



Committee Members Present

Andrew Do, Chairman
Richard Murphy, Vice Chairman
Michael Hennessey
Steve Jones
Michelle Steel

Staff Present

Darrell E. Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
James Donich, General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Todd Spitzer

Call to Order

The July 25, 2018 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:32 a.m.

Pledge of Allegiance

Director Jones led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

2. Taxable Sales Forecast - Chapman University - Raymond Sfeir, PhD, Professor of Economics

Andrew Oftelie, Executive Director of Finance and Administration, provided opening comments and introduced Dr. Raymond Sfeir, PhD, of Chapman University. Dr. Sfeir presented a comprehensive PowerPoint presentation and highlighted the following areas:

- Interest Rate Spread;
- Household Debt Service Payments as a Percentage of Disposable Income;
- Housing Starts;
- Nonresidential Investment – United States;
- Real Gross Domestic Product;
- California Permits 2007-2018;
- Construction Spending California;
- Job Growth;
- Payroll Employment;



2. (Continued)

- Orange County Outlook;
- Construction Spending - Orange County
- Construction Employment - Orange County;
- Purchasing Managers Index - Orange County;
- Manufacturing Jobs;
- Unemployment Rate in May 2018;
- Job Growth - Orange County;
- Employment by Industry - Orange County;
- Orange County Inflow/Outflow Job Counts – 2015;
- Orange County Jobs – Where workers Live – 2015;
- Payroll Jobs – Orange County
- Housing Outlook;
- Orange County – 2-Bedroom Apartment Rents;
- Unsold Inventory – Orange County;
- Supply of Unsold Homes – Orange County;
- Residential Building Permits – Orange County;
- Single Family Homes as a Percentage of Total Housing Unit Permits;
- Resale Single-Family Housing Prices – Orange County;
- Median Single-Family Home Prices – Orange County;
- Percent of Median Family Income Needed for Mortgage Payment on Median-Priced Home;
- Factors Affecting Consumer Spending;
- Total Population – Orange County; and
- Taxable Sales – Orange County.

A lengthy discussion ensued regarding:

- Employment rates;
- Main drivers in employment growth;
- Higher construction costs;
- Median housing prices;
- Mortgage rates;
- Expected growth of employment sectors; and
- Sales in Orange County and how it factors with growth.

Consent Calendar (Items 3 through 11)

3. Approval of Minutes

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of July 11, 2018.



4. Fiscal Year 2017-18 Internal Audit Plan, Fourth Quarter Update

Committee Chairman Do thanked the Internal Audit staff for all their hard work this year.

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2017-18 Internal Audit Plan as an information item.

5. Local Agency Investment Fund - June 2018

Committee Vice Chairman R. Murphy pulled this item to inquire about the internal controls that are in place for wire transfers.

Andrew Oftelie, Executive Director of Finance and Administration, explained the multiple layers of controls and approvals in place for wire transfers.

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

6. Orange County Treasurer's Management Report - June 2018

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

7. Orange County Transportation Authority Investment and Debt Programs Report - June 2018

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

8. Fourth Quarter Fiscal Year 2017-18 Procurement Status Report

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



9. OC Flex Update and Proposed Fare

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to approve the OC Flex fare of \$5.00 for onboard cash paying customers or \$4.50 for customers that use prepaid fare media.

10. Fiscal Year 2018-19 Budget Amendment

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to amend the Orange County Transportation Authority's Fiscal Year 2018-19 Budget by \$51,527,520, to accommodate Agreement No. C-6-1445, for the purchase of eight streetcar vehicles, spare parts, and special tooling for the OC Streetcar project.

11. New York Meetings Update - June 2018

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

Regular Calendar

12. Interstate 405 Improvement Project: Project Management Contracts, Internal Audit Report No. 18-505

Janet Sutter, Executive Director of Internal Audit, provided an overview of the following:

- Labor classifications;
- Consultant staff oversight;
- Contract amendments, and
- Validation of consultant estimates for amendments.

Committee Chairman Do commended Ms. Sutter and the Internal Audit department for a very thorough job on this audit.

Committee Chairman Do requested that any postdated labor reclassification should be reviewed and substantiated to show the request was in fact made up to 60 days prior.

Andrew Oftelie, Executive Director of Finance, stated staff will incorporate the changes to the procedures and will notify Committee Chairman Do if there are any issues.

12. (Continued)

Committee Vice Chairman R. Murphy inquired about the salary ranges and the possibility for manipulation.

Darrell E. Johnson, Chief Executive Officer, (CEO), responded that the intent of the labor classifications is meant to accommodate a range within the industry and based upon a series of activities on a temporary basis. He stated that staff did not define temporary and now is being defined as 180 days.

Mr. Otelie stated that staff will implement labor classification limitations for non-named personnel, and staff will seek reimbursement for overbilling through the Mott MacDonald contract.

Jim Beil, Executive Director of Capital Programs, addressed the time sheet billing issues, and stated staff will ensure oversight of time sheets submitted and billings will be signed by the sub-contractor and prime contractor.

Mr. Johnson, CEO, commented he met with the Vice President of the Southwest region for Mott MacDonald, and they clearly understand OCTA'S concerns and will absolutely fix the issues.

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to direct staff to implement four recommendations provided in Interstate 405 Improvement Project: Project Management Contracts, Internal Audit Report No. 18-505.

Director Jones was not present to vote on this item.

Discussion Items

13. Chief Executive Officer's Report

Mr. Johnson, CEO, reported on the following:

- The Angels Express was in service last night with nearly 500 boardings. Staff has recorded more than 25,000 boardings for the season, which is about on par with last season.



13. (Continued)

- A public information meeting for the Interstate 5/El Toro Road Interchange Project is being held tonight from 5:30 p.m. to 7:30 p.m. at Laguna Woods City Hall. This project is in the environmental phase which began last year and is expected to be completed late next year.

14. Committee Members' Reports

Director Hennessey thanked Ms. Sutter for her good work and bringing forward Item 12 to the Committee.

15. Closed Session

There are no Closed Session items scheduled.

16. Adjournment

The meeting adjourned at 11:41 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, August 22, 2018**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Andrew Do
Committee Chairman