



MINUTES

Finance and Administration Committee Meeting

Committee Members Present

Steve Jones, Vice Chairman
Richard Murphy
Todd Spitzer
Michelle Steel

Staff Present

Darrell Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Claridge, Deputy Clerk of the Board
James Donich, General Counsel
Members of the Public

Committee Members Absent

Andrew Do, Chairman
Michael Hennessey
Miguel Pulido

Call to Order

The February 8, 2017 regular meeting of the Finance and Administration Committee was called to order by Committee Vice Chairman Jones at 10:30 a.m.

Pledge of Allegiance

Director Murphy led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

2. Committee Meeting 2017 Schedule

Darrell Johnson, Chief Executive Officer (CEO), lead a discussion regarding the proposed 2017 committee meeting schedule for Finance and Administration Committee, highlighting three proposed changes in the months of January, August, and December.

A motion was made by Director Spitzer, seconded by Director Murphy, and declared passed by those present, to approve the 2017 Finance and Administration Committee meeting calendar.



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3. Roles and Responsibilities of the Finance and Administration Committee

Darrell Johnson, CEO, reported that the roles and responsibilities for each committee are reviewed periodically for changes or additions, and there were no recommended changes.

Mr. Johnson, CEO, noted that at the Regional Planning and Highways Committee meeting, Director Spitzer requested language be added to include future managed lanes network studies.

A motion was made by Director Spitzer, seconded by Director Murphy, and declared passed by those present, to approve the roles and responsibilities of the Finance and Administration Committee.

Consent Calendar (Items 4 through 11)

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

4. Approval of Minutes

A motion was made by Director Spitzer, seconded by Director Murphy, and declared passed by those present, to approve the minutes of the January 11, 2017 meeting.

Director Murphy abstained from voting on this item due to not being in attendance for the meeting.

5. Audit Responsibilities of the Finance and Administration Committee

A motion was made by Director Spitzer, seconded by Committee Vice Chairman Jones, and declared passed by those present, to approve the Audit Responsibilities of the Finance and Administration Committee.



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6. 91 Express Lanes Property Insurance Renewal

Director Spitzer pulled this item to inquire on the competitive bid process for the property coverage for the 91 Express Lanes.

Al Gorski, Manager of Risk Management, provided an overview of the bid process for property, flood, and earthquake coverage, coverage periods, rebuilding in the event of a flood, and loss of operation costs.

A motion was made by Director Spitzer, seconded by Director Murphy, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A36602, in the amount of \$500,000, to Marsh Risk and Insurance Services, Inc., to purchase the 91 Express Lanes' property, flood, and earthquake insurance on behalf of the Orange County Transportation Authority for the policy period of March 1, 2017 to March 1, 2018.

7. Orange County Treasurer's Management Report - December 2016

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

8. Local Agency Investment Fund - December 2016

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

9. Second Quarter Fiscal Year 2016-17 Procurement Status Report

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

10. Orange County Transportation Authority Investment and Debt Programs - December 2016

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



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11. Fiscal Year 2016-17 Internal Audit Plan, Second Quarter Update

A motion was made by Director Spitzer, seconded by Committee Vice Chairman Jones, and declared passed by those present, to receive and file the second quarter update to the Orange County Transportation Authority Fiscal Year 2016-17 Internal Audit Plan as an information item.

Regular Calendar

12. Status of Coach Operator Health Insurance Benefits Audit

Janet Sutter, Executive Director of Internal Audit, provided an overview of Article 40 of the Coach Operator Agreement with Teamsters Local 952 (Teamsters).

Director Spitzer inquired who has the fiduciary obligation to Orange County Transportation Authority (OCTA).

James Donich, General Counsel, stated the contract is with Teamsters, and the contractual agreement sets forth certain standards that Teamsters enter into with the trust. He stated that, OCTA has audit rights under the contract and as part of the audit, to ensure the contributions OCTA is making to the Labor Alliance Managed Trust Fund (Labor Alliance) is for the purpose of providing coach operators and their family health insurance.

Mr. Donich, General Counsel, stated in June and July 2016, the Internal Audit Department (Internal Audit) notified Teamsters, Labor Alliance, and DMC Insurance Administrators (DMC), in writing, of the intent to conduct an audit and requested specific records to be provided. Mr. Donich stated that on September 1, 2016, the DMC representative indicated that detailed account records would not be provided because pricing information is proprietary.

Mr. Donich also reported DMC's response was that, subject to the execution of a Confidentiality Agreement, records would be provided for inspection at their offices in Pleasanton, California. Mr. Donich also provided additional background on discussions with Labor Alliance's legal counsel.

David Gordillo, President of DMC Insurance Administrators, the third party administrator for Labor Alliance, provided background on the trust fund requirements completed annually for the monthly reconciliation.



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12. (Continued)

A lengthy discussion ensued regarding the independent auditor, Lindquist and Company, Form 500 Series reported to the Department of Labor, language in the collective bargaining agreement, Confidentiality Agreement, and the Health Insurance Portability and Accountability Act.

Staff was directed to return to the Finance and Administration Committee on March 8, 2017, with an update on status of the audit provisions extended to the contracted administrators.

13. Interstate 405 Improvement Project Financing Update

Andrew Oftelie, Executive Director of Finance and Administration, provided opening comments and introduced Kirk Avila, Treasurer and General Manager, the 91 Express Lanes, who provided an update on the Interstate 405 (I-405) Improvement Project financing.

Director Spitzer expressed concerns about Moody's Investors Services downgrading the parent company of one member of the Joint Venture (JV) team, OHL USA, Inc., from B3 to Caa1.

James Donich, General Counsel, responded that in the case of the I-405 Improvement Project, the joint venture team is being asked to perform design-build services to construct the project, not provide any equity or their own long-term debt financing. Mr. Donich stated that as long as the vendor provides an adequate monthly invoice, OCTA will pay that invoice within 30 days so there is no material, long-term cash flow responsibility placed on the JV team.

Director Spitzer inquired on who wrote the OC 405 Partners Update and the relevancy of the information. Mr. Avila responded that staff wanted to ensure the Committee and Board was apprised of all actions with the project.

Mr. Johnson, CEO, stated that as part of the procurement process, the firms were required to notify OCTA of any change in their financial position. Mr. Johnson reported that OHL notified staff in a timely manner with their financial change, and discussed what is being done to monitor the situation.

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



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Discussion Items

14. Bus Program Assumptions

Mr. Johnson, CEO, provided opening comments and introduced Sean Murdock, Director of Finance and Administration, who provided a PowerPoint presentation on the following:

- Demand for Bus Service;
- Fixed-Route Ridership;
- Potential Options To Address Demand;
- Sales Tax Methodology;
- Plan Going Forward, and;
- Calendar.

Director Spitzer expressed his concerns about declining bus ridership and the urgency to change the model; as well as sustain and grow ridership in the core areas.

Mr. Johnson, CEO, stated staff is working with State Legislator and other jurisdictions regarding how sales tax revenues are calculated within the Transportation Development Act (TDA), and review greater attention and efficiencies to the issue.

A lengthy discussion ensued regarding reduced fixed-route service, infusion of a one-time transfer of funds, review of administrative and capital support costs, new sales tax methodology, exploration of alternative service delivery models for low productivity areas, review of the paratransit program, revision of the capital plan, and how to sustain and grow ridership in core areas.

15. Chief Executive Officer's Report

- On Sunday, February 12th, the February bus service change will take place, and the newest "Xpress Route 53X" will go into service on Monday, February 13th.
- On February 2nd, he participated in The California Foundation on the Environment and the Economy conference and presented on the success of the 91 Express Lanes and how OCTA is financing and funding the Interstate 405 Express Lanes.



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16. Committee Members' Reports

There were no Committee Member's reports.

17. Closed Session

There were no Closed Session items scheduled.

18. Adjournment

The meeting adjourned at 11:53 a.m.

The **Wednesday, February 22, 2017** meeting of this Committee has been cancelled. The next regularly scheduled meeting will be held at **10:30 a.m. on Wednesday, March 8, 2017**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Claridge
Deputy Clerk of the Board

Steve Jones
Committee Vice Chairman