



January 10, 2018

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Appointment of the Orange County Transportation Authority Treasurer

Overview

Under the California Government Code, the governing body of a local agency has the authorization to appoint a Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds. Senate Bill 109 limits the delegation of the investment function by the governing body to its Treasurer to a one-year period. Recent changes within the organizational structure at the Orange County Transportation Authority have required an appointment of a new agency Treasurer.

Recommendations

- A. Appoint the Executive Director of Finance and Administration as the Treasurer of Orange County Transportation Authority and its affiliated agencies, effective January 22, 2018.
- B. Authorize the Treasurer to invest or reinvest Orange County Transportation Authority funds for the remaining duration of Fiscal Year 2017-18.

Background

Prior to the Orange County bankruptcy, the Orange County Transportation Authority (OCTA) deposited revenues in the Orange County Investment Pool managed by the County of Orange Treasurer. On December 6, 1994, the County of Orange filed for bankruptcy. Following the bankruptcy, OCTA took immediate steps to diversify and control the investment of its funds. The first step occurred on December 12, 1994, when the OCTA's Board of Directors (Board) approved the appointment of the Chief Executive Officer (CEO) as the Treasurer for OCTA and its affiliated agencies. In addition, the

CEO was given the authorization to delegate the duties of the Treasurer. Another important step involved the creation of a treasury function within OCTA. OCTA, with the assistance of various consultants, developed the necessary organizational structure, procedures, and policy manuals for implementing a treasury function.

In 1995, the Treasury/Public Finance Department was created at OCTA. The responsibilities of the department included management of OCTA's cash flow requirements, overseeing and directing the investment of cash assets, monitoring the performance of investment managers, and developing financing strategies to support operational goals and capital programs/acquisitions.

For the next two and a half years, OCTA's treasury duties were delegated by the CEO to the Director of Finance and Administration. The Director of Finance and Administration had been actively involved in the day-to-day investment decision-making process and the management of OCTA's investment program. Therefore, in 1997, the Board appointed the Director of Finance and Administration as the Treasurer for OCTA.

After years of serving as OCTA's Treasurer, the Director of Finance and Administration delegated his treasury responsibilities to the Treasury/Public Finance Manager. The day-to-day operations and responsibilities of the Treasurer function progressively migrated from the Director of Finance and Administration to the Treasury/Public Finance Manager. In 2004, the Board formalized this transition of responsibilities and appointed the Treasury/Public Finance Manager as OCTA's Treasurer.

In 2006, the Toll Roads Department, which oversees the operations of the 91 Express Lanes, was merged with the Treasury/Public Finance Department to form the Treasury/Toll Roads Department within the Finance and Administration Division. The 91 Express Lanes was acquired by OCTA in 2003, and the acquisition team included the Director of Finance and Administration, the Treasury/Public Finance Manager, and other representatives from OCTA. The combination of the Treasury/Public Finance and Toll Roads departments made sense since the Treasury/Public Finance Manager was knowledgeable about the operational details of the 91 Express Lanes from the acquisition.

Discussion

In 2015, the Board agreed to terms with the California Department of Transportation and approved moving forward with the Interstate 405 (I-405) Improvement Project (I-405 Project). The I-405 Project will add one general

purpose lane and will add an additional lane in each direction that will combine with the existing high-occupancy vehicle lane to provide dual express lanes in each direction of I-405 from State Route 73 to Interstate 605, otherwise known as the 405 Express Lanes. The 405 Express Lanes will be managed similarly to the 91 Express Lanes.

Since 2015, OCTA has awarded a design-build contract, issued Notice to Proceed No. 1 and No. 2, secured a Transportation Infrastructure Finance and Innovation Act loan, and commenced a procurement for a toll systems integrator. In addition to these I-405 Project related achievements, OCTA utilized the services of the Project Management Consultant (Consultant) for the I-405 Project to review the organizational structure of OCTA for the added responsibilities of the 405 Express Lanes. Based upon their research of managed lanes and the toll industry, the Consultant recommended that OCTA separate the Treasury/Public Finance function from the managed lanes/toll road functions.

A new department titled Express Lanes Programs is being created that will report to the Deputy CEO and will include operational responsibilities for the 91 Express Lanes, 405 Express Lanes, and any future express lane facilities operated by OCTA. The Treasury/Public Finance Department will remain in the Finance and Administration Division reporting to the Executive Director of Finance and Administration. A recruitment is currently ongoing for a new manager for the Treasury/Public Finance Department.

Given these organizational changes, a new Treasurer needs to be appointed by the Board. It is recommended that the Executive Director of Finance and Administration be appointed the new Treasurer. The Executive Director of Finance and Administration has been overseeing the treasury function since he was named to the position in 2013. The Executive Director of Finance and Administration has been with OCTA since 1999, serving in various capacities. He has a Master's of Science degree in Public Administration from California State University, Long Beach and a Bachelor's of Science degree in Finance from the University of Southern California.

Summary

The Orange County Transportation Authority's investment portfolio has averaged approximately \$1.3 billion over the past several years. The management of these funds has been overseen by the Treasury/Public Finance Manager and General Manager of the 91 Express Lanes since 2004. With the recent changes in the organizational structure at the Orange County Transportation Authority, it is recommended that the Board of Directors appoint

the Executive Director of Finance and Administration as the Treasurer for Orange County Transportation Authority and its affiliated agencies.

Attachments

None

Prepared by:

A handwritten signature in cursive script, appearing to read "Kenneth Phipps".

Kenneth Phipps
Deputy Chief Executive Officer
(714) 560-5637