



**June 8, 2022**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Agreement for Treasury Management Software System

### **Overview**

The Orange County Transportation Authority seeks the services of a firm for a treasury management software system to assist in compliance monitoring, performance measurement, audit, and reporting of the Orange County Transportation Authority's investment portfolio. A competitive procurement has been conducted and an offer was received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to execute an agreement for a treasury management software system.

### **Recommendations**

- A. Approve the selection of Clearwater Analytics LLC, as the firm to provide a treasury management software system.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-1-3860 between the Orange County Transportation Authority and Clearwater Analytics LLC, in the amount of \$984,800, to provide a treasury management software system for a five-year initial term and one, two-year option term.

### **Discussion**

The Orange County Transportation Authority (OCTA) currently utilizes the services of a treasury management software (TMS) system for compliance monitoring, performance measurement, audit, and reporting of OCTA's investment portfolio. OCTA's Treasury and Public Finance Department provides monthly investment reports to the Finance and Administration Committee and the Board of Directors (Board). The ability to track daily investment activity is essential to monitoring the overall risk and performance of the portfolio.

As of January 31, 2022, OCTA is managing an investment portfolio totaling \$2.4 billion dollars. The investment portfolio is divided into two managed portfolios: the liquid portfolio for immediate cash needs and the short-term portfolio for future budgeted expenditures. To provide assistance in managing high volumes of data and to provide a transparent format from which to manage the investment portfolio, a TMS system is essential to perform reporting and compliance-related tasks.

Staff currently utilizes a TMS system to monitor all trading activity performed by OCTA's investment managers. Additionally, the system calculates the performance for each of the four external investment managers within the respective portfolios. The performance reports calculate monthly rates of return based upon the market value and yield of each portfolio. All trading activity is reviewed weekly by OCTA's Treasury and Public Finance Department.

Staff submits a comprehensive investment and debt report to the Finance and Administration Committee and the Board on a monthly basis. The TMS system has been a valuable tool to monitor the daily activity of the portfolio while providing an efficient platform for data management, audit, and reporting.

OCTA has an existing agreement with Clearwater Analytics LLC (Clearwater) for an internet-based system that provides accurate and timely investment data to OCTA. Fees charged are based on the size of OCTA's portfolio, which continues to grow and diversify. The current agreement with Clearwater expires on May 31, 2022.

### ***Procurement Approach***

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

On December 20, 2021, Request for Proposals (RFP) 1-3860 was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on December 20 and December 27, 2021. A pre-proposal conference was scheduled for December 29, 2021; however, no firms were present. Two addenda were issued to make available the pre-proposal conference presentation and respond to written questions.

On January 20, 2022, one proposal was received. The proposal was from Clearwater. In accordance with OCTA's procurement policies and procedures, a single proposal received for a procurement over \$50,000 requires OCTA's Internal Audit Department (Internal Audit) to conduct an agreed-upon procedures review to determine whether the Contracts Administration and Materials Management (CAMM) Department complied with procedures to ensure adequate outreach to stimulate competition. The review found CAMM complied with these procedures. CAMM contacted firms from the plan holder's list that had indicated interest in submitting a proposal to inquire about why they did not submit a proposal. The responses from the firms varied, such as not being able to provide the requested services, timing of the RFP and resource constraints, or the firm's services were not a good fit for the RFP requirements.

An evaluation committee consisting of OCTA staff from Treasury and Public Finance, Express Lanes Programs, Financial Planning and Analysis, Local Programs, Information Technology, and CAMM departments reviewed the proposal received from Clearwater and determined that it meets the qualifications, staffing needs, and requirements of the scope of work.

The proposal was evaluated based on the following evaluation criteria and weightings:

- Qualifications of the Firm 25 percent
- Staffing and Project Organization 25 percent
- Work Plan 30 percent
- Cost and Price 20 percent

Several factors were considered in developing these weightings. Qualifications of the firm, as well as staffing and project organization, were weighted at 25 percent each to ensure the firm has prior experience and staff expertise in providing a TMS system. Work plan was weighted at 30 percent as the firm needed to demonstrate it could provide a TMS system that is customized to meet OCTA's requirements as identified in the scope of work. Cost and price was weighted at 20 percent to ensure OCTA receives the best value for services provided.

The evaluation committee conducted an interview with Clearwater. The interview consisted of a presentation allowing the team to discuss its qualifications, provide a brief overview of the firm's approach to providing the requested services, and respond to evaluation committee questions related to OCTA's requirements as specified in the scope of work. At the conclusion of the interview, a request for a best and final offer was sent to the firm to seek additional clarifications and final pricing.

The following is a brief summary of the proposal evaluation results.

#### Qualifications of the Firm

Clearwater has provided internet-based investment services since 2004. The firm provides daily reporting services to more than 1,000 clients, including over 300 government entities, with \$5.5 trillion in assets. Some of Clearwater's government agency clients include Los Angeles County, the City and County of San Francisco, and Riverside County. Clearwater has provided a TMS system to OCTA for the past ten years.

#### Staffing and Project Organization

Clearwater's proposed team demonstrated relevant knowledge and experience. The same key personnel performing on the current agreement were proposed to serve in the same capacity for the new agreement.

The current client services team lead (CSTL) is proposed to continue overseeing the efforts of a team of 12 that directly services OCTA. The CSTL has more than 15 years of experience. The proposed solutions consultant (SC) is proposed to continue overseeing that OCTA has the appropriate systems for use on a daily basis. The SC has nine years of experience, including extensive experience with client services and solutions. The proposed client services division lead has over eight years of experience and will continue providing issue resolution support services when needed.

#### Work Plan

Clearwater proposed to continue providing the same services currently provided to OCTA. Clearwater's software automates many manual tasks providing an efficient reconciliation process. Data is aggregated daily and available to OCTA on demand. During the interview, Clearwater provided a summary description of daily investment processing activity for the account. The response time to any OCTA inquiries is sufficient and within expectations.

#### Cost and Price

In accordance with OCTA's procurement policies and procedures, CAMM conducted a price review of the price proposed by Clearwater. The proposed price is based on a fee applied to OCTA's investment portfolio value. Clearwater proposed a fee of 0.775 basis points (0.00775 percent) for the first year of the agreement, increasing annually by 1.26 percent, to 0.8148 basis points (0.008148 percent) by the final year of the initial contract term, for an average

rate of 0.7948 basis points (0.007948 percent) for the initial contract term. The average fee is below the average fee in the current contract and the fee used to prepare the independent cost estimate, which was based on the fee in the current contract. Therefore, the proposed fees are deemed fair and reasonable.

#### **Procurement Summary**

Based on the evaluation of the written proposal, the firm's qualifications, the information obtained from the interview, and the best and final offer, the evaluation committee recommends the selection of Clearwater to provide a treasury management software system. Clearwater's team demonstrated extensive experience and submitted a comprehensive proposal that was responsive to the requirements of the RFP.

The agreement will have a five-year initial term and one, two-year option term. The amount of \$984,800 is estimated for the initial term only.

#### **Fiscal Impact**

Funding for this service is included in OCTA's Fiscal Year 2021-22 Approved Budget, Finance and Administration Division, Account No. 1230-7669-A5400-F01 and is funded by the general fund.

#### **Summary**

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Agreement No. C-1-3860 with Clearwater Analytics LLC, in the amount of \$984,800, to provide a treasury management software system for a five-year initial term and one, two-year option term.

**Attachment**

None.

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