



**March 24, 2021**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Amendment to Agreement for Financial Advisory Services

### **Overview**

On April 23, 2018, the Orange County Transportation Authority Board of Directors approved an agreement with Sperry Capital, Inc., to provide financial advisory services for a three-year initial term and one, two-year option term. Board of Directors' approval is requested to exercise the option term effective May 1, 2021 through April 30, 2023.

### **Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-7-2137 between the Orange County Transportation Authority and Sperry Capital, Inc., to exercise the option term of the agreement, to extend the term through April 30, 2023 and increase the amount by \$400,000, for a total contract value of \$1,065,000, to provide continued financial advisory services.

### **Discussion**

The Orange County Transportation Authority (OCTA) utilizes the services of a financial advisory firm to perform financial advisory services in connection with OCTA's debt program such as making recommendations and performing activities related to the issuance of new debt and assisting with OCTA's Investor Relations Program. OCTA's financial advisor is responsible for providing analysis, consultation, and support for financial, investment, and other related matters affecting capital and operating financial strategies.

Over the past decade, OCTA has evolved into a large and sophisticated issuer of municipal debt instruments with around \$990 million of debt outstanding. As a result, OCTA is one of the highest rated sales tax issuers in California and has one of the highest single-asset toll road ratings in the nation for the 91 Express Lanes.

Over the next two years, OCTA's financial advisor will assist with the restructuring or renewal of OCTA's line of credit (required under the Transportation Infrastructure Finance and Innovation Act [TIFIA] loan agreement), the evaluation process for OCTA's underwriter pool (current pool expires in October 2021), and the issuance of new debt to assist with the implementation of capital and operating financial strategies.

Additionally, OCTA's financial advisor will assist with the financial reporting requirements of the TIFIA loan. OCTA is required to provide an updated financial model and report each year to the Build America Bureau and the Federal Highway Administration for the loan.

OCTA's financial advisor will also be responsible for assisting staff with the Investor Relations Program (IRP). The IRP includes annual meetings with investors, liquidity providers, and rating agencies. OCTA provides comprehensive presentations during these meetings.

Sperry Capital, Inc. (Sperry) has performed its obligations well, providing services under the scope of work to support and advance OCTA's goals. In order to continue these services, and based on consultant's performance, staff recommends the Board of Directors (Board) approve an amendment to exercise the option term.

### ***Procurement Approach***

The procurement was handled in accordance with OCTA's Board-approved procedures for professional services that conform to both federal and state laws. The original agreement was awarded on a competitive basis and includes a three-year initial term for \$495,500, and one, two-year option term. The initial term of the agreement expires on April 30, 2021.

The agreement has been amended one time for a budget increase. The amendment is further described in Attachment A. The proposed Amendment No. 2 is to exercise the option term of the agreement through April 30, 2023. The budget for this amendment is \$400,000, based on the firm's hourly rates and anticipated usage for services on an as-needed basis, bringing the total contract value to \$1,065,000. An annual hourly rate escalation was negotiated in the original contract. However, OCTA was able to negotiate with Sperry to hold its initial term rates for the option term resulting in an approximate cost savings of \$20,250. Exercising the option term will allow OCTA continued assistance with addressing various financial impacts and decisions over the next two years.

**Fiscal Impact**

The financial advisory services were approved in OCTA's Fiscal Year 2020-21 Budget and will be funded through the M2 Fund (0017-7519-M0201-GRV), 91 Express Lanes Fund (0036-7519-B0001-AHA), and 405 Express Lanes Fund (0037-7519-A9511-AHA).

**Summary**

Staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-7-2137 with Sperry Capital, Inc., to exercise the option term, in the amount of \$400,000, for a total contract value of \$1,065,000, for continued financial advisory services.

**Attachment**

- A. Sperry Capital, Inc., Agreement No. C-7-2137, Fact Sheet

**Prepared by:**

Robert Davis  
Department Manager  
Treasury/Public Finance  
(714) 560-5675

**Approved by:**

Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649



Pia Veasapen  
Director, Contracts Administration and  
Materials Management  
(714) 560-5619