

**Committee Members Present**

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

**Staff Present**

Darrell E. Johnson, Chief Executive Officer  
Ken Phipps, Deputy Chief Executive Officer  
Laurena Weinert, Clerk of the Board  
Cassie Trapesonian, Assistant General Counsel  
OCTA Staff and Members of the General Public

**Committee Members Absent**

None

**Call to Order**

The March 27, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Vice Chairman R. Murphy at 10:33 a.m.

**Pledge of Allegiance**

Director Steel led in the Pledge of Allegiance.

**1. Public Comments**

No public comments were received.

**Special Calendar**

There are no Special Calendar matters.

**Consent Calendar (Items 2 through 6)****2. Approval of Minutes**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to approve of the minutes of the Finance and Administration Committee meeting of March 13, 2019.

Committee Chairman Hennessey was not present to vote on this item.

**3. Local Agency Investment Fund - February 2019**

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

Committee Chairman Hennessey was not present to vote on this item.



**4. Orange County Treasurer's Management Report - February 2019**

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

Committee Chairman Hennessey was not present to vote on this item.

**5. Orange County Transportation Authority Investment and Debt Programs Report - February 2019**

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

Committee Chairman Hennessey was not present to vote on this item.

**6. Fiscal Year 2018-19 Second Quarter Grant Reimbursement Status Report**

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

Committee Chairman Hennessey was not present to vote on this item.

**Regular Calendar**

**7. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2018**

Janet Sutter, Executive Director of Internal Audit, presented the results of the selected cities' compliance with the Measure M2 (M2) Ordinance and Eligibility Guidelines related to the M2 Local Fair Share and Senior Mobility Program funds.

Ms. Sutter provided background on the audit process, that the cities are selected for audit by the Audit Subcommittee of the Taxpayers Oversight Committee (TOC), as well as highlighted the audit findings and recommendations.

A discussion ensued regarding:

- The City of Stanton (Stanton) findings are that some of the maintenance of effort (MOE) expenditures were not eligible based on the M2 gas tax guidelines and when removed from Stanton's total expenditures, Stanton fell below the MOE required for the year.

### 7. (Continued)

- With the Finance and Administration (F&A) Committee's approval of the recommendations, staff will consult with General Counsel, Board of Directors (Board) Chairman Shaw, and F&A Committee Chairman Hennessey.
- Staff will bring forward Stanton's M2 eligibility determination to the Executive Committee on April 1, 2019.
- Stanton's M2 Senior Mobility Program funding was not part of this audit. Stanton had two different M2 issues related to its Senior Mobility Program and Local Fair Share funding.
- The five-year prohibition relates to the actual expenditure of the Local Fair Share funds and MOE is an eligibility issue. The MOE minimum requirement needs to be met in order to be eligible to receive M2 funds.
- One of the recommendations is for legal counsel and staff to develop recommendations for the Board to consider for action because the MOE issue is not specially outlined in the M2 Ordinance.
- The recommendations to be reviewed for the Board's consideration are current suspension or a future year suspension.
- For 29 years, OCTA has never had a negative finding from the TOC, and there are concerns about the impacts of negative findings.
- The follow-up actions are conducted by the M2 program management staff, and for these audits, Internal Audit staff will track and follow-up with staff.
- F&A Committee Chairman Hennessey recommended that if another set of activities needs to be audited, that the city pay for the audit.

A motion was made by Committee Vice Chairman Murphy, seconded by Director Hernandez, and declared passed by those present, to:

- A. Direct staff to monitor implementation of recommendations by cities.
- B. Direct staff to review observations with legal counsel and develop recommendations for Board of Directors' consideration related to reviewed cities' compliance with the Measure M2 Ordinance and Eligibility Guidelines.

### **Discussion Items**

#### **8. Fiscal Year 2019-20 Budget Assumptions**

Darrell E. Johnson, Chief Executive Officer (CEO), provided opening comments, and Victor Velasquez, Financial Planning & Analysis Department Manager, provided a PowerPoint presentation for this item as follows:

- Budget Themes;
- Measure M2 Program Assumptions;
- 91 Express Lanes Program Assumptions;
- Transit Program Assumptions;
- Bus Program Revenue Assumptions;
- Bus Operations Service Assumptions;
- Metrolink Assumptions;
- Motorist Services Program Assumptions; and
- Next Steps.

A discussion ensued regarding:

- Non-toll revenues are fees and violations and “other” revenue is interests on cash balances as well as reimbursement from the Riverside County Transportation Commission for its share of operational expenses.
- M2 subsidizes bus fares for seniors and disabled passengers.
- Committee Chairman Hennessey inquired under the Metrolink service assumptions why one Oceanside – Los Angeles roundtrip is added in the evening, and staff will follow-up.
- Placentia Metrolink Station Project:
  - Orange County Transportation Authority (OCTA) and the City of Placentia (Placentia) had discussions to define the project.
  - OCTA has not been able to execute the project due to ongoing complex negotiations with BNSF Railway.
  - In April 2019, Placentia, Metrolink, and OCTA will meet to further discuss the project.
  - OCTA currently is going through a cost updating analysis and expects the costs will need adjustment.
  - Concerns if the overall costs increase, will Placentia be able to make an additional contribution as part of its share of the project.
  - The escrow account agreement has not been executed because OCTA does not have approval from BNSF Railway to build the station.
  - Anticipating 2019 as the start time for the project.



**8. (Continued)**

- Staff will review the concerns of a potential recession for M2 and bus service.
- Metrolink will present its component of the budget at future F&A Committee and Board meetings.

No action was taken on this information item.

**9. MV Transportation, Inc., Follow-up to Internal Audit No. 18-514**

Andrew Oftelie, Chief Financial Officer, reported:

- In October 2018, an Internal Audit report came forward to the F&A Committee regarding MV Transportation, Inc., (MV) ACCESS service provision.
- Internal Audit's recommendations were for management to consider an update to OCTA's procurement policy to require Board approval for any contract amendment that obligates OCTA for additional costs exceeding \$250,000 even when an increase can be accommodated within the Board-approved contract maximum.
- The specific issue, in the audit, was regarding an amendment related to providing additional hours at the Call Center for same day taxi services.
- The contract allowed for a Call Center, and the costs for the Call Center were included in an all-inclusive hourly rate paid to MV.
- When the Call Center was expanded, there was no established rate identified in the contract just for a Call Center. The audit found that it was changed to payment terms even though it was within the Board-approved contract maximum.
- Internal Audit recommended that management consider changing the policy to require approval in such an incident.
- Previously, the F&A Committee asked staff to return with its course of action, and the intent of the recommendation is to deal with operations and maintenance contracts.
- Management Comments:
  - Management agrees to consider a policy update, but before making this type of change, staff discussed with OCTA's internal Executive Team to ensure that making this change would not trigger any unintended consequences with other types of contracts, especially with large capital projects.
  - Management believes that changing the policy is not necessary, and the MV incident is an anomaly.
  - The course of action is if this incident happens again, the issue would be noted in the quarterly procurement report and placed as a Regular agenda item for this Committee to discuss.

### 9. (Continued)

- Management agrees to revisit the incident later this year during the federal triennial review and ask for recommended changes. If this Committee wants to revisit the issue, it can be brought forward as a part of a package of larger changes.

Janet Sutter, Executive Director of Internal Audit, agrees with the managements' recommendation.

No action was taken on this information item.

### 10. Chief Executive Officer's Report

Darrell E. Johnson, CEO, reported:

- Interstate 5 (I-5) Central County Improvements Project:
  - Construction on the I-5 Central County Improvements Project is underway.
  - The two-year project will add a second carpool lane in each direction on the I-5 between State Route (SR) SR-55 and SR-57.
  - The northbound I-5/Main Street carpool on-ramp will permanently close on April 3rd.
  - The southbound carpool off-ramp will permanently close on April 4th in preparation for demolition.
  - The construction work will also require intermittent closures of the third traffic lane on Main Street in the coming weeks.
  - On Wednesday, April 3rd at 10:00 a.m., OCTA outreach staff will host a stakeholder working group meeting here at OCTA to provide an overview of the project to local community representatives.
- Angels Express:
  - On Friday, April 5th at 5:00 p.m. OCTA will host a kick-off event for the Angels Express at the Irvine Metrolink Station.
  - Angels Hall of Famer Bobby Grich will be signing autographs and it should be a fun event.
  - He, along with Chairman Shaw, will participate at the event and everyone is invited to attend.
- Today, Chapman University is hosting The Future of Transportation 5th Annual Public Policy Conference, and he, along with other transportation experts, will participate on a panel.



**11. Committee Members' Reports**

There were no Committee Members' Reports.

**12. Closed Session**

There were no Closed Session items scheduled.

**13. Adjournment**

The meeting adjourned at 11:12 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, April 10, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room – Conference Room 07, Orange, California.

ATTEST

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Michael Hennessey  
Committee Chairman

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Laurena Weinert  
Clerk of the Board