



AGENDA

Finance and Administration Committee Meeting

Committee Members

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

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

Wednesday, October 13, 2021 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 Orange County Transportation Authority (OCTA) Clerk of the Board, telephone (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda Descriptions

The 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 Board of Directors 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.

Public Availability of Agenda Materials

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: OCTA Headquarters, 600 South Main Street, Orange, California.

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

On September 16, 2021, Governor Gavin Newsom signed into law AB-361 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 due to the state and local State of Emergency resulting from the threat of Novel Coronavirus (COVID-19).

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):

Members of the public may address the Board of Directors regarding any item two ways:

Real Time Comment

To provide a real time public comment during the meeting, please access the Zoom at:

<https://us02web.zoom.us/j/82173189650>

Dial In: 669-900-6833
Webinar ID: 821 7318 9650

Speakers will be recognized by the Chairman at the time the agenda item is to be considered. A speaker's comments shall be limited to three minutes. Anyone causing disruption can be removed from the meeting at the discretion of the Chair.

Written Comment

Written public comments may also be submitted by emailing them to ClerkOffice@octa.net, and must be sent **90 minutes prior to the start time of the meeting**. 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.

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 22, 2021.

3. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2021, Internal Audit Report No. 22-501

Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department has completed an audit of investments for the period January 1 through June 30, 2021. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures; however, the Internal Audit Department did make one recommendation related to compliance monitoring.

Recommendation

Direct staff to implement a recommendation provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2021, Internal Audit Report No. 22-501.

4. State Transit Assistance Fund Claims for Fiscal Year 2021-22

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. 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.



4. (Continued)

Recommendation

Adopt Resolution No. 2021-078 to authorize the filing of State Transit Assistance Fund claims, in the amount of \$36,415,760, or up to the actual allocation published by the State Controller's Office, to support public transportation.

5. SB 1 (Chapter 5, Statutes of 2017) State of Good Repair Claims for Fiscal Year 2021-22

Sam Kaur/Andrew Oftelie

Overview

The Orange County Transportation Authority is 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 2021-22 were approved by the Board of Directors on August 23, 2021. Upon approval of the statewide list of fiscal year 2021-22 projects by the California Department of Transportation, the Orange County Transportation Authority must file claims on a quarterly basis to receive the funding.

Recommendation

Authorize the filing of SB 1 State of Good Repair claims, in the amount of \$6,393,649, 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. Microsoft Enterprise Agreement Renewal

Barry Reynolds/Andrew Oftelie

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2021-22 Budget, a renewal of its existing Microsoft Enterprise Agreement is planned. Quotes were received from three Microsoft Large Account Resellers that are approved to sell the Microsoft Enterprise Agreement via the County of Riverside's Master Agreement.



6. (Continued)

Recommendations

- A. Approve the selection of Dell, Inc., to provide the Microsoft Enterprise renewal license for all of the Orange County Transportation Authority's Microsoft software.

- B. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C13676 between the Orange County Transportation Authority and Dell, Inc., in the amount of \$2,575,000, for the renewal of the Microsoft Enterprise Agreement for a three-year term.

7. Transportation Infrastructure Finance and Innovation Act Debt Service Savings

Robert Davis/Andrew Oftelie

Overview

To support the construction of the Interstate 405 Improvement Project, staff has used a combination of Transportation Infrastructure Finance and Innovation Act loans and interim short-term financing to substantially reduce debt service costs. This staff report provides an overview of the financing strategies utilized and their contribution to the total debt service savings of \$482 million.

Recommendation

Receive and file as an information item.

Discussion Items

8. Chief Executive Officer's Report

9. Committee Members' Reports

10. Closed Session

There are no Closed Session items scheduled.



11. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, October 27, 2021**, 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 Via Teleconference:

Michael Hennessey, Chairman
Steve Jones, Vice Chairman
Katrina Foley
Brian Goodell
Gene Hernandez

Committee Members Absent

Patrick Harper
Joe Muller

Staff Present

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

Via Teleconference:

Darrell E. Johnson, Chief Executive Officer
James Donich, General Counsel
OCTA Staff Members

Call to Order

The September 22, 2021, regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chairman Hennessey at 10:30 a.m.

Roll Call

Sahara Meisenheimer, Clerk of the Board Specialist, conducted an attendance roll call and announced a quorum of the F&A Committee.

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 and 3)

2. Approval of Minutes

A motion was made by Director Hernandez, seconded by Director Goodell, and following a roll call vote, declared passed 5-0, to approve the minutes of the Finance and Administration Committee meeting of September 8, 2021.



3. Orange County Transportation Authority Investment and Debt Programs Report - August 2021

A motion was made by Director Hernandez, seconded by Director Goodell, and following a roll call vote, declared passed 5-0, to receive and file as an information item.

Regular Calendar

4. 2021 Measure M2 Sales Tax Forecast

Sean Murdock, Director of Finance and Administration, provided a PowerPoint presentation.

A discussion ensued regarding:

- Committee Chairman Hennessey commented on the significant savings in Fiscal Year 2019-20 with MuniServices, LLC at 2.5 percent, when the actuals would have been at 6.5 percent.
- The assumptions that the Orange County Transportation Authority (OCTA) can make is that this will improve the ability to increase the economic uncertainty in the freeway program.
- This is the revenue side of a two-sided equation and is underway per Board of Directors' (Board) direction, to update the cost forecast with the Orange County Business Council and the University of Southern California.
- OCTA does expect to see a reasonably significant inflation in the short-term around things that are purchased. It will come together in the Next 10 Delivery Plan.
- Other state and federal grants fit into two areas: the comprehensive business plan and the coronavirus (COVID-19) relief and American Rescue Plan Act funds.
- Summary of the cash flows and incorporating the revenues into the Comprehensive Business Plan and the Next 10 Delivery Plan.
- The current level of bus service runs today because of the three COVID-19 relief funds related to the bus transit system.
- Next month, an item will be brought to the Board to consider making specific dollars available to cities for road rehab.
- The Comprehensive Business Plan is updated once a year and brought to the Board every two years.

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



Discussion Items

5. Transportation Infrastructure Finance and Innovation Act Loan Update

Sean Murdock, Director of Finance and Administration, provided a PowerPoint presentation.

A discussion ensued regarding:

- Two draws were made on the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.
- The net present value is \$158 billion, and Mr. Murdock will investigate the nominal dollars.
- At the next F&A Committee meeting, staff will come back to talk about the entire debt service savings for the Interstate 405 Improvement Project based on 2017 TIFIA loan and the 2021 Bond Anticipation Notes.

No action was taken on this information item.

6. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer, reported on the following:

- OCTA launched a reduced-cost *'Welcome Back'* pass that has recorded more than 182,000 boardings so far. This was a reduction in price by 40 percent. The *'Youth Ride Free'* pilot program was launched at the beginning of the month and has recorded more than 32,000 boardings to date.
- The hikes and equestrian rides have been restored from OCTA's permanently protected wilderness preserves. Last Saturday, OCTA hosted a hike at the Pacific Horizon Preserve in Laguna Beach. On Sunday, September 26th at 10:00 a.m., OCTA will host a first equestrian ride at the Trabuco Rose Preserve in Trabuco Canyon.

7. Committee Members' Reports

Director Foley thanked Mr. Johnson, CEO, for the Youth Ride Free Program and shared the positive feedback she received from the Orange County Department of Education and a couple of teachers.

8. Closed Session

There were no Closed Session items scheduled.



9. Adjournment

Committee Chairman Hennessey closed the meeting with the following remarks:

- OCTA has saved the taxpayers \$182 million, and it is testament to the Committee Members being so well-informed along the way.
- Believing in the ability of the Finance and Administration staff and how they have performed at a high level.

The meeting adjourned at 11:12 a.m.

The next regularly scheduled meeting of this Committee will be held at **9:00 a.m. on Wednesday, October 13, 2021**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

ATTEST

Michael Hennessey
Committee Chairman

Sahara Meisenheimer
Clerk of the Board Specialist



October 13, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2021, Internal Audit Report No. 22-501

Overview

The Internal Audit Department has completed an audit of investments for the period January 1 through June 30, 2021. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures; however, the Internal Audit Department did make one recommendation related to compliance monitoring.

Recommendation

Direct staff to implement a recommendation provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2021, Internal Audit Report No. 22-501.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA) Investment Portfolio (Portfolio). To accomplish this, Treasury uses the Clearwater treasury software system to monitor investments and investment manager performance.

On June 30, 2021, the Portfolio's book value was approximately \$2 billion. The Portfolio consists of three managed portfolios: the liquid portfolio for immediate cash needs, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. OCTA's Treasurer manages the liquid and bond proceeds portfolios, and four external investment managers administer the short-term portfolio. OCTA also

has investments in debt service reserve funds for various outstanding debt obligations.

The Investment Policy (Policy) sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code. The Policy outlines permitted investments, as well as diversification guidelines. The diversification limits ensure the Portfolio is not unduly concentrated in securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Discussion

The Debt and Investment Management Manual requires staff to review Clearwater's Daily Holdings reports and compliance module on a weekly basis. During the period, the compliance module flagged a portfolio concentration issue; however, while staff marked the issue as resolved, there was no documentation explaining the reason. After discussion with the investment manager, it was determined that the flagged issue did not represent an actual violation but resulted from the compliance module incorrectly calculating portfolio percentages based on an understated total portfolio value. Additionally, Internal Audit noted that the compliance module does not recognize variable and floating rate securities as a separate investment type and presents all investments at the market value rather than at cost, unlike the Daily Holdings reports, that are customized to better monitor against OCTA Policy. Internal Audit recommended that staff consistently document resolution of all issues flagged in the compliance module and consider customizing the compliance module. Management agreed to document the resolution of all issues flagged in the compliance module. Going forward, the compliance module will present all investments at cost, but will not recognize variable and floating rate securities as a separate investment type as this is not an option currently offered by Clearwater.

Summary

Internal Audit has completed an audit of investments for the period January 1 through June 30, 2021 and has offered one recommendation for improvement.

Attachment

- A. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2021, Internal Audit Report No. 22-501

Prepared by:



Gabriel Tang
Principal Internal Auditor, Internal Audit
714-560-5746

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Investments: Compliance, Controls, and Reporting January 1 through June 30, 2021

Internal Audit Report No. 22-501 September 28, 2021



Performed by: Janet Sutter, CIA, Executive Director
 Serena Ng, CPA, Senior Manager
 Gabriel Tang, CPA, Principal Internal Auditor

Distributed to: Andrew Oftelie, Chief Financial Officer, Finance and Administration
 Sean Murdock, Robert Davis, Benjamin Torres, Maya Haddad

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2021
September 28, 2021**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2021
September 28, 2021**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of investments for the period January 1 through June 30, 2021. Based on the audit, the Orange County Transportation Authority (OCTA) complied with its debt, investment, and reporting policies and procedures; however, Internal Audit did make one recommendation related to compliance monitoring.

Background

Portfolio Management

The Treasury Department (Treasury) is responsible for the management of OCTA's Investment Portfolio (Portfolio). To accomplish this, Treasury uses the Clearwater treasury software system to monitor investments and investment manager performance.

On June 30, 2021, the Portfolio's book value was approximately \$2.0 billion. The Portfolio consists of three managed portfolios: the liquid portfolio for immediate cash needs, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. OCTA's Treasurer manages the liquid and bond proceeds portfolios, and four external investment managers administer the short-term portfolio. OCTA also has investments in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department (Accounting) is responsible for recording all debt and investment transactions, and for reconciling all bank and custodial accounts monthly.

Investment Policy

The Investment Policy (Policy) sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code (Code). The Policy outlines permitted investments, as well as diversification guidelines. The diversification limits ensure the Portfolio is not unduly concentrated in securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties. OCTA has provided the investment managers with a copy of the Policy and requires investment managers to invest their portfolios in accordance with the provisions of the Policy.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2021
September 28, 2021

Objectives, Scope, and Methodology

The primary objective was to determine if OCTA complied with its debt, investment, and reporting policies and procedures.

Audit objectives included determining if:

- Internal controls over OCTA's investment activities were adequately designed;
- OCTA was in compliance with the Policy and the Code;
- Investment transactions were adequately supported; and
- OCTA was in compliance with investment requirements of debt issuances.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to integrity and ethical values.
 - Management establishes, with Finance and Administration (F&A) Committee and Board of Director (Board) oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Risk Assessment
 - OCTA specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 - OCTA identifies and assesses changes that could significantly impact the system of internal control.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
 - OCTA selects and develops general control activities over technology to support the achievement of objectives.
- Information and Communication
 - OCTA obtains, or generates and uses, relevant quality information to support the functioning of other components of internal control.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2021
September 28, 2021

- Monitoring
 - OCTA evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

The scope included investment transactions and investment-related controls for the period January 1 through June 30, 2021. OCTA's independent auditor, Crowe LLP (Crowe), will perform agreed-upon procedures with respect to the Treasury function for the year ended June 30, 2021. Internal Audit limited the scope of this audit to procedures that will not be performed by Crowe during the course of their agreed-upon procedures.

The methodology consisted of obtaining the most current Policy and Debt and Investment Management Manual, reviewing any personnel changes and corresponding updates to bank authorization signature cards, reviewing a judgmental sample of daily cash worksheets prepared by Accounting and Treasury staff, testing a judgmental sample of investments for compliance with the Policy, tracing a haphazard sample of investments from the bank statements to Clearwater, testing a judgmental sample of wire transfers for accuracy and proper authorization, and testing a haphazard sample of the monthly investment and debt programs reports provided to OCTA's Board. For daily cash report testing, repo-sweep testing, and wire transfer testing, Internal Audit judgmentally selected one transaction for each month in the scope period with activity. For monthly report transaction testing, Internal Audit judgmentally selected 40 investments for coverage over different types of securities. Since the samples are non-statistical, any conclusions are limited to the sample items tested. The methodology also included Treasury's monitoring of the investment managers' compliance with the Policy, including obtaining acknowledgement of receipt of OCTA's Policy, and obtaining documentation related to the compliance and control environment of the custodian.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2021
September 28, 2021**

Audit Comment, Recommendation, and Management Response

Compliance Monitoring

The Debt and Investment Management Manual (Manual) requires Treasury staff to review Clearwater's Daily Holdings reports and compliance module on a weekly basis. During the period, the compliance module flagged a portfolio concentration issue on four consecutive days. While Treasury staff marked the issue as resolved, there was no documentation by staff to explain the reason. After discussion with the investment manager, it was determined that the issue that was flagged did not represent an actual violation but resulted from the compliance module incorrectly calculating portfolio percentages based on an understated total portfolio value.

Additionally, Internal Audit noted that the compliance module does not recognize Variable and Floating Rate securities as a separate investment type and presents all investments at the market value rather than at cost, unlike the Daily Holdings reports, that are customized to better monitor against OCTA Policy.

Recommendation:

Internal Audit recommends that Treasury staff consistently document resolution of all issues flagged in the Clearwater compliance module, as required by the Manual. Additionally, Treasury staff should consider customizing the Clearwater compliance module to accurately monitor against OCTA Policy.

Management Response:

Staff agrees with the recommendation and will document the resolution of all issues flagged in the Clearwater compliance module.

Customizing the Clearwater compliance module to recognize Variable and Floating Rate securities as a separate investment type is not an option currently offered by Clearwater. For now, Treasury staff will continue to utilize the Daily Holdings reports in conjunction with the Clearwater compliance module to ensure compliance with OCTA's Policy. Additionally, going forward, the Clearwater compliance module will present all investments at cost rather than at market value.



October 13, 2021

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: State Transit Assistance Fund Claims for Fiscal Year 2021-22

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. 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.

Recommendation

Adopt Resolution No. 2021-078 to authorize the filing of State Transit Assistance Fund claims, in the amount of \$36,415,760, or up to the actual allocation published by the State Controller's Office, to support public transportation.

Background

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 State Transit Assistance Fund (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.

Discussion

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 to be eligible for 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 a higher than usual cost of transit services and a 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 July 2021, the SCO determined that OCTA would receive \$36,415,750 of STAF for FY 2021-22. OCTD will utilize STAF revenues of \$19,970,462 to fund ongoing capital requirements and \$16,445,298, to fund operations of the Bus Program. These amounts may change based on actuals reported by the SCO.

Summary

The STAF provides funding to the OCTD for public transit services. To receive these funds, the OCTD must file the appropriate STAF claims with OCTA. Staff recommends the Board of Directors adopt Resolution No. 2021-078 to file these claims.

Attachment

- A. Resolution 2021-078 of the Orange County Transit District, Authorizing the Filing of State Transit Assistance Fund Claims

Prepared by:

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

Approved by:

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

**RESOLUTION 2021-078 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 25th day of October 2021.

AYES:

NOES:

ABSENT:

ATTEST:

Andrea West
Interim Clerk of the Board

Andrew Do, Chairman
Orange County Transit District



October 13, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: SB 1 (Chapter 5, Statutes of 2017) State of Good Repair Claims for Fiscal Year 2021-22

Overview

The Orange County Transportation Authority is 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 2021-22 were approved by the Board of Directors on August 23, 2021. Upon approval of the statewide list of fiscal year 2021-22 projects by the California Department of Transportation, the Orange County Transportation Authority must file claims on a quarterly basis to receive the funding.

Recommendation

Authorize the filing of SB 1 State of Good Repair claims, in the amount of \$6,393,649, 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

The State of Good Repair (SGR) Program is funded by a portion of the Transportation Improvement Fee on vehicle registrations. The State Controller's Office (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 2021, upon receipt of the approved recipients from the California Department of Transportation and filing of claims by the Orange County Transportation Authority (OCTA).

Discussion

In July 2021, the SCO determined that OCTA would receive \$6,393,649 of SGR funds for fiscal year (FY) 2021-22. On August 23, 2021, the OCTA Board of Directors (Board) approved the FY 2021-22 SB 1 SGR Program recommendations, directing the entire amount for the Transit Security and Operations Center Project.

The SCO is anticipated to begin releasing FY 2021-22 funds to transit agencies beginning November 2021. OCTA will then be able to submit claims to receive these funds on a quarterly basis.

Summary

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. Staff recommends the Board authorize filing of claims to receive SGR funds.

Attachment

None.

Prepared by:



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

Approved by:



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



October 13, 2021

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Microsoft Enterprise Agreement Renewal

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2021-22 Budget, a renewal of its existing Microsoft Enterprise Agreement is planned. Quotes were received from three Microsoft Large Account Resellers that are approved to sell the Microsoft Enterprise Agreement via the County of Riverside's Master Agreement.

Recommendations

- A. Approve the selection of Dell, Inc., to provide the Microsoft Enterprise renewal license for all of the Orange County Transportation Authority's Microsoft software.
- B. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C13676 between the Orange County Transportation Authority and Dell, Inc., in the amount of \$2,575,000, for the renewal of the Microsoft Enterprise Agreement for a three-year term.

Discussion

On October 22, 2018, the Orange County Transportation Authority's (OCTA) Board of Directors (Board) approved Purchase Order No. C81972 with PCMG, Inc., for a Microsoft Enterprise Agreement for the licensing of all of OCTA's Microsoft software. The term of the agreement was December 1, 2018 to November 30, 2021.

The Microsoft Enterprise Agreement has proven to be a very cost-effective way to purchase Microsoft software to address OCTA's key organizational objectives, such as building a secure and well-managed data center, maintaining line-of-business applications using the Microsoft Windows Operating System, Structured Query Language Database Software, and standardizing on

Microsoft's popular productivity software, known as Office Suite. OCTA has also enhanced its document sharing and collaboration processes by implementing the use of the Microsoft SharePoint Server.

The Microsoft Enterprise Agreement has provided OCTA with the best overall pricing based on its organization's size, the benefits of Software Assurance, as well as simplified licensing management.

Software Assurance, included in the Microsoft Enterprise Agreement, is a core set of benefits that improves workforce productivity and streamlines software deployment. These benefits include access to new product demos, rights to new software versions, deployment planning days, 24/7 phone and web support, and training for both end-users and technical staff. Software Assurance has allowed OCTA's Information Systems department to maintain its strategic goal of always being on a supported release of its Microsoft software, whether on the back-end servers or on the business users' desktop workstations.

Renewal of the Microsoft Enterprise Agreement will provide OCTA with continued flexibility. With the use of Microsoft Office 365, OCTA will be able to implement Microsoft line-of-business applications, such as Outlook, Word, and Excel, either on-site (on-premise) or in the cloud (hosted). This flexibility will allow OCTA to determine and provide for different departmental needs, to more efficiently manage its computing environment, and to optimize spending of its technology dollars.

Procurement Approach

In planning for the procurement, the Contracts Administration and Materials Management (CAMM) department explored two different procurement methods for the renewal of the Microsoft Enterprise Agreement. OCTA can issue an Invitation for Bids (IFB) in accordance with OCTA's Board-approved procurement policies and procedures or piggy-back on another public agency's existing agreement in accordance with state law, which aims to allow public agencies to piggy-back on procurement contracts as a cost-savings measure.

Using the first option, OCTA would issue an IFB, whereby award is based on the lowest, responsive, and responsible bid. Advantages of this procurement method include OCTA having full authority over the procurement, such as detailing the renewal requirements, selecting a Microsoft Large Account Reseller (LAR) for award, and negotiating the contract terms. However, this procurement approach can take up to 90 days before the renewal is completely processed.

Using the second option of a piggy-back procurement, OCTA would partner with another public agency that has an existing agreement with a Microsoft LAR for the renewal of the Microsoft Enterprise Agreement. This procurement method can result in a shortened procurement time, as well as administrative cost savings. OCTA is agreeable to all the terms and conditions of the County of Riverside's (County) Microsoft Enterprise Agreement No. 8084445. OCTA has used a piggy-back option when it renewed its previous Microsoft Enterprise Agreement in 2009, 2012, 2015, and 2018.

Staff determined that the piggy-back procurement method would be the most advantageous to OCTA. The County competitively bids the renewal of the Microsoft Enterprise Agreement every five years. Because the County's procurement included terms that allow eligible agencies within the State of California to benefit from volume pricing, a bench was created to include ten Licensed Solutions Providers (LSP) with their listed discount rates. This allows eligible agencies to receive competitive quotes based on their specific Microsoft needs. OCTA has been authorized to piggy-back on the County's agreement.

The CAMM department used a competitive procurement process to purchase Microsoft Enterprise renewal licenses by requesting quotes from the ten Microsoft LSPs on August 17, 2021. Upon receiving quotes from three of the ten Microsoft LSPs by the submittal deadline, August 23, 2021, CAMM conducted a cost analysis and determined that the pricing from Dell, Inc., was the lowest. Competing among the ten Microsoft LSPs with their discounted rates ensures fair and reasonable pricing.

Fiscal Impact

The project was approved in OCTA's Fiscal Year 2021-22 Budget, Finance and Administration/Information Systems department, Account No. 1283-7669-A5352-7F3, and is funded through local funds.

Summary

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C13676 with Dell, Inc., in the amount of \$2,575,000, for the renewal of the Microsoft Enterprise Agreement for a three-year term effective December 1, 2021 through November 30, 2024.

Attachment

None.

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October 13, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Transportation Infrastructure Finance and Innovation Act Debt Service Savings

Overview

To support the construction of the Interstate 405 Improvement Project, staff has used a combination of Transportation Infrastructure Finance and Innovation Act loans and interim short-term financing to substantially reduce debt service costs. This staff report provides an overview of the financing strategies utilized and their contribution to the total debt service savings of \$482 million.

Recommendation

Receive and file as an information item.

Background

In April 2015, the Orange County Transportation Authority (OCTA) Board of Directors (Board) approved the Interstate 405 (I-405) Improvement Project, which included construction of the 405 Express Lanes. The Board also directed staff to utilize the most effective financing available to support the construction of the 405 Express Lanes.

Staff has used a combination of Transportation Infrastructure Finance and Innovation Act (TIFIA) loans and interim short-term financing to substantially reduce debt service costs for the I-405 Improvement Project. The net present value (NPV) savings generated totals approximately \$482 million. The financing strategies implemented by staff, including savings levels, are presented below.

Discussion

2017 TIFIA Loan

In February 2016, OCTA began working with the United States Department of Transportation Build America Bureau Credit Programs Office (Bureau) to pursue

a TIFIA loan due to the lower interest rate and flexible terms offered through the TIFIA program. On July 26, 2017, OCTA and the Bureau executed a TIFIA loan for \$628.9 million (2017 TIFIA loan) as a direct borrowing for the I-405 Improvement Project. The interest rate on the 2017 TIFIA loan was 2.91 percent fixed for the life of the loan. The NPV savings generated from utilizing the TIFIA loan instead of issuing toll road revenue bonds is estimated to be \$300 million.

2021 TIFIA Loan

In August 2020, OCTA staff initiated 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 begin the application process by submitting 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 had made two draws on the 2017 TIFIA loan totaling \$287 million.

In March 2021, the Board approved the financing documents for the rate reset of the 2017 TIFIA loan. The rate reset closed on September 9, 2021, establishing OCTA as the first agency to close a rate reset loan (2021 TIFIA loan) for a loan that had been drawn upon. The rate reset resulted in an interest rate of 1.95 percent and NPV savings of \$158 million.

TIFIA Bond Anticipation Notes

Due to short-term interest rates reaching historic lows, staff determined that additional debt service savings could be realized if OCTA pursued short-term interim financing in lieu of immediately drawing on the 2021 TIFIA loan. On June 14, 2021, the Board approved the issuance of three-year Bond Anticipation Notes (2021 BANs) as a short-term interim financing to support the construction of the I-405 Improvement Project.

The 2021 BANs were issued on September 21, 2021, allowing OCTA to borrow at a reduced interest rate of 0.34 percent over the next three years instead of drawing on the 2021 TIFIA loan at a rate of 1.95 percent. The NPV savings from using the 2021 BANs to instead of drawing on the 2021 TIFIA loan is \$24 million.

Positive Impact on the 405 Express Lanes

The lower debt cost stemming from the financing strategies utilized by OCTA provides OCTA with flexibility in toll policy by allowing the following: use of congestion pricing instead of revenue maximization, high-occupancy

vehicle (HOV) of two people to be free during off peak periods for the first three years, and HOV of three or more to be free at all times. Additional benefits include an earlier payback of the 2021 TIFIA loan, and the generation of excess revenues earlier which can be used for projects in the corridor.

Summary

To support the construction of the I-405 Improvement Project, staff has used a combination of TIFIA loans and interim short-term financing to substantially reduce debt service costs.

Attachment

None.

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Transportation Infrastructure Finance and Innovation Act Debt Service Savings

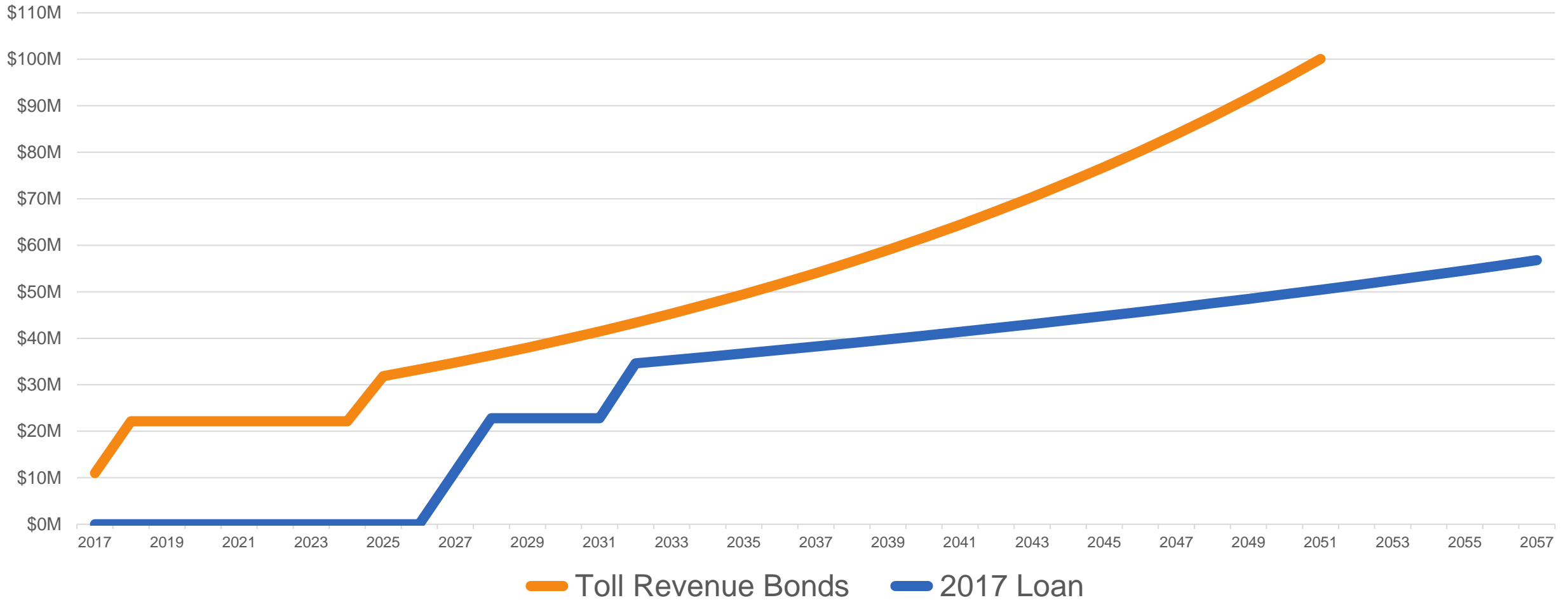
Background

- In April 2015, the Orange County Transportation Authority (OCTA) Board of Directors (Board) approved the Interstate 405 (I-405) Improvement Project which included construction of the 405 Express Lanes
- The Board directed staff to utilize the most effective financing available
- Staff has used a combination of Transportation Infrastructure Finance and Innovation Act (TIFIA) loans and interim short-term financing to substantially reduce debt service costs for the I-405 Express Lanes

2017 TIFIA Loan

- Staff began working with the Build America Bureau Credit Programs Office (Bureau), the agency which oversees TIFIA loans for the Department of Transportation, in February 2016 to pursue a TIFIA loan due to the lower interest rate and flexible terms
- OCTA closed its first TIFIA loan in July 2017
- The loan amount was for \$628.9 million with an interest rate of 2.91 percent
- The net present value savings (NPV) of utilizing the TIFIA loan instead of issuing toll road revenue bonds is estimated to be \$300 million

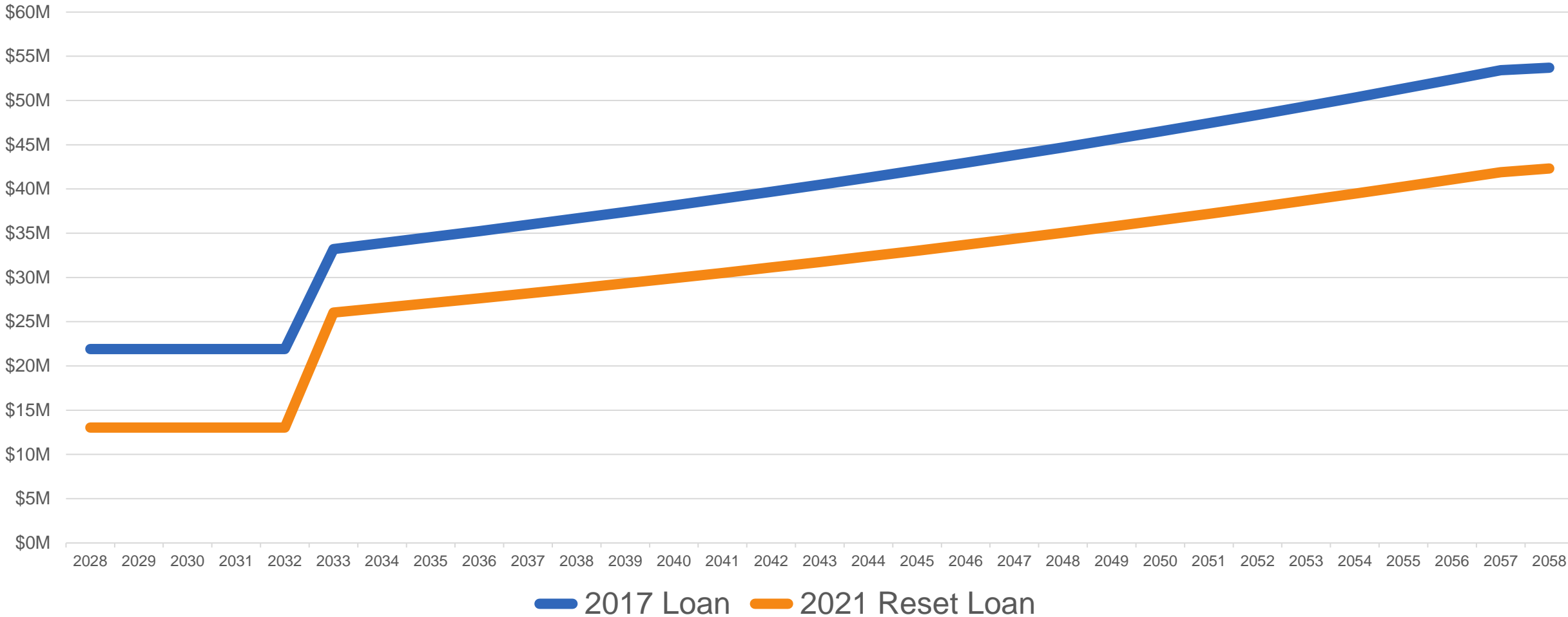
2017 TIFIA Loan – Debt Service Savings



2021 TIFIA Loan

- Staff contacted the Bureau on August 14, 2020, to lower the interest rate on the 2017 TIFIA loan
 - OCTA had made two draws on the 2017 TIFIA loan totaling \$287 million
- In March 2021, the OCTA Board approved the financing documents for the rate reset of the 2017 TIFIA loan
- The rate reset closed on September 9, 2021, at a rate of 1.95 percent
- OCTA became the first agency to close on a partially drawn TIFIA loan
- The NPV savings of the interest rate reset is \$158 million

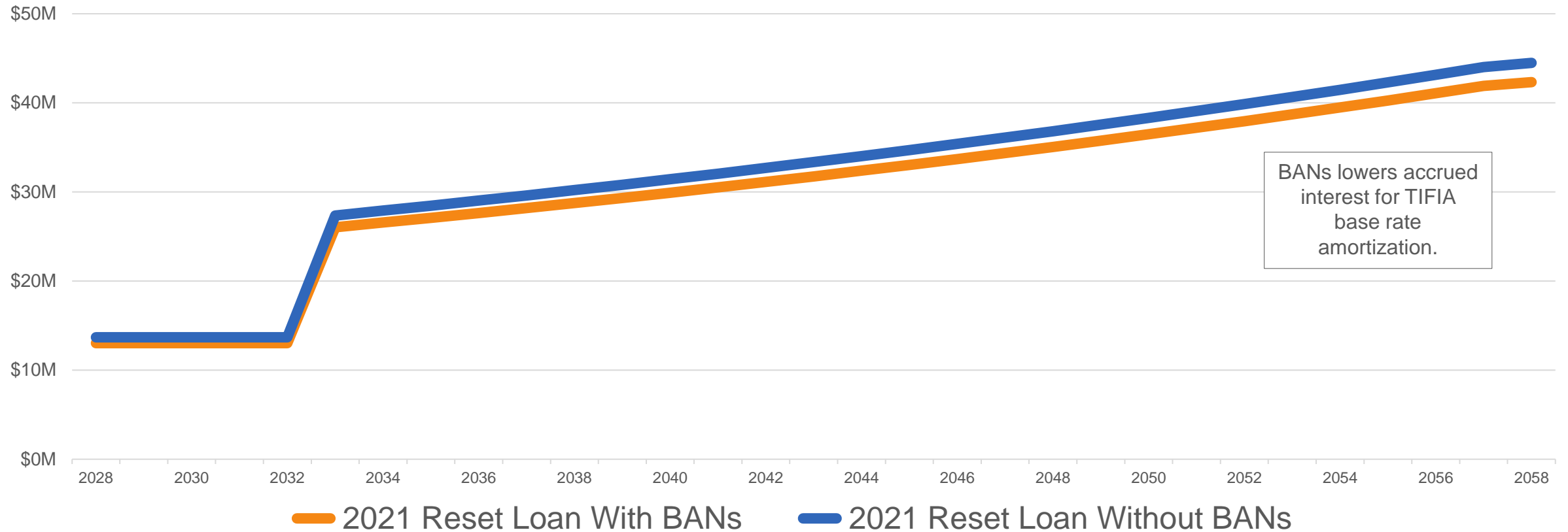
2021 TIFIA Loan - Debt Service Savings



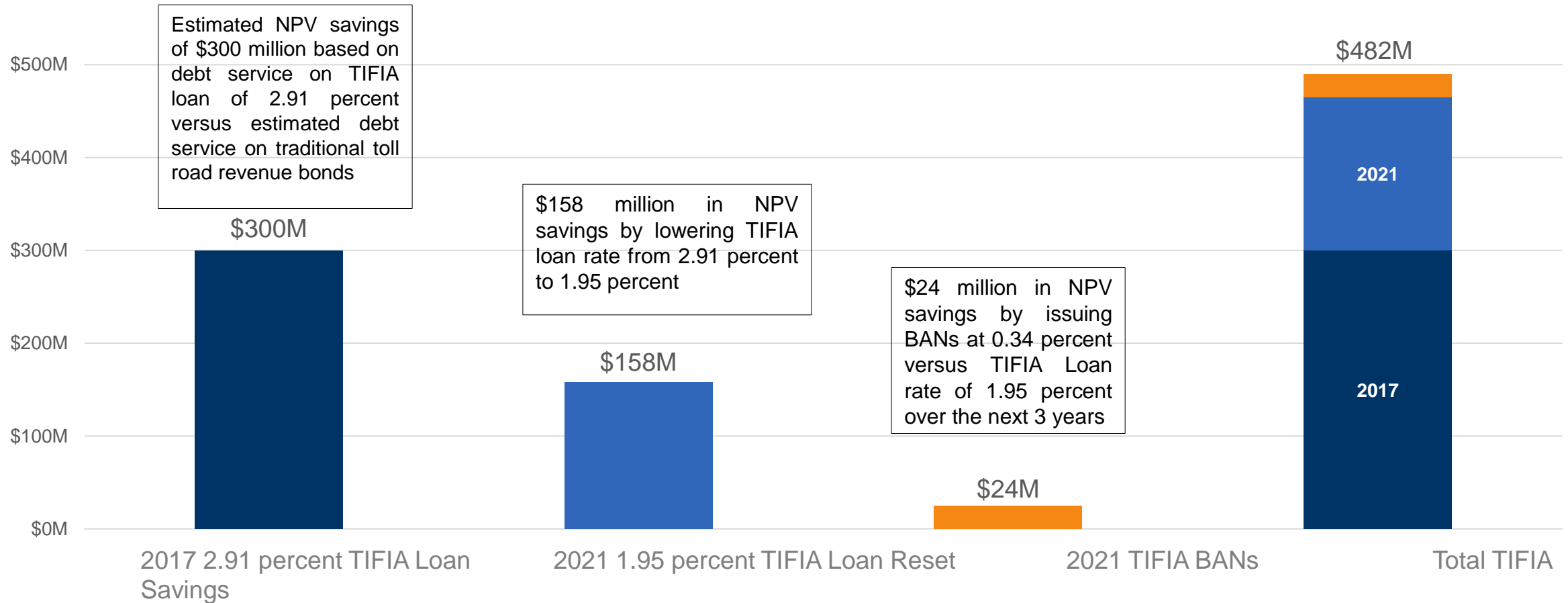
TIFIA Bond Anticipation Notes

- On June 14, 2021, the OCTA Board approved the issuance of Bond Anticipation Notes (BANs) as short-term interim financing for the project
- OCTA issued the BANs on September 21, 2021, at a rate of 0.34 percent over three years
- The BANs allowed OCTA to borrow at a reduced interest rate over the next three years instead of drawing on the 2021 TIFIA loan at a rate of 1.95 percent
- The NPV savings of the BANs is \$24 million

BANs - Debt Service Savings



TIFIA Debt Service Savings



Positive Impact on the 405 Express Lanes

- Lower debt cost allows for flexibility
 - Allows for congestion pricing instead of revenue maximization
 - Allows for high-occupancy vehicle (HOV)-2 to be free for off-peak times for the first three years
 - Allows for HOV-3+ to be free at all times
- Allows for earlier payback of the 2021 TIFIA loan
- Allows for net excess revenues to be generated earlier which can be used for projects in the corridor