Orange County Transportation Authority

Finance and Administration Committee Agenda
Wednesday, May 10, 2023 at 10:30 a.m.

Board Room, 550 South Main Street, Orange, California

Committee Members

Michael Hennessey, Chairman
Patrick Harper, Vice Chairman
Andrew Do
Jamey Federico
Brian Goodell
Steve Jones
Vicente Sarmiento

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the Orange County Transportation Authority (OCTA) Clerk of the Board's office at (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda Descriptions

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

Public Availability of Agenda Materials

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Meeting Access and Public Comments on Agenda Items

Members of the public can either attend in-person or listen to audio live streaming of the Board and Committee meetings by clicking this link: https://octa.legistar.com/Calendar.aspx

In-Person Comment

Members of the public may attend in-person and address the Board regarding any item. Please complete a speaker's card and submit it to the Clerk of the Board or notify the Clerk of the Board the item number on which you wish to speak. Speakers will be recognized by the Chairman at the time the agenda item is to be considered. Comments shall be limited to three minutes.

Written Comment

Written public comments may also be submitted by emailing them to ClerkOffice@octa.net, and must be sent by 5:00 p.m. the day prior to the meeting. If you wish to comment on a specific agenda Item, please identify the Item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

Call to Order

Pledge of Allegiance

Director Federico

Special Calendar

1. Taxable Sales Forecast - MuniServices

Sam Kaur/Andrew Oftelie

Overview

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in Spring 2023. Thomas Adams, from MuniServices, will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.

Attachments:

Presentation

Consent Calendar (Items 2 and 3)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

2. Approval of Minutes

Recommendation

Approve the April 26, 2023 minutes of the Finance and Administration Committee meeting.

Attachments:

Minutes

3. Annual Update to Investment Policy

Robert Davis/Andrew Oftelie

Overview

The Treasurer is presenting the Orange County Transportation Authority's Proposed Fiscal Year 2023-24 Investment Policy. The governing body of a local agency is required to annually renew the delegation of authority for the Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds for a period of one year. Additionally, and as recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Proposed Fiscal Year 2023-24 Investment Policy to be reviewed at a public meeting.

Recommendations

A. Adopt the Proposed Fiscal Year 2023-24 Investment Policy July 1, 2023.

B. Authorize the Treasurer, to invest, reinvest, purchase, exchange, sell, and manage

Orange County Transportation Authority funds during fiscal year 2023-24.

Attachments:

Staff Report

Attachment A

Attachment B

Regular Calendar

4. Agreement for Information Technology Contract Technical Staffing

Tom Young/Andrew Oftelie

Overview

On September 26, 2022, the Board of Directors authorized the release of a request for proposals for a firm to provide contract technical staffing for data warehouse administration, SharePoint administration, project management, help desk support, desktop support, network administration, and application support for the Information Systems Department. Proposals were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to execute an agreement to provide these services.

Recommendations

A. Approve the selection of Intratek Computer, Inc., as the firm to provide contract staffing services for Information Technology technical positions.

B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2746 between the Orange County Transportation Authority and Intratek Computer, Inc., in the amount of $23,621,941, for a five-year term effective July 1, 2023 through June 30, 2028, to provide contract technical staffing services for Information Technology technical positions.

Attachments:

Staff Report

Attachment A

Attachment B

Attachment C

Discussion Items

5. Fiscal Year 2023-24 Budget Workshop Follow-up

Victor Velasquez/Andrew Oftelie

Overview

Budget staff is available for follow-up questions, issues, or concerns that may have arisen at and/or since the budget workshop conducted with the Board on May 8, 2023.

6. Public Comments

7. Chief Executive Officer's Report

8. Committee Members' Reports

9. Closed Session

There are no Closed Session items scheduled.

10. Adjournment

The next regularly scheduled meeting of this Committee will be held:

10:30 a.m. on Wednesday, May 24, 2023

OCTA Headquarters
Board Room
550 South Main Street
Orange, California

Orange County Transportation Authority

Measure M2 and TDA Forecast Review

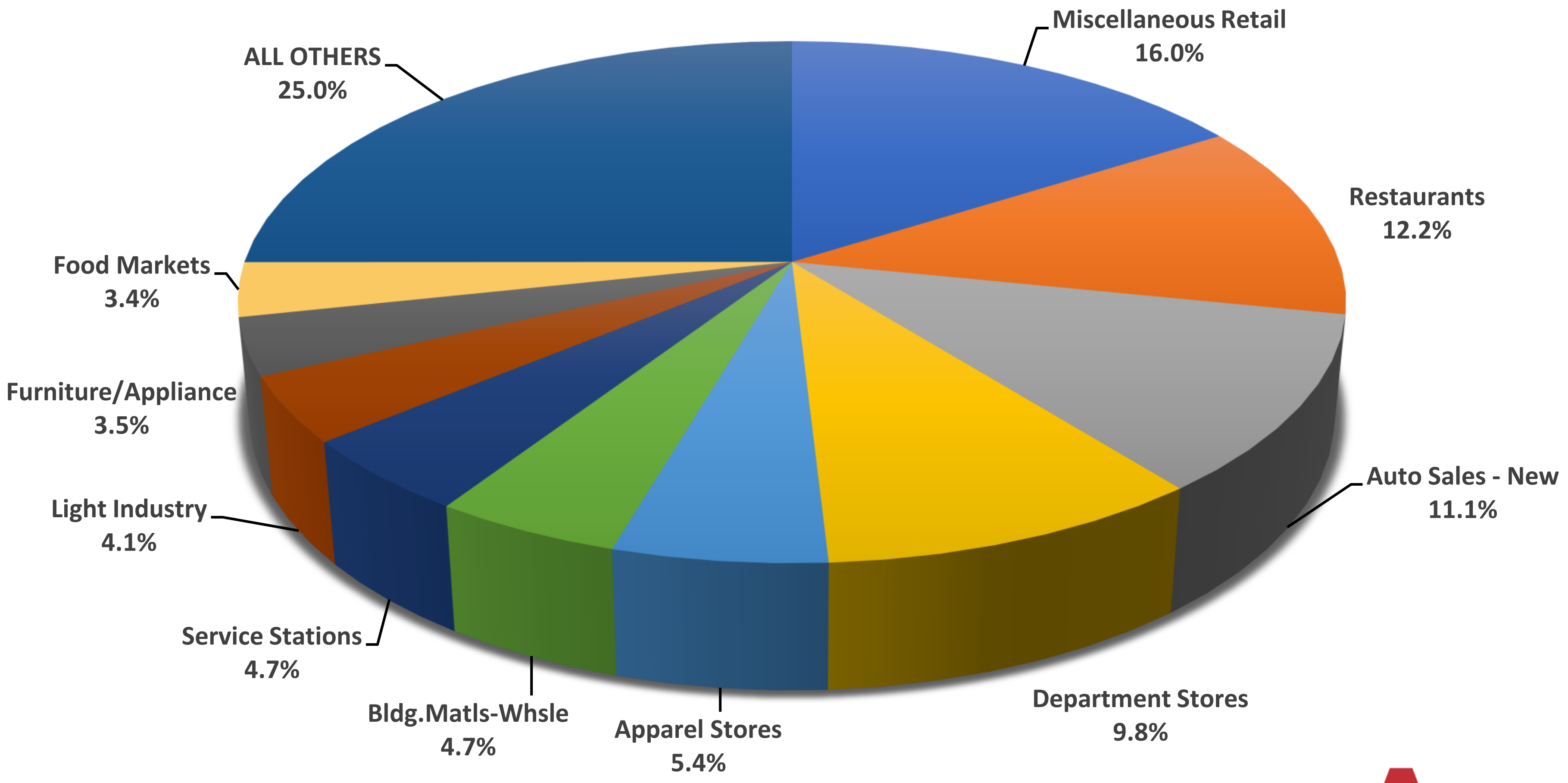
Tom Adams
Client Success Manager
Thomas.Adams@AvenuInsights.com

May 2023 Update

Agenda

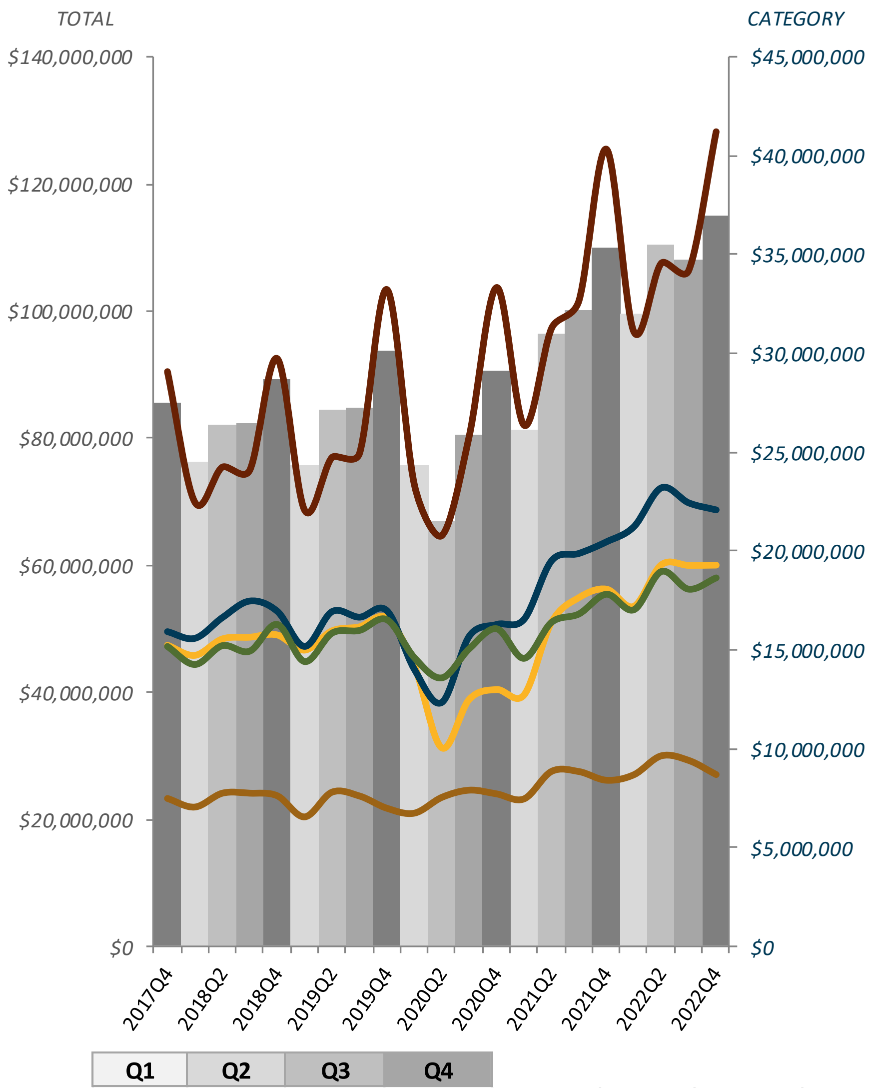
- Top Segments, Quarterly Performance, & Top 25 Businesses
- Sales Tax Revenues Compared to Income
- Employment Compared to Sales Tax per Capita
- Coronavirus Impacts
- Forecast Assumptions and Recovery Projections

Top 10 Segments



AVENU
INSIGHTS & ANALYTICS

Quarterly Performance



Calendar Year Quarters

TOTAL

2022Q4	QoQ %Δ	QoQ $Δ	YoY %Δ	YoY $Δ
$115,039,237	4.6%	$5,024,540	11.7%	$45,408,801

GENERAL RETAIL

2022Q4	QoQ %Δ	QoQ $Δ	YoY %Δ	YoY $Δ
$41,186,238	2.2%	$882,609	8.0%	$10,420,401
% of 2022Q4 Total:		35.8%		

FOOD PRODUCTS

2022Q4	QoQ %Δ	QoQ $Δ	YoY %Δ	YoY $Δ
$19,303,682	6.8%	$1,220,965	15.8%	$10,274,052
% of Total:	16.8%			

TRANSPORTATION

2022Q4	QoQ %Δ	QoQ $Δ	YoY %Δ	YoY $Δ
$22,072,911	7.9%	$1,611,445	16.4%	$12,503,514
% of Total:	19.2%			

CONSTRUCTION

2022Q4	QoQ %Δ	QoQ $Δ	YoY %Δ	YoY $Δ
$8,667,332	3.4%	$284,869	8.5%	$2,842,332
% of Total:	7.5%			

BUSINESS TO BUSINESS

2022Q4	QoQ %Δ	QoQ $Δ	YoY %Δ	YoY $Δ
$18,655,634	4.6%	$825,650	10.8%	$7,090,470
% of Total:	16.2%			

QoQ = 22Q4 / 21Q4 *YoY = YE 22Q4 / YE 21Q4*

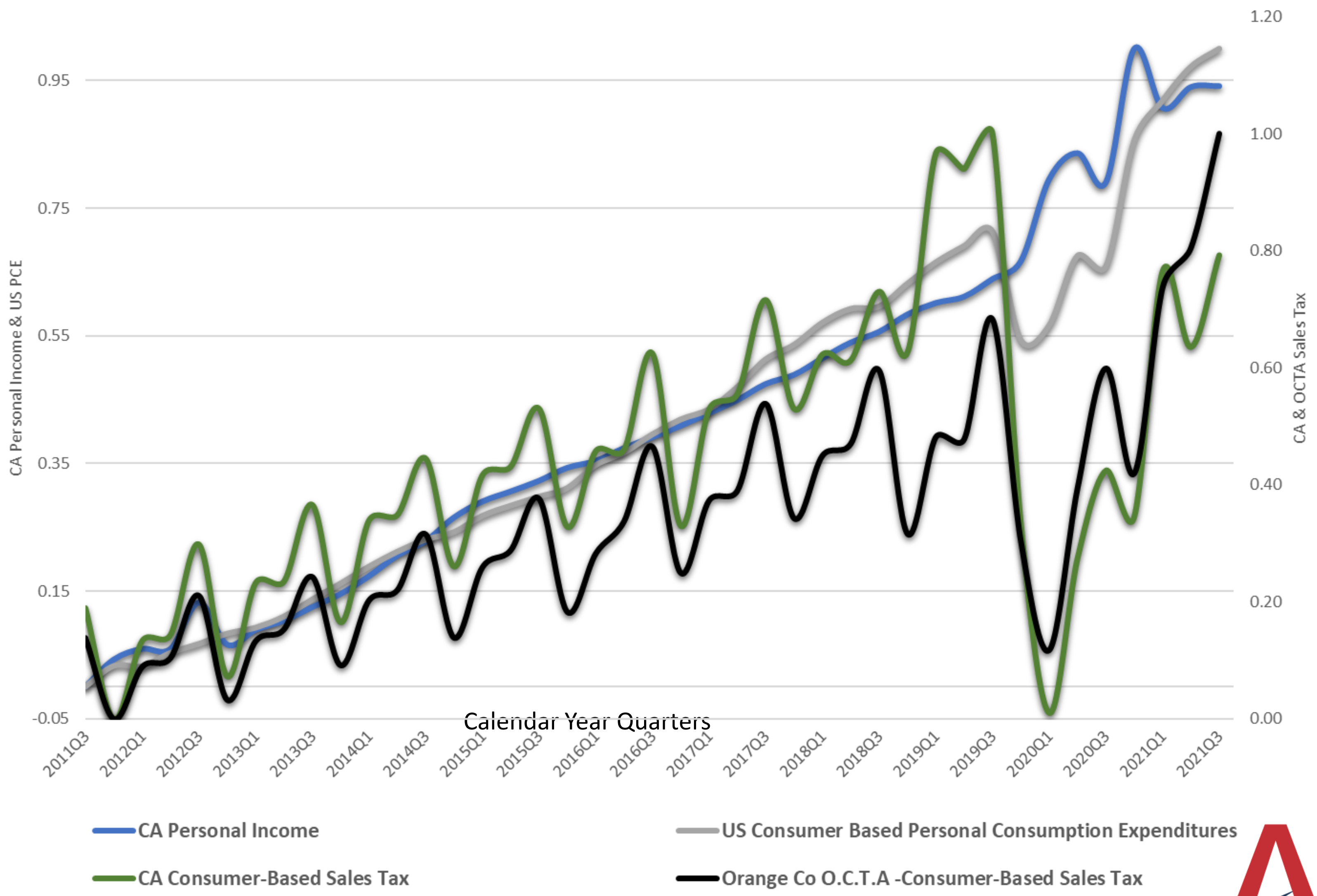
AVENU INSIGHTS & ANALYTICS

Top 25 Sales Tax Generators (Alpha Order)

7-Eleven Food Stores
Amazon.com
Amazon.com (Third Party Sellers/Wayfair)
Apple Stores
Arco AM/PM Mini Marts
Best Buys Stores
Chevron Service Stations
Costco Wholesale
CVS/Pharmacy
Dept. of Motors Vehicles (3rd party sales)
Disneyland
EBay
Fletcher Jones Motorcars
Ganahl Lumber Company
Home Depot
Lowe's Home Centers
McDonald's Restaurants
Nordstrom Department Store
Ralph's Grocery Company
Ross Stores
Shell Service Stations
Target Stores
Tesla
Union 76 Service Stations
Walmart Stores

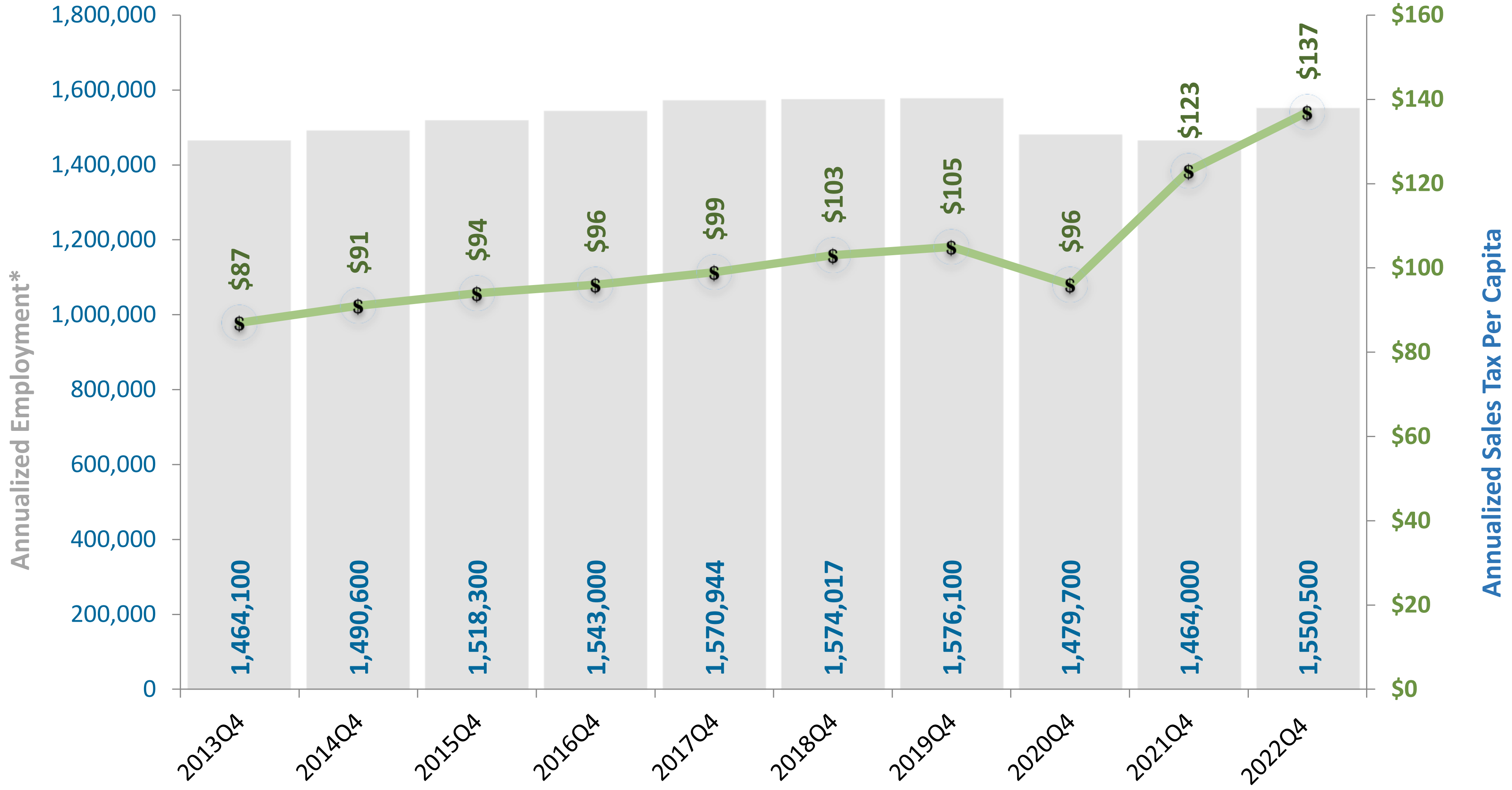
AVENU INSIGHTS & ANALYTICS

Sales Tax Revenues Compared to Income



AVENU
INSIGHTS & ANALYTICS

Employment Compared to Sales Tax Per Capita



Calendar Year Quarters

Measure M2 ½% Sales and Use Tax

AVENU INSIGHTS & ANALYTICS

Coronavirus: COVID-19 Impacts

California Taxable Sales

Quarter over Quarter Percent Change

New Wayfair / AB147 $

CA COVID Lockdown begins, many taxpayers file extensions

CARES ACT: $2 TRILLION 3/25/2020, many taxpayers that extended in Q1 catching-up.

Summer Rally

COVID Resurgence

Joe Biden elected 46th President of the United States.

Consolidated Appropriations Act: $900 billion 12/20/2020

American Rescue Plan: $1.9 trillion 3/11/2021

Recovery, Rising Energy Prices, Rising Inflation

Russia Invades Ukraine, pushing energy prices, inflation even higher

Federal Reserve begins taking aggressive approach to fighting inflation, set 2% target

Inflation Reduction Act: $437 billion 08/16/2022

CA Middle Class Tax Refund $17 billion 10/07/2022

JURISDICTION OR REGION	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
Federal Funds Rate (Top of Target Range) >>>			0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	1.75%	3.25%	4.50%
OCTA 1/2%	5.9%	-18.2%	-11.2%	-6.4%	-8.0%	29.0%	35.8%	23.0%	29.6%	23.5%	11.4%	10.9%	3.8%
OTHER SOUTHERN	15.4%	-29.5%	5.9%	2.9%	-6.0%	48.1%	17.9%	14.1%	20.0%	26.1%	-0.4%	-2.0%	9.5%
CENTRAL COAST	5.3%	-25.9%	-8.8%	2.0%	-2.2%	38.9%	28.7%	11.4%	18.2%	20.5%	4.0%	8.5%	2.0%
SOUTH COAST	5.5%	-20.8%	-10.7%	-3.9%	-10.5%	29.2%	34.6%	18.7%	28.7%	21.1%	5.7%	7.8%	2.6%
S.F. BAY AREA	5.7%	-20.0%	-11.2%	-4.9%	-10.3%	23.2%	26.1%	13.6%	20.2%	19.8%	5.6%	10.4%	3.8%
STATEWIDE	5.3%	-18.9%	-6.0%	-0.2%	-5.8%	32.8%	32.1%	17.6%	25.4%	19.1%	5.0%	7.8%	3.2%
INLAND EMPIRE	4.7%	-17.6%	1.8%	8.8%	3.6%	49.9%	37.5%	21.9%	30.4%	19.1%	6.8%	8.3%	4.5%
SACRAMENTO VALLEY	2.3%	-15.3%	5.6%	5.7%	-0.9%	35.4%	27.8%	16.7%	22.8%	15.9%	2.0%	5.6%	0.3%
CENTRAL VALLEY	6.0%	-11.5%	8.1%	10.2%	8.6%	44.6%	33.7%	19.9%	24.3%	14.2%	3.7%	5.7%	5.6%
NORTH COAST	7.1%	-11.0%	3.2%	13.1%	5.2%	37.6%	24.5%	5.7%	6.4%	2.8%	-5.3%	-4.1%	-4.6%
OTHER NORTHERN	7.7%	-9.2%	3.8%	11.1%	7.9%	34.5%	26.5%	9.2%	9.3%	5.6%	-4.9%	1.2%	0.3%
Inflation (U.S. CPI-U) >>>			0.3%	1.2%	1.3%	1.9%	4.9%	5.4%	6.7%	8.0%	8.7%	8.3%	7.1%
CA Gasoline Average Retail >>>			-26.8%	-13.5%	-19.5%	2.7%	41.9%	36.6%	44.7%	42.2%	46.8%	28.9%	14.0%

Forecast Assumptions

- Increased likelihood for recession in 2023 or 2024, but tight market makes severe downturn unlikely
- Avenu forecast assumes a ‘mild’ recession to start in mid-2023 and last for 3 quarters
- Federal Reserve interest rate increases along with tightened lending will help ‘cool down’ the economy and lower inflation.
- Inflation will moderate to ~ 3% levels by the end of 2023.
- Most supply chain issues will be resolved by the end 2023.

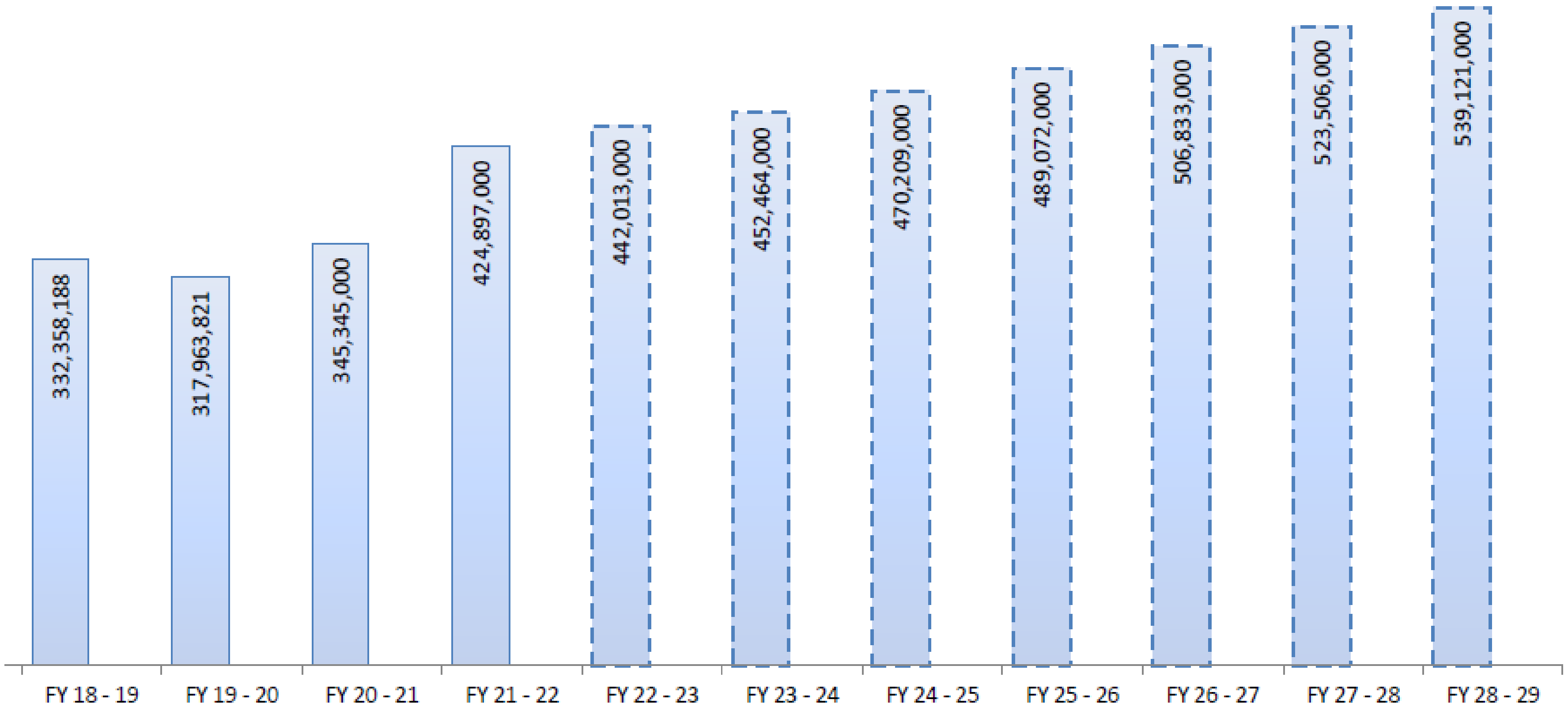
Forecast Caveats

- Economic conditions have greater than usual levels of uncertainty. Recent banking sector volatility has added to the uncertainty.
- Greater uncertainty translates to greater potential variance for the forecast in upcoming years.
- Some of the areas of uncertainty include:
  - ➢ Does a recession loom on the horizon? How big? How long?
  - ➢ How will gas prices adjust over the next several years?
  - ➢ How long/how much will inflation impact the economy?
  - ➢ How will Fed interest rate adjustments affect economy?
  - ➢ When will we achieve ‘new normal’ & what will it look like?

Measure M2 (½%) Forecast Projections

Gross Cash Projection

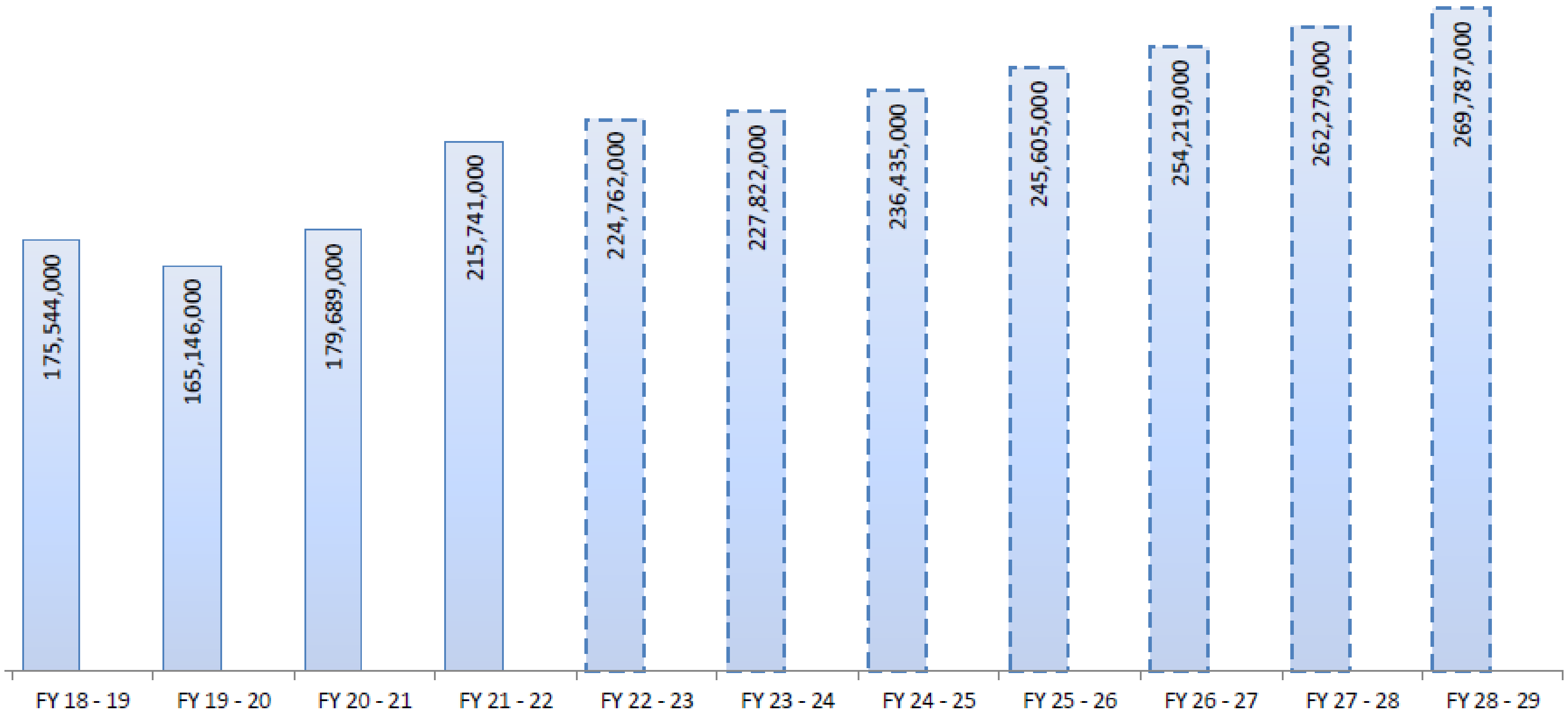
Voter Approved	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27	FY 27 - 28	FY 28 - 29
Cash Projection	424,897,000	442,013,000	452,464,000	470,209,000	489,072,000	506,833,000	523,506,000	539,121,000
Percent Change	23.0%	4.0%	2.4%	3.9%	4.0%	3.6%	3.3%	3.0%



TDA (LTF) ¼% Forecast Projection

Gross Cash Projection

County Transportation	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27	FY 27 - 28	FY 28 - 29
Cash Projection	215,741,000	224,762,000	227,822,000	236,435,000	245,605,000	254,219,000	262,279,000	269,787,000
Percent Change	20.1%	4.2%	1.4%	3.8%	3.9%	3.5%	3.2%	2.9%



QUESTIONS?

AVENU
INSIGHTS & ANALYTICS

Committee Members Present
Michael Hennessey, Chairman
Patrick Harper, Vice Chairman
Andrew Do
Jamey Federico
Brian Goodell
Steve Jones

Committee Members Absent
Vicente Sarmiento

Staff Present
Darrell E. Johnson, Chief Executive Officer
Sahara Meisenheimer, Clerk of the Board Specialist
Gina Ramirez, Clerk of the Board Specialist, Principal
James Donich, General Counsel
OCTA Staff

Call to Order

The April 26, 2023 regular Finance and Administration Committee meeting was called to order by Committee Chairman Hennessey at 10:31 a.m.

Special Calendar

1. Proposed Fiscal Year 2023-24 Southern California Regional Rail Authority Budget

Darrell E. Johnson, Chief Exeucitve Officer (CEO), provided opening comments and introduced Darren Kettle, CEO of Metrolink, and Arnold Hackett, Chief Financial Officer of Metrolink. Mr. Kettle provided a PowerPoint presentation.

Following a discussion, no action was taken on this item.

Consent Calendar (Items 2 through 6)

2. Approval of Minutes

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to approve the minutes of the April 12, 2023 minutes of the Finance and Administration Committee meeting.

3. Fiscal Year 2022-23 Internal Audit Plan, Third Quarter Update

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to receive and file the third quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan as an information item.

4. Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Laguna Beach Public Transportation Services

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

A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services, in the amount of $1,531,335.

B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

5. Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Public Transportation and Community Transit Services

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

A. Approve the Orange County Transit District Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services, in the amount of $211,736,396, and for community transit services, in the amount of $11,224,618 for a total claim amount $222,961,014.

B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

6. Amendment to Agreement for Health Insurance Brokerage Services

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-0-2078 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., to exercise the two-year option term effective June 1, 2023 through May 31, 2025, in the amount of $238,000, to continue providing health insurance brokerage services. This will increase the maximum obligation of the agreement to a total contract value of $580,000.

Regular Calendar

7. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2022

Janet Sutter, Executive Director of Internal Audit, introduced Jennifer Richards from Crowe LLP, and provided a presentation.

A discussion ensued among the Members and staff.

A motion was made by Director Do, seconded by Director Jones, 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 the City of Cypress' compliance with the Measure M2 Ordinance and Eligibility Guidelines.

8. Orange County Transportation Authority Fiscal Year 2023-24 Budget Workshop Preview

Victor Velasquez, Department Manager of Financial Planning and Analysis, provided a PowerPoint presentation on this item.

No action was taken on this item.

Discussion Items

9. Public Comments

No public comments were received.

10. Chief Executive Officer's Report

Darrell E. Johnson, CEO, reported on the following:

- Transit and Intercity Rail Capital Program award
- California State University Fullerton's Spring Economic Forecast

11. Committee Members' Reports

There were no Committee Member's reports.

12 Closed Session

There were no Closed Session items scheduled.

13. Adjournment

The meeting adjourned at 11:02 a.m.

The next regularly scheduled meeting of this Committee will be held:
10:30 a.m. on Wednesday, May 24, 2023
OCTA Headquarters
550 South Main Street
Orange, California

ATTEST:

Sahara Meisenheimer
Clerk of the Board Specialist

May 10, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Annual Update to Investment Policy

Overview

The Treasurer is presenting the Orange County Transportation Authority's Proposed Fiscal Year 2023-24 Investment Policy. The governing body of a local agency is required to annually renew the delegation of authority for the Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds for a period of one year. Additionally, and as recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Proposed Fiscal Year 2023-24 Investment Policy to be reviewed at a public meeting.

Recommendations

A. Adopt the Proposed Fiscal Year 2023-24 Investment Policy July 1, 2023.

B. Authorize the Treasurer, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2023-24.

Background

The investment policy (Policy) sets forth the guidelines for all Orange County Transportation Authority (OCTA) investments that must conform to the California Government Code (Code). The main objectives of the Policy continue to be the preservation of capital, liquidity, diversification, and a market average rate of return through economic cycles.

The Policy is reviewed, updated, and approved by the Board of Directors (Board) at least annually. However, relevant changes to the Code may warrant amendments to the Policy throughout the year.

Discussion

The Proposed Fiscal Year (FY) 2023-24 Policy is being submitted for review and adoption by the Board. OCTA's four investment managers performed an objective evaluation of the Policy as it relates to effectiveness and risk. There was new legislation enacted resulting in updates to the Policy.

While there was marginal sentiment to reduce credit quality and increase the maximum allocation of funds for certain investments, staff believes that the current structure is a good match for the risk tolerance of OCTA, while providing sufficient latitude to navigate the fixed-income market.

Changes based on new legislation are summarized below:

- Added language to Section 12. Prohibited Investment Vehicles and Practices, prohibiting the purchase of a security with a forward settlement date exceeding 45 days from the time of investment.
- Added language to Section 16. Definitions and Terms, to clarify that a public agency investment's term or remaining maturity is to be measured from the settlement date to final maturity.

Changes to improve clarity of the policy are summarized below:

- Added language to Section 11-6. Commercial Paper, to clarify asset backed commercial paper falls under Commercial Paper.
- Language in brackets under Section 11-18. Derivatives, removed for clarity.

The Proposed FY 2023-24 Policy can be found in Attachment A, and as reference, a black line copy of the Policy (reflecting all proposed changes, including minor adjustments) can be found in Attachment B.

Next Steps

If the Board approves the Proposed FY 2023-24 Policy, a copy of the final Policy will be provided to each investment manager. Each investment manager will be required to acknowledge receipt and understanding of the Policy changes.

Summary

California Government Code Section 53646(a)(2) recommends that local agencies annually review their investment policy at a public meeting. The Treasurer is submitting the Orange County Transportation Authority's Proposed Fiscal Year 2023-24 Investment Policy for approval by the Board of Directors. Furthermore, the Orange County Transportation Authority requests approval by the Board of Directors, authorizing the Treasurer, for a period of one year, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2023-24.

Attachments

A. Orange County Transportation Authority Fiscal Year 2023-24 Investment Policy, July 1, 2023
B. Black-line Copy of Orange County Transportation Authority Fiscal Year 2023-24 Investment Policy, July 1, 2023

Prepared by:	**Approved by:**
Robert Davis Department Manager Treasury/Public Finance 714-560-5675	Andrew Oftelie Chief Financial Officer, Finance and Administration 714-560-5649

ATTACHMENT A

Orange County Transportation Authority
Fiscal Year 2023-24 Investment Policy
July 1, 2023

1. PURPOSE

This Investment Policy (Policy) sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA). The objective of this Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity, and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Policy. The Policy conforms to the California Government Code (Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy and adhered to.

2. SCOPE

The Policy applies to the investment of all funds, excluding the investment of employees' retirement funds, separate trusts, Environmental Mitigation Program Endowment Fund, and funds invested separately under Bond Indenture Agreements (Bond Agreements). Bond Funds and Accounts (Bond Funds) shall be invested in the securities permitted by the applicable Bond Agreements. If the Bond Agreements are silent as to the permitted investments, the Bond Funds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed elsewhere in this Policy do not apply to Bond Funds.

3. INVESTMENT OBJECTIVES

The primary objectives, in priority order, of investment activities shall be:

A. **Safety of Principal --** Safety of principal is the foremost objective of OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.

B. **Liquidity --** It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

C. **Total Return --** OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.

D. **Diversification --** Finally, OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

4. PRUDENCE

OCTA’s Board, or persons authorized to make investment decisions on behalf of OCTA, are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA’s investment professionals acting in accordance with the Policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

<u>The Prudent Investor Standard:</u> When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

5. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA’s investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

6. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board is required to renew the authority of OCTA’s Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

The Treasurer shall develop administrative procedures and internal control, consistent with this Policy, for the operation of OCTA’s investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

7. RESPONSIBILITIES

The Finance and Administration (F&A) Committee of the OCTA Board, subject to the approval of the OCTA Board, is responsible for establishing the Policy and ensuring investments are made in compliance with this Policy. This Policy shall be reviewed annually by the Board at a public meeting.

The Treasurer is responsible for making investments and for compliance with this Policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. Pursuant to Section 53607 of the Code, the Treasurer shall make a monthly report to the Board. OCTA provides a monthly report to the F&A Committee and the Board in accordance with Section 53607 of the Code

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

8. COMPLIANCE

OCTA has provided each of its portfolio managers with a copy of this Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Policy or the respective Bond Agreements as applicable. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and include a write-up in the monthly Debt and Investment Report to the F&A Committee and the Board.

The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Policy.

If OCTA's Treasurer, in their sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the F&A Committee shall review the error and may request that the portfolio manager responsible for the compliance violation meet with the Chairman of the F&A Committee and the Treasurer as soon as practical at which time it will be decided whether the Board will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Policy, the Treasurer shall notify the Board of the compliance violations. OCTA may terminate services for its convenience at any time by providing at least 30 days written notice.

9. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, OCTA uses two nationally recognized fixed-income security performance benchmarks to evaluate return on investments.

The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1–3-year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios.

10. SAFEKEEPING AND CUSTODY

To protect against potential losses by collapse of individual securities dealers, all deliverable securities owned by OCTA, including collateral on repurchase agreements, shall be held in safekeeping by a third-party bank trust department acting as agent for OCTA under the terms of a custody agreement executed by the bank and by OCTA. All deliverable securities will be received and delivered using standard delivery-versus-payment procedures.

11. PERMITTED INVESTMENTS

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term no less than three months prior to the investment.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Policy. If an eligible security already contained in OCTA's portfolio is subsequently placed on "Negative Credit Watch" (Credit Watch) by any of the three Nationally Recognized Statistical Rating Organizations (NRSROs), or a purchase is made of a security already on Credit Watch by any of the three NRSROs, which is permitted under this Policy, then the security will be handled under the provisions of Credit Rating Actions. Percentage holding limits and credit quality minimums in this section are applicable at the time of purchase.

11-1. OCTA NOTES AND BONDS

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency, or authority of OCTA, which may bear interest at a fixed or floating rate.

11-2. U.S. TREASURY OBLIGATIONS

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

11-3. FEDERAL AGENCY OR U.S. GOVERNMENT SPONSORED ENTERPRISES

Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or the U.S. government sponsored enterprises.

11-4. MUNICIPAL DEBT

Such instruments defined as being issued by a local or state agency, including:

A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

B. Bonds, notes, warrants, or other evidence of indebtedness of a local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or local agency or by a department, board, agency, or authority of the local agency.

C. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue- producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

D. Defeased state and local obligations (as defined in A, B, or C above) as long as the obligations have been legally defeased with State and Local Government Series (SLGS), U.S. Treasury, and U.S. Agency securities and such obligations mature or otherwise terminate within five years of the date of purchase.

11-5. BANKERS ACCEPTANCES

Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

11-6. COMMERCIAL PAPER

The entity that issues commercial paper shall meet the following conditions:

A. Be issued by corporations that have debt other than commercial paper, if any, that is rated in the ratings category of A or its equivalent or higher by two NRSROs, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by two NRSRO's.

B. Be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000).

11-7. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federally licensed or state licensed branch of a foreign bank.

11-8. REPURCHASE AGREEMENTS

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the Federal Deposit Insurance Corporation (FDIC) provided:

A. A Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

11-9. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

11-10. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares may not represent more than 10 percent of the funds or pool's asset and no more than 10 percent of the total portfolio may be invested in shares of any one money market mutual fund.

11-11. MORTGAGE OR ASSET-BACKED SECURITIES

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass- through certificate, or consumer receivable-backed bond.

11-12. SUPRANATIONALS

U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

11-13. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

11-14. ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

11-15. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under the pools investment policy and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630.

11-16. VARIABLE AND FLOATING RATE SECURITIES

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate) or SOFR (Secured Overnight Financing Rate), and must meet all minimum credit requirements previously detailed in the Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

11-17. BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO. Bank deposits are required to be collateralized as specified under Government Code Section 53630. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

11-18. DERIVATIVES

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the F&A Committee prior to entering into such investment.

Credit Rating Actions

Rating criteria will apply at the time of purchase of a security and monitored for changes while retained within OCTA's portfolio. A security whose credit rating is on Credit Watch at the time of purchase, has been placed on Credit Watch, or whose credit rating has been downgraded (including downgrades resulting in the rating falling below the minimum credit rating requirements) subsequent to the time of purchase, is not a violation of OCTA's Investment Policy.

For any security, whose credit rating falls below the minimum required rating as per the California Government Code and the Policy or placed on Negative Credit Watch for imminent downgrade to below the minimum required ratings, the Treasurer will make the decision whether to continue to retain or sell the security. For all other security rating downgrades, and for securities placed on Negative Credit Watch, the decision to retain or sell the security will be left to the investment manager, and OCTA will be notified immediately of the decision along with rationale regarding the decision to retain or sell.

OCTA will notify the Board through its monthly reporting practices of all securities on Credit Watch at the time of purchase, placed on Credit Watch or downgraded during the reporting period. Securities whose credit rating falls below the minimum requirements will be noticed in the monthly debt and investment reports until the security is sold or meets the minimum credit rating requirements.

Diversification and Maturity Restrictions

Diversification and maturity restrictions ensure the portfolio is not unduly concentrated in the securities of one type, industry, entity, or specific maturity thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Outside portfolio managers must review the portfolios they manage to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

Authorized Investments, Issuer Concentration and Maturity Restrictions					
Type of Investment	**CA Code Maximum Maturity**	**CA Code Maximum % of Portfolio**	**CA Code Minimum Quality Requirements**	**OCTA Maximum % of Portfolio***	**OCTA Code Minimum Quality Requirements**
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S. Treasury Obligations	5 Years	100%	None	Same as CA Code	Same as CA Code
Federal Agency's or U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	40% **	"A-1" rated, or its equivalent or higher by an NRSRO	40%**	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Repurchase Agreemens	1 Year	100%	None	25%	"A" rating category or "A-1"rated, or its equivalent, by 2 NRSROs

Medium-Term Maturity Notes**	5 Years	30%**	"A" rating category, or its equivalent or higher, by an NRSRO	30%**	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	Same as CA Code	Same as CA Code
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)***	N/A	$75 million per account	None	$75 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

*Additional portfolio restrictions include bank deposits (5 percent) and variable and floating rate securities (30 percent)
**Combined 10 percent per issuer limit on commercial paper and medium-term maturity notes pursuant to the Code. Five percent per issuer limit in any one issuer pursuant to this Policy, see section titled Issuer/Counter-Party Diversification Guidelines for all Securities Except U.S. Treasuries and U.S. Government Agency Securities herein.
***Current deposit limits for LAIF regular account are set by the State Treasurer

Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities

Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed five percent of the portfolio.

Issuer/Counter-Party Diversification Guidelines for OCTA's Debt

OCTA can purchase all or a portion of the OCTA's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25 percent of the maximum portfolio.

12. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Except securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted, under a provision sunsetting on January 1, 2026,
- Step-up notes and dual-index notes are prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending, or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited. Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least $100,000,000 in securities owned and invested.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

13. SECURITIES SAFE KEEPING

All deliverable security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Deliverable securities shall be held by a third-party custodian designated by the Treasurer, evidenced by safekeeping receipts and in compliance with Code Section 53608.

14. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Policy.

15. INVESTMENT POLICY REVIEW

This Policy shall be reviewed annually by the F&A Committee of the OCTA Board to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification, and its relevance to current law and economic trends.

16. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle (SPV) and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as X.YZ percent, the YZ digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an investment agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as “interest rate.”

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers' acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that determines the direction of monetary policy. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the two Federal Reserve banks and about 3,000-member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invests in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Global Ratings; Moody's Investor Services, Inc., Fitch Ratings and Kroll

Bond Rating Agency, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets, which includes securities, cash, and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S GLOBAL RATINGS referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

SUPRANATIONAL: A supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in member countries.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture).

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest-bearing discount securities of the U.S. Treasury with maturities under one year.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.
>
> **Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from 10 to 30 years from the date of issue.
>
> **Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.
>
> **Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

VOLATILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

ATTACHMENT B

Orange County Transportation Authority Fiscal Year ~~2022-23~~2023-24 Investment Policy July 1, ~~2022~~2023

1. PURPOSE

This Investment Policy (Policy) sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA). The objective of this Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity, and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Policy. The Policy conforms to the California Government Code (Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy and adhered to.

2. SCOPE

The Policy applies to the investment of all funds, excluding the investment of employees' retirement funds, separate trusts, Environmental Mitigation Program Endowment Fund, and funds invested separately under Bond Indenture Agreements (Bond Agreements). Bond Funds and Accounts (Bond Funds) shall be invested in the securities permitted by the applicable Bond Agreements. If the Bond Agreements are silent as to the permitted investments, the Bond Funds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed elsewhere in this Policy do not apply to Bond Funds.

3. INVESTMENT OBJECTIVES

The primary objectives, in priority order, of investment activities shall be:

A. **Safety of Principal --** Safety of principal is the foremost objective of OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.

B. **Liquidity --** It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

C. **Total Return --** OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.

D. **Diversification --** Finally, OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

4. PRUDENCE

OCTA's Board, or persons authorized to make investment decisions on behalf of OCTA, are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with the Policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

5. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

6. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

The Treasurer shall develop administrative procedures and internal control, consistent with this Policy, for the operation of OCTA's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

7. RESPONSIBILITIES

The Finance and Administration (F&A) Committee of the OCTA Board, subject to the approval of the OCTA Board, is responsible for establishing the Policy and ensuring investments are made in compliance with this Policy. This Policy shall be reviewed annually by the Board at a public meeting.

The Treasurer is responsible for making investments and for compliance with this Policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. Pursuant to Section 53607 of the Code, the Treasurer shall make a monthly report to the Board. OCTA provides a monthly report to the F&A Committee and the Board in accordance with Section 53607 of the Code

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

8. COMPLIANCE

OCTA has provided each of its portfolio managers with a copy of this Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Policy or the respective Bond Agreements as applicable. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and include a write-up in the monthly Debt and Investment Report to the F&A Committee and the Board.

The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Policy.

If OCTA's Treasurer, in their sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the F&A Committee shall review the error and may request that the portfolio manager responsible for the compliance violation meet with the Chairman of the F&A Committee and the Treasurer as soon as practical at which time it will be decided whether the Board will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Policy, the Treasurer shall notify the Board of the compliance violations. OCTA may terminate services for its convenience at any time by providing at least 30 days written notice.

9. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, OCTA uses two nationally recognized fixed-income security performance benchmarks to evaluate return on investments.

The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1–3-year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios.

10. SAFEKEEPING AND CUSTODY

To protect against potential losses by collapse of individual securities dealers, all deliverable securities owned by OCTA, including collateral on repurchase agreements, shall be held in safekeeping by a third-party bank trust department acting as agent for OCTA under the terms of a custody agreement executed by the bank and by OCTA. All deliverable securities will be received and delivered using standard delivery-versus-payment procedures.

11. PERMITTED INVESTMENTS

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term no less than three months prior to the investment.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Policy. If an eligible security already contained in OCTA's portfolio is subsequently placed on "Negative Credit Watch" (Credit Watch) by any of the three Nationally Recognized Statistical Rating Organizations (NRSROs), or a purchase is made of a security already on Credit Watch by any of the three NRSROs, which is permitted under this Policy, then the security will be handled under the provisions of Credit Rating Actions. Percentage holding limits and credit quality minimums in this section are applicable at the time of purchase.

11-1. OCTA NOTES AND BONDS

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency, or authority of OCTA, which may bear interest at a fixed or floating rate.

11-2. U.S. TREASURY OBLIGATIONS

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

11-3. FEDERAL AGENCY OR U.S. GOVERNMENT SPONSORED ENTERPRISES

Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or the U.S. government sponsored enterprises.

11-4. MUNICIPAL DEBT

Such instruments defined as being issued by a local or state agency, including:

A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

B. Bonds, notes, warrants, or other evidence of indebtedness of a local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or local agency or by a department, board, agency, or authority of the local agency.

C. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue- producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

D. Defeased state and local obligations (as defined in A, B, or C above) as long as the obligations have been legally defeased with State and Local Government Series (SLGS), U.S. Treasury, and U.S. Agency securities and such obligations mature or otherwise terminate within five years of the date of purchase.

11-5. BANKERS ACCEPTANCES

Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

11-6. COMMERCIAL PAPER

The entity that issues commercial paper shall meet the following conditions:

A. Be issued by corporations that have debt other than commercial paper, if any, that is rated in the ratings category of A or its equivalent or higher by two NRSROs, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by two NRSRO's.

B. Be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000).

11-7. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federally licensed or state licensed branch of a foreign bank.

11-8. REPURCHASE AGREEMENTS

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the Federal Deposit Insurance Corporation (FDIC) provided:

A. A Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

11-9. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

11-10. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares may not represent more than 10 percent of the funds or pool’s asset and no more than 10 percent of the total portfolio may be invested in shares of any one money market mutual fund.

11-11. MORTGAGE OR ASSET-BACKED SECURITIES

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass- through certificate, or consumer receivable-backed bond.

11-12. SUPRANATIONALS

U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

11-13. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

11-14. ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

11-15. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under the pools investment policy and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630.

11-16. VARIABLE AND FLOATING RATE SECURITIES

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate) or SOFR (Secured Overnight Financing Rate), and must meet all minimum credit requirements previously detailed in the Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

11-17. BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO. Bank deposits are required to be collateralized as specified under Government Code Section 53630. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

11-18. DERIVATIVES

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the F&A Committee prior to entering into such investment.

~~[moved this section to "Prohibited Investment Vehicles and Practices" for clarity]~~

Credit Rating Actions

Rating criteria will apply at the time of purchase of a security and monitored for changes while retained within OCTA's portfolio. A security whose credit rating is on Credit Watch at the time of purchase, has been placed on Credit Watch, or whose credit rating has been downgraded (including downgrades resulting in the rating falling below the minimum credit rating requirements) subsequent to the time of purchase, is not a violation of OCTA's Investment Policy.

For any security, whose credit rating falls below the minimum required rating as per the California Government Code and the Policy or placed on Negative Credit Watch for imminent downgrade to below the minimum required ratings, the Treasurer will make the decision whether to continue to retain or sell the security. For all other security rating downgrades, and for securities placed on Negative Credit Watch, the decision to retain or sell the security will be left to the investment manager, and OCTA will be notified immediately of the decision along with rationale regarding the decision to retain or sell.

OCTA will notify the Board through its monthly reporting practices of all securities on Credit Watch at the time of purchase, placed on Credit Watch or downgraded during the reporting period. Securities whose credit rating falls below the minimum requirements will be noticed in the monthly debt and investment reports until the security is sold or meets the minimum credit rating requirements.

Diversification and Maturity Restrictions

Diversification and maturity restrictions ensure the portfolio is not unduly concentrated in the securities of one type, industry, entity, or specific maturity thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Outside portfolio managers must review the portfolios they manage to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

Authorized Investments, Issuer Concentration and Maturity Restrictions					
Type of Investment	**CA Code Maximum Maturity**	**CA Code Maximum % of Portfolio**	**CA Code Minimum Quality Requirements**	**OCTA Maximum % of Portfolio***	**OCTA Code Minimum Quality Requirements**
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S. Treasury Obligations	5 Years	100%	None	Same as CA Code	Same as CA Code
Federal Agency's or U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	40% **	"A-1" rated, or its equivalent or higher by an NRSRO	40%**	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Repurchase Agreement s	1 Year	100%	None	25%	"A" rating category or "A-1"rated, or its equivalent, by 2 NRSROs

Medium-Term Maturity Notes**	5 Years	30%**	"A" rating category, or its equivalent or higher, by an NRSRO	30%**	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	Same as CA Code	Same as CA Code
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)***	N/A	$75 million per account	None	$75 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

*Additional portfolio restrictions include bank deposits (5 percent) and variable and floating rate securities (30 percent)
**Combined 10 percent per issuer limit on commercial paper and medium-term maturity notes pursuant to the Code. Five percent per issuer limit in any one issuer pursuant to this Policy, see section titled Issuer/Counter-Party Diversification Guidelines for all Securities Except U.S. Treasuries and U.S. Government Agency Securities herein.
***Current deposit limits for LAIF regular account are set by the State Treasurer

Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities

Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed five percent of the portfolio.

Issuer/Counter-Party Diversification Guidelines for OCTA's Debt

OCTA can purchase all or a portion of the OCTA's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25 percent of the maximum portfolio.

12. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Except securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted, under a provision sunsetting on January 1, 2026,
- Step-up notes and dual-index notes are prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending, or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited. Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least $100,000,000 in securities owned and invested.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

13. SECURITIES SAFE KEEPING

All deliverable security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Deliverable securities shall be held by a third-party custodian designated by the Treasurer, evidenced by safekeeping receipts and in compliance with Code Section 53608.

14. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Policy.

15. INVESTMENT POLICY REVIEW

This Policy shall be reviewed annually by the F&A Committee of the OCTA Board to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification, and its relevance to current law and economic trends.

16. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle (SPV) and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as X.YZ percent, the YZ digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an investment agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as “interest rate.”

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers' acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that determines the direction of monetary policy. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the two Federal Reserve banks and about 3,000-member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invests in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Global Ratings; Moody's Investor Services, Inc., Fitch Ratings and Kroll

Bond Rating Agency, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets, which includes securities, cash, and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S GLOBAL RATINGS referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

SUPRANATIONAL: A supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in member countries.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture).

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest-bearing discount securities of the U.S. Treasury with maturities under one year.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.
>
> **Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from 10 to 30 years from the date of issue.
>
> **Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.
>
> **Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

VOLATILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

May 10, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Agreement for Information Technology Contract Technical Staffing

Overview

On September 26, 2022, the Board of Directors authorized the release of a request for proposals for a firm to provide contract technical staffing for data warehouse administration, SharePoint administration, project management, help desk support, desktop support, network administration, and application support for the Information Systems Department. Proposals were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to execute an agreement to provide these services.

Recommendations

A. Approve the selection of Intratek Computer, Inc., as the firm to provide contract staffing services for Information Technology technical positions.

B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2746 between the Orange County Transportation Authority and Intratek Computer, Inc., in the amount of $23,621,941, for a five-year term effective July 1, 2023 through June 30, 2028, to provide contract technical staffing services for Information Technology technical positions.

Discussion

Since consolidation in 1991, the Orange County Transportation Authority (OCTA) has continually sought to improve the way in which business is conducted by identifying opportunities for privatization and contracting. By contracting various technical positions, the Information Systems (IS) Department has been able to extend the coverage of the existing full-time staff and keep up with the increasing workload of the IS Department. Staffing needs are evaluated annually; however, on average, 15 to 20 full-time equivalent positions are contracted.

Supplemental consulting staffing allows the IS Department to quickly adjust resources based on overall workload and projects. The contracted technical staff responsibilities include supporting OCTA's project management, business applications and their associated infrastructure, including databases, data warehousing, network, and operating systems, as well as server and desktop hardware.

Each year the IS Department determines its need for contracted technical staffing. The current contract will expire June 30, 2023. As a result, the development of a request for proposals (RFP) to meet these needs was prepared.

This contract for technical staffing enables the IS Department to provide technical support to the current portfolio of projects that have been requested by various OCTA departments. Contract staff also provides support in maintaining the current technical infrastructure of 1,000 desktops, 120 network switches, 32 VMWare ESX host servers, 340 virtual Microsoft Windows/Linux Servers, 165 databases, and over 430 terabytes of storage.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for professional and technical services. Various factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as prior experience with similar projects, staffing and project organization, work plan, as well as cost and price.

On September 26, 2022, the Board authorized the release of RFP 2-2746, which was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on September 26, 2022 and October 3, 2022. A pre-proposal conference was held on October 4, 2022, with 46 attendees representing 23 firms. Two addenda were issued to make available the pre-proposal conference registration sheets and presentation, as well as to respond to questions related to the RFP and to handle administrative issues.

On October 24, 2022, 51 proposals were received. This RFP was based on a two-phase evaluation process in which firms had to meet the minimum requirements in phase one in order to move on to the second phase of the evaluation process. All 51 proposals met the minimum requirements in phase one and moved on to phase two of the evaluation process. An evaluation committee consisting of OCTA staff from Contracts Administration and Materials Management, Human Resources, and Information Systems departments met to review all of the proposals received during phase two of the evaluation process. The proposals were evaluated based on the following Board-approved evaluation criteria and weightings:

- Qualifications of the Firm 25 percent
- Staffing and Project Organization 20 percent
- Work Plan 30 percent
- Cost and Price 25 percent

Qualifications of the firm was weighted at 25 percent as the firm must have the experience and resources necessary to meet the immediate and long-term staffing requirements of this contract. Staffing and project organization was weighted at 20 percent as it is critical for the firm to have experienced and qualified in-house staff to achieve the requirements set forth in the scope of work. Work plan was weighted at 30 percent as the firm must be able to demonstrate their understanding of the project scope and their approach to providing information technology consultants with the required skill levels and experience. Cost and price was assigned a 25 percent weighting to ensure that OCTA receives competitive pricing and value for the services provided.

On January 4, 2023, the evaluation committee reviewed the 51 proposals based on the evaluation criteria and shortlisted the four most qualified firms provided below in alphabetical order:

22nd Century Technologies, Inc. (22nd Century)
McLean, Virginia

Beacon Hill Staffing Group, LLC (Beacon Hill)
Boston, Massachusetts

Intratek Computer, Inc. (Intratek)
Irvine, California

Midtown Personnel, Inc., doing business as
The Midtown Group (Midtown)
Washington, District of Columbia

On January 11, 2023, the evaluation committee conducted interviews with the four short-listed firms. The interview consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements. The firms' project managers and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' process for sourcing qualified candidates for positions that are difficult to fill. The firms were also asked to elaborate on their benefits package and training program for contracted staff, as well as their transition plan to retain the current contracted staff. Finally, each team was asked specific clarification questions related to their proposal. Although scores were adjusted after the interviews, the rankings did not change. Intratek remained the highest-ranked firm.

Based on the evaluation of the written proposals and information obtained from the interviews, the evaluation committee is recommending Intratek for consideration of the award. The following is a brief summary of the proposal evaluation results.

Qualifications of the Firm

The four firms demonstrated relevant experience recruiting candidates in the highly competitive Information Technology (IT) field.

Intratek is the incumbent firm and has been providing contract technical staff to OCTA since 2011. Located in the City of Irvine, the firm has been providing IT staffing services since 1989 and has over 200 technical personnel on staff. Intratek's past work with other public agencies, such as Dallas/Fort Worth International Airport, Los Angeles County Superior Court, Southern California Regional Rail Authority, and OCTA, highlighted the firm's extensive experience in providing long-term contract staff. The firm received positive feedback from its references.

22nd Century has been in the IT staffing industry for over 26 years and has placed similar IT technical positions for various public agencies, such as the New York State Office of IT Services, Department of Defense Medical Examination Review Board, and United States Department of Agriculture.

Beacon Hill has over 23 years of experience in providing direct IT staffing across multiple industries, including the Walt Disney Company, Sempra-San Diego and Electric, and the Automobile Club of Southern California.

Midtown has been in the temporary staffing business for over 34 years and in 2007 expanded to providing IT services to clients such as the San Antonio Water System, Associate of American Medical Colleges, and Austin Community College. All firms received positive feedback from their references.

Staffing and Project Organization

The four firms all proposed experienced and well-rounded project teams with relevant experience in staffing for the positions that OCTA requires.

Intratek proposed keeping the same project team that is on OCTA's current technical staffing contract. The proposed account manager has served in this capacity for 18 years on previous technical staffing contracts. The proposed project team has extensive IT staffing experience and is committed to continuing the same level of support to OCTA. In addition to the proposed project team, Intratek has IT subject matter experts on staff to provide support or serve as emergency back-ups as needed. During the interview, Intratek presented a detailed plan for recruiting practices and candidate screening process. All team members participated and demonstrated a high level of commitment and a comprehensive understanding of OCTA's staffing requirements.

The other short-listed firms proposed knowledgeable project teams. 22nd Century proposed an account manager that has eight years of experience, as well as a supporting team of seven members to assist with OCTA's accounts. Beacon Hill proposed an account manager that has been employed with the firm since 2010 and proposed to provide a supporting team of five members. Midtown's proposed account executive has over 14 years of experience managing large projects across the country, serving private clients as well as local governments and schools. During the interview, the 22nd Century Project Manager and other key personnel had limited participation answering interview questions. Beacon Hill team members demonstrated a lack of communication among themselves and did not provide comprehensive responses during the interview. Midtown stated that all team members and client meetings, training, including "transition and/or first day", would take place virtually rather than being in-person as required in the scope of work. Additionally, the firms demonstrated a sufficient level of commitment to this project and a general understanding of OCTA's IT staffing requirements when responding to interview questions.

Work Plan

The four firms all met the service requirements of the RFP to provide long-term technical staffing services to support the IS Department.

Intratek presented a comprehensive work plan that addressed all elements of the scope of work. The firm demonstrated a clear understanding of the project requirements and discussed its approach to meeting these objectives, including a detailed recruitment and candidate screening process. Recruiting resources include networking events, technology-specific partner alliances, internal/external databases, social media, and professional associations. Intratek verifies candidates' qualifications by reviewing resumes, contacting references, and conducting telephone interviews, as well as administering job skills testing prior to referring these candidates to OCTA. The firm proposed to continue the assignments of the current contract personnel to ensure no loss of service or performance levels to OCTA. Intratek detailed its benefits package offered to long-term contract staff, which includes employees' standard health insurance premiums, as well as additional benefits such as vision, standard dental, and life insurance. Intratek also pays 100 percent of the premium cost for the health savings account plan. During the interview, all team members participated in providing full comprehensive responses to interview questions related to sourcing qualified candidates, the benefits package, and the training program.

The other short-listed firms discussed the different strategies they use for sourcing qualified candidates to fill difficult positions. 22nd Century partners with other staffing agencies to find qualified candidates, while Beacon Hill builds relationships with existing candidates and expands to other markets. Midtown defines skillsets unique to each candidate to build rapport for future referrals for sourcing qualified candidates. Additionally, the firms discussed their plans for transitioning the current contract personnel; however, 22nd Century proposed a transition process that may take up to 12 weeks, which may result in OCTA service interruptions, as well as staff health care coverage loss and potential salary reductions for current and future contracted employees. For Beacon Hill, transition may be as quick as 15 days, but all other benefits may take up to 90 days to be fully implemented, as well as potential salary reductions on some of the contracted positions. Midtown's transition process could take up to 30 days, all paperwork, interview, and hiring process is done online and potential salary reductions for current and future contracted employees. While all three firms offered a benefits package to their long-term contract personnel, 22nd Century's training is mostly online and if travel is involved, training costs may be billed separately to OCTA. Beacon Hill's benefit package may take up to 90 days to be implemented. Midtown offers various in-house training courses as part of its benefits package; however, the firm indicated during the interview that travel expenses associated with additional training would be billed separately to OCTA. The firms provided general responses to interview questions related to sourcing qualified candidates, benefits package, and their transition plan to retain the current contracted staff.

Cost and Price

Pricing scores were based on a formula which assigned the highest score to the firm with the lowest average billable hourly rate and scored the other proposals' average billable hourly rates based on their relation to the lowest average billable hourly rate. Although Intratek did not propose the lowest average billable hourly rates, pricing was competitive with the other proposing firms and lower than the OCTA project manager's independent cost estimate. Therefore, the pricing submitted by Intratek is deemed fair and reasonable.

Procurement Summary

Based on the evaluation of the written proposals, the firms' qualifications, and the information obtained from the interviews, the evaluation committee recommends the selection of Intratek as the top-ranked firm to provide contract technical staffing services for IT technical positions. Intratek delivered a comprehensive proposal and an interview that was responsive to the requirements of the RFP.

Fiscal Impact

The project was approved in OCTA's Fiscal Year 2022-23 Budget, Finance and Administration / Information Systems, account nos: 1282-7519-A5354-2YH/ 1282-7519-A5354-OXW / 1282-7519-A5354-OYY / 1282-7519-A5354-9S4 / 1282-7519-A5354-9SC /1282-7519-A5354-070 / 1285-7519-A5359-TSP / 1283-7519-A5352-9TU /1284-7519-A5352-0X2 / 1284-7519-A5352-2M2 / 1284-7519-A5352-41A /1284-7519-A5352-07Z and is funded through local funds. The funding for each year will be included within that fiscal year's budget.

Summary

Staff is recommending the Board of Directors authorize the Chief Executive Officer to negotiate and execute Agreement No. C-2-2746 between the Orange County Transportation Authority and Intratek Computer, Inc., in the amount of $23,621,941, for a five-year term, effective July 1, 2023 through June 30, 2028, to provide contract technical staffing services for Information Technology technical positions.

Attachments

A. Review of Proposals – RFP 2-2746 Information Technology Contracted Technical Staffing
B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 2-2746 Information Technology Contracted Technical Staffing
C. Contract History for the Past Two Years – RFP 2-2746 Information Technology Contracted Technical Staffing

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Review of Proposals

RFP 2-2746 Information Technology Contracted Technical Staffing

Presented to Finance and Administration Committee - May 10, 2023

51 firms proposed, 4 firms were interviewed, 1 firm is being recommended

ATTACHMENT A

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Average Hourly Billable Rate
1	87	**Intratek Computer, Inc.** Irvine, California	None	Highest-ranked firm overall. Excellent proposal, detailed information meeting all requirements. Extensive experience in providing similar contract staff for public sector clients. Proposed the same project team as current contract, as well as continue the assignments of the current contract staff. Most comprehensive and generous benefits package for contract personnel. Detailed recruiting practices and candidate screening process. Presented well and answered questions thoroughly during the interview. Positive feedback from references. Proposed competitive hourly billable rates.	$105
2	83	**22nd Century Technologies, Inc.** McLean, Virginia	None	Second-ranked firm. Very good proposal overall. Large staffing firm with extensive relevant experience. Knowledgeable project team. Some trainings may be billable to OCTA. Good recruiting practices and candidate screening process. Positive feedback from references. Limited participation from Project Manager and other key personnel during the interview. Proposed the lowest hourly billable rates.	$83
3	82	**Beacon Hill Staffing Group, LLC** Boston, Massachusetts	None	Experience working with clients in the public sector. Experienced project team. Offers training reimbursement on a case-by-case basis. Good recruiting practices and candidate screening process. Good technical training program. Transition of employees may take up to 90 days, including health insurance coverage. Positive feedback from references. Proposed competitive hourly billable rates.	$102
3	82	**Midtown Personnel, Inc.** doing business as The Midtown Group Washington, District of Columbia	None	Good proposal overall. Experience placing and transitioning similar long-term contract personnel. Experienced project team. Good benefits package offered to long-term contract employees. Detailed a good transition plan. Travel expenses associated with additional trainings would be billed separately to OCTA. Good recruiting practices and candidate screening process. Positive feedback from references. Proposed competitive hourly billable rates.	$94

Evaluation Panel:

Internal:

Contracts Administration and Materials Management (2)

Information Systems (2)

Human Resources (1)

Proposal Criteria	**Weight Factors**
Qualifications of the Firm	25%
Staffing and Project Organization	20%
Work Plan	30%
Cost and Price	25%

ATTACHMENT B

PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)
RFP 2-2746 Information Technology Contracted Technical Staffing

Intratek Computer, Inc.							
Evaluator Number	1	2	3	4	5	Weights	Overall Score
Qualifications of Firm	4.5	4.5	5.0	4.5	4.5	5	23.0
Staffing/Project Organization	4.5	4.0	4.5	4.0	4.5	4	17.2
Work Plan	4.5	4.0	5.0	4.0	5.0	6	27.0
Cost and Price	3.90	3.90	3.90	3.90	3.90	5	19.5
Overall Score	87.0	82.0	92.5	82.0	90.0		87

22nd Century Technologies, Inc.							
Evaluator Number	1	2	3	4	5	Weights	Overall Score
Qualifications of Firm	4.0	3.5	4.0	3.5	4.5	5	19.5
Staffing/Project Organization	4.5	3.5	4.0	3.5	3.5	4	15.2
Work Plan	4.5	3.5	4.0	3.5	4.0	6	23.4
Cost and Price	5.00	5.00	5.00	5.00	5.00	5	25.0
Overall Score	90.0	77.5	85.0	77.5	85.5		83

Beacon Hill Staffing Group LLC							
Evaluator Number	1	2	3	4	5	Weights	Overall Score
Qualifications of Firm	4.0	4.0	4.5	4.0	4.0	5	20.5
Staffing/Project Organization	4.5	3.5	4.5	3.5	4.0	4	16.0
Work Plan	4.0	4.5	4.5	4.0	4.0	6	25.2
Cost and Price	4.00	4.00	4.00	4.00	4.00	5	20.0
Overall Score	82.0	81.0	87.5	78.0	80.0		82

Midtown Personnel, Inc., doing business as The Midtown Group							
Evaluator Number	1	2	3	4	5	Weights	Overall Score
Qualifications of Firm	4.0	4.0	4.0	4.0	4.0	5	20.0
Staffing/Project Organization	4.0	4.0	4.5	4.0	4.0	4	16.4
Work Plan	4.0	3.5	4.5	4.0	3.5	6	23.4
Cost and Price	4.40	4.40	4.40	4.40	4.40	5	22.0
Overall Score	82.0	79.0	87.0	82.0	79.0		82

Range of scores for non-short-listed firms was 28 to 69.

ATTACHMENT C

CONTRACT HISTORY FOR THE PAST TWO YEARS

RFP 2-2746 Information Technology Contracted Technical Staffing

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Intratek Computer, Inc.						
Contract Type: Time-and-Expense	C-7-1949	Information Technology Contract Technical Staffing	February 16, 2018	June 30, 2023	N/A	$ 14,366,775
Subconsultants: None						
					Sub Total	**$ 14,366,775**
22nd Century Technologies, Inc.						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	$ -
Subconsultants: None						
					Sub Total	**$ -**
Beacon Hill Staffing Group, LLC						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	$ -
Subconsultants: None						
					Sub Total	**$ -**
Midtown Personnel, Inc., doing business as The Midtown Group						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	$ -
Subconsultants: None						
					Sub Total	**$ -**