Consultant selection for roadway operations and maintenance for the 91 Express Lanes;
- Consultant selection for the preparation of plans, specifications, and estimate for the Interstate 5 Widening Project between Yale Avenue and SR-55;
- Consultant selection for the enterprise asset management solution; and
- Consultant selection for traffic and intelligent transportation systems engineering services for the Warner Avenue Regional Traffic Signal Synchronization Program.

The estimated value of these upcoming procurements is \$236,273,371. Attachments B through F identify procurement activity anticipated in the second quarter of FY 2020-21 by the committee that will review the items.

Summary

This report provides an update of the procurement activity for the first quarter of FY 2020-21, July through September 2020, as well as a look-ahead at anticipated procurement activity for the second quarter of FY 2020-21. Staff recommends that this report be received and filed as an information item.

Attachments

- A. Board-Approved Contracts – First Quarter Fiscal Year 2020-2021
- B. Regional Planning and Highways Committee – Second Quarter Outlook (October 1, 2020 – December 31, 2020)
- C. Transit Committee – Second Quarter Outlook (October 1, 2020 – December 31, 2020)
- D. Finance and Administration Committee – Second Quarter Outlook (October 1, 2020 – December 31, 2020)
- E. Legislative and Communications Committee – Second Quarter Outlook (October 1, 2020 – December 31, 2020)
- F. Executive Committee – Second Quarter Outlook (October 1, 2020 – December 31, 2020)

Prepared by:



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

Approved by:



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

Board-Approved Contracts - First Quarter Fiscal Year 2020-2021

AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
T.Y. Lin International	C02073	Plans, Specifications and Estimates for the SR-91 Improvement Project Between Acacia Street and La Palma Avenue	11/13/2020	12/31/2028	\$8,999,918
DKS Associates	C02018	Traffic and Intellegent Transportation Systems Engineering Services for the Edinger Avenue Regional Traffic Signal Synchronization Program	1/15/2021	12/31/2023	\$5,631,454
Celtis Ventures	C02249	OC Bus Public Awareness and Communication Program Services	9/1/2020	8/31/2022	\$300,000
Winner Chevrolet	C02515	Operator Relief Vehicles	8/17/2020	12/31/2021	\$1,655,060
Michael Baker International, Inc.	C02186	Plans, Specifications and Estimates for the I-605/Katella Avenue Interchange Improvement Project	11/17/2020	2/18/2027	\$200,000
Albert Grover & Associates, Inc.	C02019	Traffic and Intellegent Transportation Systems Engineering Services for the MacArthur Boulevard/Talbert Avenue Regional Traffic Synchronization Program	1/15/2021	12/31/2023	\$3,414,588
CBRE, Inc.	C02160	On-Call Commercial Real Estate Brokerage Services	9/22/2020	9/30/2023	\$50,000
Intercare Holdings Insurance Services, Inc.	C02202	Claims Administration for the Orange County Transportation Authority's Self-Insured Workers' Compensation Program	11/1/2020	12/31/2025	\$2,445,559
Two Brothers Construction Corp.	C02413	Metrolink Train Stations Platform Detectable Tiles Replacement and Painted Guidelines Restriping Project	10/15/2020	4/15/2022	\$1,098,000
Los Angeles Federal Armored Services, Inc.	C02256	Armored Vehicle Transportation and Fare Collection Counting Services	12/1/2020	11/31/2027	\$2,700,000
TOTAL NUMBER OF CONTRACTS					10
TOTAL DOLLAR VALUE					\$26,494,579

AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Public Risk Innovation, Solutions, and Management – Excess Insurance Authority for Kaiser Permanente Health Plan, Inc.	C53649	Amendment No. 5 Prepaid Medical Services	1/1/2021	12/31/2021	\$13,112,500
Public Risk Innovation, Solutions, and Management for Anthem Blue Cross Health Maintenance Organization	C53650	Amendment No. 5 Prepaid Medical Services	1/1/2021	12/31/2021	\$2,753,904
Public Risk Innovation, Solutions, and Management for Anthem Blue Cross Preferred Provider Organization	C53651	Amendment No. 5 Prepaid Medical Services	1/1/2021	12/31/2021	\$1,717,656
Public Risk Innovation, Solutions, and Management for Anthem Blue Cross Consumer Driven Health Plan	C53652	Amendment No. 5 Prepaid Medical Services	1/1/2021	12/31/2021	\$2,454,912

Board-Approved Contracts - First Quarter Fiscal Year 2020-2021

Public Risk Innovation, Solutions, and Management for Delta Dental Preferred Provider Organization	C12996	Amendment No. 10 Dental Services	1/1/2021	12/31/2021	\$1,277,164
Public Risk Innovation, Solutions, and Management for Delta Dental Health Maintenance Organization	C12995	Amendment No. 10 Dental Services	1/1/2021	12/31/2021	\$57,069
Public Risk Innovation, Solutions, and Management for Delta Dental Health Maintenance Organization	C81869	Amendment No. 2 Dental Services	1/1/2021	12/31/2021	\$17,334
Public Risk Innovation, Solutions, and Management for Vision Service Plan	C12997	Amendment No. 8 Vision Services	1/1/2021	12/31/2021	\$255,542
HNTB Corporation	C53337	Amendment No. 10 Continuation of OC Streetcar Project Design Support Services During Construction	9/14/2020	3/31/2022	\$2,900,000
TOTAL NUMBER OF CONTRACTS					9
TOTAL DOLLAR VALUE					\$24,546,081

CONTRACT CHANGE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
OC 405 Partners	C53843	CCO 34.4 Assistance to Chevron and Crimson Utility Companies During Utility Relocation Work at Goldenwest Street Overcrossing for the I-405 Improvement Project from SR-73 to I-605	9/21/2020	12/31/2025	\$300,000
Walsh Construction Company II, LLC	C71904	CCO 9 Installation of Vapor Barrier Under the Maintenance and Storage Facility	11/1/2020	4/15/2022	\$395,717
TOTAL NUMBER OF AMENDMENTS					2
TOTAL DOLLAR VALUE					\$695,717

COOPERATIVE AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Orange County Sheriff's Department	C02330	Transit Police Services	7/1/2020	6/30/2021	\$10,596,947
City of Laguna Beach	C02400	Senior Mobility Program	8/24/2020	6/30/2021	\$0
Abrazar, Inc.	C02454	Mobility Management and Transportation Resources	10/1/2020	9/30/2022	\$237,800
Boys and Girls Clubs of Huntington Valley	C02455	Mobility Management and Transportation Resources	10/1/2020	9/30/2022	\$118,200
Dayle McIntosh Center for the Disabled	C02456	Mobility Management and Transportation Resources	10/1/2020	9/30/2022	\$193,400
North Orange County Community College District	C02457	Mobility Management and Transportation Resources	10/1/2020	9/30/2022	\$315,800
Women Helping Women/Men2Work	C02458	Mobility Management and Transportation Resources	10/1/2020	9/30/2022	\$73,600
City of Mission Viejo	C02543	Prepare Plans, Specifications, and Estimates for the Crisanta Drive Community Soundwall	10/15/2020	12/31/2024	\$215,700
TOTAL NUMBER OF CONTRACTS					8
TOTAL DOLLAR VALUE					\$11,751,447

Board-Approved Contracts - First Quarter Fiscal Year 2020-2021

COOPERATIVE AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Anaheim Transportation Network	C71760	Amendment No 1 - Pass Through of Corona Aid, Relief and Economic Security Act Funding	7/20/2020	6/30/2022	\$2,354,802
TOTAL NUMBER OF CONTRACTS					1
TOTAL DOLLAR VALUE					\$2,354,802

PURCHASE ORDER AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Public Risk Innovation, Solutions, and Management for VOYA for Life and Accidental Death and Dismemberment Insurance	C71897	Amendment No. 3 Life and Accidental Death and Dismemberment Insurance	1/1/2021	12/31/2021	\$264,242
and Management for VOYA to Provide Supplemental Life Insurance	C71898	Amendment No. 2 Supplemental Life Insurance	1/1/2021	12/31/2021	\$0
Public Risk Innovation, Solutions, and Management for VOYA for Short-Term and Long-Term Disability Insurance	C71899	Amendment No. 2 Short-Term and Long-Term Disability	1/1/2021	12/31/2021	\$160,631
Public Risk Innovation, Solutions, and Management for VOYA with Compsych to Provide Employee Leave Administration	C71900	Amendment No. 2 Employee Leave Administration	1/1/2021	12/31/2021	\$24,388
TOTAL NUMBER OF CONTRACTS					4
TOTAL DOLLAR VALUE					\$449,261

OPTION YEARS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Cabco Yellow, Inc. dba California Yellow Cab	C81440	Amendment No. 2 Exercise First Option Term for Same Day Taxi Service	9/1/2020	8/31/2021	\$1,794,198
Outfront Media Group, LLC	C53076	Amendment No. 3 Exercise Second Option Term for Bus Advertising Revenue Program	9/1/2020	8/31/2022	\$0
Gamboa Services, Inc. dba Corporate Image Maintenance	C71723	Amendment No. 3 Exercise First Option Term for Janitorial Services	11/1/2020	10/31/2022	\$2,485,575
TOTAL NUMBER OF AMENDMENTS					3
TOTAL DOLLAR VALUE					\$4,279,773

Acronyms

I-405 - Interstate 405

I-605 - Interstate 605

SR-73 - State Route 73

SR-91 - State Route 91

REGIONAL PLANNING and HIGHWAYS COMMITTEE - Second Quarter Outlook (October 1, 2020 - December 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
October 5, 2020	Agreement for Facility Modifications at Santa Ana Bus Base for the Interstate 405 Toll Operations Center	\$636,680	Capital Programs
	Contract Change Orders for the Interstate 405 Improvement Project from State Route 73 to Interstate 605	\$1,592,040	Capital Programs
	Cooperative Agreement with the California Department of Transportation for the State Route 91 Improvement Project Between State Route 57 and State Route 55 and Authority to Acquire Right-of-Way	\$970,000	Capital Programs
	Amendment to Cooperative Agreement with the City of Fountain Valley for the Interstate 405 Improvement Project	\$374,000	Capital Programs
	Consultant Selection for the Preparation of Project Report and Environmental Document for the Interstate 5 Improvement Project from San Diego County Line to Avenida Pico	\$4,100,000	Capital Programs
November 2, 2020	Consultant Selection for the Preparation of Plans, Specifications, and Estimates for the Interstate 5 Widening Project Between Yale Avenue and State Route 55	\$13,898,000	Capital Programs

REGIONAL PLANNING and HIGHWAYS COMMITTEE - Second Quarter Outlook (October 1, 2020 - December 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
	Traffic and Intelligent Transportation Systems Engineering Services Consultant Selection for the Warner Avenue Regional Traffic Signal Synchronization Program Project	\$5,110,000	Planning
	Agreement for M2 Environmental Mitigation Program Interim Biological Preserve Monitoring	\$1,200,000	Planning

TRANSIT COMMITTEE - Second Quarter Outlook (October 1, 2020 - December 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
October 8, 2020	Contract Change Orders for the Construction of the OC Streetcar Project	\$1,466,000	Capital Programs
	Agreement for the Procurement of 40-Foot Compressed Natural Gas-Powered Buses	\$100,371,600	Operations
	Agreement for Fullerton Transportation Center Stair Replacement Project	\$705,300	Capital Programs
	Agreement for Locker Room Expansion at Santa Ana Bus Base Maintenance Building	\$339,123	Capital Programs
	Agreement for Replacement of Light Poles and Luminaires at Golden West Transportation Center	\$223,789	Capital Programs
	Agreement for the Procurement of 40-Foot Plug-In Battery-Electric Buses	\$10,373,230	Operations
November 12, 2020	Approval to Exercise the First Option Term for Mobile Ticket Validator Extended Warranty Coverage Period	\$136,608	Finance and Administration
	Mobile Ticketing Service Option-Term Extension and Contract Budget Increase	\$290,372	Finance and Administration
	Amendment to Agreement with MV Transportation, Inc., for the Provision of OC Flex Service	\$0	Operations

TRANSIT COMMITTEE - Second Quarter Outlook (October 1, 2020 - December 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
	Amendment to Agreement with First Transit, Inc., for the Provision of Contracted Fixed-Route Service	\$78,883,275	Operations
	Amendment to Agreement with MV Transportation, Inc., for the OC ACCESS Service	\$315,414	Operations
	Award of Agreement for the Purchase of an Enterprise Asset Management System	\$8,000,000	Operations
	Sole Source Agreement for the Replacement of Fluid Management System Data Loggers	\$97,350	Operations
	Sole Source Agreement for the Replacement of Fluid Management System Remote Island Heads	\$338,000	Operations
<hr/>			
December 10, 2020	Sole Source Agreement for the Operations and Maintenance of Fluid Management System	\$540,000	Operations

FINANCE AND ADMINISTRATION COMMITTEE - Second Quarter Outlook (October 1, 2020 - December 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
November 11, 2020	Property Insurance Policy Renewal	\$700,000	Human Resources and Organizational Development
	Excess Liability Insurance Renewal	\$1,500,000	Human Resources and Organizational Development

LEGISLATIVE AND COMMUNICATIONS COMMITTEE - Second Quarter Outlook (October 1, 2020 - December 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
October 15, 2020	Consultant Selection for Rideshare and Vanpool Marketing Services	\$570,000	External Affairs
	Agreement for State Legislative Advocacy and Consulting Services	\$420,000	Government Relations
<hr/>			
November 19, 2020	Agreement for Public Communications and Community Outreach Consultant Services for the State Route 55 Improvement Project Between Interstate 405 and Interstate 5	\$1,684,990	External Affairs
	Website Maintenance Support Services	\$900,000	External Affairs

EXECUTIVE COMMITTEE - Second Quarter Outlook (October 1, 2020 - December 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
October 5, 2020	Agreement for Security System Service and Maintenance	\$537,600	Executive



October 14, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: State Transit Assistance Fund and SB 1 (Chapter 5, Statutes of 2017) State of Good Repair Claims for Fiscal Year 2020-21

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 also eligible to receive funding from the SB 1 State of Good Repair Program that is funded by the Transportation Improvement Fee on vehicle registrations. Funding recommendations for fiscal year 2020-21 were approved by the Board of Directors on August 24, 2020. Upon approval of the statewide list of fiscal year 2020-21 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. 2020-281 to authorize the filing of State Transit Assistance Fund claims, in the amount of \$22,592,552, or up to the actual allocation published by the State Controller's Office, to support public transportation.
- B. Authorize the filing of SB 1 State of Good Repair claims, in the amount of \$6,426,478, 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 transportation projects. The funding source consists of two parts: the 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.

STAF revenues are distributed by the State Controller's Office (SCO) on a quarterly basis 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 administered by the Orange County Auditor-Controller.

State of Good Repair (SGR)

The SGR Program is funded by a portion of the Transportation Improvement Fee on vehicle registrations. The SCO annually publishes estimates of SGR funding levels in January, with revised estimates provided in August of each year. SGR funds are expected to be allocated quarterly beginning November 2020, upon receipt of the approved recipients from the California Department of Transportation and filing of claims by the Orange County Transportation Authority (OCTA).

Discussion

STAF

The Orange County Transit District (OCTD) is required to file a claim with OCTA to receive its STAF allocation for providing public transportation services. 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. AB 90 (Chapter 17, Statutes of 2019) amended the TDA providing transit operators temporary exemption from meeting efficiency standards for fiscal year (FY) 2020-21 and FY 2021-22. This relief is provided considering higher than usual cost of transit services and decline in fare revenues due to the coronavirus. For these two FYs, OCTA can use STAF for capital and operating purposes without demonstrating the eligibility standards.

In August 2020, the SCO determined that OCTA would receive \$22,592,552 of STAF for FY 2020-21. OCTD will utilize STAF revenues of \$12,555,539 to fund ongoing capital requirements and \$10,037,013, to fund operations of the bus program. These amounts may change based on actuals reported by the SCO.

SGR

In August 2020, the SCO determined that OCTA would receive \$6,426,478 of SGR for FY 2020-21. On August 24, 2020, the OCTA Board of Directors (Board) approved the SB1 SGR Program recommendations for FY 2020-21. The funding recommendations included \$0.574 million for the Power Generator Replacement Project at the Anaheim and Irvine Construction Circle bus bases. The remaining funds will be used to support modifications, upgrades, and the replacement of OCTA's existing bus bases and transit facilities. Funds would be utilized for projects, such as, but not limited to, electrical, fire alarm and elevator upgrades, generators, heating ventilation, air conditioning, roof and concrete replacements, lighting and facility modifications, as well as the future construction of transit security operations center.

SCO is anticipated to begin releasing FY 2020-21 funds to transit agencies, beginning November 2020. 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 Board to adopt Resolution No. 2020-281 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 Board to authorize filing of claims to receive SGR funds.

Attachment

- A. Resolution 2020-281 of the Orange County Transit District, Authorizing the Filing of State Transit Assistance Fund Claims

Prepared by:

A handwritten signature in blue ink, appearing to read "S. Kaur".

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

Approved by:

A handwritten signature in blue ink, appearing to read "A. Oftelie".

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

**RESOLUTION 2020-281 OF THE
ORANGE COUNTY TRANSIT 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 26th day of October, 2020.

AYES:

NOES:

ABSENT:

ATTEST:

Laurena Weinert
Clerk of the Board

Steve Jones, Chairman
Orange County Transit District



October 14, 2020

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: 2020 Measure M2 Sales Tax Forecast

Overview

The Orange County Transportation Authority contracts with MuniServices, LLC and three universities to forecast Measure M2 taxable sales. Within the past six months, MuniServices, LLC and the three universities have each 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

Direct staff to determine the impacts of the updated forecast to Measure M2 programs and projects and return to the Board of Directors with options to address the decrease in projected sales tax revenue.

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 (MuniServices) 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 (Chapman), California State University, Fullerton (CSUF), and University of California, Los Angeles (UCLA), for the remaining years.

Due to the significant decrease in forecasted taxable sales due to the coronavirus (COVID-19) pandemic, OCTA prepared a preliminary Measure M2 (M2) Sales Tax Forecast update that was presented to the Board in August 2020. OCTA received final tax receipts for fiscal year (FY) 2019-20 in September 2020, and has prepared the final 2020 M2 sales tax forecast update. OCTA staff has also incorporated updated forecasts for MuniServices, UCLA, and CSUF. Chapman's previous forecast remains unchanged.

Discussion

The 2020 M2 sales tax forecast was completed based on final sales tax receipts for FY 2019-20 and updated sales tax forecasts provided by MuniServices, CSUF, and UCLA. Despite final sales tax receipts for FY 2019-20 being higher than anticipated and updated forecasts, total anticipated sales tax available to support the M2 Program remained at \$11.6 billion over the 30-year period, which is consistent with the figure provided to the Board in August 2020.

Final sales tax receipts for FY 2019-20 came in at \$318 million, which was \$15 million higher than anticipated in August. It was originally anticipated that the impact of COVID-19 would result in an 8.8 percent decrease in sales tax for FY 2019-20, however economic activity was stronger than anticipated and the decrease was only 4.3 percent. In addition, The California Department of Tax and Fee Administration offered small business taxpayers with less than \$5 million in taxable annual sales, a 12-month, interest-free, payment plan for up to \$50,000, of sales and use tax liability. The payment plans must be paid in full by July 31, 2021, to qualify for zero interest. While deferral payments were permissible, MuniServices informed OCTA that only a small number of businesses took advantage of the one-year extension program and that the impact was minimal to FY 2019-20 sales tax receipts.

Despite better than anticipated sales tax receipts for FY 2019-20, total anticipated sales tax available to support the M2 Program remained at \$11.6 billion due to a more conservative forecast provided by MuniServices. MuniServices lowered the growth rate for each of the next three years by approximately 1.7 percent due to the uncertainty of any near-term stimulus programs, the potential of a second wave of COVID-19, vaccine schedule, and unemployment recovery. MuniServices anticipates unemployment and the correlated weak consumer confidence to remain a barrier to strong sales tax performance over the next few years and anticipates recovering to FY 2018-19 sales tax levels in FY 2023-24. The updates to the CSUF and UCLA forecasts were minor with both being more optimistic over the next two years. The changes in these forecasts did not impact the final M2 forecast given they occurred during the first five years of the forecast period, which is during the period MuniServices forecast is used.

The MuniServices forecast includes the period from FY 2020-21 through FY 2024-25. The average annual sales tax growth rate over that period based on the MuniServices forecast is 1.7 percent. The three-university average annual growth rate for the remaining years (FY 2025-26 through FY 2040-41) is 3.2 percent and the average annual growth rate over the entire forecast period is 2.9 percent.

Staff will continue to monitor the short- and long-term impacts of COVID-19 on M2 sales tax revenues. Staff will also determine the impacts of the updated M2 sales tax forecast to M2 programs and projects and return to the Board with the impacts over the coming months as the Next 10 Plan is updated.

Summary

OCTA has finalized sales tax receipts for FY 2019-20 and received updated sales tax forecasts from MuniServices, CSUF, and UCLA. It is anticipated that total sales tax available to support the M2 Program will be \$11.6 billion, which is consistent with the preliminary forecast provided to the Board in August 2020. This represents a year-over-year decline of \$1.8 billion (-13.5 percent) in forecasted sales tax when compared to last year's forecast. Staff will determine the impacts of the forecast to M2 programs and projects and return to the Board with those impacts over the coming months as the Next 10 Plan is updated.

Attachment

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast – 2020

Prepared by:

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Approved by:

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



Orange County Transportation Authority
M2 Sales Tax Revenue Forecast - 2020

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	-4.33%	317,963,821	-	317,963,821	-	317,963,821	-	317,963,821	-	317,963,821	-
2021		308,453,933	-2.99%	323,625,625	1.78%	328,153,656	3.20%	304,892,373	-4.11%	304,892,373	-4.11%
2022		338,040,641	9.59%	354,081,975	9.41%	343,866,582	4.79%	315,406,587	3.45%	315,406,587	3.45%
2023		349,315,549	3.34%	371,216,120	4.84%	357,266,568	3.90%	326,159,503	3.41%	326,159,503	3.41%
2024		358,392,908	2.60%	387,650,397	4.43%	369,170,095	3.33%	337,065,618	3.34%	337,065,618	3.34%
2025		367,498,734	2.54%	401,134,459	3.48%	383,168,314	3.79%	345,094,010	2.38%	345,094,010	2.38%
2026		376,857,451	2.55%	416,077,170	3.73%	397,974,000	3.86%	356,753,273	3.38%	356,753,273	3.38%
2027		386,512,677	2.56%	431,541,719	3.72%	412,719,363	3.71%	368,625,896	3.33%	368,625,896	3.33%
2028		396,607,526	2.61%	447,501,537	3.70%	428,494,332	3.82%	381,075,996	3.38%	381,075,996	3.38%
2029		407,080,425	2.64%	463,963,747	3.68%	445,123,875	3.88%	394,032,883	3.40%	394,032,883	3.40%
2030		418,212,578	2.73%	480,775,494	3.62%	462,524,376	3.91%	407,518,361	3.42%	407,518,361	3.42%
2031		429,808,189	2.77%	497,874,281	3.56%	481,073,772	4.01%	421,563,657	3.45%	421,563,657	3.45%
2032		441,648,187	2.75%	515,552,665	3.55%	498,656,052	3.65%	435,559,976	3.32%	435,559,976	3.32%
2033		453,879,397	2.77%	533,550,874	3.49%	516,033,651	3.48%	449,708,975	3.25%	449,708,975	3.25%
2034		466,375,541	2.75%	551,880,045	3.44%	533,340,459	3.35%	464,013,195	3.18%	464,013,195	3.18%
2035		479,151,763	2.74%	570,703,158	3.41%	550,796,390	3.27%	478,588,066	3.14%	478,588,066	3.14%
2036		492,301,521	2.74%	589,937,392	3.37%	568,188,584	3.16%	493,380,101	3.09%	493,380,101	3.09%
2037		505,829,140	2.75%	609,619,848	3.34%	585,760,850	3.09%	508,472,397	3.06%	508,472,397	3.06%
2038		519,768,895	2.76%	629,735,796	3.30%	603,654,098	3.05%	523,913,479	3.04%	523,913,479	3.04%
2039		534,134,605	2.76%	650,292,000	3.26%	621,792,130	3.00%	539,688,216	3.01%	539,688,216	3.01%
2040		549,023,279	2.79%	671,285,409	3.23%	640,493,303	3.01%	555,920,901	3.01%	555,920,901	3.01%
2041 **		423,269,223	2.79%	519,537,348	3.19%	494,918,607	3.03%	429,468,960	3.00%	429,468,960	3.00%
Total		\$ 11,733,927,384	2.79%	\$ 13,149,302,280	3.79%	\$ 12,754,934,279	3.54%			\$ 11,568,667,643	2.85%

*Fiscal years 2011 through 2017, and 2020 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 14, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Transportation Infrastructure Finance and Innovation Act Loan Interest Rate Reset

Overview

On July 26, 2017, the Orange County Transportation Authority and the United States Department of Transportation Build America Bureau Credit Programs Office executed a Transportation Infrastructure Finance and Innovation Act Loan for up to \$628.93 million for the Interstate 405 Improvement Project. Over the past two months, staff has had several successful discussions with the Build America Bureau regarding the possibility of lowering the interest rate on the existing 2017 Transportation Infrastructure Finance and Innovation Act Loan. Staff is seeking approval to pursue lowering the current fixed rate of 2.91 percent interest rate based on current market conditions.

Recommendations

- A. Direct staff to proceed with pursuing an interest rate reset of Orange County Transportation Authority's Transportation Infrastructure Finance and Innovation Act Loan for the Interstate 405 Improvement Project.
- B. Authorize staff to execute Amendment No. 1 to Agreement No. C-7-2137 between the Orange County Transportation Authority and Sperry Capital, Inc. in the amount of \$170,000, to provide financial advisory services to the Orange County Transportation Authority for the interest rate reset transaction. The total contract amount will increase to \$665,000.
- C. Authorize staff to execute Amendment No. 1 to Agreement No. C-0-2021 between the Orange County Transportation Authority and Nossaman LLP, in the amount of \$65,000, to provide bond counsel services to the Orange County Transportation Authority for the interest rate reset transaction. The total contract amount will increase to \$301,000.

- D. Authorize the payment of fees and expenses required by the Build America Bureau to facilitate the interest rate reset.
- E. Direct staff to return to the Board of Directors for approval of the financing documents required to execute the closing of the transaction.

Background

On July 26, 2017, the Orange County Transportation Authority (OCTA) and the United States Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan for \$628.9 million (2017 TIFIA Loan) as a direct borrowing for the Interstate 405 (I-405) Improvement Project. The interest rate on the 2017 TIFIA Loan is 2.91 percent fixed for the life of the loan.

The 2017 TIFIA Loan is non-recourse debt issued on a senior lien basis secured solely by net toll revenues of the I-405 Express Lanes, which is estimated to open in 2023. Annual debt service payments are not required until five years after substantial completion, and interest-only payments are required for the first five years. Principal payments for the loan commence in year ten after substantial completion. As of June 30, 2020, OCTA had drawn \$287 million on the 2017 TIFIA Loan. The amount outstanding under the 2017 TIFIA loan on June 30, 2020, including capitalized interest, was \$302.7 million.

Discussion

Over the past two months, OCTA staff has had several successful discussions with the Bureau regarding the possibility of lowering the interest rate on the 2017 TIFIA Loan. During these discussions, the Bureau stated that the process for an interest rate reset was in the initial stages but invited OCTA to submit a Letter of Interest (LOI). OCTA submitted the LOI on August 31, 2020, requesting to reset the 2.91 percent interest on the 2017 TIFIA Loan. OCTA anticipates that the LOI will meet the Bureau's requirements and OCTA will be asked to move to the next step in the process, which is to submit a formal loan application.

It is expected that substantial savings could be achieved if the new TIFIA loan is reset based on current 30-year United States Treasury bond yields. If successful, it is anticipated that the current interest rate of 2.91 percent could be reduced by approximately half, resulting in significant debt service savings. Based on current United States Treasury bond yields, it is anticipated that a new TIFIA loan will result in net present value savings of approximately 25 percent, or approximately \$190 million.

Interest Rate Reset Requirements and Timing

OCTA has submitted a LOI and will be required to submit a formal loan application based on an invitation by the Bureau to go to the next step in the process. OCTA will also be required to receive credit ratings by at least two rating agencies and the loan would then be subject to approval by the United States Department of Transportation.

Pursuant to TIFIA statutory requirements, the 2.91 percent interest rate cannot be reset through an amendment. The reset can only be achieved by terminating the existing loan and executing a new loan with a new interest rate. The new interest rate would be set at one basis point above the prevailing 30-year United States Treasury bond yield at the time of closing. Other terms of the loan will remain unchanged.

Prior to closing, OCTA would be required to initiate the cancellation process for the existing 2017 TIFIA Loan by paying off the existing loan. OCTA would repay \$287 million, the total TIFIA loan disbursements to date, plus capitalized interest, at least ten days prior to closing the new TIFIA Loan. Simultaneously with the closing of the new loan, OCTA would submit a reimbursement request for the \$287 million in order to be immediately reimbursed. The \$287 million reimbursement request would be supported by eligible project expenditures as identified by staff.

To close the new TIFIA loan and lock in the new interest rate, the Bureau will need to get approval from the Council on Credit and Finance, which is anticipated to meet in November 2020. If approved at that meeting, the Council on Credit and Finance will make a recommendation to the Secretary of Transportation (Secretary). The Secretary makes the final determination on approving the new TIFIA loan. Based on the estimated timeline provided by the Bureau, OCTA is targeting a financial close for the TIFIA loan in January 2021. Prior to execution of the transaction, staff would return to the Board of Directors (Board) for approval of the new TIFIA Loan financing documents.

TIFIA Loan Interest Rate Reset Estimated Fees and Expenses

Fees and expenses for the transaction are estimated at \$755,000 and are necessary to cover the costs for credit ratings, financial advisory services, bond counsel, and Bureau costs.

Pursuant to statutory requirements, OCTA is required to submit at least two investment grade ratings to the Bureau at financial close. Since Moody's is the rating agency responsible for providing an annual rating for the existing 2017 TIFIA Loan, OCTA representatives discussed the background, importance of the new TIFIA loan interest rate reset, and expected schedule for closing with Moody's. Staff expects to have similar calls with other rating agencies including Fitch Ratings, Standard & Poor's, and Kroll Bond Rating Agency. The estimated cost to obtain two ratings is approximately \$400,000. Actual costs will be determined upon formal engagement with the rating agencies.

To successfully carry-out the transaction, OCTA will need the support of Sperry Capital, Inc. (OCTA's financial advisory firm), and Nossaman, LLP, (OCTA's bond counsel firm). The contracts for both firms must be amended in order to cover the additional fees and expenses to be incurred for the transaction. The cost for financial advisory services for the transaction is estimated at \$170,000, and for bond counsel services the estimate is \$65,000.

Additionally, the Bureau requires borrowers seeking financing to pay all fees and expenses of the Bureau. For this transaction, the Bureau has communicated that they will require outside legal counsel. The estimated fees and expenses to be paid by OCTA is approximately \$120,000. The Bureau is conducting the procurement process for outside legal counsel and expects to finalize the engagement by the end of October 2020. OCTA may be required to pay additional fees and expenses if the Bureau requires additional consultant support during the transaction.

Summary

The Orange County Transportation Authority is requesting approval to pursue resetting the interest rate on its existing 2017 TIFIA Loan. Given current market conditions, it is anticipated that an interest rate reset could result in significant debt service savings for the I-405 Improvement Project. Staff will return to the Board for approval of financing documents for the new TIFIA loan should OCTA receive loan approval from the Bureau.

Attachment

None.

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Transportation Infrastructure Finance and Innovation Act Loan Interest Rate Reset

Background

- In April 2015, the Orange County Transportation Authority (OCTA) Board of Directors (Board) approved the Interstate 405 (I-405) Improvement Project, which included the construction of the 405 Express Lanes
- In July 2017, OCTA and the United States Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan for \$628.9 million (2017 TIFIA Loan)

Key Provisions of TIFIA Loan

- Interest rate fixed at 2.91 percent for the life of the loan
- Loan is secured by and payable solely from net toll revenues of the 405 Express Lanes, estimated to open in 2023
- Annual debt service payments are not required until five years after substantial completion
 - Interest-only payments are required for the first five years (years five through ten after substantial completion)
 - Principal payments for the loan commence in year ten after substantial completion

Recent Communications

- Bureau communicated willingness to consider an interest rate reset on OCTA's TIFIA Loan
 - Process not formalized for interest rate reset yet, however OCTA was invited to submit letter of interest (LOI)
 - OCTA submitted LOI on August 31, 2020 requesting to reset the 2.91 percent interest rate on the 2017 TIFIA Loan
- On October 6, 2020, the Bureau notified OCTA that the LOI was approved and OCTA could move to the creditworthiness phase, which will require a formal loan application

Potential Savings

- Substantial savings could be achieved if the loan is reset at current market rates (interest rate is one basis point above prevailing 30-year United States Treasury bond yields at the time of closing)
 - Based on current rates, the 2017 TIFIA Loan interest rate could be reduced by approximately half
 - 2017 TIFIA Loan - 2.91 percent
 - New TIFIA Loan - 1.41 percent
 - Estimated savings of approximately \$190 million

Recommendations

- Direct staff to proceed with pursuing an interest rate reset of OCTA's TIFIA Loan for the I-405 Improvement Project, and authorize staff to execute necessary amendments to agreements for financial advisory and bond counsel services
- Authorize the payment of fees and expenses required by the Bureau
- Direct staff to return to the Board for approval of the financing documents required to execute the closing of the transaction

Next Steps

- Seek Board approval on October 26, 2020, to pursue an interest rate reset of the 2017 TIFIA loan
- Receive investment grade ratings by early January 2021
- Receive Secretary of Transportation approval of the new loan in January 2021
- Return to the Board for approval of financing documents in January 2021
- Loan closing estimated to occur in January 2021



RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION

CORONAVIRUS IMPACTS TO THE 91 EXPRESS LANES



Coronavirus (COVID-19) Pandemic: Impacts

- Traffic volumes down approximately 80 percent on the 91 Express Lanes
- Toll revenues down approximately 77 percent
- Customer calls to the call center in Corona decreased by 66 percent
- Mail processing dropped by 50 percent
- Weekly new accounts decreased by 74 percent
- Staffing levels at call center reached a low in early April

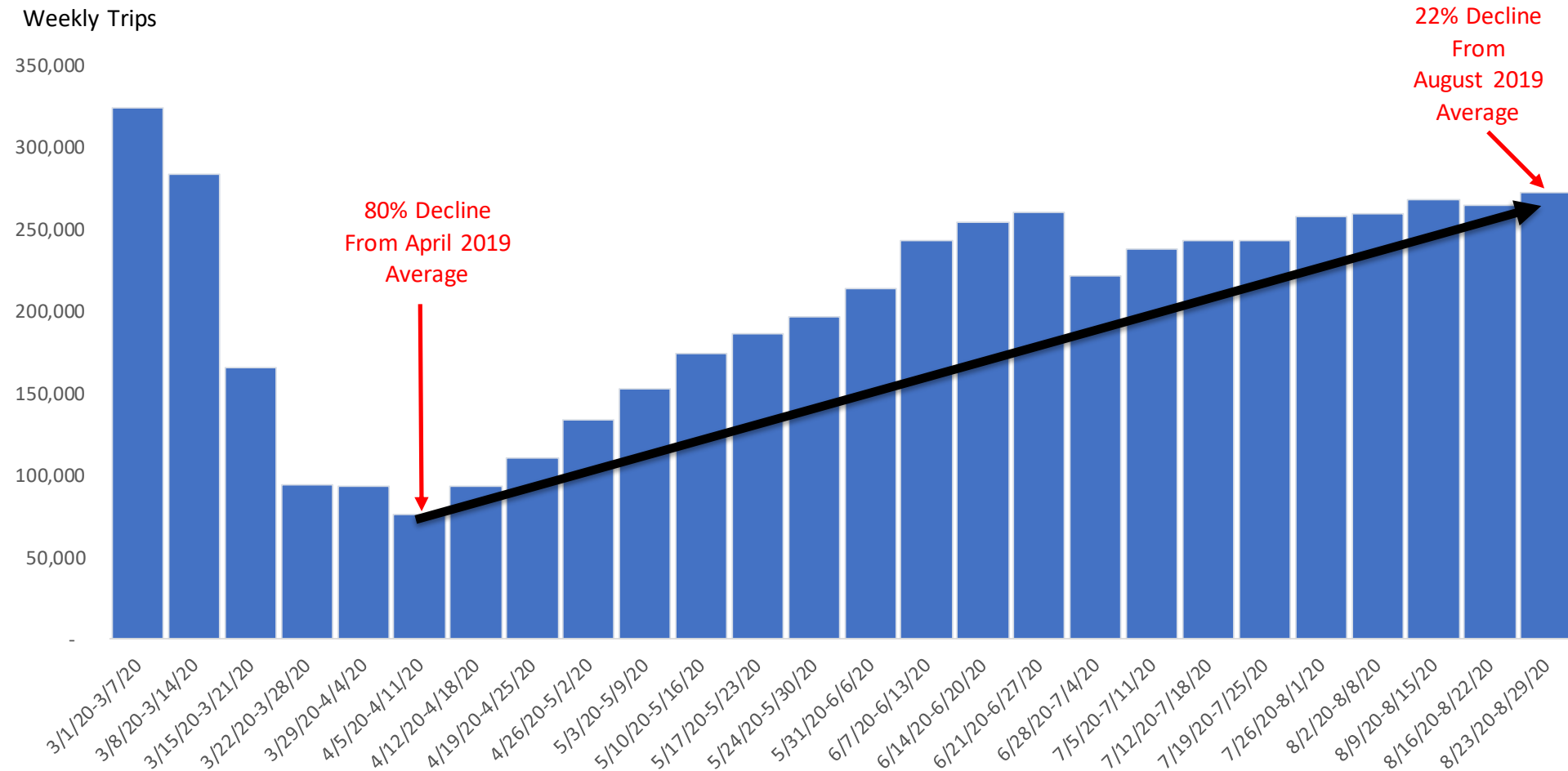
Actions Taken to Date

- Closed Customer Walk-In Center in Corona
- Suspended various items:
 - Monthly account maintenance fees
 - Outbound collection calls and notices
 - Franchise Tax Board Intercept Program
 - Transmittal of violations files to collections agency
 - 6C transponder distribution campaign
 - Cost of living adjustments
- Toll rates adjusted to meet traffic volume demand

Toll Rates – Orange County Transportation Authority (OCTA)

- Temporarily modified the Toll Policy
- Modifications included:
 - Suspension of holiday toll rate schedules
 - Cost of Living Adjustment cancelled for July 1, 2020
- Toll Policy modifications ended on September 30, 2020
- Several toll rates reduced in April 2020, July 2020, and October 2020 per the requirements of the Toll Policy

Orange County Traffic Volumes



Orange County Potential Toll Revenues

Weekly Revenues in \$

1,200,000

1,000,000

800,000

600,000

400,000

200,000

3/1/20-3/7/20
3/8/20-3/14/20
3/15/20-3/21/20
3/22/20-3/28/20
3/29/20-4/4/20
4/5/20-4/11/20
4/12/20-4/18/20
4/19/20-4/25/20
4/26/20-5/2/20
5/3/20-5/9/20
5/10/20-5/16/20
5/17/20-5/23/20
5/24/20-5/30/20
5/31/20-6/6/20
6/7/20-6/13/20
6/14/20-6/20/20
6/21/20-6/27/20
6/28/20-7/4/20
7/5/20-7/11/20
7/12/20-7/18/20
7/19/20-7/25/20
7/26/20-8/1/20
8/2/20-8/8/20
8/9/20-8/15/20
8/16/20-8/22/20
8/23/20-8/29/20

77% Decline
From April 2019
Average

15% Decline
From
August 2019
Average

Current Conditions Compared to Pre-COVID-19

- Traffic volumes are down approximately 22 percent
- Toll revenues are down approximately 15 percent
- Customer calls to the call center in Corona are down approximately 36 percent (call wait times at 20 seconds)
- Mail processing is down approximately 37 percent
- Weekly new accounts are down by about 13 percent
- Staffing at call center close to pre-COVID-19 levels

Capital Projects Continue Despite COVID-19

- Back-Office System and Customer Service Center Operations
 - Workshops and system demonstrations are ongoing
 - Testing commencing early 2021
 - July 2021 transition date planned
- 241/91 Express Lanes Connector
 - Agencies continue to meet on a bi-weekly basis
 - Specialized working groups have been formed and are meeting
 - Project opening planned in late 2025

Moving Forward

- Customer Walk-In Center in Corona to remain closed
- Resume key activities in October 2020:
 - Monthly account maintenance fees
 - Outbound collection calls and notices
 - Transmittal of violations files to collections agency
- Continue adjusting toll rates to meet traffic volume demand
- Continue with 6C transponder distribution campaign

Next Steps

- Evaluate COVID-19 conditions and impacts to the economy
- Re-evaluate the reopening of the Customer Walk-In Center in Corona
- Monitor traffic volumes, revenues, and operational activities
- Adjust toll rates as required
- Provide updated information to the Board of Directors and rating agencies