



Committee Members Present

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Michelle Steel
Donald P. Wagner

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

None

Call to Order

The May 22, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Hennessey at 10:33 a.m.

Pledge of Allegiance

Director Wagner led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

2. Taxable Sales Forecast - MuniServices - Doug Jensen, Senior Vice President, Client Services

Andrew Oftelie, Chief Financial Officer (CFO), provided opening comments and introduced Doug Jensen, Senior Vice President, Client Services, of MuniServices.

Mr. Jensen provided a PowerPoint presentation for this item as follows:

- Performance Comparison;
- Top 10 Segments;
- Quarterly Performance;
- Top 25 Sales Tax Generators (Alpha Order);
- Sales Tax Revenues Compared to Income;
- Employment Compared to Sales Tax Per Capita;
- Measure M2 (M2) Forecast Projections;
- Transportation Development Act (TDA) Local Transportation Fund (LTF) Forecast Projections; and
- Highlights of Forecast.



2. (Continued)

A discussion ensued regarding the following:

- Orange County Transportation Authority (OCTA) has relied on the MuniServices forecast since 2016. Previously OCTA used an average from three universities.
- Retail has accounted for almost 34 percent of the total M2 revenue growth.
- Auto sales declined because vehicle leasing is more popular.
- For the proposed fiscal year 2019-20 budget, included will be a 2.95 percent M2 growth.
- There are strong department store sales noted on slide 5 of the PowerPoint.
- The M2 revenue projections include the United States Supreme Court decision on Wayfair that took effect April 1, 2019.
- Assembly Bill 147 (AB 147) takes effect October 1, 2019. This bill defines "Doing business in California," and applies to "marketplace facilitators," such as eBay, Etsy, or Amazon. These entities must collect sales tax on all transactions they are processing regardless of who fulfills the order. AB 147 ensures sales tax is collected corresponding to the shipping address. This could double the amount of sales tax OCTA could receive from market facilitators.
- The TDA forecast is \$184.5 million as opposed to \$176.7 million that was budgeted.

Consent Calendar (Items 3 through 13)

3. Approval of Minutes

A motion was made by Director Hernandez, seconded by Director Jones, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of April 24, 2019.

4. Triennial Performance Audits

A motion was made by Director Hernandez, seconded by Director Jones, and declared passed by those present, to:

- A. Direct staff to implement seven recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of the Orange County Transportation Authority.
- B. Direct staff to monitor implementation of recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of Laguna Beach Municipal Transit Lines.



5. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2018

A motion was made by Director Hernandez, seconded by Director Jones, and declared passed by those present, to direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2018, Internal Audit Report No. 19-507.

6. Orange County Transportation Authority Investment and Debt Programs Report - April 2019

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

7. Fiscal Year 2018-19 Third Quarter Grant Reimbursement Status Report

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

8. Agreement with the California Highway Patrol for Enforcement Services on the 91 Express Lanes

A motion was made by Director Hernandez, seconded by Director Jones, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1172, between the Orange County Transportation Authority and California Highway Patrol, for a contract term of ten years, in an amount not to exceed \$12,326,335, for toll and traffic enforcement services on the 91 Express Lanes.

9. Amendment to the 91 Express Lanes Riverside County Transportation Commission/Orange County Transportation Authority Facility Agreement

A motion was made by Director Hernandez, seconded by Director Jones, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-5-3828 between the Orange County Transportation Authority and Riverside County Transportation Commission, in the amount of \$917,000, for the reimbursement of shared operational expenses through June 30, 2020.

10. 91 Express Lanes Update for the Period Ending March 31, 2019

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



11. Resolution to Establish the Orange County Local Transportation Authority/Measure M2 Appropriations Limitation for Fiscal Year 2019-20

A motion was made by Director Hernandez, seconded by Director Jones, and declared passed by those present, to adopt Orange County Local Transportation Authority/Measure M2 Resolution No. 2019-027 to establish the Orange County Local Transportation Authority/Measure M2 appropriations limit at \$1,821,701,129 for fiscal year 2019-20.

12. Resolution to Establish the Orange County Transportation Authority General Fund Appropriations Limitation for Fiscal Year 2019-20

A motion was made by Director Hernandez, seconded by Director Jones, and declared passed by those present, to adopt Orange County Transportation Authority Resolution No. 2019-028 to establish the Orange County Transportation Authority General Fund appropriations limit at \$12,054,043 for fiscal year 2019-20.

13. Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2019

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

Regular Calendar

14. Consultant Selection for the Implementation of the Federal Disadvantaged Business Enterprise Program

Andrew Oftelie, CFO, provided opening comments and introduced Virginia Abadessa, Director of Contracts Administration and Materials Management, who reported on the following:

- The procurement process.
- The recommendation of Padilla & Associates, Inc. (Padilla) as the firm to assist in administering the Federal Disadvantaged Business Enterprise (DBE) Program.
- Padilla's experience and history of working with OCTA, LA Metro, Metrolink, and California Department of Transportation.
- Padilla's role as a consultant as it relates to the DBE Program.

Ms. Abadessa explained the difference between an enterprise zone and enterprise program. She stated that Padilla's role is to help manage the federal program as OCTA does not have any dedicated staff to set goals and monitor performance.

James Donich, General Counsel, stated that DBE Program's are historically smaller businesses owned by minorities and a certain percentage of contracts must be awarded to Disadvantaged Businesses.



14. (Continued)

Darrell E. Johnson, Chief Executive Officer (CEO), stated because OCTA receives federal funds, OCTA must comply with the Federal Transit Administration and the Federal Highway Administration's policies.

A motion was made by Director Do, seconded by Director Hernandez, and declared passed by those present, to:

- A. Approve the selection of Padilla & Associates, Inc., as the firm to provide assistance in administering the Federal Disadvantaged Business Enterprise Program for the Orange County Transportation Authority.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0987 between the Orange County Transportation Authority and Padilla & Associates, Inc., to provide assistance in administering the Federal Disadvantaged Business Enterprise Program for a five-year term, in the amount of \$950,000.

15. Preview to the Public Hearing on Orange County Transportation Authority's Fiscal Year 2019-20 Budget and Personnel and Salary Resolution

Andrew Oftelie, CFO, referenced a handout listing questions and answers that resulted from the May 13, 2019 Board of Directors (Board) budget workshop. Mr. Oftelie stated that the public hearing is set for June 10, 2019 Board meeting on the proposed fiscal year 2019-20 budget and Personnel and Salary Resolution (PSR).

Committee Chairman Hennessey inquired if there were any changes since the May 13, 2019 Board Budget workshop. Mr. Oftelie stated as of today, no changes have been made.

Director Wagner inquired on the procedure for the Committee vote. Mr. Oftelie responded that the Committee will be voting on the recommendations to be moved forward to the June 10, 2019, Board meeting.

James Donich, General Counsel, discussed the Committee voting procedure.

15. (Continued)

Mr. Oftelie presented a PowerPoint on the following:

- Budget Themes;
- Budget Overview;
- Budget Sources and Uses;
- Staffing Levels;
- Employee Compensation Assumptions;
- PSR;
- Recommendations; and
- Next Steps.

A lengthy discussion ensued regarding:

- The use of prior fiscal year designations to pay for purchases this year.
- Fixed capital items are encumbered; however, time and materials are included in this fiscal year's budget.
- Administrative employees are not covered by a labor agreement and are governed by the PSR. The PSR is approved by the Board on an annual basis.
- There are 498.5 administrative employees in the 2019-20 budget.
- Vacation cash-out can be applied to Orange County Employee Retirement System (OCERS) retirement Plans A and B.
- The proposed increase in vacation accrual extends to new administrative employees.

Maggie McJilton, Executive Director, Human Resources and Organizational Development, addressed the committee regarding the following:

- Most OCTA employees fall into OCERS Plan B.
- Employees may cash-out up to 200 hours of vacation each calendar year.
- Each OCERS pension plan has different requirements regarding retirement age and maximum amount of calculation at retirement.
- Plan A is the most generous and ended in 1979. Plan B reduced the amount of what is pensionable. Plan U covers California Public Employees' Pension Reform Act and started in 2015. In addition, about 25 percent of OCTA's workforce is in Plan U.
- Administrative employees work under a performance plan, and merit increases are based on performance. The proposed four percent merit pool is based on a market study.



15. (Continued)

- Employees receive a performance review annually. This review is based on a five-point scale.
- Special Performance Award is a single lump sum payment and does not increase an employee's base salary.
- OCTA's turnover rate is currently 6.1 percent but has been as high as ten percent in the past.

Director Do requested a breakdown of the number of employees receiving a pay raise and the percentages. Mr. Jonson, CEO, explained the non-base salary and merit-based building for Administrative employees.

Committee Vice Chairman R. Murphy requested more detail on the Merit and Special Performance pools and be incorporated into the PowerPoint going on to the June 10, 2019 Board meeting.

Mr. Oftelie acknowledged the Committee's comments and suggestions and will incorporate the information into the PowerPoint for the public hearing set for June 10, 2019

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

- A. Approve by Resolution the Orange County Transportation Authority's Fiscal Year 2019-20 Budget.
- B. Approve the Personnel and Salary Resolution for Fiscal Year 2019-20.
- C. Authorize the Chief Executive Officer to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approval of fiscal year 2019-20 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, in an amount up to \$30,287,870, including authorization of Federal Transit Administration funds, in an amount up to \$8,500,000, to be drawn down directly by Southern California Regional Rail Authority. In addition, approve capital and rehabilitation expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation budgets. Orange County Transportation Authority portion of the costs for capital is \$515,980 and \$12,679,851 for rehabilitation.

Directors Do and Wagner voted to oppose the recommendations on this item.



Discussion Items

16. Chief Executive Officer's Report

Mr. Johnson, CEO, reported on the following:

- Olivia Salters, a participant in the Job Rotation Program, was introduced to the Committee.
- Bus Service Plan Community Hearings are ongoing for the October 2019 and February 2020 service changes. The first meeting was held May 2019, in the City of Brea. The next meet is May 22, 2019 in the City of Santa Ana. The final meeting is May 23, 2019, in the City of Irvine. A public meeting is scheduled for the June 10, 2019, OCTA Board meeting.
- OCTA participated in Bike-to-Work week May 13-17, 2019. The annual bike ride and rally was rescheduled due to rain and was held on May 23, 2019. The three-mile ride started at the Orange Metrolink Station and concluded at the OCTA Headquarters.

17. Committee Members' Reports

There were no Committee Members' Reports

18. Closed Session

There were no Closed Session items scheduled.

19. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, June 12, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Michael Hennessey
Committee Chairman

Gina Ramirez
Deputy Clerk of the Board