

Date: Monday, February 8, 2010

Time: 9:00 a.m.

Where: Orange County Transportation Authority Headquarters
600 South Main Street, First Floor - Conference Room 154
Orange, California 92868



BOARD AGENDA

Orange County Transportation Authority Board Meeting
Orange County Transportation Authority Headquarters
First Floor - Room 154
600 South Main Street, Orange, California
Monday, February 8, 2010, at 9:00 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda Descriptions

The 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 Board of Directors 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 Comments on Agenda Items

Members of the public wishing to address the Board of Directors regarding any item appearing on the agenda may do so by completing a Speaker Card's and submitting it to the Clerk of the Board. Speakers will be recognized by the Chairman at the time the agenda item is to be considered. A speaker's comments shall be limited to three (3) minutes.

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.

Call to Order

Pledge of Allegiance

Director Hansen

Invocation

Vice Chair Bates



BOARD AGENDA

Special Matters

1. **Presentation of Resolutions of Appreciation for Employees of the Year for 2010**

Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2010-006, 2010-007, 2010-008 to James Da Vanzo, Coach Operator; Joel Rule, Maintenance; and Andrew Oftelie, Administration, as Employees of the Year for 2010.

Consent Calendar (Items 2 through 15)

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

Orange County Transportation Authority Consent Calendar Matters

2. **Approval of Minutes**

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 25, 2010.

3. **Fiscal Year 2008-09 Annual Financial Reports**

Kathleen M. O'Connell

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's financial statements, schedules and agreements for fiscal year 2008-09, and reports are included herewith.

Recommendation

Receive and file the fiscal year 2008-09 annual financial reports as information items.



BOARD AGENDA

4. **Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance**

Kathleen M. O'Connell

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on its Comprehensive Annual Financial Report, various fund financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, conducted the annual audit of the Orange County Transportation Authority's financial statements, schedules and agreements for fiscal year 2008-09, and has issued reports thereon. Mayer Hoffman McCann P.C., as required by United States Generally Accepted Auditing Standards and Office of Management and Budget Circular A-133, has herewith issued its Auditor's Communication with Those Charged with Governance.

Recommendation

Receive and file the Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance.

5. **Fiscal Year 2008-09 Management Letter**

Kathleen M. O'Connell

Overview

In connection with its annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2008-09, Mayer Hoffman McCann P.C. has issued a Management Letter, which identified one deficiency in internal control that was considered to be a significant deficiency as defined by the American Institute of Certified Public Accountants, Statement on Auditing Standards Number 112. The auditors did not identify any deficiencies in internal control that would be considered material weaknesses.

Recommendation

Receive and file the Fiscal Year 2008-09 Management Letter.



BOARD AGENDA

6. **Authority to Acquire Right-of-Way for Placentia Avenue Railroad Grade Separation Project and Provide Relocation Assistance and Benefits**
Rosalyn Zeigler/Kia Mortazavi

Overview

The Orange County Transportation Authority is implementing the Placentia Avenue Railroad Grade Separation Project, one of seven Orangethorpe corridor railroad grade separation projects. The Placentia Avenue project is in its final design phase and is expected to start construction in 2010. The design of the project requires acquisition of property rights from private parties adjacent to the existing railroad crossing at Placentia Avenue. Acquisition of the properties will be conducted in accordance with the Orange County Transportation Authority's right-of-way policies and procedures.

Recommendations

- A. Authorize the Chief Executive Officer, or his designee, to execute agreements with property owners for the acquisition of the specified interests in the real property for the Placentia Avenue Railroad Grade Separation Project.
- B. Authorize relocation assistance and benefits for the relocation of persons, businesses, or personal property to be relocated for the Placentia Avenue Railroad Grade Separation Project.
7. **Approval to Release Request for Proposals for Program Management Consultant for Construction of the Railroad Grade Separation Projects**
Tom Bogard/Kia Mortazavi

Overview

Staff has developed a request for proposals to initiate a competitive procurement process to retain program management consultants to provide construction management oversight and coordination of railroad grade separation projects.



BOARD AGENDA

7. (Continued)

Recommendations

- A. Approve the proposed evaluation criteria and weightings for Request for Proposals 9-0809 for selection of consultant services.
- B. Approve the release of Request for Proposals 9-0809 for program management consultant for construction of the railroad grade separation projects

8. Approval to Release Request for Proposals for Construction Management Services for the Placentia Avenue Railroad Grade Separation Project

Tom Bogard/Kia Mortazavi

Overview

Staff has developed a request for proposals to initiate a competitive procurement process to retain a construction management consultant to manage the construction of the Placentia Avenue railroad grade separation project

Recommendations

- A. Approve the proposed evaluation criteria and weightings for Request for Proposals 9-0924 for selection of consultant services.
- B. Approve the release of Request for Proposals 9-0924 for construction management services for the Placentia Avenue Railroad Grade Separation Project.



BOARD AGENDA

9. **Letter of No Prejudice for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project**
Adriann Cardoso/Kia Mortazavi

Overview

In October 2009, the Governor signed Assembly Bill 672 (Chapter 43, Statutes of 2009), which authorized the California Transportation Commission to approve a Letter of No Prejudice, which allows a local agency to expend local funds in advance of allocation of Proposition 1B funds and be reimbursed at a later date. This process allows projects to advance in the event state funds are not available. To be eligible, prior Board of Directors and California Transportation Commission approval is required. Staff is recommending to use this approach to advance a Measure M Smart Street project on Imperial Highway (State Route 90).

Recommendations

- A. Direct staff to seek a Letter of No Prejudice from the California Transportation Commission for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project and authorize the use of \$200,000 in Measure M sales tax funds in advance of receiving \$200,000 in Proposition 1B funding.
- B. Direct staff to make all necessary amendments to the Federal Transportation Improvement Program and execute any necessary agreements to facilitate the actions above.
10. **Amendments to Cooperative Agreements with the California Department of Transportation for the Northbound Orange Freeway (State Route 57) Widening Projects**
Arshad Rashedi/Kia Mortazavi

Overview

On November 10, 2008, the Orange County Transportation Authority Board of Directors authorized cooperative agreements with the California Department of Transportation to provide oversight for the final design of the northbound Orange Freeway (State Route 57) widening projects. Now that the design plans have been completed and the projects are ready for construction, it is proposed to amend the cooperative agreements to compensate the California Department of Transportation for the preparation of bid documents and the advertisement, award, and approval of the construction contracts for the projects.



BOARD AGENDA

10. (Continued)

Recommendations

- A. Authorize the Chief Executive Officer, or designee, to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1282, in an amount not to exceed \$710,100, for the preparation of bid documents and for the advertisement, award, and approval of the construction contract for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road, bringing the total contract amount to \$710,100.
- B. Authorize the Chief Executive Officer, or designee, to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1237, in an amount not to exceed \$254,475, for the preparation of bid documents and for the advertisement, award, and approval of the construction contract for the northbound Orange Freeway (State Route 57) between Katella Avenue and Lincoln Avenue, bringing the total contract amount to \$254,475.

11. Bond Counsel Services Kirk Avila/Kenneth Phipps

Overview

The Orange County Transportation Authority issued a request for proposals for bond counsel services on October 16, 2009. The successful firm will assist the Orange County Transportation Authority with financing, investment, and tax issues over the next three years. Offers were received 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.

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0767 with Nossaman, LLP, to provide bond counsel services to the Orange County Transportation Authority for a period of three years with two one-year option terms.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0913 with Kutak Rock, LLP, to provide bond counsel services to the Orange County Transportation Authority for a period of three years with two one-year option terms.



BOARD AGENDA

Orange County Local Transportation Authority Consent Calendar Matters

12. Financial and Compliance Audits of Eight Combined Transportation Funding Program Projects

Kathleen M. O'Connell

Overview

Audits have been completed of eight projects funded through the Combined Transportation Funding Program of Measure M by external audit firm Mayer Hoffman McCann P.C. Recommendations have been offered to ensure compliance with the Combined Transportation Funding Program Guidelines. The auditors also questioned expenditures of \$84,417 and \$11,868 invoiced by the cities of Stanton and Westminster, respectively, for inadequately supported expenditures. While the cities indicate that there is sufficient evidence of project completion, that evidence does not meet program requirements. Therefore, the Internal Audit Department is recommending that the Orange County Transportation Authority seek reimbursement of these amounts. In the process of seeking reimbursement, staff will work with these jurisdictions to determine if there is any way within the Combined Transportation Funding Program to substantiate the expenditures in question.

Committee Recommendations

- A. Receive and file financial and compliance audits of eight Combined Transportation Funding Program projects, Internal Audit Report 08-019.
- B. Direct staff to review the documents submitted by the City of Stanton regarding expenditures invoiced under the Combined Transportation Funding Program and report back to Committee, and forego recovery of the \$11,868 from the City of Westminster.
- C. Direct OCTA staff to implement recommendations related to jurisdictions' submission of final reports within 180 days of project completion and clarification of allowable overhead cost allocations.
- D. Direct OCTA staff to enhance final project review procedures to include additional scrutiny of possible excess right of way.



BOARD AGENDA

13. Orange County Local Transportation Authority Measure M Agreed-Upon Procedures Reports, Year Ended June 30, 2009

Kathleen M. O'Connell

Overview

Mayer Hoffman McCann P.C., an independent accounting firm, has completed its annual agreed-upon procedures for eight Orange County cities for the fiscal year ended June 30, 2009. These procedures were developed by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority to assist them in evaluating the selected cities' level of compliance with provisions of Measure M Local Transportation Ordinance No. 2.

Recommendations

- A. Receive and file the Orange County Local Transportation Authority Measure M Agreed-Upon Procedures Reports, Year Ended June 30, 2008.
- B. Direct staff to monitor implementation of recommendations related to timely expenditure of turnback funds, indirect cost allocations and inclusion of Measure M projects in City Capital Improvement Programs.

14. Reports on the Annual Transportation Development Act Audits for Fiscal Year 2008-09

Kathleen M. O'Connell

Overview

Pursuant to Sections 6663 and 6751 of the California Code of Regulations, audits of Transportation Development Act Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2009, by Mayer Hoffman McCann P.C.

Recommendations

- A. Approve corrective action proposed by the City of Lake Forest, the City of Seal Beach and non-profit organization, Jewish Family Services of Orange County, in response to auditor findings and recommendations resulting from the Transportation Development Act program audits performed for fiscal year 2008-09.



BOARD AGENDA

14. (Continued)

- B. Direct staff to implement a coordinated approach to providing Transportation Development Act program financial information.

15. **Measure M Quarterly Progress Report**

Norbert Lippert/Kia Mortazavi

Overview

Staff has prepared a Measure M progress report for the fourth quarter of 2009. This is a regular report that highlights the Measure M projects and programs currently under development.

Recommendation

Receive and file as an information item.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

16. **2010 State Transportation Improvement Program**

Adriann Cardoso/Kia Mortazavi

Overview

Every two years, the Orange County Transportation Authority prepares a program of projects for state funding through the State Transportation Improvement Program. Due to the state budget crisis, there is no new funding in 2010 for highway or transit projects. Agencies are being held to 2008 funding levels and previously approved projects may be delayed. Staff has developed the 2010 State Transportation Improvement Program recommendations for Board of Directors' consideration and approval. This program holds previously approved project schedules.



BOARD AGENDA

16. (Continued)

Recommendations

- A. Approve the Orange County Regional Transportation Improvement Program for the 2010 State Transportation Improvement Program covering fiscal years 2010-11 through 2014-15 for a total of \$298.3 million as follows: (1) \$185.3 million for highway projects, (2) \$92.3 million in transit projects, and (3) \$20.7 million for a transportation enhancement call for projects.
- B. Direct staff to make all necessary amendments to the State Transportation Improvement Program and the Federal Transportation Improvement Program, as well as execute any necessary agreements to facilitate the above action.

17. Jobs for Main Street Act Funds

Abbe McClenahan/Kia Mortazavi

Overview

In December 2009, the House of Representatives passed the Jobs for Main Street Act to create or save jobs with investments in highways, streets and roads, and transit infrastructure – key drivers of economic growth. In preparation for a final bill and to meet strict timely use of funds requirements included in the House of Representatives bill, a series of actions are presented to the Board of Directors to position the Orange County Transportation Authority to secure funds for Orange County projects and programs.

Recommendations

- A. Approve the highway, streets and roads, and transit strategy presented in the staff report.
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-9-0829 between the Orange County Transportation Authority and the California Department of Transportation to replace \$186.36 million in state Corridor Mobility Improvement Account funds with federal Jobs for Main Street Act funds.



BOARD AGENDA

17. (Continued)

- C. Authorize staff to process all necessary amendments to the Federal Transportation Improvement Program and State Transportation Improvement Program and execute any necessary agreements to facilitate programming of Jobs for Main Street Act funds.

Orange County Local Transportation Authority Regular Calendar Matters

18. Report on Traffic and Revenue Analysis for the San Diego Freeway (Interstate 405) Improvement Project and Contract Amendment

Rose Casey/Kia Mortazavi

Overview

Staff is presenting information from the traffic and revenue analysis conducted to determine the financial viability of an express-lane facility on the San Diego Freeway (Interstate 405). The express lanes alternative is one of four alternatives under consideration in the environmental phase of the Measure M2 improvement project. Based on the preliminary traffic and revenue analysis which indicates the express lanes can be a financially viable alternative, staff recommends that this alternative be developed further through the environmental phase. Board of Directors' approval is requested to authorize the Chief Executive Officer to negotiate and execute an amendment to the agreement with Parsons Transportation Group for additional services to perform preliminary engineering and environmental studies for two additional alternatives for the San Diego Freeway (Interstate 405) Improvement Project.

Recommendations

- A. Authorize staff to continue the analysis of four build alternatives for the San Diego Freeway (Interstate 405) Improvement Project through the environmental phase.
- B. Authorize the Chief Executive Officer to negotiate and execute an amendment to Agreement No. C-8-0693 with Parsons Transportation Group, in an amount not to exceed \$4.5 million, for additional services to perform preliminary engineering and environmental studies for the two additional alternatives through the environmental phase, bringing the total contract value to \$14,105,417.



BOARD AGENDA

Discussion Items

19. Public Comments

At this time, members of the public may address the Board of Directors regarding any items within the subject matter jurisdiction of the Board of Directors, but no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to three (3) minutes per speaker, unless different time limits are set by the Chairman subject to the approval of the Board of Directors.

20. Chief Executive Officer's Report

21. Directors' Reports

22. Closed Session

A Closed Session is not scheduled.

23. Adjournment

The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, February 22, 2010**, at Orange County Transportation Authority Headquarters.



ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

James Da Vanzo

WHEREAS, the Orange County Transportation Authority recognizes and commends James Da Vanzo; and

WHEREAS, be it known that James Da Vanzo has been at the OCTA since November, 1978. He is a principal player at the OCTA and has performed his responsibilities as a Coach Operator in a professional, safe, courteous, and reliable manner; and

WHEREAS, James Da Vanzo has demonstrated that safety is paramount by achieving 30 years of safe driving; and

WHEREAS, James Da Vanzo has demonstrated his integrity by maintaining an excellent attendance record, and his dedication exemplifies the high standards set forth for Orange County Transportation Authority employees; and

WHEREAS, James Da Vanzo has proven that "Putting Customers First" is the only way to conduct yourself as a professional coach operator at OCTA and his attention to detail and concern for his customers have helped OCTA ridership grow.

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare James Da Vanzo as the Orange County Transportation Authority Coach Operator of the Year for 2009; and

BE IT FURTHER RESOLVED that the Orange County Transportation Authority Board of Directors recognizes James Da Vanzo's valued service to the Authority.

Dated: February 8, 2010

Jerry Amante, Chairman
Orange County Transportation Authority

Will Kempton, Chief Executive Officer
Orange County Transportation Authority





ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

JOEL RULE

WHEREAS, the Orange County Transportation Authority recognizes and commends Joel Rule; and

WHEREAS, be it known that Joel Rule has been with the Authority since 1987 and has been a valued member of the Maintenance Department. His diligence, industriousness, and conscientiousness in performing all tasks are recognized. Joel consistently demonstrates a high level of customer service and integrity while performing his duties. Personnel exhibiting these and other OCTA values play an important part in assuring that the Garden Grove Base meet the Authority's Mission and Goals.

WHEREAS, be it known that Joel Rule's detailed workmanship and positive attitude in performing all facets of his job has earned him the respect of both his supervisor and his peers; and

WHEREAS, his dedication to his duties and desire to excel are duly noted, and he is recognized as an outstanding Authority employee.

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Joel Rule as the Orange County Transportation Authority Maintenance Employee of the Year for 2009; and

BE IT FURTHER RESOLVED that the Orange County Transportation Authority Board of Directors recognizes Joel Rule's valued service to the Authority.

Dated: February 8, 2010

Jerry Amante, Chairman
Orange County Transportation Authority

Will Kempton, Chief Executive Officer
Orange County Transportation Authority





ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

Andrew Oftelie

WHEREAS, the Orange County Transportation Authority recognizes and commends Andrew Oftelie for his outstanding contributions to Authority business; and

WHEREAS, Andrew Oftelie has provided exemplary leadership in developing a financial plan to help guide the Orange County Transportation Authority through the current economic crisis; and

WHEREAS, Andrew Oftelie has been an integral member of the team in charge of the development of the Renewed Measure M Early Action Plan, providing guidelines for programs and capital projects, and working with various external agencies, cities and elected officials; and

WHEREAS, Andrew Oftelie has been a key member of the management team in charge of collective bargaining contract negotiations, ensuring fairness and financial integrity for the Authority and its employees ; and

WHEREAS, Andrew Oftelie has made tireless efforts to provide the Authority with a balanced budget despite challenging financial times with reduced revenues; and

WHEREAS, Andrew Oftelie has an excellent working relationship with all levels of the organization, has emerged as a problem solver, and has provided profound leadership within the Finance Division and beyond.

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Andrew Oftelie as the Orange County Transportation Authority Administration Employee of the Year for 2009; and

BE IT FURTHER RESOLVED that the Orange County Transportation Authority Board of Directors recognizes Andrew Oftelie's outstanding service.

Dated: February 8, 2010

Jerry Amante, Chairman
Orange County Transportation Authority

Will Kempton, Chief Executive Officer
Orange County Transportation Authority



Minutes of the Meeting of the
Orange County Transportation Authority
Orange County Service Authority for Freeway Emergencies
Orange County Local Transportation Authority
Orange County Transit District
Board of Directors
January 25, 2010

Call to Order

The January 25, 2010, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Amante at 9:03 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

Roll Call

Directors Present: Jerry Amante, Chairman
Arthur C. Brown
Peter Buffa
Bill Campbell
Carolyn Cavecche
William J. Dalton
Don Hansen
Allan Mansoor
John Moorlach
Janet Nguyen
Chris Norby
Curt Pringle
Miguel Pulido
Gregory T. Winterbottom
Cindy Quon, Governor's Ex-Officio Member

Also Present: Will Kempton, Chief Executive Officer
Darrell Johnson, Acting Deputy Chief Executive Officer
Wendy Knowles, Clerk of the Board
Laurena Weinert, Assistant Clerk of the Board
Kennard R. Smart, Jr., General Counsel
Members of the Press and the General Public

Directors Absent: Patricia Bates, Vice Chairman
Richard Dixon
Paul Glaab

Invocation

Director Cavecche gave the invocation.

Pledge of Allegiance

Vice Chairman Amante led the Board and audience in the Pledge of Allegiance.

Special Matters

1. Presentation of Resolution of Appreciation to Director Chris Norby

Chairman Amante presented Orange County Transportation Authority Resolution of Appreciation No. 2009-09 to Director Chris Norby for his service on the Board of Directors. Director Norby was recently elected to represent the 72nd District in the California State Assembly.

2. Presentation of Resolutions of Appreciation for Employees of the Month for January 2010

Chairman Amante presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2010-001, 2010-002, 2010-003 to Jan Wagner, Coach Operator; Loyd Dao, Maintenance; and Charles Oliver, Administration, as Employees of the Month for January 2010.

3. Chairman's Goals

Jerry Amante, Chairman of the Orange County Board of Directors, provided an overview of the strategic initiatives upon which he will focus during his tenure as Chairman:

- Grow Workplace Excellence & Efficiency
- Transition Seamlessly to M2
- Stabilize Bus Operations
- Enhance Rail Service & Safety
- Laying Tracks for the Future
- Complete Central County Major Investment Study
- Maximize Strategic Collaboration
- Secure OC's Fair Share
- Enhance Customer Experience
- Implement and Explore HOV/Hot Lane Improvements

4. Chief Executive Officer's Goals

Working with the Chairman of the Board, Chief Executive Officer (CEO), Will Kempton, shared his major goals for the Orange County Transportation Authority for 2010. Those goals are:

- Sustain OCTA as a Workplace of Choice
- Effectively Manage Ongoing OCTA Programs
- Increase the Efficiency of OCTA Operations
- Develop a New Strategic Plan for OCTA
- Integrate Rail Services in the LOSSAN Corridor
- Ensure the Project Acceleration of a High-speed Rail Connection Between Anaheim and Los Angeles
- Protect and Advance OCTA Interests at the Federal, State, and Local Levels
- Reinforce and Enhance OCTA's Positive Image
- Continue the Conversion of Orange County HOV Lanes to Continuous Access
- Develop an Integrated Toll/Express Lane Network for Orange County
- Work with Local and Regional Partners to Implement SB 375
- Build Sustainability into OCTA Operations

5. Sacramento Advocate's Report

Sacramento advocate Moira Topp of Sloat Higgins Jensen and Associates provided an overview of the Governor's budget proposals.

Ms. Topp's presentation also highlighted:

- Leadership changes in Sacramento
- Open seats in the Legislature
- Possible bill limits
- Special Session called to address fiscal situation
- Gas tax swap
- State Transit Assistance funds
- Implications of Proposition 98 on sales tax
- Potential confirmation of Lieutenant Governor

Consent Calendar (Items 6 through 25)

Chairman Amante announced that members of the public who wished to address the Board of Directors regarding any item appearing on the agenda would be allowed to do so by completing a Speaker's Card and submitting it to the Clerk of the Board.

Orange County Transportation Authority Consent Calendar Matters

6. Approval of Minutes

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 11, 2010.

Directors Dixon and Hansen were not present to vote on this item.

7. Approval of 2010 Committee Assignments

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to approve the proposed 2010 roster of Board of Directors' Committee assignments.

Directors Dixon and Hansen were not present to vote on this item.

8. State Legislative Status Report

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to receive and file as an informational item.

Directors Dixon and Hansen were not present to vote on this item.

9. Federal Legislative Status Report

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

Directors Dixon and Hansen were not present to vote on this item.

10. Transportation Appropriations and Grant Application Project List

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to:

- A. Review and approve the recommended list of transportation projects and authorize staff to pursue funds through the fiscal year 2011 federal appropriations process and as grant funding opportunities become available throughout the year.
- B. Direct staff to pursue Federal Transit Administration Bus Livability Program funds in support of the Anaheim Regional Transportation Intermodal Center, as the only viable Orange County transit project that meets federal requirements for project readiness as part of this new grant program.

Directors Dixon and Hansen were not present to vote on this item.

11. 2010 State Transportation Improvement Program

Director Campbell pulled this item for discussion and stated that after reviewing the upcoming Finance and Administration Committee meeting agenda, he felt there is a problem in that it is asserted that the State may not fund Proposition 116. Due to that assertion, he indicated the timing for this item may be inappropriate.

CEO, Will Kempton, stated that what is proposed with respect to the 2010 State Transportation Improvement Program (STIP) is to actually hold it consistent with what was in the 2008 STIP. The State is reporting that there are no additional revenues expected to be able to fund what is normally two more years of project work. Therefore, staff is recommending "holding ground."

Kurt Brotcke, Director of Strategic Planning, stated that the list of projects is due to the California Transportation Commission on February 12; therefore, this item would need to return to the first Board meeting in February.

Following a brief discussion, a motion was made by Director Campbell, seconded by Director Pulido, and declared passed by those present, to return this item to the Board at their next meeting.

12. Regional Bicycle and Pedestrian Project Funding

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to:

- A. Authorize a one-time, 12-month extension to previously approved and programmed Transportation Development Act projects.
- B. Approve the City of Brea's request to modify the Rails to Trails – Phase I Project scope.

12. (Continued)

- C. Authorize staff to amend the Federal Transportation Improvement Plan and execute any necessary agreements, as required, to program and implement projects.

Directors Dixon and Hansen were not present to vote on this item.

13. 2010 Technical Steering Committee Membership

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to approve the proposed 2010 Technical Steering Committee membership roster.

Directors Dixon and Hansen were not present to vote on this item.

14. Fourth Quarter 2009 Debt and Investment Report

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to receive and file the Quarterly Investment Report prepared by the Treasurer as an information item.

Directors Dixon and Hansen were not present to vote on this item.

15. Rideshare Program Update

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

Directors Dixon and Hansen were not present to vote on this item.

Orange County Local Transportation Authority Consent Calendar Matters

16. Request to Conduct a Public Hearing on Amendment to the Measure M1 Expenditure Plan for the Freeway Program

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to conduct a public hearing on March 8, 2010, to approve the proposed amendment to the Measure M1 Expenditure Plan.

Directors Dixon and Hansen were not present to vote on this item.

Orange County Transit District Consent Calendar Matters

17. Amendment to Agreement for Security Upgrades at the Anaheim, Garden Grove, Irvine Construction Circle, and Irvine Sand Canyon Bus Bases

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-9-0329 between the Orange County Transportation Authority and TRC Solutions, Inc., in an amount not to exceed \$71,134, for design and construction support services for security upgrades at the Anaheim, Garden Grove, Irvine Construction Circle, and Irvine Sand Canyon bus bases.

Directors Dixon and Hansen were not present to vote on this item.

18. Amendment to Agreement for Bus System Schedule Checking

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-7-1115 between the Orange County Transportation Authority and Southland Car Counters, Inc., in an amount not to exceed \$188,366, bringing the total contract value to \$692,366, for schedule checking services in calendar year 2010.

Directors Dixon and Hansen were not present to vote on this item.

Orange County Local Transportation Authority Consent Calendar Matters

19. Metrolink Ridership and Revenue Quarterly Report

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

Directors Dixon and Hansen were not present to vote on this item.

20. Agreement for Construction of a Pedestrian Walkway at the Tustin Metrolink Station

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-9-0712 between the Orange County Transportation Authority and Pointer Enterprises, Inc., the lowest responsive, responsible bidder, in an amount not to exceed \$212,400, for the construction of a pedestrian walkway from Dow Avenue to the east platform at the Tustin Metrolink Station.

Directors Dixon and Hansen were not present to vote on this item.

21. **Santa Ana Second Main Track Project Closeout**

Director Moorlach pulled this item for discussion and stated that there is not a variance in the amount being spent on this project and asked for information regarding that difference in cost.

Dinah Minter, Metrolink Expansion Program Manager, responded that when the number was originally budgeted (at the \$700,000 amount), the City of Santa Ana was still leading an outreach effort regarding what could be done at the two grade crossings in this project. Those options included leaving them both open, closing, one and leaving the other open, or creating a one-way couplet. At that time, staff was working with the Public Utilities Commission and Metrolink staff to arrive at an agreement on the outcome.

The \$700,000 budgeted reflected only the improvements that were to be done by the City of Santa Ana, and one of the construction requirements, which was to remove a center median at Fairhaven. At the time staff went to the Board in 2009, it was agreed staff would return to the Board with the final outcome and with a subsequent budget request. Once the City finished their outreach, they made the decision to close Fairhaven and go with just Santa Clara as a street. The purpose at this time is to reflect the cost of making that decision by the City.

Director Moorlach requested staff provide to him the balance still in the Commuter Urban Rail Endowment fund.

A motion was made by Director Moorlach, seconded by Director Pulido, and declared passed by those present, to:

- A. Authorize the completion of the Santa Ana Second Main Track project follow on items and the use of \$3,303,000 of additional Commuter Urban Rail Endowment funds, increasing the total project cost to \$31,190,000.
- B. Authorize the completion of design and construction modifications to the grade crossings at Fairhaven and Santa Clara avenues in the City of Santa Ana and include this in the current Rail-Highway Grade Crossing Safety Enhancement and Quiet Zone Program at an estimated additional cost of \$2,909,000.
- C. Authorize funding to the City of Santa Ana, in an amount of \$394,000, for supplemental environmental analysis, completion of the window replacement program, and construction of neighborhood monument signs.

Director Buffa was not present to vote on this item.

22. Measure M2 Local Agency Eligibility Guidelines and Requirements

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to approve Measure M2 Eligibility Guidelines for implementation.

Directors Dixon and Hansen were not present to vote on this item.

23. Integration of San Diego Freeway (Interstate 5)/Avenida Pico Interchange Project with San Diego Freeway (Interstate 5) High-Occupancy Vehicle Project in the Measure M2 Early Action Plan

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to:

- A. Approve the incorporation of the San Diego Freeway (Interstate 5)/Avenida Pico Interchange Project with the San Diego Freeway (Interstate 5) High-Occupancy Vehicle Project into the Measure M2 Early Action Plan.
- B. Authorize the Chief Executive Officer to negotiate and execute an Amendment No. 1 to Agreement No. C-8-1238 with RMC, Inc., for additional services to perform preliminary engineering and environmental studies for the San Diego Freeway (Interstate 5)/Avenida Pico Interchange Project, in an amount not to exceed \$350,000, bringing the total contract value to \$5,059,323.

Directors Dixon and Hansen were not present to vote on this item.

24. Supplement Budget for the Riverside Freeway (State Route 91) Westbound Lane Addition Between the Santa Ana Freeway (Interstate 5) and the Orange Freeway (State Route 57)

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-9-0244 with RBF Consulting, in an amount not to exceed \$5 million.

Director Buffa abstained from voting on this item.

Directors Dixon and Hansen were not present to vote on this item.

Orange County Service Authority for Freeway Emergencies Consent Calendar Matters

25. Fiscal Year 2009-10 Freeway Service Patrol Program Fund Transfer Agreement

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-9-0899 between the Orange County Transportation Authority and California Department of Transportation for fiscal year 2009-10 Freeway Service Patrol funding.

Directors Dixon and Hansen were not present to vote on this item.

Regular Calendar

Orange County Transit District Regular Calendar Matters

26. Agreement for Project Management, Technical Consulting, and Support for the Procurement and Implementation of the Intelligent Transit Management System

Joseph Vicente, Transit Program Manager, presented an overview of this system and the services needed for its support and implementation. Mr. Vicente provided background on milestones completed and past Board approval of various options related to the system.

A motion was made by Director Pulido, seconded by Director Moorlach, and declared passed by those present, to authorize the Chief Executive Officer to approve sole source Agreement No. C-9-0724 between the Orange County Transportation Authority and EIGER TechSystems, in an amount not to exceed \$424,565, to provide project management, technical consulting, and support for the implementation of the Intelligent Transit Management System.

Director Mansoor was not present to vote on this item.

Discussion Items

27. Sales Tax Analysis and Trends

Doug Jensen from Muniservices provided an expert analysis and powerpoint presentation on sales tax collections and how they have been affected during the current time of economic recession. Muniservices provides sales tax audit services in order to detect and correct point of sale distribution errors resulting in the generation of new sales tax revenue that would have not otherwise been collected by the Authority.

28. Rail Program Quarterly Update

Darrell Johnson provided a snapshot overview of the rail program and discussed the status of various projects.

Mr. Johnson reported that rail cars are on their way from Korea to Los Angeles will arrive in the next few months; these cars will be assembled in California at a facility owned by Metrolink in the Colton area.

29. Public Comments

Chairman Amante announced that members of the public who wished to address the Board of Directors regarding any item appearing on the agenda would be allowed to do so by completing a Speaker's Card and submitting it to the Clerk of the Board.

30. Chief Executive Officer's Report

CEO, Will Kempton, reported on upcoming OCTA-related meetings and events.

31. Directors' Reports

Director Moorlach requested information on how much is being spent on promotional outreach with agencies regarding transportation.

CEO, Will Kempton, advised the Board that spending on promotions has been scaled back considerably, and staff has been negotiating for reductions whenever possible. He stated that he does feel that workforce development is important in order to be able to retain good employees, as an internal sponsorship.

Director Pulido thanked staff for their work with Santa Ana staff regarding various projects.

Chairman Amante stated that he believes that the reduction of meetings will benefit greatly and appreciated the cooperation from everyone as it goes forward.

Director Moorlach expressed his concern regarding workloads and whether there is a true cost savings to reducing meetings. He inquired if there could be further dialog on the issue.

Chairman Amante stated that there can always be monitoring how this is working over the next few months and come back to the Board for discussion and adjustments if necessary.

32. Closed Session

A Closed Session was held pursuant to Government Code Section 54956.9(a) to discuss Ronald Cunningham vs. Orange County Transportation Authority, et al.; OCSC No. 30-2008-00107941.

Directors Dalton, Dixon, Nguyen, and Pringle were not present for this Closed Session.

33. Adjournment

The meeting adjourned at 10:47 a.m. The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, February 8, 2010**, at Orange County Transportation Authority Headquarters.

ATTEST

Wendy Knowles
Clerk of the Board

Jerry Amante
OCTA Chairman



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Fiscal Year 2008-09 Annual Financial Reports

Finance and Administration Committee Meeting of January 27, 2010

Present: Directors Bates, Buffa, Campbell, Cavecche, Hansen, and Moorlach
Absent: Director Brown

Committee Vote

This item was passed by all Committee Members present.

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

Committee Recommendation

Receive and file the fiscal year 2008-09 annual financial reports as information items.



January 27, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Fiscal Year 2008-09 Annual Financial Reports

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2008-09, and reports are included herewith.

Recommendations

- A. Receive and file the fiscal year 2008-09 annual financial reports.
- B. Direct staff to implement auditor recommendations related to review of tripsheets, documentation of monthly investment manager monitoring reviews, and controls to ensure appropriations limits are properly calculated.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting OCTA's results of operations and financial position at fiscal year end. The financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR), which was presented to the Board of Directors on December 14, 2009. In connection with the preparation of the CAFR, Mayer Hoffman McCann P.C. (MHM) also provides opinions on other financial and compliance reports of OCTA.

The audit was performed under current accounting and auditing standard, including generally accepted auditing standards, the standards set forth for

financial audits in the Government Accountability Office's *Government Auditing Standards* (as amended), the provisions of the federal Single Audit Act of 1984 (as amended) and United States (U.S.) Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the following additional requirements, where applicable:

- *State of California Transportation Development Act (TDA)*, including the requirements of the *Southern California Association of Governments' Transportation Development Act Conformance Auditing Guide*;
- *Revised Traffic Improvement and Growth Management Ordinance (Measure M)*;
- *National Transit Database Reporting*;
- *Special District and Transit District Reporting Requirements*, as specified by the California State Controller; and
- *Section 1.5 of Article XIII B of the California Constitution*, with procedures specified by the League of California Cities in *Article XIII B Appropriations Limitation Uniform Guidelines*.

Discussion

MHM, an independent accounting firm, has completed its annual audit of OCTA's financial statements, schedules, and agreements and has issued independent auditor opinions on OCTA's financial statements for the fiscal year ended June 30, 2009. Related reports are included as Attachments A through L.

The following reports include findings and recommendations.

The Single Audit report on federal awards was audited as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Attachment A). The auditors identified one significant deficiency related to the need for a policy on misconduct. This issue was addressed on July 13, 2009, when the Board of Directors approved OCTA's Code of Conduct; however, the issue must be reported because it was not corrected during the fiscal year ended June 30, 2009.

Agreed-upon procedures were performed with respect to the National Transit Database report for the year ended June 30, 2009, to assist OCTA in ensuring compliance with the regulations of *National Transit Database Reporting* and 49 CFR Part 630 of the *Federal Register*, dated January 15, 1993 (Attachment F). Page five of the report includes one finding related to tripsheets not evidencing supervisory review. Management agreed to revise procedures to include documentation of these reviews.

Agreed-upon procedures were also performed with respect to the Treasury Department (Department) (Attachment G), to assist OCTA management in evaluating internal controls within the Department. Page three of the report includes one recommendation related to documentation of monthly investment manager monitoring reviews. Management concurred with the recommendation and agreed to revise procedures accordingly.

MHM also performed agreed-upon procedures related to OCTA and Orange County Local Transportation Authority (OCLTA) appropriations limit worksheets (Attachments I and J). These procedures, which were agreed to by the League of California Cities, are performed to assist OCTA and OCLTA in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. MHM reported that, in calculating both the OCTA and OCLTA appropriation limits for fiscal year 2008-09, staff used fiscal year 2007-08 per capita population change percentages rather than 2008-09 figures. This resulted in minor understatements in the appropriation limits. The error had no impact on OCTA's or OCLTA's appropriations as expenditures were significantly less than the limits. Management has corrected the factors for the fiscal year 2009-10 budget process and will implement review controls to ensure accuracy in the future.

All findings and recommendations provided by MHM will be tracked on Internal Audit's Quarterly Unresolved Audit Findings and Recommendations report until resolved.

Summary

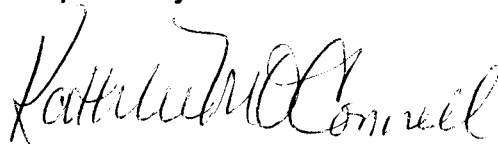
MHM, an independent accounting firm, has audited OCTA's CAFR for the fiscal year ended June 30, 2009, and has issued an unqualified opinion thereon. MHM has also issued unqualified opinions on various other financial statements, schedules, and agreements, which are attached hereto. Recommendations were made in the Single Audit report on federal awards, the National Transit Database report, the Treasury Department report, and the agreed-upon procedure reports related to OCTA and OCLTA appropriations limits.

Attachments

- A. Orange County Transportation Authority, Orange, California, Single Audit Report on Federal Awards, Year Ended June 30, 2009
- B. Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) Annual Financial And Compliance Report, Year Ended June 30, 2009

- C. Orange County Local Transportation Authority Debt Service Coverage Tests, Year Ended June 30, 2009
- D. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Measure M Status Report, Year Ended June 30, 2009
- E. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Renewed Measure M Status Report, Year Ended June 30, 2009
- F. Orange County Transportation Authority Agreed-Upon Procedures Performed with Respect to the National Transit Database Report For the Period July 1, 2008 through June 30, 2009
- G. Orange County Transportation Authority Independent Accountants' Report on Agreed-Upon Procedures Performed with Respect to the Treasury Department, Year Ended June 30, 2009
- H. Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Governmental Auditing Standards*, the Transportation Development Act, and California Government Code §8879.50
- I. Independent Accountants' Report on Agreed-Upon Procedures Applied to the Orange County Transportation Authority's Appropriations Limit Worksheets
- J. Independent Accountants' Report on Agreed-Upon Procedures Applied to the Orange County Local Transportation Authority's Appropriations Limit Worksheets
- K. Orange County Transportation Authority Local Transportation Fund Financial Statements, Year Ended June 30, 2009
- L. Orange County Transportation Authority State Transit Assistance Fund Financial Statements, Year Ended June 30, 2009

Prepared by:



Kathleen M. O'Connell
Executive Director, Internal Audit
(714) 560-5669

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
Orange, California**

Single Audit Report on
Federal Awards

Year Ended June 30, 2009

ORANGE COUNTY TRANSPORTATION AUTHORITY

Single Audit Report on Federal Awards

Year Ended June 30, 2009

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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2009, which collectively comprise OCTA's basic financial statements and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OCTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects OCTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of OCTA's financial statements that is more than inconsequential will not be prevented or detected by OCTA's internal control. We consider item number 09-01 described



Board of Directors
Orange County Transportation Authority
Orange, California

in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by OCTA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of OCTA and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, which appears to read 'Mayer Hoffman McCann P.C.', is centered on the page.

Irvine, California
October 28, 2009



Mayer Hoffman McCann P.C.

An Independent CPA Firm

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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the Orange County Transportation Authority (OCTA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. OCTA's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of OCTA's management. Our responsibility is to express an opinion on OCTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OCTA's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of OCTA's compliance with those requirements.

In our opinion, OCTA complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.



Board of Directors
Orange County Transportation Authority
Orange, California

Internal Control Over Compliance

The management of OCTA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered OCTA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control over compliance.

A control deficiency in OCTA's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects OCTA's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by OCTA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by OCTA's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise OCTA's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Board of Directors
Orange County Transportation Authority
Orange, California

This report is intended for the information and use of the Board of Directors, management of OCTA, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 11, 2009, except for the Schedule of Expenditures of Federal Awards, as to which
the date is October 28, 2009

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Federal Financial Assistance Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of Transportation</u>				
Direct Assistance:				
Federal Transit Cluster:				
Federal Transit - Capital Investment Grants	20.500		\$ 5,093,417	219,867
Federal Transit - Formula Grants	20.507		<u>92,759,022</u>	<u>1,765,887</u>
Total Federal Transit Cluster			<u>97,852,439</u> *	<u>1,985,754</u>
Passed through State of California, Department of Transportation:				
Highway Planning and Construction:				
SR 22 from I-405 to SR 55	20.205	CMLN-6071(035)	14,263,336	
Beach Blvd. @ I-405 Interchange, I-405 from LA to SR 73	20.205	CMLN-6071(041),(043)	<u>699,039</u>	
Total Highway Planning and Construction			<u>14,962,375</u> *	-
Total U.S. Department of Transportation			<u>112,814,814</u>	<u>1,985,754</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of California, Office of Emergency Services:				
Rail and Transit Security Grant Program	97.075		<u>1,155,052</u>	-
Total U.S. Department of Homeland Security			<u>1,155,052</u>	-
<u>U.S. Department of Health and Human Services</u>				
Passed through County of Orange Community Services Agency:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	22-0203	<u>317,792</u>	-
Total U.S. Department of Health and Human Services			<u>317,792</u>	-
			<u>\$ 114,287,658</u>	<u>\$ 1,985,754</u>

* Major Programs

See Note to Schedule of Expenditures of Federal Awards

ORANGE COUNTY TRANSPORTATION AUTHORITY

Note to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

(1) **Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Orange County Transportation Authority (OCTA) that are reimbursable under federal programs of federal financial assistance. For the purpose of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by OCTA from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when OCTA becomes obligated for payment as a result of the receipt of the related goods and services. The reported expenditures include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipients

OCTA made payments to subrecipients totaling \$1,985,754 during the fiscal year ended June 30, 2009.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. The audit disclosed one significant deficiency and no material weaknesses in internal control over financial reporting.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no significant deficiencies and no material weaknesses in internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were: CFDA No. 20.500, U.S. Department of Transportation – Capital Investment Grants; CFDA No. 20.507, U.S. Department of Transportation – Federal Transit – Formula Grants; and CFDA No. 20.205, U.S. Department of Transportation – Highway Planning and Construction.
8. The dollar threshold used to distinguish Type A and Type B programs was \$3,428,630.
9. The auditee did not meet the criteria to be considered a low risk auditee for major program determination for the fiscal year ended June 30, 2009.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards (GAGAS)

(09-01) Need to Establish a Policy on Misconduct

As of and for the year ended June 30, 2009, OCTA did not have a written policy on misconduct. An effective method of communicating and reinforcing an antifraud culture within an organization is through the development of a policy on misconduct. A misconduct policy communicates to all employees the organizational position and

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards (GAGAS) (Continued)

(09-01) Need to Establish a Policy on Misconduct (Continued)

policy on matters such as the following:

- Risks that the organization faces from fraud, abuse and other forms of misconduct;
- Effect of the Code of Conduct;
- Definitions of misconduct, including fraud and abuse;
- Employee's responsibility to report suspected misconduct (including an established reporting mechanism, such as a member of the Board of Directors, a consultant or advisor, hotline service, etc.);
- Organizational responsibility to investigate; and
- Disciplinary action for violations

Best practice suggests that a misconduct policy and its annual reaffirmation by employees will greatly strengthen internal controls to prevent the occurrence of fraud and abuse. The policy should be acknowledged and signed by each employee upon hire and on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions. This condition was previously reported as finding number 08-04 for the fiscal year ended June 30, 2008 in our report dated October 24, 2008.

Recommendation

No recommendation is necessary. The Board of Directors approved OCTA's Code of Conduct policy at its meeting of July 13, 2009.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2009

Status of Prior Year Audit Findings:

- (8-01) Need to Strengthen Controls of Third-Party Contractor - Resolved
- (8-02) Internal Controls over the Combined Transportation Funding Program - Resolved
- (8-03) Communication of Financial Information to the Appropriate Department - Resolved
- (8-04) Need to Establish a Policy of Misconduct – See current year finding 09-01
- (8-05) Need to Adhere to Buy America Requirements – Resolved

Orange County Local Transportation Authority
(A Component Unit of the Orange
County Transportation Authority)

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Year Ended June 30, 2009

Orange County Local Transportation Authority
(A Component Unit of the Orange
County Transportation Authority)

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Year Ended June 30, 2009

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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Board of Directors
Orange County Local Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2009, which collectively comprise the OCLTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCLTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the OCLTA as of June 30, 2009, and the respective changes in financial position of the OCLTA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the OCLTA's basic financial statements. The budgetary comparison schedule for the Local Transportation OCLTA Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Board of Directors
Orange County Local Transportation Authority
Orange, California

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2009 on our consideration of the OCLTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
October 28, 2009

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2009
(in thousands)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information on financial performance presented here in conjunction with the financial statements that begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets of the OCLTA were \$487,176 and consisted of net assets invested in capital assets, net of related debt, of \$166,843 and restricted net assets of \$320,333.
- Net assets increased \$47,504 during fiscal 2009. This increase was primarily due to the purchase of land for the Anaheim Regional Transportation Intermodal Center (ARTIC) and sales tax revenue and unrestricted investment earnings received in excess of net program costs.
- Total capital assets, net of accumulated depreciation, were \$166,843 at June 30, 2009.
- The OCLTA's governmental funds reported combined ending fund balances of \$476,459 a decrease of \$46,901 from the prior year. This decrease is primarily due to a decrease in sales tax revenue due to the decline in the economy and the purchase of land for ARTIC.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the OCLTA's basic financial statements, which are comprised of three components including government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Because the OCLTA is a governmental activity of the Orange County Transportation Authority, governmental funds are used to account for its Measure M program activities. The basic financial statements include only the activities for the OCLTA.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the OCLTA's finances using the accrual basis of accounting, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the OCLTA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCLTA is improving or deteriorating.

The statement of activities presents information showing how the OCLTA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2009
(in thousands)

The government-wide financial statements can be found on pages 9-10 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with Measure M finance-related legal requirements. The OCLTA uses governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the OCLTA's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the OCLTA's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The OCLTA maintains two individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the OCLTA's major governmental funds.

The governmental funds financial statements can be found on pages 11-14 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-32 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 33 and the LTA debt service fund as other supplementary information on page 35 to demonstrate compliance with the annual appropriated budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2009, the OCLTA's assets exceeded liabilities by \$487,176, a \$47,504 increase from June 30, 2008. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the OCLTA's governmental activities.

Approximately 34% of OCLTA's net assets reflect its investment in capital assets. The majority of which is land purchased for right-of-way. The increase of \$18,845 in net assets invested in capital assets, net of related debt was primarily due to the purchase of land for the ARTIC.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2009
(in thousands)

Restricted net assets, which are resources subjected to external restrictions on how they may be used, increased \$28,659 from June 30, 2008. This increase is primarily due to sales tax revenue received in excess of net program costs.

Table 1
Orange County Local Transportation Authority
Net Assets

	Governmental Activities	
	2009	2008
Current and other assets	\$ 529,422	\$ 553,421
Restricted assets	72,602	75,402
Capital assets, net	166,843	147,998
TOTAL ASSETS	768,867	776,821
Current liabilities	120,462	100,550
Long-term liabilities	161,229	236,599
TOTAL LIABILITIES	281,691	337,149
Net assets:		
Invested in capital assets, net of related debt	166,843	147,998
Restricted	320,333	291,674
TOTAL NET ASSETS, AS RESTATED	\$ 487,176	\$ 439,672

Governmental activities increased the OCLTA's net assets by \$47,504. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, decreased by \$31,721, or 12%, from the prior year as a result of the downturn in the economy. Capital grants and contributions decreased \$3,087, or 14%, from the prior year primarily due to the receipt of federal grant monies for the SR-22 phase II project received in the prior fiscal year.

OCLTA expenses of \$224,037 shown on the statement of activities consist of:

Supplies and services	\$ 42,059
Contributions to other local agencies	117,804
Infrastructure	49,365
Depreciation expense	62
Interest expense	12,246
Transfer to Caltrans	1,196
Transfer to other OCTA funds	1,305
TOTAL EXPENSES	\$224,037

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2009
(in thousands)

Total expenses decreased \$525,926, or 70% from the prior year primarily due to the transfer of the completed SR-22 freeway project to Caltrans in the prior fiscal year.

Table 2
Orange County Local Transportation Authority
Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 353	\$ 584
Operating grants and contributions	948	-
Capital grants and contributions	19,757	22,844
General revenues:		
Taxes	237,397	269,118
Unrestricted investment earnings	23,474	37,882
Total revenues, as restated	281,929	330,428
Expenses:		
Measure M program	224,037	741,331
Indirect Expense Allocation	10,388	8,632
Increase/(decrease) in net assets	47,504	(419,535)
Net assets - beginning, as restated	439,672	859,207
NET ASSETS—END OF YEAR, AS RESTATED	\$ 487,176	\$ 439,672

FINANCIAL ANALYSIS OF THE OCLTA'S FUNDS

As of June 30, 2009, the OCLTA's governmental funds reported combined ending fund balances of \$476,459, a decrease of \$46,901 compared to 2008. The total amount constitutes reserved fund balance to indicate that it is not available for new spending because of the following commitments:

- \$1,558 deposited with the State for condemnation deposits;
- \$2,147 note receivable with the City of Garden Grove for excess land from the I-5 far north project;
- \$1,548 other non current assets;
- \$67,628 to liquidate contracts and purchase orders of the current and prior periods;
- \$114,259 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects; and
- \$289,319 for transportation programs related to Measure M projects.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2009
(in thousands)

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2009, the OCLTA had \$166,843, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings, and machinery and equipment. A summary of the OCLTA's Measure M capital assets, net of depreciation, follows:

Land	\$165,306
Construction in progress held for Department of Transportation	50
Improvements	1,784
Machinery	26
TOTAL CAPITAL ASSETS	167,166
Less accumulated depreciation	(323)
TOTAL CAPITAL ASSETS, NET	<u>\$166,843</u>

Total capital assets increased \$18,845 or 13%, from the prior year primarily due to the purchase of land for the ARTIC. More detailed information about the OCLTA's capital assets is presented in Note 6 to the financial statements.

OCLTA has outstanding construction contracts, the most significant is \$148,048 for the I-5 Gateway project.

DEBT ADMINISTRATION

As of June 30, 2009, the OCLTA had \$211,200 in sales tax revenue bonds and commercial paper notes outstanding. All sales tax revenue bonds mature by 2011 when the OCLTA authority to collect the local sales tax expires. In February 2009, the OCLTA made \$75,355 in principal payments. The OCLTA issued \$25,000 in Renewed Measure M commercial paper notes and retired \$22,600 in Measure M commercial paper notes.

The OCLTA maintains a "AAA" rating from Standard & Poor's, a "AA" rating from Fitch and a "Aa2" rating from Moody's for its Measure M 1st Senior Sales Tax Revenue Bonds and a "AA" rating from Standard & Poor's, an "AA-" rating from Fitch and a "Aa3" rating from Moody's for its Measure M 2nd Senior Sales Tax Revenue Bonds.

Additional information on the OCLTA's short-term debt and long-term debt can be found in Notes 7 and 8 to the financial statements, respectively.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2009
(in thousands)

ECONOMIC AND OTHER FACTORS

The OCLTA is committed to providing coordinated, efficient and accountable transportation within Orange County. Despite significant declines in sales tax receipts, sound financial management during the period since the Orange County bankruptcy has put the OCLTA in a strong position to deliver Measure M projects.

The OCLTA adopted the 2010 Annual Budget on June 8, 2009. This \$754.4 million balanced budget includes both the original Measure M program (M1) and the Renewed Measure M program (M2). The M1 budget totals \$593.2 million and includes payments to cities and the County of Orange for the turnback and competitive programs, significant investment in the Metrolink Service Expansion Program, Measure M debt service payments, and rights-of-way acquisition and construction costs for the I-5 Gateway project. The M2 budget totals \$161.2 million and includes funds for the Grade Separation projects, Grade Crossing program, the environmental mitigation program and work related to several freeway projects that have been identified in the Board-approved Early Action Plan (EAP).

CONTACTING THE OCLTA'S MANAGEMENT

This financial report is designed to provide a general overview of the OCLTA's finances for all those with an interest in the OCLTA's finances and to show the OCLTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF NET ASSETS

JUNE 30, 2009

<i>(thousands)</i>	Governmental Activities
ASSETS	
Cash and investments	\$ 500,832
Receivables:	
Interest	1,824
Operating grants	699
Capital grants	1,236
Other	59
Due from other governments	13,734
Condemnation deposits	1,558
Note receivable	2,147
Restricted cash and investments	72,602
Other assets	1,666
Land held for resale	5,667
Capital assets:	
Nondepreciable	165,356
Depreciable, net	1,487
TOTAL ASSETS	<u>768,867</u>
LIABILITIES	
Accounts payable	13,119
Accrued interest payable	3,375
Due to other governments	42,733
Unearned revenue	6,814
Other liabilities	21
Advance from other OCTA funds	4,400
Commercial paper notes	50,000
Noncurrent liabilities:	
Due within one year	78,405
Due in more than one year	82,824
TOTAL LIABILITIES	<u>281,691</u>
NET ASSETS	
Invested in capital assets	166,843
Restricted for	
Measure M program	206,074
Debt Service	114,259
TOTAL NET ASSETS	<u>\$ 487,176</u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

<i>(thousands)</i>	Expenses	Indirect Expense Allocation	Program Revenues			Net Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PROGRAM GOVERNMENTAL ACTIVITIES:						
Measure M program	\$ 224,037	\$ 10,388	\$ 353	\$ 948	\$ 19,757	\$ (213,367)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 224,037	\$ 10,388	\$ 353	\$ 948	\$ 19,757	\$ (213,367)
 GENERAL REVENUES:						
Sales taxes						237,397
Unrestricted investment earnings						<u>23,474</u>
TOTAL GENERAL REVENUES						<u>260,871</u>
Change in net assets						47,504
Net assets - beginning						<u>439,672</u>
NET ASSETS - ENDING						<u><u>\$ 487,176</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

<i>(thousands)</i>	LTA	LTA Debt Service	Total OCLTA
ASSETS			
Cash and investments	\$ 459,338	\$ 41,494	\$ 500,832
Receivables:			
Interest	1,661	163	1,824
Operating grants	699	-	699
Capital grants	1,236	-	1,236
Other	59	-	59
Due from other OCTA funds	-	-	-
Due from other governments	13,734	-	13,734
Condemnation deposits	1,558	-	1,558
Note receivable	2,147	-	2,147
Restricted cash and investments:			
Cash equivalents	-	42,613	42,613
Investments	-	29,989	29,989
Prepaid assets	1,540	-	1,540
Other assets	8	-	8
TOTAL ASSETS	\$ 481,980	\$ 114,259	\$ 596,239
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 13,119	\$ -	\$ 13,119
Due to other governments	42,733	-	42,733
Deferred revenue	9,497	-	9,497
Other liabilities	21	-	21
Advance from other funds	4,400	-	4,400
Commercial paper notes	50,000	-	50,000
Interest payable	10	-	10
TOTAL LIABILITIES	119,780	-	119,780
FUND BALANCES			
Reserved for:			
Condemnation deposits	1,558	-	1,558
Note receivable	2,147	-	2,147
Other assets	1,548	-	1,548
Encumbrances	67,628	-	67,628
Debt service	-	114,259	114,259
Transportation programs	289,319	-	289,319
TOTAL FUND BALANCES	362,200	114,259	476,459
TOTAL LIABILITIES AND FUND BALANCES	\$ 481,980	\$ 114,259	\$ 596,239

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

(thousands)

Amounts reported for governmental activities in the statement of net assets (page 9) are different because:

TOTAL FUND BALANCES (PAGE 11)	\$	476,459
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		166,843
Land held for resale is not a financial resource and therefore is not reported in the funds.		5,667
Other long-term assets related to cost of issuance are not financial resources and therefore, is not reported in the funds.		118
Earned but unavailable revenue is not available to liquidate current liabilities and therefore is deferred in the funds.		2,683
Interest payable on bonds outstanding is not due and payable in the current period and therefore is not reported in the funds.		(3,365)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(161,229)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 9)	\$	<u>487,176</u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

<i>(thousands)</i>	LTA	LTA Debt Service	Total OCLTA
REVENUES			
Sales taxes	\$ 237,397	\$ -	\$ 237,397
Contributions from other agencies	3,544	-	3,544
Interest	20,441	3,033	23,474
Capital assistance grants	13,308	-	13,308
Miscellaneous	2,500	-	2,500
TOTAL REVENUES	277,190	3,033	280,223
EXPENDITURES			
Current:			
General government	52,236	151	52,387
Transportation:			
Contributions to other local agencies	117,804	-	117,804
Capital outlay	69,468	-	69,468
Debt service:			
Principal payments on long-term debt	-	75,355	75,355
Interest on long-term debt and commercial paper	630	13,199	13,829
TOTAL EXPENDITURES	240,138	88,705	328,843
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,052	(85,672)	(48,620)
OTHER FINANCING SOURCES (USES)			
Transfers in	5,477	88,086	93,563
Transfers from OCTA	3,024	-	3,024
Transfers out	(88,086)	(5,477)	(93,563)
Transfers to OCTA	(1,305)	-	(1,305)
TOTAL OTHER FINANCING SOURCES (USES)	(80,890)	82,609	1,719
Net change in fund balances	(43,838)	(3,063)	(46,901)
Fund balances-beginning	406,038	117,322	523,360
FUND BALANCES-ENDING	\$ 362,200	\$ 114,259	\$ 476,459

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

(thousands)

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (PAGE 13)	\$	(46,901)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		20,041
Transfer of the completion of the SR-22 HOV project to Caltrans		(1,196)
The net effect of various miscellaneous transactions involving the sale of land held for resale is to decrease net assets.		(2,147)
Donations of land held for resale are not reported as revenues in governmental funds. However, they are included in the Statement of Activities.		828
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		76,879
		<hr/>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 10)	\$	<u>47,504</u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program, which commenced on April 1, 1991 for a period of 20 years. Under the Measure M program, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

On November 7, 2006, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M allocates funds to freeway, street and road, transit and environmental improvements.

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and functions as the OCLTA governing board. Measure M requires that an eleven-member Taxpayer's Oversight Committee (TOC) monitors the use of Measure M funds and ensures that all revenue collected from Measure M is spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of OCTA.

BASIS OF PRESENTATION

The OCLTA's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE STATEMENTS: The statement of net assets and the statement of activities report information on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with Measure M, and allocated indirect expenses. Interest expense related to the sales tax revenue bonds and commercial paper is reported as a direct expense of the Measure M program. The borrowings are

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

considered essential to the creation or continuing existence of the Measure M program. For the year ended June 30, 2009, interest expense of \$12,247 was included as Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

FUND FINANCIAL STATEMENTS: The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds. They are comprised of the following:

- *LOCAL TRANSPORTATION AUTHORITY (LTA) FUND* - This special revenue fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing is provided by a one-half percent sales and use tax assessed for twenty years pursuant to Measure M, which became effective April 1, 1991, and more recently was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.
- *LTA DEBT SERVICE FUND* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the OCLTA.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCLTA considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt of governmental funds are recorded only when payment is due.

Those revenues susceptible to accrual are sales taxes collected and held by the state at year-end on behalf of the OCLTA, intergovernmental revenues, and interest revenue. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the OCLTA; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

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When both restricted and unrestricted resources are available for use, it is the OCLTA's policy to use restricted resources first and then unrestricted resources as they are needed.

CASH AND INVESTMENTS

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with an investment policy adopted initially by the Board on May 8, 1995, and most recently amended March 23, 2009. The investment policy complies with, or is more restrictive than, applicable state statutes. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

Investments in U.S. government and U.S. agency securities, repurchase agreements, variable and floating rate securities, mortgage and asset backed securities, and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Certain investment agreements are carried at cost while others are carried at fair value. Treasury mutual funds are carried at fair value based on each fund's share price. The Orange County Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state-managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

The Annual Investment Policy (AIP) requires the assets in the portfolio to consist of the following: investments and maximum permissible concentrations based on book value and are more restrictive than applicable state statutes for the following cases:

OCTA NOTES AND BONDS (25%)

COMMERCIAL PAPER (25%)

- Must be rated by two of the three rating agencies at the following level or better: P-1 by Moody's Investor Service (Moody's), A-1 by Standard & Poor's Corporation (S & P) or F-1 by Fitch Ratings (Fitch).
- Must be issued by corporations rated A- or better by S & P, A3 or better by Moody's or A- or better by Fitch, with further restrictions to issuer size.
- Maximum Term: 180 days.

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NEGOTIABLE CERTIFICATES OF DEPOSIT (30%)

- Must be issued by a nationally or state-chartered bank or state or federal association, or be a state licensed branch of a foreign bank, which have been rated by at least two of the Nationally Recognized Statistical Rating Organizations.
- The issuer must have the following minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch.
- Maximum Term 270 days.

BANKERS ACCEPTANCE (30%)

- Must be rated by at least two of the Nationally Recognized Statistical Rating Organizations with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch and may not exceed the 5% limit by any one commercial bank.
- Maximum Term: 180 days.

MORTGAGE OR ASSET-BACKED SECURITIES (20%)

- Must be rated AAA by S & P, Aaa by Moody's, or AAA by Fitch.
- The issuer must have an A or better rating by S & P, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organization recognized for rating service for its long-term debt.
- Maximum Term: Five year stated final maturity.

REPURCHASE AGREEMENTS (75%)

- Must be collateralized at 102%.
- Reverse repurchase agreements or securities lending are not permitted.
- Maximum Term: 30 days.

MEDIUM-TERM NOTES (30%):

- Corporate securities which are rated A- or better by S & P, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three Nationally Recognized Statistical Rating Organizations.
- Medium term notes must not represent more than ten percent (10%) of the issue in the case of a specific public offering. Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.
- Maximum Term: 5 years.

Other allowable investment categories include money market funds, mutual funds, and LAIF. LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of

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the State of California. Investment is also allowed in OCIP, but is limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy.

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

- Issuer/Counter-Party Diversification Guidelines for all securities except Federal Agencies, Government Sponsored Enterprises, Investment Agreements, Repurchase Agreements and 91 Express Lanes Debt – any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities (5%).
- Issuer/Counter-Party Diversification Guidelines for Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements – any one Federal Agency or Government Sponsored Enterprise (35%); any one Repurchase Agreement counter-party name if maturity/term is < 7 days (50%), if maturity/term is > 7 days (35%).
- Issuer/Counter-Party Diversification Guidelines for the OCTA's 91 Express Lanes Debt – OCTA can purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio.

INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered and transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances are reported as due to/from other funds. Any residual balances outstanding between the Measure M program governmental activities and other OCTA funds are reported in the government-wide financial statements as due to other OCTA funds.

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2009, \$10,388 of administrative services were charged to the OCLTA and are reported as general government expenditures in the governmental funds.

RESTRICTED CASH AND INVESTMENTS

Certain proceeds of the OCLTA's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted cash and investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

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CAPITAL ASSETS

Capital assets, which include land, buildings, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than \$5 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (Caltrans), are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where the OCLTA does not have title to such assets or rights-of-way.

Buildings and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>ASSET TYPE</u>	<u>USEFUL LIFE</u>
Buildings/Right-of-way improvements	10-30 years
Machinery and equipment	3-10 years

LAND HELD FOR RESALE

OCLTA has received title to property in connection with the purchase of rights-of-way for infrastructure not held by OCLTA (see above). This land is reported as land held for resale in the government-wide financial statements and will be sold and the proceeds reimbursed to the project that funded the expenditure.

LONG-TERM DEBT

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net assets. Bond premiums and discounts and bond refunding costs, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred bond refunding loss. Bond issuance costs are reported as other assets and amortized over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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CONTRIBUTIONS TO OTHER AGENCIES

Contributions to other agencies primarily represent sales tax revenues received by the OCLTA disbursed to cities for competitive projects and the turnback program, which is in accordance with the Measure M ordinance.

NET ASSETS

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified into three categories:

- *INVESTED IN CAPITAL ASSETS* - This reflects the net assets of the OCLTA that are invested in capital assets. This indicates that these net assets are not accessible for other purposes.
- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports \$320,333 of restricted net assets, of which all is restricted by enabling legislation.
- *UNRESTRICTED NET ASSETS* - This represents those net assets that are available for general use.

FUND BALANCES

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. As such, actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

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One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$166,843 difference are as follows:

Capital assets	\$167,167
Less accumulated depreciation	(324)
NET ADJUSTMENT TO INCREASE FUND BALANCES - TOTAL	<u> </u>
GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL	
ACTIVITIES	<u><u>\$ 166,843</u></u>

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$161,229) difference are as follows:

Bonds payable	\$ (161,200)
Less deferred loss on refunding (to be amortized as interest expense)	673
Plus unamortized bond issuance premium (to be amortized as interest expense)	(702)
NET ADJUSTMENT TO DECREASE FUND BALANCES - TOTAL	<u> </u>
GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL	
	<u><u>\$ (161,229)</u></u>

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and change in net assets - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this \$20,041 difference are as follows:

Capital outlay	\$20,103
Depreciation expense	(62)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES -	<u> </u>
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS	
- GOVERNMENTAL ACTIVITIES	<u><u>\$ 20,041</u></u>

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and

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similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$76,879 difference are as follows:

Principal repayments - sales tax revenue bonds	\$ 75,355
Change in accrued interest	1,568
Amortization of deferred loss on refunding	(336)
Amortization of premium	351
Amortization of issuance costs	(59)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES -	
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS	
-GOVERNMENTAL ACTIVITIES	<u><u>\$76,879</u></u>

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2009:

With Commingled Investment Pool	\$ 399,553
With Trustee	173,881
TOTAL CASH AND INVESTMENTS	<u><u>\$ 573,434</u></u>

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	\$ 500,832
Restricted Cash and Investments	72,602
TOTAL CASH AND INVESTMENTS	<u><u>\$ 573,434</u></u>

As of June 30, 2009, OCLTA had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	\$399,553	\$398,384	Discount 0.08%- 7.76%	7/1/09- 6/15/14	2.08
Money Market Mutual Funds	107,958	107,958	Variable	7/1/09	1 Day
U.S. Agency Notes	35,733	35,660	Discount	8/14/09 - 2/16/10	0.58
Investment Agreements	30,190	16,349	Discount, 3.877%	8/15/09 - 2/15/11	1.57
TOTAL INVESTMENTS	<u><u>\$573,434</u></u>	<u><u>\$558,351</u></u>			

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INTEREST RATE RISK

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore less sensitive to interest rate changes. In accordance with the OCTA investment policy, amounts restricted for debt service reserves are invested in accordance with the maturity provision of their specific indenture, which may extend beyond five years.

As of June 30, 2009, OCLTA was a participant in OCTA's commingled investment pool which had asset-backed securities totaling \$59,023. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services.

As of June 30, 2009, OCTA's commingled investment pool had the following variable rate notes:

INVESTMENT	FAIR VALUE	COUPON MULTIPLIER	COUPON RESET DATE
Allstate Life Global	999	LIBOR + 60 basis points	Quarterly
American Express Credit Corp	838	LIBOR + 170 basis points	Monthly
American Honda Financial Corp	1,228	LIBOR + 40 basis points	Quarterly
Bank America Corp	1,009	LIBOR + 20 basis points	Quarterly
Bank New York Inc	501	LIBOR + 40 basis points	Quarterly
Caterpillar Financial Services	1,000	LIBOR + 45 basis points	Quarterly
Citigroup Inc	425	LIBOR + 33 basis points	Quarterly
Federal Farm Credit Banks	2,004	LIBOR + 20 basis points	Monthly
Goldman Sachs	1,010	LIBOR + 25 basis points	Quarterly
Hewlett Packard Co	1,326	LIBOR + 40 basis points	Quarterly
John Deere Capital Corp	1,203	LIBOR + 45 basis points	Quarterly
JP Morgan Chase & Co	1,744	LIBOR + 3 basis points	Quarterly
Morgan Stanley	501	LIBOR + 210 basis points	Quarterly
PNC Bank NA Pittsburgh	1,499	LIBOR + 40 basis points	Quarterly
UBS AG Stamford Medium Term Notes	1,999	LIBOR - 1 basis point	Quarterly
Wachovia Bank NA	1,480	LIBOR + 7 basis points	Quarterly
TOTAL INVESTMENTS	18,766		

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk

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that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2009, OCTA did not have any securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The AIP sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services. LAIF and OCIP are not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2009. (NR means Not Rated, US means obligation of the U.S. government or obligations explicitly guaranteed by the U.S. government):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF
OCTA Commingled Investment Pool	NR	NR	NR	70%
Money Marker Mutual Funds	AAA	Aaa	NR	19%
U.S. Agency Notes	US	US	US	6%
Investment Agreements	NR	NR	NR	5%
TOTAL				<u>100%</u>

As of June 30, 2009, OCTA held one investment in Lehman Brothers Holding Inc. Medium Term Notes. The investment had a \$1,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of June 30, 2009, the market value of the security was 15.125% of par.

CONCENTRATION OF CREDIT RISK

At June 30, 2009, OCTA did not exceed the AIP limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises, investment agreements and repurchase agreements.
- 20% may be invested in any money market mutual fund.

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The Policy limitation excludes investment agreements pursuant to the bond indenture. OCLTA had the following investment agreements outstanding as of June 30, 2009:

<u>INVESTMENT AGREEMENTS</u>	<u>AMOUNT</u>
FSA Capital Management Services LLC Investment Agreement	10,248
U.S. Treasury Notes Coupons Components	19,942
TOTAL	<u><u>\$30,190</u></u>

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2009 are \$13,734 and are comprised of \$9,204 related to sales taxes, \$3,950 for project reimbursements and \$580 related to other miscellaneous transactions.

5. RELATED PARTY TRANSACTIONS AND INTERFUND TRANSFERS

RELATED PARTY TRANSACTIONS:

During fiscal year 2009, transfers of \$1,305 from the OCLTA to OCTA were made for the fare stabilizations and ACCESS programs and for capital projects. Additionally, \$3,024 was transferred from other OCTA funds to OCLTA as contributions for program expenditures.

INTERFUND TRANSFERS:

During fiscal year 2009, the LTA Fund transferred \$88,086 to the LTA Debt Service Fund for debt service payments and the LTA Debt Service fund transferred \$5,477 in excess bond reserve to the LTA Fund.

6. CAPITAL ASSETS

Capital assets activity for the OCLTA Measure M governmental activities for the year ended June 30, 2009 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Capital assets, not being depreciated:				
Land	\$ 146,055	\$ 19,251	\$ -	\$ 165,306
Construction in progress held for Department of Transportation	583	663	1,196	50
TOTAL MEASURE M CAPITAL ASSETS, NOT BEING DEPRECIATED	<u><u>\$146,638</u></u>	<u><u>\$19,914</u></u>	<u><u>\$1,196</u></u>	<u><u>\$165,356</u></u>

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	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, being depreciated:				
Right-of-way Improvements	\$ 1,621	\$ 163	\$ -	\$ 1,784
Machinery and equipment	-	26	-	26
Total capital assets, being depreciated	1,621	189	-	1,810
Less accumulated depreciation for:				
Right-of-way Improvements	(261)	(58)	-	(319)
Machinery and equipment	-	(4)	-	(4)
Total accumulated depreciation	(261)	(62)	-	(323)
TOTAL MEASURE M CAPITAL ASSETS, BEING DEPRECIATED, NET	\$1,360	127	-	\$ 1,487

Depreciation expense charged to the Measure M program was \$62.

7. SHORT-TERM DEBT

On March 13, 1995, the OCLTA was authorized to issue up to \$115,000 in Tax-Exempt Commercial Paper Notes (Notes). As a requirement for the issuance of the Notes, the OCLTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement with a financial institution as liquidity support for the Notes. On August 30, 1999, the OCLTA transferred the Letter of Credit to Dexia Bank. The authorized amount was reduced to \$74,200 with the available amount totaling \$80,787. The OCLTA did not draw on this Letter of Credit authorization during the year ended June 30, 2009, nor were there any amounts outstanding under this Letter of Credit agreement at June 30, 2009.

As of June 30, 2009, LTA had no Notes outstanding. \$6,600, \$5,000 and \$11,000 in Notes were retired in October 2008, November 2008 and February 2009, respectively, bringing the outstanding balance to \$0.

On January 28, 2008, LTA was authorized to issue up to \$400,000 in Renewed Measure M Subordinate Tax-Exempt Commercial Paper Notes Series A and Series B (Renewed Measure M Notes). As a requirement for the issuance of the Renewed Measure M Notes, OCTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement issued on a several and not joint basis with Dexia Credit Local, Bank of America, N.A., BNP Paribas, and JP Morgan Chase Bank, National Association as liquidity support for the Renewed Measure M Notes.

As of June 30, 2009, LTA had outstanding Renewed Measure M Notes in the amount of \$50,000. Interest is payable on the respective maturity dates of the Renewed Measure M Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Renewed Measure M Notes is 12.0%. The average issuance rate during fiscal year 2009 was 1.05%.

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CHANGES IN SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2009, was as follows:

	BEGINNING			ENDING
	BALANCE	ISSUED	REDEEMED	BALANCE
Tax exempt commercial paper	\$ 22,600	\$ -	\$ 22,600	\$ -
Tax exempt commercial paper - Renewed Measure M	25,000	25,000	-	50,000
TOTAL	\$ 47,600	\$ 25,000	\$ 22,600	\$ 50,000

8. LONG-TERM DEBT

SALES TAX REVENUE BONDS

During fiscal years 1993, 1994 and 1998, the OCLTA issued sales tax revenue bonds to assist in the financing of various highway, local street and road and transit projects in Orange County. The Measure M sales tax is the source of revenue for repaying this debt.

In August 1997, the OCLTA issued \$57,730 in Measure M Sales Tax Revenue Refunding Bonds to advance refund \$57,600 of outstanding 1992 Second Senior Bonds (1992 Second Senior Series). The net proceeds plus additional 1992 Second Senior Series sinking fund moneys and release of funds from the Bond Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Second Senior Series. In February 2002, the advance refunded 1992 Second Senior Bonds, which have been eliminated in the financial statements, were paid.

In March 1998, the OCLTA issued \$20,270 (1998 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund \$19,885 of outstanding 1992 First Senior Bonds (1992 First Senior Series). In addition to the refunding, OCLTA also issued \$213,985 (1998 Second Senior Series) in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 First Senior Series. In February 2002, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In February 2005, the 1998 First Senior Series Bonds, which have also been eliminated in the financial statements, were paid.

In October 2001, the OCLTA issued \$67,335 (2001 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund \$18,805 of the 1992 First Senior Bonds and \$48,430 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. In February 2004, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In February 2004, the 2001 First Senior Series bonds, which have also been eliminated in the financial statements, were paid.

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A summary of the bonds outstanding is as follows:

	1992 1ST SENIOR BOND	1992 2ND SENIOR BOND	1994 2ND SENIOR BOND	1997 2ND SENIOR BOND	1998 2ND SENIOR BOND	2001 2ND SENIOR BOND
Issuance date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	\$ 350,000	\$ 190,000	\$ 200,000	\$ 57,730	\$ 213,985	\$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
NET BOND PROCEEDS	\$ 347,388	\$ 189,273	\$ 199,835	\$ 61,530	\$ 225,672	\$ 51,940
Issuance costs	\$ 3,508	\$ 2,323	\$ 2,535	\$ 780	\$ 2,194	\$ 590
Reserve requirements	\$ -	\$ 14,416	\$ 11,406	\$ 2,002	\$ 24,581	\$ 6,263
Cash reserve balance	\$ -	\$ 14,419	\$ 11,409	\$ 2,002	\$ 24,593	\$ 6,266
Interest rate	2.8%- 12.23%	2.9%- 12.03%	2.8%- 12.55%	3.8%-5.7%	3.9%-5.5%	4.0%-5.0%
Annual principal payment	\$25,500- 27,200	\$ -	\$ -	\$14,700- 15,445	\$22,085- 23,300	\$16,120- 16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	\$ 52,700	\$ -		\$ 30,145	\$ 45,385	\$ 32,970
Less deferred loss on refunding	-	-	-	-	-	\$ (673)
Plus unamortized premium	-	-	-	-	-	\$ 702
TOTAL	\$ 52,700	\$ -	\$ -	\$ 30,145	\$45,385	\$ 32,999

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2009, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST
2010	78,405	9,000
2011	82,795	4,627
TOTAL	\$ 161,200	\$ 13,627

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009
 (IN THOUSANDS)

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2009, was as follows:

	BEGINNING			ENDING	DUE
	BALANCE	ADDITIONS	REDUCTIONS	BALANCE	WITHIN
					ONE
					YEAR
Measure M program activities:					
Sales tax revenue bonds	\$ 236,555	\$ -	\$ 75,355	\$ 161,200	\$ 78,405
Unamortized deferred loss on refunding	(1,009)	-	(336)	(673)	-
Unamortized premium	1,053	-	351	702	-
TOTAL MEASURE M PROGRAM ACTIVITIES LONG-TERM	\$236,599	\$ -	\$ 75,370	\$161,229	\$78,405

ARBITRAGE REBATE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in all interest paid to bondholders retroactively rendered taxable.

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, OCTA performed calculations of excess investment earnings on various bonds issues. There were no arbitrage calculations due for fiscal year 2009.

PLEGGED REVENUE

OCLTA has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the bonds outstanding table found on page 29. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions located on page 28. For the year ended June 30, 2009, debt service payments as a percentage of the pledged gross revenue net of turnback, are indicated in the table below:

DESCRIPTION OF PLEGGED REVENUE	ANNUAL AMOUNT OF PLEGGED REVENUE	ANNUAL DEBT SERVICE PAYMENTS	DEBT SERVICE AS A
			PERCENTAGE OF PLEGGED REVENUE
Measure M Sales Tax	\$ 199,767	\$ 88,556	44.3%

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

9. COMMITMENTS AND CONTINGENCIES

PURCHASE COMMITMENTS

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2009, were \$792,737, the majority of which relate to the expansion of Orange County's freeway and road systems.

FEDERAL GRANTS

The OCLTA receives Federal grants for capital projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on the OCLTA's financial position or changes in financial position.

10. EFFECT OF NEW PRONOUNCEMENTS

GASB STATEMENT NO. 49

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement address accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. For fiscal year 2009, OCTA did not have any pollution remediation obligations.

GASB STATEMENT NO. 51

In June 2007, GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement is effective for OCLTA's fiscal year ending June 30, 2010.

GASB STATEMENT NO. 52

In November 2007, GASB issued Statement No. 52, Land and Other Real Estate Held as Investments by Endowments. This statement requires that Endowments report their land and other real estate investments at fair value. This statement is effective for OCLTA's fiscal year ending June 30, 2010. OCLTA does not have land and other real estate held as investments by Endowments, therefore this statement is not applicable to OCLTA.

GASB STATEMENT NO. 53

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is effective for OCLTA's fiscal year ending June 30, 2010.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

GASB STATEMENT NO. 54

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. This statement is effective for OCLTA's fiscal year ending June 30, 2011.

GASB STATEMENT NO. 55

In March 2009, GASB issued Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, the object of which is to incorporate the hierarchy of general accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. OCTA follows this hierarchy.

GASB STATEMENT NO. 56

In March 2009, GASB issued Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. The objective of which incorporates into the Governmental Accounting Standards Board's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. OCTA uses the codification for guidance.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LTA SPECIAL REVENUE FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009

(thousands)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 282,517	\$ 243,105	\$ 237,397	\$ (5,708)
Contributions from other agencies	1,883	1,883	3,544	1,661
Interest	14,975	14,975	20,441	5,466
Capital assistance grants	37,658	37,658	13,308	(24,350)
Miscellaneous	2,541	2,541	2,500	(41)
TOTAL REVENUES	339,574	300,162	277,190	(22,972)
EXPENDITURES:				
Current:				
General government:				
Supplies and services	123,606	122,737	52,236	70,501
Transportation:				
Contributions to other local agencies	239,634	142,336	117,804	24,532
Capital outlay	185,858	168,558	69,468	99,090
Debt service:				
Interest on long-term debt and commercial paper	2,337	2,337	630	1,707
TOTAL EXPENDITURES	551,435	435,968	240,138	195,830
Excess (deficiency) of revenues over (under) expenditures	(211,861)	(135,806)	37,052	172,858
OTHER FINANCING SOURCES (USES):				
Transfers in	1,339	1,339	5,477	4,138
Transfers from OCTA	1,676	1,676	3,024	1,348
Transfers out	(87,896)	(87,896)	(88,086)	(190)
Transfers to OCTA	(2,185)	(2,185)	(1,305)	880
TOTAL OTHER FINANCING SOURCES (USES)	(87,066)	(87,066)	(80,890)	6,176
Net change in fund balances	\$ (298,927)	\$ (222,872)	\$ (43,838)	\$ 179,034

See accompanying notes to the required supplementary information.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2009
(IN THOUSANDS)

1. BUDGETARY DATA

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA special revenue and the debt service governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2009 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LTA DEBT SERVICE FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009

<i>(thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 3,892	\$ 3,892	\$ 3,033	\$ (859)
TOTAL REVENUES	3,892	3,892	3,033	(859)
EXPENDITURES:				
Current:				
General government:				
Supplies and services	305	305	151	154
Debt service:				
Principal payments on long-term debt	75,355	75,355	75,355	-
Interest on long-term debt and commercial paper	13,202	13,202	13,199	3
TOTAL EXPENDITURES	88,862	88,862	88,705	157
Excess (deficiency) of revenues over (under) expenditures	(84,970)	(84,970)	(85,672)	(702)
OTHER FINANCING SOURCES (USES):				
Transfers in	86,557	86,557	88,086	1,529
Transfers out	-	-	(5,477)	(5,477)
TOTAL OTHER FINANCING SOURCES (USES)	86,557	86,557	82,609	(3,948)
Net change in fund balances	\$ 1,587	\$ 1,587	\$ (3,063)	\$ (4,650)



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Board of Directors
Orange County Local Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2009, which collectively comprise the OCLTA's basic financial statements and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the OCLTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OCLTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OCLTA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the OCLTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the OCLTA's financial statements that is more than inconsequential will not be prevented or detected by the OCLTA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the OCLTA's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Board of Directors
Orange County Local Transportation Authority
Orange, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCLTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of the OCLTA and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 28, 2009

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

Debt Service Coverage Tests

Year Ended June 30, 2009

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Debt Service Coverage Tests

Year Ended June 30, 2009

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Board of Directors and
Taxpayers Oversight Committee
Orange County Local Transportation Authority
Orange, California

**REPORT OF INDEPENDENT AUDITOR ON SCHEDULE OF NET
MEASURE M SALES TAX REVENUE COMPARED TO
MAXIMUM ANNUAL DEBT SERVICE**

We have audited the accompanying Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2009. This Schedule is the responsibility of the OCLTA's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCLTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with, the method of calculating the debt service coverage test as prescribed by Section 3.01(D) of the Indenture Agreement between the OCLTA and State Street Bank and Trust Company of California, N.A. dated August 15, 1992, as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor trustee, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the net Measure M sales tax revenue compared to the maximum annual debt service of the OCLTA for the year ended June 30, 2009 on the basis of the requirement described in Note 1.



Board of Directors and
Taxpayers Oversight Committee
Orange County Local Transportation Authority
Orange, California

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Local Transportation Authority, the Taxpayer's Oversight Committee, the BNY Western Trust Company, and Nossaman, Guthner, Knox & Elliott and is not intended to be, and should not be, used by anyone other than these specified parties.

Morgan Hill Management P.C.

Irvine, California
October 28, 2009

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Schedule of Net Measure M Sales Tax Revenue Compared to
Maximum Annual Debt Service

Year Ended June 30, 2009

Measure M sales tax revenue:	
Measure M sales tax revenue received	\$ 236,128,413
Less: Local revenues	<u>(34,474,748)</u>
Net Measure M sales tax revenue (Note 2) (A)	<u>201,653,665</u>
Senior maximum annual debt service (Note 3)	88,556,533
Multiplied by the debt factor (Note 4)	<u>1.30</u>
130% coverage required (B)	<u>115,123,493</u>
Excess of net Measure M sales tax revenue over 130% coverage required [(A) - (B)]	<u>\$ 86,530,172</u>

See accompanying notes.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service

Year Ended June 30, 2009

(1) Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a 0.5% county sales tax (0.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The Schedule presents the debt service coverage test in accordance with Section 3.01(D) of the Indenture Agreement between the OCLTA and State Street Bank and Trust Company of California, N.A. dated August 15, 1992, as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor trustee, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

The Schedule does not purport to, and does not, present fairly the financial position of the OCLTA as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(2) Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Indenture Agreement. Measure M Sales Tax Revenue Received represents amounts collected by the State of California and forwarded to the OCLTA in connection with the 0.5% Sales Tax. Local Revenues represent the portion of the 0.5% Sales Tax distributed to local governments in accordance with the requirements of Measure M. Management believes that the interest earned on the investment of the 0.5% Sales Tax Revenues has no significant impact on the debt service coverage test; therefore, such amounts have been excluded.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Schedule of Net Measure M Sales Tax
Revenue Compared to Maximum Annual Debt Service

(Continued)

(3) Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest combined annual debt service amount for the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for OCTA Measure M Sales Tax Revenue Bonds (Limited Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

(4) Debt Factor

The debt factor is defined in Section 3.01 (D) of the Indenture Agreement as 130% of maximum annual debt service for all sales tax revenue indebtedness outstanding.



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Board of Directors and
Taxpayers Oversight Committee
Orange County Local Transportation Authority
Orange, California

**REPORT OF INDEPENDENT AUDITOR ON SCHEDULE OF SALES
TAX REVENUE COMPARED TO PROJECTED MAXIMUM
ANNUAL DEBT SERVICE**

We have audited the accompanying Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2009. This Schedule is the responsibility of the OCLTA's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCLTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with, the method of calculating the debt service coverage test as prescribed by Section 1(a) of Schedule 2 of the \$74,200,000 Letter of Credit Agreement (Agreement) between Dexia Credit Local (formerly known as Credit Local De France) and the OCLTA dated August 1, 1999, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the sales tax revenue compared to the projected maximum annual debt service of the OCLTA for the year ended June 30, 2009 on the basis of the requirement described in Note 1.



Board of Directors and
Taxpayers Oversight Committee
Orange County Local Transportation Authority
Orange, California

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Local Transportation Authority, the Taxpayer's Oversight Committee, Dexia Credit Local, and Nossaman, Guthner, Knox & Elliott and is not intended to be, and should not be, used by anyone other than these specified parties.

Mayer Guthner McCann P.C.

Irvine, California
October 28, 2009

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Schedule of Sales Tax Revenue Compared to
Projected Maximum Annual Debt Service

Year Ended June 30, 2009

Measure M sales tax revenue:	
Measure M sales tax revenue received	\$ 236,128,413
Less: Local revenues	<u>(34,474,748)</u>
Net Measure M sales tax revenue (Note 2) (A)	<u>201,653,665</u>
Projected maximum annual debt service:	
Senior maximum annual debt service (Note 3)	88,556,533
Maximum commercial paper debt service (Note 4)	(16,548,509)
Letter of credit fees (Note 5)	<u>25,977</u>
Total projected maximum annual debt service	72,034,001
Multiplied by the debt factor (Note 6)	<u>1.10</u>
110% coverage required (B)	<u>79,237,401</u>
Excess of net Measure M sales tax revenue over 110% coverage required [(A) - (B)]	<u>\$ 122,416,264</u>

See accompanying notes.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service

Year Ended June 30, 2009

(1) **Organization and Schedule Presentation**

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a 0.5% county sales tax (0.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The accompanying Schedule was prepared to present the debt service coverage test in conformity with Section 1(a) of Schedule 2 of the \$74,200,000 Letter of Credit Agreement (Agreement) between Dexia Credit Local (formerly known as Credit Local De France) and the OCLTA dated August 1, 1999, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

The Schedule does not purport to, and does not present fairly the financial position of the OCLTA as of June 30, 2009 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(2) **Net Measure M Sales Tax Revenue**

Net Measure M Sales Tax Revenue represents amounts as defined in the Agreement. Measure M Sales Tax Revenue Received represents amounts collected by the State of California and forwarded to the OCLTA in conjunction with the 0.5% Sales Tax. Local Revenues represent the portion of the 0.5% Sales Tax distributed to local governments in accordance with the requirements of Measure M.

(3) **Maximum Annual Debt Service**

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for the OCLTA Measure M Sales Tax Revenue Bonds (Limited Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001 A.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Schedule of Sales Tax Revenue Compared to
Projected Maximum Annual Debt Service

(Continued)

(4) Letter of Credit Fees

Letter of Credit Fees are calculated on outstanding balances multiplied by a rate of 0.0023, as described in Section 2.2a of the Agreement, and the drawing fees for the period. For the year ended June 30, 2009, fees were calculated on the following outstanding balances: \$24,606,137 for 92 days; \$17,420,274 for 44 days; \$11,994,438 for 48 days; and \$11,976,438 for 36 days.

(5) Debt Factor

The Debt Factor is 110% of, projected maximum annual debt service for all sales tax revenue indebtedness outstanding as defined in Section 1(a) of Schedule 2 of the Agreement.

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Measure M Status Report**

Year Ended June 30, 2009

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Report on Agreed-Upon Procedures
Applied to Measure M Status Report

Year Ended June 30, 2009

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Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES TO THE
MEASURE M STATUS REPORT**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published, Board of Director approved documents or internal documents, for the year ended June 30, 2009. The Measure M Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M Status Report is separated into three sections: Section A describes our procedures applied to Schedule 1; Section B describes our procedures applied to Schedule 2; and Section C describes our procedures applied to Schedule 3. All amounts are reported in thousands.

- A. We obtained Schedule 1 and performed the following procedures:
1. Compared Year to Date June 30, 2009 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund 10 and the OCLTA Debt Service Fund 70 and additional detailed information from the underlying accounting records.
 2. Recalculated Period From Inception Through June 30, 2009 amounts (Column B) by adding the prior year's Period From Inception through June 30, 2008 amounts with Year to Date June 30, 2009 amounts (Column A).
 3. Recomputed totals and subtotals.



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- B. We obtained Schedule 2 and performed the following procedures:
1. Compared Year Ended June 30, 2009 (Columns C.1 and C.2) to Schedule 1, column A. For Professional services, non-project related amounts, we compared the sum of this caption allocated to Tax Revenues and to Bond Revenues at June 30, 2009 (C.1 and C.2) to Schedule 1, Column A.
 2. Compared Period From Inception Through June 30, 2009 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For the Orange County bankruptcy recovery, professional services, non-project related, Orange County bankruptcy loss and other non-project related amounts, we compared the total of the amounts allocated to Tax Revenues and to Bond Revenues at June 30, 2009 (Columns D.1 and D.2) to Schedule 1, Column B. For the payment to refunded bond escrow, we compared the Period From Inception Through June 30, 2009 amount (Column D.2) to the total of the advance refunding escrow and payment to refunded bond escrow agent amounts at Schedule 1, Column B.
 3. Compared forecast amounts (Columns E.1 and E.2) to Measure M Forecast Schedule.
 4. Recomputed totals and subtotals.
- C. We obtained Schedule 3 and performed the following procedures:
1. Compared Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Tax Revenues (Totals), respectively.
 2. Recalculated Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).
 3. Compared the Project Budget (column J) for Freeways to the Measure M Project Funding Responsibility 1996 Strategic Plan in June 2009 dollars. Regional streets and road projects, local streets and road projects, and certain transit projects are not budgeted due to the fact that these projects are funded on a "pay as you go" basis. Therefore, funds are budgeted as they are allocated to projects.
 4. Compared the Estimate at Completion (Column K) to supporting budget documents.



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5. Recalculated the Variance Total Net Tax Revenues to Estimate at Completion (Column L) by subtracting Column K from Column I and the Variance Project Budget to Estimate at Completion (Column M) by subtracting Column K from Column J.
6. Reconciled Expenditures through June 30, 2009 (Column N) to Schedule 1, Column B noting an \$11 difference. Agreed column N, by project description to the project job ledger by fiscal year.
7. We judgmentally selected a sample of 25 expenditures from Column N and compared them to invoices and supporting documentation. We concluded that the sampled expenditures were properly accrued and classified.
8. Agreed Reimbursements through June 30, 2009 (Column O) to Schedule 1, Column B, the combined total of other agencies' share of Measure M costs, capital grants, right-of-way leases, proceeds from sale of capital assets, interest, transfers in, and current year miscellaneous revenues.
9. Agreed Column O to supporting revenue summary by project and fiscal year. We judgmentally selected a sample of 5 reimbursements from Column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.
10. Recalculated the Net Project Cost (Column P) by subtracting Column O from Column N.
11. Recalculated the Percent of Budget Expended (Column Q) by dividing Column P by Column J.
12. Recomputed totals and subtotals.

Except as noted in procedure C.6 the above procedures were performed without exception.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Measure M Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.



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This report is intended solely for the information and use of OCLTA' s management, the Board of Directors, and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Morgan Hill Management P.C.

Irvine, California
November 19, 2009

Measure M
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2009
(Unaudited)

(\$ in thousands)	Year to Date June 30, 2009 (A)	Period from Inception to June 30, 2009 (B)
Revenues:		
Sales taxes	\$ 237,397	\$ 3,579,190
Other agencies share of Measure M costs		
Project related	3,010	383,182
Non-project related	-	614
Interest:		
Operating:		
Project related	91	1,014
Non-project related	20,160	244,050
Bond proceeds	-	136,067
Debt service	3,033	80,846
Commercial paper	26	6,072
Orange County bankruptcy recovery	-	42,268
Capital grants	13,144	158,155
Right-of-way leases	353	4,712
Proceeds on sale of assets held for resale	2,147	21,891
Miscellaneous:		
Project related	-	26
Non-project related	-	775
Total revenues	<u>279,361</u>	<u>4,658,862</u>
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	2,729	51,700
Professional services:		
Project related	16,139	177,553
Non-project related	1,917	29,315
Administration costs:		
Project related	2,034	17,747
Non-project related	4,504	77,063
Orange County bankruptcy loss	-	78,618
Other:		
Project related	94	1,233
Non-project related	235	15,513
Payments to local agencies:		
Turnback	36,361	530,755
Competitive projects	71,501	564,023
Capital outlay	69,397	1,964,771
Debt service:		
Principal payments on long-term debt	75,355	842,755
Interest on long-term debt and commercial paper	13,362	547,905
Total expenditures	<u>293,628</u>	<u>4,898,951</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,267)</u>	<u>(240,089)</u>
Other financing sources (uses):		
Transfers out:		
Project related	(1,305)	(252,674)
Non-project related	-	(5,116)
Transfers in:		
Project related	-	1,829
Bond proceeds	-	1,169,999
Advance refunding escrow	-	(931)
Payment to refunded bond escrow agent	-	(152,930)
Total other financing sources (uses)	<u>(1,305)</u>	<u>760,177</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ (15,572)</u>	<u>\$ 520,088</u>

See Notes to Measure M Status Report (Unaudited)

Measure M
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2009
(Unaudited)

<i>(\$ in thousands)</i>	Year Ended June 30, 2009 (actual) (C.1)	Period from Inception through June 30, 2009 (actual) (D.1)	Period from July 1, 2009 through March 31, 2011 (forecast) (E.1)	Total (F.1)
Tax revenues:				
Sales taxes	\$ 237,397	\$ 3,579,190	\$ 378,080	\$ 3,957,270
Other agencies' share of Measure M costs	-	614	-	614
Operating interest	20,160	244,050	15,138	259,188
Orange County bankruptcy recovery	-	20,683	-	20,683
Miscellaneous, non-project related	-	775	-	775
Total tax revenues	<u>257,557</u>	<u>3,845,312</u>	<u>393,218</u>	<u>4,238,530</u>
Administrative expenditures:				
SBOE fees	2,729	51,700	3,516	55,216
Professional services, non-project related	1,863	20,456	3,067	23,523
Administration costs, non-project related	4,504	77,063	10,174	87,237
Operating transfer out, non-project related	-	5,116	-	5,116
Orange County bankruptcy loss	-	29,792	-	29,792
Other, non-project related	235	6,414	2,398	8,812
	<u>9,331</u>	<u>190,541</u>	<u>19,155</u>	<u>209,696</u>
Net tax revenues	<u>\$ 248,226</u>	<u>\$ 3,654,771</u>	<u>\$ 374,063</u>	<u>\$ 4,028,834</u>
	(C.2)	(D.2)	(E.2)	(F.2)
Bond revenues:				
Proceeds from issuance of bonds	\$ -	\$ 1,169,999	\$ -	\$ 1,169,999
Interest revenue from bond proceeds	-	136,067	-	136,067
Interest revenue from debt service funds	3,033	80,846	7,186	88,032
Interest revenue from commercial paper	26	6,072	-	6,072
Orange County bankruptcy recovery	-	21,585	-	21,585
Total bond revenues	<u>3,059</u>	<u>1,414,569</u>	<u>7,186</u>	<u>1,421,755</u>
Financing expenditures and uses:				
Professional services, non-project related	54	8,859	-	8,859
Payment to refunded bond escrow	-	153,861	-	153,861
Bond debt principal	75,355	842,755	161,200	1,003,955
Bond debt interest expense	13,362	547,905	14,414	562,319
Orange County bankruptcy loss	-	48,826	-	48,826
Other, non-project related	-	9,099	-	9,099
Total financing expenditures and uses	<u>88,771</u>	<u>1,611,305</u>	<u>175,614</u>	<u>1,786,919</u>
Net bond revenues (debt service)	<u>\$ (85,712)</u>	<u>\$ (196,736)</u>	<u>\$ (168,428)</u>	<u>\$ (365,164)</u>

See Notes to Measure M Status Report (Unaudited)

Measure M
Schedule of Revenues and Expenditures Summary
as of June 30, 2009
(Unaudited)

Project Description (G)	Net Tax Revenues Program to Date Actual (H)	Total Net Tax Revenues (I)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through June 30, 2009 (N)	Reimbursements through June 30, 2009 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
Freeways (43%)										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	\$ 862,280	\$ 950,532	\$ 810,010	\$ 801,082	\$ 149,450	\$ 8,928	\$ 809,616	\$ 82,739	\$ 726,877	89.7%
I-5 between I-5/I-405 Interchange and San Clemente	61,676	67,988	57,836	59,935	8,053	(2,099)	70,294	10,358	59,936	103.6%
I-5/I-405 Interchange	78,281	86,293	72,802	73,075	13,218	(273)	98,157	25,082	73,075	100.4%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	52,187	57,529	44,511	50,196	7,333	(5,685)	55,512	6,172	49,340	110.8%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	45,071	49,684	46,128	44,596	5,088	1,532	25,617	2,859	22,758	49.3%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	112,677	124,210	116,136	105,666	18,544	10,470	123,995	18,606	105,389	90.7%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	359,381	396,164	303,297	302,871	93,293	426	609,747	313,282	296,465	97.7%
Subtotal Projects	1,571,553	1,732,400	1,450,720	1,437,421	294,979	13,299	1,792,938	459,098	1,333,840	
Net (Bond Revenue)/Debt Service	-	-	307,285	307,285	(307,285)	-	165,553	-	165,553	
Total Freeways	\$ 1,571,553	\$ 1,732,400	\$ 1,758,005	\$ 1,744,706	\$ (12,306)	\$ 13,299	\$ 1,958,491	\$ 459,098	\$ 1,499,393	
%				43.2%					47.8%	
Regional Street and Road Projects (11%)										
Smart Streets	\$ 137,837	\$ 151,945	\$ 149,571	\$ 149,571	\$ 2,374	\$ -	\$ 154,115	\$ 3,489	\$ 150,626	100.7%
Regionally Significant Interchanges	80,405	88,634	88,634	88,634	-	-	62,331	146	62,185	70.2%
Intersection Improvement Program	114,864	126,620	126,620	126,620	-	-	77,437	214	77,223	61.0%
Traffic Signal Coordination	57,432	63,310	63,310	63,310	-	-	46,445	132	46,313	73.2%
Transportation Systems Management and Transportation Demand Management	11,486	12,662	12,662	12,662	-	-	7,461	149	7,312	57.7%
Subtotal Projects	402,024	443,171	440,797	440,797	2,374	-	347,789	4,130	343,659	
Net (Bond Revenue)/Debt Service	-	-	2,374	2,374	(2,374)	-	1,279	-	1,279	
Total Regional Street and Road Projects	\$ 402,024	\$ 443,171	\$ 443,171	\$ 443,171	\$ -	\$ -	\$ 349,068	\$ 4,130	\$ 344,938	
%				11.0%					11.0%	

See Notes to Measure M Status Report (Unaudited)

Measure M
Schedule of Revenues and Expenditures Summary
as of June 30, 2009
(Unaudited)

Project Description (G)	Net Tax Revenues Program to Date Actual (H)	Total Net Tax Revenues (I)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through June 30, 2009 (N)	Reimbursements through June 30, 2009 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
<i>(\$ in thousands)</i>										
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	\$ 136,154	\$ 160,325	\$ 160,325	\$ 160,325	\$ -	\$ -	\$ 86,511	\$ 99	\$ 86,412	53.9%
Streets and Roads Maintenance and Road Improvements	531,347	585,730	585,730	585,730	-	-	530,771	-	530,771	90.6%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	74,220	431	73,789	73.8%
Subtotal Projects	767,501	846,055	846,055	846,055	-	-	691,502	530	690,972	
Net (Bond Revenue)/Debt Service	-	-	-	-	-	-	-	-	-	
Total Local Street and Road Projects	\$ 767,501	\$ 846,055	\$ 846,055	\$ 846,055	\$ -	\$ -	\$ 691,502	\$ 530	\$ 690,972	22.0%
%				20.9%						22.0%
Transit Projects (25%)										
Pacific Electric Right-of-Way	\$ 17,684	\$ 19,494	\$ 15,000	\$ 14,000	\$ 5,494	\$ 1,000	\$ 16,564	\$ 2,686	\$ 13,878	92.5%
Commuter Rail	327,793	363,389	347,622	380,667	(17,278)	(33,045)	351,437	60,805	290,632	83.6%
High-Technology Advanced Rail Transit	400,846	441,872	422,700	410,688	31,184	12,012	128,857	6,873	121,984	28.9%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	17,010	-	17,010	85.1%
Transitways	147,370	162,453	146,381	126,348	36,105	20,033	162,648	36,687	125,961	86.1%
Subtotal Projects	913,693	1,007,208	951,703	951,703	55,505	-	676,516	107,051	569,465	
Net (Bond Revenue)/Debt Service	-	-	55,505	55,505	(55,505)	-	29,904	-	29,904	
Total Transit Projects	\$ 913,693	\$ 1,007,208	\$ 1,007,208	\$ 1,007,208	\$ -	\$ -	\$ 706,420	\$ 107,051	\$ 599,369	19.1%
%				24.9%						19.1%
Total Measure M Program	\$ 3,654,771	\$ 4,028,834	\$ 4,054,439	\$ 4,041,140	\$ (12,306)	\$ 13,299	\$ 3,705,481	\$ 570,809	\$ 3,134,672	

See Notes to Measure M Status Report (Unaudited)

Orange County Local Transportation Authority

Notes to Measure M Status Report (Unaudited)

Year Ended June 30, 2009

Measure M Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. On November 7, 2006, Orange County voters approved the renewal of Measure M (Renewed Measure M) for a period of 30 more years from April 1, 2011 to March 31, 2041. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program, which commenced on April 1, 1991 for a period of 20 years and the Renewed Measure M sales tax program, which will commence on April 1, 2011 for a period of 30 years. This report includes only the activities of Measure M and is not intended to present the activities of Renewed Measure M. Under Measure M, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

Demonstrating accountability for the receipt and expenditure of Measure M funds has been accomplished by the issuance of quarterly reports on Measure M activities. The reports for Measure M activities through June 30, 2009 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined Measure M special revenue and debt service funds. Such financial information has been derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2009 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined Measure M special revenue and debt service funds for the fiscal year ended June 30, 2009. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained from the general ledger.

The net change in fund balance of \$(15,572) agrees with the combined change in fund balances of \$(12,509) in the Measure M special revenue fund and \$(3,063) in the Measure M debt service fund, in the trial balance for the year ended June 30, 2009.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2.

Orange County Local Transportation Authority
Notes to Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

Period from Inception to June 30, 2009 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined Measure M special revenue and debt service funds for the period from inception through June 30, 2009. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained and summarized from the general ledger.

The net fund balance of \$520,088 agrees with the combined ending fund balances of \$405,829 in the Measure M special revenue fund and \$114,259 in the Measure M debt service fund, as presented in the audited trial balance for the year ended June 30, 2009.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues are presented as "Reimbursements" in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" in Schedule 3.

Schedule 2—Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)

This schedule presents calculations of net tax revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Measure M modes.

Net tax revenues are calculated as tax revenues including sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenues less administrative expenditures that are not project or financing related.

Net bond revenues (debt service) are bond revenues comprised of proceeds from bond issuances, interest, and Orange County bankruptcy recovery less financing expenditures and uses.

Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from amounts on Schedule 1. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years through the expiration of Measure M, and for the combined total of actual and forecast amounts for the period from inception through the expiration of Measure M.

Orange County Local Transportation Authority
Notes to Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

Calculation of Net Tax Revenues

Year Ended June 30, 2009 (actual) (Column C.1)

Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the year ended June 30, 2009 were obtained from Column A in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the Orange County Investment Pool (OCIP) at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total tax revenues less total administrative expenditures for year ended June 30, 2009.

Period from Inception through June 30, 2009 (actual) (Column D.1)

Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures, which are non-project and non-financing related for the period from inception through June 30, 2009, were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net tax revenues represent total cumulative tax revenues less total cumulative administrative expenditures.

Period from July 1, 2009 through March 31, 2011 (forecast) (Column E.1)

Tax revenues consisting of projected sales taxes and operating interest and administrative expenditures which are non-project and non-financing related for subsequent years from July 1, 2009 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model which is updated quarterly. Net tax revenues represent total projected tax revenues less total projected administrative expenditures.

Total (Column F.1)

Total amounts related to the net tax revenues calculation are determined as the sum of columns D.1 and E.1. The total net tax revenues is used in Schedule 3 as "Total Net Tax Revenues."

Orange County Local Transportation Authority
Notes to Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2009 (actual) (Column C.2)

Bond revenues consisting of interest revenue from bond proceeds, debt service funds, and commercial paper (financing interest revenue) and financing expenditures and uses consisting of debt principal payments, interest expenditures, and other non-project and non-operating related expenditures for the year ended June 30, 2009 were obtained from Column A in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total bond revenues less financing expenditures and uses for the year ended June 30, 2009.

Period from Inception through June 30, 2009 (actual) (Column D.2)

Bond revenues consisting of proceeds from the bond issuances, financing interest revenue, and Orange County bankruptcy recovery and financing expenditures and uses which are non-project and non-operating related for the period from inception through June 30, 2009 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net bond revenues (debt service) represent total cumulative bond revenues less total cumulative financing expenditures and uses.

Period from July 1, 2009 through March 31, 2011 (forecast) (Column E.2)

Bond revenues consisting of financing interest revenue and financing expenditures and uses primarily related to principal payments and interest expenditures on long-term debt for subsequent years from July 1, 2009 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model. Net bond revenues (debt service) represent total projected bond revenues less total projected financing expenditures and other uses.

Total (Column F.2)

Total amounts related to the net bond revenues (debt service) calculation are determined as the sum of columns D.2 and E.2. The total net bond revenues (debt service) is used in Schedule 3 as a component of "Project Budget" and "Estimate at Completion."

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures by mode and project description as specified in the Traffic Improvement and Growth Management Plan,

Orange County Local Transportation Authority
Notes to Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

as amended (Expenditure Plan). Total Measure M program amounts materially agree with amounts on Schedules 1 and 2; however, amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

The project descriptions by mode are in accordance with the Expenditure Plan.

Net Tax Revenues Program to date Actual (Column H)

The total Measure M Program net tax revenues for the period from inception through June 30, 2009 agree with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues have been allocated to each of the four modes based on the allocation percentages specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Total Net Tax Revenues (Column I)

The total actual and projected net tax revenues (total net tax revenues) during the 20-year life of Measure M agree with total net tax revenues in Column F.1 in Schedule 2. Such total net tax revenues have been allocated to each of the four modes based on the allocations specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Project Budget (Column J)

In accordance with Measure M, bond financing authority was approved as an alternative to the "pay as you go" financing method. As a result, all freeway mode, certain regional street and road mode, and certain transit mode projects have been accelerated using bond financing, while all local street and road and remaining regional street and road mode and transit mode projects have been funded on the "pay as you go" financing method.

Total project budget for each "pay as you go" project are based on the total net tax revenues presented in Column I, except for Growth Management Area (GMA) Improvements in the local street and road projects mode and Fare Stabilization in the transitway projects mode. GMA Improvements and Fare Stabilization are subject to a maximum funding of \$100 million and \$20 million, respectively, per Measure M. Total project budget for the freeway mode and transitway projects included in the transit mode are based on amounts obtained from the 1996 Freeway Strategic Plan, adjusted to 2009 dollars. Smart street project budget and net (bond revenue)/debt service costs for regional street and road mode projects comprise the total smart street project budget, as such projects have been accelerated using bond financing. Pacific Electric Right-of-Way project budget is in accordance with the Expenditure Plan. The total net (bond revenue)/debt service project budget agrees with the total amount from Column F.2 in Schedule 2, and such amounts were allocated based on the projects subject to bond financing.

Orange County Local Transportation Authority
Notes to Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

Estimate at Completion (Column K)

Estimate at completion represents current estimates of costs to complete the projects.

Variance Total Net Tax Revenues to Estimate at Completion (Column L)

This is a calculation of Column I minus Column K. The negative variance of total net tax revenues to estimate at completion of (\$12,306) is primarily due to the downturn in the economy and the decrease in sales tax revenues. In September 2007, the Board of Directors approved to modify the funding allocation by \$22 million from un-programmed funds in the Measure M (M1) freeway mode to pay for pre-construction costs of the Orange Freeway (SR 57) project. In November 2009, the Board directed staff to initiate the process to amend the Measure M Expenditure Plan to remove the \$22 million allocation intended for this project, which will be financed under Renewed Measure M (M2).

Variance Project Budget to Estimate at Completion (Column M)

This is a calculation of Column J minus Column K.

Expenditures through June 30, 2009 (Column N)

Total expenditures less net (bond revenue)/debt service materially agree with the sum of project related expenditures and net operating transfers out from Column B in Schedule 1. Project related expenditures are comprised of professional services, payments to local agencies for turnback and competitive projects, capital outlay, and other, noting an \$11 difference. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger. The total net (bond revenue)/debt service expenditures through June 30, 2009 from Column N in Schedule 3 agree with the sum of non-project related expenditures from Column D.2 in Schedule 2. Non-project related expenditures are comprised of all financing interest revenue, Orange County bankruptcy recovery (loss) amounts, non-project related professional services, bond debt interest expense and other non-project related financing expenditures.

Reimbursements through June 30, 2009 (Column O)

Total reimbursements agree with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies share of Measure M project costs, capital grants, right-of-way leases, proceeds on sale of capital assets, interest, transfers in, and current year miscellaneous revenues. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

Net Project Cost (Column P)

This is a calculation of Column N minus Column O. For each mode, a percentage amount has been calculated as the net project cost per mode divided by the total Measure M Program net

Orange County Local Transportation Authority
Notes to Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

project cost. Such percentage can be compared to the required percentage included in Measure M as an indication of the progress to date for each mode.

Percent of Budget Expended (Column Q)

This is a calculation of Column P divided by Column J.

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Renewed Measure M Status Report**

Year Ended June 30, 2009

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

**Report on Agreed-Upon Procedures
Applied to Renewed Measure M Status Report**

Year Ended June 30, 2009

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Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES TO THE
RENEWED MEASURE M STATUS REPORT**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Renewed Measure M Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published Board of Director approved documents or internal documents, for the year ended June 30, 2009. The Renewed Measure M Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Renewed Measure M Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Renewed Measure M Status Report is separated into three sections: Section A describes our procedures applied to Schedule 1; Section B describes our procedures applied to Schedule 2; and Section C describes our procedures applied to Schedule 3. All amounts are reported in thousands.

- A. We obtained Schedule 1 and performed the following procedures:
1. Compared Year to Date June 30, 2009 amounts (Column A) to the audited trial balance of the OCLTA Special Revenue Fund 17 and additional detailed information from the underlying accounting records.
 2. Compared Period from Inception to June 30, 2009 amounts (Column B) to the audited trial balances of the OCLTA Special Revenue Fund 17 cumulatively for the fiscal years ending June 30, 2007 through June 30, 2009 and additional detailed information from the underlying accounting records.



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3. Recomputed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared Year Ended June 30, 2009 (Columns C.1 and C.2) to Schedule 1, column A. For Professional services, non-project related amounts, we compared the sum of this caption allocated to Tax Revenues and to Bond Revenues at June 30, 2009 (C.1 and C.2) to Schedule 1, Column A.
2. Compared Period From Inception Through June 30, 2009 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Tax Revenues and to Bond Revenues at June 30, 2009 (Columns D.1 and D.2) to Schedule 1, Column B.
3. Compared forecast amounts (Columns E.1 and E.2) to Renewed Measure M Forecast Model Schedule.
4. Recomputed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Total Renewed Measure M Program Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Tax Revenues (Totals), respectively.
2. Recalculated Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts, by mode and project description, based on the Renewed Measure M Transportation Investment Plan (Investment Plan).
3. Compared the Project Budget (Column J) for each project to Total Net Tax Revenues (Column I).
4. Compared the Total Estimate at Completion (Column K) to supporting budget documents.
5. Recalculated the Variance Total Net Tax Revenues to Estimate at Completion (Column L) by subtracting Column K from Column I and the Variance Project Budget to Estimate at Completion (Column M) by subtracting Column K from Column J.



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6. Reconciled Expenditures through June 30, 2009 (Column N) to Schedule 1, Column B. Agreed Column N, by project description to the project job ledger by fiscal year.
7. We judgmentally selected a sample of 25 expenditures from Column N and compared them to invoices and supporting documentation. We concluded that the sampled expenditures were properly accrued and classified.
8. Agreed Reimbursements through June 30, 2009 (Column O) to Schedule 1, Column B, the combined total of other agencies' share of Renewed Measure M costs, and transfers in.
9. Agreed Column O to supporting revenue summary by project and fiscal year. We judgmentally selected a sample of 2 reimbursements from Column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.
10. Recalculated the Net Project Cost (Column P) by subtracting Column O from Column N.
11. Recalculated the Percent of Budget Expended (Column Q) by dividing Column P by Column J.
12. Recalculated total revenues for Environmental Cleanup (2% of revenues) (Column I.1) by multiplying total tax revenues reports per Schedule 2, Column F.1 by two percent.
13. Recomputed totals and subtotals.

All of the above procedures were performed without exception.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the Renewed Measure M Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Renewed Measure M Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

This report is intended solely for the information and use of OCLTA' s management, the Board of Directors, and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
November 19, 2009

Renewed Measure M
Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2009
(Unaudited)

<i>(\$ in thousands)</i>	Year to Date June 30, 2009 (A)	Period from Inception to June 30, 2009 (B)
Revenues:		
Sales taxes	\$ -	\$ -
Other agencies share of Renewed Measure M costs		
Project related	699	699
Interest: on commercial paper	163	393
	<u>862</u>	<u>1,092</u>
Total revenues		
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	-	-
Professional services:		
Project related	19,826	24,992
Non-project related	928	1,668
Administration costs:		
Project related	1,611	2,115
Non-project related	2,239	3,093
Other:		
Project related	91	98
Non-project related	40	924
Payments to local agencies:		
Project related	9,942	13,237
Capital outlay:		
Project related	45	969
Non-project related	26	26
Debt service:		
Interest on long-term debt and commercial paper	467	623
	<u>35,215</u>	<u>47,745</u>
Total expenditures		
	<u>35,215</u>	<u>47,745</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,353)</u>	<u>(46,653)</u>
Other financing sources (uses):		
Transfers in:		
Project related	3,024	3,024
	<u>3,024</u>	<u>3,024</u>
Total other financing sources (uses)		
	<u>3,024</u>	<u>3,024</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (31,329)</u>	<u>\$ (43,629)</u>

See Notes to Renewed Measure M Status Report (Unaudited)

Renewed Measure M
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
Year Ended June 30, 2009
(Unaudited)

<i>(\$ in thousands)</i>	Year Ended June 30, 2009 (actual) <i>(C.1)</i>	Period from Inception through June 30, 2009 (actual) <i>(D.1)</i>	Period from July 1, 2009 through March 31, 2041 (forecast) <i>(E.1)</i>	Total <i>(F.1)</i>
Tax revenues:				
Sales taxes	\$ -	\$ -	\$ 14,216,617	\$ 14,216,617
Operating interest	-	-	3,843	3,843
Total tax revenues	<u>-</u>	<u>-</u>	<u>14,220,460</u>	<u>14,220,460</u>
Administrative expenditures:				
SBOE fees	-	-	213,333	213,333
Professional services, non-project related	213	318	-	318
Administration costs, non-project related	2,239	3,093	139,903	142,996
Other, non-project related	40	924	-	924
Capital outlay, non-project related	26	26	-	26
Environmental cleanup	175	182	284,884	285,066
	<u>2,693</u>	<u>4,543</u>	<u>638,120</u>	<u>642,663</u>
Net tax revenues	<u>\$ (2,693)</u>	<u>\$ (4,543)</u>	<u>\$ 13,582,340</u>	<u>\$ 13,577,797</u>
	<i>(C.2)</i>	<i>(D.2)</i>	<i>(E.2)</i>	<i>(F.2)</i>
Bond revenues:				
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ -
Interest revenue from investment of commercial paper proceeds	163	393	-	393
Total bond revenues	<u>163</u>	<u>393</u>	<u>-</u>	<u>393</u>
Financing expenditures and uses:				
Professional services, non-project related	715	1,350	-	1,350
Bond debt principal	-	-	-	-
Commercial paper interest expense	467	623	21,642	22,265
Total financing expenditures and uses	<u>1,182</u>	<u>1,973</u>	<u>21,642</u>	<u>23,615</u>
Net bond revenues (debt service)	<u>\$ (1,019)</u>	<u>\$ (1,580)</u>	<u>\$ (21,642)</u>	<u>\$ (23,222)</u>

See Notes to Renewed Measure M Status Report (Unaudited)

Renewed Measure M
Schedule of Revenues and Expenditures Summary
Year Ended June 30, 2009
(Unaudited)

Project Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2009	Reimbursements through June 30, 2009	Net Project Cost	Percent of Budget Expended	
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	
<i>(\$ in thousands)</i>											
Freeways (43% of Net Tax Revenues)											
A	I-5 Santa Ana Freeway Interchange Improvements	\$ (178)	\$ 535,171	\$ 535,167	\$ 535,167	\$ 4	\$ -	\$ 7	\$ -	\$ 7	0.0%
B,C,D	I-5 Santa Ana/San Diego Freeway Improvements	(452)	1,349,493	1,349,085	1,349,085	408	-	764	-	764	0.1%
E	SR-22 Garden Grove Freeway Access Improvements	(46)	136,639	136,639	136,639	-	-	1	-	1	0.0%
F	SR-55 Costa Mesa Freeway Improvements	(139)	416,750	416,727	416,727	23	-	68	-	68	0.0%
G	SR-57 Orange Freeway Improvements	(99)	294,613	288,256	288,256	6,357	-	14,938	-	14,938	5.2%
H,I,J	SR-91 Riverside Freeway Improvements	(564)	1,686,896	1,686,082	1,686,082	814	-	5,502	3,024	2,478	0.1%
K,L	I-405 San Diego Freeway Improvements	(312)	933,342	933,023	933,023	319	-	1,391	699	692	0.1%
M	I-605 Freeway Access Improvements	(8)	22,773	20,545	20,545	2,228	-	-	-	-	0.0%
N	All Freeway Service Patrol	(57)	170,799	170,574	170,574	225	-	-	-	-	0.0%
	Freeway Mitigation	(98)	291,977	291,977	291,977	-	-	119	-	119	0.0%
	Subtotal Projects	(1,953)	5,838,453	5,828,075	5,828,075	10,378	-	22,790	3,723	19,067	
	Net (Bond Revenue)/Debt Service	-	-	10,378	10,378	(10,378)	-	706	-	706	
	Total Freeways	\$ (1,953)	\$ 5,838,453	\$ 5,838,453	\$ 5,838,453	\$ -	\$ -	\$ 23,496	\$ 3,723	\$ 19,773	
	%				43.0%					50.7%	
Street and Roads Projects (32% of Net Tax Revenues)											
O	Regional Capacity Program	\$ (454)	\$ 1,357,765	\$ 1,355,955	\$ 1,355,955	\$ 1,810	\$ -	\$ 3,272	\$ -	\$ 3,272	0.2%
P	Regional Traffic Signal Synchronization Program	(182)	543,062	543,062	543,062	20	-	32	-	32	0.0%
Q	Local Fair Share Program	(818)	2,444,048	2,444,048	2,444,048	-	-	-	-	-	0.0%
	Subtotal Projects	(1,454)	4,344,895	4,343,065	4,343,065	1,830	-	3,304	-	3,304	
	Net (Bond Revenue)/Debt Service	-	-	1,830	1,830	(1,830)	-	125	-	125	
	Total Street and Roads Projects	\$ (1,454)	\$ 4,344,895	\$ 4,344,895	\$ 4,344,895	\$ -	\$ -	\$ 3,429	\$ -	\$ 3,429	
	%				32.0%					8.8%	

See Notes to Renewed Measure M Status Report (Unaudited)

Renewed Measure M
Schedule of Revenues and Expenditures Summary
Year Ended June 30, 2009
(Unaudited)

Project Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2009	Reimbursements through June 30, 2009	Net Project Cost	Percent of Budget Expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
<i>(\$ in thousands)</i>										
Transit Projects (25% of Net Tax Revenues)										
R High Frequency Metrolink Service	\$ (407)	\$ 1,215,505	\$ 1,205,977	\$ 1,205,977	\$ 9,528	\$ -	\$ 15,135	\$ -	\$ 15,135	1.3%
S Transit Extensions to Metrolink	(401)	1,198,605	1,198,605	1,198,605	-	-	-	-	-	0.0%
T Metrolink Gateways	(91)	271,604	271,604	271,604	-	-	-	-	-	0.0%
U Expand Mobility Choices for Seniors and Persons with Disabilities	(136)	407,286	407,286	407,286	-	-	-	-	-	0.0%
V Community Based Transit/Circulators	(91)	271,484	271,484	271,484	-	-	-	-	-	0.0%
W Safe Transit Stops	(10)	29,965	29,965	29,965	-	-	-	-	-	0.0%
Subtotal Projects	(1,136)	3,394,449	3,384,921	3,384,921	9,528	-	15,135	-	15,135	
Net (Bond Revenue)/Debt Service	-	-	9,528	9,528	(9,528)	-	648	-	648	
Total Transit Projects	\$ (1,136)	\$ 3,394,449	\$ 3,394,449	\$ 3,394,449	\$ -	\$ -	\$ 15,783	\$ -	\$ 15,783	
%				25.0%					40.5%	
Renewed Measure M Program	\$ (4,543)	\$ 13,577,797	\$ 13,577,797	\$ 13,577,797	\$ -	\$ -	\$ 42,708	\$ 3,723	\$ 38,985	

See Notes to Renewed Measure M Status Report (Unaudited)

Renewed Measure M
 Schedule of Revenues and Expenditures Summary
 Year Ended June 30, 2009
 (Unaudited)

Project Description	Net Tax Revenues Program to Date Actual (H.1)	Total Net Tax Revenues (I.1)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through June 30, 2009 (N)	Reimbursements through June 30, 2009 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
Environmental Cleanup (2% of Revenues)										
X Clean Up Highway and Street Runoff that Pollutes Beaches	\$ -	\$ 284,409	\$ 284,328	\$ 284,328	\$ 81	\$ -	\$ 182	\$ -	\$ 182	0.1%
Subtotal Projects	-	284,409	284,328	284,328	81	-	182	-	182	
Net (Bond Revenue)/Debt Service	-	-	81	81	(81)	-	6	-	6	
Total Environmental Cleanup	\$ -	\$ 284,409	\$ 284,409	\$ 284,409	\$ -	\$ -	\$ 188	\$ -	\$ 188	
%				2.0%						

See Notes to Renewed Measure M Status Report (Unaudited)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Renewed Measure M Status Report (Unaudited)

Year Ended June 30, 2009

Renewed Measure M Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. On November 7, 2006 (inception), Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the OCTA Board of Directors approved an Early Action Plan for Renewed Measure M to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan Projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program, which commenced on April 1, 1991 for a period of 20 years and the M2 sales tax program, which will commence on April 1, 2011 for a period of 30 years. This report includes only the activities of M2 and is not intended to present the activities of Measure M. M2 allocates funds to freeway, street and road, transit and environmental improvements.

Demonstrating accountability for the receipt and expenditure of M2 funds has been accomplished by the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2009 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance

This schedule presents a summary of revenues, expenditures and changes in fund balance of the M2 special revenue fund. Such financial information has been derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2009 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the M2 special revenue fund for the fiscal year ended June 30, 2009. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained from the general ledger.

The net change in fund balance of \$(31,329) agrees with the change in fund balance in the M2 special revenue fund in the trial balance for the year ended June 30, 2009.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Renewed Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2.

Period from Inception to June 30, 2009 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the M2 special revenue fund for the period from inception through June 30, 2009. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained and summarized from the general ledger.

The net fund balance of \$(43,629) agrees with the ending fund balance in the M2 special revenue fund, as presented in the audited trial balance for the year ended June 30, 2009.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues are presented as "Reimbursements" in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" in Schedule 3.

Schedule 2—Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)

This schedule presents calculations of net tax revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the M2 modes.

Net tax revenues are calculated as tax revenues including sales taxes and operating interest less administrative expenditures that are not project or financing related.

Net bond revenues (debt service) are bond revenues comprised of interest revenue from commercial paper, less financing expenditures and uses.

Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from amounts on Schedule 1. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years through the expiration of M2, and for the combined total of actual and forecast amounts for the period from inception through the expiration of M2.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Renewed Measure M Status Report (Unaudited)
(Continued)

Year Ended June 30, 2009

Calculation of Net Tax Revenues

Year Ended June 30, 2009 (actual) (Column C.1)

Tax revenues consisting of sales taxes and operating interest and expenditures which are non-project and non-financing related for the year ended June 30, 2009 were obtained from Column A in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total tax revenues less total administrative expenditures for the year ended June 30, 2009.

Period from Inception through June 30, 2009 (actual) (Column D.1)

Tax revenues consisting of sales taxes and operating interest and administrative expenditures which are non-project and non-financing related for the period from inception through June 30, 2009 were obtained from Column B in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total cumulative tax revenues less total cumulative administrative expenditures.

Period from July 1, 2009 through March 31, 2041 (forecast) (Column E.1)

Tax revenues consisting of projected sales taxes, operating interest, and expenditures which are non-project and non-financing related for subsequent years from July 1, 2009 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model which is updated annually. Net tax revenues represent total projected tax revenues less total projected expenditures.

Total (Column F.1)

Total amounts related to the net tax revenues calculation are determined as the sum of columns D.1 and E.1. The total net tax revenues are used in Schedule 3 as "Total Net Tax Revenues."

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2009 (actual) (Column C.2)

Bond revenues consisting of interest revenue from commercial paper (financing interest revenue) and financing expenditures and uses consisting of interest expenditures and professional services non-project related expenditures for the year ended June 30, 2009 were obtained from Column A in Schedule 1. Non-project related professional services expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total bond revenues less financing expenditures and uses for the year ended June 30, 2009.

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(Continued)

Year Ended June 30, 2009

Period from Inception through June 30, 2009 (actual) (Column D.2)

Bond revenues consisting of financing interest revenue and financing expenditures and uses which are non-project and non-operating related for the period from inception through June 30, 2009 were obtained from Column B in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total cumulative bond revenues less total cumulative financing expenditures and uses.

Period from July 1, 2009 through March 31, 2041 (forecast) (Column E.2)

Bond revenues consisting of financing interest revenue and financing expenditures and uses primarily related to interest expenditures on commercial paper for subsequent years from July 1, 2009 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Net bond revenues (debt service) represent total projected bond revenues less total projected financing expenditures and other uses.

Total (Column F.2)

Total amounts related to the net bond revenues (debt service) calculation are determined as the sum of columns D.2 and E.2. The percentage of project-related net bond revenues (debt service) is used in Schedule 3 as a component of "Project Budget" and "Estimate at Completion." Net bond revenues (debt service) have been allocated to each mode in Schedule 3 based on commercial paper proceeds used to fund the projects. Commercial paper has also been used for non-project expenditures.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures by mode and project description as specified in the Orange County Transportation Investment Plan (Investment Plan).

Project Description (Column G)

The project descriptions by mode are in accordance with the Investment Plan.

Net Tax Revenues Program to date Actual (Column H)

The total M2 Program net tax revenues for the period from inception through June 30, 2009 agree with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues have been allocated to each of the three modes based on the allocation percentages specified in M2. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

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(Continued)

Year Ended June 30, 2009

Total Net Tax Revenues (Column I)

The total actual and projected net tax revenues (total net tax revenues) during the 30-year life of M2 agree with total net tax revenues in Column F.1 in Schedule 2. Such total net tax revenues have been allocated to each of the three modes based on the allocations specified in M2. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Project Budget (Column J)

Total project budget is based on the total net tax revenues presented in Column I.

Estimate at Completion (Column K)

Estimate at completion is currently based on the total net tax revenues presented in Column J.

Variance Total Net Tax Revenues to Estimate at Completion (Column L)

This is a calculation of Column I minus Column K.

Variance Project Budget to Estimate at Completion (Column M)

This is a calculation of Column J minus Column K.

Expenditures through June 30, 2009 (Column N)

Total expenditures less net (bond revenue)/debt service agree with the sum of project related expenditures and net operating transfers out from Column B in Schedule 1. Project related expenditures are comprised of professional services, payments to local agencies for turnback and competitive projects, capital outlay, and other. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger. The total net (bond revenue)/debt service expenditures through June 30, 2009 from Column N in Schedule 3 agree with the total net bond revenue/(debt service) from Column D.2 in Schedule 2, excluding the portion of debt used for non-project related purposes.

Reimbursements through June 30, 2009 (Column O)

Total reimbursements agree with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies share of Renewed Measure M project costs and transfers in. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

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(Continued)

Year Ended June 30, 2009

Net Project Cost (Column P)

This is a calculation of Column N minus Column O. For each mode, a percentage amount has been calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Percent of Budget Expended (Column Q)

This is a calculation of Column P divided by Column J.

Revenues Program to date Actual (Column H.1)

The total Environmental Cleanup revenues for the period from inception through June 30, 2009 represent two percent (2%) of the tax revenues found in Column D.1 in Schedule 2. Tax revenues consist of all gross revenues generated from the transactions and use tax of one-half of one percent plus interest or other earnings. There have been no tax revenues for the period from inception through June 30, 2009.

Total Revenues (Column I.1)

The total Environmental Cleanup actual and projected revenues during the 30-year life of M2 represent 2% of total tax revenues found in Column F.1 in Schedule 2.

**ORANGE COUNTY
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Agreed-Upon Procedures Performed
with Respect to the National Transit Database Report

For the Period
July 1, 2008 through June 30, 2009



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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the data contained in the Federal Funding Allocation Statistics Form for the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2009, solely to assist the management of OCTA in the evaluation of whether OCTA complied with the standards described below, and that the information included in the Federal Funding Allocation Statistics (Form FFA-10) of OCTA's National Transit Database (NTD) Report is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting System, Final Rule, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2009 Reporting Manual (Reporting Manual). OCTA management is responsible for the data presented in Form FFA-10.

We understand that OCTA is eligible to receive grants under the Urbanized Area Formula Program of the Federal Transit Act, as amended, and in connection therewith, OCTA is required to report certain information to the Federal Transit Administration (FTA).

The FTA has established the following standards with regard to the data reported in Form FFA-10 of OCTA's annual NTD Report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data is being measured and no systematic errors exist.
- A system is in place to record data on a continuous basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD Report. The data is fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.



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- Data is consistent with prior reporting periods and other facts known about OCTA's operations.

This engagement to apply agreed upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures described below were applied separately to the information systems used to develop the reported VRM, passenger miles (PM) and operating expenses of OCTA for the fiscal year ended June 30, 2009, for the following transportation modes:

<u>Mode</u>	<u>Type of Service</u>
Motor bus	Directly operated (MBDO)
Motor bus	Purchased transportation (MBPT)
Demand response	Purchased transportation (DRPT)
Vanpool	Purchased transportation (VPPT)

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on OCTA's Form FFA-10 for the fiscal year ended June 30, 2009, which is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting Systems, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2009 Reporting Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above and does not extend to OCTA's financial statements, or the forms in OCTA's NTD Report, other than Form FFA-10.

The procedures performed and the results of those procedures were as follows:

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the 2009 Reporting Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

Results: OCTA's Operations Analysis Department implemented formal written procedures for reporting and maintaining data in accordance with NTD requirements in May 2008.

- b. Discuss the procedures (written or informal) with personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
 - The extent to which OCTA followed the procedures on a continuous basis; and



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- Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the 2009 Reporting Manual.

Results: The following is a listing of the people interviewed with assigned responsibility for supervising the preparation and maintenance of NTD data. All individuals believe that the procedures are in accordance with the NTD requirements.

- Financial data: Josephine Coggins, Senior Accountant for the NTD report
- Supervisor: Jorge Duran, Project Manager - Analysis for Transit Operations Analysis
 - Main MBDO & MBPT Analyst: John Paul Gonzalez, Associate Operations Analyst for Transit Operations
 - MBDO vehicles data: Harry Gushikuma, Senior Maintenance Analyst for Maintenance Resource Management
 - MBDO vehicle miles/hours/trips (HASTUS Line Summaries by Service Change) data: Gail Cherry, Schedule Analyst III for Service Planning
 - Lost service hours MBDO data: Richard Oakes, Section Supervisor - Central Communications for Bus Operations Support
 - MBPT vehicles data: Dale Fuchs, Senior Maintenance Field Administrator for Community Transportation Services (CTS)
 - Lost service hours/miles MBPT data: Sharon Long, Community Transportation Coordinator for Community Transportation Services (CTS)
 - Unlinked passenger trips, Urbanized Area (UZA) allocations, fixed guideways data: Phyllis Trudell, Transportation Analyst for Service Planning
 - Passenger miles (random sampling tripsheets) data and scheduling: Bob Calli, Senior Schedule Checker for Service Planning
- DRPT vehicle miles/hours/trips data: Patrick Sampson, Senior Contract Transportation Analyst for DRPT
- VPPT vehicle miles/hours/trips data: Sandy Boyle, Section Manager of Marketing Research responsible for Vanpool



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OCTA has adequate procedures for preparation and maintenance of NTD data.

- c. Inquire with personnel concerning the retention policy that is followed by OCTA with respect to source documents supporting the NTD data reported on Form FFA-10.

Results: We inquired with the following individuals concerning OCTA's document retention policy: John Paul Gonzales (Associate Operations Analyst for Transit Operations Analysis), Patrick Sampson (Senior Contract Transportation Analyst), Sandy Boyle (Section Manager of Marketing Research). OCTA has a formal retention policy in place and source documents supporting the NTD data reported on Form FFA-10 are maintained for a period of three years.

- d. Based on OCTA's procedures, identify all the source documents which are to be retained by OCTA for a minimum of three years. For each type of source document, select three months of the fiscal year and determine whether the documents are on file.

Results: We judgmentally selected the months of July 2008, September 2008 and March 2009 for directly operated and purchased transportation services and validated that documents were retained as required. The following is a listing of the source documents and other records that are to be retained:

MBDO and MBPT – Passenger Mile Data Documents

1. Random Sampling Tripsheets (generated through PCR application)
2. Section 15 Reports from the PCR Applications (result of random sampling data calculation)
3. Random Sampling Database (as a MS Access database for further calculations and auditing purposes)
4. MBDO and MBPT Statistics Reports (queried from MS Access database)
5. HASTUS Line Summaries by Service Change (for in-service trips)
6. In-Service Trip Counter Spreadsheet
7. Random Sampling Calculations Spreadsheet

MBDO – VRM Data Documents

1. HASTUS Line Summaries by Service Change (for scheduled hours and miles)
2. Lost Service Hours from Central Communications
3. Missed Service Log (Lost Hours for MBDO) from Community Transportation Services
4. Actual Hours from MOS-BUS Reports from Service Planning
5. Vehicle Hours/Miles Calculation Spreadsheets



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DRPT

1. DRPT Tripsheets
2. Trapeze Database Passenger and Mileage Summaries

Vehicle Revenue Miles (VRM) for FFA-10 from the S-20 Fixed Guideways Data Documents

1. S-20 Fixed Guideways Spreadsheet
2. Revenue Trips as published in our public bus books (using the June Service Change publication as a snapshot for June 30, 2009)

All documents were retained as required.

- e. Discuss the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire whether individuals, independent of the individuals preparing source documents and data summaries, review the source documents for completeness, accuracy and reasonableness and how often such reviews are performed.

Results: Based upon our review and inquiry with personnel, NTD data is properly reviewed by personnel independent of the preparation process, and reported in an accurate and timely manner. Internal controls over the NTD data accumulation, maintenance and reporting process appear adequate.

- f. Select a random sample of the source documents and determine whether supervisor signatures are present as required by the system of internal controls. If supervisor signatures are not required, inquire how the supervisor reviews are documented.

Results: We randomly selected a sample of fifty bus tripsheets for MBDO and MBPT services for the fiscal year ended June 30, 2009 and noted that none of the tripsheets reflected a supervisor's signature. Per management, completed tripsheets are forwarded to the vendors for review; however, the review is not documented. Once reviewed by the project manager, the tripsheets are forwarded to the NTD Analyst for review and filing. The NTD Analyst's review is also not documented.

We randomly selected a sample of fifty bus tripsheets for DRPT for the fiscal year ended June 30, 2009 and noted that all tripsheets included a supervisor's signature without exception.

Recommendation: We recommend that OCTA require the vendor project managers to document supervisory review by signing or initialing the tripsheets prior to forwarding the tripsheets to the OCTA NTD Analyst.



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Management Response: By the December 2009 Service Change, OCTA's in-house schedule checking lead person will also be required to document their pre-check review by signing or initialing the tripsheets prior to submitting the paperwork to the contracted vendor. After the schedule check assignment has been completed, OCTA will require the contracted vendor's project manager to document their post-check review by signing the completed tripsheets prior to forwarding the paperwork to OCTA. As a last post-check review, the OCTA NTD Motor Bus analyst will be required to sign or initial the tripsheets after receiving the completed documents from the contractor

- g. Obtain the worksheets utilized by OCTA to prepare the final data that is transcribed onto Form FFA-10. Compare the periodic data included on the worksheets to the periodic summaries prepared by OCTA. Test the mathematical accuracy of the summaries.

Results: FFA-10 schedules were compared to periodic data included on the worksheets and to the periodic summaries prepared by OCTA without exception.

- h. Discuss with OCTA's staff the procedure for accumulating and recording passenger mile (PM) data in accordance with NTD requirements. Inquire whether the procedure used is: (1) a 100% count of actual PM; or (2) an estimate of PM based on statistical sampling meeting FTA's 95% confidence and $\pm 10\%$ precision requirements. If OCTA conducts a statistical sample for estimating PM, inquire whether the sampling procedure is: (1) one of the two procedures suggested by the FTA and described in FTA Circulars 2710.1A or 2710.2A; or (2) an alternative sampling procedure. If OCTA uses an alternative sampling procedure, inquire whether the procedure has been approved by the FTA or whether a qualified statistician has determined that the procedure meets the FTA's statistical requirements.

Results: OCTA uses an estimate of PM based upon a statistical sampling method in accordance with FTA Circular 2710.1A, "Sampling Techniques for Obtaining Fixed Route Bus Operating Data Required Under the Section 15 Reporting System." This sampling procedure meets the FTA's 95% confidence and 10% precision requirements for accumulating and recording passenger mile data.

- i. Discuss with OCTA staff OCTA's ability to conduct statistical sampling for PM data every third year. Determine whether OCTA meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating PM data every third year rather than annually. The criteria are as follows:
- According to the 2000 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population;



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- The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any size UZA).
- The service is purchased from a seller operating fewer than 100 revenue vehicles in an annual maximum revenue service, and is included in the transit agency's NTD report.

For agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2009) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements. Determine how OCTA estimated annual PM for the current report year.

Results: OCTA did not meet the criteria established by the FTA to conduct statistical sampling for passenger mile data every third year and did not use this procedure for fiscal year 2009.

- j. Obtain a description of the sampling procedure for estimation of PM data used by OCTA. Obtain a copy of OCTA's working papers or methodology used to select the actual sample of trips for recording PM data. If the average trip length was used, determine that the universe of trips was used as the sampling frame. Determine that the methodology to select specific trips from the universe resulted in a random selection of trips. If a selected sample trip was missed, determine that a replacement sample trip was randomly selected. Determine that OCTA followed the stated sampling procedure.

Results: We discussed with OCTA management the statistical sampling procedure used for the estimation of PM data. OCTA obtains an estimate of passenger boardings based upon a statistical sampling method in accordance with FTA Circular 2710.1A, which meets the FTA's 95% confidence level and 10% precision requirements. We obtained a copy of OCTA's working papers to estimate PM and noted that every other day, a sample of three trips each is selected for both MBDO and MBPT. A total sample of 549 trips for both MBDO and MBPT trips was selected for the fiscal year ended June 30, 2009. This is consistent with FTA Circular 2710.1A sampling procedures.

- k. Select a random sample of the source documents for accumulating PM data and determine that they are complete (all required data is recorded) and that the computations are accurate. Select a random sample of the accumulation periods and recompute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the mathematical accuracy of the summarization.

Results: We reviewed the accumulation of PM data by judgmentally selecting a sample of data from the months of July 2008, September 2008 and March 2009. We verified the mathematical accuracy of the accumulation of the PM data on the MBDO and MBPT selected. We noted no exceptions as a result of these procedures. PMs included on



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source documents agreed to PMs per monthly ridership summary reports for all trips sampled.

- i. Discuss with OCTA staff the procedures for systematic exclusion of charter, school bus and other ineligible vehicle miles from the calculation of actual VRM with OCTA staff and determine that stated procedures are followed. Select a random sample of the source documents used to record charter and school bus mileage and test the mathematical accuracy of the computations.

Results: We noted that OCTA does not provide charter or school bus services and, therefore, does not have charter or school bus mileage to review

- m. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation.
 - If actual VRM are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and recompute the daily total of missed trips and missed VRM. Test the mathematical accuracy of the summarization.
 - If actual VRM is calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the mathematical accuracy of the summarization of intermedate accumulations.

If actual VRM are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.

Results: For MBDO, scheduled vehicle service hours (VSH) are compared to actual VSH and a percentage of scheduled to actual is calculated. This percentage is applied to the scheduled VRM in order to calculate actual VRM. The calculation is used because the system tracks lost hours, but it does not track lost miles. Lost VSHs are calculated by obtaining detailed time information from the bus operations bases. The VRMs are calculated at the end of the fiscal year only. As such, we randomly selected 50 routes and traced the tripsheets to the data used to prepare the calculation and ensured that lost VSH were properly supported and excluded. No exceptions were noted.

For MBPT, the contractor reports actual VRM each month to OCTA. The VRM for MBPT consists of the scheduled trips less the missed trips, which are reported on a Missed Service Form. We randomly selected 50 routes and reviewed the tripsheets to ensure the



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missed trips were properly excluded. No exceptions were noted.

For Demand Response Purchased Transportation (DRPT) and Vanpool Purchased Transportation (VPPT), actual VRM is recorded on daily tripsheets and the Vanpool mileage database, respectively. Deadhead miles are excluded from the calculation of VRM. We randomly selected 50 DRPT tripsheets and 50 VPPT trips and agreed them to the database used to report actual VRM to ensure that deadhead miles were excluded. No exceptions were noted.

- n. For rail modes, review the recording and accumulation sheets for actual VRM and determine that locomotive miles are not included in the computation.

Results: This procedure was not applicable as OCTA does not directly provide rail service.

- o. If fixed guideway (FG) directional route miles (DRM) are reported, interview the person responsible for maintaining and reporting the NTD data and determine whether the operations meet FTA's definition of FG in that the service is:
- Rail, trolleybus (TB), ferryboat (FB) or aerial tramway (TR) or
 - Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW) and:
 - access is restricted;
 - legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway,
 - restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e. vanpools (VP), carpools) must demonstrate safe operation; and
 - High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the U.S. Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

Results: According to OCTA, FG service consists of MB service that operates over controlled access ROW (HOV lanes) and HO/T lanes. Per our review, it appears the operations meet the FTA's definition of FG.

- p. Discuss the measurement of FG DRM with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG and DRM. Inquire whether there were service changes during the year that resulted in an



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increase or decrease in DRM. If a service change resulted in a change in overall DRM, recompute the average monthly DRM, and reconcile the total to the FG DRM reported on Form FFA-10. Inquire if any temporary interruptions in transit service occurred during the report year that were due to maintenance or rehabilitation improvements to an FG segment.

Results: OCTA's definition of FG is MB service that operates over controlled access ROW (HOV and HO/T lanes). OCTA's definition of DRMs is the length of route segments traveled within a FG. We recomputed the average monthly DRM and reconciled the total to the FG DRM reported on Form FFA-10. In addition, there were no service changes or interruptions during the year. No exceptions were noted.

- q. Measure FG DRM from maps or by retracing route

Results: We measured the FG DRM from maps without exception.

- r. Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same FG as OCTA. If yes, determine that OCTA coordinated with the other transit agency(ies) such that the DRM for the segment of the FG are reported only once to the NTD on Form FFA-10. Each transit agency should report the actual VRM, PM and operating expense for the service operated over the same FG.

Results: According to OCTA personnel, no other public transit agencies operate service over the same FG.

- s. Review the Fixed Guideway Segments Form (S-20). Discuss the commencement date of revenue service for each FG segment with the person reporting the NTD data and determine that the date is reported as when revenue service began. This is the opening date of revenue service, even though the transit agency may not have been the original operator. Review the form in Internet Reporting and determine that the information has been properly entered. There should be a date for segments put into revenue service on or after September 30, 1999. If the segments opened earlier, the date may be left blank indicating segments older than 7 years. However, if a date was entered in the prior report year, it should not be removed. Segments are summarized by like characteristics. Note that for apportionment purposes under the Capital Program for Fixed Guideway Modernization, the 7-year age requirement for FG segments is based on the report year when the segment is reported for the first time. Even if a transit agency can document a revenue service start date prior to the current NTD report year, FTA will only consider segments continuously reported to NTD.

Results: We noted that two DRM segments reported under MBPT and charged to UZA-2, were reported as greater than 7 years for the year ended June 30, 2008, but reported as less than 7 years for the year ended June 30, 2009. This change resulted in a reduction of



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10.77 DRM. Per management, FTA changed segment codes 78331 and 78332 revenue service dates from June 9, 1996 to July 3, 2006. FTA changed the date because July 3, 2006 was the date the DRMs were first reported to the NTD transit agency as required by the agency. No exceptions were noted.

- t. Compare operating expenses with audited financial data, after reconciling items are removed.

Results: The operating expenses as reported on the Operating Expenses Summary Form (F-40) of the NTD Report agreed to the audited financial statements of OCTA without exception.

- u. If the transit agency purchases transportation services, interview personnel reporting the NTD data regarding the amount of purchased transportation (PT) generated fare revenue. The PT fare revenue should equal the amount reported on the Contractual Relationship Form (B-30) of the NTD Report.

Results: OCTA purchased transportation services from South County Senior Services, North Orange County Yellow Cab, OCARC Western Transit, VPSI, Inc., Enterprise Rideshare, Midway Rideshare, American Logistics, Acacia Adult Day Services, Alzheimers Family Services and Veolia Transportation Services for the period July 1, 2008 through June 30, 2009. PT fare revenue, as reported on Form B-30, agreed to amounts reported in the audited financial statements of OCTA.

- v. If OCTA's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation data of the PT service.

Results: PT services are included as part of OCTA's NTD report. As such, they are included in the scope of these agreed-upon procedures.

- w. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract: (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by OCTA; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by OCTA's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible for maintaining the NTD data regarding the retention of the executed contract, and determine that copies of the contracts are retained for three years.



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Results: We obtained and reviewed the PT contracts and noted that they contained all of the required elements.

- x. If OCTA provides services in more than one UZA, or between an UZA and a non-UZA, inquire of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and UZA boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct

Results: OCTA provides service in more than one UZA. OCTA does not provide service in non-UZA areas. Statistics are allocated to UZA areas based on an analysis of trip patterns. The number of trips for each trip pattern for the year is multiplied by the length of each trip pattern to arrive at the total miles. These miles are allocated to each UZA area based on trip length. No exceptions were noted.

- y. Compare the data reported on Form FFA-10 to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PM or operating expense data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased by more than 1%, interview OCTA management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period

Results: We performed the above procedure and noted the following:

- A 10.57% increase in PM for DRPT was noted. Per management, demand response routes have increased in ridership (up 3.4% since last fiscal year) and passenger trip lengths. The increase in ridership combined with the longer trip lengths of demand response routes resulted in an increase of average trip lengths. The higher productivity (more riders and longer trip distances) of these routes had a direct effect on the total passenger miles.
- A 27.73% decrease in PM for MBPT was noted. Per management, there were twenty-nine less express routes and twenty-six less Route 191 trips sampled compared to the previous year. Express routes have fewer stops and longer distances traveled than the community routes.
- A 19.6% decrease in FG DRM was noted. OCTA claimed FG-DRM operating in Riverside County (UZA 25) in the prior fiscal year. However, because FG DRM is located in another County, OCTA must have approval from the jurisdiction authority, Riverside Transit Agency (RTA), in order to claim the FG DRM. Since no approval was provided, OCTA removed the FG DRM from its total in the current fiscal year.



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- We noted an 82.73% increase in VRM, 82.18% increase in PM and 64% increase in operating expenses for VPPT. Per management, the Vanpool program commenced in July 2007. On July 1, 2008, there were 205 vanpools that gradually grew to 290 by April 2009 and then down to 285 in June 2009. The gradual increase in the Vanpools had a direct effect on the increases in VRM, PM and operating expenses.

OCTA's written management response to certain results identified during our agreed-upon procedures is included above. We did not perform any additional agreed-upon procedures of OCTA's management response.

This report is intended solely for the information and use of the Board of Directors and management of OCTA and its federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Morgan Hoffman M.C. R.C.

Irvine, California
October 15, 2009

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

Independent Accountants' Report on
Agreed-Upon Procedures Performed
with Respect to the Treasury Department

Year Ended June 30, 2009



Mayer Hoffman McCann P.C.

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Board of Directors
Orange County Transportation Authority
Orange, California

**INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES PERFORMED
WITH RESPECT TO THE TREASURY DEPARTMENT**

We have performed the procedures enumerated below which were agreed to by the Orange County Transportation Authority (OCTA) solely to assist you with respect to your evaluation of selected internal controls within the Treasury Department for the year ended June 30, 2009. OCTA management is responsible for the internal controls within the Treasury Department. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of OCTA. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of these procedures were as follows:

1. We obtained and reviewed the following:
 - a. OCTA's most recent Debt and Investment Management Manual;
 - b. An organization chart for the Treasury Department, including any Treasury functions performed by individuals outside the Treasury Department; and
 - c. OCTA Internal Audit Reviews relating to the Treasury function.

Results: No exceptions were noted.

2. We identified the names of the personnel in each Treasury Department position and documented the responsibilities of each position.

Results: No exceptions were noted.



Board of Directors
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Orange, California

3. We obtained and documented information on investments managed by the Treasury Department including:
 - a. Amount, custodian and type of security for each investment; and
 - b. Investments managed in-house by the Treasury Department versus those managed outside of the Treasury Department.

Results: No exceptions were noted.

4. We documented an understanding of Treasury Department operations; including review of policies and procedures, observation of procedures performed and review of documentation produced and maintained.

Results: No exceptions were noted.

5. We inquired whether there have been any changes in Treasury policies and procedures, organization or function, as a result of any prior year internal or external audit findings and/or recommendations.

Results: There were no changes in Treasury policies and procedures, organization or function, during the fiscal year ended June 30, 2009. No exceptions were noted.

6. We documented an understanding of the internal control procedures over Treasury Department operations and determined whether these procedures provided for:
 - a. Transactions that are clearly documented and readily available for examination;
 - b. Transactions that are promptly recorded and properly classified;
 - c. Transactions that are authorized and executed only by persons acting within the scope of their authority;
 - d. Segregation of key duties and responsibilities in authorizing, processing, recording and reviewing;
 - e. Qualified and continuous supervision to ensure that internal control objectives are achieved;
 - f. Limiting access to resources and records to authorized individuals and ensuring accountability for custody of resources; and



Board of Directors
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Orange, California

- g. Periodic reconciliation of investments between the custodian statements and the general ledger.

Results: No exceptions were noted.

- 7. We reviewed the Investment Policy to determine whether it was in compliance with California Government Code provisions.

Results: No exceptions were noted.

- 8. We inquired and observed whether adequate system controls were in place to appropriately limit the access to cash and investment information and to protect OCTA's assets.

Results: No exceptions were noted.

- 9. We determined whether the Investment Policy was provided to external investment managers on an annual basis. In addition, we determined whether each investment manager certified receipt of the Investment Policy with a statement agreeing to abide by its terms.

Results: No exceptions were noted.

- 10. We obtained and reviewed documentation to determine whether monthly investment manager monitoring reviews were conducted in accordance with the Treasury Department's policies and procedures.

Results: No exceptions were noted; however, OCTA's current procedures can be improved. Currently, Sperry Capital, Inc, OCTA's financial advisor, conducts monthly investment manager monitoring reviews and verbally discusses the results with OCTA staff. Since communication between Sperry Capital, Inc. and the Treasurer or another authorized individual in the Treasury Department consists of verbal telephone conversations, there is no formal documentation maintained of the communication.

Recommendation: We recommend that the results of the monthly investment manager monitoring reviews be formally documented. OCTA might consider having Sperry Capital, Inc. follow up each monthly telephone conference with an email confirmation. This email confirmation would provide written documentation evidencing that these reviews by Sperry Capital, Inc. were performed and any matters were properly communicated.



Board of Directors
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Orange, California

Response from OCTA Management: OCTA concurs with the recommendation. On a go-forward basis, OCTA will work with Sperry Capital to document the monthly investment manager monitoring reviews.

11. We determined whether authorization letters (and changes to them) to investment managers, brokers, banks and custodians were jointly authorized in writing by the Treasurer and another individual authorized per the Debt and Investment Management Manual. In addition, we ensured the letters included the following:
 - a. OCTA staff authorized to make investments;
 - b. Custody instructions; and
 - c. Instructions for money and security transfers.

Results: No exceptions were noted.

12. We randomly selected a sample of five days during the fiscal year ended June 30, 2009 and reviewed the investments purchased on those days to determine that:
 - a. The investments were in compliance with the Investment Policy;
 - b. The Treasury Department's policies and procedures were followed;
 - c. The investments were properly recorded; and
 - d. Any investment earnings on matured investments were calculated and recorded correctly.

Results: No exceptions were noted.

13. We randomly selected a sample of five days during the fiscal year ended June 30, 2009 and reviewed the investment holdings by the external investment managers to determine whether they were monitored by Treasury Department personnel and were in compliance with the Investment Policy. Specifically:
 - a. We obtained the holdings list for each external manager for each day selected;
 - b. We verified that the Treasury Department's review was documented on the holdings list;



Board of Directors
Orange County Transportation Authority
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- c. We reviewed the holdings list to determine whether the external investment manager complied with Investment Policy limits and diversification guidelines; and
- d. We determined whether any instances of noncompliance were identified and corrected by the Treasury Department and that probationary procedures were followed.

Results: No exceptions or instances of noncompliance were noted.

14. We randomly selected three monthly bank reconciliations during the fiscal year ended June 30, 2009 and performed the following:

- a. We traced general ledger balances and bank balances to supporting documentation;
- b. We determined whether the reconciliations were completed within thirty days after month end;
- c. We determined whether any discrepancies were reported and resolved;
- d. We determined whether reconciliations and resolution of discrepancies were reviewed and approved by an official who was not responsible for recording receipts and disbursements; and
- e. We determined whether the bank statements were mailed directly to the Accounting Department.

Results: No exceptions were noted.

15. We randomly selected three monthly investment account reconciliations and reviewed the supporting documentation to determine whether:

- a. Reconciliations were completed in a timely and thorough manner by someone who was not responsible for recording receipts and disbursements;
- b. Discrepancies were identified and resolved;
- c. Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions; and
- d. Investment statements were mailed directly to the Accounting Department.



Board of Directors
Orange County Transportation Authority
Orange, California

Results: No exceptions were noted.

16. We documented the Treasury Department's cash forecasting methodology and reviewed it for reasonableness.

Results: No exceptions were noted.

17. We documented the procedures for reviewing corporate security ratings and determined whether the procedures were adequate to ensure timely identification of downgrades and credit watch placements.

Results: No exceptions were noted.

18. We reviewed minutes of both the Board of Directors and the Finance and Administration Committee, inquired with Treasury Department personnel and reviewed other supporting documentation to determine whether the following required oversight activities took place:

- a. The Finance and Administration Committee reviewed investments on a monthly basis;
- b. The Board of Directors reviewed investments on a quarterly basis;
- c. The Board of Directors reviewed and approved the Investment Policy and amendments made during the fiscal year ended June 30, 2009;
- d. The Internal Audit Department performed system and performance reviews to evaluate debt and investment activity and management; and
- e. The funds management team met on a weekly basis.

Results: No exceptions were noted.

We were not engaged to, and did not, conduct an audit of OCTA's Treasury Department or investments, the objective of which would be the expression of an opinion on the elements, accounts, or items specified above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

OCTA's written management response to certain results identified during our agreed-upon procedures is included above. We did not perform any additional agreed-upon procedures of OCTA's management response.



Board of Directors
Orange County Transportation Authority
Orange, California

This report is intended solely for the information and use of the Board of Directors and management of OCTA and is not intended to be and should not be used by anyone other than these specified parties.

Morgan Hill Management P.C.

Irvine, California
November 11, 2009



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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, THE TRANSPORTATION DEVELOPMENT ACT AND CALIFORNIA GOVERNMENT CODE §8879.50

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered OCTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects OCTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of OCTA's financial statements that is more than inconsequential will not be prevented or detected by OCTA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by OCTA's internal control.



Board of Directors
Orange County Transportation Authority
Orange, California

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of the Transportation Development Act (TDA) and California Government Code §8879.50 et seq., noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that TDA and Proposition 1B funds allocated to and received by OCTA were expended in conformance with the applicable statutes, rules and regulations of the TDA and California Government Code §8879.50 et seq. and the allocation instructions and resolutions of OCTA as required by Section 6667 of Title 21 of the California Code of Regulations. OCTA has chosen to be subject to Section 99268.2 of the TDA, which requires that the ratio of fare revenues and local support to operating costs not be less than 24.42%, representing OCTA's fiscal year 1978-79 ratio. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and California Government Code §8879.50 et seq.

We noted certain matters that we reported to management of OCTA, in a letter dated October 28, 2009.

This report is intended solely for the information and use of the Board of Directors and management of OCTA and the California Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 28, 2009



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Board of Directors
Orange County Transportation Authority
Orange, California

**INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES
APPLIED TO THE ORANGE COUNTY TRANSPORTATION
AUTHORITY'S APPROPRIATIONS LIMIT WORKSHEETS**

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the Orange County Transportation Authority (OCTA) for the year ended June 30, 2009. These procedures, which were agreed to by OCTA and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*), were performed solely to assist OCTA in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. OCTA's management is responsible for maintaining the appropriations limit records and for its calculation.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the worksheets referred to above and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote.

Results: No exceptions were noted as a result of our procedures.

2. We recalculated the mathematical computations reflected in OCTA's worksheets.

Results: No material exceptions were noted as a result of our procedures.



Board of Directors
Orange County Transportation Authority
Orange, California

3. We compared information used to determine the current year limit to worksheets prepared by OCTA and to information provided by the State Department of Finance.

Results: We noted that OCTA used fiscal year (FY) 07/08 per capita and population change percentages in determining the Gann Appropriation Limitation factor for FY 08/09 rather than the FY 08/09 figures. This resulted in the FY 08/09 calculation being understated by \$4,415. This exception has no impact to OCTA, because OCTA's appropriations were approximately \$3 million under the calculated Gann Appropriation Limit for FY 08/09.

Recommendation: We recommend that this error be corrected during the FY 09/10 calculation and restated amounts for FY08/09 be presented for approval by OCTA's Board of Directors. Furthermore, we recommend that each year this calculation have a documented secondary review and approval by an appropriate person in the Finance and Administration Division.

Response from OCTA Management: Management concurs with the above recommendation. The responsible Section Manager will review, on an annual basis, the calculation and document the review with a signature. Additionally, Finance Planning and Administration corrected the OCTA Gann Appropriation Limitation factor for FY 08/09 in the FY 09/10 annual budget process.

4. We compared the amount of the prior year appropriations limit presented in the worksheets to the amount adopted by the Board of Directors for the prior year.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the worksheets referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIIB Appropriations Limitation Uniform Guidelines*.

OCTA's written management response to certain results identified during our agreed-upon procedures is included above. We did not perform any additional agreed-upon procedures of OCTA's management response.



Board of Directors
Orange County Transportation Authority
Orange, California

This report is intended solely for the use of the Board of Directors and the management of OCTA and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their own purpose. However, this report is a matter of public record and its distribution is not limited.

Morgan Hill Management

Irvine, California
October 28, 2009



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ATTACHMENT J

Board of Directors
Orange County Local Transportation Authority
Orange, California

**INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES
APPLIED TO THE ORANGE COUNTY LOCAL TRANSPORTATION
AUTHORITY'S APPROPRIATIONS LIMIT WORKSHEETS**

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2009. These procedures, which were agreed to by OCLTA and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*), were performed solely to assist OCLTA in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. OCLTA's management is responsible for maintaining the appropriations limit records and for its calculation.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the worksheets referred to above and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote.

Results: No exceptions were noted as a result of our procedures.

2. We recalculated the mathematical computations reflected in OCLTA's worksheets.

Results: No exceptions were noted as a result of our procedures.



Board of Directors
Orange County Local Transportation Authority
Orange, California

3. We compared information used to determine the current year limit to worksheets prepared by OCLTA and to information provided by the State Department of Finance.

Results: We noted that OCLTA used fiscal year (FY) 07/08 per capita and population change percentages in determining the Gann Appropriation Limitation factor for FY 08/09 rather than the FY 08/09 figures. This resulted in the FY 08/09 calculation being understated by \$669,579. This exception has no impact to OCLTA because OCLTA's appropriations were approximately \$948 million under the calculated Gann Appropriation Limit for FY 08/09.

Recommendation: We recommend that this error be corrected during the FY 09/10 calculation and restated amounts for FY08/09 be presented for approval by OCLTA's Board of Directors. Furthermore, we recommend that each year this calculation have a documented secondary review and approval by an appropriate person in the Finance and Administration Division.

Response from OCLTA Management: Management concurs with the above recommendation. The responsible Section Manager will review on an annual basis, the calculation and document the review with a signature. Additionally, Finance Planning and Administration corrected the OCLTA Gann Limitation factor for FY 08/09 in the FY 09/10 annual budget process.

4. We compared the amount of the prior year appropriations limit presented in the worksheets to the amount adopted by the Board of Directors for the prior year.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the worksheets referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*.

OCLTA's written management response to certain results identified during our agreed-upon procedures is included above. We did not perform any additional agreed-upon procedures of OCLTA's management response.



Board of Directors
Orange County Local Transportation Authority
Orange, California

This report is intended solely for the use of the Board of Directors and the management of OCLTA and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their own purpose. However, this report is a matter of public record and its distribution is not limited.

Morgan Hill Management P.C.

Irvine, California
October 28, 2009

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
Local Transportation Fund**

Financial Statements

Year Ended June 30, 2009

**ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund**

Financial Statements

Year Ended June 30, 2009

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Local Transportation Fund, a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Local Transportation Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2009, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of OCTA as of June 30, 2009, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial



Board of Directors
Orange County Transportation Authority
Orange, California

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
October 28, 2009

ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund

Balance Sheet

June 30, 2009

Assets

Cash and investments	\$ 4,565,019
Interest receivable	11,885
Due from other governments (note 4)	<u>2,912,601</u>
 Total assets	 <u>\$ 7,489,505</u>

Liabilities and Fund Balance

Liabilities:

Due to other governments	\$ 116,935
--------------------------	------------

Fund Balance:

Reserved for:	
Transportation programs	<u>7,372,570</u>

Total liabilities and fund balance	<u>\$ 7,489,505</u>
------------------------------------	---------------------

See Notes to Financial Statements

ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund

Statement of Revenues, Expenditures and Change in Fund Balance

Year Ended June 30, 2009

Revenues:		
Local transportation sales tax allocations	\$ 89,666,478	
Investment income	<u>144,809</u>	
Total revenues		<u>89,811,287</u>
Expenditures:		
Supplies and services	1,422,124	
Contributions to other agencies	<u>3,830,620</u>	
Total expenditures		<u>5,252,744</u>
Excess of revenues over expenditures		84,558,543
Other financing uses:		
Transfers out (note 5)	<u>(83,610,523)</u>	
Net change in fund balance		948,020
Fund balance at beginning of year		<u>6,424,550</u>
Fund balance at end of year		<u>\$ 7,372,570</u>

See Notes to Financial Statements

ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund

Statement of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Budgetary Basis)

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Local transportation sales tax allocations	\$ 112,688,085	93,769,775	89,666,478	(4,103,297)
Investment income	<u>48,777</u>	<u>48,777</u>	<u>144,809</u>	<u>96,032</u>
Total revenues	<u>112,736,862</u>	<u>93,818,552</u>	<u>89,811,287</u>	<u>(4,007,265)</u>
Expenditures:				
Supplies and services	1,247,960	1,247,960	1,422,124	(174,164)
Contributions to other agencies	<u>7,590,012</u>	<u>7,590,012</u>	<u>3,830,620</u>	<u>3,759,392</u>
Total expenditures	<u>8,837,972</u>	<u>8,837,972</u>	<u>5,252,744</u>	<u>3,585,228</u>
Excess of revenues over expenditures	103,898,890	84,980,580	84,558,543	(422,037)
Other financing uses:				
Transfers out (note 5)	<u>(106,990,975)</u>	<u>(88,072,665)</u>	<u>(83,610,523)</u>	<u>4,462,142</u>
Net change in fund balance	(3,092,085)	(3,092,085)	948,020	4,040,105
Fund balance at beginning of year	<u>6,424,550</u>	<u>6,424,550</u>	<u>6,424,550</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,332,465</u>	<u>3,332,465</u>	<u>7,372,570</u>	<u>4,040,105</u>

See Notes to Financial Statements

ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund

Notes to Financial Statements

Year Ended June 30, 2009

(1) General Information

Reporting Entity

The accompanying financial statements are intended to reflect the financial position and results of operations for the Local Transportation Fund (LTF) only. The LTF is a special revenue fund of the Orange County Transportation Authority (OCTA). This fund is used to account for revenues received and expenditures made for certain transit projects within Orange County.

The LTF was created by the Transportation Development Act (TDA) for specific transportation purposes. Revenues to the LTF are derived from the ¼ cent of the 8 ¼ cent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization (SBOE) to each county according to the amount of tax collected in that county.

The Orange County Transit District (OCTD) of OCTA is a transit operator and OCTA is the regional Transportation Planning Agency (TPA) for the County of Orange, California (County). Annually, the TPA determines each area's apportionment of LTF revenues. Generally, County LTF revenues are apportioned by population to areas within the County. Where there is a transit operator, separate apportionments are made to areas within and outside the district. Once funds are apportioned, they are only available for allocation to claimants in that area. Payments from the LTF are made by the County Auditor-Controller in accordance with allocation instructions issued by OCTA.

Article 3 of the TDA stipulates that, based on the County's population of more than 500,000, OCTA is eligible to and receives LTF revenues solely for claims for the following, which are allocated in specific priority order: administration, planning and programming; Section 99234 of Article 3, which are claims for pedestrian and bicycle facilities; and Article 4.5, which are claims for community transit services.

Diversion of TDA Funding

In September 1995, as a result of and to assist the County of Orange in recovering from its December 1994 bankruptcy, the California State Legislature adopted legislation diverting \$38 million annually to the County from OCTA's TDA sales tax revenue. In return, \$23 million in annual County gasoline tax revenue is being diverted to OCTA. Diversion from OCTA of the TDA revenue began on July 1, 1996, for a 15-year period. Diversion to OCTA of the gasoline tax revenue began on July 1, 1997, for a 16-year period.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies

The accounting policies of the LTF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Fund Accounting

The LTF activities and transactions are recorded and accounted for in a special revenue fund of OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds. A fund is defined as an independent fiscal and accounting entity wherein operations are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, reserves and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The financial statements are intended to present the financial position and changes in financial position of the LTF only, and are not intended to present, and do not present, the financial position and changes in financial position of OCTA.

Basis of Accounting

The LTF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 180 days after year-end. Expenditures are recorded when a liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with available financial resources.

Cash and Investments

The LTF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. The fair value of the LTF's position in the OCIP is the same as the value of the OCIP shares. Investment income earned by the pooled cash and investments in the OCIP is allocated to LTF based on LTF's average cash and investment balance.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

For information on GASB Statement No. 40 disclosures relating to LTF's deposits in the OCIP, please see OCTA's Comprehensive Annual Financial Report.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(3) Budgetary Data

The LTF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States. The adopted budget may be amended by the OCTA Board of Directors (Board) to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. OCTA division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as: Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services include Contributions to Other Local Agencies and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end. There were no expenditures exceeding appropriations at the major object level for the year ended June 30, 2009.

(4) Due From Other Governments

Due from other governments of \$2,912,601 represents a TDA receivable due from the State of California.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Local Transportation Fund

Notes to Financial Statements

(Continued)

(5) **Interfund Transfers**

During the fiscal year ended June 30, 2009, the LTF transferred \$78,358,871 to OCTD for transit operations, \$3,930,005 to OCTA planning and administration, and \$1,321,647 to Americans with Disabilities Act (ADA) bus stops.

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
State Transit Assistance Fund**

Financial Statements

Year Ended June 30, 2009

**ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund**

Financial Statements

Year Ended June 30, 2009

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the State Transit Assistance Fund, a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the State Transit Assistance Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2009, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Transit Assistance Fund of OCTA as of June 30, 2009, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Board of Directors
Orange County Transportation Authority
Orange, California

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
October 28, 2009

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund

Balance Sheet

June 30, 2009

Assets

Cash and investments	\$ 448,883
Interest receivable	1,039
Due from other governments (note 4)	<u>2,798,767</u>
 Total assets	 <u>\$ 3,248,689</u>

Liabilities and Fund Balance

Liabilities:

Due to other OCTA funds (note 5)	\$ 2,798,767
Due to other governments	<u>37</u>

Total liabilities 2,798,804

Fund Balance:

Reserved for:	
Transportation programs	<u>449,885</u>

Total liabilities and fund balance \$ 3,248,689

See Notes to Financial Statements

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2009

Revenues:		
State transit assistance sales tax allocations	\$	8,401,979
Investment income		<u>15,282</u>
Total revenues		<u>8,417,261</u>
Expenditures:		
Supplies and services		685
Contributions to other agencies		<u>426</u>
Total expenditures		<u>1,111</u>
Excess of revenues over expenditures		8,416,150
Other financing uses:		
Transfers out (note 5)		<u>(8,401,979)</u>
Net change in fund balance		14,171
Fund balance at beginning of year		<u>435,714</u>
Fund balance at end of year	\$	<u><u>449,885</u></u>

See Notes to Financial Statements

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Budgetary Basis)

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
State transit assistance sales				
tax allocations	\$ 25,829,395	8,405,998	8,401,979	(4,019)
Investment income	<u>25,060</u>	<u>25,060</u>	<u>15,282</u>	<u>(9,778)</u>
Total revenues	<u>25,854,455</u>	<u>8,431,058</u>	<u>8,417,261</u>	<u>(13,797)</u>
Expenditures:				
Supplies and services	1,595	1,595	685	
Contributions to other agencies	<u>-</u>	<u>-</u>	<u>426</u>	<u>(426)</u>
Total expenditures	<u>1,595</u>	<u>1,595</u>	<u>1,111</u>	<u>(426)</u>
Excess of revenues over expenditures	25,852,860	8,429,463	8,416,150	(14,223)
Other financing uses:				
Transfers out (note 5)	<u>(25,852,860)</u>	<u>(8,429,463)</u>	<u>(8,401,979)</u>	<u>27,484</u>
Net change in fund balance	-	-	14,171	13,261
Fund balance at beginning of year	<u>435,714</u>	<u>435,714</u>	<u>435,714</u>	<u>-</u>
Fund balance at end of year	<u>\$ 435,714</u>	<u>435,714</u>	<u>449,885</u>	<u>13,261</u>

See Notes to Financial Statements

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund

Notes to Financial Statements

Year Ended June 30, 2009

(1) Reporting Entity

The State Transit Assistance Fund (STAF) is a special revenue fund of the Orange County Transportation Authority (OCTA). This fund is used to account for revenues received and expenditures made for Orange County Transit District operations and fare assistance for seniors and disabled persons.

STAF provides a second source of Transportation Development Act (TDA) funding for transportation planning and mass transportation purposes as specified by the State of California Legislature. Funds for the program are derived from statewide sales tax on gasoline and diesel fuel.

STAF funds are allocated through an appropriation to the State Controller by the Legislature for allocation by formula to each Transportation Planning Agency (TPA). OCTA serves as the regional TPA for the County of Orange, California (County). The formula allocates 50 percent of the funds according to population and the remaining 50 percent according to operator revenues from the prior fiscal year. The allocations are based on the operator's share of revenues compared to all of the other operators in the State. STAF allocations are deposited in OCTA's STAF, which is maintained by the Auditor-Controller of the County of Orange, California. The allocation to OCTA's STAF must be made in a resolution adopted by OCTA's governing board. Payments from the STAF are made by the County of Orange Auditor-Controller in accordance with the allocation instructions in the allocation resolution.

STAF funds may not be allocated to fund administration or streets and roads projects. Operators receiving STAF funds must meet qualifying criteria based on the subsidy per revenue vehicle hour received in the previous year taking into consideration the change in the Consumer Price Index within the operator's region.

(2) Summary of Significant Accounting Policies

The accounting policies of the STAF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental units.

Fund Accounting

The STAF activities and transactions are recorded and accounted for in a special revenue fund of OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

to be accounted for in separate funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, reserves and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The financial statements are intended to present the financial position and changes in financial position of the STAF only, and are not intended to present and do not present, the financial position and changes in financial position of OCTA.

Basis of Accounting

The STAF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 180 days after year-end. Expenditures are recorded when a liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with available financial resources.

Cash and Investments

The STAF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is conducted by the Orange County Treasury Oversight Committee. The fair value of the STAF's position in the OCIP is the same as the value of the OCIP shares. Investment income earned by the pooled cash and investments in the OCIP is allocated to STAF based on STAF's average cash and investment balance.

For information on GASB Statement No. 40 disclosures relating to STAF's deposits in the OCIP, please see OCTA's Comprehensive Annual Financial Report.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund

Notes to Financial Statements

(Continued)

(3) Budgetary Data

The STAF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States. The adopted budget may be amended by the OCTA Board of Directors (Board) to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. OCTA division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as: Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services include Contributions to Other Local Agencies and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control that is the level that expenditures cannot exceed appropriations, for budgeted funds is at the major object level. There were no expenditures exceeding appropriations at the major object level for the year ended June 30, 2009.

(4) Due From Other Governments

Due from other governments of \$2,798,767 represents a TDA receivable due from the State of California.

(5) Interfund Payables and Transfers

Due to other OCTA funds of \$2,798,767 represents amounts payable to the Orange County Transit District (OCTD) Enterprise Fund of OCTA for transit operations and fare assistance for seniors and disabled persons. During the fiscal year ended June 30, 2009, the STAF transferred \$8,401,979 to OCTD for transit operations and fare assistance for seniors and disabled persons.



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance

Finance and Administration Committee Meeting of January 27, 2010

Present: Directors Bates, Buffa, Campbell, Cavecche, Hansen, and Moorlach
Absent: Director Brown

Committee Vote

This item was passed by all Committee Members present.

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

Committee Recommendation

Receive and file the Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance.



January 27, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on its Comprehensive Annual Financial Report, various fund financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, conducted the annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2008-09, and has issued reports thereon. Mayer Hoffman McCann P.C., as required by United States Generally Accepted Auditing Standards and Office of Management and Budget Circular A-133, has herewith issued its Auditor's Communication with Those Charged with Governance.

Recommendation

Receive and file the Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance.

Background

Effective for audits of financial statements for periods beginning on or after December 15, 2006, and pursuant to United States Generally Accepted Auditing Standards and Office of Management and Budget Circular A-133, Mayer Hoffman McCann P.C. (MHM) is required to provide documented communication to those charged with governance certain matters related to its audit of the Comprehensive Annual Financial Report (CAFR), fund financial statements, schedules, and agreements of the Orange County Transportation Authority (OCTA).

Discussion

MHM completed its annual audit of OCTA's CAFR, fund financial statements, schedules, and agreements and has issued independent auditor opinions for the fiscal year ended June 30, 2009. As part of its responsibilities, MHM communicates certain matters related to the audit to those charged with governance. The communication includes the scope and responsibilities of the auditor in relation to the audit, significant findings resulting from the audit, and any difficulties or disagreements with management encountered during the audit.

MHM has indicated they encountered no significant difficulties or disagreements when dealing with management during the course of the audit.

The Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance is included herewith as Attachment A.

Summary

In connection with its annual audit of OCTA's CAFR, fund financial statements, schedules, and agreements for fiscal year 2008-09, MHM has issued a letter which provides required communication as to the scope, responsibilities, and observations of the auditor arising during the audit.

Attachment

- A. Auditor's Communication with Those Charged with Governance

Prepared by:



Kathleen M. O'Connell
Executive Director, Internal Audit
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Finance and Administration Committee
Orange County Transportation Authority
Orange, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority ("OCTA") for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards and
OMB Circular A-133***

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. In planning and performing our audit, we considered OCTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133.

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about OCTA's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to its major federal programs for the purpose of expressing an opinion on OCTA's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on OCTA's compliance with those requirements.



Finance and Administration Committee
Orange County Transportation Authority
Orange, California

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

Audit fieldwork was substantially completed on October 28, 2009. We performed the audit according to the planned scope and timing previously communicated to you in our letter dated September 24, 2009, which indicated that potential significant risks of material misstatement that were reviewed by our auditing procedures included:

- Risk of material fraud or misstatement associated with the OCTA's cash receipts and cash disbursements;
- Risk of improper revenue recognition;
- Risk of improper classification of expenditures;
- Risk associated with identifying capital asset additions and deletions;
- Risk of unallowable interfund transfers; and
- Risk of noncompliance with grant program requirements

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by OCTA are described in Note 1 to the financial statements. We noted no transactions entered into by OCTA during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Examples of significant judgments and estimates reflected in OCTA's financial statements include:

- Judgments involving the useful lives and depreciation methodology used for capital assets, including infrastructure;
- Judgments concerning which capital project expenditures represent ordinary maintenance activities necessary to keep an asset operational for its originally intended



Finance and Administration Committee
Orange County Transportation Authority
Orange, California

useful life versus significant improvement, replacement, and life extending capital projects that should be capitalized as additions to capital assets.

- Estimates involving revenues and expenses to be accrued as of year end;
- Estimates of liabilities for claims and judgments; and
- Estimates in the toll road violations receivable at year end.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected in the audit process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion". If a consultation involves application of an accounting principle to OCTA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant



Finance and Administration Committee
Orange County Transportation Authority
Orange, California

has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to continuation as OCTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the Finance and Administration Committee, the Board of Directors, management of the OCTA, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 28, 2009



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Fiscal Year 2008-09 Management Letter

Finance and Administration Committee Meeting of January 27, 2010

Present: Directors Bates, Buffa, Campbell, Cavecche, Hansen, and Moorlach
Absent: Director Brown

Committee Vote

This item was passed by all Committee Members present.

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

Committee Recommendation

Receive and file the Fiscal Year 2008-09 Management Letter.



January 27, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Fiscal Year 2008-09 Management Letter

Overview

In connection with its annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2008-09, Mayer Hoffman McCann P.C. has issued a Management Letter, which identified one deficiency in internal control that was considered to be a significant deficiency as defined by the American Institute of Certified Public Accountants, *Statement on Auditing Standards Number 112*. This deficiency was corrected on July 13, 2009, with the Board of Directors adoption of a Code of Conduct.

Recommendation

Receive and file the Fiscal Year 2008-09 Management Letter.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting OCTA's results of operations and financial position at fiscal year end. OCTA is required to obtain an independent auditor's opinion on the Comprehensive Annual Financial Report (CAFR) as well as various fund financial statements, schedules, and agreements. The audit was performed by Mayer Hoffman McCann P.C. (MHM), an independent accounting firm. In connection with the audit, MHM has issued a Management Letter, as required by the American Institute of Certified Public Accountants, *Statement on Auditing Standards Number 112*, and OCTA's contract with MHM.

Discussion

MHM has completed its annual audit of OCTA's CAFR and various fund financial statements, schedules, and agreements and has issued its independent auditor's opinions thereon for the fiscal year ended June 30, 2009. In connection with the audit, MHM has issued a Management Letter identifying a deficiency in internal control that is considered to be a significant deficiency as defined by the American Institute of Certified Public Accountants, *Statement on Auditing Standards Number 112*. This deficiency, first identified by the independent auditors during their audit of OCTA for the fiscal year ended June 30, 2007, was corrected when a Code of Conduct was approved by the Board of Directors on July 13, 2009; however, audit standards require that it be reported as the deficiency existed at fiscal year end June 30, 2009.

The fiscal year 2008-09 Management Letter is included herewith as Attachment A.

Summary

In connection with its annual audit of OCTA's financial statements for fiscal year 2008-09, MHM has issued a Management Letter, which identified one deficiency in internal control that was considered to be a significant deficiency. That deficiency in internal control was corrected with the Board of Directors adoption of a Code of Conduct.

Attachment

- A. Management Letter For the Fiscal Year Ended June 30, 2009

Prepared by:



Kathleen M. O'Connell
Executive Director, Internal Audit
(714) 560-5669



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Finance and Administration Committee
Orange County Transportation Authority
Orange, California

In planning and performing our audit of the financial statements of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered OCTA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects OCTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of OCTA's financial statements that is more than inconsequential will not be prevented or detected by OCTA's internal control. The matter conforming to this definition is identified below.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by OCTA's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Need to Establish a Policy on Misconduct

As of and for the year ended June 30, 2009, OCTA did not have a written policy on misconduct. An effective method of communicating and reinforcing an antifraud culture within an organization is through the development of a policy on misconduct. A misconduct policy communicates to all employees the organizational position and policy on matters such as the following:

- Risks that the organization faces from fraud, abuse and other forms of misconduct;



Finance and Administration Committee
Orange County Transportation Authority
Orange, California

Need to Establish a Policy on Misconduct (Continued)

- Effect of the Code of Conduct;
- Definitions of misconduct, including fraud and abuse;
- Employee's responsibility to report suspected misconduct (including an established reporting mechanism, such as a member of the Board of Directors, a consultant or advisor, hotline service, etc.);
- Organizational responsibility to investigate; and
- Disciplinary action for violations

Best practice suggests that a misconduct policy and its annual reaffirmation by employees will greatly strengthen internal controls to prevent the occurrence of fraud and abuse. The policy should be acknowledged and signed by each employee upon hire and on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions. This condition was previously reported as item number 4 for the fiscal year ended June 30, 2008 in our letter dated October 24, 2008.

Recommendation

No recommendation is necessary. The Board of Directors approved OCTA's Code of Conduct policy at its meeting of July 13, 2009.

This communication is intended solely for the information and use of management, the Board of Directors, the Finance and Administration Committee, others within the organization, and federal and pass-through awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Holtz A. Co. P.C.

Irvine, California
October 28, 2009



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board ^{WK}
Subject: Authority to Acquire Right-of-Way for Placentia Avenue Railroad Grade Separation Project and Provide Relocation Assistance and Benefits

Highways Committee Meeting of February 1, 2010

Present: Directors Bates, Cavecche, Dixon, Glaab, Hansen, and Mansoor
Absent: Director Pringle

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

- A. Authorize the Chief Executive Officer, or his designee, to execute agreements with property owners for the acquisition of the specified interests in the real property for the Placentia Avenue Railroad Grade Separation Project.
- B. Authorize relocation assistance and benefits for the relocation of persons, businesses, or personal property to be relocated for the Placentia Avenue Railroad Grade Separation Project.



February 1, 2010

To: Highways Committee

From: Will Kempton, Chief Executive Officer

Subject: Authority to Acquire Right-of-Way for Placentia Avenue Railroad Grade Separation Project and Provide Relocation Assistance and Benefits

Overview

The Orange County Transportation Authority is implementing the Placentia Avenue Railroad Grade Separation Project, one of seven Orangethorpe corridor railroad grade separation projects. The Placentia Avenue project is in its final design phase and is expected to start construction in 2010. The design of the project requires acquisition of property rights from private parties adjacent to the existing railroad crossing at Placentia Avenue. Acquisition of the properties will be conducted in accordance with the Orange County Transportation Authority's right-of-way policies and procedures.

Recommendations

- A. Authorize the Chief Executive Officer, or his designee, to execute agreements with property owners for the acquisition of the specified interests in the real property for the Placentia Avenue Railroad Grade Separation Project.
- B. Authorize relocation assistance and benefits for the relocation of persons, businesses, or personal property to be relocated for the Placentia Avenue Railroad Grade Separation Project.

Background

In the course of developing and delivering transportation projects, the acquisition of public and private properties is often required to implement the project. Although extensive efforts are made during the design process to minimize the impacts to property owners, some projects require the acquisition of public and private properties. Orange County Transportation Authority (Authority) staff follows right-of-way (ROW) policies and procedures, which were approved by

Authority to Acquire Right-of-Way for Placentia Avenue Railroad Grade Separation Project and Provide Relocation Assistance and Benefits *Page 2*

the Board of Directors (Board) on October 28, 2002, to properly handle the acquisition of property rights. The Authority's ROW policies and procedures prescribe the internal steps that the Authority takes to ensure federal and state laws and regulations are followed and that there is an orderly and effective process for implementing the acquisition and relocation process.

In addition, Authority ROW personnel will ensure all requirements set by the Uniform Relocation Assistance and Real Property Acquisition Policies Act (Uniform Act) are met. The Uniform Act was enacted by the federal government to ensure real property was acquired and that persons, businesses, and personal property (displacees) are relocated in an equitable, consistent, and equal manner. State laws and regulations were also enacted to provide benefits and safeguards better than, and in addition to, those prescribed in the Uniform Act. State and federal regulations have been incorporated into the Authority's ROW policies and procedures by reference. Some specific actions, as required by state and federal regulations, have been incorporated therein as well.

When acquisition of property is required, written offers to purchase are prepared based on independent appraisals and delivered personally to property owners, whenever possible. Property owners will be treated with respect and understanding, and negotiations will be conducted in good faith. Should property owners accept the offer to purchase, escrow instructions will be prepared and executed.

The procedure for appraisal is a multi-step process that includes two experts, one who prepares an independent appraisal and another who performs an independent review of the appraisal. Authority staff also performs a review to ensure fairness and compliance with Authority ROW policies and procedures and federal and state laws and regulations.

If efforts to obtain an agreement at the appraised value fail, the Authority may reach an agreement in excess of the appraised value through an administrative settlement for an amount that is considered to be reasonable, prudent, and in the public interest. After consulting the Authority's counsel, the appraiser, the ROW consultant, and the Authority's ROW manager will prepare a settlement memorandum justifying the settlement amount, along with a settlement memorandum explaining how the settlement amount was determined. The settlement will be approved in accordance with the Authority's ROW policies and procedures.

Efforts will be put forth to reach a negotiated settlement; however, when an impasse is reached, as an act of last resort, Authority staff, through a separate Board action, will request the Board to adopt a resolution of necessity to condemn and proceed with eminent domain to acquire the necessary interests in real property.

Once an offer to purchase has been made, all displacees located on the property are eligible for relocation assistance. The displacees will be contacted in person, whenever possible, and notified of eligibility for relocation benefits. Relocation entitlements will be determined after all of the appropriate documents have been prepared and reviewed. The relocation process runs concurrently with the acquisition process.

Discussion

The Placentia Avenue railroad grade separation will be constructed under the Orangethorpe rail corridor between Crowther Avenue and Fender Avenue, in the cities of Placentia and Fullerton. A notice of exemption under the California Environmental Quality Act was prepared by the City of Placentia for the project and was certified in May 2001. Construction of the project is expected to start later this year once the required property rights are acquired.

The Placentia Avenue project will impact 17 properties consisting of 15 separate ownerships. Three of the properties were previously acquired by the City of Placentia and one of the properties was previously acquired by the Authority. Of the remaining 13 properties (consisting of 11 ownerships), four will require a partial fee purchase and all will require either temporary or permanent easement rights. The City of Placentia and the Authority will also grant Burlington Northern Santa Fe Railway a maintenance and access easement across some of the previously acquired parcels.

The property and ownership interests required for the project are described and shown in Attachment A. Photo aerial location maps and information regarding properties to be acquired are provided in Attachments B, C1, C2, and C3.

The Authority will be acquiring the property interests in accordance with federal and state laws and regulations, as well as the Authority's ROW policies and procedures. Offers for purchase will be made for the amount established as just compensation, which shall be determined through the appraisal process; however, if a counteroffer is presented by the property owner, staff may consider the counteroffer and its justification for higher compensation and may reach an agreement through an administrative settlement. The Authority's

Authority to Acquire Right-of-Way for Placentia Avenue Railroad Grade Separation Project and Provide Relocation Assistance and Benefits **Page 4**

Chief Executive Officer, or his designee, will then execute a purchase and sale agreement with the property owner. In cases where a settlement cannot be reached, staff will request the Board to adopt a resolution of necessity and proceed with eminent domain.

The current estimated cost to acquire all of the specified interests in real property is \$3,546,000. In the event that appraisal information is significantly higher than this estimate, staff will report to the Board on the circumstances and necessary actions.

Fiscal Impact

The project is included in the Authority's Fiscal Year 2009-10 Budget, Development Division, accounts 0017-9021-S0202-PK4 and 0017-9022-S0202-PK4, and is funded through Measure M2.

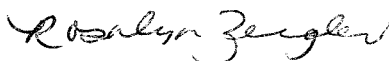
Summary

Staff requests the Board authorize the Chief Executive Officer or his designee to execute agreements with property owners for the acquisition of the appropriate interest in real property for the Placentia Avenue Railroad Grade Separation Project and to authorize relocation assistance and benefits for the relocation of persons, businesses, or personal property located on the property to be acquired.

Attachments

- A. Placentia Avenue Undercrossing, Parcel List
- B. Key Map
- C1. Photo Aerial Exhibit of Parcels
- C2. Photo Aerial Exhibit of Parcels
- C3. Photo Aerial Exhibit of Parcels

Prepared by:



Rosalyn Zeigler
Principal, Right-of-Way
(714) 560-5994

Approved by:



Kia Mortazavi
Executive Director, Development
(714) 560-5741

PLACENTIA AVENUE UNDERCROSSING
PARCEL LIST

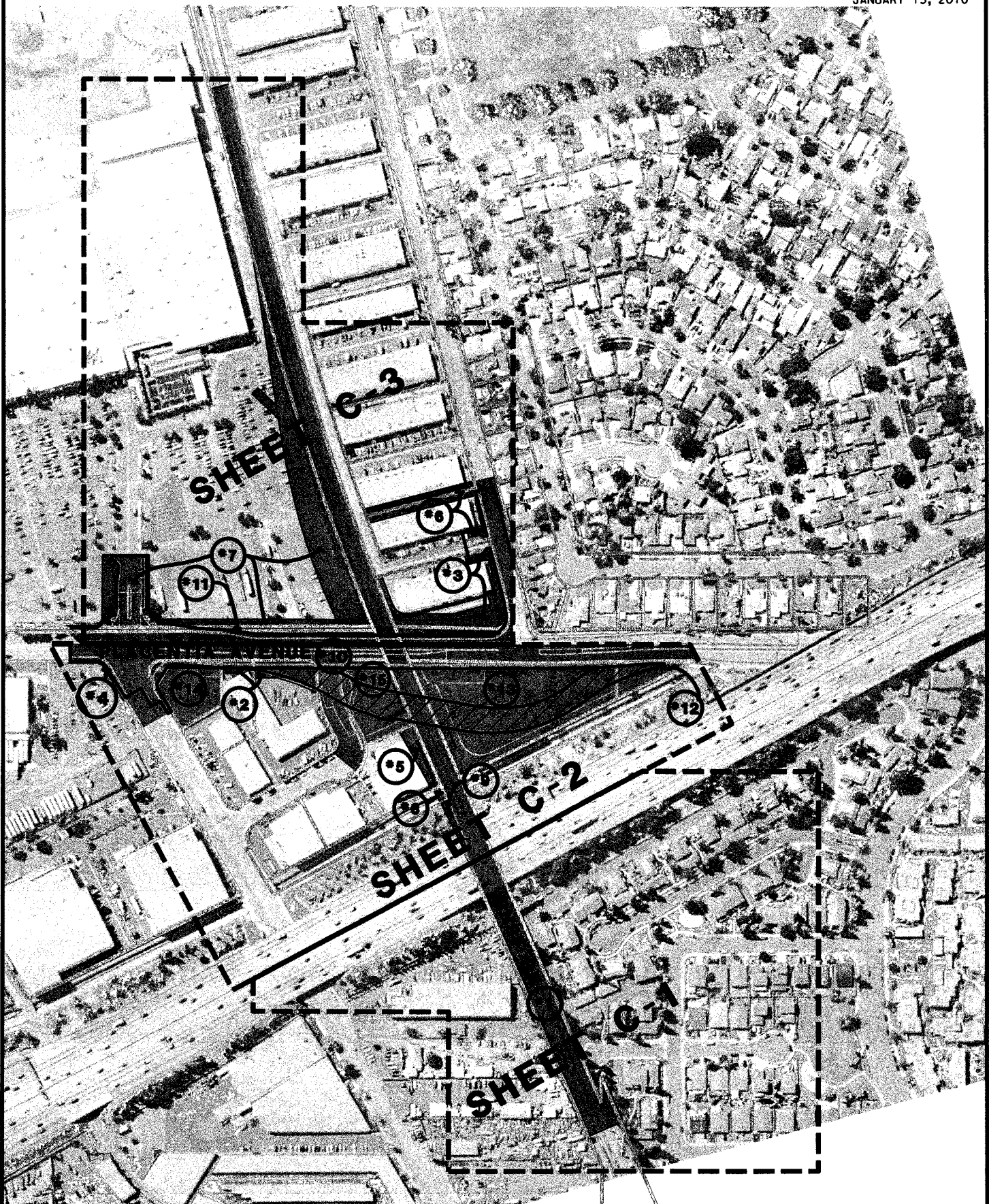
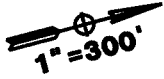
#	APN	GRANTOR (Owner)	PROPERTY ADDRESS	SIZE OF TAKE AREA (SF)	TYPE OF TAKE (NEED)	CURRENT USE
1	000-000-00	Burlington North Santa Fe Railroad Company	Placentia Avenue	7,432	Street Easement	Railroad
				1,000	Public Utility Easement	
				142,758	License Agreement for Temporary Construction	
2	339-443-01 & 339-443-02	Will D. Prout, et al (Prout Industries)	467 Industrial Way and 824 Crowther Avenue, Placentia, CA	5,050	Fee Purchase	Industrial
				671	Footing and Storm Drain Easement	
				4,625	Temporary Construction Easement	
3	338-061-11	Fullerton Business Center	2584 East Fender Avenue, Fullerton, CA	1,312	Fee Purchase	Industrial
				234	Slope Easement	
				271	Sewer Easement	
				3,418	Temporary Construction Easement	
				6,374	Temporary Water Line Easement	
				5,836	Temporary Ingress and Egress Easement	
4	339-111-02	Orograin Bakeries Manufacturing, Inc.	500 S. Placentia Avenue, Placentia CA	924	Temporary Construction Easement	Industrial
5	339-442-02	TC Specialities, Inc.	460 S. Placentia, Placentia, CA	4,945	Railroad Temporary Construction Easement	Industrial
6	338-061-20 & 338-061-21	Fullerton Business Center	2560 & 2572 East Fender Avenue, Fullerton, CA	224	Fee Purchase	Industrial
				752	Slope Easement	
				2	Sewer Easement	
				930	Temporary Construction Easement	
				9,351	Temporary Ingress and Egress Easement	

PLACENTIA AVENUE UNDERCROSSING
PARCEL LIST

#	APN	GRANTOR (Owner)	PROPERTY ADDRESS	SIZE OF TAKE AREA (SF)	TYPE OF TAKE (NEED)	CURRENT USE
7	338-071-17	M & H Realty, Inc.	629 S Placentia Avenue, Fullerton, CA	3,113	Fee Purchase	Industrial
				3,450	Detector Loop Easement	
				1,167	Slope Easement	
				44,882	Railroad Temporary Construction Easement	
				14,663	Temporary Construction Easement	
				8,754	Temporary Water Line Easement	
				1,459	Temporary Drainage Easement	
8	000-000-00	OCFCD	Drainage Channel	653	Encroachment Permit	Flood Control Channel
9	000-000-00	State of California	Placentia Avenue	1,495	Encroachment Permit	Roadway
10	000-000-00	City of Placentia	Placentia Avenue	453,717	Encroachment Permit	Roadway
11	000-000-00	City of Fullerton	Placentia Avenue	78,627	Encroachment Permit	Roadway
12	339-441-01	City of Placentia (Previously Purchased)	350 Placentia Avenue, Placentia, CA	11,764	Fee Purchase	Industrial
13	339-441-02	City of Placentia (Previously Purchased)	380 South Placentia Avenue, Placentia, CA	77,858	Fee Purchase	Industrial
14	339-443-03	City of Placentia (Previously Purchased)	480 South Placentia Avenue, Placentia, CA	19,720	Fee Purchase	Industrial
15	339-442-01	OCTA (Previously Purchased)	450 Placentia Avenue, Placentia, CA	22,639	Fee Purchase	Industrial

**PLACENTIA AVENUE
RAILROAD GRADE SEPARATION PROJECT**
RIGHT OF WAY REQUIREMENTS
SHEET INDEX (KEY MAP)

JANUARY 13, 2010



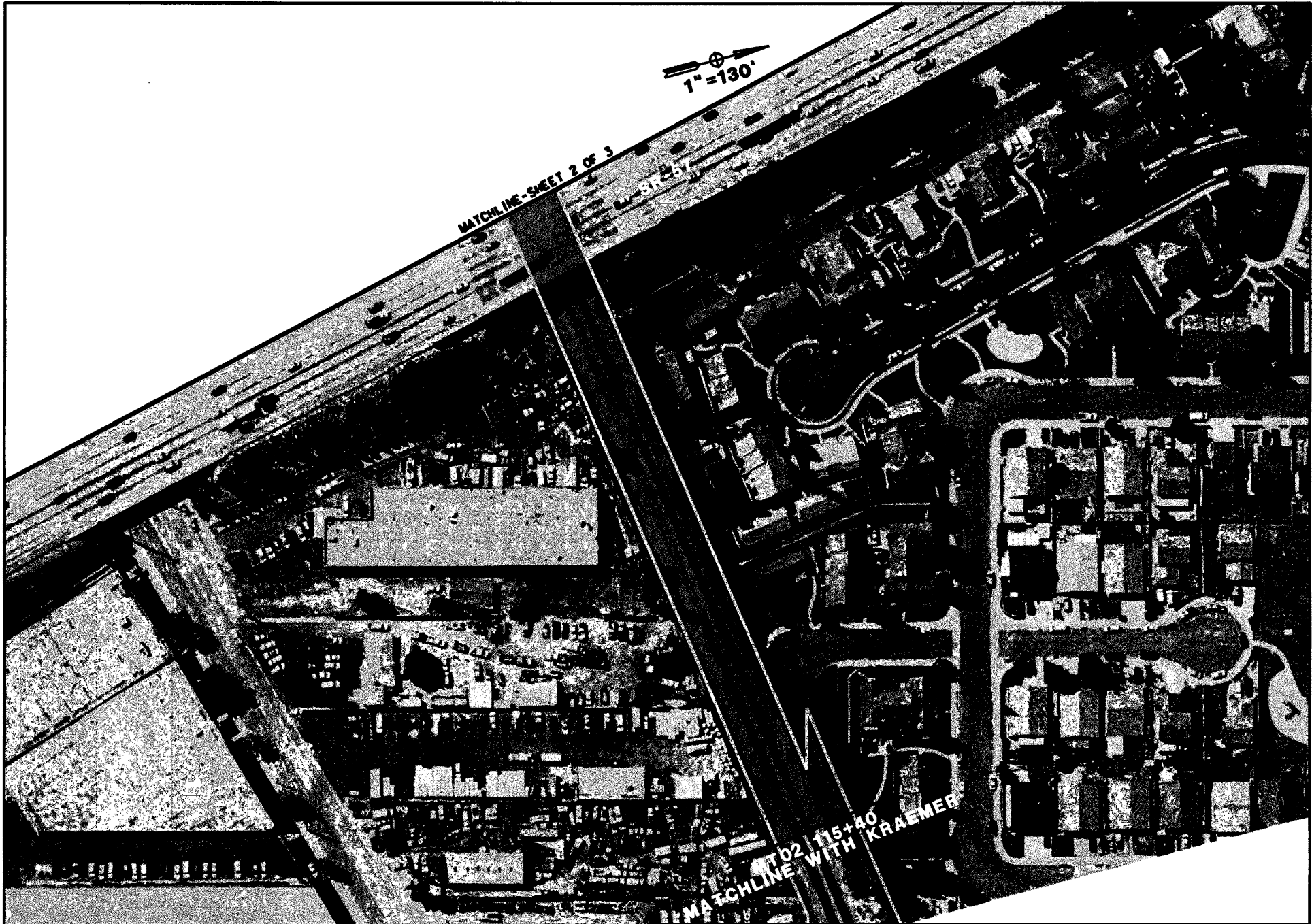


PHOTO AERIAL EXHIBIT OF PARCELS

ATTACHMENT C1

**PLACENTIA AVENUE
RAILROAD GRADE SEPARATION PROJECT**
RIGHT OF WAY REQUIREMENTS
SHEET 1 OF 3

**PLACENTIA AVENUE
RAILROAD GRADE SEPARATION PROJECT**
RIGHT OF WAY REQUIREMENTS
SHEET 2 OF 3

JANUARY 13, 2010

1"=130'

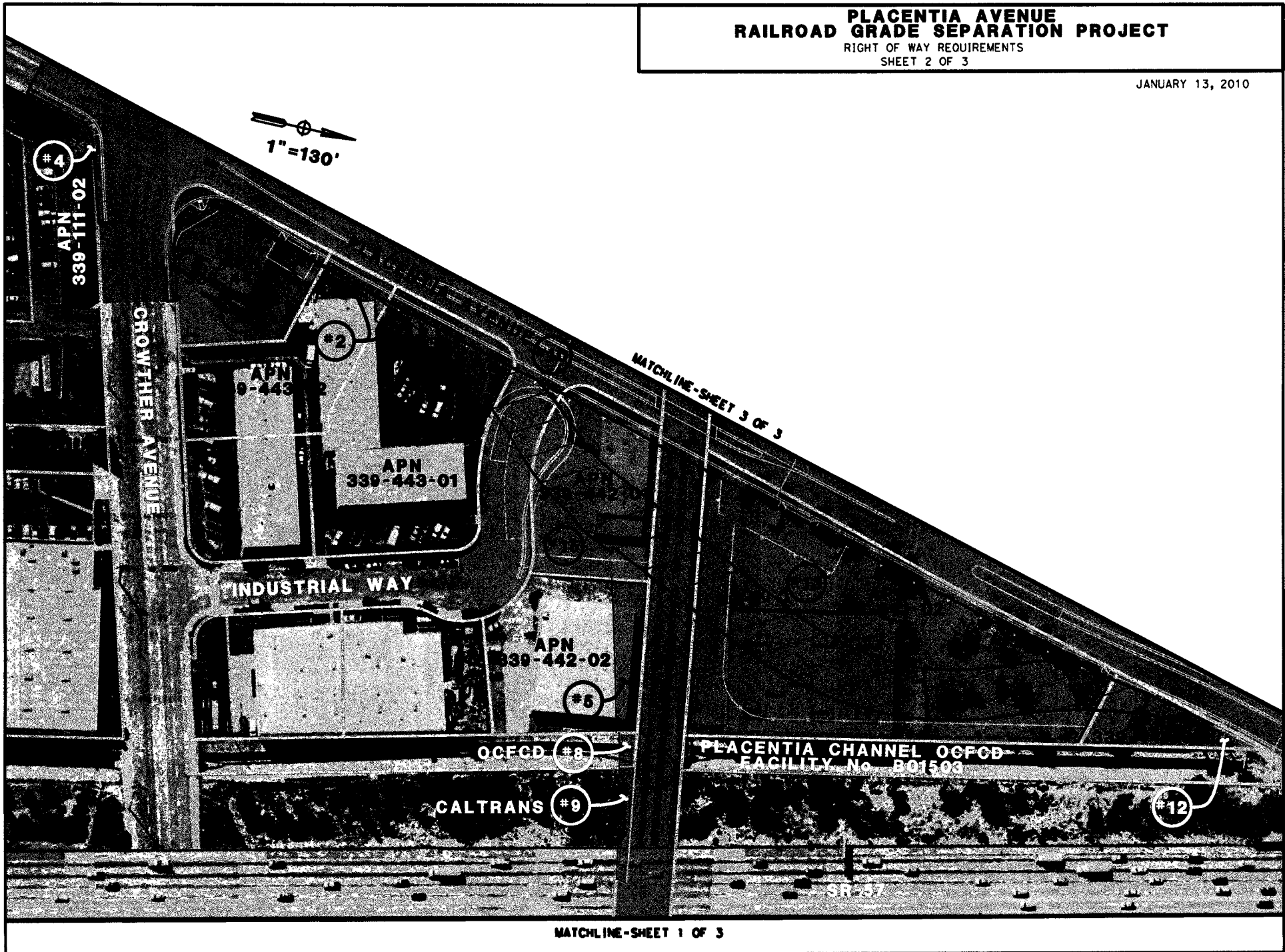


PHOTO AERIAL EXHIBIT OF PARCELS

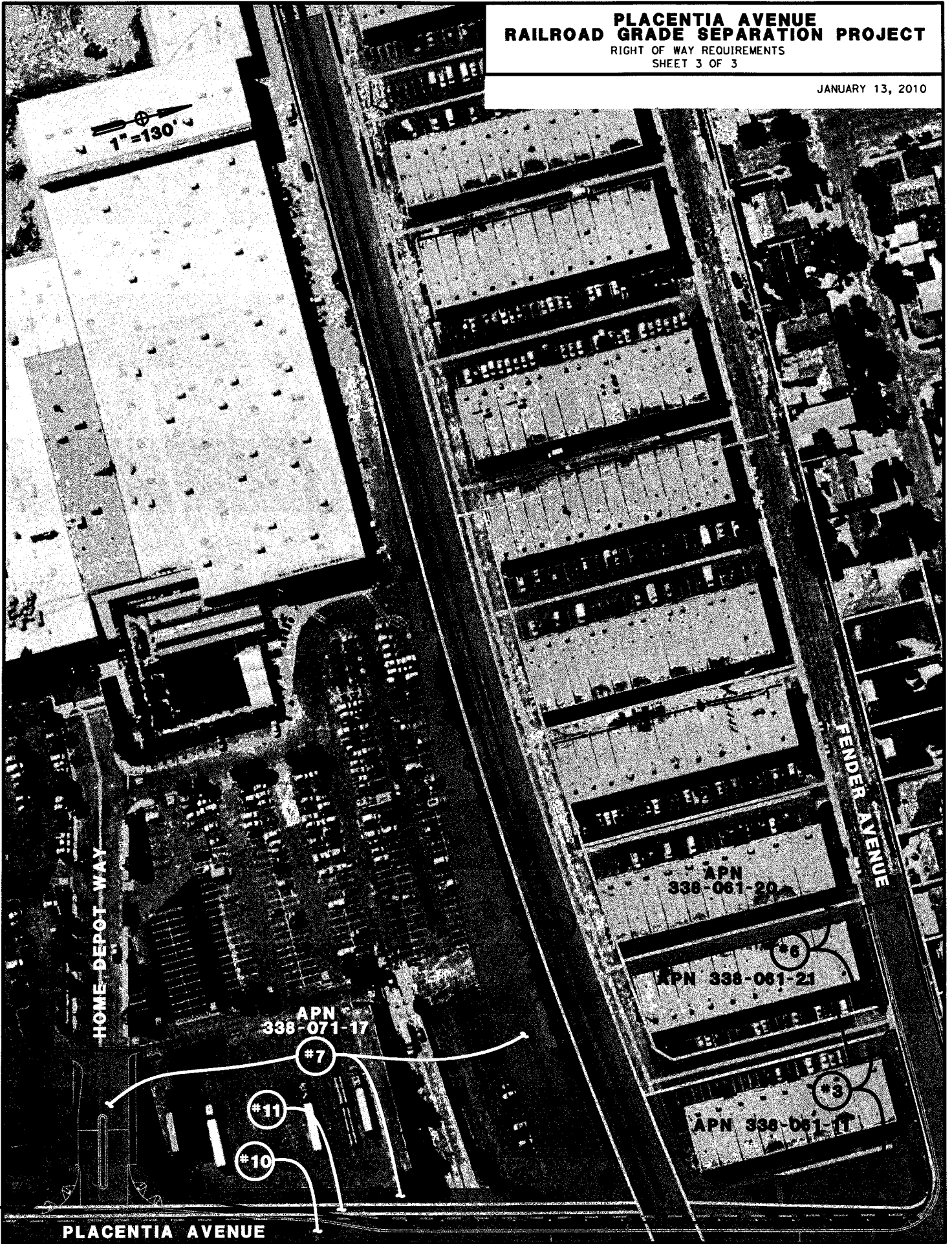
ATTACHMENT C2

MATCHLINE-SHEET 1 OF 3

MATCHLINE-SHEET 3 OF 3

**PLACENTIA AVENUE
RAILROAD GRADE SEPARATION PROJECT**
RIGHT OF WAY REQUIREMENTS
SHEET 3 OF 3

JANUARY 13, 2010



1" = 130'

HOME DEPOT WAY

FENDER AVENUE

PLACENTIA AVENUE

APN 338-071-17

#7

#11

#10

APN 338-061-20

APN 338-061-21

#6

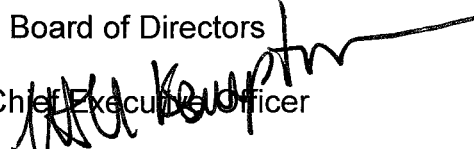
APN 338-061-17

#3



February 8, 2010

To: Members of the Board of Directors

From: Will Kempton, Chief Executive Officer 

Subject: Approval to Release Request for Proposals for Program Management Consultant for Construction of the Railroad Grade Separation Projects

Overview

Staff has developed a request for proposals to initiate a competitive procurement process to retain program management consultants to provide construction management oversight and coordination of railroad grade separation projects.

Recommendations

- A. Approve the proposed evaluation criteria and weightings for Request for Proposals 9-0809 for selection of consultant services.
- B. Approve the release of Request for Proposals 9-0809 for program management consultant for construction of the railroad grade separation projects.

Discussion

On May 23, 2008, the Orange County Transportation Authority (Authority) Board of Directors (Board) approved an implementation strategy for several grade separation projects along the Orangethorpe corridor. The current grade separations under development by the Authority include five projects: Placentia Avenue, Kraemer Boulevard, Orangethorpe Avenue, Tustin Avenue/Rose Drive, and Lakeview Avenue.

Final design has been initiated for the five grade separation projects and construction award is scheduled for the first project later this year.

The management and coordination of the five construction projects will be a significant expansion of the role of the Authority's project development staff. To handle these expanded responsibilities, staff proposes to hire a construction program management consultant (CPMC) to assist in managing the grade separation projects. The CPMC will help support specialty construction roles, including development and monitoring of a rail safety program, implementation of a construction document management system, monitoring of labor compliance and environmental mitigation measures, and support for program risk assessment and claims mitigation.

Under a separate procurement, the Authority intends to award contracts to construction management firms to administer each construction contract and to provide project-specific construction management services to the Authority. The CPMC will assist the Authority with the oversight and management of the activities and services performed under these individual construction management contracts to ensure that the firm assigned to each project is performing all of its duties in a manner consistent with the construction contract requirements and with its contractual service obligations. The CPMC will also provide program-wide guidance to the construction management firms in terms of construction safety, quality assurance, and claims management.

Therefore, the Authority is seeking proposals from qualified program management consultants to assist the Authority in providing construction management oversight and coordination of these railroad grade separation projects.

On December 14, 2009, the Board requested that the selection of the firm for this work consider the potential for accelerating the completion of the grade separation projects. For this reason, the scope of services was revised to include an accelerated project schedule to be used in evaluating the proposals for the work.

Procurement Approach

The Authority's procurement procedures and policies require that the Board approve all request for proposals (RFP) over \$1,000,000, as well as approve the evaluation criteria and weightings. Staff is submitting for Board approval the draft RFP and evaluation criteria and weights, which will be used to evaluate proposals received in response to the RFP. The evaluation criteria and weights are as follows:

Approval to Release Request for Proposals for Program Management Consultant for Construction of the Railroad Grade Separation Projects

Page 3

-
- Qualifications of the Firm 25 percent
 - Staffing and Project Organization 40 percent
 - Work Plan 35 percent

The evaluation criteria are consistent with criteria developed for similar architectural and engineering (A&E) procurements. Several factors were considered in developing the criteria weights. Staff proposed assigning the greatest level of importance to staffing and project organization criteria, as the qualifications of the project manager and other key task leaders are of most importance to the timely delivery of the projects. Likewise, staff assigned a higher level of importance to the work plan, as the technical approach and understanding of the project is critical to developing a thorough work approach and timely delivery. The firm must show a thorough understanding of all the special construction issues for each of the five grade separation projects. The qualifications of the firm are important in that the firm has to demonstrate its ability to perform on large, complex projects. For A&E procurements, price is not an evaluation criterion pursuant to state and federal laws.

The RFP will be released upon Board approval of this recommendation.

Fiscal Impact

The Measure M2 (M2) funding for the program management consultant for construction is partially included in the Authority's Fiscal Year 2009-10 Budget, Development Division, Account 0017-7519-SO202-PPJ. A fund transfer from Account 0017-7831-SO202-QKD, Contributions to Other Agencies, in the amount of \$200,000, is required to accommodate the additional requirements. The remaining amount of M2 funds will be budgeted in subsequent years.

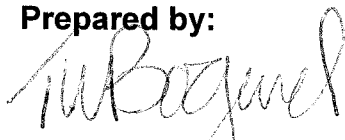
Summary

Board approval is requested to release RFP 9-0809 for professional services to provide a CPMC for railroad grade separation projects.

Attachment

- A. Draft Request for Proposals (RFP) 9-0809, Construction Program Management Support for Grade Separation Projects

Prepared by:

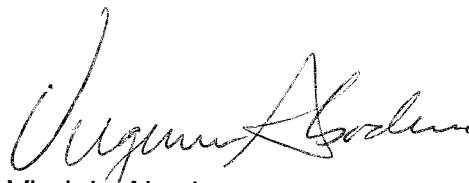


Tom Bogard
Director, Highway Project Delivery
(714) 560-5918

Approved by:



Kia Mortazavi
Executive Director, Development
(714) 560-5741



Virginia Abadessa
Director, Contracts Administration &
Materials Management
(714) 560-5623

DRAFT REQUEST FOR PROPOSALS (RFP) 9-0809

**CONSTRUCTION PROGRAM MANAGEMENT SUPPORT
FOR GRADE SEPARATION PROJECTS**

IS AVAILABLE ON THE OCTA WEBSITE (www.OCTA.net)

AND AVAILABLE UPON REQUEST

FROM THE CLERK OF THE BOARD'S OFFICE

DRAFT

ATTACHMENT A

REQUEST FOR PROPOSALS (RFP) 9-0809

CONSTRUCTION PROGRAM MANAGEMENT SUPPORT FOR GRADE SEPARATION PROJECTS



ORANGE COUNTY TRANSPORTATION AUTHORITY

550 South Main Street

P.O. Box 14184

Orange, CA 92863-1584

(714) 560-6282

Key RFP Dates

Issue Date:	February 8, 2010
Pre-Proposal Conference Date:	February 16, 2010
Question Submittal Date:	February 26, 2010
Proposal Submittal Date:	March 11, 2010
Interview Date:	March 30, 2010

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February 8, 2010

AFFILIATED AGENCIES

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway emergencies*

*Consolidated Transportation
Service Agency*

*Service Authority for
Abandoned Vehicles*

**SUBJECT: NOTICE OF REQUEST FOR PROPOSALS
RFP 9-0809: CONSTRUCTION PROGRAM MANAGEMENT
SUPPORT FOR GRADE SEPARATION PROJECTS**

Gentlemen/Ladies:

The Orange County Transportation Authority invites proposals from qualified consultants to provide construction program management support for grade separation projects.

Proposers understand that the firm and their participating subconsultant(s) awarded this contract will be precluded from proposing on any construction management or construction projects that they are managing including but not limited to, the Tustin Avenue/Rose Drive, Placentia Avenue, Kraemer Boulevard, Orangethorpe Avenue, and Lakeview Avenue grade separation projects.

Proposals must be received in the Orange County Transportation Authority's office at or before 2:00 p.m. on March 11, 2010.

Proposals delivered in person or by means other than the U.S. Postal Service shall be submitted to the following:

**Orange County Transportation Authority
Contracts Administration and Materials Management
600 South Main Street, 4th Floor
Orange, California 92868
Attention: Sarah L. Strader, Senior Contract Administrator**

Proposals delivered using the U.S. Postal Service shall be addressed as follows:

**Orange County Transportation Authority
Contracts Administration and Materials Management
P.O. Box 14184
Orange, California 92863-1584
Attention: Sarah L. Strader, Senior Contract Administrator**

Proposals, and amendments to proposals, received after the date and time specified above will be returned to the Offerors unopened.

Firms interested in obtaining a copy of this Request for Proposals (RFP) 9-0809 may do so by faxing their request to (714) 560-5792, or e-mail your request to rfp_ifb_Requests@octa.net or calling (714) 560-5922. Please include the following information:

- Name of Firm
- Address
- Contact Person
- Telephone and Facsimile Number
- Request For Proposal (RFP) 9-0809

All firms interested in doing business with the Authority are required to register their business on-line at CAMM NET, the Authority's interactive website. The website can be found at www.octa.net. From the site menu, click on CAMM NET to register.

To receive all further information regarding this RFP 9-0809, firms must be registered on CAMM NET with at least one of the following commodity codes for this solicitation selected as part of the vendor's on-line registration profile:

Commodities for this solicitation are:

<u>Category(s):</u>	<u>Commodity(s):</u>
Construction	Construction Management
Professional Consulting	Construction Consulting
	Consultant Services - General
Professional Services	Engineering – Civil
	Engineering - General
	Engineering – Structural
	Engineering - Traffic
Rail Services	Inspection and Testing Services

A pre-proposal conference will be held on February 16, 2010, at the Authority's Administrative Office, 600 South Main Street, Orange, California, in Conference Room 154/155 at 9:30 a.m. All prospective Offerors are encouraged to attend the pre-proposal conference.

Offeror's are asked to submit written statements of technical qualifications and describe in detail their work plan for completing the work specified in the Request for Proposal. **No cost proposal or estimate of work hours is to be included in this phase of the RFP process.**

The Authority has established **March 30, 2010**, as the date to conduct interviews. All prospective Offeror's will be asked to keep this date available.

Certain labor categories under this project are subject to prevailing wages as identified in the State of California Labor Code commencing in Section 1770 et. Seq. It is required that all mechanics and laborers employed or working at the site be paid not less than the basic hourly rates of pay and fringe benefits as shown in the current minimum wage schedules. Offerors must use the current wage schedules applicable at the time the work is in progress.

Offerors are encouraged to subcontract with small businesses to the maximum extent possible.

The Offeror will be required to comply with all applicable equal opportunity laws and regulations.

The award of this contract is subject to receipt of federal, state and/or local funds adequate to carry out the provisions of the proposed agreement including the identified Scope of Work.

Sincerely,

Sarah L. Strader
Senior Contract Administrator
Contracts Administration and Materials Management

SECTION I
INSTRUCTIONS TO OFFERORS

SECTION I. INSTRUCTIONS TO OFFERORS**A. PRE-PROPOSAL CONFERENCE**

A pre-proposal conference will be held on February 16, 2010, at the Authority's Administrative Office, 600 South Main Street, Orange, California, in Conference Room 154/155 at 9:30 a.m. All prospective Offerors are strongly encouraged to attend the pre-proposal conference.

B. EXAMINATION OF PROPOSAL DOCUMENTS

By submitting a proposal, Offeror represents that it has thoroughly examined and become familiar with the work required under this RFP and that it is capable of performing quality work to achieve the Authority's objectives.

C. ADDENDA

Any Authority changes to the requirements will be made by written addendum to this RFP. Any written addenda issued pertaining to this RFP shall be incorporated into the terms and conditions of any resulting Agreement. The Authority will not be bound to any modifications to or deviations from the requirements set forth in this RFP as the result of oral instructions. Offeror's shall acknowledge receipt of addenda in their proposals.

D. AUTHORITY CONTACT

All questions and/or contacts with Authority staff regarding this RFP are to be directed to the following Contract Administrator:

Sarah L. Strader, Senior Contract Administrator
Contracts Administration and Materials Management Department
600 South Main Street, P.O. Box 14184
Orange, CA 92863-1584
Phone: 714.560.5633, Fax: 714.560.5792, or E-Mail: sstrader@octa.net

E. CLARIFICATIONS**1. Examination of Documents**

Should an Offeror require clarifications of this RFP, the Offeror shall notify the Authority in writing in accordance with Section E.2 below. Should it be found that the point in question is not clearly and fully set forth, the Authority will issue a written addendum clarifying the matter, which will be sent to all firms registered on CAMM NET under the commodity codes specified in this RFP.

2. Submitting Requests

- a. All questions, including questions that could not be specifically answered at the pre-proposal conference must be put in writing and must be received by the Authority no later than 5:00 p.m., February 26, 2010.
- b. Requests for clarifications, questions and comments must be clearly labeled, "Written Questions". The Authority is not responsible for failure to respond to a request that has not been labeled as such.
- c. Any of the following methods of delivering written questions are acceptable as long as the questions are received no later than the date and time specified above:
 - (1) U.S. Mail: Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.
 - (2) Personal Courier: Contracts Administration and Materials Management Department, 600 South Main Street, 4th Floor, Orange, California.
 - (3) Facsimile: The Authority's fax number is (714) 560-5792.
 - (4) E-Mail: Sarah L. Strader, Senior Contract Administrator; e-mail address is: *sstrader@octa.net*.

3. Authority Responses

Responses from the Authority will be posted on CAMM NET, the Authority's interactive website, no later than March 3, 2010. Offerors may download responses from CAMM NET at *www.octa.net/cammnet*, or request responses be sent via U.S. Mail by e-mailing or faxing the request to Sarah L. Strader, Senior Contract Administrator.

To receive e-mail notification of Authority responses when they are posted on CAMM NET, firms must be registered on CAMM NET with at least one of the following commodity codes for this solicitation selected as part of the vendor's on-line registration profile:

Commodities for this solicitation are:

<u>Category(s):</u>	<u>Commodity(s):</u>
Construction	Construction Management
Professional Consulting	Construction Consulting
Professional Services	Consultant Services - General
	Engineering – Civil

**“RFP 9-0809: CONSTRUCTION PROGRAM MANAGEMENT
SUPPORT FOR GRADE SEPARATION PROJECTS”**

4. Acceptance of Proposals

- a. The Authority reserves the right to accept or reject any and all proposals, or any item or part thereof, or to waive any informalities or irregularities in proposals.
- b. The Authority reserves the right to withdraw or cancel this RFP at any time without prior notice, and the Authority makes no representations that any contract will be awarded to any Offeror responding to this RFP.
- c. The Authority reserves the right to postpone proposal openings for its own convenience.
- d. Proposals received by the Authority are public information and must be made available to any person upon request.
- e. Submitted proposals are not to be copyrighted.

G. PRE-CONTRACTUAL EXPENSES

The Authority shall not, in any event, be liable for any pre-contractual expenses incurred by Offeror in the preparation of its proposal. Offeror shall not include any such expenses as part of its proposal.

Pre-contractual expenses are defined as expenses incurred by Offeror in:

1. Preparing its proposal in response to this RFP;
2. Submitting that proposal to the Authority;
3. Negotiating with the Authority any matter related to this proposal; or
4. Any other expenses incurred by Offeror prior to date of award, if any, of the Agreement.

H. JOINT OFFERS

Where two or more Offerors desire to submit a single proposal in response to this RFP, they should do so on a prime-subcontractor basis rather than as a joint venture. The Authority intends to contract with a single firm and not with multiple firms doing business as a joint venture.

I. TAXES

Offerors' proposals are subject to State and Local sales taxes. However, the Authority is exempt from the payment of Federal Excise and Transportation Taxes.

J. PROTEST PROCEDURES

The Authority has on file a set of written protest procedures applicable to this solicitation that may be obtained by contacting the Contract Administrator responsible for this procurement. Any protests filed by an Offeror in connection with this RFP must be submitted in accordance with the Authority's written procedures.

K. CONTRACT TYPE

It is anticipated that the Agreement resulting from this solicitation, if awarded, will be a time and expense contract specifying hourly rates for effort specified in the Scope of Work included in this RFP as Section V.

L. PREVAILING WAGES

Certain labor categories under this project are subject to prevailing wages as identified in the State of California Labor Code commencing in Section 1770 et. seq. The proposer to whom a contract for the work is awarded by the Authority shall comply with the provision of the California Labor Code, including, without limitation, the obligation to pay the general prevailing rates of wages in the locality in which the work is to be performed in accordance with, without limitation, Sections 1773.1, 1774, 1775 and 1776 of the California Labor Code governing employment of apprentices. Copies of the prevailing rates of per diem wages are on file at the Authority's principal office at 550 S. Main Street, Orange, CAA 92868 and are available to any interested party on request.

M. CONFLICT OF INTEREST

All Offerors responding to this Request For Proposals must avoid organizational conflicts of interest which would restrict full and open competition in this procurement. An organizational conflict of interest means that due to other activities, relationships or contracts, an Offeror is unable, or potentially unable to render impartial assistance or advice to the Authority; an Offeror's objectivity in performing the work identified in the Scope of Work is or might be otherwise impaired; or an Offeror has an unfair competitive advantage. Conflict of Interest issues must be fully disclosed in the Offeror's proposal.

N. CODE OF CONDUCT

CONSULTANT agrees to comply with the AUTHORITY's Code of Conduct as it relates to Third-Party contracts which is hereby referenced and by this reference is incorporated herein. CONSULTANT agrees to include these requirements in all of its subcontracts.

SECTION II
PROPOSAL CONTENT

SECTION II. PROPOSAL CONTENT AND FORMS

A. PROPOSAL FORMAT AND CONTENT

1. Presentation

Proposals shall be typed, with 12 pt font, double spaced and submitted on 8 1/2 x 11" size paper, using a single method of fastening. Charts and schedules may be included in 11" x 17" format. Offers should not include any unnecessarily elaborate or promotional material. Lengthy narrative is discouraged, and presentations should be brief and concise. Proposals should not exceed fifty (50) pages in length, excluding any appendices.

2. Letter of Transmittal

The Letter of Transmittal shall be addressed to Sarah L. Strader, Senior Contract Administrator, and must, at a minimum, contain the following:

- a. Identification of Offeror that will have contractual responsibility with the Authority. Identification shall include legal name of company, corporate address, telephone and fax number. Include name, title, address, and telephone number of the contact person identified during period of proposal evaluation.
- b. Identification of all proposed subcontractors including legal name of company, whether the firm is a Disadvantaged Business Enterprise (DBE), contact persons name and address, phone number and fax number. Relationship between Offeror and subcontractors, if applicable.
- c. Acknowledgment of receipt of all RFP addenda, if any.
- d. A statement to the effect that the proposal shall remain valid for a period of not less than 180 days from the date of submittal.
- e. Signature of a person authorized to bind Offeror to the terms of the proposal.
- f. Signed statement attesting that all information submitted with the proposal is true and correct.

3. Technical Proposal

a. Qualifications, Related Experience and References of Offeror

This section of the proposal should establish the ability of Offeror to satisfactorily perform the required work by reasons of: experience

in performing work of the same or similar nature; Demonstrated experience working with local agencies and cities directly involved in this project; strength and stability of the Offeror; staffing capability; work load; record of meeting schedules on similar projects; and supportive client references. Equal weighting will be given to firms for past experience performing work of a similar nature whether with the Authority or elsewhere.

Offeror to:

- (1) Provide a brief profile of the firm, including the types of services offered; the year founded; form of the organization (corporation, partnership, sole proprietorship); number, size and location of offices; number of employees.
- (2) Provide a general description of the firm's financial condition, identify any conditions (e.g., bankruptcy, pending litigation, planned office closures, impending merger) that may impede Offeror's ability to complete the project.
- (3) Describe the firm's experience in performing work of a similar nature to that solicited in this RFP, and highlight the participation in such work by the key personnel proposed for assignment to this project.
- (4) Describe experience in working with the various government agencies that may have jurisdiction over the approval of the work specified in this RFP. Please include specialized experience and professional competence in areas directly related to this RFP.
- (5) Provide a list of past joint work by the Offeror and each subcontractor, if applicable. The list should clearly identify the project and provide a summary of the roles and responsibilities of each party.
- (6) Provide as a minimum of three (3) references should be provided. Furnish the name, title, address and telephone number of the person(s) at the client organization who is most knowledgeable about the work performed. Offeror may also supply references from other work not cited in this section as related experience.

b. Proposed Staffing and Project Organization

This section of the proposal should establish the method that will be used by the Offeror to manage the project as well as identify key personnel assigned.

Offeror to:

- (1) Provide education, experience and applicable professional credentials of project staff. Include applicable professional credentials of "key" project staff.
- (2) Furnish brief resumes (not more than two [2] pages each) for the proposed Project Manager and other key personnel.
- (3) Identify key personnel proposed to perform the work in the specified tasks and include major areas of subcontract work. Include the person's name, current location, and proposed position for this project, current assignment, and level of commitment to that assignment, availability for this assignment and how long each person has been with the firm.
- (4) Include a project organization chart that clearly delineates communication/reporting relationships among the project staff, including subconsultants.
- (5) Include a statement that key personnel will be available to the extent proposed for the duration of the project, acknowledging that no person designated as "key" to the project shall be removed or replaced without the prior written concurrence of the Authority.

c. Work Plan

Offeror shall provide a narrative that addresses the Scope of Work and shows Offeror's understanding of Authority's needs and requirements.

Offeror to:

- (1) Describe the approach and work plan for completing the tasks specified in the Scope of Work. The work plan shall be of such detail to demonstrate the Offeror's ability to accomplish the project objectives and overall schedule.
- (2) Outline sequentially the activities that would be undertaken in completing the tasks and specify who in the firm would perform them.
- (3) Furnish a project schedule for each task and subtask in terms of elapsed weeks from the project commencement date.
- (4) Identify methods that Offeror will use to ensure quality control as well as budget and schedule control for the project.

- (5) Identify any special issues or problems that are likely to be encountered during this project and how the Offeror would propose to address them.
- (6) Offeror is encouraged to propose enhancements or procedural or technical innovations to the Scope of Work that do not materially deviate from the objectives or required content of the project.

d. Exceptions/Deviations

State any exceptions to or deviations from the requirements of this RFP, segregating "technical" exceptions from "contractual" exceptions. Where Offeror wishes to propose alternative approaches to meeting the Authority's technical or contractual requirements, these should be thoroughly explained. If no contractual exceptions are noted, Offeror will be deemed to have accepted the contract requirements as set forth in Section IV. Proposed Agreement.

4. Cost and Price Proposal

Offerors are asked to submit only the technical qualifications as requested in this RFP. **No cost proposal or work hours are to be included in this phase of the RFP process.** Upon completion of the initial evaluations and interviews, if conducted, the highest ranked Offeror will be asked to submit a detailed cost proposal and negotiations will commence based on both the cost and technical proposals.

5. Appendices

Information considered by Offeror to be pertinent to this project and which has not been specifically solicited in any of the aforementioned sections may be placed in a separate appendix section. Offerors are cautioned, however, that this does not constitute an invitation to submit large amounts of extraneous materials; appendices should be relevant and brief.

B. FORMS

1. Party and Participant Disclosure Forms

In conformance with the statutory requirements of the State of California Government Code Section 84308, part of the Political Reform Act and Title 2, California Code of Regulations 18438 through 18438.8, regarding campaign contributions to members of appointed Boards of Directors, Offeror is required to complete and sign the Party and Participant Disclosure forms provided in this RFP and submit as part of the proposal.

Offeror is required to submit only **one** copy of the completed forms as part of its proposal and it should be included in only the **original** proposal. The form entitled "Party Disclosure Form" must be completed by the prime consultant and subcontractors. The form entitled "Participant Disclosure Form" must be completed by lobbyists or agents representing the prime consultant in this procurement. Reporting of Campaign Contributions is required up and until the Authority's Board of Directors makes a selection. Therefore, the prime consultant, subcontractors and agents will be required to report all campaign contributions from the date of proposal submittal up and until the Board takes action, which is currently scheduled for May 10, 2010.

2. Status of Past and Present Contracts Form

Offeror is required to complete and sign the form entitled "Status of Past and Present Contracts" provided in this RFP and submit as part of the proposal. Offeror shall list the status of past and present contracts where the firm has either provided services as a prime contractor or a subcontractor during the past five (5) years and the contract has ended or will end in a termination, settlement, or litigation. A separate form must be completed for each contract. Offeror shall provide an accurate name and telephone number for each contract and indicate the term of the contract and the original contract value. If the contract was terminated, Offeror must list the reason for termination. Offeror must identify and state the status of any litigation, claims or settlement agreements related to any of the contracts. Each form must be signed by the Offeror confirming the information that the information provided is true and accurate. Offeror is required to submit **one** copy of the completed form(s) as part of its proposals and it should be included in only the **original** proposal.

3. Level I Safety Specifications

Offeror is advised that the Authority's safety requirements are to assist Offeror and any subconsultants in recognizing hazards with a potential of injury or property damage while working on Authority property or on the Authority's behalf.

SECTION III
EVALUATION AND AWARD

SECTION III. EVALUATION AND AWARD

A. EVALUATION CRITERIA

The Authority will evaluate the offers received based on the following criteria:

1. **Qualifications of the Firm** **25%**

Technical experience in performing work of a closely similar nature; experience working with public agencies; strength and stability of the firm; strength, stability, experience and technical competence of subcontractors; assessment by client references.
2. **Staffing and Project Organization** **40%**

Qualifications of project staff, particularly "key personnel", especially the Project Manager, including their relevant past experience. Key personnel's level of involvement in performing related work cited in "Qualifications of the Firm" section; adequacy of labor commitment; references from past projects; logic of project organization; concurrence in the restrictions on changes in key personnel.
3. **Work Plan** **35%**

Depth of Offeror's understanding of Authority's requirements and overall quality of work plan; logic, clarity and specificity of work plan; appropriateness of labor distribution among the tasks; ability to meet the project deadline; reasonableness of proposed schedule; utility of suggested technical or procedural innovations.

B. EVALUATION PROCEDURE

An evaluation committee will be appointed to review all proposals for this RFP. The evaluation committee is comprised of Authority staff and may include outside personnel. The committee members will evaluate the written proposals. Each member of the evaluation committee will then evaluate each proposal using the criteria identified in Section III. A. to arrive at a "proposal score" for each proposal. Based on the proposal scores, a list of Offeror's within a competitive range will be developed based upon the totals of each committee member's score for each proposal. During the evaluation period, the Authority may interview some or all of the proposing firms. The Authority has established March 30, 2010, as the date to conduct interviews. All prospective Offerors will be asked to keep this date available. No other interview dates will be provided, therefore, if an Offeror is unable to attend the interview on this date, its proposal may be eliminated from further consideration. The interview may consist of a short presentation by the Offeror after which the evaluation committee will ask questions related to the Offeror's proposal and qualifications.

At the conclusion of the evaluation process, the evaluation committee will rank proposals and will recommend to the appropriate Board Committee, the Offeror(s) with the highest ranking. The Board Committee(s) will review the evaluation committee's recommendation and forward its recommendation to the Board of Directors for final action.

C. AWARD

In conjunction with its action of selecting a firm, the Authority's Board of Directors will authorize staff to request a cost proposal from the selected Offeror and to negotiate a contract price and other terms and conditions. The Board will also grant staff the ability to terminate negotiations with the selected Offeror if no satisfactory agreement can be reached and to begin negotiations with the next highest-ranked Offeror until a satisfactory agreement has been achieved. The selected Offeror may be asked to submit a Best and Final Offer (BAFO). In the BAFO request, the Offeror may be asked to provide additional information, confirm or clarify issues and submit a final cost/price offer. A deadline for submission of the BAFO will be stipulated.

The Authority reserves the right to award its total requirements to one Offeror or to apportion those requirements among several Offerors as the Authority may deem to be in its best interest. In addition, negotiations may or may not be conducted with Offerors; therefore, the proposal submitted should contain Offeror's most favorable terms and conditions, since the selection and award may be made without discussion with any Offeror.

The selected Offeror will be required to submit to an audit of its financial records to confirm its financial stability and the Offeror's accounting system.

D. NOTIFICATION OF AWARD AND DEBRIEFING

Offerors who submit a proposal in response to this RFP shall be notified via CAMNET regarding the Offeror who was awarded the contract. Such notification shall be made within three (3) days of contract award.

Offerors who were not awarded the contract may obtain a debriefing concerning the strengths and weaknesses of their proposal. Unsuccessful Offerors who wish to be debriefed, must request the debriefing in writing or electronic mail and it must be received by the Authority within three (3) days of notification of the award of contract.

SECTION IV
PROPOSED AGREEMENT

1 B. AUTHORITY's failure to insist in any one or more instances upon CONSULTANT's
 2 performance of any terms or conditions of this Agreement shall not be construed as a waiver or
 3 relinquishment of AUTHORITY's right to such performance or to future performance of such terms or
 4 conditions and CONSULTANT's obligation in respect thereto shall continue in full force and effect.
 5 Changes to any portion of this Agreement shall not be binding upon AUTHORITY except when
 6 specifically confirmed in writing by an authorized representative of AUTHORITY by way of a written
 7 amendment to this Agreement and issued in accordance with the provisions of this Agreement.

8 **ARTICLE 2. AUTHORITY DESIGNEE**

9 The Chief Executive Officer of AUTHORITY, or designee, shall have the authority to act for and
 10 exercise any of the rights of AUTHORITY as set forth in this Agreement.

11 **ARTICLE 3. SCOPE OF WORK**

12 A. CONSULTANT shall perform the work necessary to complete in a manner satisfactory to
 13 AUTHORITY the services set forth in Exhibit A, entitled "Scope of Work," attached to and, by this
 14 reference, incorporated in and made a part of this Agreement. All services shall be provided at the
 15 times and places designated by AUTHORITY.

16 B. CONSULTANT shall provide the personnel listed below to perform the above-specified
 17 services, which persons are hereby designated as key personnel under this Agreement.

18 **Names**

Functions

19
 20
 21
 22
 23 C. No person named in paragraph B of this Article, or his/her successor approved by
 24 AUTHORITY, shall be removed or replaced by CONSULTANT, nor shall his/her agreed-upon function
 25 or level of commitment hereunder be changed, without the prior written consent of AUTHORITY.
 26 Should the services of any key person become no longer available to CONSULTANT, the resume and

1 qualifications of the proposed replacement shall be submitted to AUTHORITY for approval as soon as
2 possible, but in no event later than seven (7) calendar days prior to the departure of the incumbent key
3 person, unless CONSULTANT is not provided with such notice by the departing employee.
4 AUTHORITY shall respond to CONSULTANT within seven (7) calendar days following receipt of these
5 qualifications concerning acceptance of the candidate for replacement.

6 **ARTICLE 4. TERM OF AGREEMENT**

7 This Agreement shall commence upon execution by both parties, and shall continue in full force
8 and effect through May 31, 2013, unless earlier terminated or extended as provided in this Agreement.

9 **ARTICLE 5. PAYMENT**

10 A. For CONSULTANT's full and complete performance of its obligations under this Agreement
11 and subject to the maximum cumulative payment obligation provisions set forth in Article 6,
12 AUTHORITY shall pay CONSULTANT on a time and expense basis in accordance with the following
13 provisions.

14 B. For each hour of labor satisfactorily performed CONSULTANT's personnel under this
15 Agreement, AUTHORITY shall pay CONSULTANT at the hourly rates specified in Exhibit B, "Schedule
16 I – Hourly Rates Schedule", and "Schedule II – Other Direct Costs Schedule" which is attached to, by
17 this reference incorporated in, and made part of this Agreement and are acknowledged to include
18 CONSULTANT's direct labor costs, indirect costs, and profit. Furthermore, AUTHORITY shall
19 reimburse CONSULTANT for the actual costs of the expenses shown in Exhibit B, which are directly
20 incurred by its personnel in the performance of work under this Agreement.

21 C. CONSULTANT shall invoice AUTHORITY on a monthly basis for payments corresponding
22 to the hours actually worked by CONSULTANT. Hours worked shall be documented in a monthly
23 progress report prepared by CONSULTANT, which shall accompany each invoice submitted by
24 CONSULTANT. CONSULTANT shall also furnish such other information as may be requested by
25 AUTHORITY to substantiate the validity of an invoice. At its sole discretion, AUTHORITY may decline
26 to make full payment as noted in paragraph D of this Article until such time as CONSULTANT has

1 documented to AUTHORITY's satisfaction, that CONSULTANT has fully completed all work required.

2 D. Invoices shall be submitted by CONSULTANT on a monthly basis and shall be submitted in
3 duplicate to AUTHORITY's Accounts Payable office. Each invoice shall be accompanied by the
4 monthly progress report specified in paragraph C of this Article. AUTHORITY shall remit payment
5 within thirty (30) calendar days of the receipt and approval of each invoice. Each invoice shall include
6 the following information:

7 1. Agreement No. C-9-0809;

8 2. Labor (staff name, actual hours expended, hourly billing rate, current charges and
9 cumulative charges) performed during the billing period;

10 3. Expenses (actual expenses incurred as well as back-up documentation that
11 supports the expenses) incurred during the billing period;

12 4. Time period covered by invoice

13 5. Total monthly invoice (including project-to-date cumulative invoice amount);

14 6. Monthly Progress Report;

15 7. Certification signed by the CONSULTANT or his/her designated alternate that a)
16 The invoice is a true, complete and correct statement of reimbursable costs and progress; b) The
17 backup information included with the invoice is true, complete and correct in all material respects; c) All
18 payments due and owing to subcontractors and suppliers have been made; d) Timely payments will
19 be made to subcontractors and suppliers from the proceeds of the payments covered by the
20 certification and; e) The invoice does not include any amount which CONSULTANT intends to withhold
21 or retain from a subcontractor or supplier unless so identified on the invoice.

22 8. Any other information as agreed or requested by AUTHORITY to substantiate the
23 validity of an invoice.

24 /

25 /

26 /

ARTICLE 6. MAXIMUM OBLIGATION

Notwithstanding any provisions of this Agreement to the contrary, AUTHORITY and CONSULTANT mutually agree that AUTHORITY's maximum cumulative payment obligation (including obligation for CONSULTANT's profit) shall be Dollars (\$.00) which shall include all amounts payable to CONSULTANT for its subcontracts, leases, materials and costs arising from, or due to termination of, this Agreement.

ARTICLE 7. NOTICES

All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of said notices in person or by depositing said notices in the U.S. mail, registered or certified mail, returned receipt requested, postage prepaid and addressed as follows:

To CONSULTANT:

To AUTHORITY:

Orange County Transportation Authority

550 South Main Street

P.O. Box 14184

Orange, CA 92863-1584

ATTENTION:

ATTENTION: Sarah L. Strader

Senior Contract Administrator

(714) 560-5633; e-mail: *sstrader@octa.net*

ARTICLE 8. INDEPENDENT CONTRACTOR

CONSULTANT's relationship to AUTHORITY in the performance of this Agreement is that of an independent contractor. CONSULTANT's personnel performing services under this Agreement shall at all times be under CONSULTANT's exclusive direction and control and shall be employees of CONSULTANT and not employees of AUTHORITY. CONSULTANT shall pay all wages, salaries and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment

1 compensation, workers' compensation and similar matters.

2 **ARTICLE 9. INSURANCE**

3 A. CONSULTANT shall procure and maintain insurance coverage during the entire term of this
 4 Agreement. Coverage shall be full coverage and not subject to self-insurance provisions.
 5 CONSULTANT shall provide the following insurance coverage:

6 1. Commercial General Liability, to include Products/Completed Operations,
 7 Independent Contractors', Contractual Liability, and Personal Injury Liability, and Property Damage with
 8 a minimum limit of \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

9 2. Automobile Liability Insurance to include owned, hired and non-owned autos
 10 with a combined single limit of \$1,000,000.00 each accident;

11 3. Workers' Compensation with limits as required by the State of California including a
 12 waiver of subrogation in favor of AUTHORITY, its officers, directors, employees or agents;

13 4. Employers' Liability with minimum limits of \$1,000,000.00; and

14 5. Professional Liability with minimum limits of \$1,000,000.00 per claim.

15 B. Proof of such coverage, in the form of an insurance company issued policy endorsement
 16 and a broker-issued insurance certificate, must be received by AUTHORITY prior to commencement of
 17 any work. Proof of insurance coverage must be received by AUTHORITY within ten (10) calendar days
 18 from the effective date of this Agreement with the AUTHORITY, its officers, directors, employees and
 19 agents designated as additional insured on the general and automobile liability. Such insurance shall
 20 be primary and non-contributive to any insurance or self-insurance maintained by the AUTHORITY.

21 C. CONSULTANT shall include on the face of the Certificate of Insurance the Agreement
 22 Number C-9-0809; and, the Contract Administrator's Name, Sarah L. Strader (714) 560-5633; e-mail:
 23 sstrader@octa.net.

24 D. CONSULTANT shall also include in each subcontract the stipulation that subcontractors
 25 shall maintain insurance coverage in the amounts required from CONSULTANT as provided in this
 26 Agreement.

ARTICLE 10. ORDER OF PRECEDENCE

Conflicting provisions hereof, if any, shall prevail in the following descending order of precedence: (1) the provisions of this Agreement, including all exhibits; (2) the provisions of RFP 9-0809; (3) CONSULTANT's proposal dated ___ ; (4) all other documents, if any, cited herein or incorporated by reference.

ARTICLE 11. CHANGES

By written notice or order, AUTHORITY may, from time to time, order work suspension and/or make changes in the general scope of this Agreement, including, but not limited to, the services furnished to AUTHORITY by CONSULTANT as described in the Scope of Work. If any such work suspension or change causes an increase or decrease in the price of this Agreement, or in the time required for its performance, CONSULTANT shall promptly notify AUTHORITY thereof and assert its claim for adjustment within ten (10) calendar days after the change or work suspension is ordered, and an equitable adjustment shall be negotiated. However, nothing in this clause shall excuse CONSULTANT from proceeding immediately with the agreement as changed.

ARTICLE 12. DISPUTES

A. Except as otherwise provided in this Agreement, any dispute concerning a question of fact arising under this Agreement which is not disposed of by supplemental agreement shall be decided by AUTHORITY's Director, Contracts Administration and Materials Management (Camm), who shall reduce the decision to writing and mail or otherwise furnish a copy thereof to CONSULTANT. The decision of the Director, Camm, shall be final and conclusive.

B. The provisions of this Article shall not be pleaded in any suit involving a question of fact arising under this Agreement as limiting judicial review of any such decision to cases where fraud by such official or his representative or board is alleged, provided, however, that any such decision shall be final and conclusive unless the same is fraudulent or capricious or arbitrary or so grossly erroneous as necessarily to imply bad faith or is not supported by substantial evidence. In connection with any appeal proceeding under this Article, CONSULTANT shall be afforded an opportunity to be heard and

1 to offer evidence in support of its appeal.

2 C. Pending final decision of a dispute hereunder, CONSULTANT shall proceed diligently with
 3 the performance of this Agreement and in accordance with the decision of AUTHORITY's Director,
 4 CAMM. This Disputes clause does not preclude consideration of questions of law in connection with
 5 decisions provided for above. Nothing in this Agreement, however, shall be construed as making final
 6 the decision of any AUTHORITY official or representative on a question of law, which questions shall be
 7 settled in accordance with the laws of the state of California.

8 **ARTICLE 13. TERMINATION**

9 A. AUTHORITY may terminate this Agreement for its convenience at any time, in whole or
 10 part, by giving CONSULTANT written notice thereof. Upon said notice, AUTHORITY shall pay
 11 CONSULTANT its allowable costs incurred to date of termination and those allowable costs determined
 12 by AUTHORITY to be reasonably necessary to effect such termination. Thereafter, CONSULTANT
 13 shall have no further claims against AUTHORITY under this Agreement.

14 B. AUTHORITY may terminate this Agreement for CONSULTANT's default if a federal or state
 15 proceeding for the relief of debtors is undertaken by or against CONSULTANT, or if CONSULTANT
 16 makes an assignment for the benefit of creditors, or if CONSULTANT breaches any term(s) or violates
 17 any provision(s) of this Agreement and does not cure such breach or violation within ten (10) calendar
 18 days after written notice thereof by AUTHORITY. CONSULTANT shall be liable for all reasonable costs
 19 incurred by AUTHORITY as a result of such default including, but not limited to, reprocurment costs of
 20 the same or similar services defaulted by CONSULTANT under this Agreement.

21 **ARTICLE 14. INDEMNIFICATION**

22 CONSULTANT shall indemnify, defend and hold harmless AUTHORITY, its officers, directors,
 23 employees and agents from and against any and all claims (including attorneys' fees and reasonable
 24 expenses for litigation or settlement) for any loss or damages, bodily injuries, including death, damage
 25 to or loss of use of property caused by the negligent acts, omissions or willful misconduct by
 26 CONSULTANT, its officers, directors, employees, agents, subcontractors or suppliers in connection

with or arising out of the performance of this Agreement.

ARTICLE 15. ASSIGNMENTS AND SUBCONTRACTS

A. Neither this Agreement nor any interest herein nor claim hereunder may be assigned by CONSULTANT either voluntarily or by operation of law, nor may all or any part of this Agreement be subcontracted by CONSULTANT, without the prior written consent of AUTHORITY. Consent by AUTHORITY shall not be deemed to relieve CONSULTANT of its obligations to comply fully with all terms and conditions of this Agreement.

B. AUTHORITY hereby consents to CONSULTANT's subcontracting portions of the Scope of Work to the parties identified below for the functions described in CONSULTANT's proposal. CONSULTANT shall include in the subcontract agreement the stipulation that CONSULTANT, not AUTHORITY, is solely responsible for payment to the subcontractor for the amounts owing and that the subcontractor shall have no claim, and shall take no action, against AUTHORITY, its officers, directors, employees or sureties for nonpayment by CONSULTANT.

Subcontractor Name/Addresses

Function

ARTICLE 16. AUDIT AND INSPECTION OF RECORDS

CONSULTANT shall provide AUTHORITY, or other agents of AUTHORITY, such access to CONSULTANT's accounting books, records, payroll documents and facilities, as AUTHORITY deems necessary. CONSULTANT shall maintain such books, records, data and documents in accordance with generally accepted accounting principles and shall clearly identify and make such items readily accessible to such parties during CONSULTANT's performance hereunder and for a period of four (4) years from the date of final payment by AUTHORITY. AUTHORITY's right to audit books and records directly related to this Agreement shall also extend to all first-tier subcontractors identified in Article 15 of this Agreement. Consultant shall permit any of the foregoing parties to reproduce documents by any means whatsoever or to copy excerpts and transcriptions as reasonably necessary.

ARTICLE 17. CONFLICT OF INTEREST

CONSULTANT agrees to avoid organizational conflicts of interest. An organizational conflict of interest means that due to other activities, relationships or contracts, the CONSULTANT is unable, or potentially unable to render impartial assistance or advice to the Authority; CONSULTANT's objectivity in performing the work identified in the Scope of Work is or might be otherwise impaired; or the CONSULTANT has an unfair competitive advantage. CONSULTANT is obligated to fully disclose to the AUTHORITY in writing Conflict of Interest issues as soon as they are known to the CONSULTANT. All disclosures must be submitted in writing to AUTHORITY pursuant to the Notice provision herein. This disclosure requirement is for the entire term of this Agreement.

ARTICLE 18. CODE OF CONDUCT

CONSULTANT agrees to comply with the AUTHORITY's Code of Conduct as it relates to Third-Party contracts which is hereby referenced and by this reference is incorporated herein. CONSULTANT agrees to include these requirements in all of its subcontracts.

ARTICLE 19. FEDERAL, STATE AND LOCAL LAWS

CONSULTANT warrants that in the performance of this Agreement, it shall comply with all applicable federal, state and local laws, statutes and ordinances and all lawful orders, rules and regulations promulgated thereunder.

ARTICLE 20. EQUAL EMPLOYMENT OPPORTUNITY

In connection with its performance under this Agreement, CONSULTANT shall not discriminate against any employee or applicant for employment because of race, religion, color, sex, age or national origin. CONSULTANT shall take affirmative action to ensure that applicants are employed, and that employees are treated during their employment, without regard to their race, religion, color, sex, age or national origin. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

1 **ARTICLE 21. PROHIBITED INTERESTS**

2 CONSULTANT covenants that, for the term of this Agreement, no director, member, officer or
3 employee of AUTHORITY during his/her tenure in office or for one (1) year thereafter shall have any
4 interest, direct or indirect, in this Agreement or the proceeds thereof.

5 **ARTICLE 22. OWNERSHIP OF REPORTS AND DOCUMENTS**

6 A. The originals of all letters, documents, reports and other products and data produced under
7 this Agreement shall be delivered to, and become the property of AUTHORITY. Copies may be made
8 for CONSULTANT's records but shall not be furnished to others without written authorization from
9 AUTHORITY. Such deliverables shall be deemed works made for hire and all rights in copyright therein
10 shall be retained by AUTHORITY.

11 B. All ideas, memoranda, specifications, plans, manufacturing, procedures, drawings,
12 descriptions, and all other written information submitted to CONSULTANT in connection with the
13 performance of this Agreement shall not, without prior written approval of AUTHORITY, be used for any
14 purposes other than the performance under this Agreement, nor be disclosed to an entity not connected
15 with the performance of the project. CONSULTANT shall comply with AUTHORITY's policies regarding
16 such material. Nothing furnished to CONSULTANT, which is otherwise known to CONSULTANT or is
17 or becomes generally known to the related industry shall be deemed confidential. CONSULTANT shall
18 not use AUTHORITY's name, photographs of the project, or any other publicity pertaining to the project
19 in any professional publication, magazine, trade paper, newspaper, seminar or other medium without
20 the express written consent of AUTHORITY.

21 C. No copies, sketches, computer graphics or graphs, including graphic artwork, are to be
22 released by CONSULTANT to any other person or agency except after prior written approval by
23 AUTHORITY, except as necessary for the performance of services under this Agreement. All press
24 releases, including graphic display information to be published in newspapers, magazines, etc., are to
25 be handled only by AUTHORITY unless otherwise agreed to by CONSULTANT and AUTHORITY.

26 /

ARTICLE 23. PATENT AND COPYRIGHT INFRINGEMENT

A. In lieu of any other warranty by AUTHORITY or CONSULTANT against patent or copyright infringement, statutory or otherwise, it is agreed that CONSULTANT shall defend at its expense any claim or suit against AUTHORITY on account of any allegation that any item furnished under this Agreement or the normal use or sale thereof arising out of the performance of this Agreement, infringes upon any presently existing U. S. letters patent or copyright and CONSULTANT shall pay all costs and damages finally awarded in any such suit or claim, provided that CONSULTANT is promptly notified in writing of the suit or claim and given authority, information and assistance at CONSULTANT's expense for the defense of same. However, CONSULTANT will not indemnify AUTHORITY if the suit or claim results from: (1) AUTHORITY's alteration of a deliverable, such that said deliverable in its altered form infringes upon any presently existing U.S. letters patent or copyright; or (2) the use of a deliverable in combination with other material not provided by CONSULTANT when such use in combination infringes upon an existing U.S. letters patent or copyright.

B. CONSULTANT shall have sole control of the defense of any such claim or suit and all negotiations for settlement thereof. CONSULTANT shall not be obligated to indemnify AUTHORITY under any settlement made without CONSULTANT's consent or in the event AUTHORITY fails to cooperate fully in the defense of any suit or claim, provided, however, that said defense shall be at CONSULTANT's expense. If the use or sale of said item is enjoined as a result of such suit or claim, CONSULTANT, at no expense to AUTHORITY, shall obtain for AUTHORITY the right to use and sell said item, or shall substitute an equivalent item acceptable to AUTHORITY and extend this patent and copyright indemnity thereto.

ARTICLE 24. FINISHED AND PRELIMINARY DATA

A. All of CONSULTANT's finished technical data, including but not limited to illustrations, photographs, tapes, software, software design documents, including without limitation source code, binary code, all media, technical documentation and user documentation, photoprints and other graphic information required to be furnished under this Agreement, shall be AUTHORITY's property upon

1 payment and shall be furnished with unlimited rights and, as such, shall be free from proprietary
2 restriction except as elsewhere authorized in this Agreement. CONSULTANT further agrees that it
3 shall have no interest or claim to such finished, AUTHORITY-owned, technical data; furthermore, said
4 data is subject to the provisions of the Freedom of Information Act, 5 USC 552.

5 B. It is expressly understood that any title to preliminary technical data is not passed to
6 AUTHORITY but is retained by CONSULTANT. Preliminary data includes roughs, visualizations,
7 software design documents, layouts and comprehensives prepared by CONSULTANT solely for the
8 purpose of demonstrating an idea or message for AUTHORITY's acceptance before approval is given
9 for preparation of finished artwork. Preliminary data title and right thereto shall be made available to
10 AUTHORITY if CONSULTANT causes AUTHORITY to exercise Article 11, and a price shall be
11 negotiated for all preliminary data.

12 **ARTICLE 25. ALCOHOL AND DRUG POLICY**

13 A. CONSULTANT agrees to establish and implement an alcohol and drug program that
14 complies with 41 U.S.C. sections 701-707, (the Drug Free Workplace Act of 1988), which is attached to
15 this Agreement as Exhibit C. CONSULTANT agrees to produce any documentation necessary to
16 establish its compliance with sections 701-707.

17 B. Failure to comply with this Article may result in nonpayment or termination of this
18 Agreement.

19 **ARTICLE 26. PROHIBITION**

20 CONSULTANT agrees that they and their participating subconsultant(s) will be precluded from
21 proposing on any construction management or construction projects that they are managing including
22 but not limited to, the Tustin Avenue/Rose Drive, Placentia Avenue, Kraemer Boulevard, Orangethorpe
23 Avenue, and Lakeview Avenue grade separation projects.

24 /

25 /

26 /

ARTICLE 27. FORCE MAJEURE

Either party shall be excused from performing its obligations under this Agreement during the time and to the extent that it is prevented from performing by an unforeseeable cause beyond its control, including but not limited to: any incidence of fire, flood; acts of God; commandeering of material, products, plants or facilities by the federal, state or local government; national fuel shortage; or a material act or omission by the other party; when satisfactory evidence of such cause is presented to the other party, and provided further that such nonperformance is unforeseeable, beyond the control and is not due to the fault or negligence of the party not performing.

This Agreement shall be made effective upon execution by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. C-9-0809 to be executed on the date first above written.

CONSULTANT

ORANGE COUNTY TRANSPORTATION AUTHORITY

By _____

By _____

Will Kempton
Chief Executive Officer

APPROVED AS TO FORM:

By _____

Kennard R. Smart, Jr.
General Counsel

APPROVED:

By _____

Kia Mortazavi
Executive Director, Development

SECTION V
SCOPE OF WORK

SCOPE OF WORK
CONSTRUCTION PROGRAM MANAGEMENT SUPPORT
ORANGE COUNTY TRANSPORTATION AUTHORITY
GRADE SEPARATION PROJECTS

1.0 GENERAL DESCRIPTION OF SERVICES

The Orange County Transportation Authority (AUTHORITY) is responsible for managing several Grade Separation projects (PROJECTS) to separate vehicular traffic from rail traffic to alleviate the current and potential traffic impacts and enhance safety at existing at-grade rail crossings at several intersections within the county (PROGRAM).

The AUTHORITY'S management of these projects includes oversight of environmental clearance, engineering, right of way acquisition, and construction management and administration. The projects include those funded by Renewed Measure M, the half-cent sales tax program, and state and federal funding sources. The AUTHORITY is obligated to deliver these projects using the funds available and in a timely manner. The CONSTRUCTION PROGRAM MANAGEMENT CONSULTANT (CONSULTANT) shall assist the AUTHORITY in this challenge by providing staff assistance and technical expertise to help manage the construction phase of the Grade Separation Projects.

1.1 Description of Projects

Currently, five grade separation projects have been identified for implementation as described in Attachment 1 to this scope of work. Additional projects may be added to the program in the future as directed by AUTHORITY.

1.2 Construction Management Approach

The CONSULTANT shall assist the AUTHORITY by providing staff assistance and technical expertise to help manage the construction phase of the Grade Separation Projects.

Under separate AUTHORITY solicitation, the AUTHORITY intends to enter into agreements with Construction Management Consultant (CMC) firms to administer the construction contracts and to provide construction management services to the AUTHORITY. The services that the CMC will provide for each project include administration of the construction contract, coordination with the project design engineers during construction, quality assurance inspections, independent quality assurance testing, daily construction reports, control point surveying, project record keeping, contractor progress payment processing, change order processing and implementation, and claim processing.

CONSULTANT under this solicitation shall function as an extension of AUTHORITY staff and supplement AUTHORITY staff by providing specialized expertise as required to effectively manage the construction PROGRAM. Under this scope of work, CONSULTANT shall assist

AUTHORITY staff in the oversight, management, and completion of all work associated with the construction of the PROJECTS.

CONSULTANT's services shall be in the following general categories:

- Pre-Construction Services
- Construction Management Oversight
- Program and Project Management Assistance

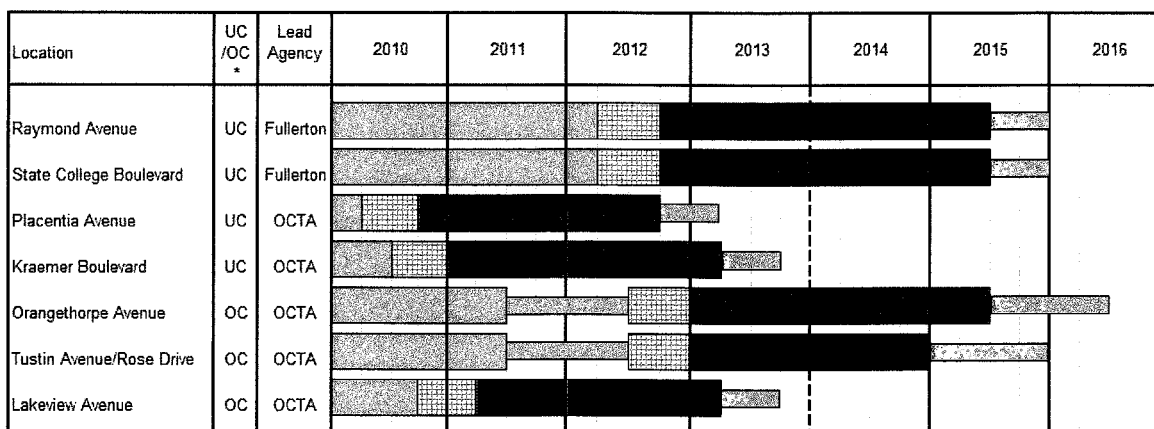
AUTHORITY will provide overall direction for the PROGRAM and assign its own staff to perform specific job responsibilities. CONSULTANT shall supplement AUTHORITY staff and provide specialized expertise as requested.

1.3 Project Schedules

The current accelerated construction program schedule is indicated below. CONSULTANT will be requested to address the potential acceleration impacts to their proposed staffing and project organization and work plan, as part of the RFP response.





Accelerated Construction Program Schedule

January 25, 2009



* UC - undercrossing
OC - overcrossing

Legend:

-  Final Design and ROW Acquisition
-  Bid
-  Construction
-  Time Saved

Trade Corridor Improvement Fund (TCIF) Construction Must-Start Date

2.0 SPECIFIC SCOPE OF SERVICES

2.1 Pre-Construction Services

Before the construction contract documents are finalized and prior to the award of construction contracts, the CONSULTANT shall assist the AUTHORITY with the following tasks.

Risk Assessment and Risk Mitigation Measures: Assist with a risk assessment of the completed construction contract documents for the purpose of assessing financial, schedule, and contract claims risks. Assist with the development of risk and claims mitigation measures, and development of processes and procedures to monitor and manage those risks during construction.

Program Schedule for Construction: Assist with the preparation of an overall PROGRAM schedule (Master Schedule) incorporating all PROJECTS and several adjacent and near-by projects that will be under construction during construction of the PROJECTS. Update the status of each project during the design phase and pre-construction phase monthly, and prepare and distribute updated Master Schedule reports as required.

Quality Assurance Program: Assist with the preparation and oversight of the AUTHORITY's quality assurance PROGRAM. The AUTHORITY intends to require that each construction contractor develop and implement a contractor quality control program that will include all testing and special inspections managed and paid for by the contractor. The AUTHORITY's quality assurance program will provide for quality assurance spot-checking by the CMC, quality assurance inspections by the CMC, and review by the CMC of all contractor quality control tests and inspection reports to assure that the contractor's quality control program meets all of the contract requirements. The AUTHORITY's quality assurance program, once finalized, will be utilized on all of the PROJECTS.

Safety Program: Assist with the preparation of the AUTHORITY's overall construction safety program. The contractor will be the primary responsible party for safety on and around the construction site, but the AUTHORITY will put in place a general set of safety requirements and practices applicable to all PROJECTS. The AUTHORITY's construction safety program, once finalized, will be utilized on all of the PROJECTS.

Construction Contract Documents: Assist with the assembly and review of each of the Construction Contract Document packages of drawings, specifications, bidder instructions and bid forms.

Bid Analysis: Assist with the analysis of the construction bids and preparation of internal reports about the bid results.

2.2 Construction Management Oversight Services

CONSULTANT shall assist the AUTHORITY with the oversight and management of the activities and services performed by the separate Construction Management Consultants (CMCs) for each project. CONSULTANT's services shall be in addition to and shall not supplant the services provided by each CMC related to each project.

Each CMC will perform under the oversight of CONSULTANT most of the customary owner-representative services to administer the construction contract and inspect the work by the contractor on behalf of the AUTHORITY. CONSULTANT will oversee each CMC's administration of the construction contract, coordination of the activities of the contractor with the services of the project design engineer, performance of quality assurance inspections and management of independent quality assurance testing, preparation of daily construction activity

reports, performance of control point and bench mark surveying, communications between the contractor and all other project participants, processing, collecting and maintaining of project communications and records, reviewing and recommending of contractor progress payments, processing of change order requests, implementing and processing change orders, and processing claims.

The CONSULTANT's role in regard to construction management oversight is to assist the AUTHORITY with the management tasks required to insure that the CMC assigned to each project is performing all of its construction management duties in a manner consistent with the construction contract requirements and with its contractual service obligations. To that end, CONSULTANT shall assist the AUTHORITY with the following tasks.

Cost and Payment Control: Assist in maintaining current cost and funding budgets for each project and in evaluating and incorporating any cost or scope changes. Assist in reporting the progress of individual projects and provide an overall summary of the status of all PROJECTS in the PROGRAM. Prepare monthly progress reports and publish summaries of the overall status of the PROGRAM. Assist with the review and approval of progress payment applications of the CMC and other project service providers. Assist with the review and processing of progress payment applications submitted by the contractor which have been reviewed and approved by the CMC.

Change Control: Assist with the review of proposed construction change orders for schedule and cost impacts. Assist with the review and processing of implemented construction change orders that are managed by the CMC for each project.

Claim Evaluations: Assist with the review, evaluation, and monitoring of claims submitted by a contractor or other entity, and which have been reviewed and processed by the CMC for each project

Quality Assurance: Assist with the oversight of the AUTHORITY's quality assurance program. The CMC for each project will be responsible for the quality assurance inspections and the review of the quality control reports submitted by the contractor. The CONSULTANT shall act in an oversight role, making sure that the CMC is fulfilling its obligations that all required tests and inspections are being performed, and that proper records are being collected and maintained in a format acceptable to the AUTHORITY.

Document Control: Assist with the establishment and maintenance of a document control system for the PROJECTS that will be utilized as a standard for the PROGRAM and for each project. The CMC will have primary responsibility for the insuring that documents and records are created and maintained in accordance with the document control system on its projects. The CONSULTANT shall assist with the policing and enforcement of the document control system requirements and monitoring of each of the CMC's efforts to create, maintain and store project documents in accordance with the document control system. The CONSULTANT shall assist with the identification of deficiencies and recommendations for corrective actions.

Environmental Mitigation and Monitoring: Assist in the development and maintenance of environmental mitigation and monitoring program to assure compliance with measures identified within the Orange County Gateway Project Environmental Impact Report/Environmental Impact Statement. The CMC will have primary responsibility for the insuring that the environmental

mitigation and monitoring program are maintained for each project in accordance with project requirements. The CONSULTANT shall assist with the policing and enforcement of the environmental mitigation and monitoring program measures in accordance with the established program.

Third Party Claims Monitoring/Resolution: Assist in the development of a third party claim monitoring process for claims made by individuals, businesses, or independent parties related to PROJECTS construction. The CONSULTANT shall assist in the ongoing tracking, logging, and administration of third party claims resolution for issues that may arise which are associated with PROJECTS construction activities.

Project Closeout: Assist with the review of the project closeout documentation and record set assembled by the CMC for each project and check that it contains all of the elements required by the construction contract requirements and that it was assembled by the CMC in accordance with its obligations.

2.3 Program and Project Management Assistance

Certain construction contract administration duties are not primarily fulfilled by the CMC, and those tasks shall be performed by the AUTHORITY with assistance from the CONSULTANT. Those construction program and project management tasks are described in this section.

Project Management: CONSULTANT shall provide one individual to act as Project Lead for groups of individual projects. Currently, the PROGRAM construction is expected to be started as one group of projects in accordance with Project Schedule (**Section 1.3**). The Project Lead shall perform project management functions including construction planning and monitoring, project cost monitoring, overseeing CMC activities, coordination between concurrent PROJECTS, and coordination with railroad, utility company, and local agencies.

Construction Safety: Assist with the oversight of the AUTHORITY's construction safety program. The CONSULTANT shall conduct periodic inspections of each project site (at least monthly, and more often if violations are discovered) and report on the contractor's compliance with the contractor's construction safety program and the AUTHORITY's construction safety program.

Master Schedule: Assist with the preparation of an overall PROGRAM schedule (Master Schedule) incorporating all PROJECTS and several adjacent and near-by projects that will be under construction during construction of the PROJECTS. Update the status of each project during the construction phase monthly, and prepare and distribute updated Master Schedule reports as required. Contractor schedule updates will be reviewed and accepted by the CMC for each project. The CONSULTANT shall review and incorporate the detailed contractor schedule update data into the Master Schedule and report on any inter-project schedule issues and/or delays.

Coordination with Municipalities: Assist with the coordination of construction activities with the Municipalities and with the permitting and inspections by with the Municipalities involved with the PROJECTS.

Coordination with the Railroad: Assist with the coordination of construction activities with Railroad activities and its clearance and right-of way requirements.

Coordination with Utility Companies: Assist with the coordination of construction activities with the work performed by Utility Companies and their contractors.

Labor Compliance Management: CONSULTANT shall monitor each contractor's compliance with labor code requirements including administration of Federal guidelines for reporting of federalized projects, shall manage and maintain the AUTHORITY'S records, and shall perform other tasks necessary to insure that the PROJECTS are in compliance with the contract requirements with respect to prevailing wages and other labor codes.

Risk Factor Monitoring: Assist with the monitoring of the risk and claim mitigation measures and tracking of the processes and procedures established to manage the potential risks identified during the pre-construction phase.

Monthly Progress Reporting: Assist with the preparation of periodic PROGRAM and PROJECT status reports for the AUTHORITY.

Technical and Administrative Services: The CONSULTANT shall provide technical and administrative assistance on an "as needed" basis. This work may be performed by CONSULTANT staff assigned to the AUTHORITY's office or by others working out of the CONSULTANT's office. Support in technical and administrative areas will be specifically requested and identified by the AUTHORITY as it may be needed.

3.0 STAFFING REQUIREMENTS

The CONSULTANT shall assign staff to provide services to the AUTHORITY on a full-time and part-time basis. The full-time individuals will work directly with AUTHORITY staff and other consultants already under contract with the AUTHORITY, and shall be assigned to the AUTHORITY's office in Orange, California, or to a program management office set up specifically for the PROJECTS.

3.1 Full-Time Staff

CONSULTANT shall initially assign two full-time individuals to provide program and project management assistance for the projects. These individuals will provide services in the following positions:

- Project Lead
- Controls Specialist

Project Lead: The Project Lead shall coordinate all services provided by CONSULTANT. In addition, the Project Lead will work under the supervision of the AUTHORITY'S program manager in overseeing and monitoring a group of PROJECTS. The Project Lead will monitor project budgets and schedules and will represent the AUTHORITY at meetings with consultants, contractors, other agencies, and the public. The Project Lead will assist with construction planning and monitoring, will oversee the CMC's activities, coordinate construction interfaces between concurrent PROJECTS, and coordinate with railroad, utility company, environmental regulatory and local agencies. The Project Lead shall have at a minimum of ten years of experience on civil public works projects, a minimum of four years of experience on projects

similar to the PROJECTS within the PROGRAM, and shall possess a degree in engineering or construction management. A person with a professional registration as a Civil Engineer in the State of California is preferred.

Controls Specialist: The Controls Specialist shall assist the Project Lead in the functions necessary to set up a program document controls systems and payment processing procedures. This individual shall have experience with project documentation requirements and document filing practices on public works projects, and experience in establishing electronic management systems, access, and retention of project documents of all types. The Control Specialist shall be proficient in the Microsoft Office suite of software applications, and shall have experience on projects that utilized document management software such as Primavera Contract Manager, Expedition, Meridian Prolog Manager, e-Builder, or other similar document control systems. The Controls Specialist shall be familiar with web-based systems for the storage and retrieval of shared documents and drawings. The Controls Specialist shall also have experience reviewing and tracking project budgets, construction costs, and developing and tracking payment systems and invoices. The Controls Specialist shall assist in maintaining current cost and funding budgets for each project and in evaluating and incorporating any cost or scope changes. The Control Specialist shall assist in reporting the progress of individual projects and provide an overall summary of the status of all PROJECTS in the PROGRAM. The Controls Specialist shall additionally assist with the review and approval of progress payment applications and other project service providers. The Controls Specialist shall have at least five years of experience described above.

One full-time Project Lead and Controls Specialist is anticipated upon commencement of the CONSULTANT's work for the PROJECTS as identified in Attachment 1. These individuals will be assigned to work from an AUTHORITY provided office location. Other Project Leads may be added as required to handle the workflow and/or when other PROJECTS are near the completion of the design phase.

3.2 Other Staff Positions

As the PROJECTS progress from design towards the start of construction, additional part-time or full-time staff positions will be filled by the CONSULTANT, as required and authorized by the AUTHORITY. All proposed full-time and part-time CONSULTANT staff shall be pre-approved by the AUTHORITY.

Based on the experience and capabilities of particular staff proposed by the CONSULTANT, one person may be qualified to fulfill one or more of the duties described below. Or, several part-time staff may be proposed to perform the required duties. The titles used below serve as functional descriptions and are not intended to represent one full-time staff member.

Office Engineer: The Office Engineer will work under the supervision of the AUTHORITY'S construction program manager and contracts administrator and will perform various pre-construction and construction administration tasks. The Office Engineer shall have experience with the review of construction drawings and specifications, constructability reviews of contract documents, assembly of contract document packages for bidding of public works civil projects, quantity estimation of civil work, bidding, award and execution of unit price construction contracts, performance and payment bonds, contractor insurance requirements, and preparation of contract change orders. The Office Engineer shall have a minimum of ten years

experience on civil public works projects similar to the PROJECTS within the PROGRAM, and shall possess a degree in engineering or construction management. A person with a professional registration as a Civil Engineer in the State of California is preferred.

Change Orders and Claims Manager: Assistance shall be necessary for change orders and claims management including review and tracking of project budgets and construction costs, analyzing contract changes, estimating the cost of change order work and claimed extra work, and analyzing schedule delay and productivity claims. The Change Orders and Claims Manager shall have at least four years of related experience on similar civil public works projects, and shall possess a degree in engineering or construction management.

Safety Program Manager: The safety program Manager shall have experience in developing and administering a construction safety program with experience in construction safety practices, safety rules and regulations, and the preparation and implementation of construction injury and illness prevention programs. The safety program engineer shall have held positions where he/she was responsible for on-site inspections of construction operations and safety practices, preparation of inspection reports, investigation and reporting of incidents and accidents, identification of safety violations, and the correction of safety deficiencies. The safety program engineer shall have at least six years of experience performing the duties described above.

Quality Assurance Manager: The quality assurance manager shall have at least seven years of experience with the preparation and implementation of construction quality control and quality assurance programs on civil works projects, and shall have held a supervisory position managing the work of quality assurance / quality control inspector staff. The quality assurance manager shall possess a minimum of three years of similar experience on construction of local streets and roads projects which included bridges and retaining walls.

Program Scheduling Engineer: The program scheduling engineer shall be proficient in the use of Primavera scheduling software (latest version of Primavera Professional Project Management) and have a minimum of five years of experience with preparing, reviewing and updating schedules utilizing the critical path method of project scheduling. The program scheduling engineer shall have had formal training in CPM scheduling and shall possess an engineering or construction management degree. Experience scheduling civil works projects similar to the PROJECTS that are included in the PROGRAM is a plus.

Labor Compliance Officer: The labor compliance officer shall have experience with construction labor compliance regulations, record keeping and submission requirements, and with labor code requirements on public works projects. The labor compliance officer shall have a minimum of three years experience in a position which was responsible for the checking and enforcing the contractor's compliance with labor code submission requirements on public works projects.

Based on the experience and capabilities of particular staff member proposed by the CONSULTANT, one person may be qualified to fulfill one or more of the duties described above. Or, several part-time staff may be proposed to perform the required duties on an as-required basis.

4.0 LEVEL OF SUPPORT

The level of effort required by the CONSULTANT under this contract is estimated to be one full-time equivalent to serve as project lead, one full-time equivalent to perform as controls specialist, and two to three full-time equivalents to serve in the support roles for other required functions resulting in a total of four to five full-time equivalent personnel per year. The level of effort will be re-evaluated periodically to assure that the appropriate level of support is maintained.

5.0 SCHEDULE OF PERFORMANCE

The durations of the contract shall be for a four-year period, with the potential for two additional one-year extensions, at the sole option of the AUTHORITY. Personnel assigned to the contract on a full-time basis shall remain assigned to the contract for the duration of the contract.

6.0 CONFLICT OF INTEREST PROHIBITION

The CONSULTANT shall be prohibited from proposing on any engineering, construction management, technical, or construction related work on PROJECTS during the period of this contract.

7.0 MATERIAL AND SERVICES PROVIDED BY AUTHORITY

The AUTHORITY will provide office space, furniture, computers, administrative software, telephones, internet connections, office supplies, and printing services to individuals assigned to the AUTHORITY's office in Orange, California, or assigned to a program management office set up specifically for the PROJECTS in Orange County, California. Any special equipment, software, or supplies required by those individuals shall be provided by the CONSULTANT.

Attachment 1 Current Grade Separation Projects Description

The following is a description of the currently identified grade separation projects which CONSULTANT will assist the AUTHORITY in managing. Additional projects may be added during the assignment as identified by AUTHORITY:

Placentia Avenue

The Placentia Avenue undercrossing will be constructed approximately between 85 feet south of Crowther Avenue and 670 feet north of Fender Avenue, in the cities of Placentia and Fullerton. A railroad bridge to accommodate two existing BNSF railroad tracks and a future third track will be built, while Placentia Avenue will be depressed. Construction of bypass tracks or shoofly and a temporary four-lane roadway to reroute traffic, are necessary to proceed with this project. Improvements to adjoining streets and commercial driveways will also be part of this project. A pump station will be located on the northeastern side of Placentia Avenue/BNSF corridor to drain water accumulating during heavy rains. Placentia Avenue is planned to remain open during construction and two lanes of traffic would be in operation in both directions during construction. Traffic will be diverted onto the temporary roadway to the east of the current route.

Kraemer Boulevard

The Kraemer Boulevard undercrossing will be constructed approximately between 840 feet south of Crowther Avenue and 750 feet north of Crowther Avenue, in the cities of Placentia and Anaheim. The project includes the lowering of Kraemer Boulevard 24 feet below the BNSF railroad mainline with a railroad bridge to accommodate the two existing mainline tracks and a future third track. In addition, Crowther Avenue will be lowered to meet the depressed Kraemer Boulevard. A shoofly will be constructed to divert rail traffic and allow bridge construction to go on uninterrupted. It is anticipated that Kraemer Boulevard and Crowther Avenue will be closed to traffic during the construction in order to minimize property impacts for temporary roadway detours. The Kraemer Avenue grade separation project will be constructed concurrently with the Placentia Avenue grade separation. Improvements to adjoining streets will be necessary to complete this project. The change in elevation at Kraemer Boulevard will necessitate a pump station to pump storm water from the low point of the undercrossing. Additionally, the relocation of multiple utilities inclusive of a 72 inch storm drain is required to accommodate the depressed intersection.

Orangethorpe Avenue

The Orangethorpe Avenue overcrossing will be constructed approximately between 600 feet west of Carbon Creek and 400 feet east of Traub Lane, in the cities of Placentia and Anaheim. The project will include construction of a roadway overpass over the BNSF railroad mainline tracks. Chapman Avenue and Miller Street will be elevated to connect to the elevated profile of Orangethorpe Avenue. Additionally, the existing bridges over Carbon Creek and Atwood Channels will be replaced. Orangethorpe Avenue will remain partially open during construction to reduce the traffic impact to surrounding communities. Orangethorpe Avenue overcrossing will be constructed concurrently with the adjacent Tustin Avenue / Rose Drive grade separation improvements.

Tustin Avenue / Rose Drive

The Tustin Avenue / Rose Drive overcrossing will be constructed approximately between 1,500 feet south of Atwood Channel and 1200 feet north of Orangethorpe Avenue, in the cities of Placentia and Anaheim. The project will include construction of a roadway overpass above the existing BNSF railroad tracks. Adjacent streets will require modification to meet grade modifications and to conform to the newly established connector between Orangethorpe Avenue and Rose Drive. Tustin Avenue / Rose Drive will be completely closed to traffic during construction. It is anticipated that Tustin Road / Rose Drive grade separation will be constructed currently with the grade separation project at Orangethorpe Avenue.

Lakeview Avenue

The Lakeview Avenue overcrossing will be constructed approximately between South Eisenhower Circle and Orchard Drive, in the cities of Placentia and Anaheim. The project will include construction of an overpass above the existing BNSF mainline tracks. Also included is a connector road from Orangethorpe Avenue to the new Lakeview Avenue overpass. The connector will allow traffic to flow from Orangethorpe Avenue to Lakeview as it was prior to the improvements. Because of Lakeview Avenue's proximity to the Atwood Channel, a bridge over the channel and flood control improvements along the channel are essential. Coordination with the flood control agency will be necessary for this segment of the project. An access road will be constructed for properties bordering Lakeview Avenue to facilitate future access to a business complex. It is anticipated that Lakeview Avenue will be closed to traffic during construction and will be constructed simultaneously with Placentia Avenue and Kraemer Boulevard grade separations.

LEVEL 1 SAFETY SPECIFICATIONS

APPLICATION - Level 1 Safety Specifications apply to contracts as determined by the Authority, including subcontracts, with consultants that are entered into by and between the Authority or in the case of subcontracts, that arise out of a contract entered into by the Authority. The scope of these contracts require the contractor or consultant to manage recognized hazards with a potential of injury or property damage and may require routine unescorted access to Authority property, and including, but not limited to, work in and around maintenance areas, shop and bus base areas, on-board buses, highways, rail construction sites.

Examples of Level 1 scopes of work may include, but are not limited to, performing engineering, design or oversight tasks, audits or inspections and similar activities.

COMMODITY CODES

Safety specifications for the codes that follow generally apply to contracts that require work on Authority property or Authority controlled projects. Those exempt are generally delivery of parts or materials and some office services.

The following are **generally exempt** from safety specifications: Equipment, Parts, Rental, Supplies, Employment Services

200-1990	5330	5940-5970
2420-2890	5330	6150
5320	5560	

The following generally requires **Level 1** Safety Specifications

5920-5930	6410	6580-6700	6760-6770	6950-7100
5980	6550-6560	6715-6740	6790-6930	7120-8680

PART I – GENERAL

1.1 GENERAL HEALTH, SAFETY & ENVIRONMENTAL REQUIREMENTS

- A. The Consultants, its sub-tier Consultants, suppliers, and employees have the obligation to comply with all Authority HSEC policies, as well as all federal, state, and local regulations pertaining to scope of work, contracts or agreements with the Authority. Additionally, manufacturer requirements are considered incorporated by reference as applicable to this scope of work.
- B. Observance of repeated unsafe acts or conditions, serious violation of safety standards, non-conformance of Authority health, safety and environmental compliance (HSEC) requirements, or disregard for the intent of these safety specifications to protect people and property, by Consultants or its sub-tier contractors may be cause for termination of scope, contracts, or agreements with the Authority, at the sole discretion of the Authority.
- C. The health, safety, and environmental requirements, and references contained within this scope of work shall not be considered all-inclusive as to

the hazards that might be encountered. Safe work practices shall be planned and performed, and safe conditions shall be maintained during the course of this work scope.

- D. The Authority Project Manager shall be responsible to ensure a safety orientation is conducted for all Consultant personnel, sub-tier Consultants, suppliers, vendors, and new employees assigned to the project prior to commencement of the project.
- E. The Consultant shall ensure that all Consultant vehicles, including those of its sub-tier Consultants, suppliers, vendors and employees are parked in designated parking areas, and comply with traffic routes, and posted traffic signs in areas other than the employee parking lots.
- F. California Code of Regulations (CCR) Title 8 Standards are minimum requirements, each Consultant is encouraged to exceed minimum requirements. When the Consultant safety requirements exceed statutory standards, the more stringent requirements shall be achieved for the safeguard of public and workers.

1.2 HAZARD COMMUNICATION

- A. Consultant shall comply with CCR Title 8, Section 5194, Hazard Communication Standard. Prior to use on Authority property and/or project work areas Consultant shall provide the Authority Project Manager copies of MSDS for all chemical products used if any.
- B. All chemicals including paint, solvents, detergents and similar substances shall comply with South Coast Air Quality Management District (SCAQMD) rules 103, 1113, and 1171.

1.3 ACCIDENT INVESTIGATION

- A. The Authority shall be promptly notified of any damage to the Authority's property, or incidents involving third party property damage, or reportable and/or recordable injuries (as defined by the U. S. Occupational Safety and Health Administration) to Authority employees and agents; Contractor, vendor employees or visitors and members of the general public that occurs or arises from the performance of Authority contract work. A comprehensive investigation and written report shall be submitted to Authority's Project Manager within 24 hours of the incident.
- B. A serious injury or incident may require a formal incident review at the discretion of the Authority's Project Manager. The incident review shall be conducted within 7 calendar days of the incident. The serious incident presentation shall include action taken for the welfare of the injured, a status report of the injured, causation factors leading to the incident, a root cause analysis, and a detailed recovery plan that identifies corrective actions to prevent a similar incident, and actions to enhance safety awareness.

1.4 PERSONAL PROTECTIVE EQUIPMENT

- A. The Consultant, its sub-tier Consultants, suppliers, and employees are required to comply with the Authority's personal protective equipment (PPE) policy while performing work at any Authority facility, i.e. eye protection policy, hearing protection policy, head protection, safety vests, work shoe policy.
- B. The Consultant, its sub-tier Consultants, suppliers, and employees are required to provide their own PPE, including eye, head, foot, and hand protection, safety vests, or other PPE required to perform their work safely on Authority projects. The Authority requires eye protection on construction projects and work areas that meet ANSI Z-87.1 Standards.

END OF SECTION

SECTION VI

FORMS

SECTION LEVEL 3 SAFETY SPECIFICATIONS

APPLICATION - Level 3 Safety Specifications apply to contracts, as determined by the Authority, including subcontracts, with contractors that are entered into by and between the Authority or in the case of subcontracts, that arise out of a contract entered into by the Authority. The scope of these contracts require the contractor to manage recognized hazards with a potential of injury or property damage and may require routine unescorted access to Authority property, and including, but not limited to, work in and around maintenance areas, shop and bus base areas, on-board buses, highways, and rail construction sites.

Examples of Level 3 scopes of work may include, but are not limited to, facility modifications, demolition, construction, highway construction, rail construction, underground storage tank testing, equipment installation and similar activities.

COMMODITY CODES

Safety specifications for the codes that follow generally apply to contracts that require work on Authority property or Authority controlled projects. Those exempt are generally delivery of parts or materials and some office services.

The following are **generally exempt** from safety specifications: Equipment, Parts, Rental, Supplies, Employment Services

200-1990	5330	5940-5970
2420-2890	5330	6150
5320	5560	

The following generally requires **Level 3** Safety Specifications

5050-5070	5440-5500	5570-5820	6140	8790
5090	5520-5550	6080-6090	6540	8810-8820

PART I – GENERAL

1.0 GENERAL HEALTH, SAFETY & ENVIRONMENTAL REQUIREMENTS

- A. The Contractor, its sub-tier contractors, suppliers, and employees have the obligation to comply with all Authority HSEC requirements, as well as all federal, state, and local regulations pertaining to scope of work, contracts or agreements with the Authority including California Department of Transportation safety requirements and special provisions. Additionally, manufacturer requirements are considered incorporated by reference as applicable to this scope of work.
- B. Observance of repeated unsafe acts or conditions, serious violation of health and safety standards, non-conformance of Authority health, safety and environmental compliance (HSEC) requirements, or disregard for the intent of these safety specifications to protect people and property, by Contractor may be reason for termination for cause, of agreements with the Authority, at the sole discretion of the Authority.

- C. The Authority HSEC requirements, and references contained within this scope of work shall not be considered all-inclusive as to the hazards that might be encountered. Safe work practices shall be pre-planned and performed, and safe conditions shall be maintained during the course of this work scope.
- D. The Contractor shall specifically acknowledge that it has primary responsibility to prevent and correct all health, safety and environmental hazards for which it and its employees, or its sub-tier contractors (and their employees) are responsible. The Contractor shall further acknowledge their expertise in recognition and prevention of hazards in the operations for which they are responsible, that the Authority may not have such expertise, and is relying upon the Contractor for such expertise. The Authority retains the right to notify the Contractor of potential hazards and request the Contractor to evaluate and, as necessary, to eliminate those hazards.
- E. The Contractor shall provide all necessary tools, equipment, and related safety protective devices to execute the scope of work in compliance with the Authority's HSEC requirements, California Code of Regulations (CCR) Title 8 Standards, and recognized safe work practices.
- F. The Contractor shall instruct all its employees, and all associated sub-contractors under contract with the Contractor who work on Authority projects in the following; recognition, identification, and avoidance of unsafe acts and/or conditions applicable to its work.

PART II – SPECIFIC REQUIREMENTS

2.0 While these safety specifications are intended to promote safe work practices, Contractors are reminded of their obligation to comply with all federal (CFR 1926 & 1910 Standards), state (CCR Title 8 Standards), Local and municipal safety regulations, and Authority health, safety and environmental requirements applicable to their project scope. Failure to comply with these standards may be cause for termination of scope, contracts, or agreements with the Authority, at the sole discretion of the Authority.

2.1 REQUIRED DOCUMENTATION / REPORTING REQUIREMENTS

The Contractor at a minimum shall provide the following documents to the Authority's Project Manager. Items A through E below shall be submitted and accepted by the Authority's Project Manager prior to Contractor mobilization. Item F upon each occurrence, and items G through K, contractor shall verify the following documentation is in place, prior to and during contract scope, and make available to the Authority upon request within 72 hours.

- A. Comprehensive Project Specific Safety Work Plan.
- B. Company Safety Manual

- C. Certification of Compliance of Company's Injury Illness Prevention Program in accordance with California Code of Regulations (CCR) Title 8, Section 3203.
- D. Policy or Certification of Compliance Company's Substance Abuse Prevention Policy.
- E. The qualifications/certifications of assigned project competent person, and designated safety representative.
- F. Accident/Incident investigation report within 24 hours of event (immediate verbal notification to Authority Project Manager, followed by Written Report)

The required documentation shall be provided to the Authority's Project Manager upon request within 72 hours.

- G. A copy of Contractor weekly site safety inspection report with status of corrections.
- H. Contractors and sub-tier contractors competent person list (submit to Authority Project Manager monthly).
- I. Contractors and sub-tier contractors qualified equipment operators list (submit to Project Manager monthly).
- J. A monthly report that includes number of workers on project, a list of sub-tier contractors, work hours (month, year to date, & project cumulative) of each contractor, labor designation, OSHA Recordable injuries and illnesses segregated by medical treatment cases, restricted workday cases, number of restricted days, lost workday cases, and number of lost work days, and Recordable incident rate.

K. TRAINING DOCUMENTATION

To ensure that each employee is qualified to perform their assigned work, when applicable to scope work, contractor shall verify training documentation is in place, prior to and during contract scope, and make available to the Authority upon request within 72 hours. Training may be required by the Authority or CCR Title 8 (Cal/OSHA), and required for activity on Authority's property and/or Authority controlled projects.

2.2 HAZARD COMMUNICATION (§5194)

- A. Contractor shall comply with CCR Title 8, Section 5194, Hazard Communication Standard. Prior to use on Authority property and/or project work areas Contractor shall provide the Authority Project Manager copies of MSDS for all applicable products.
- B. All chemicals including paint, solvents, detergents and similar substances shall comply with South Coast Air Quality Management District (SCAQMD) rules 103, 1113, and 1171.

2.3 DESIGNATED SAFETY REPRESENTATIVE

- A. Before beginning on-site activities, the Contractor shall designate an on-site Safety Representative. This person shall be a competent or qualified individual as defined by the Occupational, Safety, and Health Administration (OSHA), familiar with applicable CCR Title 8 Standards, and has the authority to affect changes in work procedures that may include schedule and budget impacts.
- B. The Contractor's safety representative for Authority projects are subject to Acceptance by the Authority Project Manager. All contact information of the safety representative (name, phone, fax and pager/cell phone number) shall be provided to the Authority Project Manager.
- C. QUALIFICATIONS – Safety Representative shall possess knowledge equal to CIH, CSP, CHST, OSHA 10 hour training, or similar professional standing. Rare circumstances may require an exception for these minimum qualification requirements, and shall be at the discretion of the Authority Project Manager and HSEC.
 - 1. Competent Person, means one who is capable of identifying existing and predictable hazards in the surroundings or working conditions which are unsanitary, hazardous, or dangerous to employees, and who has authorization to take prompt corrective measures to eliminate them.
 - 2. Qualified Person, means one who by possession of a recognized degree, certificate, or professional standing, or who by extensive knowledge, training, and experience, has successfully demonstrated his ability to solve or resolve problems relating to the subject matter, the work, or the project.
- D. Authority's Project Manager reserves the right to require the Contractor to provide one full-time qualified person as a safety representative whenever the Contractor and its sub-tier contractors, suppliers, and vendors meets or exceeds 10 workers, or warranted by scope risk.

2.4 SITE SAFETY ORIENTATION

The Contractor shall conduct and document a project site safety orientation for all Contractor personnel, sub-tier contractors, suppliers, vendors, and new employees assigned to the project prior to performing any work on Authority projects. The safety orientation at a minimum shall include, as applicable, Personal Protection Equipment (PPE) requirements, ANSI class 2 reflective vests, designated smoking, eating, and parking areas, traffic routing, and barricade requirements. When required by scope, additional orientation shall include fall protection, energy isolation/lock-out/tag-out (LOTO), confined space, hot work permit, security requirements, and similar project safety requirements.

2.5 INCIDENT NOTIFICATION AND INVESTIGATION

A. The Authority shall be promptly notified of any of the following types of incidents:

1. Damage to Authority property (or incidents involving third party property damage);
2. Reportable and/or Recordable injuries (as defined by the U. S. Occupational Safety and Health Administration);
3. Incidents impacting the environment, i.e. spills or releases on Authority property.

Notifications shall be made to Authority representatives, employees and/or agents. This includes incidents occurring to contractors, vendors, visitors, or members of the general public that arise from the performance of Authority contract work. A comprehensive investigation and written report shall be submitted to Authority's Project Manager within 24 hours of the incident.

G. A serious injury or incident may require a formal incident review at the discretion of the Authority's Project Manager. The incident review shall be conducted within 7 calendar days of the incident. The serious incident presentation shall include action taken for the welfare of the injured, a status report of the injured, causation factors leading to the incident, a root cause analysis, and a detailed recovery plan that identifies corrective actions to prevent a similar incident, and actions to enhance safety awareness.

H. A serious incident includes; An injury or illness to one or more employees, occurring in a place of employment or in connection with any employment, which requires inpatient hospitalization for a period in excess of twenty-four hours for other than medical observation, or in which an employee suffers the loss of any member of the body, or suffers any serious degree of physical disfigurement. In addition, property damage that causes disruption of operations, delay of work schedule, causes a serious injury, causes third party or other property damage, or requires emergency services.

2.6 REGULAR INSPECTIONS & THIRD PARTY INSPECTIONS

A. Frequent and regular inspections of the project jobsite shall be made by contractor safety representative, or another competent person designated by the Contractor. Unsafe acts and/or conditions noted during inspections shall be corrected immediately.

B. The Contractor is advised that representatives of regulatory agencies (i.e., CAL-OSHA, EPA, SCAQMD, etc.), upon proper identification are entitled to access onto Authority property and projects. The Authority Project Manager shall be notified of their arrival as soon as possible when applicable for Contractor scope.

2.7 VEHICLE AND ROADWAY SAFETY REQUIREMENTS

- A. The Contractor shall ensure that all Contractor vehicles, including those of its sub-tier contractors, suppliers, vendors and employees are parked in designated parking areas, are identified by company name and/or logo, and comply with traffic routes, and posted traffic signs in areas other than the employee parking lots.
- B. Personal vehicles of the Contractor employees shall not be parked on the traveled way or shoulders including any section closed to public traffic, or areas of the community that may cause interference or complaints
- C. The Contractor shall comply with California Department of Transportation safety requirements and special provisions when working on highway projects.
- D. The Contractor shall conform to American Traffic Safety Services Association (Quality Standard for Work Zone Control Devices 1992).

2.8 LANGUAGE REQUIREMENTS

The Contractor for safety reasons shall ensure employees that do not read, or understand English, shall be within visual and hearing range of a bilingual supervisor or responsible designee at all times when on the Authority property or projects.

2.9 PERSONAL PROTECTIVE EQUIPMENT

Contractors, and all associated sub-tier contractors, vendors and suppliers are required to provide their own personal protective equipment (PPE), including eye, head, foot, and hand protection, respirators, reflective safety vests, and all other PPE required to perform their work safely on Authority projects.

- A. RESPIRATORS (§5144) - The required documentation for training and respirator use shall be provided to the Authority's Project Manager upon request within 72 hours. All compliance documentation as required by CCR Title 8 Standard, Section 5144, Respiratory Protective Equipment.
- B. EYE PROTECTION – The Authority requires eye protection on construction projects and work areas that meet ANSI Z-87.1 Standards.

2.10 AERIAL DEVICES (§3648)

Aerial devices are defined in CCR Title 8 as any vehicle-mounted or self-propelled device, telescoping extensible or articulating, or both, which is primarily designed to position personnel. If aerial devices are to be used, the required documentation in CCR Title 8 Standard, Section 3648 shall be provided to the Authority's Project Manager upon request within 72 hours.

2.11 CONFINED SPACE ENTRY (§5157)

Before any employee will be allowed to enter a confined space, the required documentation as required by CCR Title 8 Standard, Section 5157 shall be provided to the Authority's Project Manager upon request within 72 hours.

- A. RECOMMENDED, a copy of the most recent calibration record for each air monitoring unit, 3-gas monitor or "sniffer" to be used by the Entry Supervisor prior to entering permit-required confined spaces.

2.12 CRANES

A. MOBILE CRANES (§5006)

Prior to using mobile cranes the Contractor shall provide items 1, 2 & 3 of the following documentation a minimum of seven (7) days prior to activity, and item 4 each day of activity.

1. Cranes require a submittal of the annual certification, and copy of the cranes most recent quarterly inspection
2. A copy of each crane operator's qualification (NCCCO, or equivalent) of company-authorized crane operators that have been properly trained in the equipment's use and limitations. Operator certification as required by CCR Title 8 Standard, Section 5006.1.
3. A rigging plan is required for all lifts. Critical lifts require an engineered plan designed by a registered professional engineer licensed in California. Critical lifts include lifts equal or over 10 tons, lift and transit of load, 85% or greater of rated capacity, multiple cranes for one lift, lifts over buildings, equipment or structures.
4. Documented daily crane inspection report.

B. OVERHEAD CRANES

Before using the Authority overhead cranes, each Contractor shall designate a limited number of employees to attend a training session on the use and limitations of overhead cranes with designated Authority personnel.

2.13 DEMOLITION OPERATIONS (§1734)

Before starting demolition activities the required documentation shall be provided to the Authority's Project Manager upon request within 72 hours. All compliance documentation as required by CCR Title 8 Standard, Article 31.

2.14 EXCAVATION OPERATIONS (§1541)

Before starting excavation activities more than 5 feet deep into which people shall enter, The required documentation shall be provided to the Authority's Project Manager upon request within 72 hours. All compliance documentation as required by CCR Title 8 Standard, Section 1541.

- A. A copy of the Contractor's Excavation Permit.

2.15 FALL PROTECTION (§1669-1671)

The following standards are required when performing work on Authority property. The required documentation shall be provided to the Authority's Project Manager upon request within 72 hours.

- A. Fall protection is required for workers exposed to falls in excess of six (6) feet.
- B. When conventional fall protection methods are impractical or create a greater hazard, a written plan in conformance with CCR Title 8, Article 24, shall be submitted to the Authority a minimum of seven (7) days in advance of the scheduled activity.

2.16 FORKLIFTS, BACKHOES AND OTHER INDUSTRIAL TRACTORS (§3664)

CCR Title 8 defines backhoes as "industrial tractors", the required documentation shall be provided to the Authority's Project Manager upon request within 72 hours. All compliance documentation as required by CCR Title, Section 3664, Operating Rules.

- A. A copy of each operator's certificate or a list, of company-authorized industrial tractor operators that have been properly trained in the equipment's use and limitations. Please state which equipment, and model each operator has been authorized to operate (i.e. forklifts, backhoe, bulldozer, front-end loader, etc.).

2.17 HIGH VOLTAGE ELECTRICAL OPERATIONS (§2700-2974)

Any work on electrical equipment defined by OSHA as high-voltage, at or above 600 volts requires specialized training certifications and personal protective equipment. Before any high-voltage work commences, the Authority Project Manager must be notified and provide approval. The required documentation shall be provided to the Authority's Project Manager upon request within 72 hours.

- A. A list of the name of the company-designated high voltage Qualified Electrical Worker(s).

2.18 POWDER-ACTUATED TOOLS (§1685)

Before using tools such as "Hilti guns" or other powder-actuated tools the required documentation shall be provided to the Authority's Project Manager upon request within 72 hours.

- A. A copy of each qualified person's valid operator card.

2.19 SCAFFOLDS (§1635.1-1677)

Scaffold Erection shall be in compliance with CCR Title 8. The required documentation shall be provided to the Authority's Project Manager upon request within 72 hours. All compliance documentation as required by CCR Title 8, Sections 1635.1-1677.

- A. All scaffolds on Authority project shall be inspected by a competent person qualified for scaffolds in accordance with CCR Title 8 Standards.
- B. Contractor shall arrange for a third party inspection at least quarterly by a credentialed professional (insurance carrier, scaffold manufacturer representative, or similar) in addition to the contractors daily self inspections.
- C. A proper scaffold inspection and tagging system shall be maintained identifying compliance status (Example: Green/safe, Yellow/modified-fall protection required, Red/unsafe-do not use).
- D. Contractor shall have a fall protection plan that meets CCR Title 8 compliance for scaffold erectors, an erection/dismantling plan shall be submitted to Authority Project Manager for review prior to start of activity.
- E. Scaffold erection/dismantling shall install handrails beginning on the first level above ground erected, and erectors shall plan erection and dismantling in a manner to maximize handrail protection and minimize employees at unprotected areas.

2.20 WARNING SIGNS AND DEVICES

Signs, signals, and/or barricades shall be visible at all times when and where a hazard exists. Overhead tasks, roofing tasks, excavations, roadwork activity, demolition work, and other recognized hazards shall have guardrail protection, warning barricades, or similar protective measures acceptable to the Authority's Project Manager. Signs, signals, and/or barricades shall be removed when the hazard no longer exists.

END OF DOCUMENT

SECTION VI

FORMS

PARTY DISCLOSURE FORM

Information Sheet

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

The attached Party Disclosure Form must be completed by applicants for, or persons who are the subject of, any proceeding involving a license, permit, or other entitlement for use pending before the Board of Directors of the Orange County Transportation Authority or any of its affiliated agencies. (Please see next page for definitions of these terms.)

IMPORTANT NOTICE

Basic Provisions of Government Code Section 84308

- A. If you are an applicant for, or the subject of, any proceeding involving a license, permit, or other entitlement for use, you are prohibited from making a campaign contribution of more than \$250 to any board member or his or her alternate. This prohibition begins on the date your application is filed or the proceeding is otherwise initiated, and the prohibition ends three months after a final decision is rendered by the Board of Directors. In addition, no board member or alternate may solicit or accept a campaign contribution of more than \$250 from you during this period.
- B. These prohibitions also apply to your agents, and, if you are a closely held corporation, to your majority shareholder as well. These prohibitions also apply to your subcontractor(s), joint venturer(s), and partner(s) in this proceeding. Also included are parent companies and subsidiary companies directed and controlled by you, and political action committees directed and controlled by you.
- C. You must file the attached disclosure form and disclose whether you or your agent(s) have in the aggregate contributed more than \$250 to any board member or his or her alternate during the 12-month period preceding the filing of the application or the initiation of the proceeding.
- D. If you or your agent have in the aggregate contributed more than \$250 to any individual board member or his/or her alternate during the 12 months preceding the decision on the application or proceeding, that board member or alternate must disqualify himself or herself from the decision. However, disqualification is not required if the board member or alternate returns the campaign contribution within 30 days from the time the director knows, or should have known, about both the contribution and the fact that you are a party in the proceeding. The

Party Disclosure Form should be completed and filed with your proposal, or with the first written document, you file or submit after the proceeding commences.

1. A proceeding involving "a license, permit, or other entitlement for use" includes all business, professional, trade and land use licenses and permits, and all other entitlements for use, including all entitlements for land use, all contracts (other than competitively bid, labor or personal employment contracts), and all franchises.
2. Your "agent" is someone who represents you in connection with a proceeding involving a license, permit or other entitlement for use. If an individual acting as an agent is also acting in his or her capacity as an employee or member of a law, architectural, engineering, consulting firm, or similar business entity, both the business entity and the individual are "agents."
3. To determine whether a campaign contribution of more than \$250 has been made by you, campaign contributions made by you within the preceding 12 months must be aggregated with those made by your agent within the preceding 12 months or the period of the agency, whichever is shorter. Contributions made by your majority shareholder (if a closely held corporation), your subcontractor(s), your joint venturer(s), and your partner(s) in this proceeding must also be included as part of the aggregation. Campaign contributions made to different directors or their alternates are not aggregated.
4. A list of the members and alternates of the Board of Directors is attached.

This notice summarizes the major requirements of Government Code Section 84308 of the Political Reform Act and 2 Cal. Adm. Code Sections 18438-18438.8.

ORANGE COUNTY TRANSPORTATION AUTHORITY
AND ITS AFFILIATED AGENCIES

To be completed only if campaign contributions have been made in the preceding 12 months.

Prime Firm's Name: _____

Party's Name: _____

Party's Address: _____

Street

City

State

Zip

Phone

Application or Proceeding
Title and Number: _____

Board Member(s) or Alternate(s) to whom you and/or your agent made campaign contributions and dates of contribution(s) in the preceding 12 months:

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Date: _____

Signature of Party and/or Agent

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

Board of Directors

Jerry Amante, Chair

Patricia Bates, Vice Chairman

Art Brown, Director

Peter Buffa, Director

Bill Campbell, Director

Carolyn V. Cavecche, Director

William J. Dalton, Director

Richard Dixon, Director

Paul G. Glaab, Director

Don Hansen, Director

Allan Mansoor, Director

John Moorlach, Director

Janet Nguyen, Director

Chris Norby, Director

Curt Pringle, Director

Miguel Pulido, Director

Gregory T. Winterbottom, Director

PARTICIPANT DISCLOSURE FORM

Information Sheet

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

The attached Participant Disclosure Form must be completed by participants in a proceeding involving a license, permit, or other entitlement for use. (Please see next page for definitions of these terms.)

IMPORTANT NOTICE

Basic Provisions of Government Code Section 84308

- A. If you are a participant in a proceeding involving a license, permit, or other entitlement for use, you are prohibited from making a campaign contribution of more than \$250 to any board member or his or her alternate. This prohibition begins on the date you begin to actively support or oppose an application for license, permit, or other entitlement for use pending before the Orange County Transportation Authority or any of its affiliated agencies, and continues until three months after a final decision is rendered on the application or proceeding by the Board of Directors.

No board member or alternate may solicit or accept a campaign contribution of more than \$250 from you and/or your agency during this period if the board member or alternate knows or has reason to know that you are a participant.

- B. The attached disclosure form must be filed if you or your agent has contributed more than \$250 to any board member or alternate for the Orange County Transportation Authority or any of its affiliated agencies during the 12-month period preceding the beginning of your active support or opposition. (The disclosure form will assist the board members in complying with the law.)
- C. If you or your agent have made a contribution of more than \$250 to any board member or alternate during the 12 months preceding the decision in the proceeding, that board member or alternate must disqualify himself or herself from the decision. However, disqualification is not required if the member or alternate returns the campaign contribution within 30 days from the time the director knows, or should have known, about both the contribution and the fact that you are a participant in the proceeding.

The Participant Disclosure Form should be completed and filed with the proposal submitted by a party, or should be completed and filed the first time that you lobby in person, testify in person before, or otherwise directly act to influence the vote of the board members of the Orange County Transportation Authority or any of its affiliated agencies.

1. An individual or entity is a "participant" in a proceeding involving an application for a license, permit or other entitlement for use if:
 - a. The individual or entity is not an actual party to the proceeding, but does have a significant financial interest in the Orange County Transportation Authority's or one of its affiliated agencies' decision in the proceeding.

AND

- b. The individual or entity, directly or through an agent, does any of the following:
 - (1) Communicates directly, either in person or in writing, with a board member or alternate of the Orange County Transportation Authority or any of its affiliated agencies for the purpose of influencing the member's vote on the proposal;
 - (2) Communicates with an employee of the Orange County Transportation Authority or any of its affiliated agencies for the purpose of influencing a member's vote on the proposal; or
 - (3) Testifies or makes an oral statement before the Board of Directors of the Orange County Transportation Authority or any of its affiliated agencies.
2. A proceeding involving "a license, permit, or other entitlement for use" includes all business, professional, trade and land use licenses and permits, and all other entitlements for use, including all entitlements for land use; all contracts (other than competitively bid, labor, or personal employment contracts) and all franchises.
3. Your "agent" is someone who represents you in connection with a proceeding involving a license, permit, or other entitlement for use. If an agent acting as an employee or member of a law, architectural, engineering, or consulting firm, or a similar business entity or corporation, both the business entity or corporation and the individual are agents.
4. To determine whether a campaign contribution of more than \$250 has been made by a participant or his or her agent, contributions made by the

participant within the preceding 12 months shall be aggregated with those made by the agent within the preceding 12 months or the period of the agency, whichever is shorter. Campaign contributions made to different members or alternates are not aggregated.

5. A list of the members and alternates of the Board of Directors is attached.

This notice summarizes the major requirements of Government Code Section 84308 and 2 Cal. Adm. Code Sections 18438-18438.8.

ORANGE COUNTY TRANSPORTATION AUTHORITY
AND ITS AFFILIATED AGENCIES

To be completed only if campaign contributions have been made in the preceding 12 months.

Prime's Firm Name: _____

Party's Name: _____

Party's Address: _____

Street

City

State

Zip

Phone

Application or Proceeding
Title and Number: _____

Board Member(s) or Alternate(s) to whom you and/or your agent made campaign contributions and dates of contribution(s) in the preceding 12 months:

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Date: _____

Signature of Party and/or Agent

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

Board of Directors

Jerry Amante, Chair

Patricia Bates, Vice Chairman

Art Brown, Director

Peter Buffa, Director

Bill Campbell, Director

Carolyn V. Cavecche, Director

William J. Dalton, Director

Richard Dixon, Director

Paul G. Glaab, Director

Don Hansen, Director

Allan Mansoor, Director

John Moorlach, Director

Janet Nguyen, Director

Chris Norby, Director

Curt Pringle, Director

Miguel Pulido, Director

Gregory T. Winterbottom, Director

STATUS OF PAST AND PRESENT CONTRACTS

On the form provided below, Offeror shall list the status of past and present contracts where the firm has either provided services as a prime contractor or a subcontractor during the past five (5) years in which the contract has ended or will end in a termination, settlement or in legal action. A separate form must be completed for each contract. Offeror shall provide an accurate contact name and telephone number for each contract and indicate the term of the contract and the original contract value.

If the contract was terminated, list the reason for termination. Offeror must also identify and state the status of any litigation, claims or settlement agreements related to any of the identified contracts. Each form must be signed by an officer of the Offeror confirming that the information provided is true and accurate.

Project city/agency/other:	
Contact name:	Phone:
Project award date:	Original Contract Value:
Term of Contract:	
1) Status of contract:	
2) Identify claims/litigation or settlements associated with the contract:	

By signing this Exhibit "Status of Past and Present Contracts," I am affirming that all of the information provided is true and accurate.

Name _____ Date _____
 Title _____



DRUG-FREE WORKPLACE ACT OF 1988

THE FEDERAL LAW

This law, enacted November 1988, with subsequent modification in 1994 by the Federal Acquisition Streamlining Act, (*raising the contractor amount from \$25,000 to \$100,000*), requires compliance by all organizations contracting with any U. S. Federal agency in the amount of \$100,000 or more that does not involve the acquisition of commercial goods via a procurement contract or purchase order, and is performed in whole in the United States. It also requires that *all* organizations receiving federal grants, regardless of amount granted, maintain a drug-free workplace in compliance with the Drug-Free Workplace Act of 1988. The Law further requires that all *individual* contractors and grant recipients, regardless of dollar amount/value of the contract or grant, comply with the Law.

Certification that this requirement is being met must be done in the following manner:

By publishing a statement informing all covered employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the covered workplace, and what actions will be taken against employees in the event of violations of such statement.

By providing **ALL** covered employees with a copy of the above-described statement, including the information that as a condition of employment on the Federal contract or grant, the employee must abide by the terms and conditions of the policy statement.

For Federal contractors this encompasses employees involved in the performance of the contract. For Federal grantees all employees must come under this requirement as the act includes all "direct charge" employees (those whose services are directly & explicitly paid for by grant funds), and "indirect charge" employees (members of grantee's organization who perform support or overhead functions related to the grant and for which the Federal Government pays its share of expenses under the grant program).

Among "indirect charge" employees, those whose impact or involvement is insignificant to the performance of the grant are exempted from coverage. Any other person, who is on the grantee's payroll and works in any activity under the

AGREEMENT C-9-0809
EXHIBIT C

grant, even if not paid from grant funds, is also considered to be an employee. Temporary personnel and consultants who are on the grantee's payroll are covered. Similar workers, who are not on the grantee's payroll, but on the payroll of contractors working for the grantee, are not covered even if physical place of employment is in the grantee's workplace.

By establishing a continuing, drug-free awareness program to inform employees of the dangers of drug abuse; the company's drug-free workplace policy; the penalties for drug abuse violations occurring in the workplace; the availability of any drug counseling, rehabilitation, and/or employee assistance plans offered through the employer.

By requiring each employee directly involved in the work of the contract or grant to notify the employer of any criminal drug statute conviction for a violation occurring in the workplace not less than five (5) calendar days after such conviction.

By notifying the Federal agency with which the employer has the contract or grant of any such conviction within ten (10) days after being notified by an employee or any other person with knowledge of a conviction.

By requiring the imposition of sanctions or remedial measures, including termination, for an employee convicted of a drug abuse violation in the workplace. These sanctions may be participation in a drug rehabilitation program if so stated in the company policy.

By continuing to make a "good-faith" effort to comply with all of the requirements as set forth in the Drug-Free Workplace Act.

All employers covered by the law are subject to suspension of payments, termination of the contract or grant, suspension or debarment if the head of the contracting or granting organization determines that the employer has made any type of false certification to the contracting or grant office, has not fulfilled the requirements of the law, or has excessive drug violation convictions in the workplace. Penalties may also be imposed upon those employing a number of individuals convicted of criminal drug offenses as this demonstrates a lack of good faith effort to provide a drug-free workplace. The contract or grant officer may determine the number on a case-by-case basis. Employers who are debarred are ineligible for other Federal contracts or grants for up to five (5) years. Compliance may be audited by the Federal agency administering the contract or grant.

The Drug-free Workplace Act does not require employers to establish an employee assistance program (EAP) or to implement drug testing as a part of the program.

AGREEMENT C-9-0809
EXHIBIT C

Source: Federal Registers April 11, 1988 & May 25, 1990 & the Federal Acquisition Streamlining Act of 1994 (FASA).



February 8, 2010

To: Members of the Board of Directors
From: Will Kempton, Chief Executive Officer
Subject: Approval to Release Request for Proposals for Construction Management Services for the Placentia Avenue Railroad Grade Separation Project

Overview

Staff has developed a request for proposals to initiate a competitive procurement process to retain a construction management consultant to manage the construction of the Placentia Avenue railroad grade separation project.

Recommendations

- A. Approve the proposed evaluation criteria and weightings for Request for Proposals 9-0924 for selection of consultant services.
- B. Approve the release of Request for Proposals 9-0924 for construction management services for the Placentia Avenue Railroad Grade Separation Project.

Discussion

The Orange County Transportation Authority (Authority) is the lead agency for final design, right-of-way acquisition, and construction of five grade separations along the Orangethorpe railroad corridor. The first project to commence construction is the grade separation at Placentia Avenue. Final design and right-of-way acquisition for this project are expected to be completed by June 2010, with construction beginning in October 2010.

The Authority is seeking a qualified construction management consultant (CMC) to assist in the management of the grade separation construction contractor during the construction phase of the Placentia Avenue railroad grade separation project. The CMC services will include administration of the construction contract, coordination of the activities of the construction

Approval to Release Request for Proposals for Construction Management Services for the Placentia Avenue Railroad Grade Separation Project

Page 3

Fiscal Impact

The Measure M2 funding for construction management services is included in the Authority's Proposed Fiscal Year 2010-11 Budget, Development Division, Account 0017-9085-SO203-PPJ.

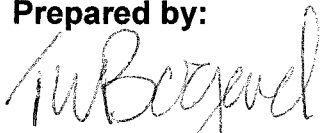
Summary

Board approval is requested to release RFP 9-0924 for professional services to provide construction management services for the Placentia Avenue Railroad Grade Separation Project.

Attachment

- A. Draft Request for Proposals (RFP) No. 9-0924, Construction Management Services for Placentia Grade Separation Project

Prepared by:

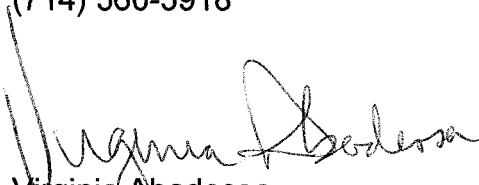


Tom Bogard
Director, Highway Project Delivery
(714) 560-5918

Approved by:



Kia Mortazavi
Executive Director, Development
(714) 560-5741



Virginia Abadessa
Director, Contracts Administration &
Materials Management
(714) 560-5623

DRAFT REQUEST FOR PROPOSALS (RFP) 9-0924

**CONSTRUCTION MANAGEMENT SERVICES FOR THE
PLACENTIA GRADE SEPARATION PROJECT**

IS AVAILABLE ON THE OCTA WEBSITE (www.OCTA.net)

AND AVAILABLE UPON REQUEST

FROM THE CLERK OF THE BOARD'S OFFICE

DRAFT

ATTACHMENT A

REQUEST FOR PROPOSALS (RFP) 9-0924

CONSTRUCTION MANAGEMENT SERVICES FOR PLACENTIA GRADE SEPARATION PROJECT



ORANGE COUNTY TRANSPORTATION AUTHORITY

550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584
(714) 560-6282

Key RFP Dates

Issue Date:	February 8, 2010
Pre-Proposal Conference Date:	February 16, 2010
Question Submittal Date:	February 23, 2010
Proposal Submittal Date:	March 10, 2010
Interview Date:	April 5 & 6, 2010

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February 8, 2010

**SUBJECT: NOTICE OF REQUEST FOR PROPOSALS
RFP 9-0924: CONSTRUCTION MANAGEMENT SERVICES
FOR PLACENTIA GRADE SEPARATION PROJECT**

BOARD OF DIRECTORS

*Peter Buffa
Chairman*

*Jerry Amante
Vice-Chairman*

*Patricia Bates
Director*

*Art Brown
Director*

*Bill Campbell
Director*

*Carolyn V. Cavecche
Director*

*William J. Dalton
Director*

*Richard Dixon
Director*

*Paul G. Glaab
Director*

*Cathy Green
Director*

*Allan Mansoor
Director*

*John Moorlach
Director*

*Janet Nguyen
Director*

*Chris Norby
Director*

*Curt Pringle
Director*

*Miguel Pulido
Director*

*Gregory T. Winterbottom
Director*

*Cindy Quon
Governor's
Ex-Officio Member*

CHIEF EXECUTIVE OFFICE

*Will Kempton
Chief Executive Officer*

Gentlemen/Ladies:

The Orange County Transportation Authority (Authority) invites proposals from qualified consultants to provide professional construction management services for the construction of the grade separation project at Placentia Avenue's intersection with the Burlington Northern Santa Fe (BNSF) railroad tracks.

Required services under this RFP include: inspection, surveying, soils and materials testing and administrative support staff.

The Authority intends to award one contract for this grade separation project.

Proposals must be received in the Orange County Transportation Authority's office at or before 2:00 p.m. on March 10, 2010.

Proposals delivered in person or by means other than the U.S. Postal Service shall be submitted to the following:

**Orange County Transportation Authority
Contracts Administration and Materials Management
600 South Main Street, 4th Floor
Orange, California 92868
Attention: Ms. Reem Hashem, Principal Contract Administrator**

Proposals delivered using the U.S. Postal Service shall be addressed as follows:

**Orange County Transportation Authority
Contracts Administration and Materials Management
P.O. Box 14184
Orange, California 92863-1584
Attention: Ms. Reem Hashem, Principal Contract Administrator**

Proposals, and amendments to proposals, received after the date and time specified above will be returned to the Offerors unopened.

Firms interested in obtaining a copy of this Request for Proposals (RFP) 9-0924 may do so by faxing their request to (714) 560-5792, or e-mail your request to *rfp_ifb_Requests@octa.net* or calling (714) 560-5922. Please include the following information:

- Name of Firm
- Address
- Contact Person
- Telephone and Facsimile Number
- Request For Proposal (RFP) 9-0924

All firms interested in doing business with the Authority are required to register their business on-line at CAMM NET, the Authority's interactive website. The website can be found at *www.octa.net*. From the site menu, click on CAMM NET to register.

To receive all further information regarding this RFP 9-0924, firms must be registered on CAMM NET with at least one of the following commodity codes for this solicitation selected as part of the vendor's on-line registration profile:

Commodities for this solicitation are:

<u>Category(s):</u> Construction	<u>Commodity(s):</u> Construction Management Services Inspection Services
Professional Services	Inspection – Testing & Analysis Land Surveying

A pre-proposal conference will be held on February 16, 2010, at the Authority's Administrative Office, 600 South Main Street, Orange, California, in Conference Room 153/154. All prospective Offerors are encouraged to attend the pre-proposal conference.

Offeror's are asked to submit written statements of technical qualifications and describe in detail their work plan for completing the work specified in the Request for Proposal. **No cost proposal or estimate of work hours is to be included in this phase of the RFP process.**

The Authority has established **April 5 & 6, 2010** as the dates to conduct interviews. All prospective Offeror's will be asked to keep these dates available.

Certain labor categories under this project are subject to prevailing wages as identified in the State of California Labor Code commencing in Section 1770 et.

seq. It is required that all mechanics and laborers employed or working at the site be paid not less than the basic hourly rates of pay and fringe benefits as shown in the current minimum wage schedules. Offerors must use the current wage schedules applicable at the time the work is in progress.

Offerors are encouraged to subcontract with small businesses to the maximum extent possible.

The Offeror will be required to comply with all applicable equal opportunity laws and regulations.

The award of this contract is subject to receipt of state and/or local funds adequate to carry out the provisions of the proposed agreement including the identified Scope of Work.

Sincerely,

Ms. Reem Hashem
Principal Contract Administrator
Contracts Administration and Materials Management (CAMM)

SECTION I
INSTRUCTIONS TO OFFERORS

SECTION I. INSTRUCTIONS TO OFFERORS

A. PRE-PROPOSAL CONFERENCE

A pre-proposal conference will be held on February 16, 2010, at the Authority's Administrative Office, 600 South Main Street, Orange, California, in Conference Room 153/154. All prospective Offerors are strongly encouraged to attend the pre-proposal conference.

B. EXAMINATION OF PROPOSAL DOCUMENTS

By submitting a proposal, Offeror represents that it has thoroughly examined and become familiar with the work required under this RFP and that it is capable of performing quality work to achieve the Authority's objectives.

C. ADDENDA

Any Authority changes to the requirements will be made by written addendum to this RFP. Any written addenda issued pertaining to this RFP shall be incorporated into the terms and conditions of any resulting Agreement. The Authority will not be bound to any modifications to or deviations from the requirements set forth in this RFP as the result of oral instructions. Offeror's shall acknowledge receipt of addenda in their proposals.

D. AUTHORITY CONTACT

All questions and/or contacts with Authority staff regarding this RFP are to be directed to the following Contract Administrator:

Ms. Reem Hashem, Principal Contract Administrator
Contracts Administration and Materials Management Department
600 South Main Street, P.O. Box 14184
Orange, CA 92863-1584
Phone: 714.560.5446, Fax: 714.560.5792, or E-Mail: rhashem@octa.net

E. CLARIFICATIONS

1. Examination of Documents

Should an Offeror require clarifications of this RFP, the Offeror shall notify the Authority in writing in accordance with Section E.2 below. Should it be found that the point in question is not clearly and fully set forth, the Authority will issue a written addendum clarifying the matter, which will be sent to all firms registered on CAMM NET under the commodity codes specified in this RFP.

2. Submitting Requests

- a. All questions, including questions that could not be specifically answered at the pre-proposal conference must be put in writing and must be received by the Authority no later than 5:00 p.m., February 23, 2010.
- b. Requests for clarifications, questions and comments must be clearly labeled, "Written Questions". The Authority is not responsible for failure to respond to a request that has not been labeled as such
- c. Any of the following methods of delivering written questions are acceptable as long as the questions are received no later than the date and time specified above:
 - (1) U.S. Mail: Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.
 - (2) Personal Courier: Contracts Administration and Materials Management Department, 600 South Main Street, 4th Floor, Orange, California.
 - (3) Facsimile: The Authority's fax number is (714) 560-5792.
 - (4) E-Mail: Ms. Reem Hashem, Principal Contract Administrator; e-mail address is: rhashem@octa.net.

3. Authority Responses

Responses from the Authority will be posted on CAMM NET, the Authority's interactive website, no later than **March 2nd, 2010**. Offerors may download responses from CAMM NET at www.octa.net/cammnet, or request responses be sent via U.S. Mail by e-mailing or faxing the request to Ms. Reem Hashem, Principal Contract Administrator.

To receive e-mail notification of Authority responses when they are posted on CAMM NET, firms must be registered on CAMM NET with at least one of the following commodity codes for this solicitation selected as part of the vendor's on-line registration profile:

Commodities for this solicitation are:

<u>Category(s):</u>	<u>Commodity(s):</u>
Construction	Construction Management Services Inspection Services
Professional Consulting Services	Inspection – Testing & Analysis Land Surveying

Inquiries received after 5:00 p.m. on February 23, 2010, will not be responded to.

F. SUBMISSION OF PROPOSALS

1. Date and Time

Proposals must be received in the Orange County Transportation Authority's office at or before 2:00 p.m. on March 10, 2010.

Proposals received after the above specified date and time will be returned to Offerors unopened.

2. Address

Proposals delivered in person or by a means other than the U.S. Postal Service shall be submitted to the following:

**Orange County Transportation Authority
Contracts Administration and Materials Management (CAMM)
600 South Main Street, 4th Floor
Orange, California 92868
Attention: Ms. Reem Hashem, Principal Contract Administrator**

Proposals delivered using the U.S. Postal Services shall be addressed as follows:

**Orange County Transportation Authority
Contracts Administration and Materials Management (CAMM)
P.O. Box 14184
Orange, California 92863-1584
Attention: Ms. Reem Hashem, Principal Contract Administrator**

Firms must obtain a visitor badge from the Receptionist in the lobby of the 600 Building prior to delivering any information to CAMM.

3. Identification of Proposals

Offeror shall submit an **original and six (6) copies** of its proposal in a sealed package, addressed as shown above, bearing the Offeror's name and address and clearly marked as follows:

“RFP 9-0924: CONSTRUCTION MANAGEMENT SERVICES FOR PLACENTIA GRADE SEPARATION PROJECT”

4. Acceptance of Proposals

- a. The Authority reserves the right to accept or reject any and all proposals, or any item or part thereof, or to waive any informalities or irregularities in proposals.
- b. The Authority reserves the right to withdraw or cancel this RFP at any time without prior notice, and the Authority makes no representations that any contract will be awarded to any Offeror responding to this RFP.
- c. The Authority reserves the right to postpone proposal openings for its own convenience.
- d. Proposals received by the Authority are public information and must be made available to any person upon request.
- e. Submitted proposals are not to be copyrighted.

G. PRE-CONTRACTUAL EXPENSES

The Authority shall not, in any event, be liable for any pre-contractual expenses incurred by Offeror in the preparation of its proposal. Offeror shall not include any such expenses as part of its proposal.

Pre-contractual expenses are defined as expenses incurred by Offeror in:

1. Preparing its proposal in response to this RFP;
2. Submitting that proposal to the Authority;
3. Negotiating with the Authority any matter related to this proposal; or
4. Any other expenses incurred by Offeror prior to date of award, if any, of the Agreement.

H. JOINT OFFERS

Where two or more Offerors desire to submit a single proposal in response to this RFP, they should do so on a prime-subcontractor basis rather than as a joint venture. The Authority intends to contract with a single firm and not with multiple firms doing business as a joint venture.

I. TAXES

Offerors' proposals are subject to State and Local sales taxes. However, the Authority is exempt from the payment of Federal Excise and Transportation Taxes.

J. PROTEST PROCEDURES

The Authority has on file a set of written protest procedures applicable to this solicitation that may be obtained by contacting the Contract Administrator responsible for this procurement. Any protests filed by an Offeror in connection with this RFP must be submitted in accordance with the Authority's written procedures.

K. CONTRACT TYPE

It is anticipated that the Agreement resulting from this solicitation, if awarded, will be a time and expense contract specifying negotiated hourly billing rates for proposed categories of personnel, who will be providing the needed professional services in accordance with the Scope of Work included in this RFP as Exhibit A.

L. PREVAILING WAGES

Certain labor categories under this project are subject to prevailing wages as identified in the State of California Labor Code respecting prevailing wages commencing in Section 1770 et. seq. of the California Labor Code. The Proposer to whom a contract for the Work is awarded by the Authority shall comply with the provisions of the California Labor Code, including, without limitation, the obligation to pay the general prevailing rates of wages in the locality in which the Work is to be performed in accordance with, without limitation, Sections 1773.1, 1774, 1775 and 1776 of the California Labor Code and the obligation to comply with Section 1777.5 of the California Labor Code governing employment of apprentices. Copies of the prevailing rates of per diem wages are on file at the Authority's principal office at 550 S. Main St., Orange, CA 92868, and are available to any interested party on request.

M. CONFLICT OF INTEREST

All offerors responding to this request for proposals must avoid organizational conflicts of interest which would restrict full and open competition in this procurement. An organizational conflict of interest means that due to other activities, relationships or contracts, an offeror is unable, or potentially unable to render impartial assistance or advice to the authority; an offeror's objectivity in performing the work identified in the scope of work is or might be otherwise impaired; or an offeror has an unfair competitive advantage. Conflict of interest issues must be fully disclosed in the offeror's proposal.

N. CODE OF CONDUCT

Consultant agrees to comply with the Authority's Code of Conduct as it relates to Third-Party contracts which is hereby referenced and by this reference is incorporated herein. Consultant agrees to include these requirements in all of its subcontracts.

O. PROHIBITION

The following restriction applies to this procurement: the firm, including all subcontractors (at any tier), awarded this contract for construction management services will be ineligible to submit a bid for the construction of this project, or propose for the Construction Project Management Consultant Procurement, either as a prime contractor or as a subcontractor or joint venture partner.

Furthermore, firms who have provided design services (in a Prime or Subconsultant capacity) on this project may not propose for the inspection services portion of the Construction Management Services for this project.

SECTION II
PROPOSAL CONTENT

SECTION II. PROPOSAL CONTENT AND FORMS

A. PROPOSAL FORMAT AND CONTENT

1. Presentation

Proposals shall be typed, with 12 pt font, double spaced and submitted on 8 1/2 x 11" size paper, using a single method of fastening. Charts and schedules may be included in 11" x 17" format. Offers should not include any unnecessarily elaborate or promotional material. Lengthy narrative is discouraged, and presentations should be brief and concise. Proposals should not exceed fifty (50) pages in length, excluding any appendices.

2. Letter of Transmittal

The Letter of Transmittal shall be addressed to Ms. Reem Hashem, Principal Contract Administrator, and must, at a minimum, contain the following:

- a. Identification of Offeror that will have contractual responsibility with the Authority. Identification shall include legal name of company, corporate address, telephone and fax number. Include name, title, address, and telephone number of the contact person identified during period of proposal evaluation.
- b. Identification of all proposed subcontractors including legal name of company, contact persons' name and address, phone and fax numbers and email address. Relationship between Offeror and subcontractors, if applicable.
- c. Acknowledgment of receipt of all RFP addenda, if any.
- d. A statement to the effect that the proposal shall remain valid for a period of not less than 180 days from the date of submittal.
- e. Signature of a person authorized to bind Offeror to the terms of the proposal.
- f. Signed statement attesting that all information submitted with the proposal is true and correct.

3. Technical Proposal

a. Qualifications, Related Experience and References of Offeror

This section of the proposal should establish the ability of Offeror to satisfactorily perform the required work by reasons of: experience

in performing work of the same or similar nature; Demonstrated experience working with local agencies and cities directly involved in this project; strength and stability of the Offeror; staffing capability; work load; record of meeting schedules on similar projects; and supportive client references. Equal weighting will be given to firms for past experience performing work of a similar nature whether with the Authority or elsewhere.

Offeror to:

- (1) Provide a brief profile of the firm, including the types of services offered; the year founded; form of the organization (corporation, partnership, sole proprietorship); number, size and location of offices; number of employees.
- (2) Provide a general description of the firm's financial condition, identify any conditions (e.g., bankruptcy, pending litigation, planned office closures, impending merger) that may impede Offeror's ability to complete the project.
- (3) Describe the firm's experience in performing work of a similar nature to that solicited in this RFP, and highlight the participation in such work by the key personnel proposed for assignment to this project.
- (4) Describe experience in working with the various government agencies that may have jurisdiction over the approval of the work specified in this RFP. Please include specialized experience and professional competence in areas directly related to this RFP.
- (5) Provide a list of past joint work by the Offeror and each subcontractor, if applicable. The list should clearly identify the project and provide a summary of the roles and responsibilities of each party.
- (6) Provide as a minimum of three (3) references should be provided. Furnish the name, title, address, telephone number, and email address of the person(s) at the client organization who is most knowledgeable about the work performed. Offeror may also supply references from other work not cited in this section as related experience.

b. Proposed Staffing and Project Organization

This section of the proposal should establish the method that will be used by the Offeror to manage the project as well as identify key

personnel assigned.

Offeror to:

- (1) Provide education, experience and applicable professional credentials of project staff. Include applicable professional credentials of "key" project staff.
- (2) Furnish brief resumes (not more than two [2] pages each) for the proposed Project Manager and other key personnel.
- (3) Identify key personnel proposed to perform the work in the specified tasks and include major areas of subcontract work. Include the person's name, current location, and proposed position for this project, current assignment, and level of commitment to that assignment, availability for this assignment and how long each person has been with the firm.
- (4) Include a project organization chart that clearly delineates communication/reporting relationships among the project staff, including subconsultants.
- (5) Include a statement that key personnel will be available to the extent proposed for the duration of the project, acknowledging that no person designated as "key" to the project shall be removed or replaced without the prior written concurrence of the Authority.

c. Work Plan

Offeror shall provide a narrative that addresses the Scope of Work and shows Offeror's understanding of Authority's needs and requirements.

Offeror to:

- (1) Describe the approach and work plan for completing the tasks specified in the Scope of Work. The work plan shall be of such detail to demonstrate the Offeror's ability to accomplish the project objectives and overall schedule.
- (2) Outline sequentially the activities that would be undertaken in completing the tasks and specify who in the firm would perform them.
- (3) Furnish a project schedule for each task and subtask in terms of elapsed weeks from the project commencement date.

- (4) Identify methods that Offeror will use to ensure quality control as well as budget and schedule control for the project.
- (5) Identify any special issues or problems that are likely to be encountered during this project and how the Offeror would propose to address them.
- (6) Offeror is encouraged to propose enhancements or procedural or technical innovations to the Scope of Work that do not materially deviate from the objectives or required content of the project.

d. Exceptions/Deviations

State any exceptions to or deviations from the requirements of this RFP, segregating "technical" exceptions from "contractual" exceptions. Where Offeror wishes to propose alternative approaches to meeting the Authority's technical or contractual requirements, these should be thoroughly explained. If no contractual exceptions are noted, Offeror will be deemed to have accepted the contract requirements as set forth in Section IV. Proposed Agreement.

4. Cost and Price Proposal

Offerors are asked to submit only the technical qualifications as requested in this RFP. **No cost proposal or work hours are to be included in this phase of the RFP process.** Upon completion of the initial evaluations and interviews, if conducted, the highest ranked Offeror will be asked to submit a detailed cost proposal and negotiations will commence based on both the cost and technical proposals.

5. Appendices

Information considered by Offeror to be pertinent to this project and which has not been specifically solicited in any of the aforementioned sections may be placed in a separate appendix section. Offerors are cautioned, however, that this does not constitute an invitation to submit large amounts of extraneous materials; appendices should be relevant and brief.

B. FORMS

1. PARTY AND PARTICIPANT DISCLOSURE FORMS – EXHIBIT D

In conformance with the statutory requirements of the State of California Government Code Section 84308, part of the Political Reform Act and Title 2, California Code of Regulations 18438 through 18438.8, regarding

campaign contributions to members of appointed Boards of Directors, Offeror is required to complete and sign the Party and Participant Disclosure forms provided in this RFP and submit as part of the proposal. Offeror is required to submit only **one** copy of the completed forms as part of its proposal and it should be included in only the **original** proposal. The form entitled "Party Disclosure Form" must be completed by the prime consultant and subcontractors. The form entitled "Participant Disclosure Form" must be completed by lobbyists or agents representing the prime consultant in this procurement. Reporting of Campaign Contributions is required up and until the Authority's Board of Directors makes a selection. Therefore, the prime consultant, subcontractors and agents will be required to report all campaign contributions from the date of proposal submittal up and until the Board takes action, which is currently scheduled for April 26, 2010.

2. STATUS OF PAST AND PRESENT CONTRACTS FORM - EXHIBIT E

Offeror is required to complete and sign the form entitled "Status of Past and Present Contracts" provided in this RFP and submit as part of the proposal. Offeror shall list the status of past and present contracts where the firm has either provided services as a prime contractor or a subcontractor during the past five (5) years and the contract has ended or will end in a termination, settlement, or litigation. A separate form must be completed for each contract. Offeror shall provide an accurate name and telephone number for each contract and indicate the term of the contract and the original contract value. If the contract was terminated, Offeror must list the reason for termination. Offeror must identify and state the status of any litigation, claims or settlement agreements related to any of the contracts. Each form must be signed by the Offeror confirming the information that the information provided is true and accurate. Offeror is required to submit **one** copy of the completed form(s) as part of its proposals and it should be included in only the **original** proposal.

SECTION III
EVALUATION AND AWARD

SECTION III. EVALUATION AND AWARD

A. EVALUATION CRITERIA

The Authority will evaluate the offers received based on the following criteria:

1. **Qualifications of the Firm** **25%**
 Technical experience in performing work of a closely similar nature; experience working with public agencies; strength and stability of the firm; strength, stability, experience and technical competence of subcontractors; assessment by client references.

2. **Staffing and Project Organization** **40%**
 Qualifications of project staff, particularly the Project Manager and "key personnel", including their relevant past experience. Key personnel's level of involvement in performing related work cited in "Qualifications of the Firm" section; adequacy of labor commitment; references from past projects; logic of project organization; concurrence in the restrictions on changes in key personnel.

3. **Work Plan** **35 %**
 Depth of Offeror's comprehension of Authority's requirements and overall quality of work plan; logic, clarity and specificity of work plan; appropriateness of labor distribution among the tasks; ability to meet the project deadline; reasonableness of proposed schedule; utility of suggested technical or procedural innovations.

B. EVALUATION PROCEDURE

An evaluation committee will be appointed to review all proposals for this RFP. The evaluation committee is comprised of Authority staff and may include outside personnel. The committee members will evaluate the written proposals. Each member of the evaluation committee will then evaluate each proposal using the criteria identified in Section III to arrive at a "proposal score" for each proposal. Based on the proposal scores, a list of Offeror's within a competitive range will be developed based upon the totals of each committee member's score for each proposal. During the evaluation period, the Authority may interview some or all of the proposing firms. The Authority has established April 5 & 6, 2010 as the dates to conduct interviews. All prospective Offerors will be asked to keep these dates available. No other interview dates will be provided, therefore, if an Offeror is unable to attend the interview on these dates, its proposal may be eliminated from further consideration. The interview may consist of a short presentation by the Offeror after which the evaluation committee will ask questions related to the Offeror's proposal and qualifications.

At the conclusion of the evaluation process, the evaluation committee will rank proposals and will recommend, to the appropriate Board Committee(s), the Offeror(s) with the highest ranking. The Board Committee(s) will review the evaluation committee's recommendation and forward its recommendation to the Board of Directors for final action.

C. AWARD

In conjunction with its action of selecting a firm, the Authority's Board of Directors will authorize staff to request a cost proposal from the selected Offeror and to negotiate a contract price and other terms and conditions. The Board will also grant staff the ability to terminate negotiations with the selected Offeror if no satisfactory agreement can be reached and to begin negotiations with the next highest-ranked Offeror until a satisfactory agreement has been achieved. The selected Offeror may be asked to submit a Best and Final Offer (BAFO). In the BAFO request, the Offeror may be asked to provide additional information, confirm or clarify issues and submit a final cost/price offer. A deadline for submission of the BAFO will be stipulated.

The Authority reserves the right to award its total requirements to one Offeror or to apportion those requirements among several Offerors as the Authority may deem to be in its best interest. In addition, negotiations may or may not be conducted with Offerors; therefore, the proposal submitted should contain Offeror's most favorable terms and conditions, since the selection and award may be made without discussion with any Offeror.

The selected Offeror will be required to submit to an audit of its financial records to confirm its financial stability and the Offeror's accounting system.

D. NOTIFICATION OF AWARD AND DEBRIEFING

Offerors who submit a proposal in response to this RFP shall be notified via CAMNET regarding the Offeror who was awarded the contract. Such notification shall be made within three (3) days of contract award.

Offerors who were not awarded the contract may obtain a debriefing concerning the strengths and weaknesses of their proposal. Unsuccessful Offerors who wish to be debriefed, must request the debriefing in writing or electronic mail and it must be received by the Authority within three (3) days of notification of the award of contract.

SECTION IV
PROPOSED AGREEMENT

1 **PROPOSED AGREEMENT NO. C-9-0924**

2 **BETWEEN**

3 **ORANGE COUNTY TRANSPORTATION AUTHORITY**

4 **AND**

5 _____
6 **THIS AGREEMENT** is effective as of this _____ day of _____, 2010,

7 by and between the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184,
8 Orange, CA 92863-1584, a public corporation of the state of California (hereinafter referred to as
9 "AUTHORITY"), and , , (hereinafter referred to as "CONSULTANT").

10 **WITNESSETH:**

11 **WHEREAS**, AUTHORITY requires assistance from CONSULTANT to provide Construction
12 Management Services for the Placentia Grade Separation Project; and

13 **WHEREAS**, said work cannot be performed by the regular employees of AUTHORITY; and

14 **WHEREAS**, CONSULTANT has represented that it has the requisite personnel and experience,
15 and is capable of performing such services; and

16 **WHEREAS**, CONSULTANT wishes to perform these services;

17 **WHEREAS**, the AUTHORITY's Board of Directors approved this Agreement on _____;

18 **NOW, THEREFORE**, it is mutually understood and agreed by AUTHORITY and CONSULTANT
19 as follows:

20 **ARTICLE 1. COMPLETE AGREEMENT**

21 This Agreement, including all exhibits and documents incorporated herein and made applicable
22 by reference, constitutes the complete and exclusive statement of the terms and conditions of the
23 agreement between AUTHORITY and CONSULTANT and it supersedes all prior representations,
24 understandings and communications. The invalidity in whole or in part of any term or condition of this
25 Agreement shall not affect the validity of other terms or conditions.

26 /

1 AUTHORITY's failure to insist in any one or more instances upon the performance of any terms or
2 conditions of this Agreement shall not be construed as a waiver or relinquishment of AUTHORITY's
3 right to such performance by CONSULTANT or to future performance of such terms or conditions and
4 CONSULTANT obligation in respect thereto shall continue in full force and effect. Changes to any
5 portion of this Agreement shall not be binding upon AUTHORITY except when specifically confirmed in
6 writing by an authorized representative of AUTHORITY by way of a written Amendment to this
7 Agreement and issued in accordance with the provisions of this Agreement.

8 **ARTICLE 2. AUTHORITY DESIGNEE**

9 The Chief Executive Officer of AUTHORITY, or designee, shall have the authority to act for and
10 exercise any of the rights of AUTHORITY as set forth in this Agreement.

11 **ARTICLE 3. SCOPE OF WORK**

12 A. CONSULTANT shall perform the work necessary to complete in a manner satisfactory to
13 AUTHORITY the services set forth in Exhibit A, entitled "Scope of Work," which is attached to and, by
14 this reference, incorporated in and made a part of this Agreement. All services shall be provided at the
15 times and places designated by AUTHORITY.

16 B. CONSULTANT shall provide the personnel listed below to perform the above-specified
17 services, which persons are hereby designated as key personnel under this Agreement.

18 **Names**

Functions

19
20
21
22
23 C. No person named in paragraph B of this Article, or his/her successor approved by
24 AUTHORITY, shall be removed or replaced by CONSULTANT, nor shall his/her agreed-upon function
25 or level of commitment hereunder be changed, without the prior written consent of AUTHORITY.
26 Should the services of any key person become no longer available to CONSULTANT, the resume and

1 qualifications of the proposed replacement shall be submitted to AUTHORITY for approval as soon as
2 possible, but in no event later than seven (7) calendar days prior to the departure of the incumbent key
3 person, unless CONSULTANT is not provided with such notice by the departing employee.
4 AUTHORITY shall respond to CONSULTANT within seven (7) calendar days following receipt of these
5 qualifications concerning acceptance of the candidate for replacement.

6 **ARTICLE 4. TERM OF AGREEMENT**

7 This Agreement shall commence upon the effective date of this Agreement, and shall continue
8 in full force and effect through _____, unless earlier terminated or extended as provided
9 hereunder.

10 **ARTICLE 5. PAYMENT**

11 A. For CONSULTANT's full and complete performance of its obligations under this Agreement
12 and subject to the maximum cumulative payment obligation provision set forth in Article 6, AUTHORITY
13 shall pay CONSULTANT on a Time and Expense basis in accordance with the following provisions.

14 B. For each full hour of labor satisfactorily performed by CONSULTANT's personnel under
15 this Agreement, AUTHORITY shall pay CONSULTANT at the hourly labor rates specified in Exhibit B,
16 entitled "Schedule of Fees," which is attached to and by this reference, incorporated in and made a part
17 of this Agreement. These rates shall remain fixed for the term of this Agreement and are acknowledged
18 to include CONSULTANT's direct labor costs, indirect costs and profit. Furthermore, AUTHORITY shall
19 reimburse CONSULTANT for the exact amount of the expenses shown in Exhibit B, which are directly
20 incurred by its personnel in the performance of work under this Agreement. The AUTHORITY will not
21 reimburse CONSULTANT for local meals or any other expenses not approved in the attached Exhibit B

22 C. CONSULTANT shall invoice AUTHORITY on a monthly basis for payments
23 corresponding to the labor hours expended by CONSULTANT. Work completed shall be
24 documented in a monthly progress report prepared by CONSULTANT, which shall accompany each
25 invoice submitted by CONSULTANT. CONSULTANT shall also furnish such other information as
26 may be requested by AUTHORITY to substantiate the validity of an invoice. At its sole discretion,

1 AUTHORITY may decline to make full payment for any work until such time as CONSULTANT has
2 documented to AUTHORITY's satisfaction, that CONSULTANT has fully completed all work
3 required. AUTHORITY's payment in full for any work completed shall not constitute AUTHORITY's
4 final acceptance of CONSULTANT's work under such task; final acceptance shall occur only when
5 AUTHORITY's release of the retention described in paragraph D.

6 D. As partial security against CONSULTANT's failure to satisfactorily fulfill all of its
7 obligations under this Agreement, AUTHORITY shall retain five percent (5%) of the amount of each
8 invoice submitted for payment by CONSULTANT. All retained funds shall be released by AUTHORITY
9 and shall be paid to CONSULTANT within sixty (60) calendar days of payment of final invoice, unless
10 AUTHORITY elects to audit CONSULTANT's records in accordance with Article 17 of this Agreement.
11 If AUTHORITY elects to audit, retained funds shall be paid to CONSULTANT within thirty (30) calendar
12 days of completion of such audit in an amount reflecting any adjustment required by such audit.
13 CONSULTANT agrees to release subcontractor retention within thirty (30) calendar days after the
14 subconsultants work is satisfactory completed. These prompt payment provisions are required to be
15 incorporated in all subcontract agreements issued by CONSULTANT.

16 E. Invoices shall be submitted by CONSULTANT on a monthly basis and shall be
17 submitted in duplicate to AUTHORITY's Accounts Payable office. Each invoice shall be accompanied
18 by the monthly progress report specified in paragraph C of this Article. AUTHORITY shall remit
19 payment within thirty (30) calendar days of the receipt and approval of each invoice. Each invoice shall
20 include the following information:

- 21 1) Agreement No. C-9-0924;
- 22 2) Specify the labor for which payment is being requested;
- 23 3) The time period covered by the invoice
- 24 4) Labor (staff name, hours charged, hourly billing rate, current charges and
25 cumulative charges) performed during the billing period;
- 26 5) Itemized expenses including support documentation incurred during the billing

1 period;

2 6) Total monthly invoice (including project-to-date cumulative invoice amount)

3 7) Monthly Progress Report;

4 8) Certification signed by the CONSULTANT or his/her designated alternate that

5 i.) The invoice is a true, complete and correct statement of reimbursable costs and progress; ii.) The
6 backup information included with the invoice is true, complete and correct in all material respects; iii.)
7 All payments due and owing to subcontractors and suppliers have been made; iv.) Timely payments
8 will be made to subcontractors and suppliers from the proceeds of the payments covered by the
9 certification and; v.) The invoice does not include any amount which CONSULTANT intends to withhold
10 or retain from a subcontractor or supplier unless so identified on the invoice; and

11 9) Any other information as agreed or requested by AUTHORITY to substantiate
12 the validity of an invoice.

13 E. Invoices shall be submitted by CONSULTANT on a monthly basis and shall be
14 submitted in duplicate to AUTHORITY's Accounts Payable office. Each invoice shall be
15 accompanied by the monthly progress report specified in paragraph C.

16 **ARTICLE 6. MAXIMUM OBLIGATION**

17 Notwithstanding any provisions of this Agreement to the contrary, AUTHORITY and
18 CONSULTANT mutually agree that AUTHORITY's maximum cumulative payment obligation (including
19 obligation for CONSULTANT's profit) shall be _____ Dollars (\$00) which shall include all amounts
20 payable to CONSULTANT for its subcontracts, leases, materials and costs arising from, or due to
21 termination of, this Agreement.

22 **ARTICLE 7. NOTICES**

23 All notices hereunder and communications regarding the interpretation of the terms of this
24 Agreement, or changes thereto, shall be effected by delivery of said notices in person or by depositing
25 said notices in the U.S. mail, registered or certified mail, returned receipt requested, postage prepaid
26 and addressed as follows:

1 To CONSULTANT:

To AUTHORITY:

2 Orange County Transportation Authority

3 550 South Main Street

4 P.O. Box 14184

5 Orange, CA 92863-1584

6 ATTENTION:

ATTENTION: Ms. Reem Hashem

7 Principal Contract Administrator

8 (714) 560 -5446

9 e-mail: rhashem@octa.net

10
11 **ARTICLE 8. INDEPENDENT CONTRACTOR**

12 CONSULTANT's relationship to AUTHORITY in the performance of this Agreement is that of an
13 independent CONTRACTOR. CONSULTANT's personnel performing services under this Agreement
14 shall at all times be under CONSULTANT's exclusive direction and control and shall be employees of
15 CONSULTANT and not employees of AUTHORITY. CONSULTANT shall pay all wages, salaries and
16 other amounts due its employees in connection with this Agreement and shall be responsible for all
17 reports and obligations respecting them, such as social security, income tax withholding, unemployment
18 compensation, workers' compensation and similar matters.

19 **ARTICLE 9. INSURANCE**

20 B. CONSULTANT shall procure and maintain insurance coverage during the entire term of this
21 Agreement. The following coverage shall be full coverage and not subject to self-insurance provision.
22 CONSULTANT shall provide the following insurance coverage:

23 1. Commercial General Liability, to include Products/Completed Operations,
24 Independent CONSULTANTs', Contractual Liability, and Personal Injury with a minimum limit of
25 \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

26 /

1 2. Automobile Liability to include owned, hired and non-owned autos with a combined
2 single limit of \$1,000,000.00 each accident;

3 3. Workers' Compensation with limits as required by the State of California including a
4 waiver of subrogation in favor of AUTHORITY, its officers, directors, employees and agents;

5 4. Employers' Liability with minimum limits of \$1,000,000.00; and

6 5. Professional Liability with minimum limits of \$1,000,000.00 per claim.

7 C. Proof of such coverage, in the form of an insurance company issued policy endorsement
8 and a broker-issued insurance certificate, must be received by AUTHORITY prior to commencement of
9 any work. Proof of insurance coverage must be received by AUTHORITY within ten (10) calendar days
10 from the effective date of this Agreement with AUTHORITY, its officers, directors, employees and
11 agents designated as additional insured on the general and automobile liability. Such insurance shall
12 be primary and non-contributive to any insurance or self-insurance maintained by AUTHORITY.
13 Furthermore, AUTHORITY reserves the right to request certified copies of all related insurance policies.

14 D. CONSULTANT shall include on the face of the certificate of Insurance the Agreement
15 Number C-9-0924; and, the Contract Administrator's Name, Reem Hashem, Principal Contract
16 Administrator.

17 E. CONSULTANT shall also include in each subcontract agreement the stipulation that
18 subcontractors shall maintain insurance coverage in the amounts required from CONSULTANT as
19 provided in this Agreement.

20 **ARTICLE 10. ORDER OF PRECEDENCE**

21 Conflicting provisions hereof, if any, shall prevail in the following descending order of
22 precedence: (1) the provisions of this Agreement, including all exhibits; (2) the provisions of RFP 9-
23 0924; (3) CONSULTANT's technical proposal dated, CONSULTANT's cost proposal dated, and (4) all
24 other documents, if any, cited herein or incorporated by reference.

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26 /

1 **ARTICLE 11. CHANGES**

2 By written notice or order, AUTHORITY may, from time to time, order work suspension and/or
3 make changes in the general scope of this Agreement, including, but not limited to, the services
4 furnished to AUTHORITY by CONSULTANT as described in the Scope of Work. If any such work
5 suspension or change causes an increase or decrease in the price of this Agreement or in the time
6 required for its performance, CONSULTANT shall promptly notify AUTHORITY thereof and assert its
7 claim for adjustment within ten (10) days after the change or work suspension is ordered, and an
8 equitable adjustment shall be negotiated. However, nothing in this clause shall excuse CONSULTANT
9 from proceeding immediately with the Agreement as changed.

10 **ARTICLE 12. DISPUTES**

11 A. Except as otherwise provided in this Agreement, any dispute concerning a question of
12 fact arising under this Agreement which is not disposed of by supplemental agreement shall be decided
13 by AUTHORITY's Director, Contracts Administration and Materials Management (CAMM), who shall
14 reduce the decision to writing and mail or otherwise furnish a copy thereof to CONSULTANT. The
15 decision of the Director, CAMM, shall be final and conclusive.

16 B. The provisions of this Article shall not be pleaded in any suit involving a question of fact
17 arising under this Agreement as limiting judicial review of any such decision to cases where fraud by
18 such official or his representative or board is alleged, provided, however, that any such decision shall
19 be final and conclusive unless the same is fraudulent or capricious or arbitrary or so grossly erroneous
20 as necessarily to imply bad faith or is not supported by substantial evidence. In connection with any
21 appeal proceeding under this Article, CONSULTANT shall be afforded an opportunity to be heard and
22 to offer evidence in support of its appeal.

23 C. Pending final decision of a dispute hereunder, CONSULTANT shall proceed diligently
24 with the performance of this Agreement and in accordance with the decision of AUTHORITY's Director,
25 CAMM. This "Disputes" clause does not preclude consideration of questions of law in connection with
26 decisions provided for above. Nothing in this Agreement, however, shall be construed as making final

1 the decision of any AUTHORITY official or representative on a question of law, which questions shall be
2 settled in accordance with the laws of the state of California.

3 **ARTICLE 13. TERMINATION**

4 A. AUTHORITY may terminate this Agreement for its convenience any time, in whole or
5 part, by giving CONSULTANT written notice thereof. Upon said notice, AUTHORITY shall pay
6 CONSULTANT its allowable costs incurred to date of termination and those allowable costs determined
7 by AUTHORITY to be reasonably necessary to effect such termination. Thereafter, CONSULTANT
8 shall have no further claims against AUTHORITY under this Agreement.

9 B. AUTHORITY may terminate this Agreement for CONSULTANT's default if a federal or
10 state proceeding for the relief of debtors is undertaken by or against CONSULTANT, or if
11 CONSULTANT makes an assignment for the benefit of creditors, or if CONSULTANT breaches any
12 terms or violates any provisions of this Agreement and does not cure such breach or violation within ten
13 (10) calendar days after written notice thereof by AUTHORITY. CONSULTANT shall be liable for all
14 reasonable costs incurred by AUTHORITY as a result of such default, including but not limited to,
15 procurement costs of the same or similar services that were to be provided by CONSULTANT under
16 this Agreement.

17 **ARTICLE 14. INDEMNIFICATION**

18 CONSULTANT shall indemnify, defend and hold harmless AUTHORITY, its officers, directors,
19 employees and agents from and against any and all claims (including attorneys' fees and reasonable
20 expenses for litigation or settlement) for any loss or damages, bodily injuries, including death, damage
21 to or loss of use of property caused by the negligent acts, omissions or willful misconduct by
22 CONSULTANT, its officers, directors, employees, agents, subcontractors or suppliers in connection
23 with or arising out of the performance of this Agreement.

24 **ARTICLE 15. ASSIGNMENTS AND SUBCONTRACTS**

25 A. Neither this Agreement nor any interest herein nor claim hereunder may be assigned by
26 CONSULTANT either voluntarily or by operation of law, nor may all or any part of this Agreement be

1 subcontracted by CONSULTANT, without the prior written consent of AUTHORITY. Consent by
2 AUTHORITY shall not be deemed to relieve CONSULTANT of its obligations to comply fully with all
3 terms and conditions of this Agreement.

4 B. AUTHORITY hereby consents to CONSULTANT's subcontracting of portions of the
5 Scope of Work to the parties identified below for the functions described in CONSULTANT's proposal.
6 CONSULTANT shall include in the subcontract agreement the stipulation that CONSULTANT, not
7 AUTHORITY, is solely responsible for payment to the subcontractor for the amounts owing and that the
8 subcontractor shall have no claim, and shall take no action, against AUTHORITY, its officers, directors,
9 employees or sureties for nonpayment by CONSULTANT.

<u>Subcontractor Name/Address</u>	<u>Subcontractor Amounts</u>
1.	
2.	

14 **ARTICLE 16. AUDIT AND INSPECTION OF RECORDS**

15 CONSULTANT shall provide AUTHORITY, or other agents of AUTHORITY, such access to
16 CONSULTANT's accounting books, records, work data, documents and facilities, as AUTHORITY
17 deems necessary. CONSULTANT shall maintain such books, records, data and documents in
18 accordance with generally accepted accounting principles and shall clearly identify and make such
19 items readily accessible to such parties during CONSULTANT's performance hereunder and for a
20 period of four (4) years from the date of final payment by AUTHORITY. AUTHORITY's right to audit
21 books and records directly related to this Agreement shall also extend to all first-tier subcontractors
22 identified in Article 16 of this Agreement. CONSULTANT shall permit any of the foregoing parties to
23 reproduce documents by any means whatsoever or to copy excerpts and transcriptions as reasonably
24 necessary.

25 **ARTICLE 17. CONFLICT OF INTEREST**

26 CONSULTANT agrees to avoid organizational conflicts of interest. An organizational conflict of

1 interest means that due to other activities, relationships or contracts, the CONSULTANT is unable, or
2 potentially unable to render impartial assistance or advice to the Authority; CONSULTANT's objectivity
3 in performing the work identified in the Scope of Work is or might be otherwise impaired; or the
4 CONSULTANT has an unfair competitive advantage. CONSULTANT is obligated to fully disclose to
5 the AUTHORITY in writing Conflict of Interest issues as soon as they are known to the CONSULTANT.
6 CONSULTANT is obligated to fully disclose to the AUTHORITY in writing Conflict of Interest issues as
7 soon as they are known to the CONSULTANT. All disclosures must be submitted in writing to
8 AUTHORITY pursuant to the Notice provision herein. This disclosure requirement is for the entire term
9 of this Agreement.

10 **ARTICLE 18. REQUIREMENTS FOR REGISTRATION OF DESIGNERS**

11 All design and engineering work furnished by CONSULTANT shall be performed by or under
12 the supervision of persons licensed to practice surveying, engineering or architecture (as applicable) in
13 the state of California, by personnel who are careful, skilled, experienced and competent in their
14 respective trades or professions, who are professionally qualified to perform the work in accordance
15 with the contract documents and who shall assume professional responsibility for the accuracy and
16 completeness of the design and construction documents prepared or checked by them.

17 **ARTICLE 19. FEDERAL, STATE AND LOCAL LAWS**

18 CONSULTANT warrants that in the performance of this Agreement, it shall comply with all
19 applicable federal, state and local laws, statutes and ordinances and all lawful orders, rules and
20 regulations promulgated thereunder.

21 **ARTICLE 20. EQUAL EMPLOYMENT OPPORTUNITY**

22 In connection with its performance under this Agreement, CONSULTANT shall not discriminate
23 against any employee or applicant for employment because of race, religion, color, sex, age or national
24 origin. CONSULTANT shall take affirmative action to ensure that applicants are employed, and that
25 employees are treated during their employment, without regard to their race, religion, color, sex, age or
26 national origin. Such actions shall include, but not be limited to, the following: employment, upgrading,

1 demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other
2 forms of compensation; and selection for training, including apprenticeship.

3 **ARTICLE 21. PROHIBITED INTERESTS**

4 CONSULTANT covenants that, for the term of this Agreement, no director, member, officer or
5 employee of AUTHORITY during his/her tenure in office/employment or for one (1) year thereafter shall
6 have any interest, direct or indirect, in this Agreement or the proceeds thereof.

7 **ARTICLE 22. OWNERSHIP OF REPORTS AND DOCUMENTS**

8 A. The originals of all letters, documents, reports and other products and data produced
9 under this Agreement shall be delivered to, and become the property of AUTHORITY. Copies may be
10 made for CONSULTANT's records but shall not be furnished to others without written authorization from
11 AUTHORITY. Such deliverables shall be deemed works made for hire and all rights in copyright therein
12 shall be retained by AUTHORITY.

13 B. All ideas, memoranda, specifications, plans, manufacturing, procedures, drawings,
14 descriptions, and all other written information submitted to CONSULTANT in connection with the
15 performance of this Agreement shall not, without prior written approval of AUTHORITY, be used for any
16 purposes other than the performance for this project, nor be disclosed to an entity not connected with
17 the performance of the project. CONSULTANT shall comply with AUTHORITY's policies regarding such
18 material. Nothing furnished to CONSULTANT, which is otherwise known to CONSULTANT or becomes
19 generally known to the related industry shall be deemed confidential. CONSULTANT shall not use
20 AUTHORITY's name, photographs of the project, or any other publicity pertaining to the project in any
21 professional publication, magazine, trade paper, newspaper, seminar or other medium without the
22 express written consent of AUTHORITY.

23 C. No copies, sketches, computer graphics or graphs, including graphic art work, are to be
24 released by CONSULTANT to any other person or agency except after prior written approval by
25 AUTHORITY, except as necessary for the performance of services under this Agreement. All press
26 releases, including graphic display information to be published in newspapers, magazines, etc., are to

1 be handled only by AUTHORITY unless otherwise agreed to by CONSULTANT and AUTHORITY.

2 **ARTICLE 23. PATENT AND COPYRIGHT INFRINGEMENT**

3 A. In lieu of any other warranty by AUTHORITY or CONSULTANT against patent or
4 copyright infringement, statutory or otherwise, it is agreed that CONSULTANT shall defend at its
5 expense any claim or suit against AUTHORITY on account of any allegation that any item furnished
6 under this Agreement or the normal use or sale thereof arising out of the performance of this
7 Agreement, infringes upon any presently existing U. S. letters patent or copyright and CONSULTANT
8 shall pay all costs and damages finally awarded in any such suit or claim, provided that CONSULTANT
9 is promptly notified in writing of the suit or claim and given authority, information and assistance at
10 CONSULTANT's expense for the defense of same. However, CONSULTANT will not indemnify
11 AUTHORITY if the suit or claim results from: (1) AUTHORITY's alteration of a deliverable, such that
12 said deliverable in its altered form infringes upon any presently existing U.S. letters patent or copyright;
13 or (2) the use of a deliverable in combination with other material not provided by CONSULTANT when
14 such use in combination infringes upon an existing U.S. letters patent or copyright.

15 B. CONSULTANT shall have sole control of the defense of any such claim or suit and all
16 negotiations for settlement thereof. CONSULTANT shall not be obligated to indemnify AUTHORITY
17 under any settlement made without CONSULTANT's consent or in the event AUTHORITY fails to
18 cooperate fully in the defense of any suit or claim, provided, however, that said defense shall be at
19 CONSULTANT's expense. If the use or sale of said item is enjoined as a result of such suit or claim,
20 CONSULTANT, at no expense to AUTHORITY, shall obtain for AUTHORITY the right to use and sell
21 said item, or shall substitute an equivalent item acceptable to AUTHORITY and extend this patent and
22 copyright indemnity thereto.

23 **ARTICLE 24. FINISHED AND PRELIMINARY DATA**

24 A. All of CONSULTANT's finished technical data, including but not limited to illustrations,
25 photographs, tapes, software, software design documents, including without limitation source code,
26 binary code, all media, technical documentation and user documentation, photoprints and other graphic

1 information required to be furnished under this Agreement, shall be AUTHORITY's property upon
2 payment and shall be furnished with unlimited rights and, as such, shall be free from proprietary
3 restriction except as elsewhere authorized in this Agreement. CONSULTANT further agrees that it
4 shall have no interest or claim to such finished, AUTHORITY-owned, technical data; furthermore, said
5 data is subject to the provisions of the Freedom of Information Act, 5 USC 552.

6 B. It is expressly understood that any title to preliminary technical data is not passed to
7 AUTHORITY but is retained by CONSULTANT. Preliminary data includes roughs, visualizations,
8 software design documents, layouts and comprehensives prepared by CONSULTANT solely for the
9 purpose of demonstrating an idea or message for AUTHORITY's acceptance before approval is given
10 for preparation of finished artwork. Preliminary data title and right thereto shall be made available to
11 AUTHORITY if CONSULTANT causes AUTHORITY to exercise Article 17, and a price shall be
12 negotiated for all preliminary data.

13 **ARTICLE 25. GENERAL WAGE RATES**

14 A. All laborers and mechanics employed by CONSULTANT or subcontractor at any tier
15 working on the construction site, will be paid unconditionally and not less often than once a week and
16 without any subsequent deduction or rebate on any account (except such payroll deductions as are
17 permitted or required by federal, state or local law, regulation or ordinance), the full amounts due at the
18 time of payment computed at wage rates and per diem rate not less than the aggregate of the highest
19 of the two basic hourly rates and rates of payments, contributions or costs for any fringe benefits
20 contained in the current general prevailing wage rate(s) and per diem rate(s), established by the
21 Director of the Department of Industrial Relations of the state of California, (as set forth in the Labor
22 Code of the state of California, commencing at Section 1770 et. seq.), or as established by the
23 Secretary of Labor (as set forth in Davis-Bacon Act, 40 U.S.C. 267a, et. seq.), regardless of any
24 contractual relationship which may be alleged to exist between CONSULTANT or subcontractor and
25 their respective mechanics, laborers, journeypersons, workpersons, craftspersons or apprentices.
26 Copies of the current General Prevailing Wage Determinations and Per Diem Rates are on file at

1 AUTHORITY's offices and will be made available to CONSULTANT upon request. CONSULTANT
2 shall post a copy thereof at each job site at which work hereunder is performed.

3 B. In addition to the foregoing, CONSULTANT agrees to comply with all other provisions of
4 the Labor Code of the state of California, the Federal Contract Work Hours and Safety Standards Act,
5 (40 U.S.C. 327-333), and the Copeland regulations of the Secretary of Labor (29 CFR 3), which are
6 incorporated herein by reference, pertaining to workers performing work hereunder including, but not
7 limited to, those provisions for work hours, payroll records and apprenticeship employment and
8 regulation program. CONSULTANT agrees to insert or cause to be inserted the preceding clause in all
9 subcontracts, which provide for workers to perform work hereunder regardless of the subcontractor tier.

10 **ARTICLE 26. ALCOHOL AND DRUG POLICY**

11 A. CONSULTANT agrees to establish and implement an alcohol and drug program that
12 complies with 41 U.S.C sections 701-707, (the Drug Free Workplace Act of 1988), which is attached to
13 this Agreement as EXHIBIT C, and produce any documentation necessary to establish its compliance
14 with sections 701-707.

15 B. Failure to comply with this Article may result in nonpayment or termination of this
16 Agreement.

17 **ARTICLE 27. FORCE MAJEURE**

18 Either party shall be excused from performing its obligations under this Agreement during the
19 time and to the extent that it is prevented from performing by an unforeseeable cause beyond its
20 control, including but not limited to: any incidence of fire, flood; acts of God; commandeering of material,
21 products, plants or facilities by the federal, state or local government; national fuel shortage; or a
22 material act or omission by the other party; when satisfactory evidence of such cause is presented to
23 the other party, and provided further that such nonperformance is unforeseeable, beyond the control
24 and is not due to the fault or negligence of the party not performing.

25 /

26 /

1 **ARTICLE 28. PRIVACY ACT**

2 CONSULTANT shall comply with, and assures the compliance of its employees with, the
3 information restrictions and other applicable requirements of the Privacy Act of 1974, 5
4 U.S.C. §552a. Among other things, CONSULTANT agrees to obtain the express consent of the
5 Federal Government before the CONSULTANT or its employees operate a system of records on
6 behalf of the Federal Government. CONSULTANT understands that the requirements of the Privacy
7 Act, including the civil and criminal penalties for violation of that Act, apply to those individuals
8 involved, and that failure to comply with the terms of the Privacy Act may result in termination of the
9 underlying Agreement.

10 **ARTICLE 29. CODE OF CONDUCT**

11 CONSULTANT agrees to comply with the AUTHORITY's Code of Conduct as it relates to Third-
12 Party contracts which is hereby referenced and by this reference is incorporated herein. CONSULTANT
13 agrees to include these requirements in all of its subcontracts.

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This Agreement shall be made effective upon execution by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. C-9-0924 to be executed on the date first above written.

CONSULTANT

ORANGE COUNTY TRANSPORTATION AUTHORITY

By _____

By _____

Will Kempton
Chief Executive Officer

APPROVED AS TO FORM:

By _____

Kennard R. Smart, Jr.
General Counsel

APPROVED:

By _____

Kia Mortazavi
Executive Director, Development

Date _____

SECTION V
SCOPE OF WORK

SCOPE OF WORK
CONSTRUCTION MANAGEMENT SERVICES
FOR
PLACENTIA AVENUE GRADE SEPARATION PROJECT
(ORANGE COUNTY TRANSPORTATION AUTHORITY)

1.0 GENERAL DESCRIPTION OF SERVICES

The Orange County Transportation Authority (AUTHORITY) is responsible for managing multiple Grade Separation projects to separate vehicular traffic from rail traffic to alleviate the current and potential traffic impacts and enhance safety at existing at-grade rail crossings at several intersections within the county (PROGRAM).

The AUTHORITY'S management of these projects includes oversight of environmental clearance, engineering, right of way acquisition, and construction management and administration of the construction contracts. The projects include those funded by Renewed Measure M, the half-cent sales tax program, and state and federal funding sources. The AUTHORITY is obligated to deliver these projects using the funds available and in a timely manner. The CONSTRUCTION MANAGEMENT CONSULTANT (CONSULTANT) shall assist the AUTHORITY in this challenge by providing staff assistance and technical expertise to manage the construction phase of the Placentia Avenue Grade Separation Project (PROJECT). Authority under a separate Invitation for Bid (IFB) shall solicit assistance of a Contractor for the purpose of performing construction services for PROJECT.

1.1 Description of the Placentia Avenue Grade Separation Project

The Placentia Avenue undercrossing will be constructed approximately between Crowther Avenue and Fender Avenue, in the cities of Placentia and Fullerton (CITIES). A railroad bridge to accommodate two existing Burlington Northern Santa Fe (BNSF) railroad tracks and a future third track will be built, while Placentia Avenue will be depressed. Construction of bypass tracks or shoofly and a temporary four-lane roadway to reroute traffic, are necessary to construct this project. Improvements to adjoining streets and commercial driveways are also part of the project. A pump station will be located on the northeastern side of Placentia Avenue/BNSF corridor to drain water accumulating during heavy rains. Placentia Avenue is planned to remain open during construction and two lanes of traffic would be in operation in both directions during construction. Traffic will be diverted onto the temporary roadway to the east of the current route.

A copy of the current set of Plans and Specifications for the PROJECT are available for review upon request.

1.2 Construction Management Approach

The CONSULTANT shall assist the AUTHORITY by providing staff assistance and technical expertise to manage and administer the construction phase of PROJECT. The AUTHORITY intends to retain the services of one construction management consultant for each of the Grade Separation projects under the PROGRAM with separate agreements; one for each project.

The CONSULTANT services included in this scope of work is for the Placentia Avenue grade separation project only. The CONSULTANT services shall generally include, but are not limited to, administration of the construction contract, coordination of the activities of the contractor with the services of the project design engineer, performance of quality assurance inspections and management of independent quality assurance testing, preparation of daily construction activity reports, performance of control point and bench mark surveying, communications between the contractor and all other project participants, processing, collecting and maintaining of project communications and records, reviewing and recommending of contractor progress payments, processing of change order requests, implementing and processing change orders, and processing claims.

CONSULTANT, under this solicitation and Consulting Services Agreement shall function as an agent of AUTHORITY by providing specialized construction management expertise as required to effectively manage the construction PROJECT and administer the Construction Contract.

2.0 SPECIFIC SCOPE OF SERVICES

2.1 General Requirements

2.1-1 The number of project personnel and duration of the assignments will vary depending on the needs of the project. The final number of personnel and exact duration of assignment will be determined by AUTHORITY. CONSULTANT personnel shall be available within two (2) weeks from written notification by AUTHORITY, and up to a maximum of three (3) months after AUTHORITY's acceptance of the construction project.

2.1-2 As primary administrator of the construction contract, the CONSULTANT shall endeavor to insure that the contractor meet all requirements under the terms of the agreement between the contractor and the AUTHORITY. CONSULTANT shall notify the AUTHORITY promptly of any contractor deviations from the contract requirements and make recommendations for action by the AUTHORITY.

2.1-3 CONSULTANT shall assist AUTHORITY in verifying the Contractor's compliance with the safety provisions and the accident and injury prevention provisions of the construction contract.

2.1-4 CONSULTANT shall monitor the Contractor's traffic control measures and practices and work to cause any deficiencies to be remedied promptly by the contractor.

2.1-5 All services required hereunder shall be performed in accordance with latest CITIES, BNSF, and other applicable regulations, policies, procedures, manuals and standards. Those documents shall be made available upon request.

2.1-6 CONSULTANT shall furnish a Project Manager to coordinate the CONSULTANT's staffing and operations with those of the AUTHORITY and the AUTHORITY's other consultants. The Project Manager shall be responsible for all matters related to the CONSULTANT's personnel and operations. CONSULTANT's Project Manager shall be accessible to AUTHORITY at all times during AUTHORITY's normal working hours.

2.1-7 Under the direction of AUTHORITY, the CONSULTANT's Project Manager will assume the following functional responsibilities:

- a) Review, monitor, train, and provide general direction for CONSULTANT's personnel.
- b) Assign personnel to the PROJECT on an as-needed basis and as approved by the AUTHORITY.
- c) Administer personnel leave, subject to approval of the AUTHORITY.
- d) Prepare monthly reports for delivery to AUTHORITY.

2.1-8 CONSULTANT shall provide project management services to control and manage work of the CONSULTANT. CONSULTANT shall perform the following administrative activities related to the work of the CONSULTANT:

- a) Prepare, circulate and file correspondence and memos as appropriate.
- b) At the end of each month, the CONSULTANT shall report the progress of the work by the CONSULTANT. Progress shall be based on actual work accomplished compared to estimated progress toward completion. Progress payments will be based upon actual time and expenses incurred.
- c) The CONSULTANT shall submit one copy of a monthly Progress Report to the AUTHORITY Project Manager consisting of a written narrative and an updated progress and expenditure curve. This report shall be received no later than the tenth (10th) calendar day of the month. The narrative portion of the monthly Progress Report shall describe overall progress of the work, discuss significant problems and present proposed corrective action and show the status of major changes.

2.1-9 To ensure an understanding of contract objectives, meetings between AUTHORITY and the CONSULTANT will be held as often as deemed necessary. All work objectives, the work schedules, the terms of the contract, and any other related issues, will be discussed and any problems will be resolved promptly by the CONSULTANT.

2.1-10 AUTHORITY will designate a Project Manager to administer the CONSULTANT Agreement and provide general direction to the CONSULTANT.

2.1-11 Detailed resumes of CONSULTANT personnel must be submitted to AUTHORITY for review and approval prior to assignment to the PROJECT. AUTHORITY and CONSULTANT will have the responsibility of determining the quality and quantity of work performed by the CONSULTANT's personnel. If, at any time, the

level of performance is below expectations, AUTHORITY shall have the right to request removal of any project personnel. AUTHORITY may request another person be assigned as needed.

2.1-12 If a CONSULTANT's employee is on a leave of absence, the CONSULTANT's Project Manager shall propose and provide an equally-qualified replacement employee until the assigned employee returns to work. The replacement employee shall meet all the requirements of a permanently assigned employee.

2.1-13 The typical workday includes all hours worked by the AUTHORITY's construction contractor, normally 40 hours per week. If ordered by the AUTHORITY, overtime for the CONSULTANT's employees may be required. The Construction Contractor's operations may be restricted to specific hours during the week, which shall become the normal workday for CONSULTANT's personnel. On days when work is not performed by the Construction Contractor, such as weather days, suspension of work, holidays, etc., CONSULTANT services shall not be provided unless authorized by the AUTHORITY. The AUTHORITY will provide eight (8) hours advance notice if CONSULTANT services are not required.

2.1-14 All personnel shall be knowledgeable of, and comply with, all applicable local, and federal regulations; cooperate and consult with AUTHORITY officials during the course of the contract; and perform other duties as may be required to assure that the construction is being performed in accordance with the contract documents and project plans and specifications.

2.1-15 CONSULTANT shall keep detailed project records and document the work of the PROJECT as directed by the AUTHORITY.

2.1-16 AUTHORITY shall decide all questions which may arise as to the quality or acceptability of deliverables furnished and work performed by CONSULTANT.

2.1-17 CONSULTANT shall furnish a representative to perform the usual functions of the Resident Engineer, as the AUTHORITY's authorized representative, who will act on behalf of the AUTHORITY within the limits authorized in writing by the AUTHORITY.

2.1-18 AUTHORITY will provide CONSULTANT with the following:

- a) Approved project plans, Technical specifications, and general and special conditions for the PROJECT.
- b) AUTHORITY manuals, standard forms and other policies and procedures to be followed by CONSULTANT's personnel in the performance of the work. Manuals and standards furnished by AUTHORITY are for CONSULTANT's use only and shall be returned at the end of the contract period or when no longer needed.
- c) Appropriate soils and materials testing quality assurance forms for inspections and the tracking and monitoring test data in accordance with the AUTHORITY's Quality Assurance Program.

2.2 Construction Management Services

2.2-1 The CONSULTANT, acting as an agent of AUTHORITY, shall provide administrative, management and related services as required to plan, monitor, coordinate and execute activities of the AUTHORITY, the Design Engineer, the Contractor, the BNSF Railroad, utility companies, local agencies, AUTHORITY's other consultants, and AUTHORITY's vendors with each other and with the activities and responsibilities of the CONSULTANT, the AUTHORITY, and the Design Engineer to complete the PROJECT in accordance with AUTHORITY's objectives for cost, time and quality. The CONSULTANT shall provide sufficient organization, personnel and management to carry out the requirements of the AUTHORITY.

2.2-2 Budget and Cost Control. Provide monthly monitoring of the approved PROJECT Budget and PROJECT Costs, showing actual costs for activities in progress and estimates for uncompleted tasks. Identify variances between actual and budgeted or estimated costs, and immediately advise AUTHORITY whenever projected costs exceed budgets or estimates, with recommend corrective action.

2.2-3 Cost Accounting. Maintain cost accounting records on authorized PROJECT Work performed under unit costs, additional PROJECT Work performed on the basis of actual costs of labor and materials, or other PROJECT Work requiring accounting records.

2.2-4 Project Work Changes. Recommend necessary or desirable PROJECT changes to the AUTHORITY, review requests for changes by the AUTHORITY and project stakeholders and prepare change cost estimates, if necessary. Determine that changes are reasonable and appropriate, submit recommendations to the AUTHORITY, and process proposed and actual PROJECT changes in accordance with agreed procedures.

2.2-5 Administration of Construction Contract. The CONSULTANT in cooperation with the Design Engineer, shall provide administration of the Contract for Construction as set forth herein and in the Construction Contract Documents, which include the Plans, the General and Special Conditions, and the Technical Specifications.

2.2-6 Contractor Applications for Payment. Develop and implement procedures for the review and processing of applications for payment by the Contractor, AUTHORITY's vendors and AUTHORITY's other service providers for progress and final payments. Certify Applications for Payment by the Contractor, AUTHORITY's vendors and AUTHORITY's other service providers in accordance with the Contract Documents and agreed procedures. Advise AUTHORITY of known incomplete or unsatisfactory items of Work and obtain from the Contractor, AUTHORITY's vendors or AUTHORITY's other service providers a schedule for correcting or completing such Work. With each Contractor's, AUTHORITY's vendor's or AUTHORITY's other service provider's progress payment request or invoice, the CONSULTANT's Resident Engineer shall certify in writing that:

"Based on the Resident Engineer's observations at the site of the Project and on the data comprising the Application for Payment or Invoice, the Resident Engineer hereby certifies that the Work has progressed to the point indicated and that, to the best of the Resident Engineer's knowledge, information and belief, the quality of the Work is in accordance with the Contract Documents. The foregoing

representations are subject to minor deviations from the Contract Documents correctable prior to completion and to specific qualifications expressed by the Resident Engineer."

2.2-7 Certificate for Payment by the Resident Engineer. The issuance of a Certificate for Payment by the Resident Engineer shall further constitute a representation that the Contractor, AUTHORITY's vendor or AUTHORITY's other service provider is entitled to payment in the amount certified. However, the issuance of a Certificate for Payment shall not be a representation that the CONSULTANT has (1) reviewed construction means, methods, techniques, sequences or procedures, (2) ascertained how or for what purpose the Contractor has used money previously paid on account of the Contract Sum, or (3) reviewed copies of requisitions received from subcontractors and material suppliers to substantiate the Contractor's right to payment.

2.2-8 Insurance Requirements. Receive and review bonds and certificates of insurance from the Contractor, AUTHORITY's vendors and AUTHORITY's other service providers for compliance with their Contract and forward them to AUTHORITY. Notwithstanding the review of certificates of insurance by the CONSULTANT, the Contractor, AUTHORITY's vendors and AUTHORITY's other service providers shall remain solely liable for providing insurance in accordance with the provisions of their Contract. On behalf of the AUTHORITY, notify the AUTHORITY's vendors and AUTHORITY's other service providers or Contractor of the expiration of insurance or increases in bond values due to change order additions. CONSULTANT shall not recommend progress payments unless insurance and bonds are in full force and effect.

2.2-9 Change Orders to Construction Contract. Monitor and manage the initiation, preparation, review and justification for Change Orders to the Contracts for Work. Suggest any improvements to the process considered appropriate. Recommend appropriate division of proposed Change Order Work among the Contractor and AUTHORITY's vendors and AUTHORITY's other service providers. The CONSULTANT shall recommend to AUTHORITY PROJECT Change Orders judged by the CONSULTANT to be desirable, or necessary; review all cost estimates prepared by the Design Engineer; prepare independent cost estimates, as necessary; evaluate Contractor requests for Change Orders and express a written opinion about the Contractor's entitlement to compensation and the reasonableness of the amount requested. Conduct negotiations with the Contractor and advise AUTHORITY of the acceptability of the Contractor's proposed adjustment to the Contract Time or Contract Sum for Change Orders. Prepare and submit for the AUTHORITY's approval the Change Order documents and supporting data.

2.2-10 Project Cost Reduction Proposals. Monitor and aggressively manage the initiation, preparation, review and justification for PROJECT cost reduction proposals submitted by the Contractor, Design Engineer, AUTHORITY, or other project participants to affect the most desirable benefit to the PROJECT. The CONSULTANT shall recommend to AUTHORITY cost reduction ideas judged by the CONSULTANT to be desirable, or necessary; review all estimates prepared by the Design Engineer and, if appropriate, suggest revisions; prepare independent cost reduction cost estimates, as necessary; evaluate Contractor cost reduction proposals and express a written opinion about the proposed adjustment to the Contract Sum or Contract Time. Conduct negotiations with the Contractor and advise AUTHORITY of the acceptability of the

Contractor's proposed adjustment to the Contract Time or Contract Sum for cost reduction Change Orders. Prepare and submit for the AUTHORITY's approval the Change Order documents and supporting data.

2.2-11 Claim Review and Analysis. Provide Contractor Claim tracking and analysis and make recommendations to AUTHORITY for Claim resolution during the duration that this Agreement is in force.

2.2-12 Periodic Project Progress Reporting. Record the actual progress of the Project. Submit a written progress report to AUTHORITY, including information on the Contractor's Work, and the entire PROJECT, indicating major work activities and the percentages of completion, and the status of any RFI's, Change Orders, and Claims in process, in a format acceptable to the AUTHORITY. The reports shall also include representative photographs of the Work noted in the narrative report that was in progress or completed during the previous month. Progress Reports are generally required monthly, but the AUTHORITY may request other periodic or special reports be prepared, as events may dictate. Also see "Monthly Reports" section below.

2.2-13 Daily Project Progress Documentation. Maintain a daily log or report containing a record of weather, Contractors' Work on the site, number of workers, Work accomplished, inspections and tests conducted, problems encountered, delays, other similar relevant data, documenting any significant issues in writing and with photographs, all in a format acceptable to the AUTHORITY. Make the daily log available to AUTHORITY and make copies upon AUTHORITY's request.

2.2-14 Project Meetings. Schedule meetings and prepare meeting minutes for pre-construction, construction and progress meetings, and other on-site construction related meetings of the Project's team members. Lead the meetings and coordinate Work and other activities between the Contractors and other Project participants. Prepare and promptly distribute meeting minutes within three (3) working days. During the construction phase, a regular weekly meeting shall be conducted by the CONSULTANT at the Project Site with the AUTHORITY's Project Manager, and the Contractor. Major construction subcontractors, and representatives of other project stakeholders shall be invited to the regular weekly meetings, as needed or required.

2.2-15 Contractor Schedules. Review the Contractor's preliminary 120-day schedule, the baseline schedule and all schedule updates, schedule revisions and time impact analyses submitted by the Contractor under the terms of the Construction Contract. Respond in writing to the Contractor with review comments and an acceptance or rejection determination consistent with the requirements of the Contract Documents. Include in the monthly progress report a summary-level bar chart, in a format acceptable to the AUTHORITY, the latest Contractor submitted schedule indicating, at a minimum, all staging and phasing milestone activities and contractual completion dates.

2.2-16 Satisfactory Performance of the Contractor. CONSULTANT shall use its best efforts within the requirements of this Agreement and the Construction Contract to achieve satisfactory performance from the Contractor. Recommend courses of action to AUTHORITY when the requirements of the Contract are not being fulfilled, and the Contractor will not take satisfactory corrective action.

2.2-17 Determine Compliance of Work. Determine that the Work of each of AUTHORITY's vendors and AUTHORITY's other service providers, and Contractor is being performed in accordance with the requirements of the Contract, Purchase Order, and/or Contract Documents. Inspect and monitor the work for defects and deficiencies. As appropriate, make recommendations to the AUTHORITY regarding special inspections or testing of Work not in accordance with the provisions of the Contract Documents whether or not such Work be then fabricated, installed or completed. Subject to review and approval by AUTHORITY, reject Work which does not conform to the requirements of the Contract Documents. Notify the Contractor, AUTHORITY's vendors and AUTHORITY's other service providers of observed defects and deficiencies in the Work and monitor the correction of the defects and deficiencies until corrected.

2.2-18 Quality Assurance Inspection Services. Provide continuous inspection of the Work of the Contractor at the site when being performed. Provide inspection of Work at off-site locations when required to insure compliance with Construction Contract requirements. Observe the work of the Contractor for compliance with the Contract Documents, review testing and inspection reports, and after consultation with the Design Engineer and AUTHORITY, if necessary, notify the Contractor of observed defects and deficiencies in the Work. Also see the "Construction Inspection Services" section below.

The Construction Contract requires that the Construction Contractor develop and implement a Contractor Quality Control program that includes all contractually required material testing and special inspections to be managed and paid for by the Contractor through the use of independent third-party testing laboratories and inspectors certified and accredited by the State of California Department of Transportation.

Consistent with the AUTHORITY's Quality Assurance Program, the CONSULTANT shall perform its inspection services in a quality assurance role through continuous inspection of the Work, and through quality assurance spot-testing, when necessary. CONSULTANT shall review, log, organize, and file copies of all Contractor Quality Control tests and inspection reports to assure that the Contractor's Quality Control Program meets all of the Construction Contract requirements. CONSULTANT shall require that the Contractor take appropriate and acceptable action when failing test reports indicate defective or non-compliant work.

CONSULTANT shall maintain a tracking log that lists all notices of non-compliant or defective work issued to the Contractor and shall monitor the status of all such items until satisfactorily corrected or resolved.

2.2-19 Control Point and Benchmark Surveying, and Check Surveys. The Construction Contract requires that the Contractor perform all required surveying and grade checking tasks necessary to accomplish the Work. The AUTHORITY has an obligation to provide control points and benchmarks as indicated on the Plans and described by the specifications. The CONSULTANT shall furnish surveying and engineering services necessary to establish and place those control points and benchmarks on behalf of the AUTHORITY. The CONSULTANT shall also perform surveying checks of the Contractor's Work as deemed necessary and appropriate to ensure the Contractor's compliance with the Contract. Special surveying and engineering calculations may be required to investigate potential non-compliant Work, and to measure unit price pay item

quantities, as required by the Resident Engineer. Also see the "Construction Surveying Services" section below.

2.2-20 Environmental Mitigation and Monitoring. Monitor the Contractor's operations and endeavor to assure the Contractor's compliance with the mitigation measures identified within the environmental approval document. The CONSULTANT shall observe and assist with the policing and enforcement of the environmental mitigation and monitoring program measures in accordance with the established program, and shall report promptly any deficiencies to the Contractor and appropriate parties.

2.2-21 Storm Water Pollution Prevention Program. The Construction Contract Documents describe the requirements and Work related to erosion control and storm water pollution prevention measures. CONSULTANT shall review the Contractor's submitted Storm Water Pollution Prevention Program and provide review comments and an acceptance or rejection determination. CONSULTANT shall inspect the erosion control measures and storm water pollution prevention program work on a regular basis and cause the Contractor to immediately correct any deficiencies.

2.2-22 Safety Program. Implementation Safety Program consistent with AUTHORITY grade separation program requirements. Review the Contractor's submitted Safety Program and Injury and Illness Prevention Program and provide comments and an acceptance or rejection determination consistent with the Construction Contract requirements. Review safety inspection reports prepared by the Contractor, or others. Notify the Contractor and the AUTHORITY of safety violations observed during the CONSULTANT's inspection of Work or in their review of inspection reports. Perform quarterly independent third party safety reviews for PROJECT inclusive of input from insurance carrier and other Authority requested parties. Consultant shall adhere to Authority's safety requirements in accordance with **EXHIBIT B**.

2.2-23 Submittals. Receive from the Contractor and review Submittals for compliance with submittal procedure requirements. Coordinate Submittals with information contained in related documents and transmit to the Design Engineer, or other approving authority, as appropriate. In collaboration with the Design Engineer, establish and implement procedures for expediting the processing and approval of Submittals. Prepare weekly tracking reports representing new Submittals submitted for the past week, Submittals which have been previously reviewed and approved, and Submittals which are being reviewed by a third party. Communicate to the AUTHORITY unsatisfactory progress on Submittals which have the potential for cost or time consequences.

2.2-24 Requests for Information. Receive from the Contractor and forward to the Design Engineer, or other appropriate party, any Contractor requests for information (RFI) of the meaning and intent of the Plans and Specifications or Contract requirements, and assist in the resolution of questions which may arise. The CONSULTANT shall respond to the Contractor directly if the reply can be determined CONSULTANT's review of the Contract requirements. The CONSULTANT shall refer all Contractor questions for interpretation of the design intent to the Design Engineer for its response. CONSULTANT shall receive all RFI replies, evaluate the reply for completeness and return the reply to the Contractor. CONSULTANT shall prepare weekly tracking reports listing new RFI's issued for the past week, RFI's which have been resolved, and outstanding RFI's yet to be resolved by the CONSULTANT, Design Engineer, or others.

Communicate to the AUTHORITY RFI's which threaten the progress of the project or which represent cost implications.

2.2-25 Tracking Logs. Develop and maintain tracking logs on a daily basis indicating the current status of all action items including RFI's, change proposals, change orders, change directives, submittals, non-compliant QC tests, non-compliant or defective work, and other processes, as necessary, in a format acceptable to the AUTHORITY. Provide paper and electronic copies of log reports to the AUTHORITY and Design Engineer upon request and as required as part of periodic reports.

2.2-26 AUTHORITY-Furnished Contractor-Installed Equipment and Materials. Manage and oversee the submittal processing and coordination, receiving, storage, protection, security, inventory, turnover, commissioning and closeout of AUTHORITY-Furnished Contractor-Installed Equipment and Materials until the items are incorporated into the work.

2.2-27 AUTHORITY-Furnished AUTHORITY-Installed Equipment. Manage and oversee the submittal processing and coordination, coordination of rough-ins, receiving, storage, protection, security, inventory, installation, commissioning and closeout of AUTHORITY-Furnished AUTHORITY-Installed Equipment and ensure the cooperation and coordination between the Contractor working on Site and the AUTHORITY's vendors.

2.2-28 Project Record Documents. Maintain at the on-site Project office, on a current basis: a record copy of all Contracts, Drawings, Plans, Specifications, Addenda, Change Orders and other Modifications, in good order and marked to record all changes made during construction; shop drawings; product data; Samples; Submittals; purchases; materials; equipment; applicable handbooks; maintenance and operating manuals and instructions; other related documents and revisions which arise out of the Contracts or Work. Make all records available to AUTHORITY and the Design Engineer. At the completion of the Project, deliver all such records to the AUTHORITY organized and boxed in a manner acceptable to the AUTHORITY.

2.2-29 Project Communications and Document Control. All written and electronic communications between the Contractor and AUTHORITY and between the Contractor and Design Engineer related to the PROJECT shall flow through the CONSULTANT. As the AUTHORITY's agent, the CONSULTANT shall manage the Contractor's communications and submissions directed to the AUTHORITY or Design Engineer, forward the submissions, inquiries and requests to the appropriate party for a response, receive the reply, evaluate the reply for completeness, respond to the Contractor, and endeavor to ensure that the Contractor's submissions, inquiries and requests are responded to in a timely manner. CONSULTANT shall create, maintain, file and store all PROJECT correspondence, records and documents in accordance with the AUTHORITY's Document Control System.

2.2-30 Punchlist Preparation and Completion. When the CONSULTANT considers the Contractor's Work or a designated portion thereof substantially complete, the CONSULTANT shall oversee the preparation by the Contractor of a list of incomplete or unsatisfactory items and a schedule for their completion. The CONSULTANT shall conduct, with the assistance of the Design Engineer, and representatives of the Cities, final inspections of the Work and the CONSULTANT shall issue the punch list. The

CONSULTANT shall monitor the Contractor during the correction and completion of the punch list Work and coordinate re-inspections until all items are corrected or approved.

2.2-31 Equipment Commissioning. In cooperation with the AUTHORITY and participation by the City's maintenance personnel, observe and advise the AUTHORITY of the Contractors' checkout of utilities, operational systems and equipment for readiness and assist in their proof testing, commissioning and turn-over to the City having jurisdiction over the facility. Oversee and manage the commissioning process to insure a complete operating facility upon Substantial Completion.

2.2-32 Close-Out Process. Evaluate the completion of the Work of the Contractor and make recommendations to the AUTHORITY with regard to the Contractor's compliance with all project close-out requirements and final completion of all Work of the Construction Contract. Secure and transmit to AUTHORITY required guarantees, affidavits, releases, bonds, lien waivers, keys, excess stock, spare parts, operation and maintenance manuals, record drawings and other Project close-out documents required by the Construction Contract Documents.

2.2-33 Monthly Project Status Reports. Prepare written project status reports during the construction phase in a format acceptable to the AUTHORITY on a monthly basis describing the status of the Project. The data date of the report shall be the last day of the month, or other date acceptable to the AUTHORITY. Four (4) paper copies, and one electronic copy in Adobe Acrobat format, shall be submitted to the AUTHORITY within seven (7) calendar days after the data date of the report.

Information contained in the report shall include, but not be limited to:

- a) Project summary,
- b) Project schedule status – compare actual progress to objectives, including a summary-level bar-chart showing previous update targets and current schedule update,
- c) Description of the Contractor Work activities planned to be performed next month,
- d) Status of all Submittals, RFI's, Change Orders and Claims in process, including copies of tracking logs,
- e) A description of any new Contractor notices of Claim,
- f) Project budget status and estimate of probable cost,
- g) Identification of risks to the Project, and
- h) Any performance problems of the Contractor.

2.3 Construction Inspection Services

The number of CONSULTANT inspection personnel required for the PROJECT is expected to fluctuate based on the needs of the project. CONSULTANT shall perform construction inspection services, as well as office engineering and field calculations to support the construction of the PROJECT.

Inspection work shall not be performed when conditions (such as weather, traffic, and other factors) prevent a safe, efficient operation or as directed by the AUTHORITY.

Tasks and assignments to be performed by CONSULTANT personnel may include, but are not limited to, the following:

2.3-1 Perform and assist in performing the duties of construction quality assurance inspection and engineering including: paving, base, and sub grade inspection, structures inspection, electrical inspection, drainage system inspection, sanitary sewer and water main inspection, signing and striping inspection, landscaping inspection, quantity calculations, checking grade and alignment, monitoring construction traffic control, observing materials sampling and testing, and ensuring that all work is in compliance with project plans and specifications.

2.3-2 Identify actual and potential problems associated with the construction project and recommending sound engineering solutions to the AUTHORITY.

2.3-3 Maintain an awareness of safety and health requirements and enforce applicable regulations and contract provisions for the protection of the public and project personnel.

2.3-4 Prepare calculations, records, reports and correspondence related to project activities.

2.3-5 Assist in the preparation of "As-Built" plans and other record documents.

2.3-6 Analyze the project plans and specifications for possible errors and deficiencies and report such findings to the Resident Engineer, who will notify the AUTHORITY. If the AUTHORITY determines that changes are necessary, CONSULTANT's personnel shall assist in implementing and processing of changes to the Work.

2.3-7 Observe the performance a variety of field quality control tests such as relative compaction, concrete slump tests, concrete cylinders, and other required field-tests. The Contractor is required to employ and pay for the services of independent third-party testing laboratories and inspectors certified and accredited by the State of California Department of Transportation to perform all contractually-required testing and special inspections. CONSULTANT's inspectors shall observe and report on the performance of all tests and special inspections performed by the Contractor's independent third-party testing laboratories and inspectors to ensure compliance with the Construction Contract requirements.

2.3-8 Assist the Resident Engineer with quantity measurement and calculations for progress pay estimates, documentation of Contractor work performance and project events, keeping records of extra work performance, implementation of minor changes in the work, implementation of revisions to the plans and specifications, and development of estimates for contract change orders.

2.3-9 Assist in preparing force account extra work reports, and potential claim reports and be available for any change order and claim settlements meetings.

2.3-10 Assist in review of Contractor's schedule update data and status reports.

2.3-11 Perform and assist in performing Storm Water Pollution Prevention Plan (SWPPP) compliance inspections and related duties.

2.3-12 Perform and assist in performing Environmental Mitigation Plan compliance inspections and related duties.

2.3-13 Report promptly to the Resident Engineer and notify the Contractor of safety violations or traffic control issues observed during the inspection of Work.

2.3-14 Construction inspection and materials sampling and testing shall be in accordance with:

- The PROJECT Plans, Technical Specifications and Special and General Conditions.
- Other applicable AUTHORITY-Procedures

2.3-15 Miscellaneous Equipment, Inspection Vehicles and Tools. CONSULTANT shall provide all necessary instruments, tools and safety equipment required for their personnel to perform their work accurately, efficiently, and safely. CONSULTANT shall provide one inspection vehicle (truck) for each inspector. Vehicles without side windows shall not be used. CONSULTANT shall provide other field materials such as measuring and testing equipment and safety equipment, as needed, for use by their staff on the project. CONSULTANT shall provide each inspector and the Resident Engineer with a mobile phone.

2.3-16 Personnel Safety. In addition to the requirements specified elsewhere in this contract, the following also shall apply: CONSULTANT shall conform to the safety provisions of CITIES and of AUTHORITY's Construction Procedures. CONSULTANT shall provide personnel that are qualified in industry safety practices. Such project personnel shall have necessary level of training to comply with railroad and California OSHA requirements. CONSULTANT's personnel shall wear white hard hats, orange vests and rubber-soled shoes at all times while working in the field. CONSULTANT shall provide appropriate safety training for all CONSULTANT's personnel required to work on and near the PROJECT site. All safety equipment and personnel protective devices and gear shall be provided by the CONSULTANT.

2.4 Construction Surveying Services

The number of CONSULTANT surveying personnel required for the PROJECT is expected to fluctuate based on the needs of the project. CONSULTANT shall perform construction surveying services, as well as office engineering and field calculations to support the construction of the PROJECT.

The AUTHORITY has an obligation to provide control points and benchmarks as indicated on the plans and described by the specifications. The CONSULTANT shall furnish surveying and engineering services necessary to establish and place control points and benchmarks on behalf of the AUTHORITY. Specific surveying requests will be initiated by the Contractor, and approved by the Resident Engineer, utilizing a survey request form in a mutually agreed upon format. Once the request has been issued,

CONSULTANT shall begin work and proceed diligently until all required control point and benchmark tasks have been satisfactorily completed. Other special check surveys, quantity measurements, and investigative surveys may be required, as ordered by the Resident Engineer and authorized by the AUTHORITY.

Surveying work shall not be performed when conditions (such as weather, traffic, and other factors) prevent a safe, efficient operation or as directed by the AUTHORITY.

Tasks and assignments to be performed by CONSULTANT personnel will generally include, but are not limited to, the following:

2.4-1 Construction Contract Documents. CONSULTANT shall perform all surveying that is required to be performed the AUTHORITY as described in the Construction Contract between the AUTHORITY and the Contractor. Other surveying and engineering calculations shall be performed as needed to administer and manage the PROJECT.

2.4-2 Survey Calculations and Adjustments. Survey calculations and adjustments shall be performed with established and computed coordinates based on the California Coordinate System. Cross-Section Data Collection shall be performed by conventional and terrain line interpolation survey methods. Survey Data Formatting will include formatting topography, cross-section, and other survey data into computerized formats compatible with the computerized survey and design systems. Preparing and maintaining survey documents will include compiling and survey field notes, maps, drawing, and other survey documents. Monitoring for settlement shall be performed if required. GPS equipment shall be made available if required by AUTHORITY.

2.4-3 Existing Right of Way and Easements. CONSULTANT shall establish existing right of way and easements from Authority's record information and existing monumentation. Right of Way related monumentation shall be renewed and restored in accordance with the Land Surveyor's Act. Corner records and records of surveys shall be prepared and filed in accordance with the Land Surveyors' Act. Perpetuating Existing Monumentation - Includes restoring, renewing, referencing, and resetting existing boundary-related monumentation, staking areas where construction disturbs the existing right of way and preparing and filing required maps and records.

2.4-4 New Right of Way and Easements. CONSULTANT shall establish new right of way and easements from plans, right of way maps, utility drawings, and other AUTHORITY'S record information and existing monumentation. Right of Way Surveys - Includes research, locating and monumenting right of way and easement lines, staking right of way and easement fences and preparing and filing required maps and records. Final Monumentation - Includes the setting of centerline points of control upon completion of construction. Special Design-Data Surveys - Including drainage, utility, and those required for special field studies.

2.4-5 Control Survey. Horizontal and vertical controls, including project control surveys and aerial mapping control surveys. Also includes the restoring, renewing, referencing, relocating, and resetting existing control monumentation.

2.4-6 Topographic Surveys. By ground survey methods only.

2.4-7 As-built Drawing Survey Support. Provide electronic record information to support the development of project as-built drawings.

2.4-8 Survey Monument Markings. Monuments established by the CONSULTANT shall be marked by CONSULTANT with furnished disks, plugs, or tags acceptable to AUTHORITY and the municipality having jurisdiction over the improvements. In addition, the CONSULTANT shall identify CONSULTANT-established monuments by tagging or stamping the monuments with the license or registration number of the CONSULTANT's surveyor who is in "reasonable charge" of the work.

2.4-9 All surveys shall be performed in accordance with the current industry standards, the Professional Land Surveyors Act, and in accordance with the directions of the AUTHORITY.

2.4-10 Surveys performed by CONSULTANT shall conform to the requirements of the Land Surveyors' Act. In accordance with the Act, "responsible charge" for the work shall reside with a Licensed Land Surveyor or a pre-January 1, 1982, Registered Civil Engineer, in the state of California.

2.4-11 Unless otherwise specified in the survey request, control surveys shall conform to CITIES Standards.

2.4-12 Additional standards for specific surveying work might be included in a special survey request by the AUTHORITY. Such standards supplement the standards specified herein. If such additional standards conflict with the standards specified herein, the survey request standard shall govern over the standards herein.

2.5 Miscellaneous Equipment, Inspection Vehicles and Tools

CONSULTANT shall provide all necessary instruments, tools, and safety equipment required for their personnel to perform their work accurately, efficiently, and safely.

2.5-1 CONSULTANT shall provide one inspection vehicle (truck) for each inspector.

2.5-2 CONSULTANT shall provide nuclear gauges for their inspection personnel to perform soils AC relative compaction field tests. Nuclear gauges shall be calibrated in accordance with Industry Standards.

2.5-3 CONSULTANT shall provide other field materials such as testing equipment and safety equipment, as needed, for use by their staff on the project.

2.5-4 CONSULTANT shall provide each inspector with a cellular phone.

2.6 Survey Services Equipment and Supplies

2.6-1 Office Equipment and Supplies - CONSULTANT shall have adequate office equipment and supplies to complete the required surveying work. Such equipment and supplies shall include, but not be limited to:

- 1) Drafting equipment.
- 2) Computers and calculators.

3) Data processing systems, including software, for:

- Reducing survey data collected with conventional and total station survey systems.
- Performing network adjustments for vertical and horizontal control surveys.
- Formatting survey data to be compatible with industry standards.

2.6-2 Field Equipment and Supplies - CONSULTANT shall have adequate field equipment and supplies to complete the required surveying work. The equipment and supplies for each survey party shall include, but not be limited to, the following:

- Survey vehicles suitable for the work to be performed and terrain conditions of the project site. Vehicles shall be fully equipped with all necessary tools, instruments, and supplies required for the efficient operation of a survey party. Vehicles shall have an overhead flashing yellow light.
- Electronic calculator.
- Hand tools and supplies as appropriate for the requested survey work.
- Sufficient number of traffic cones 28 inches, minimum, in height.
- Traffic control devices (including signs, sign bases, flags, and hand held signs) as required to perform the requested survey work.
- Leveling instruments and equipment, including 1) self-leveling level; precision: standard deviation in one mile of double-run leveling 0.005 feet or less, and 2) suitable leveling rods for the work to be performed.
- Distance measuring instruments and equipment, including 1) electronic distance measurer; precision: standard deviation 3 millimeters plus 3 ppm, or less; range: at least one mile under average atmospheric conditions, 2) prisms, sufficient to perform the required work, 3) tapes; steel, cloth, 4) angle measuring instruments and equipment: Theodolite for non-control surveys; precision: direct circle reading to three seconds, or equivalent, horizontal and vertical, and 4) targets as required to perform the required work.
- When required for efficient survey operations, total station survey systems measurer, and electronic data collector shall be provided. The angle measuring instruments and distance measurer shall conform to requirements above.
- Radio communication shall be required if requested by AUTHORITY.

2.6-3 Survey Personnel Safety. In addition to the requirements specified elsewhere in this contract, the following also shall apply: CONSULTANT shall conform to all industry safety provisions for work areas and as established by the Authority Safety Program. CONSULTANT's personnel shall wear white hard hats, orange vests and rubber-soled shoes at all times while working in the field. CONSULTANT shall provide appropriate safety training for all CONSULTANT's personnel required to work on and near the PROJECT site. All safety equipment and personnel protective devices and gear shall be provided by the CONSULTANT.

2.7 Construction Management, Inspection and Survey Deliverables

CONSULTANT shall create and maintain the following documentation and deliverables:

2.7-1 Daily inspection reports and extra-work diaries.

2.7-2 Monthly CONSULTANT progress reports prepared by the CONSULTANT's project manager.

2.7-3 Monthly Project Status Reports prepared by the Resident Engineer.

2.7-4 Approved Construction Contract progress payment and quantity documents delivered to the AUTHORITY no later than five (5) working days after the day specified as the payment application cut-off date or five (5) working days after the date that all information is provided by the Contractor, whichever is later.

2.7-5 Approved final payment quantity documents delivered to the AUTHORITY no later than five (5) working days after acceptance of the completed construction project by the AUTHORITY or five (5) working days after the date that all information is provided by the Contractor, whichever is later.

2.7-6 Field measurement reports, and all reports, calculations and other applicable documents prepared for the project as required by AUTHORITY procedures.

2.7-7 Survey points, lines, and monuments shall be established, marked identified and referenced, as required by the survey request and the requirements herein.

2.7-8 Survey notes, drawings, calculations and other survey documents and information shall be completed as required herein.

2.7-9 All original survey documents resulting from this contract (including original field notes, adjustment calculations, final results, and appropriate intermediate documents) shall be delivered to AUTHORITY and shall become the property of AUTHORITY. A copy of all survey documents furnished to AUTHORITY shall be retained by CONSULTANT for future reference.

2.7-10 When a survey is performed with a total station survey system, the original field notes shall be a hard copy listing, in a readable format, of the data (observations) as originally collected and submitted by the survey party. The party chief shall sign the listing or if the chief is not licensed, the person in "responsible charge" of the survey shall sign.

2.7-11 Survey deliverables to AUTHORITY shall follow the format specified below:

a) Horizontal Control - Alpha/numeric hard copy point listing with adjusted California Coordinate System northing and eastings and appropriate description.

b) Vertical Control - Alpha/numeric hard copy benchmark listing with adjusted elevations compatible with the design datum.

c) Topography - Alpha/numeric hard copy listing, hard copy drawing, and CADD digital drawing. The CADD drawing shall be provided on current media that will be compatible with CITIES Standards.

d) Cross-Section Data - The data collection method used to collect cross-section data and the coding (feature description) of terrain data for cross-sections shall

conform to the survey request requirements. Deliverables shall depend on the data collection method as follows:

- e) Conventional Cross-Sections - For each cross-section: and alpha/numeric listing, a hard copy drawing, and a computerized formatted file, which is compatible with CITIES Standards. Computerized formatted cross-sections shall be provided on magnetic tapes or disks as requested by AUTHORITY.
- f) Terrain Line Interpolation Cross-Section Data for each Terrain Line Interpolation survey: an alpha/numeric listing, a hard copy plan view drawing of the terrain lines, and a computerized input file. The computerized input file shall be provided on magnetic tape or disks compatible CITIES requirements
- g) Data Collector Data - If specified in the Survey Request, the raw data from the data collector shall be provided in a format conforming to the Survey Request requirements.

2.7-12 All correspondence, records, and other PROJECT documents described in the section titled Construction Management Services.

2.8 Field Office Requirements

CONSULTANT shall provide a fully equipped and operational field office.

2.8-1 The field office shall house all construction personnel assigned to the project. The construction staff includes: OCTA personnel, CONSULTANT inspection personnel, and one office for the construction survey crew.

2.8-2 The field office shall have one desk and chair for every person assigned to the project, desk top computers, internet access (T1 line), phones, fax machine, full sized plotter, and conference table and chairs, and other normal office furniture, equipment, and utilities.

2.8-3 The field office shall also provide a common area (kitchen, bathrooms, field laboratory storage area, miscellaneous equipment storage area, and a large conference area for project meetings.

2.9 Certified Laboratory for Soils and Material Testing Services

CONSULTANT shall provide a certified laboratory to perform soils and materials testing services on an as needed basis.

2.9-1 The laboratory, whether temporary or permanent, is to be in the general vicinity of the project area and no more than 30 miles from the field office for the project.

2.9-2 Testing shall be performed in accordance with the California Test Methods and shall meet the latest requirement of ASTM.

2.9-3 Testing machines must be calibrated annually or more frequently by impartial means using devices of accuracy traceable to the National Bureau of Standards.

2.9-4 The laboratory shall participate in the AASHTO Materials Reference Laboratory (AMRL) or Cement or Concrete Reference Laboratory (CCRL) inspection programs as appropriate. Copies of applications, correspondence, reports, and corrective actions shall be provided to AUTHORITY if requested.

2.9-5 The Laboratory shall have a quality control plan in effect during the entire time work is being performed under the contract. The plan shall include quality control, quality assurance, and equipment calibration programs for the laboratory.

2.9-6 The Laboratory shall maintain an inventory of the testing equipment (listing the manufacturer, model serial number, calibration, and tolerances).

2.9-7 The Laboratory shall maintain a laboratory procedure manual describing the methods used for recording, processing, and reporting data, the sources of reference material, standards, and test methods.

2.9-8 CONSULTANT and the Laboratory shall be responsible for all soils and materials testing performed for the project include source testing if required.

2.9-9 CONSULTANT shall perform concrete batch plant inspections.

2.9-10 CONSULTANT shall review for compliance with procedure test requirements of all Material Samples. CONSULTANT shall also coordinate material sampling requirements with information contained in contract documents as appropriate and perform testing as required. In collaboration with construction contract, CONSULTANT shall establish and implement requirements for processing of Samples for proper testing. CONSULTANT shall prepare tracking reports representing material samples and sampling schedules, samples which have been reviewed and approved or found to be not in compliance with contract, and which are under current review. CONSULTANT shall communicate to the AUTHORITY unsatisfactory progress on Material Samples which have cost or time consequences.

3.0 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES

3.0-1 Resident Engineer

The preferred minimum qualifications for the Resident Engineer assigned to this project are as follows:

- a) Ten years relevant construction management experience on similar construction projects.
- b) Five years experience as a Resident Engineer, acting as the Owner's representative.
- c) Ability to work independently and perform all construction management field office duties.
- d) Thorough knowledge of construction practices, and the ability to read and interpret plans and specifications.

- e) Ability to make effective decisions concerning field problems and work in progress.
- f) Licensed Civil Engineer in the State of California.
- g) Proficient in the use of computer application programs Word and Excel.

Under the direction of the AUTHORITY, the Resident Engineer will assume the following functional responsibilities, and shall possess experience in all of these areas:

- h) Act as the AUTHORITY's authorized representative in matters related to the construction phase of the PROJECT.
- i) Administer the Construction Contract between the AUTHORITY and the Contractor, and any other contract for equipment or material purchases between the AUTHORITY and vendors or for services between AUTHORITY and service providers for work incorporated into the PROJECT.
- j) Perform quality assurance inspections to achieve compliance with contract plans and specifications on all phases of construction, such as paving, structures, grading, drainage, sewer, water, utility relocation, electrical installation, sign installation and landscaping items.
- k) Perform quantity calculations for progress pay estimates and keep project records.
- l) Perform design for minor changes and make design estimates for contract change orders.
- m) Perform analytical calculations for items such as basic earthwork and grading, and redesigning facilities to fit existing field conditions.
- n) Maintain continuous communication with the AUTHORITY's Project Manager and staff, the Design Engineer's staff, field personnel, public outreach personnel, and with project neighbors to resolve community project problems and to advise them of work conditions affecting the neighborhood.

3.0-2 Administrative Aide - Document Controller

The preferred minimum qualifications for the Administrative Aide, who will also serve as the project Document Controller, are as follows:

- a) Three years relevant experience as an administrative aide working on construction projects.
- b) Experience with project documentation requirements and document filing practices on public works construction projects, and experience in using electronic document management systems, for access to, and retention of project documents of all types.
- c) Proficient in the use of computer application programs Word and Excel, and experience with document management software such as Primavera Contract Manager, Expedition, Meridian Prolog Manager, e-Builder, or other similar document control systems.
- d) Experience with web-based systems for the storage and retrieval of shared documents and drawings.

- e) Ability to work independently and meet deadlines.

Under the direction of the Resident Engineer, the Administrative Aide - Document Controller will assume the following functional responsibilities, and shall possess experience in all of these areas:

- f) Manage the flow of correspondence and all other PROJECT documentation required to be managed by the CONSULTANT.
- g) Assist the CONSULTANT staff by performing administrative tasks as instructed.
- h) Log the issuance or receipt, and the disposition and processing steps, of all documents such as RFI's, VECP's, change order requests, submittals, change directives, change orders, deficiency notices, and other documents that are required to be tracked until accepted, approved or resolved.
- i) Insure that all documentation and records are being maintained and properly stored for easy retrieval at all times in accordance with the AUTHORITY's Document Control System.
- j) Monitor the creation of documentation and reports required of the CONSULTANT staff, notify the Resident Engineer of any deficiencies, and endeavor to resolve those documentation issues and fill any gaps.
- k) Assist the AUTHORITY, Resident Engineer, Inspectors and other project participants in accessing and obtaining project documentation.

3.0-3 Project Controls Engineer

The preferred minimum qualifications for the Project Controls Engineer are as follows:

- a) Five years relevant construction management experience on similar construction projects.
- b) Three years experience as a Project Controls Engineer performing schedule preparation, review and analysis tasks using computerized CPM scheduling tools.
- c) Ability to work independently and meet deadlines.
- d) Ability to read and interpret plans and specifications.
- e) Proficient in the use of computer application programs Word and Excel, and the latest version of Primavera Project Management (scheduling) software.

Under the direction of the Resident Engineer, the Project Controls Engineer will assume the following functional responsibilities, and shall possess experience in all of these areas:

- f) Review all schedules of all types submitted by the Contractor in accordance with the Construction Contract requirements, conduct analyses and assessments of those schedules, and provide written review comments.
- g) Provide advice and opinions to the Resident Engineer and the AUTHORITY regarding the Contractors' schedules, schedule updates and the progress of the Work of the Contractor.

- h) Generate special schedules and customized schedule reports, utilizing the Primavera Project Management scheduling software, for use by the Resident Engineer and the AUTHORITY.

3.0-4 Field Inspectors

The preferred minimum qualifications for the position of Field Inspector are as follows:

- a) Four years construction experience on similar projects, or other relevant experience.
- b) Two years experience inspecting the work features that the inspector is assigned to as his/her primary responsibility; e.g., Roadway, Drainage and Utility Systems, Structures.
- c) Knowledge of construction practices, physical characteristics and properties of roadway, structures, drainage and utility systems construction materials, and the approved methods and equipment used in making physical tests of construction materials.
- d) Ability to work independently and perform duties in the construction field office.
- e) Ability to effectively make minor decisions concerning work in progress and solving field and office problems.
- f) Proficient in the use of computer application programs Word and Excel.

Under the direction of the Resident Engineer, the each Field Inspector will assume the following functional responsibilities and shall possess experience in all of these areas:

- g) Perform quality assurance inspections to achieve compliance with contract plans and specifications on all phases of construction, such as paving, structures, grading, drainage, sewer, water, utility relocation, electrical installation, sign installation and landscaping items.
- h) Perform quantity calculations and measurement for progress pay estimates and keep daily project records.
- i) Perform calculations and measurement of basic earthwork, grading and construction components.
- j) Maintain continuous communication with the Resident Engineer and other field personnel and staff.

3.0-5 Survey Field / Office Party Chief

Minimum preferred qualifications for the position of Party Chief are as follows:

- a) Party Chief shall fulfill at least one of the three following licensing requirements.
 - A licensed Land Surveyor in the State of California.
 - A pre-January 1, 1982, Registered Civil Engineer in the State of California.
 - An experienced surveyor who serves as chief under the direction or supervision of a person who is a licensed Land Surveyor or pre-January 1,

1982 Registered Civil Engineer in the state of California. This direction or supervision shall be provided in a manner and with a span of control and immediacy that enables the supervisor to be in "responsible charge" of the work as defined in Chapter 15 of the Business and Professions Code (the Land Surveyors Act) and Title 16, Chapter 5, of the California Administrative Code (regulations adopted by the Board of Registration for Professional Engineers and Land Surveyors).

- b) Five years survey experience on similar construction projects, or other relevant experience.
- c) Thorough knowledge of construction survey practices and the ability to read and interpret plans and specifications.
- d) Ability to make effective decisions concerning field problems and work in progress.
- e) Familiarity with typical coordinate geometry computer programs.

Under the direction of the Resident Engineer, the Party Chief will assume the following functional responsibilities and shall possess experience in all of these areas:

- f) Perform survey services for all stages of construction as described in the Survey Services sections above.
- g) Administer day to day activities of the survey party.
- h) Perform analytical survey calculations for items such as grading, horizontal and vertical control, right of way and minor in-field design.
- i) Maintain continuous communication with the Resident Engineer, field personnel and construction administration staff when on site.
- j) Shall be designated safety officer for the survey party field operations, and shall be trained in the principles of traffic control.

3.0-6 Survey Assistants

Preferred minimum qualifications for survey assistants are as follows:

- a) One year survey experience on similar construction projects.
- b) Fundamental knowledge of construction survey practices and the ability to read and interpret plans and specifications.
- c) Ability to assist field and office party chiefs in all required surveying work.
- d) One survey party member must have the ability to assume temporary leadership of the survey party in the absence of the party chief.
- e) Trained in the appropriate safety areas for the job decisions each individual is required to make.

Under the direction of the Resident Engineer and the Party Chief, the survey assistants will assume the following responsibilities and shall possess experience in all of these areas:

- f) Assist field and office party chiefs in all required surveying work.

- g) Perform basic calculations to support surveying and staking work.
- h) Maintain continuous communication with the field or office party chief.

3.0-7 Project Manager

The preferred minimum qualifications for the position of Project Manager are:

- a) Ten years project management experience on similar construction projects, or other equivalent experience, as determined by AUTHORITY.
- b) Licensed Civil Engineer in the State of California.
- c) Proficient in the use of computer application programs Word and Excel.

4.0 CONSULTANT STAFFING LEVELS

The anticipated category and quantity of CONSULTANT personnel required for the PROJECT is listed below. The number of personnel will vary depending on the needs of the PROJECT, and the Contractor's progress. The personnel anticipated to be required during the course of construction is listed below.

Project Manager	1
Resident Engineer	1
Administrative Aide – Document Controller	1
Project Controls Engineer	1
Roadway Inspector	1
Drainage and Utility Systems Inspector	1
Safety Manager	1
Structures Inspector	1
Survey Crew (and Equipment)	$\frac{1}{9}$
Total:	9

A preliminary project staffing plan shall be submitted by the CONSULTANT's Project Manager for review and acceptance by the AUTHORITY prior to the start of construction. The staffing plan shall be amended and submitted for review and acceptance after review of the Contractor's baseline schedule or any significant change in the Contractor's schedule. It is anticipated that CONSULTANT personnel will be added and subtracted on an as-required basis during construction. Any changes in staffing levels shall be approved in advance by the AUTHORITY.

The level of effort will be re-evaluated periodically to assure that the appropriate level of effort is maintained.

5.0 SCHEDULE OF PERFORMANCE

It is anticipated that the Resident Engineer and Administrative Aide - Document Controller will be needed approximately two months prior to the start of construction. Other personnel will be added when their services are required and as indicated by the CONSULTANT's accepted current staffing plan. Personnel assigned to the contract on a full-time basis shall remain assigned to the contract for the duration of the contract. It is

anticipated that the construction for the Placentia Avenue Project will be initiated in October 2011 and continue through December 2013.

SECTION VI
FORMS

PARTY DISCLOSURE FORM

Information Sheet

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

The attached Party Disclosure Form must be completed by applicants for, or persons who are the subject of, any proceeding involving a license, permit, or other entitlement for use pending before the Board of Directors of the Orange County Transportation Authority or any of its affiliated agencies. (Please see next page for definitions of these terms.)

IMPORTANT NOTICE

Basic Provisions of Government Code Section 84308

- A. If you are an applicant for, or the subject of, any proceeding involving a license, permit, or other entitlement for use, you are prohibited from making a campaign contribution of more than \$250 to any board member or his or her alternate. This prohibition begins on the date your application is filed or the proceeding is otherwise initiated, and the prohibition ends three months after a final decision is rendered by the Board of Directors. In addition, no board member or alternate may solicit or accept a campaign contribution of more than \$250 from you during this period.
- B. These prohibitions also apply to your agents, and, if you are a closely held corporation, to your majority shareholder as well. These prohibitions also apply to your subcontractor(s), joint venturer(s), and partner(s) in this proceeding. Also included are parent companies and subsidiary companies directed and controlled by you, and political action committees directed and controlled by you.
- C. You must file the attached disclosure form and disclose whether you or your agent(s) have in the aggregate contributed more than \$250 to any board member or his or her alternate during the 12-month period preceding the filing of the application or the initiation of the proceeding.
- D. If you or your agent have in the aggregate contributed more than \$250 to any individual board member or his/or her alternate during the 12 months preceding the decision on the application or proceeding, that board member or alternate must disqualify himself or herself from the decision. However, disqualification is not required if the board member or alternate returns the campaign contribution within 30 days from the time the director knows, or should have known, about both the contribution and the fact that you are a party in the proceeding. The

Party Disclosure Form should be completed and filed with your proposal, or with the first written document, you file or submit after the proceeding commences.

1. A proceeding involving "a license, permit, or other entitlement for use" includes all business, professional, trade and land use licenses and permits, and all other entitlements for use, including all entitlements for land use, all contracts (other than competitively bid, labor or personal employment contracts), and all franchises.
2. Your "agent" is someone who represents you in connection with a proceeding involving a license, permit or other entitlement for use. If an individual acting as an agent is also acting in his or her capacity as an employee or member of a law, architectural, engineering, consulting firm, or similar business entity, both the business entity and the individual are "agents."
3. To determine whether a campaign contribution of more than \$250 has been made by you, campaign contributions made by you within the preceding 12 months must be aggregated with those made by your agent within the preceding 12 months or the period of the agency, whichever is shorter. Contributions made by your majority shareholder (if a closely held corporation), your subcontractor(s), your joint venturer(s), and your partner(s) in this proceeding must also be included as part of the aggregation. Campaign contributions made to different directors or their alternates are not aggregated.
4. A list of the members and alternates of the Board of Directors is attached.

This notice summarizes the major requirements of Government Code Section 84308 of the Political Reform Act and 2 Cal. Adm. Code Sections 18438-18438.8.

ORANGE COUNTY TRANSPORTATION AUTHORITY
AND ITS AFFILIATED AGENCIES

To be completed only if campaign contributions have been made in the preceding 12 months.

Prime Firm's Name: _____

Party's Name: _____

Party's Address: _____

Street _____

City _____

State _____ Zipcode _____ Phone _____

Application or Proceeding
Title and Number: _____

Board Member(s) or Alternate(s) to whom you and/or your agent made campaign contributions and dates of contribution(s) in the preceding 12 months:

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Date: _____

Signature of Party and/or Agent

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

Board of Directors

Jerry Amante, Chair

Patricia Bates, Vice Chair

Art Brown, Director

Peter Buffa, Director

Bill Campbell, Director

Carolyn V. Cavecche, Director

William J. Dalton, Director

Richard Dixon, Director

Paul G. Glaab, Director

Don Hansen, Director

Allan Mansoor, Director

John Moorlach, Director

Janet Nguyen, Director

Chris Norby, Director

Curt Pringle, Director

Miguel Pulido, Director

Gregory T. Winterbottom, Director

PARTICIPANT DISCLOSURE FORM

Information Sheet

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

The attached Participant Disclosure Form must be completed by participants in a proceeding involving a license, permit, or other entitlement for use. (Please see next page for definitions of these terms.)

IMPORTANT NOTICE

Basic Provisions of Government Code Section 84308

- A. If you are a participant in a proceeding involving a license, permit, or other entitlement for use, you are prohibited from making a campaign contribution of more than \$250 to any board member or his or her alternate. This prohibition begins on the date you begin to actively support or oppose an application for license, permit, or other entitlement for use pending before the Orange County Transportation Authority or any of its affiliated agencies, and continues until three months after a final decision is rendered on the application or proceeding by the Board of Directors.

No board member or alternate may solicit or accept a campaign contribution of more than \$250 from you and/or your agency during this period if the board member or alternate knows or has reason to know that you are a participant.

- B. The attached disclosure form must be filed if you or your agent has contributed more than \$250 to any board member or alternate for the Orange County Transportation Authority or any of its affiliated agencies during the 12-month period preceding the beginning of your active support or opposition. (The disclosure form will assist the board members in complying with the law.)
- C. If you or your agent have made a contribution of more than \$250 to any board member or alternate during the 12 months preceding the decision in the proceeding, that board member or alternate must disqualify himself or herself from the decision. However, disqualification is not required if the member or alternate returns the campaign contribution within 30 days from the time the director knows, or should have known, about both the contribution and the fact that you are a participant in the proceeding.

The Participant Disclosure Form should be completed and filed with the proposal submitted by a party, or should be completed and filed the first time that you lobby in person, testify in person before, or otherwise directly act to influence the vote of the board members of the Orange County Transportation Authority or any of its affiliated agencies.

1. An individual or entity is a "participant" in a proceeding involving an application for a license, permit or other entitlement for use if:
 - a. The individual or entity is not an actual party to the proceeding, but does have a significant financial interest in the Orange County Transportation Authority's or one of its affiliated agencies' decision in the proceeding.

AND

- b. The individual or entity, directly or through an agent, does any of the following:
 - (1) Communicates directly, either in person or in writing, with a board member or alternate of the Orange County Transportation Authority or any of its affiliated agencies for the purpose of influencing the member's vote on the proposal;
 - (2) Communicates with an employee of the Orange County Transportation Authority or any of its affiliated agencies for the purpose of influencing a member's vote on the proposal; or
 - (3) Testifies or makes an oral statement before the Board of Directors of the Orange County Transportation Authority or any of its affiliated agencies.
2. A proceeding involving "a license, permit, or other entitlement for use" includes all business, professional, trade and land use licenses and permits, and all other entitlements for use, including all entitlements for land use; all contracts (other than competitively bid, labor, or personal employment contracts) and all franchises.
3. Your "agent" is someone who represents you in connection with a proceeding involving a license, permit, or other entitlement for use. If an agent acting as an employee or member of a law, architectural, engineering, or consulting firm, or a similar business entity or corporation, both the business entity or corporation and the individual are agents.
4. To determine whether a campaign contribution of more than \$250 has been made by a participant or his or her agent, contributions made by the

participant within the preceding 12 months shall be aggregated with those made by the agent within the preceding 12 months or the period of the agency, whichever is shorter. Campaign contributions made to different members or alternates are not aggregated.

5. A list of the members and alternates of the Board of Directors is attached.

This notice summarizes the major requirements of Government Code Section 84308 and 2 Cal. Adm. Code Sections 18438-18438.8.

ORANGE COUNTY TRANSPORTATION AUTHORITY
AND ITS AFFILIATED AGENCIES

To be completed only if campaign contributions have been made in the preceding 12 months.

Prime's Firm Name: _____

Party's Name: _____

Party's Address: _____

Street

City

State

Zipcode

Phone

Application or Proceeding
Title and Number: _____

Board Member(s) or Alternate(s) to whom you and/or your agent made campaign contributions and dates of contribution(s) in the preceding 12 months:

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Name of Member: _____

Name of Contributor (if other than Party): _____

Date(s): _____

Amount(s): _____

Date: _____

Signature of Party and/or Agent

**ORANGE COUNTY TRANSPORTATION AUTHORITY
AND AFFILIATED AGENCIES**

Board of Directors

Jerry Amante, Chair

Patricia Bates, Vice Chair

Art Brown, Director

Peter Buffa, Director

Bill Campbell, Director

Carolyn V. Cavecche, Director

William J. Dalton, Director

Richard Dixon, Director

Paul G. Glaab, Director

Don Hansen, Director

Allan Mansoor, Director

John Moorlach, Director

Janet Nguyen, Director

Chris Norby, Director

Curt Pringle, Director

Miguel Pulido, Director

Gregory T. Winterbottom, Director

STATUS OF PAST AND PRESENT CONTRACTS

On the form provided below, Offeror shall list the status of past and present contracts where the firm has either provided services as a prime contractor or a subcontractor during the past five (5) years in which the contract has ended or will end in a termination, settlement or in legal action. A separate form must be completed for each contract. Offeror shall provide an accurate contact name and telephone number for each contract and indicate the term of the contract and the original contract value.

If the contract was terminated, list the reason for termination. Offeror must also identify and state the status of any litigation, claims or settlement agreements related to any of the identified contracts. Each form must be signed by an officer of the Offeror confirming that the information provided is true and accurate.

Project city/agency/other:	
Contact name:	Phone:
Project award date:	Original Contract Value:
Term of Contract:	
1) Status of contract:	
2) Identify claims/litigation or settlements associated with the contract:	

By signing this Exhibit "Status of Past and Present Contracts," I am affirming that all of the information provided is true and accurate.

Name _____ Date _____
 Title _____



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Letter of No Prejudice for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project

Highways Committee Meeting of February 1, 2010

Present: Directors Bates, Cavecche, Dixon, Glaab, Hansen, and Mansoor
Absent: Director Pringle

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

- A. Direct staff to seek a Letter of No Prejudice from the California Transportation Commission for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project and authorize the use of \$200,000 in Measure M sales tax funds in advance of receiving \$200,000 in Proposition 1B funding.
- B. Direct staff to make all necessary amendments to the Federal Transportation Improvement Program and execute any necessary agreements to facilitate the actions above.



February 1, 2010

To: Highways Committee

From: Will Kempton, Chief Executive Officer

Subject: Letter of No Prejudice for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project

Overview

In October 2009, the Governor signed Assembly Bill 672 (Chapter 43, Statutes of 2009), which authorized the California Transportation Commission to approve a Letter of No Prejudice, which allows a local agency to expend local funds in advance of allocation of Proposition 1B funds and be reimbursed at a later date. This process allows projects to advance in the event state funds are not available. To be eligible, prior Board of Directors and California Transportation Commission approval is required. Staff is recommending to use this approach to advance a Measure M Smart Street project on Imperial Highway (State Route 90).

Recommendations

- A. Direct staff to seek a Letter of No Prejudice from the California Transportation Commission for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project and authorize the use of \$200,000 in Measure M sales tax funds in advance of receiving \$200,000 in Proposition 1B funding.
- B. Direct staff to make all necessary amendments to the Federal Transportation Improvement Program and execute any necessary agreements to facilitate the actions above.

Background

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters in November 2006, authorized \$1 billion to be deposited in the State-Local Partnership Program (SLPP) account to be allocated by the California Transportation Commission (CTC). Funds are appropriated annually through the state budget process. Ninety-five percent of the SLPP funds are made available to transportation sales tax entities

through a formula that considers north/south split, sales tax generation, and population.

The CTC approved the Orange County Transportation Authority's (OCTA) request for \$200,000 in SLPP funds for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project (Project) at its April 2009 meeting. This request initially offset \$200,000 from the Measure M (M1) Smart Street Program (SSP). The environmental document was approved at the May 2009 CTC meeting, and the Project was delivered to the CTC for allocation at the January 2010 CTC meeting. The project was put on the "delivered but not yet approved" list.

The CTC has been unable to allocate funding to Proposition 1B projects due to the lack of bond sales related to the ongoing financial and budget crises. Between June 2009 and January 2010, 57 Proposition 1B projects, representing more than \$600 million in bond funds, were placed on the delivered by not yet approved allocation list. It is unknown when the projects would move forward for an allocation.

In October 2009, the Governor signed AB 672 authorizing the CTC to approve a Letter of No Prejudice (LONP) for projects in Proposition 1B programs that it administers. An approved LONP allows a project sponsor to expend its own funds to advance a Proposition 1B project and request reimbursement when bond funds are available. The CTC released Proposition 1B LONP guidelines in December 2009 (Attachment A). The LONP guidelines establish a process for LONP approval for the following CTC administered Proposition 1B programs.

Discussion

The Project will widen the intersection of Imperial Highway (State Route 90) and Associated Road, and add a fourth westbound lane on Imperial Highway (State Route 90). The project schedule calls for advertisement for construction at the end of February 2010.

The Project is currently programmed to receive the following funding:

Fiscal Year (FY)	Fund Source	Amount
2009-10	Proposition 1B – SLPP*	\$ 200,000
2009-10	M1 SSP	\$ 200,000
2009-10	Developer Fees	\$1,500,000
		\$1,900,000

* OCTA would advance M1 funds for these SLPP funds.

In order to keep the Project on schedule and take advantage of the favorable construction market, staff is recommending that the OCTA Board of Directors (Board) approve the advancement of an additional \$200,000 in FY 2009-10 M1 funds. Through the LONP process, these funds will be reimbursed directly to OCTA after the sale of Proposition 1B bonds. Once the funds are returned to OCTA, these would return to the M1 regional streets and roads program for a future call for projects.

Pending the Board's approval of this action, staff will submit the LONP request for CTC consideration at its February 24-25, 2010, meeting. Following CTC approval of the LONP request, staff will also submit an allocation request for Proposition 1B funding in order to position the Project for reimbursement through future bond sales as soon as possible.


Summary

Board approval to use \$200,000 in M1 SSP funding is necessary to meet CTC requirements for LONP approval at its February 24-25, 2010, meeting. Staff proposes to advance \$200,000 in FY 2009-10 M1 SSP funding for the Project, to be reimbursed with \$200,000 in Proposition 1B SLPP funding. These efforts will keep the project on schedule and allow construction to move forward as planned.

Attachment

- A. Memorandum to Chair and Commissioners - Dated December 10, 2009 - Adoption of Proposition 1B Letter of No Prejudice Guidelines - Resolution LONP1B-G-0910-01

Prepared by:


Adriann Cardoso
Manager, State and Federal
Programming
(714) 560-5915

Approved by:


Kia Mortazavi
Executive Director, Development
(714) 560-5741

Memorandum

To: CHAIR and COMMISSIONERS

Date: December 10, 2009

From: BIMLA G. RHINEHART
Executive Director

File No: 4.6
Action

Ref: Adoption of Proposition 1B Letter of No Prejudice Guidelines
RESOLUTION LONP1B-G-0910-01

ISSUE:

On October 11, 2009, the Governor signed AB 672, which authorizes approval of a Letter of No Prejudice (LONP) for projects programmed or otherwise approved for funding from Proposition 1B programs. The LONP allows the regional or local agency to expend its own funds (incur reimbursable expenses) for any component of a program project prior to actual allocation of Proposition 1B funds. This legislation authorizes the California Transportation Commission (Commission) to adopt guidelines to establish a process to approve a LONP for projects programmed from the following Commission administered Proposition 1B programs:

- Corridor Mobility Improvement Account (CMIA)
- State Route 99 Account (SR 99)
- Trade Corridors Improvement Fund (TCIF)
- Local Bridge Seismic Retrofit Account (LBSRA)
- Traffic Light Synchronization Program (TLSP)
- State-Local Partnership Program Account (SLPP)

The Highway Railroad Crossing Safety Account (HRCSA) program was specifically removed from consideration of a LONP in the legislation, so is not eligible. STIP and SHOPP augmentation programs are also not included since STIP already has the AB 3090 process and SHOPP is Department implemented

Proposed guidelines for approving Letters of No Prejudice for Proposition 1B projects were drafted and sent to RTPAs for review on November 3, 2009, and have been revised to incorporate appropriate suggested changes.

RECOMMENDATION:

Staff recommends the Commission approve the attached resolution to adopt the Letter of No Prejudice guidelines for Proposition 1B programs administered by the Commission.

BACKGROUND:

Proposition 1B, approved by the voters in November 2006, authorized the issuance of \$19.925 billion in State general obligation bonds for specific transportation programs intended to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state's transportation system. These transportation programs included the CMIA, SR 99, TCIF, SLPP, LBSRA, Highway-Railroad Crossing Safety Account (HRCSA), and the augmentation of the existing State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP). Consistent with the requirements of Proposition 1B, the Commission programs and allocates bond funds in each of the above-mentioned programs.

Due to the lack of bond funding for new projects since June 2009, the Commission has been unable to allocate to projects ready for construction since June 2009. As of October 2009, 37 Proposition 1B projects representing more than \$400 million in bond funds are ready for construction (delivered) and awaiting allocation. Until such time as bond funds are available for new projects, the number of projects delivered and awaiting allocation will continue to grow.

Assembly Bill 672, authorizing the Commission to approve a Letter of No Prejudice (LONP) for projects in Proposition 1B programs that it administers, with the exception of the Highway-Railroad Crossing Safety Account (HRCSA), was signed by the Governor on October 11, 2009. An approved LONP will allow a project sponsor to expend its own funds to advance a Proposition 1B project and request reimbursement when bond funds are available. The bill authorizes the Commission to adopt guidelines to implement a process to approve LONPs.

Attachment

CALIFORNIA TRANSPORTATION COMMISSION
Adoption of Proposition 1B Letter of No Prejudice (LONP) Guidelines
December 10, 2009

RESOLUTION LONP1B-G-0910-01

- 1.1 WHEREAS the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, authorized the issuance of \$19.925 billion in State general obligation bonds for specific transportation programs intended to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state's transportation system, and
- 1.2 WHEREAS the state's current economic condition has placed these programs at risk due to the difficulty in selling bonds and the lack of bond funds, and
- 1.3 WHEREAS Assembly Bill 672, signed by the Governor on October 11, 2009, authorizes approval of a Letter of No Prejudice (LONP) for projects programmed or otherwise approved for funding from Proposition 1B programs, and
- 1.4 WHEREAS the LONP allows the regional or local agency to expend its own funds and incur reimbursable expenses for any component of a program project prior to actual allocation of Proposition 1B funds, and
- 1.5 WHEREAS approval of LONPs for Proposition 1B projects will benefit both the State and regional agencies in allowing projects to begin construction that otherwise would be delayed, and
- 1.6 WHEREAS the legislation authorizes the California Transportation Commission (Commission) to adopt guidelines to establish a process to approve LONPs for projects programmed or otherwise approved for funds from Commission administered Proposition 1B programs, and
- 1.7 WHEREAS the Commission provided draft guidelines to local agencies for comments and held a workshop on the proposed guidelines on December 9, 2009 in Sacramento,
- 2.1 NOW THEREFORE BE IT RESOLVED that the Commission adopts the Proposition 1B LONP guidelines, as presented by staff on December 10, 2009, and
- 2.2 BE IT FURTHER RESOLVED that the purpose of these guidelines is to identify the Commission's policy and expectations for the LONP and thus to provide guidance to eligible applicants and implementing agencies in carrying out their responsibilities under the program, and
- 2.3 BE IT FURTHER RESOLVED that the Commission directs staff to post these guidelines on the Commission's website and requests that the Department assist Commission staff in making copies available to eligible implementing agencies.

Proposition 1B Bond Letter of No Prejudice Guidelines

1. Authority and Scope: Government Code Section 8879.501, added by Chapter 463 (AB 672) of the Statutes of 2009, authorizes the California Transportation Commission (Commission) to adopt guidelines to establish a process to approve a Letter of No Prejudice (LONP) for one or more projects or project components that the Commission has programmed or otherwise approved for funding from the following Proposition 1B programs:

- Corridor Mobility Improvement Account (CMIA)
- State Route 99 Account (SR 99)
- Trade Corridors Improvement Fund (TCIF)
- Local Bridge Seismic Retrofit Account (LBSRA)
- Traffic Light Synchronization Program (TLSP)
- State-Local Partnership Program Account (SLPP)

The LONP applies only to the Proposition 1B funds programmed or otherwise approved for the project.

The Commission may amend these guidelines at any time after first giving notice of the proposed amendments.

2. LONP for TCIF: In programming TCIF, the Commission programmed approximately 20 percent more than the \$2.5 billion available from the TCIF and the State Highway Account (SHA). This over programming assumed that new revenue sources would become available and be dedicated to funding the adopted program. New revenue for the TCIF program now appears unlikely to materialize in the current economic environment. Therefore, the Commission does not intend to approve LONPs for TCIF projects until a reasonable level of confidence in availability of these new revenue sources is achieved, or the program is prioritized commensurate with available TCIF and SHA funds.

If SHA funds are programmed to the project, the LONP request for TCIF funds must be accompanied by a request for SHA allocation. If SHA funds are not available for allocation, the LONP request will be deferred until the SHA allocation can be made.

3. Intent of LONP: A regional or local entity that is a lead applicant agency under one of the programs referenced in Section 1, with the exception of TCIF, may apply to the Commission for an LONP for the program project. If approved by the Commission, the LONP allows the regional or local agency to expend its own funds (incur reimbursable expenses) for any component of the project (in practice, Proposition 1B funds are generally programmed for construction). A region's own funds are any non-state funds available to the region, including federal funds. This does not relieve the regional or

local agency from the applicable match requirements of the program. The match must be spent along with the funds replacing bond funds, in accordance with program guidelines.

It is the intent of the Commission to give equal opportunity for allocation of available funding to applicants with an approved LONP, as well as those that require an allocation in order to begin or continue work on a project. The Commission further intends that applicants considering the use of an LONP have the most accurate information available to assess the likelihood of allocation and reimbursement as planned. Applicants proceed at their own risk, as reimbursement of the LONP is dependent on availability of Proposition 1B bond funds.

4. Submittal of LONP Request: LONP requests shall be submitted to the Department of Transportation (Department) by the applicant in accordance with established timeframes for project amendments to be placed on the agenda for timely consideration by the Commission.

In order to be considered by the Commission, an LONP request shall:

- Be signed by a duly authorized agent(s) of the applicant agency and implementing agency if different.
- Include all relevant information as described in Section 5.
- Indicate that the implementing agency is ready to start (or continue) work on the project component covered by the LONP request (likely construction).
- Have a full and committed funding plan for the component covered by the LONP request.
- Indicate anticipated schedule for expenditures and completion of the component.

5. Content and Format of LONP Request: The Commission expects a complete LONP request to include, at a minimum, the following information as applicable:

- A letter requesting LONP approval, including a summary of the following information as applicable.
- Documents needed for obtaining concurrent Commission approval of any needed actions such as a project programming request or project/baseline agreement amendment, in accordance with appropriate program guidelines and standards.
- Alternate local funding source(s) that will be substituted for the bond funds and a demonstration of commitment of those funds (e.g., resolution, minute order) from its policy board.
- An expenditure schedule for the component covered by the LONP.
- If jointly funded with funds from the State Transportation Improvement Program (STIP), a STIP allocation request or STIP AB 3090 request must be included.
- LONP requests must include documentation for Commission review of the final environmental document and approval for consideration of future funding, as appropriate.

6. Review and Approval of LONP Requests: The Department will review LONP requests for consistency with these guidelines and place the requests on the Commission meeting agenda. The Commission will consider requests for LONPs that meet the

guidelines, except for LONP requests for components jointly funded with funds requiring concurrent action, such as:

- The STIP, which shall be dependent upon concurrent approval of the STIP allocation or STIP AB 3090 request, and
- Other Proposition 1B funds, which may be dependent upon concurrent LONP approval from the appropriate administering agency (such as the Department for PTMISEA funds).

An LONP will only be granted for work consistent with the approved project's scope, schedule and funding.

Upon Commission approval of an LONP, the Department will execute a cooperative agreement or Master Agreement/Program Supplement with the implementing agency. Although the agency may begin work once the LONP is approved, an agreement must be in place before the Department can provide reimbursement for eligible project expenditures.

7. Initiation of Work: The project component covered by an approved LONP should be ready to proceed to contract award (or equivalent) once the LONP is approved. The agency shall report to the Department within four months following LONP approval on progress in executing agreements and third-party contracts needed to execute the work.

8. Monitoring Progress of Projects with a LONP: The agency with an approved LONP shall report on progress to date in accordance with the applicable bond program guidelines. This report should include expenditures to date, work completed, problems and issues with the project, and any funding plan updates for the project.

9. Project Changes: Proposed changes in funding, schedule or project scope must be approved by the Commission in accordance with the applicable bond program guidelines, including a concurrent LONP amendment if necessary.

10. Diligent Progress and Rescinding a LONP: If progress reports from an agency on a project with an approved LONP show that diligent progress is not being made in completing the project, the Commission may request that the agency explain its lack of progress. The Commission may rescind the LONP or may direct the agency to demonstrate diligent progress within the next reporting period. If the Commission finds the agency is not pursuing project work diligently, the Commission may rescind the LONP. If an LONP is rescinded, an allocation to reimburse expenditures to date is at the discretion of the Commission.

11. Allocations for LONPs: Upon completion of the component covered under an LONP approved by the Commission, the agency may send a request to the Department to have its LONP reimbursed with an allocation by the Commission. The agency shall identify the source(s) and expenditures of all funds used in completing the component for which the agency is seeking an allocation from the Commission. The agency must show expenditures of the applicable match for the bond funds, if required for the project. The

Department will place the request for allocation on the agenda for timely consideration by the Commission.

If sufficient Proposition 1B bond allocation capacity exists, an agency with a partially completed component may request an allocation for reimbursement of eligible costs to date and to convert the remaining LONP to a standard allocation for periodic reimbursement for the remainder of the component.



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board ^{WKC}
Subject: Amendments to Cooperative Agreements with the California Department of Transportation for the Northbound Orange Freeway (State Route 57) Widening Projects

Highways Committee Meeting of February 1, 2010

Present: Directors Bates, Cavecche, Dixon, Glaab, Hansen, and Mansoor
Absent: Director Pringle

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

- A. Authorize the Chief Executive Officer, or designee, to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1282, in an amount not to exceed \$710,100, for the preparation of bid documents and for the advertisement, award, and approval of the construction contract for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road, bringing the total contract amount to \$710,100.
- B. Authorize the Chief Executive Officer, or designee, to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1237, in an amount not to exceed \$254,475, for the preparation of bid documents and for the advertisement, award, and approval of the construction contract for the northbound Orange Freeway (State Route 57) between Katella Avenue and Lincoln Avenue, bringing the total contract amount to \$254,475.



February 1, 2010

To: Highways Committee

From: Will Kempton, Chief Executive Officer

Subject: Amendments to Cooperative Agreements with the California Department of Transportation for the Northbound Orange Freeway (State Route 57) Widening Projects

Overview

On November 10, 2008, the Orange County Transportation Authority Board of Directors authorized cooperative agreements with the California Department of Transportation to provide oversight for the final design of the northbound Orange Freeway (State Route 57) widening projects. Now that the design plans have been completed and the projects are ready for construction, it is proposed to amend the cooperative agreements to compensate the California Department of Transportation for the preparation of bid documents and the advertisement, award, and approval of the construction contracts for the projects.

Recommendations

- A. Authorize the Chief Executive Officer, or designee, to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1282, in an amount not to exceed \$710,100, for the preparation of bid documents and for the advertisement, award, and approval of the construction contract for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road, bringing the total contract amount to \$710,100.
- B. Authorize the Chief Executive Officer, or designee, to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1237, in an amount not to exceed \$254,475, for the preparation of bid documents and for the advertisement, award, and approval of the construction contract for the northbound Orange Freeway (State Route 57) between Katella Avenue and Lincoln Avenue, bringing the total contract amount to \$254,475.

Discussion

The northbound Orange Freeway (State Route 57) widening project between Orangethorpe Avenue and Lambert Road proposes to add one additional mixed-flow lane and auxiliary lanes at various locations and standardize existing lanes and shoulders to California Department of Transportation (Caltrans) requirements. This project has been developed as two separate construction projects, one between Orangethorpe Avenue and Yorba Linda Boulevard, and one between Yorba Linda Boulevard and Lambert Road.

The northbound widening between Katella Avenue and Lincoln Avenue proposes to add one additional mixed-flow lane and standardize existing lanes and shoulders to Caltrans requirements.

In the past, Caltrans covered the cost to advertise and award construction contracts as part of its oversight role on local projects. Caltrans has since determined that the cost to advertise construction is not and should not be included in its oversight role and that the sponsoring agency must pay for these services. The current cooperative agreement between Caltrans and the Orange County Transportation Authority (OCTA) for design oversight does not obligate Caltrans to provide construction advertisement services. Therefore, Caltrans has requested an amendment to the existing agreements to include associated labor and expense costs.

Two separate cooperative agreement amendments are required for Caltrans to prepare the bid documents and advertise, award, and approve the projects for construction. The administration of the construction for these projects will be done in accordance with Caltrans standards and practices.

Proposed Amendment No. 1 to Cooperative Agreement No. C-7-1282 will compensate Caltrans, in an amount not to exceed \$710,100, for the direct cost of preparing bid documents, and advertising, awarding, and approving the two construction contracts for the State Route 57 widening project between Orangethorpe Avenue and Lambert Road (Attachments A and B).

Proposed Amendment No.1 to Cooperative Agreement No. C-7-1237 (Attachment D) is to compensate Caltrans, in an amount not to exceed \$254,475, for the direct cost of preparing bid documents, and advertising, awarding, and approving the construction contract for the northbound State Route 57 widening project between Katella Avenue and Lincoln Avenue (Attachments C and D).

Procurement Approach

Cooperative Agreement No. C-7-1282 was executed on December 10, 2008, between Caltrans and OCTA where OCTA would be responsible for 100 percent of final design costs for the northbound State Route 57 segment between Orangethorpe Avenue and Lambert Road.

Cooperative Agreement No. C-7-1237 was executed on December 1, 2008, between Caltrans and OCTA where OCTA would be responsible for 100 percent of final design costs for the northbound State Route 57 segment between Katella Avenue and Lincoln Avenue.

As Caltrans prepares construction bids for these projects, it requires that OCTA compensates Caltrans for the costs associated with bid preparation and advertising, awarding, and approving of construction contracts. This requires an amendment to Agreement No. C-7-1282, in the amount of \$710,100, and an amendment to Agreement No. C-7-1237, in the amount of \$254,475.

Fiscal Impact

To support these amendments, it is necessary to transfer funds from accounts 0017-7514-FG102-HGU, State Route 57 Northbound Widening Project, Right-of-Way Support, and 0017-7514-FG101-HGU, State Route 57 Northbound Widening Project, Right-of-Way Support, to Account 0017-7519-FG102-HGU, State Route 57 Northbound Widening Project, Design Contingency.

Summary

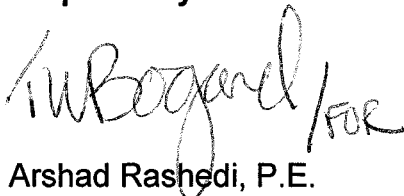
Staff requests Board of Directors' approval for the Chief Executive Officer to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-7-1282 and Amendment No. 1 to Cooperative Agreement No. C-7-1237 between OCTA and Caltrans.

Amendments to Cooperative Agreements with the California Department of Transportation for the Northbound Orange Freeway (State Route 57) Widening Projects **Page 4**

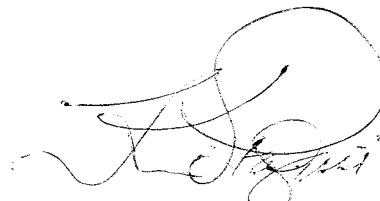
Attachments

- A. Fact Sheet, Cooperative Agreement No. C-7-1282 with the California Department of Transportation
- B. Amendment No. 1 to Cooperative Agreement No. C-7-1282 Between the Orange County Transportation Authority and the California Department of Transportation
- C. Fact Sheet, Cooperative Agreement No. C-7-1237 with the California Department of Transportation
- D. Amendment No. 1 to Cooperative Agreement No. C-7-1237 Between the Orange County Transportation Authority and the California Department of Transportation

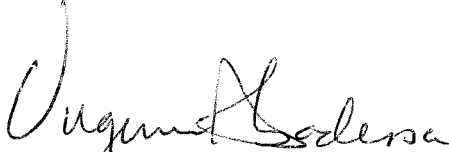
Prepared by:



Arshad Rashedi, P.E.
Project Manager
(714) 560-5874



Kia Mortazavi
Executive Director, Development
(714) 560-5741



Virginia Abadessa
Director, Contracts Administration and
Materials Management
(714) 560-5623

FACT SHEET
COOPERATIVE AGREEMENT NO. C-7-1282
WITH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

1. November 10, 2008, Agreement No. C-7-1282, \$0, approved by the Board of Directors.
 - Provide oversight, at no cost, of the preparation of plans, specifications, and estimate for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road.

2. February 8, 2010, Amendment No. 1 to Agreement No. C-7-1282, in the amount of \$710,100, pending approval by the Board of Directors.
 - Add funding for the costs of the preparation of bid documents, advertisement, award, and approval of construction contract for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road.

Total amount of Cooperative Agreement No. C-7-1282 after approval of Amendment No.1 will be: \$710,100.

**AMENDMENT NO. 1 TO COOPERATIVE
AGREEMENT NO. C-7-1282 BETWEEN**

ATTACHMENT B

**THE ORANGE COUNTY
TRANSPORTATION AUTHORITY AND
THE CALIFORNIA DEPARTMENT OF
TRANSPORTATION**

12-ORA-57-PM 15.16/21.12
Orange Freeway State Route (SR-57)
Widening Project
EA 12-0F0300
District Agreement No. 12-571 A1
OCTA Agreement No. C-7-1282

AMENDMENT NO. 1 TO AGREEMENT

THIS AMENDMENT NO. 1 TO AGREEMENT, ENTERED INTO EFFECTIVE ON
_____, 2010, is between the STATE OF CALIFORNIA, acting by and through
its Department of Transportation, referred to herein as "STATE", and the

ORANGE COUNTY TRANSPORTATION AUTHORITY,
a Public Corporation of the State of California,
referred to herein as "AUTHORITY."

RECITALS

1. The parties hereto entered into an Agreement No.571 on December 10, 2008 defining the terms and conditions of a project to make improvements to the State Highway consisting of Widening Northbound State Route 57 (SR-57) from just south from Orangethorpe Avenue to just north of Lambert road for a total length of 4.9 miles, referred to herein as "PROJECT".
2. This amendment, A-1, will revise and/or add conditions to the PROJECT.

General Information

AUTHORITY has requested that STATE provide services for preparation of contract documents, advertising, awarding, and approving contracts for PROJECTS, EA 12-0F031 and 12-0F032, these two EAs were sub-divided, at the PS&E phase, from the parent EA 12-0F030 identified in Agreement 12-571.

SECTION I

1. Add Article 18 of SECTION I, AUTHORITY Agrees, to read:

To be responsible for funding one hundred percent (100%) of STATE support costs for work performed on for PS&E activities as shown on Exhibit C, Scope of Work, Design Phase Activities, State Hours and Costs for Work Performed, attached and made an express part of this agreement, and in accordance to Section III, Article 2 of the agreement 12-571.

SECTION II

1. Add Article 3 of SECTION II, STATE Agrees, to read:

STATE will perform work for PS&E activities as shown on Attachment 1, Scope of Work, Design Phase Activities. Support costs for work to perform PS&E activities will be reimbursed by AUTHORITY as shown on Exhibit C, Scope of Work, Design Phase Activities, State Hours and Costs for Work Performed.

2. STATE will submit to AUTHORITY one invoice for actual support costs and will submit to AUTHORITY detailed supporting information within seven (7) working days of invoice.

AUTHORITY will electronically transfer (wire) funds to STATE within three (3) to five (5) working days of receipt of invoice. AUTHORITY transfer of funds will not be construed as acceptance of said charges.

AUTHORITY will notify STATE of a dispute in writing no later than 30 days of receipt of the detailed supporting information.

Upon receipt of a claim, STATE has seven (7) working days to contest said claim. Upon resolution, STATE will make the appropriate credit or debit and the detailed information will be resubmitted.

After PARTIES agree that all Scope activities are complete, STATE will submit a final accounting for all support work costs. Based on the final accounting, PARTIES will refund or redeposit as necessary in order to satisfy this obligation of this agreement.

SCOPE OF WORK

1. Add Attachment 1, Design Phase Activities, by adding item number 5. PREPARATION OF CONTRACT DOCUMENTS, ADVERTISING, AWARD AND APPROVAL OF CONTRACT (WORK PERFORMED BY STATE).
2. Add Exhibit C, DESIGN PHASE ACTIVITIES, STATE HOURS AND COSTS FOR WORK PERFORMED.

**STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION**

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

Randell H. Iwasaki
Director of Transportation

By: _____
Jim Beil
Deputy District Director
Capital Projects Outlay Program

By: _____
William Kempton
Chief Executive Director

APPROVED AS TO FORM AND PROCEDURE:

APPROVED AS TO FORM:

By: _____
Attorney
Department of Transportation

By: _____
Kennard R. Smart, Jr.
AUTHORITY General Counsel

CERTIFIED AS TO FUNDS:

APPROVED:

By: _____
District Budget Manager

By: _____
Kia Mortazavi
Executive Director, Development

CERTIFIED AS TO FINANCIAL TERMS AND CONDITIONS:

By: _____
Accounting Administrator

ATTACHMENT 1

PROJECT ACTIVITY	RESPONSIBILITY	
	STATE	OCTA
4. PREPARATION OF CONTRACT DOCUMENTS, ADVERTISING, AWARD, AND APPROVAL OF CONTRACT		
Final District Plans, Specifications, and Estimate Package	X	
Contract Bid Documents Ready to List	X	
Contract Ready for Advertising	X	
Advertised Contract	X	
Bids Opened	X	
Contract Award	X	
Executed and Approved Contract	X	

EXHIBIT C
DESIGN PHASE ACTIVITIES
STATE HOURS AND COSTS FOR WORK PERFORMED

	EA	
	<u>12-0F031</u>	<u>12-0F032</u>
Final District Plans, Specifications, and Estimates Package	1200 hrs	1200 hrs
Contract Bid Documents Ready to List, Contract Ready for Advertising, Advertised Contract, Bids Opened, Contract Award, Executed and Approved	<u>1430</u> hrs	<u>1430</u> hrs
TOTAL HRS	2630 HRS	2630 HRS
COST/HR	<u>\$135</u>	<u>\$135</u>
TOTAL COST	\$355,050	\$355,050

FACT SHEET
COOPERATIVE AGREEMENT NO. C-7-1237
WITH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

1. November 10, 2008, Agreement No. C-7-1237, \$0, approved by the Board of Directors.
 - Provide oversight, at no cost, of the preparation of the environmental document, project report, and the final design plans, specifications, and estimate for the northbound Orange Freeway (State Route 57) widening between Katella Avenue and Lincoln Avenue.

2. February 8, 2010, Amendment No. 1 to Agreement No. C-7-1237, in the amount of \$254,475, pending approval by the Board of Directors.
 - Add funding for the costs of the preparation of bid documents, advertisement, award, and approval of construction contract for the northbound Orange Freeway (State Route 57) widening between Katella Avenue and Lincoln Avenue.

Total amount of Cooperative Agreement No. C-7-1238 after approval of Amendment No.1 will be: \$254,475.

**AMENDMENT NO. 1 TO COOPERATIVE
AGREEMENT NO. C-7-1237 BETWEEN**

ATTACHMENT D

**THE ORANGE COUNTY
TRANSPORTATION AUTHORITY AND**

**THE CALIFORNIA DEPARTMENT OF
TRANSPORTATION**

12-ORA-57-PM 12.25/15.16
Orange Freeway State Route (SR-57)
Widening Project
EA 12-0F0400
District Agreement No. 12-570 A1
OCTA Agreement No. C-7-1237

AMENDMENT NO. 1 TO AGREEMENT

THIS AMENDMENT NO. 1 TO AGREEMENT, ENTERED INTO EFFECTIVE ON
_____, 2010, is between the STATE OF CALIFORNIA, acting by and through
its Department of Transportation, referred to herein as "STATE", and the

ORANGE COUNTY TRANSPORTATION AUTHORITY,
a Public Corporation of the State of California,
referred to herein as "AUTHORITY."

RECITALS

1. The parties hereto entered into an Agreement No.570 on December 1, 2008 defining the terms and conditions of a project to make improvements to the State Highway consisting of Widening Northbound State Route 57 (SR-57) between 0.3-mile (mi) south of Katella Avenue Post Mile (PM) 12.25 and 0.3-mi north of Lincoln Avenue PM 15.16 in the City of Anaheim, referred to herein as "PROJECT".
2. This amendment, A-1, will revise and/or add conditions to the PROJECT.

General Information

AUTHORITY has requested that STATE provide services for preparation of contract documents, advertising, awarding, and approving contracts for PROJECTS, EA 12-0F040 identified in Agreement 12-570.

SECTION I

1. Add Article 21 of SECTION I, AUTHORITY Agrees, to read:

To be responsible for funding one hundred percent (100%) of STATE support costs for work performed on for PS&E activities as shown on Exhibit C, Scope of Work, Design Phase Activities, State Hours and Costs for Work Performed, attached and made an express part of this agreement, and in accordance to Section III, Article 2 of the agreement 12-570.

SECTION II

1. Add Article 3 of SECTION II, STATE Agrees, to read:

STATE will perform work for PS&E activities as shown on Attachment 2, Scope of Work, Design Phase Activities. Support costs for work to perform PS&E activities will be reimbursed by AUTHORITY as shown on Exhibit C, Scope of Work, Design Phase Activities, State Hours and Costs for Work Performed.

2. STATE will submit to AUTHORITY one invoice for actual support costs and will submit to AUTHORITY detailed supporting information within seven (7) working days of invoice.

AUTHORITY will electronically transfer (wire) funds to STATE within three (3) to five (5) working days of receipt of invoice. AUTHORITY transfer of funds will not be construed as acceptance of said charges.

AUTHORITY will notify STATE of a dispute in writing no later than 30 days of receipt of the detailed supporting information.

Upon receipt of a claim, STATE has seven (7) working days to contest said claim. Upon resolution, STATE will make the appropriate credit or debit and the detailed information will be resubmitted.

After PARTIES agree that all Scope activities are complete, STATE will submit a final accounting for all support work costs. Based on the final accounting, PARTIES will refund or redeposit as necessary in order to satisfy this obligation of this agreement.

SCOPE OF WORK

1. Add Attachment 2, Design Phase Activities, by adding item number 5. PREPARATION OF CONTRACT DOCUMENTS, ADVERTISING, AWARD AND APPROVAL OF CONTRACT (WORK PERFORMED BY STATE).
2. Add Exhibit C, DESIGN PHASE ACTIVITIES, STATE HOURS AND COSTS FOR WORK PERFORMED.

**STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION**

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

Randell H. Iwasaki
Director of Transportation

By: _____
Jim Beil
Deputy District Director
Capital Projects Outlay Program

By: _____
William Kempton
Chief Executive Director

APPROVED AS TO FORM AND PROCEDURE:

APPROVED AS TO FORM:

By: _____
Attorney
Department of Transportation

By: _____
Kennard R. Smart, Jr.
AUTHORITY General Counsel

CERTIFIED AS TO FUNDS:

APPROVED:

By: _____
District Budget Manager

By: _____
Kia Mortazavi
Executive Director, Development

CERTIFIED AS TO FINANCIAL TERMS AND CONDITIONS:

By: _____
Accounting Administrator

ATTACHMENT 2

	PROJECT ACTIVITY	RESPONSIBILITY	
		STATE	OCTA
4.	PREPARATION OF CONTRACT DOCUMENTS, ADVERTISING, AWARD, AND APPROVAL OF CONTRACT		
	Final District Plans, Specifications, and Estimate Package	X	
	Contract Bid Documents Ready to List	X	
	Contract Ready for Advertising	X	
	Advertised Contract	X	
	Bids Opened	X	
	Contract Award	X	
	Executed and Approved Contract	X	

Exhibit C
DESIGN PHASE ACTIVITIES
STATE HOURS AND COSTS FOR WORK PERFORMED

	<u>EA</u> <u>12-0F040</u>
Final District Plans, Specifications, and Estimates Package	1000 hrs
Contract Bid Documents Ready to List, Contract Ready for Advertising, Advertised Contract, Bids Opened, Contract Award, Executed and Approved	<u>885</u> hrs
TOTAL HRS	1885 HRS
COST/HR	<u>\$135</u>
TOTAL COST	\$254,475



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Bond Counsel Services

Finance and Administration Committee Meeting of January 27, 2010

Present: Directors Bates, Buffa, Campbell, Cavecche, Hansen, and Moorlach
Absent: Director Brown

Committee Vote

This item was passed by all Committee Members present.

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

Committee Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0767 with Nossaman, LLP, to provide bond counsel services to the Orange County Transportation Authority for a period of three years with two one-year option terms.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0913 with Kutak Rock, LLP, to provide bond counsel services to the Orange County Transportation Authority for a period of three years with two one-year option terms.



January 27, 2010

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Bond Counsel Services

Overview

The Orange County Transportation Authority issued a request for proposals for bond counsel services on October 16, 2009. The successful firm will assist the Orange County Transportation Authority with financing, investment, and tax issues over the next three years. Offers were received 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.

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0767 with Nossaman, LLP, to provide bond counsel services to the Orange County Transportation Authority for a period of three years with two one-year option terms.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0913 with Kutak Rock, LLP, to provide bond counsel services to the Orange County Transportation Authority for a period of three years with two one-year option terms.

Discussion

Over the past several years, the Orange County Transportation Authority (Authority) has evolved into one of the more sophisticated transportation debt issuers in the state. The Authority relies upon the opinions and guidance of bond counsel to successfully market and administer its debt programs. Over the past several years, bond counsel has assisted the Authority with the establishment of the Measure M2 (M2) Tax-Exempt Commercial Paper Program, the issuance of 91 Express Lanes toll road revenue bonds, and the issuance of Measure M (M1) sales tax revenue bonds.

The incumbent firm providing bond counsel services is Nossaman, LLP.

In the coming years, the Authority anticipates that the selected bond counsel firm will provide services for the 91 Express Lanes variable rate bonds and long-term M2 financing, and assist with the cooperative agreements with the Riverside County Transportation Commission for the extension of the 91 Express Lanes. Therefore, the Authority will require a bond counsel firm with extensive experience in sales tax financings and toll road revenue bonds.

Procurement Approach

This procurement was handled in accordance with the Authority's procedures for professional and technical services. On October 16, 2009, Request for Proposals (RFP) 9-0767 was released and sent electronically to 74 firms registered on CAMM NET. The competitive time and expense RFP was advertised in a newspaper of general circulation on October 16 and October 19, 2009. The fiscal year 2009-2010 budget is \$200,000 for these services. The proposed contract is for an initial term of three years with two one-year option terms. A pre-proposal conference was held on October 22, 2009, and was attended by three firms. An addendum was issued to post the pre-proposal conference registration sheet and advise of administrative changes.

On November 11, 2009, six proposals were received. An evaluation committee comprised of staff from Treasury/Toll Roads, Financial Planning and Analysis, and Contracts Administration and Materials Management, as well as two external representatives: one from Sperry Capital, Inc. and the other from Children and Families Commission of Orange County, met and evaluated all six proposals.

The following evaluation criteria and weights were used to evaluate the proposals received:

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

The standard 25 percent for each criterion was not used for this procurement. The weights are consistent with the weights developed for similar professional services. The qualifications of the firm's staff are the most important factor. Therefore, it was weighted at 30 percent. The qualifications of the firm and

pricing are equally important and were weighted at 25 percent each. It was important for the firm to show a proven track record of providing bond counsel services at competitive rates.

Four of the six proposing firms were less qualified and proposed staff that had significantly less experience in providing bond counsel services. The four firms proposed work plans with limited information on how the project requirements would be addressed. The two remaining firms scored within the competitive range. The firms are listed below in alphabetical order:

Firm and Location

Kutak Rock LLP
Denver, Colorado

Nossaman LLP
Los Angeles, California

On December 8, 2009, the evaluation committee interviewed the two short-listed firms. Each firm was asked to present the most challenging issues the Authority may encounter in the next few years. The presentation was followed by a question and answer period. Based on the proposal evaluation and interviews, staff recommends Nossaman, LLP (Nossaman) as the primary consultant and Kutak Rock (Kutak) as the secondary consultant in the event of any potential conflicts of interest for Nossaman.

Qualifications of the Firm

Both firms are experienced in providing bond counsel services to public transportation agencies. Both firms demonstrated extensive and relevant experience in providing bond counsel services of similar complexity in California as requested in the RFP. Both firms submitted excellent proposals and provided good answers to interview questions.

Nossaman's team delivered an excellent interview presentation and completely addressed the most challenging issues facing the Authority. Kutak provided a good presentation and demonstrated proficient knowledge of bond counsel services.

Staffing and Project Organization

Nossaman's staff has extensive experience advising public agency clients in connection with financing transportation projects using sales tax revenue

bonds and toll road revenue bonds. The firm's subconsultant has excellent experience providing tax advice related to the issuance of tax exempt bonds as well as experience with M1 sales tax revenue bonds.

Kutak's staff has very good experience with bond and note financing. The interview team provided a good summary of municipal market liquidity issues specific to the Authority and creative answers to the interview questions.

Work Plan

The work plan proposed by both firms conformed to the requirements of the scope of work in the RFP. Nossaman's work plan provided a detailed discussion of each service specified in the scope of work. The firm discussed specific issues on the 91 Express Lanes and M2, including compliance with the requirements of the ordinance establishing M2. The work plan addressed approaches for sales tax bonds and toll road bonds.

Kutak provided a good description of the scope of work requirements and discussed cost containment in their proposal. The firm has invested in technology, such as web-based document management in order to be more efficient and cost effective.

Cost and Price

Pricing scores are based on a formula which assigns the highest score of 5 to the lowest proposed fees and ranks the remaining proposed fees based on their relation to the lowest price score. As part of the RFP, all firms were provided bond transaction scenarios in which to propose. Both Nossaman and Kutak proposed competitive fees for the various scenarios.

Based on the evaluation of the written proposals, team qualifications, work plan, and information obtained from the interviews, it is recommended that Nossaman act as the primary consultant and Kutak act as the secondary consultant in the event of any potential conflicts of interest for Nossaman. Nossaman was unanimously selected by the evaluation committee because of its extensive experience with California transportation debt issuers, its vast experience with sales tax financings and toll road bonds, the broad experience of its lead attorney and tax attorney, and its thorough knowledge of the Authority.

Fiscal Impact

The project was approved in the Authority's Fiscal Year 2010 Budget, Account 0036-7511-B0001-PR7, and is funded through the 91 Express Lanes. As future bond financings are approved by the Board of Directors, staff will also request approval for bond counsel expenses and include these funds in future budget requests.

Summary

Based on the information provided, staff recommends award of Agreement No. C-9-0767 to Nossaman LLP, for three years with two one-year option terms for bond counsel services. Staff recommends award of Agreement No. C-9-0913 to Kutak Rock LLP, for three years with two one-year option terms for bond counsel services.

Attachments

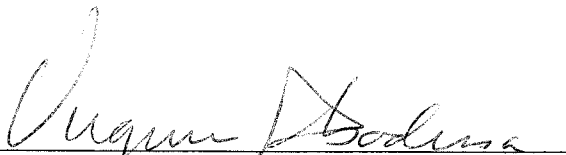
- A. RFP 9-0767 Bond Counsel Services, Review of Proposals
- B. Proposal Evaluation Criteria Matrix Short-List After Interviews, RFP 9-0767 Bond Counsel Services
- C. Contract History for the Past Two Years, RFP 9-0767 Bond Counsel Services

Prepared by:

Kirk Avila
Treasurer/General Manager
Treasury/Toll Roads
714-560-5674

Approved by:

Kenneth Phipps
Executive Director,
Finance and Administration
714-560-5637



Virginia Abadessa
Director, Contracts Administration and
Materials Management
714-560-5623

RFP 9-0767 BOND COUNSEL SERVICES

Review of Proposals

PRESENTED TO THE FINANCE AND ADMINISTRATION COMMITTEE MEETING JANUARY 27, 2010

6 proposals were received, 2 firms were interviewed

Overall Ranking	Overall Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Proposed Fees for Bond Transactions
1	89	Nossaman LLP Los Angeles, California	Law Offices of Sam Norber	Excellent experience in bond counsel services. Lead attorney has extensive experience with sales tax and toll road revenue bonds. Detailed work plan discussed specific issues on 91 Express Lanes and Measure M2. Excellent presentation and answers to interview questions. Competitive fees.	\$75,000 to \$90,000
2	82	Kutak Rock LLP Denver, Colorado	None	Very good experience providing bond counsel services. Staff has extensive experience with bond and note financing. Work plan provided a good description of project requirements. Very good answers to interview questions. Competitive fees.	\$75,000 to \$85,000

Evaluation Panel

OCTA
 Treasury/Toll Roads (1)
 Financial Planning and Analysis (1)
 CAMM (1)
 Sperry Capital, Inc. (1)
 Children and Families Commission of Orange County (1)

Proposal Criteria

Work Plan
 Qualifications of the Firm
 Cost and Price
 Staffing/Project Organization

Weight Factor

20%
 25%
 25%
 30%

PROPOSAL EVALUATION CRITERIA MATRIX SHORT-LIST AFTER INTERVIEWS						
RFP 9-0767 BOND COUNSEL SERVICES						
Nossaman LLP						Weights Overall Score
Evaluation Number	1	2	3	4	5	
Qualifications of Firm	5.00	5.00	5.00	5.00	4.50	5 24.50
Staffing/Project Organization	4.50	5.00	4.50	5.00	4.50	6 28.20
Work Plan	5.00	5.00	5.00	5.00	4.00	4 19.20
Cost and Price	3.40	3.40	3.40	3.40	3.40	5 17.00
	89.00	92.00	89.00	92.00	82.50	89
Kutak Rock LLP						
Evaluation Number	1	2	3	4	5	
Qualifications of Firm	5.00	5.00	4.50	5.00	4.00	5 23.50
Staffing/Project Organization	4.00	4.00	4.00	4.00	4.00	6 24.00
Work Plan	4.50	4.00	4.00	4.50	4.00	4 16.80
Cost and Price	3.60	3.60	3.60	3.60	3.60	5 18.00
	85.00	83.00	80.50	85.00	78.00	82
Range of scores for non short-listed firms was 44 to 64.						

**CONTRACT HISTORY FOR THE PAST TWO YEARS
RFP 9-0767 - "BOND COUNSEL SERVICES"**

Firm - Prime Only	Contract No.	Description	Contract Start Date	Contract Completion Date	Contract Amount
Nossaman LLP	C-4-0268	Bond Counsel Services	6/15/2004	5/31/2010	\$300,000
Sub Total					\$300,000
Kutak Rock LLP	C-4-0545	Bond Counsel Services	6/15/2004	5/31/2008	\$200,000
Sub Total					\$200,000



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Financial and Compliance Audits of Eight Combined Transportation Funding Program Projects

Finance and Administration Committee Meeting of January 27, 2010

Present: Directors Bates, Buffa, Campbell, Cavecche, Hansen, and Moorlach
Absent: Director Brown

Committee Vote

This item was passed by all Committee Members present.

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

Committee Recommendations (differs from Staff Recommendations)

- A. Receive and file financial and compliance audits of eight Combined Transportation Funding Program projects, Internal Audit Report 08-019.
- B. Direct staff to review the documents submitted by the City of Stanton regarding expenditures invoiced under the Combined Transportation Funding Program and report back to Committee, and forego recovery of the \$11,868 from the City of Westminster.
- C. Direct OCTA staff to implement recommendations related to jurisdictions' submission of final reports within 180 days of project completion and clarification of allowable overhead cost allocations.
- D. Direct OCTA staff to enhance final project review procedures to include additional scrutiny of possible excess right of way.



January 27, 2010

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Financial and Compliance Audits of Eight Combined Transportation Funding Program Projects

Overview

Audits have been completed of eight projects funded through the Combined Transportation Funding Program of Measure M by external audit firm Mayer Hoffman McCann P.C. Recommendations have been offered to ensure compliance with the Combined Transportation Funding Program Guidelines. The auditors also questioned expenditures of \$84,417 and \$11,868 invoiced by the cities of Stanton and Westminster, respectively, for inadequately supported expenditures. While the cities indicate that there is sufficient evidence of project completion, that evidence does not meet program requirements. Therefore, the Internal Audit Department is recommending that the Orange County Transportation Authority seek reimbursement of these amounts. In the process of seeking reimbursement, staff will work with these jurisdictions to determine if there is any way within the Combined Transportation Funding Program to substantiate the expenditures in question.

Recommendations

- A. Receive and file financial and compliance audits of eight Combined Transportation Funding Program projects, Internal Audit Report 08-019.
- B. Direct staff to seek reimbursement from the City of Stanton, in the amount of \$84,417, and from the City of Westminster, in the amount of \$11,868, for expenditures invoiced under the Combined Transportation Funding Program but inadequately supported.
- C. Direct Orange County Transportation Authority staff to implement recommendations related to jurisdictions' submission of final reports within 180 days of project completion and clarification of allowable overhead cost allocations.

- D. Direct Orange County Transportation Authority staff to enhance final project review procedures to include additional scrutiny of possible excess right of way.

Background

The Combined Transportation Funding Program (CTFP) was created by the Orange County Local Transportation Authority (OCLTA) to provide local agencies with a common set of guidelines (CTFP Guidelines) and project selection criteria for a variety of funding programs. To participate in the CTFP, an agency must have been found eligible to receive Measure M "turnback" funds.

The Orange County Transportation Authority (OCTA) issues a CTFP "call for projects" on a biennial basis to all eligible local agencies, at which time agencies are required to submit an application to OCTA to receive funding. OCTA reviews and ranks each application using evaluation criteria developed for each program. OCTA's Board of Directors approves projects and funding allocations.

In 2005, OCTA's Internal Audit Department (Internal Audit) conducted the first audits of projects funded by CTFP. Specifically, Internal Audit selected 15 projects and engaged three contract audit firms to perform the audits. The audits found that agencies receiving CTFP funding generally complied with the CTFP Guidelines. However, recommendations were made to resolve ambiguities in the CTFP Guidelines and to implement other controls to ensure that the CTFP Guidelines were followed and required documentation submitted by the local agencies was complete and accurate.

The Fiscal Year 2008-2009 Internal Audit Plan Audit included CTFP project audits. Through a competitive procurement process, Internal Audit engaged external audit firm Mayer Hoffman McCann P.C. (MHM) to conduct audits of eight completed projects. The audits were recently completed.

Discussion

Selection of Projects

Internal Audit obtained from OCTA's Development Division an unaudited ledger of all CTFP projects closed out during fiscal year 2007-08. From this population, Internal Audit selected eight projects for audit. The first selection criteria included all projects greater than \$750,000 to ensure adequate coverage of significant projects across the applicable 21 jurisdictions. One

project from this initial selection was eliminated because the jurisdiction, the City of Orange, had two projects that met the criteria.

The second selection criteria was designed to ensure a variety of project categories under the CTFP were represented. The CTFP categories include programs such as the Intersection Improvement Program (IIP), the Signal Improvement Program (SIP), and others. In total, five of the six project categories were represented in the sample. No project was selected from the Transportation Demand Management Program category due to immateriality. Finally, Internal Audit randomly selected one additional jurisdiction not selected under the first two criteria to expand coverage. A summary of the selected projects and audit results can be found at Attachment A.

Statistics for the population of projects closed and the sample selected for audit are as follows:

Total costs of projects closed during fiscal year 2007-08:	\$32,978,263
Total costs of projects selected for audit:	19,988,982
Percentage of total closed project costs selected for audit:	61%
Total number of projects closed during fiscal year 2007-08:	71
Total number of projects selected for audit:	8

Audit Objectives

The primary objective of the audits was to ensure compliance with CTFP Guidelines and verify that project records and documentation supported the amounts invoiced to OCTA. A secondary objective of the audits was to ensure that policies, procedures, and processes of the OCTA are in place and operating effectively to promote compliance with the Ordinance.

Audit Findings and Recommendations

Auditors MHM identified issues both with CTFP projects and OCTA administration. A summary of the findings for the jurisdictions audited can be found at Attachment A, and the detailed audit reports can be found in Attachments B through H. The auditor's recommendations for OCTA can be found at Attachment I.

Two jurisdictions did not have sufficient documentation to support expenditures. CTFP Guidelines require that documents supporting expenditures be retained for five years following project completion. The City of Stanton began its project in fiscal year 1999-00, completed it in 2001-02, but

did not submit the final report until fiscal year 2007-08. Between 1999 and this 2009 audit, the city destroyed pertinent records. As a result, auditors questioned all expenditures and Internal Audit is recommending that OCTA seek reimbursement of \$84,417 of CTFP funding from the City of Stanton. The City of Stanton maintains that while records are unavailable, there is obvious evidence of project completion.

Similarly, the City of Westminster was unable to produce detailed timesheets to support labor charges for its project which began in fiscal year 1999-00 and for which a final report was submitted to OCTA in fiscal year 2007-08. Auditors questioned \$11,868 of labor costs and associated overhead. Internal Audit is recommending that OCTA seek reimbursement of \$11,868 from the City of Westminster. The City of Westminster maintains that summary records of time incurred and charged to the project is adequate evidence.

Three jurisdictions were found to have submitted final project reports more than 180 days following project completion. Auditors recommended that cities' establish procedures to ensure timely filing of final reports. The City of Orange took exception to this recommendation, indicating that because of delayed payment approval by OCTA the final report was not submitted timely. OCTA management indicated that the final report submission deadline is independent of the reimbursement cycle and Internal Audit agrees.

Auditors also found, through discussion with OCTA Development Division staff, that the disposition of a remnant piece of property purchased by the City of Lake Forest for its transportation project was not negotiated with OCTA as required by CTFP Guidelines. The City of Lake Forest, in its final project report, did not declare the excess right-of-way but had used it for aesthetic improvements and landscaping. The City of Lake Forest disputed the auditor's finding, indicating that semi-annual project update information provided to OCTA represented sufficient communication as to excess right-of-way. Internal Audit has reviewed the documentation provided to the auditor and has determined that it did not reflect right-of-way status or discussions with OCTA about disposition.

During 2009, OCTA's Development Division initiated a review of certain CTFP projects and identified the City of Lake Forest's project as one with unreported excess right-of-way. Staff met with the City of Lake Forest in December 2009 and came to agreement that the excess was an uneconomic remnant. Internal Audit recommends that OCTA's Development Division develop enhanced procedures for ongoing monitoring of possible excess right-of-way.

In addition to findings and recommendations related to jurisdictions' compliance with the CTFP Guidelines, MHM has made two recommendations related to OCTA's administration of the program (Attachment I). First, the auditors recommended that OCTA ensure that final project reports are submitted within the required 180 days. Management responded that the CTFP Guidelines offer no punitive consequences. As a result, OCTA's Chief Executive Officer sent reminder letters to all agencies with delinquent reports. Management also indicated that punitive language is being added to the guidelines for Measure M2.

Auditors also found unclear language in the CTFP Guidelines with regard to overhead charges. The CTFP Guidelines indicate that cities may charge overhead "at allowable rate(s) up to 30% of payroll and fringe benefits..." The auditors recommended that OCTA clarify this language to indicate that the overhead rate should be the actual overhead rate, not to exceed 30 percent of salaries and fringe benefits. Management responded that the Renewed Measure M guidelines will include clarifying language.

Summary

Audits have been completed of eight CTFP projects funded by Measure M. External auditors MHM have provided recommendations related to both the jurisdictions' compliance with the Ordinance, as well as recommendations to improve OCTA's administration of CTFP projects.

Attachments

- A. Orange County Transportation Authority Combined Transportation Funding Program Summary of Project Audit Results
- B. City of Stanton, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 99-STAN-SIP-1192 Cerritos Avenue/Western Avenue Traffic Signal Project For the Period September 12, 2000 through September 19, 2007
- C. City of Westminster, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 00-WEST-GMA-3198 Intelligent Transportation Project (Phase III) For the Period August 9, 2002 through October 24, 2007
- D. City of Orange, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 00-ORNG-IIP-3141 Chapman Avenue & Prospect Street Intersection Improvement Project For the Period June 24, 2003 through January 30, 2008
- E. City of Lake Forest, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 03-LFOR-MPH-1171

- Widening and Improvement of El Toro Road: Interstate 5 to Jutewood Place/Cornelius Drive For the Period August 19, 2003 through June 4, 2008
- F. City of San Clemente, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 99-SCLM-MPH-2004 Improvement of Avenida La Pata Extension For the Period February 27, 2002 through August 8, 2007
 - G. County of Orange, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Program Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 Warner Avenue Bridge Widening Project For the Period November 22, 2006 through May 21, 2008
 - H. City of Irvine, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 99-IRVN-RIP-1104 Improvement to Interchange at Jeffery Road & Interstate 405 Project For the Period January 20, 2005 through September 12, 2007
 - I. January 12, 2010 letter from Mayer Hoffman McCann to Kathleen M. O'Connell

Approved by:



Kathleen M. O'Connell
Executive Director, Internal Audit
(714) 560-5669

**ORANGE COUNTY TRANSPORTATION AUTHORITY
COMBINED TRANSPORTATION FUNDING PROGRAM
SUMMARY OF PROJECT AUDIT RESULTS**

Jurisdiction	Project # / Description	CTFP Funding	Findings	Recommendations
Stanton	99-STAN-SIP-1192	\$84,417	City did not retain documentation supporting any invoices. Auditors questioned all costs, or \$84,417	Seek reimbursement of \$84,417.
Westminster	00-WEST-SIP-3198	221,744	City did not maintain timesheets to support labor and overhead costs claimed. Auditors questioned salaries of \$9,086 and associated overhead of \$2,782.	Seek reimbursement of \$11,868.
Orange	00-ORNG-IIP-3141	943,376	The city did not submit the final project report to OCTA within 180 days of project completion.	The city should implement procedures to ensure timely submission of final project reports.
Lake Forest	03-LFOR-MPH-1171	13,707,215	Final report submitted by city contained errors, none of which affected CTFP funding. In addition, excess right-of-way purchased for the improvements were not used for transportation purposes and the city did not advise OCTA of this so that the parties could come to agreement on disposition.	City and OCTA should enter into negotiations for final disposition of excess right-of-way. Matter was resolved on December 7, 2009. OCTA should develop enhanced procedures for ongoing monitoring of possible excess right of way.
San Clemente	99-SCLM-MPH-2004	1,044,484	The city did not submit the final project report to OCTA within 180 days of project completion.	The city should implement procedures to ensure timely submission of final project report.
Irvine	99-IRVN-RIP-1104	2,916,879	Final report submitted by city contained errors, none of which affected CTFP funding.	None.
County of Orange (on behalf of Santa Ana)	96-SNTA-GMA-1047	550,000	None.	None.
County of Orange	00-ORCO-MPAH-3049	1,377,028	None.	None.

TOTAL

\$19,988,982

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

For the Period
September 12, 2000 through September 19, 2007

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

For the Period September 12, 2000 through September 19, 2007

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INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Stanton, California (City) for the period September 12, 2000 through September 19, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-STAN-SIP-1192 with the Orange County Transportation Authority (OCTA) for the Cerritos Avenue/Western Avenue traffic signal project. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period September 12, 2000 through September 19, 2007 in accordance with the CTFP program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period September 12, 2000 through September 19, 2007 under CTFP Project Number 99-STAN-SIP-1192 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

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compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Stanton and is not intended to be and should not be used by anyone other than those specified parties.

Margaret M. McLean P.C.

Irvine, California
January 8, 2010

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Program Number 99-STAN-SIP-1192
 Cerritos Avenue/Western Avenue Traffic Signal Project

Schedule of Costs Claimed

For the Period September 12, 2000 through September 19, 2007

	<u>As Submitted</u>			<u>As Audited</u>			<u>Questioned Costs</u>		
	City			City			City		
	<u>CTFP</u>	<u>Match</u>	<u>Total</u>	<u>CTFP</u>	<u>Match</u>	<u>Total</u>	<u>CTFP</u>	<u>Match</u>	<u>Total</u>
Revenues:									
99-STAN-SIP-1192	\$ 84,417	\$ 19,584	\$ 104,001	\$ -	\$ -	\$ -	\$ 84,417	\$ 19,584	\$ 104,001
Local match	-	-	-	-	-	-	-	-	-
Total revenue	<u>84,417</u>	<u>19,584</u>	<u>104,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,417</u>	<u>19,584</u>	<u>104,001</u>
Expenditures:									
Construction	<u>84,417</u>	<u>19,584</u>	<u>104,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,417</u>	<u>19,584</u>	<u>104,001</u>
Total expenditures	<u>84,417</u>	<u>19,584</u>	<u>104,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,417</u>	<u>19,584</u>	<u>104,001</u>
Net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial schedule

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Notes to Financial Schedule

For the Period September 12, 2000 through September 19, 2007

(1) General Information

On August 8, 1995, the City of Stanton, California (City), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On September 12, 2000 the Cerritos Avenue/Western Avenue Traffic Signal Project was approved as Project Number 99-STAN-SIP-1192 under the Signal Improvement Program (SIP). The SIP Program is designed to provide funds for improvements that lead to better operation and management of signal systems and traffic congestion relief. Eligible SIP expenditures under the CTFP Guidelines include:

- Timing
 - Design (new or 3+ years since funded)
 - Equipment such as interconnect, controllers, software (new or 5+ years since funded)
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)
- System detection (new or 5+ years since funded)
 - Closed circuit televisions
 - Inductive loops
 - Video imaging detection systems
 - Other detection systems
- Expert systems (such as decision support systems or adaptive control systems)
 - System communication links (i.e., between master systems/traffic operations centers)
 - Modification of existing traffic signal (i.e., conversion to protective permission signals)

In accordance with the CTFP Guidelines, agencies receiving funding under the SIP Program are required to provide matching funds of at least 20% of eligible expenditures. Based upon review, the City did not satisfy its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City of Stanton to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Notes to Financial Schedule (Continued)

For the Period September 12, 2000 through September 19, 2007

(3) Questioned Costs

The City was not able to provide complete documentation to support costs incurred on the project. As such, we have questioned \$84,417 of costs, which represents all costs associated with the project. The nature of the documentation provided and missing is as follows:

- The City provided copies of contracts to support budgeted construction costs, but support was not provided to substantiate payments to the contractors.
- No documentation was provided to substantiate change orders or extra work.
- A general ledger was provided to substantiate the other costs such as equipment purchases. However, no invoices or copies of checks were provided to support these costs.
- A Notice of Completion was provided to substantiate that the work was completed and accepted by the City.



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Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes total costs incurred by the City of Stanton, California (City), for the period September 12, 2000 through September 19, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-STAN-SIP-1192 with the Orange County Transportation Authority (OCTA) for the Cerritos Avenue/Western Avenue traffic signal project, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Findings and Recommendations section as items 1 and 2.

The City's response to the finding identified in our audit is described in the accompanying Findings and Recommendations section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Stanton and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 8, 2010

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Findings and Recommendations

For the Period September 12, 2000 through September 19, 2007

(1) **Need to Ensure that Final Reports are Submitted Within 180 Days After Project Completion**

The City did not submit its final report to OCTA within 180 days after project completion. The Notice of Completion was dated December 3, 2001 and the Final Report was dated September 19, 2007.

Chapter 13, *Final Report*, of the CTFP 2007 Guidelines states, in part:

“The Final Report must be submitted to the Orange County Transportation Authority within 180 days after acceptance of the improvements, study, or project (i.e., Notice of Completion).”

Recommendation

We recommend that, should the City receive future funding under the CTFP Program, that it establish procedures to ensure that the final report is submitted within 180 days of project completion.

Management Response

As noted in management response (1), the reports have been filed in a timely manner after change of City management in 2007. The City has been submitting final reports within 180 days of project completion.

(2) **Need to Adequately Support Project Costs**

The City of Stanton (City) did not maintain adequate financial records to support project costs claimed for Project Number 99-STAN-SIP-1192. As noted below, only partial records were provided for our review.

- Copies of contracts were provided to support construction costs but support was not provided to substantiate payment to the contractor.
- No documentation was provided to substantiate change orders or extra work.

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Findings and Recommendations (Continued)

For the Period September 12, 2000 through September 19, 2007

(2) **Need to Adequately Support Project Costs (Continued)**

- The general ledger was provided to substantiate other costs such as equipment; however, no invoices or copies of checks were provided.
- Notice of Completion was provided to substantiate that work was completed.

Although the construction period for this project was from September 12, 2000 through November 14, 2001, the final report submitted to OCTA with the City's request for reimbursement was dated April 3, 2007. Project completion occurs with the filing of the final report. In addition, Guidelines require all supporting documentation to be retained for 5 years after project closeout and final payment.

The 1999 Combined Transportation Funding Program Guidelines, Chapter 14 states, in part:

“...Project records must be maintained for five (5) years ...”

The City stated that the individuals who performed tasks for the project were no longer employed by the City. Without adequate supporting documentation, we were unable to determine whether costs claimed were reasonable and allowable in accordance with the CTFP Guidelines.

Recommendation

We have questioned all project costs totaling \$104,001 as a result of a lack of records to support costs claimed. We recommend that the City maintain project records for at least five (5) years after project completion.

Management Response

The supporting documentation was not available for the auditors to examine because the retention period of seven years had lapsed. The reimbursement report for the completed project in 2001 was not filed until 2007. The City was informed of the audit in 2009. Since the change of management in late 2007, reimbursement reports have been filed in a timely manner.

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

For the Period
August 9, 2002 through October 24, 2007

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

For the Period August 9, 2002 through October 24, 2007

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Board of Directors
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Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Westminster, California (City), for the period August 9, 2002 through October 24, 2007 under Combined Transportation Funding Program (CTFP) Project Number 00-WEST-SIP-3198 with the Orange County Transportation Authority (OCTA) for the completion of Phase III of the installation of video imaging detection systems and closed circuit televisions at eight intersections. The costs as presented in the Financial Schedule are the responsibility of the City of Westminster. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period August 9, 2002 through October 24, 2007 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period August 9, 2002 through October 24, 2007 under CTFP Project Number 00-WEST-SIP-3198 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

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and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Westminster and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
January 7, 2010

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Program Number 00-WEST-SIP-3198
 TSCOUP Intelligent Transportation project (Phase III)

Schedule of Costs Claimed

For the Period August 9, 2002 through October 24, 2007

	As Submitted			As Audited			Questioned Costs		
	CTFP	City	Total	CTFP	City	Total	CTFP	City	Total
		Match			Match			Match	
Revenues:									
00-WEST-SIP-3198	\$ 221,744	\$ -	\$ 221,744	\$ 209,876	\$ -	\$ 209,876	\$ 11,868	\$ -	\$ 11,868
Local match	-	113,569	113,569	-	111,213	111,213	-	2,356	2,356
Total revenue	<u>221,744</u>	<u>113,569</u>	<u>335,313</u>	<u>209,876</u>	<u>111,213</u>	<u>321,089</u>	<u>11,868</u>	<u>2,356</u>	<u>14,224</u>
Expenditures:									
Construction engineering	11,868	2,356	14,224	-	-	-	11,868	2,356	14,224
Construction	209,876	111,213	321,089	209,876	111,213	321,089	-	-	-
Total expenditures	<u>221,744</u>	<u>113,569</u>	<u>335,313</u>	<u>209,876</u>	<u>111,213</u>	<u>321,089</u>	<u>11,868</u>	<u>2,356</u>	<u>14,224</u>
Net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial schedule

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

Notes to Financial Schedule

For the Period August 9, 2002 through October 24, 2007

(1) General Information

On August 18, 1995, the City of Westminster, California (City), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On August 9, 2009, the Intelligent Transportation Project (Phase III) was approved as Project Number 00-WEST-SIP-3198 under the Signal Improvement Program (SIP). The SIP Program is designed to provide funds for improvements that lead to better operation and management of signal systems and traffic congestion relief. Eligible SIP expenditures under the CTFP Guidelines include:

- Timing
 - Design (new or 3+ years since funded)
 - Equipment such as interconnect, controllers, software (new or 5+ years since funded)
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)
- System detection (new or 5+ years since funded)
 - Closed circuit televisions
 - Inductive loops
 - Video imaging detection systems
 - Other detection systems
- Expert systems (such as decision support systems or adaptive control systems)
 - System communication links (i.e., between master systems/traffic operations centers)
 - Modification of existing traffic signal (i.e., conversion to protective/ permission signals)

In accordance with the CTFP Guidelines, agencies receiving funding under the SIP Program are required to provide matching funds of at least 20% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the CTFP Program. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
--Intelligent Transportation Project (Phase III)

Notes to Financial Schedule

For the Period August 9, 2002 through October 24, 2007

(3) Questioned Costs

The City provided a labor and overhead cost schedule that identified the individuals, hours and amounts charged to Project Number 00-WEST-SIP-3198. However the City was not able to provide detailed time sheets to support the hours. As such, we are unable to verify the accuracy of hours reported on the labor and overhead cost schedule. Therefore, we have questioned salaries in the amount of \$9,086 and associated overhead in the amount of \$2,782.



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Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes total costs incurred by the City of Westminster, California (City) for the period August 9, 2002 through October 24, 2007 under Combined Transportation Funding Program (CTFP) Project Number 00-WEST-SIP-3198 with the Orange County Transportation Authority (OCTA) for the completion of phase III of the installation of video imaging detection system and closed circuit televisions at eight intersections, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedules that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

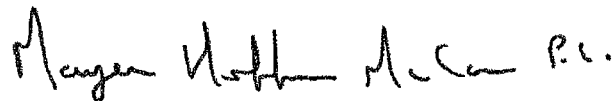
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Finding and Recommendation as item 1.

The City's and OCTA's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's and OCTA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Westminster and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 7, 2010

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

Finding and Recommendation

For the Period August 9, 2002 through October 24, 2007

(1) **Need to Maintain Timesheets**

The City of Westminster (City) was not able to provide time sheets to support hours on the labor and overhead cost schedule. As such, we are unable to verify the accuracy of time charged to the CTFP project. Guidelines require all supporting documentation to be retained for 5 years after project closeout and final payment.

The 1999 Combined Transportation Funding Program Guidelines, Chapter 14 states, in part:

“...Project records must be maintained for five (5) years ...”

According to the Civil Engineering Principal, due to space constraints, the City did not maintain all project documents and were not aware that detailed timesheets should be retained.

Recommendation

We have questioned in-house labor costs in the amount of \$9,086, and related overhead costs in the amount of \$2,782 due to the lack of detailed records to support the costs claimed. We recommend that the City maintain detailed timesheets for at least five (5) years after project completion.

Management Response

The City of Westminster concurs with the findings in this report. The City staff provided satisfied explanations and back-up payrolls to the questioned salary and overhead costs. The City staff will change future in-house procedures to maintain detailed timesheets with the project's records for five years after project completion as recommended.

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Street
Intersection Improvement Project

For the Period
June 24, 2003 through January 30, 2008

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Intersection Improvement Project

For the Period June 24, 2003 through January 30, 2008

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Orange, California (City) for the period June 24, 2003 through January 30, 2008 under Combined Transportation Funding Program (CTFP) Project Number 00-ORNG-IIP-3141 with the Orange County Transportation Authority (OCTA) for the improvement of the intersection at Chapman Avenue and Prospect Street. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period June 24, 2003 through January 30, 2008 in accordance with the CTFP program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

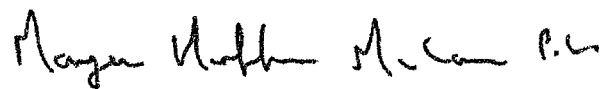
In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period June 24, 2003 through January 30, 2008 under CTFP Project Number 00-ORNG-IIP-3141 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Board of Directors
Orange County Transportation Authority
Orange, California

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Orange and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 8, 2010

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 00-ORNG-IIP-3141
 Chapman Avenue & Prospect Intersection Improvement Project

Schedule of Costs Claimed

For the Period June 24, 2003 through January 30, 2008

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
00-ORNG-IIP-3141	\$ 943,376	\$ -	\$ 943,376	\$ 943,376	\$ -	\$ 943,376	\$ -	\$ -	\$ -
Local match	-	257,054	257,054	-	257,054	257,054	-	-	-
Total revenue	<u>943,376</u>	<u>257,054</u>	<u>1,200,430</u>	<u>943,376</u>	<u>257,054</u>	<u>1,200,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:									
Right-of-way	263,962	74,451	338,413	263,962	74,451	338,413	-	-	-
Construction engineering	32,000	-	32,000	32,000	-	32,000	-	-	-
Construction	647,414	182,603	830,017	647,414	182,603	830,017	-	-	-
Total expenditures	<u>943,376</u>	<u>257,054</u>	<u>1,200,430</u>	<u>943,376</u>	<u>257,054</u>	<u>1,200,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial schedule

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Intersection Improvement Project

Notes to Financial Schedule

For the Period June 24, 2003 through January 30, 2008

(1) General Information

On August 18, 1995, the City of Orange, California (City) entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On June 24, 2003, the Chapman Avenue and Prospect Street Intersection Improvement Project (Project) was approved as Project Number 00-ORNG-IIP-3141 under the Intersection Improvement Program (IIP). The IIP Program is designed to improve eligible interchanges throughout the County of Orange. Eligible IIP expenditures under the CTFP Guidelines include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction activities including:
 - Widening
 - Traffic signals
 - Bus turnouts (if part of the intersection improvements)
 - Bike lanes (striping only)
 - Cross gutter elimination if it improves traffic flow/capacity
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)
- Grade separation projects (street to street)

In accordance with the CTFP Guidelines, agencies receiving funding under the IIP Program are required to provide matching funds of at least 20% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total costs incurred by the City of Orange, California (City), for the period June 24, 2003 through January 30, 2008 under Combined Transportation Funding Program (CTFP) Project Number 00-ORNG-IIP-3141 with the Orange County Transportation Authority (OCTA) for the improvement of the intersection at Chapman Avenue and Prospect Street, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City of Orange is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Finding and Recommendation section as item 1.

The City's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Orange and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 8, 2010

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Intersection Improvement Project

Finding and Recommendation

For the Period June 24, 2003 through January 30, 2008

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion

The City did not submit the final report to OCTA within 180 days of project completion. The Notice of Completion was dated December 12, 2006 and the Final Report was dated January 30, 2008.

Chapter 13, *Final Report*, of the CTFP 1999 Guidelines states, in part:

“The Final Report must be submitted to the Orange County Transportation Authority within 180 days after acceptance of the improvements, study, or project (i.e., Notice of Completion)...”

Recommendation

We recommend that, should the City receive future funding under the CTFP Program, that it establish procedures to ensure that the final report is submitted within 180 days of project completion.

Management Response

The auditor is correct that the Notice of Completion was filed in December 2006, but the Final Report to OCTA was delayed due to OCTA's late approval of the final 10% reimbursement of the project's R/W and Design payment. We filed the final 10% R/W and Design payment request on September 15, 2006, but that payment was not received till February 4, 2008. Without the final 10% R/W and Design payment approval, we could not submit the Final Report to OCTA documenting all the expenditure on the project. In mid January 2008, OCTA finally informed the City that the check has been issued for the 10% payment, so we submitted the Final Report to OCTA on January 29, 2008.

OCTA Response

The city is obligated to submit final reports within 180 days of accepting the improvements regardless of the status of other payments. As per the program guidelines, the final report for each project phase is designed to be independent of the others. The final report for the construction phase is not a full accounting of the project, but an accounting of the construction expenses. Any delays in the processing of final reports for the engineering or right-of-way phases due to missing documentation would not prohibit the City from a timely submittal of the final report for the construction phase.

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of
El Toro Road: Interstate 5 to Jutewood Place/Cornelius Drive

For the Period
August 19, 2003 through June 4, 2008

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

For the Period August 19, 2003 through June 4, 2008

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Lake Forest, California (City), for the period August 19, 2003 through June 4, 2008 under Combined Transportation Funding Program (CTFP) Project Number 03-LFOR-MPH-1171 with the Orange County Transportation Authority (OCTA) for the widening and improvement of El Toro Road from Interstate 5 to Jutewood Place/Cornelius Drive. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period August 19, 2003 through June 4, 2008 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. Accordingly, the accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period August 19, 2003 through June 4, 2008 under CTFP Project Number 03-LFOR-MPH-1171 in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Lake Forest and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Morgan H. Allen P.C.", is centered on the page.

Irvine, California
January 7, 2010

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 03-LFOR-MPH-1171
 Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Schedule of Costs Claimed

For the Period August 19, 2003 through June 4, 2008

	As Submitted			As Audited			Variance		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
03-LFOR-MPH-1171	\$ 13,707,215	\$ -	\$ 13,707,215	\$ 13,707,215	\$ -	\$ 13,707,215	\$ -	\$ -	\$ -
Local match	-	18,522,988	18,522,988	-	22,654,093	22,654,093	-	(4,131,105)	(4,131,105)
Total revenue	<u>13,707,215</u>	<u>18,522,988</u>	<u>32,230,203</u>	<u>13,707,215</u>	<u>22,654,093</u>	<u>36,361,308</u>	<u>-</u>	<u>(4,131,105)</u>	<u>(4,131,105)</u>
Expenditures:									
Right-of-way	8,888,059	8,888,060	17,776,119	8,888,059	13,267,423	22,155,482	-	(4,379,363)	(4,379,363)
Construction engineering	534,773	2,602,178	3,136,951	534,773	1,476,971	2,011,744	-	1,125,207	1,125,207
Construction	4,284,383	7,032,750	11,317,133	4,284,383	7,909,699	12,194,082	-	(876,949)	(876,949)
Total expenditures	<u>13,707,215</u>	<u>18,522,988</u>	<u>32,230,203</u>	<u>13,707,215</u>	<u>22,654,093</u>	<u>36,361,308</u>	<u>-</u>	<u>(4,131,105)</u>	<u>(4,131,105)</u>
Net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial schedule

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Notes to Financial Schedule

For the Period August 19, 2003 through June 4, 2008

(1) General Information

On August 18, 1995, the City of Lake Forest, California (City), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. The Widening and Improvement of El Toro Road from Interstate 5 to Jutewood Place/Cornelius Drive was approved under Project Number 03-LFOR-MPH-1171. This project was approved under the Master Plan of Arterial Highways Program (MPAH). Types of improvements and expenditures allowed under the MPAH Program include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the MPAH Program are required to provide matching funds of at least 50% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

(3) Adjustments to Final Report

Total project costs as listed on the final invoice submitted to OCTA by the City were understated by \$4,131,105; however this did not impact the amount submitted for reimbursement by the City, or calculation of the City's match requirement.



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Board of Directors
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL SCHEDULES PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total cost incurred by the City of Lake Forest, California (City), for the period August 19, 2003 through June 4, 2008 under Combined Transportation Funding Program (CTFP) Project Number 03-LFOR-MPH-1171 with the Orange County Transportation Authority (OCTA) for the widening and improvement of El Toro Road from Interstate 5 to Jutewood Place/Cornelius Drive, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Finding and Recommendation section as item 1.

The City's and OCTA's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's and OCTA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the City of Lake Forest and the Orange County Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 7, 2010

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Finding and Recommendation

For the Period August 19, 2003 through June 4, 2008

(1) **Need to Notify/Mutually Agree as to Excess Right of Way**

A component of the total cost of this project included the acquisition of right-of-way. In order to obtain the needed right-of-way, the City negotiated the purchase of a much larger parcel of land than was necessary for the project. The excess right-of-way was retained by the City and used for aesthetic improvements and landscaping.

Amendment #1 to the Master Agreement Number C-95-981 states, in part:

“...AUTHORITY requires written notification at the time when right of way is declared excess to the transportation improvement, and prior to the disposal process. Resolution of any issue regarding whether or not a right of way is excess to the transportation improvement will be by the mutual agreement of AUTHORITY and AGENCY....”

The City did not notify OCTA of the non-transportation use of a portion of the acquired land so that the parties could agree on the disposition of this excess land in accordance with the Amendment to the Master Agreement referenced above.

Recommendation

We recommend that the City enter into discussions with OCTA to obtain agreement as to the disposition of the excess right of way.

Management Response

Thank you for the opportunity to review and comment on the Closeout Audit of Costs Claimed on the El Toro Road CTFP project for the period August 19, 2003 through June 4, 2008. As described in Auditor's Notes 1 and 3, the City of Lake Forest exceeded the 50% matching requirement for this project. However, the City remains concerned that the report does not fairly represent the results of the audit or the City's interests in this matter. The Independent Auditor's report contains a schedule of Costs Claimed which City staff assisted with. As a result of this audit, City staff will submit a revised Final Report and supplemental Final Invoice for approximately \$700,000.

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Finding and Recommendation (Continued)

For the Period August 19, 2003 through June 4, 2008

(1) **Need to Notify/Mutually Agree as to Excess Right of Way (Continued)**

Management Response (Continued)

City staff disputes the above Finding and Recommendation. It is staff's belief the discussions regarding right-of-way acquisition occurred at semi-annual reviews with OCTA staff during audited period. Correspondence to that effect was provided to the Auditor which seems to contradict the Finding. Further, City staff met with OCTA on December 7, 2009, to discuss project's right-of-way acquisition. That discussion concluded that the City acquired only those real property interests that were necessary to deliver the project, under approved funding agreement with OCTA, and no disposition of excess right-of-way occurred or is anticipated in the foreseeable future.

OCTA Response

City staff met with OCTA on December 7, 2009 to discuss the right-of-way acquisition for the subject project. Those discussions determined that per OCTA's definition, excess right-of-way did exist on the project ("excess" being defined as real property interests acquired deemed in excess of what was necessary for the proposed transportation use). However, it was also determined that this excess property amounted to uneconomic remnants and no disposition of excess right-of-way was to be expected.

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

For the Period
February 27, 2002 through August 8, 2007

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

For the Period February 27, 2002 through August 8, 2007

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of San Clemente, California (City), for the period February 27, 2002 through August 8, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-SCLM-MPH-2004 with the Orange County Transportation Authority (OCTA) for the Avenida La Pata Extension. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period February 27, 2002 through August 8, 2007 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period February 27, 2002 through August 8, 2007 under CTFP Project Number 99-SCLM-MPH-2004 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

Board of Directors
Orange County Transportation Authority
Orange, California

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of San Clemente and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
January 8, 2010

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 99-SCLM-MPH-2004
 Improvement of Avenida La Pata Extension Project

Schedule of Costs Claimed

For the Period February 27, 2002 through August 8, 2007

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
99-SCLM-MPH-2004	\$ 1,044,484	\$ -	\$ 1,044,484	\$ 1,044,484	\$ -	\$ 1,044,484	\$ -	\$ -	\$ -
Local match	-	3,971,219	3,971,219	-	3,971,219	3,971,219	-	-	-
Total revenue	1,044,484	3,971,219	5,015,703	1,044,484	3,971,219	5,015,703	-	-	-
Expenditures:									
Construction engineering	136,237	567,474	703,711	136,237	567,474	703,711	-	-	-
Construction	908,247	3,403,745	4,311,992	908,247	3,403,745	4,311,992	-	-	-
Total expenditures	1,044,484	3,971,219	5,015,703	1,044,484	3,971,219	5,015,703	-	-	-
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

Notes to Financial Schedule

For the Period February 27, 2002 through August 8, 2007

(1) General Information

On August 31, 1995, the City of San Clemente, California (City) entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On February 27, 2002, the Avenida La Pata Extension Project was approved as Project Number 99-SCLM-MPH-2004 under the Master Plan of Arterial Highways (MPAH) Program. The MPAH Program is designed to provide a funding source for the build-out of the MPAH. Eligible MPAH expenditures under the CTFP Guidelines include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the MPAH Program are required to provide matching funds of at least 50% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.



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Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total costs incurred by the City of San Clemente, California (City), for the period February 27, 2002 through August 8, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-SCLM-MPH-2004 with the Orange County Transportation Authority (OCTA) for the Avenida La Pata Extension, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

Finding and Recommendation

For the Period February 27, 2002 through August 8, 2007

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion

The City did not submit the final report to OCTA within 180 days of project completion. The Notice of Completion was dated July 31, 2006 and the Final Report was dated August 8, 2007.

Chapter 13, *Final Report*, of the CTFP 2007 Guidelines states, in part:

“The Final Report must be submitted to the Orange County Transportation Authority within 180 days after acceptance of the improvements, study, or project (i.e., Notice of Completion)...”

Recommendation

We recommend that, should the City receive future funding under the CTFP Program, that it establish procedures to ensure that the final report is submitted within 180 days of project completion.

Management Response

This project was completed and accepted by the City of San Clemente. After the acceptance, third party information submitted was reviewed to make sure all information was verifiable and accessible in the City’s files before the final report was filed and dated with the OCTA. City management will implement procedures to meet this criteria in the future.

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Numbers
96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

For the Period
November 22, 2006 through May 21, 2008

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

For the Period November 22, 2006 through May 21, 2008

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the County of Orange, California (County), for the period November 22, 2006 through May 21, 2008 under Combined Transportation Funding Program (CTFP) Project Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 with the Orange County Transportation Authority (OCTA) for the widening and improvement of the Warner Avenue Bridge. The costs as presented in the Financial Schedule are the responsibility of the County. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the County for the period November 22, 2006 through May 21, 2008 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the County in conformity with accounting principles generally accepted in the United States of America.

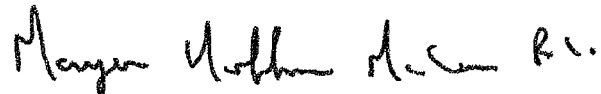
In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, total costs incurred by the County for the period November 22, 2006 through May 21, 2008 under CTFP Project Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our

Board of Directors
Orange County Transportation Authority
Orange, California

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the County of Orange and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Mayer H. Cohen Esq." with a stylized flourish at the end.

Irvine, California
January 8, 2010

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 00-ORCO-MPAH-3049 and 96-SNTA-GMA-1047
 Warner Avenue Bridge Widening Project

Schedule of Costs Claimed

For the Period November 22, 2006 through May 21, 2008

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
00-ORCO-MPAH-3049	\$ 1,377,028	\$ -	\$ 1,377,028	\$ 1,377,028	\$ -	\$ 1,377,028	\$ -	\$ -	\$ -
96-SNTA-GMA-1047	550,000	-	550,000	550,000	-	550,000	-	-	-
Other GMA funding	1,044,000	-	1,044,000	1,044,000	-	1,044,000	-	-	-
Local match	-	3,734,511	3,734,511	-	3,734,511	3,734,511	-	-	-
Total revenue	<u>2,971,028</u>	<u>3,734,511</u>	<u>6,705,539</u>	<u>2,971,028</u>	<u>3,734,511</u>	<u>6,705,539</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:									
Construction	2,583,502	2,976,956	5,560,458	2,583,502	2,976,956	5,560,458	-	-	-
Construction engineering	387,526	757,555	1,145,081	387,526	757,555	1,145,081	-	-	-
Total expenditures	<u>2,971,028</u>	<u>3,734,511</u>	<u>6,705,539</u>	<u>2,971,028</u>	<u>3,734,511</u>	<u>6,705,539</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial schedule

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

Notes to Financial Schedule

For the Period November 22, 2006 through May 21, 2008

(1) General Information

On May 23, 1995, the County of Orange, California (County), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. The Warner Avenue Bridge Widening Project was approved under Program Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049. Program Numbers 96-SNTA-GMA-1047 was originally awarded to the City of Santa Ana. Subsequently the funding was assigned to the County. These Projects were approved under the Growth Management Area (GMA) Program and the Master Plan of Arterial Highways (MPAH). Types of improvements and expenditures allowed under the CTFP Guidelines for the GMA Program include:

- Intersection improvements
 - Design (plans, specification, and estimates)
 - Right-of-way
 - Construction
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Signal coordination
 - Interconnect systems to link arterials
 - Expansion to tie into a coordinated system
 - Signal timing
 - Traffic signal detectors
 - Equipment/modifications to create an "open" system
 - Design (plans, specifications, and estimates)
 - Construction
 - Construction Engineering (CTFP funding limited to 15 percent of construction costs)
- Traffic management systems
 - Hardware (pavement sensors, communications cable, programs to run the computer)
 - Design (plans, specifications, and estimates)
 - Construction
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

Notes to Financial Schedule (Continued)

For the Period November 22, 2006 through May 21, 2008

(1) General Information (Continued)

- Arterial highway improvements
 - Design (plans, specifications, and estimates)
 - Right-of-way
 - Construction activities
 - Construction engineering
- Signal preemption (intersection devices only)

The MPAH Program is designed to provide a funding source that will aid in the build-out of the MPAH. Eligible MPAH expenditures under the CTFP Guidelines include:

- Gap closures
- Widening
- New roadways

For each of these types of projects, eligible expenditures include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the MPAH Program are required to provide matching funds of at least 50% of eligible expenditures. The County satisfied its required match for the MPAH project. There was no matching requirement for the GMA project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the County to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.



Mayer Hoffman McCann P.C.

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Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total costs incurred by the County of Orange, California (County), for the period November 22, 2006 through May 21, 2008 under Combined Transportation Funding Program (CTFP) Project Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 with the Orange County Transportation Authority (OCTA) for the widening of the Warner Avenue Bridge, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's Financial Schedule that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the County is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management of the Orange County Transportation Authority and the County of Orange and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Mayer H. Holtz A. C. P. C.", is written in a cursive style.

Irvine, California
January 8, 2010

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement to Interchange at Jeffery Road &
Interstate 405 Project

For the Period
January 20, 2005 through September 12, 2007

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement of Interchange at Jeffery Road & Interstate 405 Project

For the Period January 20, 2005 through September 12, 2007

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Irvine, California (City), for the period January 20, 2005 through September 12, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-IRVN-RIP-1104 with the Orange County Transportation Authority (OCTA) for the improvement of the interchange at Jeffery Road and Interstate 405. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period January 20, 2005 through September 12, 2007 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City of Irvine in conformity with accounting principles generally accepted in the United States of America.

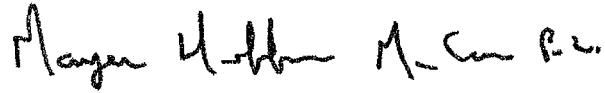
In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period January 20, 2005 through September 12, 2007 under CTFP Project Number 99-IRVN-RIP-1104 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed

Board of Directors
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Orange, California

in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Irvine and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 8, 2010

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 99-IRVN-RIP-1104
 Improvement of Interchange at Jeffery Road & Interstate 405 Project

Schedule of Costs Claimed

For the Period January 20, 2005 through September 12, 2007

	<u>As Submitted</u>			<u>As Audited</u>			<u>Questioned Costs</u>		
	<u>CTFP</u>	<u>City Match</u>	<u>Total</u>	<u>CTFP</u>	<u>City Match</u>	<u>Total</u>	<u>CTFP</u>	<u>City Match</u>	<u>Total</u>
Revenues:									
99-IRVN-RIP-1104	\$ 2,916,879	\$ -	\$ 2,916,879	\$ 2,916,879	\$ -	\$ 2,916,879	\$ -	\$ -	\$ -
Local match	<u>-</u>	<u>7,308,841</u>	<u>7,308,841</u>	<u>-</u>	<u>7,142,117</u>	<u>7,142,117</u>	<u>-</u>	<u>166,724</u>	<u>166,724</u>
Total revenue	<u>2,916,879</u>	<u>7,308,841</u>	<u>10,225,720</u>	<u>2,916,879</u>	<u>7,142,117</u>	<u>10,058,996</u>	<u>-</u>	<u>166,724</u>	<u>166,724</u>
Expenditures:									
Construction engineering	-	105,190	105,190	-	665,971	665,971	-	(560,781)	(560,781)
Construction	<u>2,916,879</u>	<u>7,203,651</u>	<u>10,120,530</u>	<u>2,916,879</u>	<u>6,476,146</u>	<u>9,393,025</u>	<u>-</u>	<u>727,505</u>	<u>727,505</u>
Total expenditures	<u>2,916,879</u>	<u>7,308,841</u>	<u>10,225,720</u>	<u>2,916,879</u>	<u>7,142,117</u>	<u>10,058,996</u>	<u>-</u>	<u>166,724</u>	<u>166,724</u>
Net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial schedule

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement of Interchange at Jeffery Road & Interstate 405 Project

Notes to Financial Schedule

For the Period January 20, 2005 through September 12, 2007

(1) General Information

On July 17, 1995, the City of Irvine, California (City) entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On January 20, 2005, the improvement to the interchange at Jeffery Road and Interstate 405 was approved as Project Number 99-IRVN-RIP-1104 under the Regional Improvement Program (RIP). The RIP Program is designed to improve eligible interchanges throughout the County of Orange. Eligible RIP expenditures under the CTFP Guidelines include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction activities including:
 - approaches/exits/ramps
 - signals (traffic, ramp meters)
 - widening
 - restriping (high occupancy vehicle bi-pass and mixed flow)
 - bridge structures
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the RIP Program are required to provide matching funds of at least 50% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement of Interchange at Jeffery Road & Interstate 405 Project

Notes to Financial Schedule (Continued)

For the Period January 20, 2005 through September 12, 2007

(3) Questioned Costs

Total project costs as listed on the final report submitted by the City were overstated by \$166,724; however, this had no impact on the amount requested for reimbursement or the required 50% match by the City.



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes total costs incurred by the City of Irvine, California (City), for the period January 20, 2005 through September 12, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-IRVN-RIP-1104 with the Orange County Transportation Authority (OCTA) for the improvement of the interchange at Jeffery Road and Interstate 405, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Irvine and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 8, 2010



Mayer Hoffman McCann P.C.

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January 12, 2010

Ms. Kathleen M. O'Connell, CPA
Executive Director, Internal Audit
Orange County Transportation Authority
600 S. Main Street, 12th Floor
Orange, California 92868

Dear Ms. O'Connell

In planning and performing our audit of the following Combined Transportation Funding Program (CTFP) projects, we considered Orange County Transportation Authority's (OCTA's) internal control structure to the extent necessary to design our audit procedures. An audit is not designed to provide assurance on the internal control structure for other purposes.

<u>Jurisdiction</u>	<u>CTFP Grant Number</u>	<u>Reporting Period</u>
City of Irvine	99-IRVN-RIP-1104	January 20, 2005 through September 12, 2007
City of Lake Forest	03-LFOR-MPH-1171	August 19, 2003 through June 4, 2007
City of Orange	00-ORNG-IIP-3141	June 24, 2003 through January 30, 2008
City of San Clemente	99-SCLM-MPH-2004	February 27, 2002 through August 8, 2007
City of Stanton	99-STAN-SIP-1192	September 12, 2000 through September 19, 2007
City of Westminster	00-WEST-SIP-3198	August 9, 2002 through October 24, 2007
County of Santa Ana	96-SNTA-GMA-1047	November 22, 2006 through May 21, 2008
County of Orange	99-SCLM-MPH-2004	November 22, 2006 through May 21, 2008

During our audit we became aware of certain matters that we believe present an opportunity for OCTA to further strengthen its internal controls, operating efficiency and CTFP Guidelines. These matters do not represent significant deficiencies, material weaknesses in internal control, or material instances of noncompliance. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our reports issued on the projects audited.

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion

The following jurisdictions did not submit their final report to OCTA within 180 days of project completion.

<u>Jurisdiction</u>	<u>Date of Notice of Completion</u>	<u>Final Report Date</u>
City of Orange	December 12, 2006	January 30, 2008
City of San Clemente	July 31, 2006	August 8, 2007
City of Stanton	December 3, 2001	September 19, 2007

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion (Continued)

Chapter 13, *Delinquent Report*, of the CTFP 1999 and 2007 Guidelines states, in part:

“...OCTA will work with jurisdictions to ensure the timeliness of final reports by utilizing the following procedures:..

- Require all jurisdictions to file a final report within 180 days of project completion date...’

Recommendation

We recommend that OCTA establish procedures to ensure that all jurisdictions receiving funds under the CTFP Program submit a final report within 180 days of project completion.

Management Response

The current CTFP guidelines offer no punitive actions for delinquent final reports. Staff actively pursues the reports and reminds agency staff to submit final reports. In July 2009, reminder letters were sent under OCTA Chief Executive Office signature to all agencies with delinquent final reports.

The Measure M2 Comprehensive Transportation Guidelines (CTP), currently scheduled to be approved by the Board in January 2010, includes specific language on the procedures to be followed in the event of a delinquent final report. These include punitive actions which ultimately culminate in the cancellation of the project and an invoice being sent to the agency for all monies reimbursed.

(2) Allowable Overhead Rate

OCTA allows jurisdictions receiving funds under the CTFP Program to bill an overhead rate of 30% of payroll and fringe benefits without supporting documentation for the rate charged. This is not consistent with the CTFP Guidelines.

Chapter 13, Exhibit 13-3, *Final Report*, of the CTFP 1999 and 2007 Guidelines state, in part:

“...Overhead at allowable rate up to 30% of payroll and fringe benefits...”

The Final Report as depicted in Exhibit 13-3 of the CTFP Guidelines allows a maximum overhead rate of 30% of salaries and fringe benefits. The claimed overhead, however, should be based upon jurisdiction’s actual costs.

(2) **Allowable Overhead Rate (Continued)**

Recommendation

We recommend that OCTA provide written clarification to jurisdictions receiving funding under the CTFP program clarifying that the allowable overhead rate is the jurisdiction's actual overhead rate, not to exceed 30% of salaries and fringe benefits.

Management Response

The CTFP guidelines state that overhead is allowable at a rate "up to 30%" of the specific agency's payroll and fringe benefits. Some agencies, due to size, cannot calculate their specific overhead rate. In such cases, the Cost Accounting Policies and Procedures Manual of the California Uniform Public Construction Cost Accounting Commission allows for a fixed overhead rate billing dependant on city size.

The Measure M2 CTP guidelines, currently scheduled to be approved by the Board in January 2010, includes the word "actual" to now state "actual overhead at allowable rate up to 30% of payroll and fringe benefits

OCTA's written responses to the other matters identified in our audit are described above. We did not audit OCTA's responses, and accordingly, we express no opinion on them.

Should you have any questions regarding this matter, please do not hesitate to call me at (949) 474-2020 extension 244, or Sam Perera at extension 272.

Sincerely,

MAYER HOFFMAN McCANN P.C.



Marcus D. Davis, CPA
Shareholder



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Orange County Local Transportation Authority Measure M Agreed-Upon Procedures Reports, Year Ended June 30, 2009

Finance and Administration Committee Meeting of January 27, 2010

Present: Directors Bates, Buffa, Campbell, Cavecche, Hansen, and Moorlach
Absent: Director Brown

Committee Vote

This item was passed by all Committee Members present.

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

Committee Recommendations

- A. Receive and file the Orange County Local Transportation Authority Measure M Agreed-Upon Procedures Reports, Year Ended June 30, 2009.
- B. Direct staff to monitor implementation of recommendations related to timely expenditure of turnback funds, indirect cost allocations and inclusion of Measure M projects in City Capital Improvement Programs.

Note

Committee Vice Chairman Cavecche noted there was a correction to Recommendation A on page 1 of the staff report. The reports to receive and file should be for the year ended June 30, 2009.



January 27, 2010

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Orange County Local Transportation Authority Measure M Agreed-Upon Procedures Reports, Year Ended June 30, 2009

Overview

Mayer Hoffman McCann P.C., an independent accounting firm, has completed its annual agreed-upon procedures for eight Orange County cities for the fiscal year ended June 30, 2009. These procedures were developed by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority to assist them in evaluating the selected cities' level of compliance with provisions of Measure M Local Transportation Ordinance No. 2.

Recommendations

- A. Receive and file the Orange County Local Transportation Authority Measure M Agreed-Upon Procedures Reports, Year Ended June 30, 2008.
- B. Direct staff to monitor implementation of recommendations related to timely expenditure of turnback funds, indirect cost allocations and inclusion of Measure M projects in city Capital Improvement Programs.

Background

Annually, the Audit Subcommittee of the Taxpayers Oversight Committee (Committee) selects a sample of cities receiving Measure M turnback funding for an evaluation of the cities' level of compliance with provisions of the Measure M Local Transportation Ordinance No. 2 (Ordinance). The selection for the fiscal year ended June 30, 2009, was based, in part, on risks identified through questionnaires, management letters, and single audit reports collected from all 34 Orange County cities. A total of eight cities were selected by the Committee for agreed-upon procedures. These procedures are developed by the Committee.

Discussion

Mayer Hoffman McCann P.C. (MHM or auditors) conducted the agreed-upon procedures, including site visits to each of the selected cities and interviews of city Finance Department and Public Works Department staff. Procedures also included review of the cities' maintenance of effort (MOE) calculation and sample testing of the underlying expenditures to ensure that they met the definition of local street and road expenditures. The auditors also tested a sample of Measure M turnback expenditures to ensure they were related to projects listed in the cities' current year Seven Year Capital Improvement Program (CIP). Other procedures, related to indirect costs, interest earnings, and timing of expenditures were performed.

The auditors recommended the City of Orange reimburse its turnback fund for expenditures totaling \$130,430 that related to landscape maintenance costs and furniture, machinery, and equipment costs that were not included in the city's CIP. The city responded that it believed the costs were eligible maintenance expenditures and would be submitting an amended CIP for fiscal year 2008-09 to OCTA for consideration of approval.

The City of Garden Grove was found to have not spent its turnback funds within three years as required by the Ordinance. The city's turnback fund had a balance of \$8.95 million and the total of the prior three years' payments to the city was \$5.6 million. The auditors recommended the city request an approval for an extension of time as allowed by the Ordinance. The city responded that the delay in spending the funds was related to a lengthy right-of-way acquisition process and that a request for extension would be submitted.

The City of Newport Beach charged \$8.4 million in indirect costs as part of its MOE expenditures. The auditors found that the city's allocation is based on estimates prepared during fiscal year 2002-03 and that the allocation computation included internal service fund expenditures twice. The auditors recommended that the city correct the computational error and perform timesheet review or time studies to ensure allocation percentages remain accurate. The city concurred and indicated that corrective action would be implemented for fiscal year 2009-10. While the level of indirect charges is significant, the city's MOE requirement is only \$7 million and the city charged a total of \$15 million in MOE expenditures. As such, the auditors did not question that the MOE requirement was met.

Agreed-upon procedures performed for three cities: Aliso Viejo, Garden Grove, and Seal Beach, identified some turnback expenditures that were not included in the cities' CIP for fiscal year 2008-09. The expenditures, totaling \$499,006

for the City of Aliso Viejo, \$465,719 for the City of Garden Grove, and \$33,225 for the City of Seal Beach, were in the cities' CIP for fiscal year 2007-08. Because the Ordinance does not specify whether expenditures must be included in the CIP in each year in which expenditures are incurred, MHM recommended that the cities submit revised CIP's for fiscal year 2008-09. This recommendation is consistent with prior years' recommendations.

Summary

Mayer Hoffman McCann P.C., an independent accounting firm, has completed its annual agreed-upon procedures reviews of ten selected cities for the fiscal year ended June 30, 2008. Recommendations have been made to ensure that Measure M expenditures are consistent with Measure M Ordinance requirements. Cities have proposed corrective action to address auditor recommendations.

Attachment

- A. Orange County Local Transportation Authority Measure M Agreed-Upon Procedures Reports, Year Ended June 30, 2009

Approved by:



Kathleen M. O'Connell
Executive Director, Internal Audit
(714) 560-5669

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**MEASURE M
AGREED-UPON PROCEDURES REPORTS**

Year Ended June 30, 2009

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**MEASURE M
AGREED-UPON PROCEDURES REPORTS**

Year Ended June 30, 2009

The cities listed below were selected by the Authority to perform agreed-upon procedures for the fiscal year ended June 30, 2009. Please refer to the individual divider tabs for our report on each City.

City of Aliso Viejo

City of Anaheim

County of Orange

City of Dana Point

City of Garden Grove

City of Newport Beach

City of Orange

City of Seal Beach



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Board of Directors of the
Orange County Local Transportation Authority
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
CITY OF ALISO VIEJO**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Aliso Viejo's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the City and determined the minimum the City was required to spend in MOE expenditures.

Results: The City was required to spend \$400,000 in MOE expenditures during the fiscal year ended June 30, 2009.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identified MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, account number, department, program and project number. The City records its MOE expenditures in Fund 101, General Fund.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2009 to determine whether the City met the minimum MOE requirement.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Results: The City's MOE expenditures for the fiscal year ended June 30, 2009 were \$400,000 (see Schedule A), which was equal to the requirement.

4. We judgmentally selected a sample of 8 MOE expenditures from the City's general ledger expenditure detail. MOE expenditures tested totaled \$185,109, representing approximately 46% of total MOE expenditures for the fiscal year ended June 30, 2009. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure.

Results: No exceptions were noted as a result of our procedures.

5. We determined whether or not indirect costs were charged as MOE expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Director of Finance, MOE expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

6. We obtained a listing of Turnback payments made from the OCLTA to the City and calculated the amount the City received for the past three fiscal years.

Results: The City received \$1,403,225 of Turnback monies for the three fiscal years ended June 30, 2009, including \$440,796 for the fiscal year ended June 30, 2009.

7. We documented which fund the City used to track expenditures relating to Turnback monies in its general ledger and the amount spent during the fiscal year ended June 30, 2009.

Results: The City's Turnback expenditures are recorded in Fund 204, Measure M Special Revenue Fund (Turnback Fund). Total Turnback expenditures during the fiscal year ended June 30, 2009 were \$579,784 (see Schedule A).



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

8. We obtained the City's Seven-Year Capital Improvement Program and judgmentally selected a sample of 7 Turnback expenditures from the City's general ledger expenditure detail. Turnback expenditures tested totaled \$334,209, representing approximately 58% of total Turnback expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher; and
 - b. Verified that the expenditure was related to projects included in the City's Seven-Year Capital Improvement Program (CIP).

Results: The City's Turnback expenditures during the fiscal year ended June 30, 2009 included \$499,006 for two projects (Town Center Loop and Aliso Creek rehabilitation project) that were included in the City's approved Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2008. The City did not include these projects on the Seven-Year CIP it submitted to OCLTA for the fiscal year ended June 30, 2009 due to oversight.

Recommendation: We recommend that the City submit an amended Seven-Year CIP to OCLTA for the fiscal year ended June 30, 2009.

City's Response: The City included the Aliso Creek Rehabilitation Project in its Seven-year Capital Improvement Program (CIP) that was submitted to OCLTA for the fiscal year ended June 30, 2008. This project was delayed and completed during fiscal year ended June 30, 2009. The Town Center Loop project was presented to the City Council for approval at its meeting on June 18, 2008 as a viable project for Measure M funding. The City inadvertently excluded both of these projects from the CIP it submitted to OCLTA for the fiscal year ended June 30, 2009.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Director of Finance, Turnback expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

10. We obtained the cash balance of the City's Turnback Fund as of June 30, 2009 to determine whether funds were expended within three years of receipt.

Results: The cash balance in the City's Turnback Fund as of June 30, 2009 was \$843,541. No exceptions were noted as a result of our procedures.

11. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Turnback Fund.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The City's written response to the recommendation identified in the procedures performed is described above. We did not perform any additional agreed-upon procedures related to the City's response.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
August 27, 2009

CITY OF ALISO VIEJO, CALIFORNIA
 Schedule of MOE and Turnback Expenditures
 Year Ended June 30, 2009
 (Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Street maintenance	<u>\$ 400,000</u>
Total MOE expenditures	<u>400,000</u>
Turnback Expenditures:	
Town Center Loop (1)	232,032
Aliso Creek rehabilitation project (1)	266,974
Aliso Creek at Pacific Park median	48,123
Bike trail on Southern California Edison right-of-way	<u>32,655</u>
Total Turnback expenditures	<u>579,784</u>
Total MOE and Turnback expenditures	<u>\$ 979,784</u>

(1) We identified \$499,006 in expenditures for projects that were not included in the City's Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2009. However, we verified through inspection that these projects were included in the City's Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2008.

Note: The above amounts were taken directly from the financial records of the City of Aliso Viejo and were not audited.



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Board of Directors of the
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Orange County Local Transportation Authority

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
CITY OF ANAHEIM**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Anaheim's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the City and determined the minimum the City was required to spend in MOE expenditures.

Results: The City was required to spend \$7,496,000 in MOE expenditures during the fiscal year ended June 30, 2009.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identified MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, department, unit and object number. The City records its MOE expenditures in Fund 101, General Fund.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2009 to determine whether the City met the minimum MOE requirement.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Results: The City's MOE expenditures for the fiscal year ended June 30, 2009 were \$8,604,279 (see Schedule A), which exceeded the MOE requirement by \$1,108,279.

4. We judgmentally selected a sample of 45 MOE expenditures from the City's general ledger expenditure detail. MOE expenditures tested totaled \$2,073,701, representing approximately 24% of total MOE expenditures for the fiscal year ended June 30, 2009. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure.

Results: No exceptions were noted as a result of our procedures.

5. We determined whether or not indirect costs were charged as MOE expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Public Works Senior Accountant, MOE expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

6. We obtained a listing of Turnback payments made from the OCLTA to the City and calculated the amount the City received for the past three fiscal years.

Results: The City received \$12,823,885 of Turnback monies for the three fiscal years ended June 30, 2009, including \$3,905,271 for the fiscal year ended June 30, 2009.

7. We documented which fund the City used to track expenditures relating to Turnback monies in its general ledger and the amount spent during the fiscal year ended June 30, 2009.

Results: The City's Turnback expenditures are recorded in Fund 270, Measure M Transportation Improvements Special Revenue Fund (Turnback Fund). Total



Board of Directors of the
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and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Turnback expenditures for the fiscal year ended June 30, 2009 were \$8,415,405 (see Schedule A).

8. We obtained the City's Seven-Year Capital Improvement Program and judgmentally selected a sample of 9 Turnback expenditures from the City's general ledger expenditure detail. Turnback expenditures tested totaled \$2,806,012, representing approximately 33% of total Turnback expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was related to projects included in the City's Seven-Year Capital Improvement Program (CIP).

Results: No exceptions were noted as a result of our procedures performed.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Public Works Senior Accountant, Turnback expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

10. We obtained the cash balance of the City's Turnback Fund as of June 30, 2009 to determine whether funds were expended within three years of receipt.

Results: The cash balance in the City's Turnback Fund as of June 30, 2009 was \$6,594,568. No exceptions were noted as a result of our procedures.

11. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Turnback Fund.

Results: No exceptions were noted as a result of our procedures.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 17, 2009

CITY OF ANAHEIM, CALIFORNIA
 Schedule of MOE and Turnback Expenditures
 Year Ended June 30, 2009
 (Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Engineering and administration	\$ 64,873
Financial and administrative services	133,791
Commuter services	61,749
Traffic systems	551,669
Engineering design	61,256
Traffic operations	399,987
Engineering inspection	101,665
Engineering survey	65,536
Transit planning	22,247
Traffic systems services	2,340,070
Street maintenance	5,866,284
Street signs and safety devices	467,020
Right of way landscape maintenance	1,353,131
Sidewalk and curb maintenance	472,158
Less: Gas Tax funding (1)	<u>(3,357,157)</u>
Total MOE expenditures	<u>8,604,279</u>
Turnback Expenditures:	
Gene Autry West Highway improvements (1)	13,373,165
Wagner Avenue (State College Blvd. to Nordica St.)	588,827
La Palma Avenue (East St. to Anaheim Blvd.)	538,132
Magnolia Avenue (La Palma to Crescent)	596,577
Frontera Street (Rio Vista to 250' e/o Park Vista)	306,721
Euclid Street (470' s/o Romneya to La Palma)	283,069
Weir Canyon Roda (S/S River Bridge to 1600' n/o Sacra)	181,373
Capital Project Administration	158,710
Richfield Rd. (NCL to La Palma Ave.)	112,940
Orangethorpe Street improvements (various)	114,532
Blue Gum/Miraloma/Coronado	85,530
Nohl Ranch Road (Meats to 500' w/o Royal Oaks)	81,478
Miraloma Avenue improvements (various)	65,853
Serrano Avenue (Hidden Canyon to Canyon Rim)	51,083
East Street (Santa Ana to Cypress)	37,899
Dale Avenue (Ball Rd. to Broadway)	35,502
Sunkist Street (Wagner to Cerritos Ave.)	33,303
Other street improvements	1,038,315
Less: Federal Highway Planning and Construction funding (2)	<u>(9,267,604)</u>
Total Turnback expenditures	<u>8,415,405</u>
Total MOE and Turnback expenditures	<u>\$ 17,019,684</u>

(1) The City records all its MOE expenditures in its General Fund. However, the City's MOE expenditures are funded with General Fund and Gas Tax funds. As a result, the City recorded a transfer to the General Fund from the Gas Tax Fund to fund the Gas Tax Fund's portion of the City's total MOE expenditures.

(2) This project was funded with Turnback and federal grant funds. All of the project expenditures were recorded in the City's Turnback Fund. As a result, the City recorded a transfer to its Turnback Fund to reimburse the Turnback fund for the federal grant's portion of the project expenditures.

Note: The above amounts were taken directly from the financial records of the City of Anaheim and were not audited.



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Board of Directors of the
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
COUNTY OF ORANGE**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the County of Orange's (County's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The County's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the County and determined the minimum the County was required to spend in MOE expenditures.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2009. MOE requirements were determined based on the level of street maintenance expenditures funded through the jurisdiction's General Fund prior to the enactment of the Ordinance. At that time, the County had sufficient Gas Tax revenues to fund all street maintenance in the County's unincorporated areas. As a result, no General Fund money was used for street and road maintenance and the County's MOE was calculated at zero. Therefore, this procedure is not applicable.

2. We documented which funds the County used to track all street and road expenditures and inquired how the County identified MOE expenditures in its general ledger.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2009. As a result, this procedure was not applicable.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee
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3. We obtained the detail of MOE expenditures during the fiscal year ended June 30, 2009 to determine whether the County met the minimum MOE requirement.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2009. As a result, this procedure was not applicable.

4. We judgmentally selected a sample of MOE expenditures from the County's general ledger expenditure detail. For each item selected we performed the following:

- a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the County check copy or wire transfer and vendor invoice or journal voucher.
- b. Verified that the expenditure was properly classified as local street and road expenditures.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2009. As a result, this procedure was not applicable.

5. We identified MOE expenditures that were included through indirect cost allocation and reviewed the County's indirect cost allocation plan for reasonableness.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2009. As a result, this procedure was not applicable.

6. We obtained a listing of Turnback payments made from the OCLTA to the County and calculated the amount the County received for the past three fiscal years.

Results: The County received \$6,615,101 of Turnback monies for the three fiscal years ended June 30, 2009, including \$2,032,855 for the fiscal year ended June 30, 2009.

7. We documented which fund the County used to track expenditures relating to Turnback monies in its general ledger and the amount spent during the fiscal year ended June 30, 2009.

Results: The County's Turnback expenditures are tracked in the general ledger by job number. The County does not have a separate Turnback fund in its



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general ledger to track Turnback revenues and expenditures. Total Turnback expenditures during the fiscal year ended June 30, 2009 were \$5,948,236.

8. We obtained the County's Seven-Year Capital Improvement Program and judgmentally selected a sample of 60 Turnback expenditures from the County's general ledger expenditure detail. Turnback expenditures tested totaled \$1,286,472, representing approximately 21% of total Turnback expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the County check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was related to projects included in the County's Seven-Year Capital Improvement Program (CIP).

Results: No exceptions were noted as a result of our procedures.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the County's indirect cost allocation plan for reasonableness.

Results: The County charged \$1,479,467 of direct and indirect costs to Turnback expenditures during the fiscal year ended June 30, 2009. These costs consisted of two cost pools, labor burden and labor overhead rate. The amount allocated to a specific project is based on direct labor charged to a specific job number. Based upon our review, no exceptions were noted as a result of our procedures.

10. We reviewed the County's Measure M Turnback Revenue Analysis for the three fiscal years ended June 30, 2009 to determine whether funds were expended within three years of receipt.

Results: The County's Turnback expenditures for the three fiscal years ended June 30, 2009 were \$19.3 million which exceeded the total Turnback payments the County has received from OCLTA (see procedure # 6).

11. We reviewed the County's interest allocation methodology to ensure the proper amount of interest was credited to unspent Turnback monies.



Board of Directors of the
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Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
September 2, 2009

COUNTY OF ORANGE, CALIFORNIA
Schedule of Turnback Expenditures
Year Ended June 30, 2009
(Unaudited)

Annual road maintenance	<u>\$ 5,948,236</u>
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Note: The above amount was taken directly from the financial records of the County of Orange and was not audited.



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Board of Directors of the
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
CITY OF DANA POINT**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Dana Point's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the City and determined the minimum the City was required to spend in MOE expenditures.

Results: The City was required to spend \$942,000 in MOE expenditures during the fiscal year ended June 30, 2009.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identified MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and project number. The City records its MOE expenditures in Fund 01, General Fund.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2009 to determine whether the City met the minimum MOE requirement.



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Results: The City's MOE expenditures for the fiscal year ended June 30, 2009 were \$1,663,232 (see Schedule A), which exceeded the MOE requirement by \$721,232.

4. We judgmentally selected a sample of 14 MOE expenditures from the City's general ledger expenditure detail. MOE expenditures tested totaled \$745,364, representing approximately 45% of total MOE expenditures during the fiscal year ended June 30, 2009. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure.

Results: No exceptions were noted as a result of our procedures.

5. We determined whether or not indirect costs were charged as MOE expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Accounting Manager, MOE expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

6. We obtained a listing of Turnback payments made from the OCLTA to the City and calculated the amount the City received for the past three fiscal years.

Results: The City received \$1,265,842 of Turnback monies for the three fiscal years ended June 30, 2009, including \$389,780 for the fiscal year ended June 30, 2009.

7. We documented which fund the City used to track expenditures relating to Turnback monies in its general ledger and the amount spent for the fiscal year ended June 30, 2009.



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Results: The City's Turnback expenditures are recorded in Fund 04, Measure M Special Revenue Fund (Turnback Fund). There were no Turnback expenditures during the fiscal year ended June 30, 2009 (see Schedule A).

8. We obtained the City's Seven-Year Capital Improvement Program and selected a sample of Turnback expenditures from the City's general ledger expenditure detail. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher; and
 - b. Verified that the expenditure was related to projects included in the City's Seven-Year Capital Improvement Program (CIP).

Results: The City did not incur any Turnback expenditures during the fiscal year ended June 30, 2009. As a result, this procedure was not applicable.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: The City did not incur any Turnback expenditures during the fiscal year ended June 30, 2009. As a result, this procedure was not applicable.

10. We obtained the cash balance of the City's Turnback Fund as of June 30, 2009 to determine whether funds were expended within three years of receipt.

Results: The cash balance in the City's Turnback Fund as of June 30, 2009 was \$879,732. No exceptions were noted as a result of our procedures.

11. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Turnback Fund.

Results: No exceptions were noted as a result of our procedures.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Meyer Hoffman & Company, P.C.

Irvine, California
October 16, 2009

SCHEDULE A

CITY OF DANA POINT, CALIFORNIA
Schedule of MOE and Turnback Expenditures
Year Ended June 30, 2009
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Street maintenance	\$ 1,120,560
Storm drain maintenance	<u>542,672</u>
Total MOE expenditures	1,663,232
Total Turnback expenditures	<u>-</u>
Total MOE and Turnback expenditures	<u>\$ 1,663,232</u>

Note: The above amounts were taken directly from the financial records of the City of Dana Point and were not audited.



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Board of Directors of the
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
CITY OF GARDEN GROVE**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Garden Grove's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the City and determined the minimum the City was required to spend in MOE expenditures.

Results: The City was required to spend \$2,732,000 in MOE expenditures during the fiscal year ended June 30, 2009.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identified MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, department, project, and object code. The City records its MOE expenditures in Fund 111, General Fund.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2009 to determine whether the City met the minimum MOE requirement.



Board of Directors of the
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Results: The City's MOE expenditures for the fiscal year ended June 30, 2009 were \$5,143,812 (see Schedule A), which exceeded the MOE requirement by \$2,411,812.

4. We judgmentally selected a sample of 55 MOE expenditures from the City's general ledger expenditure detail. MOE expenditures tested totaled \$1,156,236, representing approximately 22% of total MOE expenditures for the fiscal year ended June 30, 2009. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure.

Results: No exceptions were noted as a result of our procedures.

5. We determined whether or not indirect costs were charged as MOE expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Accounting Manager, MOE expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

6. We obtained a listing of Turnback payments made from the OCLTA to the City and calculated the amount the City received for the past three fiscal years.

Results: The City received \$5,609,307 of Turnback monies for the three fiscal years ended June 30, 2009, including \$1,707,234 for the fiscal year ended June 30, 2009.

7. We documented which fund the City used to track expenditures relating to Turnback monies in its general ledger and the amount spent during the fiscal year ended June 30, 2009.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Results: The City's Turnback expenditures are recorded in Fund 421, Measure M Special Revenue Fund (Turnback Fund). Total Turnback expenditures during the fiscal year ended June 30, 2009 were \$855,725 (see Schedule A).

8. We obtained the City's Seven-Year Capital Improvement Program and judgmentally selected a sample of 14 Turnback expenditures from the City's general ledger expenditure detail. Turnback expenditures tested totaled \$335,740, representing approximately 39% of total Turnback expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher; and
 - b. Verified that the expenditure was related to projects included in the City's Seven-Year Capital Improvement Program (CIP).

Results: The City's Turnback expenditures for the fiscal year ended June 30, 2009 included \$465,719 for the Arterial Street Rehabilitation project that was included in the City's approved Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2008. The City did not include this project in the Seven-Year CIP submitted to OCLTA for the fiscal year ended June 30, 2009 due to oversight.

Recommendation: We recommend that the City submit an amended Seven-Year CIP to OCLTA for the fiscal year ended June 30, 2009.

Management Response: City will submit an amended Seven-Year CIP for the fiscal year ended June 30, 2009 per the OCTA requirements.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Accounting Manager, Turnback expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

10. We obtained the cash balance of the City's Turnback Fund as of June 30, 2009 to determine whether funds were expended within three years of receipt.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Results: The cash balance in the City's Turnback Fund as of June 30, 2009 was \$8,953,787, which exceeds the total Turnback monies for the three fiscal years ended June 30, 2009 (see procedure 6). As a result, it appears the City has not spent its Turnback monies within three years of receipt as required by the Ordinance.

Recommendations: We recommend the following:

- a) The City should request an extension of the three-year limit from OCLTA. Section II(C)(b)(iii) of OCLTA's Policy No. 3, to the Ordinance Expenditures and Allocations, permits extensions up to five years from the date of the initial funding allocation.
- b) The City should develop and implement a plan to spend the excess Turnback monies on projects included in the City's Approved Seven-Year CIP.
- c) If the City does not spend the excess Turnback monies within the five-year limit from the date of the initial funding allocation (or three years if OCLTA does not grant the City an extension), then the City should not be eligible for additional Turnback monies until the excess monies have been spent per Section II(C)(b)(iii) of OCLTA's Policy No. 3, Expenditures and Allocations.

Management Response: The City was not able to spend all the Turnback money because the City is involved in a lengthy right-of-way acquisition process. Once the issue is resolved, the City will be able to complete the purchase transaction and spend the excess funds. The City will submit a request for extension to OCLTA as required by OCLTA's policy.

11. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Turnback Fund.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The City's written responses to the recommendations identified in the procedures performed are described above. We did not perform additional agreed-upon procedures related to the City's responses.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 17, 2009

SCHEDULE A

CITY OF GARDEN GROVE, CALIFORNIA
 Schedule of MOE and Turnback Expenditures
 Year Ended June 30, 2009
 (Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Public works	\$ 4,710,201
Engineering	<u>433,611</u>
Total MOE expenditures	<u>5,143,812</u>
Turnback Expenditures:	
Arterial street rehabilitation (various locations) (1)	465,719
Trask Avenue rubber asphalt	297,154
Intersection improvements	51,351
Harbor Blvd./SR 22	27,990
Northbound Euclid/SR 22 @ ramp	8,432
Harbor Blvd./Lampson street improvement	3,637
Katella smart street	1,131
Harbor Blvd. smart street	<u>311</u>
Total Turnback expenditures	<u>855,725</u>
Total MOE and Turnback expenditures	<u>\$ 5,999,537</u>

(1) We identified \$465,719 in expenditures for projects that were not included in the City's Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2009. However, we verified through inspection that these projects were included in the City's Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2008.

Note: The above amounts were taken directly from the financial records of the City of Garden Grove and were not audited.



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Board of Directors of the
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Orange County Local Transportation Authority

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
CITY OF NEWPORT BEACH**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Newport Beach's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the City and determined the minimum the City was required to spend in MOE expenditures.

Results: The City was required to spend \$8,229,000 in MOE expenditures during the fiscal year ended June 30, 2009.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identified MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, department and by account expenditure code. The City records its MOE expenditures in Fund 010, General Fund, and Fund 610, Equipment Maintenance Internal Service Fund.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2009 to determine whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2009 were \$15,315,446 (see Schedule A), which exceeded the requirement by \$7,086,446.

4. We judgmentally selected a sample of 37 MOE expenditures from the City's general ledger expenditure detail. MOE expenditures tested totaled \$1,968,865, representing approximately 13% of total MOE expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was properly classified as local street and road expenditures.

Results: No exceptions were noted as a result of our procedures.

5. We determined whether or not indirect costs were charged as MOE expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: The City charged \$8,399,678 of indirect costs as MOE expenditures for the fiscal year ended June 30, 2009. The costs include payroll and non-payroll expenditures incurred by several City departments that are tracked in the City's General Fund, as well as the expenditures recorded in the City's Equipment Maintenance Internal Service Fund (refer to the list of departments reported on Schedule A.) The City allocates between 30 and 60 percent of each department's total expenditures as MOE expenditures. Per discussion with the City's Deputy General Services Director and the City's Public Works Administrative Manager, the City established the percentages based upon estimates prepared by City staff during fiscal year 2002-2003. The City has not evaluated the accuracy of these estimates since fiscal year 2002-2003.

In addition, costs of \$455,103 reported in the City's Equipment Maintenance Internal Service Fund are allocated to all departments as part of the City's monthly Internal Service Fund allocation journal entries. Therefore, the City is including the Internal Service Fund expenditures in its computation of MOE expenditures



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twice since these costs were already included in the General Fund departments' total expenditures.

Recommendations: We recommend the following:

- a) The City should exclude its Equipment Maintenance Internal Service Fund from its determination of total MOE expenditures since these expenditures are already being allocated to each City department.
- b) The City should review the percentages used to compute its MOE expenditures to verify that the percentages are still accurate by reviewing current documentation, such as timesheets or by performing time studies. The City should document its rationale for how each percentage was determined.

Management Response: The City concurs with the accountants' recommendations and will incorporate the recommendations during fiscal year 2010.

6. We obtained a listing of Turnback payments made from the OCLTA to the City and calculated the amount the City received for the past three fiscal years.

Results: The City received \$3,978,871 of Turnback monies for the three years ended June 30, 2009, including \$1,235,819 for the fiscal year ended June 30, 2009.

7. We documented which fund the City used to track expenditures relating to Turnback monies in its general ledger and the amount spent for the fiscal year ended June 30, 2009.

Results: The City's Turnback expenditures are recorded in Fund 280, Measure M Special Revenue Fund (Turnback Fund). Total Turnback expenditures for the fiscal year ended June 30, 2009 were \$1,075,027 (see Schedule A).

8. We obtained the City's Seven-Year Capital Improvement Program and judgmentally selected 12 Turnback expenditures from the City's general ledger expenditure detail. Total Turnback expenditures tested were \$526,111 representing approximately 49% of total Turnback expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:



Board of Directors of the
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- a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
- b. Verified that the expenditure was related to projects included in the City's Seven-Year Capital Improvement Program.

Results: Based upon our review of the City's Seven-Year Capital Improvements and its Turnback expenditures, no exceptions were noted.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Finance staff, Turnback expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

10. We obtained the cash balance of the City's Turnback Fund as of June 30, 2009 to determine whether funds were expended within three years of receipt.

Results: The City's cash balance in its Turnback Fund as of June 30, 2009 was \$3,729,856. No exceptions were noted as a result of our procedures.

11. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Turnback Fund.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The City's written response to the recommendations identified in the procedures performed is described above. We did not perform additional agreed-upon procedures related to the City's response.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

This report is intended solely for the information and use of the Board of Directors and the Taxpayers Oversight Committee of the Orange County Local Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffmann & Co. P.C.

Irvine, California
December 14, 2009

CITY OF NEWPORT BEACH, CALIFORNIA
 Schedule of MOE and Turnback Expenditures
 Year Ended June 30, 2009
 (Unaudited)

Maintenance of Effort (MOE) expenditures:	
Public works - administration (1)	\$ 678,227
Public works - engineering (1)	1,729,258
Public works - transportation and development services (1)	816,013
Public works - electrical (1)	872,815
General services - administration (1)	260,092
General services - field maintenance	3,791,944
General services - operations support (1)	2,544,491
General services - equipment maintenance (1)	455,103
General services - parks, parkways, etc. (1)	1,043,679
General services - street trees	1,311,927
General Fund street maintenance capital projects	<u>1,811,897</u>
 Total MOE expenditures	 <u>15,315,446</u>
Turnback expenditures:	
Traffic signal improvements	817,857
Street rehabilitation projects	175,937
Pavement management plan update	68,008
Slurry seal	<u>13,225</u>
 Total Turnback expenditures	 <u>1,075,027</u>
 Total MOE and Turnback expenditures	 <u>\$ 16,390,473</u>

(1) These costs represent indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2009. The City allocates a percentage of these departments' total expenditures to its MOE expenditures.

Note: The above amounts were taken directly from the financial records of the City of Newport Beach and were not audited.



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Board of Directors of the
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
CITY OF ORANGE**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Orange's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the City and determined the minimum the City was required to spend in MOE expenditures.

Results: The City was required to spend \$2,205,000 in MOE expenditures during the fiscal year ended June 30, 2009.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identified MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, activity, and sub object number. The City records its MOE expenditures in Fund 100, General Fund, and Fund 273, OCTA Gas Tax Exchange Special Revenue Fund.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2009 to determine whether the City met the minimum MOE requirement.



Board of Directors of the
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Orange County Local Transportation Authority

Results: The City's MOE expenditures for the fiscal year ended June 30, 2009 were \$3,227,240 (see Schedule A), which exceeded the MOE requirement by \$1,022,240.

4. We judgmentally selected a sample of 33 MOE expenditures from the City's general ledger expenditure detail. MOE expenditures tested totaled \$1,039,526, representing approximately 32% of total MOE expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was properly classified as local street and road expenditures.

Results: No exceptions were noted as a result of our procedures.

5. We determined whether or not indirect costs were charged as MOE expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: The City charged \$336,226 of indirect costs as MOE expenditures during the fiscal year ended June 30, 2009. These costs included data processing, computer replacement, fuel, insurance, accounting, vehicle maintenance and a general and administrative allocation. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Turnback payments made from the OCLTA to the City and calculated the amount the City received for the past three fiscal years.

Results: The City received \$5,889,346 of Turnback monies for the three years ended June 30, 2009, including \$1,631,005 for the fiscal year ended June 30, 2009.

7. We documented which fund the City used to track expenditures relating to Turnback monies in its general ledger and the amount spent during the fiscal year ended June 30, 2009.

Results: The City's Turnback expenditures are recorded in Fund 262, Measure M Traffic Improvement Special Revenue Fund (Turnback Fund). Total Turnback



Board of Directors of the
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Orange County Local Transportation Authority

expenditures during the fiscal year ended June 30, 2009 were \$1,536,637 (see Schedule A).

8. We obtained the City's Seven-Year Capital Improvement Program and judgmentally selected a sample of 20 Turnback expenditures from the City's general ledger expenditure detail. Turnback expenditures tested totaled \$778,684 representing approximately 51% of total Turnback expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was related to projects included in the City's Seven-Year Capital Improvement Program.

Results: Two of the expenditures tested related to projects that were not included in the City's Seven-Year Capital Improvement Program. These costs included landscape maintenance (\$120,406) and furniture, machinery and equipment (\$10,024).

Recommendation: We recommend the City prepare a journal entry during fiscal year 2010 to reimburse the Turnback Fund for these ineligible costs.

City's Response: The City believes the questioned expenditures are eligible for Turnback funding. The City plans to amend its Seven-Year CIP for the fiscal year ended June 30, 2009 to include the landscape maintenance and equipment expenditures for OCTA's consideration of approval.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: The City charged \$44,517 of indirect costs as Turnback expenditures during the fiscal year ended June 30, 2009. These costs included data processing, computer replacement, and a general and administrative allocation. No exceptions were noted as a result of our procedures.

10. We obtained the cash balance of the City's Turnback Fund as of June 30, 2009 to determine whether funds were expended within three years of receipt.



Board of Directors of the
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Results: The City's cash balance in its Turnback Fund as of June 30, 2009 was \$3,530,632. No exceptions were noted as a result of our procedures.

11. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Turnback Fund.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The City's written response to the recommendation identified in the procedures performed is described above. We did not perform any additional agreed-upon procedures related to the City's response.

This report is intended solely for the information and use of the Board of Directors and the Taxpayers Oversight Committee of the Orange County Local Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 14, 2009

SCHEDULE A

CITY OF ORANGE, CALIFORNIA
 Schedule of MOE and Turnback Expenditures
 Year Ended June 30, 2009
 (Unaudited)

Maintenance of Effort (MOE) expenditures:	
General Administration	\$ 336,226
Engineering Services	103,297
Developmental Services	71,117
Street Maintenance Services	362,231
Transportation Services	376,316
Traffic Operations	559,610
Street Maintenance Services	158,583
Traffic Operations	<u>1,259,860</u>
 Total MOE expenditures	 <u>3,227,240</u>
 Turnback expenditures:	
Pavement management program	998,829
Arterial curb, gutter and sidewalk repair	46,142
Minor traffic control devices	30,519
Contracted services (1)	185,498
Asphalt products (1)	49,901
Rock and sand gravel (1)	50,801
Landscape maintenance (2)	120,406
Furniture, machinery, and equipment (2)	10,024
Indirect costs	<u>44,517</u>
 Total Turnback expenditures	 <u>1,536,637</u>
 Total MOE and Turnback expenditures	 <u>\$ 4,763,877</u>

(1) These expenditures primarily consisted of costs related to the City's annual concrete replacement program.

(2) These projects were not identified in the City's Approved Seven-Year Capital Improvement Program for fiscal year ended June 30, 2009.

Note: The above amounts were taken directly from the financial records of the City of Orange and were not audited.



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Board of Directors of the
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES –
CITY OF SEAL BEACH**

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Seal Beach's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2009. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Maintenance of Effort (MOE) Calculation Report established by the OCLTA for the City and determined the minimum the City was required to spend in MOE expenditures.

Results: The City was required to spend \$505,000 in MOE expenditures during the fiscal year ended June 30, 2009.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identified MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, department, and project number.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2009 to determine whether the City met the minimum MOE requirement.



Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Results: The City's MOE expenditures for the fiscal year ended June 30, 2009 were \$1,512,581 (see Schedule A), which exceeded the requirement by \$1,007,581.

4. We judgmentally selected a sample of 15 MOE expenditures from the City's general ledger expenditure detail. MOE expenditures tested totaled \$524,426, representing approximately 35% of total MOE expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the MOE expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was properly classified as local street and road expenditures.

Results: No exceptions were noted as a result of our procedures.

5. We determined whether or not indirect costs were charged as MOE expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of general ledger expenditure detail and discussion with the City's Director of Administrative Services, MOE expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

6. We obtained a listing of Turnback payments made from the OCLTA to the City and calculated the amount the City received for the past three fiscal years.

Results: The City received \$892,791 of Turnback monies for the three years ended June 30, 2009, including \$254,477 for the fiscal year ended June 30, 2009.

7. We documented which fund the City used to track expenditures relating to Turnback monies in its general ledger and the amount spent for the fiscal year ended June 30, 2009.

Results: The City's Turnback expenditures are recorded in Fund 41, Measure M Special Revenue Fund (Turnback Fund). Total Turnback expenditures for the fiscal year ended June 30, 2009 were \$800,980 (see Schedule A).



Board of Directors of the
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8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and judgmentally selected 8 Turnback expenditures from the City's general ledger expenditure detail. Total Turnback expenditures tested were \$799,094 representing approximately 99% of total Turnback expenditures for the fiscal year ended June 30, 2009. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger for the Turnback expenditure to supporting documentation, including the City check copy or wire transfer and vendor invoice or journal voucher.
 - b. Verified that the expenditure was related to projects included in the City's Seven-Year Capital Improvement Program.

Results: The City's Turnback expenditures during the fiscal year ended June 30, 2009 included \$60,111 for one project (Annual Concrete Repair Program) that was included in the City's approved Seven-Year CIP for the fiscal years ended June 30, 2008 and June 30, 2010. The City did not include this project on the Seven-Year CIP it submitted to OCLTA for the fiscal year ended June 30, 2009 due to oversight. The budget for the City's Annual Concrete Repair Program was approved by the City Council as part of the annual budget for the fiscal year ended June 30, 2009.

Recommendation: We recommend that the City submit an amended Seven-Year CIP to OCLTA for the fiscal year ended June 30, 2009.

City's Response: The City inadvertently removed the Annual Concrete Program in the 2009 Seven-Year Capital Improvement Program. This is an annual project that is programmed each year through the City Council and will continue in future years.

9. We determined whether or not indirect costs were charged as Turnback expenditures. If applicable, we reviewed the City's indirect cost allocation plan for reasonableness.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's Finance staff, Turnback expenditures for the fiscal year ended June 30, 2009 did not include indirect costs.

10. We obtained the cash balance of the City's Turnback Fund as of June 30, 2009 to determine whether funds were expended within three years of receipt.

Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Results: The City's cash balance in its Turnback Fund as of June 30, 2009 was \$513,192. No exceptions were noted as a result of our procedures.

11. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Turnback Fund.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The City's written response to the recommendation identified in the procedures performed is described above. We did not perform any additional agreed-upon procedures related to the City's response.

This report is intended solely for the information and use of the Board of Directors and the Taxpayers Oversight Committee of the Orange County Local Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.

Irvine, California
September 24, 2009

CITY OF SEAL BEACH, CALIFORNIA
 Schedule of MOE and Turnback Expenditures
 Year Ended June 30, 2009
 (Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Engineering	\$ 167,689
Storm drain maintenance	316,198
Street maintenance	799,329
Landscape maintenance	<u>229,365</u>
 Total MOE expenditures	 <u>1,512,581</u>
Turnback Expenditures:	
Arterial street resurfacing program	431,711
Local street resurfacing program	17,230
Annual street sealing program	291,928
Annual concrete repair program (1)	<u>60,111</u>
 Total Turnback expenditures	 <u>800,980</u>
 Total MOE and Turnback expenditures	 <u>\$ 2,313,561</u>

(1) We identified \$60,111 in expenditures for projects that were not included in the City's Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2009. However, we verified through inspection that these projects were included in the City's Seven-Year Capital Improvement Program for the fiscal year ended June 30, 2008.

Note: The above amounts were taken directly from the financial records of the City of Seal Beach and were not audited.



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board
Subject: Reports on the Annual Transportation Development Act Audits for Fiscal Year 2008-09

Finance and Administration Committee Meeting of January 27, 2010

Present: Directors Bates, Buffa, Campbell, Cavecche, Hansen, and Moorlach
Absent: Director Brown

Committee Vote

This item was passed by all Committee Members present.

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

Committee Recommendations

- A. Approve corrective action proposed by the City of Lake Forest, the City of Seal Beach and non-profit organization, Jewish Family Services of Orange County, in response to auditor findings and recommendations resulting from the Transportation Development Act program audits performed for fiscal year 2008-09.
- B. Direct staff to implement a coordinated approach to providing Transportation Development Act program financial information.



January 27, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Reports on the Annual Transportation Development Act Audits for Fiscal Year 2008-09

Overview

Pursuant to Sections 6663 and 6751 of the California Code of Regulations, audits of Transportation Development Act Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2009, by Mayer Hoffman McCann P.C.

Recommendations

- A. Approve corrective action proposed by the City of Lake Forest, the City of Seal Beach, and non-profit organization Jewish Family Services of Orange County, in response to auditor findings and recommendations resulting from the Transportation Development Act program audits performed for fiscal year 2008-09.
- B. Direct staff to implement a coordinated approach to providing Transportation Development Act program financial information to Orange County Transportation Authority auditors.

Background

The Transportation Development Act (TDA) provides, as a source of funding for public transportation, the Local Transportation Fund (LTF). LTF revenues are derived from a quarter-cent of retail sales taxes. The quarter-cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county.

On July 1, 1988, the Orange County Transportation Authority (OCTA) assumed responsibility for administering the TDA's various components under the LTF, which include Article 3 Funds for the Pedestrian and Bicycle Facilities Program

and Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs. An important aspect of this responsibility is to ensure that the allocated and dispersed LTF funds were used in accordance with applicable TDA rules and regulations and OCTA policies and procedures.

Discussion

A total of 26 entities in Orange County, including the County of Orange and OCTA, were audited under one or more of the referenced TDA Articles. The attached Listing of Transportation Development Act Audits Performed for FY 2008-09 (Attachment A) reflects these audits. Fourteen of the 34 cities in Orange County did not receive TDA funding in fiscal year 2008-09; therefore, audits of these cities' programs were not required.

Audits found that all of the entities used the LTF funds in accordance with applicable TDA rules and regulations; however, the auditors reported findings related to contracts for transportation services held by two of the cities and an indirect cost allocation plan utilized by one entity.

Audits of the cities of Lake Forest and Seal Beach included findings related to contracts with consultants providing transportation services. The City of Lake Forest paid an hourly rate 5 percent above the rate authorized by contract and the auditors recommended that the city offset the overpayments on a future invoice or amend the contract to reflect the increase. The city responded that an annual rate increase of 5 percent was intended and that a contract amendment would be drafted to incorporate the increase.

The City of Seal Beach continued to operate transportation services under a contractor agreement that expired in June 2008. Auditors recommended that the city competitively bid the agreement and establish procedures to ensure future agreements do not expire before being renewed or rebid. The city responded that it would conduct a competitive procurement for these services.

The audit of Jewish Family Services of Orange County (JFS), a sub-recipient of the City of Irvine, noted that JFS allocates indirect costs based upon estimates from administrative staff. Auditors recommended that JFS establish procedures to ensure indirect costs are allocated based upon actual costs incurred. JFS responded that in the current and future periods, indirect costs would be charged based on administrative costs actually incurred.

In addition to the audit findings described above, the auditors issued a recommendation to OCTA related to the preparation of TDA program financial

statements for monies received and expended on the Bicycle and Pedestrian Facilities and Bus Stop Accessibility programs. Auditors found that prior period adjustments were required to remove from the financial statements sources other than TDA funds used to fund various bus stop improvement projects over the past several years. The auditors indicated that these adjustments were caused, in part, by financial reporting information being obtained from the TDA program manager without input from the Accounting Department. Since the accounting personnel are generally more knowledgeable of proper accounting and financial reporting the auditors recommended that OCTA consider a coordinated approach for providing financial information that includes both the Accounting Department and TDA program management. Management concurred and indicated that they will implement a coordinated approach.

Audit reports for the City of Lake Forest, the City of Seal Beach, and JFS are attached hereto as Attachments B, C, and D. The auditor's recommendations for OCTA can be found at Attachment E. Audit reports for all other entities are detailed in individual audit reports on file with OCTA's Clerk of the Board.

Summary

Audits of TDA Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2008, by Mayer Hoffman McCann P.C. The individual audit reports for fiscal year 2008-09 are on file with OCTA's Clerk of the Board.

Attachments

- A. Listing of Transportation Development Act Audits Performed for FY 2008-09
- B. City of Lake Forest Transportation Development Act Article 4.5 Funds Paratransit Operating and Capital Program Financial Statements and Supplemental Data Year Ended June 30, 2009
- C. City of Seal Beach Transportation Development Act Article 4.5 Funds Paratransit Operating and Capital Program Financial Statements and Supplemental Data Year Ended June 30, 2009
- D. Jewish Family Services of Orange County Transportation Development Act Article 4.5 Funds Paratransit Operating and Capital Program Financial Statements and Supplemental Data Year Ended June 30, 2009

-
- E. December 22, 2009, letter from Mayer Hoffman McCann to Kathleen M. O'Connell

Prepared by:



Kathleen M. O'Connell
Executive Director, Internal Audit
(714) 560-5669

Listing of Transportation Development Act Audits Performed for FY 2008-09

Article 3 Audits

1. County of Orange
2. Orange County Transportation Authority

Article 4 Audit

3. Laguna Beach Municipal Transit Lines

Article 4.5 Audits

4. City of Anaheim
5. City of Brea
6. City of Buena Park
7. City of Costa Mesa
8. City of Garden Grove
9. City of Huntington Beach
10. City of Irvine
11. City of La Habra
12. City of Laguna Niguel
13. City of Laguna Woods
14. City of Lake Forest
15. City of Newport Beach
16. City of Placentia
17. City of Rancho Santa Margarita
18. City of San Clemente
19. City of Santa Ana
20. City of Seal Beach
21. City of Westminster
22. City of Yorba Linda
23. Abrazar Inc. (passed through the City of Westminster)
24. Korean-American Senior Association (passed through the City of Garden Grove)
25. Vietnamese Community Center of Orange County (passed through the City of Santa Ana)
26. Jewish Family Services of Orange County (passed through the City of Irvine)

Cities that did not Receive TDA Funding in FY 2007-08

- | | |
|--------------------|-------------------------|
| 1. Aliso Viejo | 8. Los Alamitos |
| 2. Cypress | 9. Misión Viejo |
| 3. Dana Point | 10. Orange |
| 4. Fountain Valley | 11. San Juan Capistrano |
| 5. Fullerton | 12. Stanton |
| 6. La Palma | 13. Tustin |
| 7. Laguna Hills | 14. Villa Park |

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act

Article 4.5 Funds

Paratransit Operating and Capital Program

Financial Statements and Supplemental Data

Year Ended June 30, 2009

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Year Ended June 30, 2009

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) of the City of Lake Forest, California (City of Lake Forest), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lake Forest. Our responsibility is to express an opinion on these financial statements based on our audit. Prior year partial comparative information has been derived from the TDA Program financial statements of the City of Lake Forest for the year ended June 30, 2008 and, in our report dated December 19, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the TDA Program of the City of Lake Forest only and do not purport to, and do not, present fairly the financial position of the City of Lake Forest as of June 30, 2009, and the changes in revenues, expenditures, and fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Program of the City of Lake Forest as of June 30, 2009, and the change in financial position of the TDA Program of the City of Lake Forest for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the TDA Program of the City of Lake Forest. The supplemental data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the audited financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2009 on our consideration of the City of Lake Forest's internal control over financial reporting for the TDA Program, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the City of Lake Forest and the Orange County Transportation Authority. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Lake Forest and the Orange County Transportation Authority, is a matter of public record.



Irvine, California
December 21, 2009

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Balance Sheet

June 30, 2009
(with Comparative Totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and investments	<u>\$ 23,145</u>	<u>\$ 24,493</u>
Total assets	<u>\$ 23,145</u>	<u>\$ 24,493</u>
 <u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 5,809	\$ 8,098
Deferred revenue	<u>17,336</u>	<u>16,395</u>
Total liabilities	23,145	24,493
Fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 23,145</u>	<u>\$ 24,493</u>

See accompanying notes to financial statements

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual

Year Ended June 30, 2009
(with Comparative Totals for the Year ended June 30, 2008)

	2009			2008
	Budget	Actual	Variance	Actual
Revenues:				
TDA Article 4.5 allocation	\$ 27,200	29,114	1,914	27,590
City match	6,300	5,503	(797)	4,716
Interest	-	320	320	802
	<u>33,500</u>	<u>34,937</u>	<u>1,437</u>	<u>33,108</u>
Total revenues				
Expenditures:				
TDA Article 4.5 expenditures	<u>38,000</u>	<u>34,937</u>	<u>3,063</u>	<u>33,108</u>
Total expenditures	<u>38,000</u>	<u>34,937</u>	<u>3,063</u>	<u>33,108</u>
Excess (deficiency) of revenues over (under) expenditures	(4,500)	-	4,500	-
Fund balance at beginning of year	-	-	-	-
Fund balance (deficit) at end of year	<u>(4,500)</u>	<u>-</u>	<u>4,500</u>	<u>-</u>

See accompanying notes to financial statements

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act Article 4.5 Funds Paratransit Operating and Capital Program

Notes to Financial Statements

Year Ended June 30, 2009

(1) General Information

The financial statements are intended to reflect the financial position and results of operations of the City of Lake Forest's (City's) Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) only.

The City has entered into a Cooperative Agreement (Agreement) with the Orange County Transportation Authority (OCTA) to provide transportation services to eligible individuals in accordance with Section 99275 of the California Public Utilities Code (Code). According to the Code, TDA Program funds may only be expended for community transit services, including services for the disabled who cannot use conventional transit services. In accordance with the Agreement, the City is required to provide matching funds equal to 20% of the allocation amount. The City satisfied its required match for the fiscal year ended June 30, 2009.

(2) Summary of Significant Accounting Policies

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City accounts for the activity of the TDA Program as a separate program within its General Fund.

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and capital improvement costs that are not paid through other funds.

Measurement Focus and Basis of Accounting

The General Fund of the City is accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Budgetary Accounting

The budget for the General Fund is formally adopted by the City on an annual basis and is prepared in conformity with accounting principles generally accepted in the United States of America.

Cash and Investments

The City pools cash and investments of all its funds. The TDA Program's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Deferred Revenue

Deferred revenue represents TDA Program revenue received during the year for which grant-related expenditures had not yet been incurred.

Prior Year Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in the TDA Program's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's TDA Program financial statements for the year ended June 30, 2008, from which this selected financial data was derived.

Supplemental Data

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Schedule of Allocations Received and Expended, by Project Year

Year Ended June 30, 2009

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 6/30/08</u>	<u>Receipts</u>	<u>Expenditures (1)</u>	<u>Unspent Allocations at 6/30/09</u>	<u>Project Status</u>
Senior Transportation Program	Local	2007-08	27,227	16,395	-	16,395	-	Completed
Senior Transportation Program	Local	2008-09	30,055	-	30,055	12,719	17,336	Open
Interest			-	-	320	320	-	Completed
Totals			<u>\$ 57,282</u>	<u>16,395</u>	<u>30,375</u>	<u>29,434</u>	<u>17,336</u>	

(1) This amount represents expenditures related to the TDA Article 4.5 allocation. The expenditures related to the City's match are not included.

See Independent Auditors' Report



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Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) of the City of Lake Forest, California (City of Lake Forest), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lake Forest's internal control over financial reporting of the TDA Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Forest's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Forest's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Lake Forest's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Lake Forest's financial statements that is more than inconsequential will not be prevented or detected by the City of Lake Forest's

internal control. We consider the deficiency described in the accompanying Finding and Recommendation section of this report as Item 1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Lake Forest's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the TDA Program that we consider to be a material weakness, as defined above. However, we believe that the significant deficiency described in the accompanying Finding and Recommendation section of this report is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Program of the City of Lake Forest are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Findings and Recommendations as item 1.

The City's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the City of Lake Forest and the Orange County Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
December 21, 2009

CITY OF LAKE FOREST, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Finding and Recommendation

Year Ended June 30, 2009

(1) Need to Ensure Hourly Rate Charged Agrees with Transportation Agreement

The City of Lake Forest (City) entered into a Consultant Services Agreement (Agreement) with South County Senior Services (SCSS) to provide transportation services on an as-needed basis. In accordance with the Agreement, SCSS is paid on a time-and-materials basis at an hourly rate of \$50.09. However, SCSS invoiced the City for services at an hourly rate of \$52.59. No documentation was provided which authorized an increase in the hourly rate.

Exhibit C of the Agreement between the City and SCSS states, in part:

"Consultant will be paid for services rendered...not to exceed the fee of thirty four thousand eight hundred seventy two dollars (\$34,872) annually or one hundred four thousand six hundred sixteen dollars (\$104,616) for the total term of the agreement. Consultant will be paid on a time-and-materials basis at an hourly rate of \$50.09."

Although not stipulated in the Agreement, both the City and SCSS were of the opinion that the Agreement provided for an annual increase of 5.00% in the hourly rate and not-to-exceed maximum.

Recommendation

We recommend that the City either offset payment on a future invoice from SCSS for the excess hourly rate billed, or amend the Agreement to reflect the intent of allowing a 5.00% annual increase in the hourly rate and not-to-exceed maximum.

Management Response

The City intends to work with the City Attorney to amend the current Agreement to incorporate the 5.00% annual increase through June 30, 2010, at which time the Agreement expires.

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Financial Statements and Supplemental Data

Year Ended June 30, 2009

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Year Ended June 30, 2009

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) of the City of Seal Beach, California (City of Seal Beach), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Seal Beach. Our responsibility is to express an opinion on these financial statements based on our audit. Prior year partial comparative information has been derived from the TDA Program financial statements of the City of Seal Beach for the year ended June 30, 2008 and, in our report dated December 15, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the TDA Program of the City of Seal Beach only and do not purport to, and do not, present fairly the financial position of the City of Seal Beach as of June 30, 2009, and the changes in revenues, expenditures, and fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

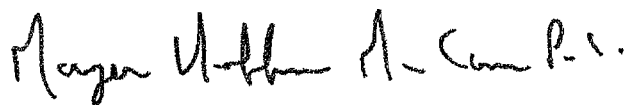
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Program of the City of Seal Beach as of June 30, 2009, and the change in financial position of the TDA Program of the City of Seal Beach for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the TDA Program of the City of Seal Beach. The supplemental data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the audited financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2009 on our consideration of the City of Seal Beach's internal control over financial reporting for the TDA Program, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of the management of the City of Seal Beach and the Orange County Transportation Authority. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Seal Beach and the Orange County Transportation Authority, is a matter of public record.



Irvine, California
November 12, 2009

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Balance Sheet

June 30, 2009
(with Comparative Totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and investments	\$ -	-
Total assets	<u>\$ -</u>	<u>-</u>
<u>Liabilities and Fund Balance</u>		
Liabilities	\$ -	-
Fund balance	-	-
Total liabilities and fund balance	<u>\$ -</u>	<u>-</u>

See accompanying notes to financial statements

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act
 Article 4.5 Funds
 Paratransit Operating and Capital Program

Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual

Year Ended June 30, 2009
 (with Comparative Totals for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Variance	Actual
Revenues:				
TDA Article 4.5 allocation	\$ 72,000	71,536	(464)	67,433
City match	31,500	22,683	(8,817)	26,578
Total revenues	103,500	94,219	(9,281)	94,011
Expenditures:				
TDA Article 4.5 expenditures	103,500	94,219	9,281	94,011
Total expenditures	103,500	94,219	9,281	94,011
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	-	-	-

See accompanying notes to financial statements

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act Article 4.5 Funds Paratransit Operating and Capital Program

Notes to Financial Statements

Year Ended June 30, 2009

(1) **General Information**

The financial statements are intended to reflect the financial position and results of operations of the City of Seal Beach's (City's) Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) only.

The City has entered into a Cooperative Agreement (Agreement) with the Orange County Transportation Authority (OCTA) to provide transportation services to eligible individuals in accordance with Section 99275 of the California Public Utilities Code (Code). According to the Code, TDA Program funds may only be expended for community transit services, including services for the disabled who cannot use conventional transit services. In accordance with the Agreement, the City is required to provide matching funds equal to 20% of the allocation amount. The City satisfied its required match for the fiscal year ended June 30, 2009.

(2) **Summary of Significant Accounting Policies**

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City accounts for the activity of the TDA Program as a separate program within its General Fund.

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and capital improvement costs that are not paid through other funds.

The local match is accounted for in the Air Quality Improvement Fund, which is a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Notes to Financial Statements

(Continued)

(2) **Summary of Significant Accounting Policies (Continued)**

Measurement Focus and Basis of Accounting

The General Fund and Special Revenue Funds of the City are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

Budgetary Accounting

The budgets for the General Fund and Special Revenue Funds are formally adopted by the City on an annual basis and are prepared in conformity with accounting principles generally accepted in the United States of America.

Cash and Investments

The City pools cash and investments of all its funds. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Prior Year Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in the TDA Program's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's TDA Program financial statements for the year ended June 30, 2008, from which this selected financial data was derived.

Supplemental Data

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act
 Article 4.5 Funds
 Paratransit Operating and Capital Program

Schedule of Funds Received and Expended, by Project Year

Year Ended June 30, 2009

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 6/30/08</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unspent Allocations at 6/30/09</u>	<u>Project Status</u>
Senior Mobility Program	Local	2008-09	\$ 71,536	-	71,536	71,536	-	Completed
Totals			\$ 71,536	-	71,536	71,536	-	

See Independent Auditors' Report



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) of the City of Seal Beach, California (City of Seal Beach), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Seal Beach's internal control over financial reporting of the TDA Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Seal Beach's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Seal Beach's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Seal Beach's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Seal Beach's financial statements that is more than inconsequential will not be prevented or detected by the City of Seal Beach's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Seal Beach's internal control.

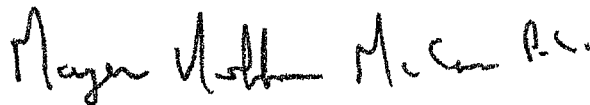
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the TDA Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Program of the City of Seal Beach are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Findings and Recommendations as item 1.

The City's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the City of Seal Beach and the Orange County Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
November 12, 2009

CITY OF SEAL BEACH, CALIFORNIA

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Finding and Recommendation

Year Ended June 30, 2009

(1) Need to Rebid Transportation Agreement

The City of Seal Beach (City) contracts with Western Transit Systems (WTS) to provide transportation services on an as-needed basis. The agreement for services was executed on June 24, 2002 for an initial three-year term, with three one-year options. The agreement expired on June 24, 2008; however, the City continues to use WTS' services.

OCTA Cooperative Agreement No C-2-0869 states, in part:

“...City may contract with a third party service provider to provide senior transportation services provided that:

1. Contractor is selected using a competitive procurement process...”

Recommendation

We recommend that the City competitively bid its agreement for transportation services and establish procedures so that agreements do not expire before being renewed or rebid, as applicable.

Management Response

The City concurs with the auditor's finding. The Public Works Department is in the process of sending out a competitive bid for these services to correct this issue.

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program
Financial Statements and Supplemental Data
Seven Months Ended June 30, 2009

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Seven Months Ended June 30, 2009

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Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) of Jewish Family Services of Orange County (JFS), a subrecipient of the City of Irvine, California (City of Irvine), as of and for the seven months ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of JFS. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the TDA Program of JFS only and do not purport to, and do not, present fairly the financial position of JFS as of June 30, 2009, and the changes in revenues, expenditures, and fund balance for the seven months then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Program of JFS as of June 30, 2009, and the change in financial position of the TDA program for JFS for the seven months ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the TDA Program of JFS. The supplemental data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the audited financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2009 on our consideration of JFS's internal control over financial reporting for

Board of Directors
Orange County Transportation Authority
Orange, California

the TDA Program, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of JFS, the City of Irvine and the Orange County Transportation Authority. This restriction is not intended to limit the distribution of this report, which, upon acceptance by JFS, the City of Irvine and the Orange County Transportation Authority, is a matter of public record.

Mayor Hobbs M. C. P. C.

Irvine, California
December 21, 2009

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Balance Sheet

June 30, 2009

	<u>Assets</u>	
Cash and investments		\$ 173
		<hr/>
Total assets		\$ 173
		<hr/> <hr/>
	<u>Liabilities and Fund Balance</u>	
Deferred revenue (note 3)		\$ 173
		<hr/>
Total liabilities		173
Fund balance		<hr/> -
		<hr/>
Total liabilities and fund balance		\$ 173
		<hr/> <hr/>

See accompanying notes to financial statements

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual

Seven Months Ended June 30, 2009

	Budget	Actual	Variance
Revenues:			
TDA Article 4.5 allocation	\$ 34,652	34,652	-
Local match	12,000	14,184	2,184
Ridership fees	5,414	724	(4,690)
Total revenues	52,066	49,560	(2,506)
Expenditures:			
TDA Article 4.5 expenditures	51,742	49,560	2,182
Total expenditures	51,742	49,560	2,182
Excess (deficiency) of revenues over (under) expenditures	324	-	(324)
Fund balance at beginning of year	-	-	-
Fund balance (deficit) at end of year	\$ 324	-	(324)

See accompanying notes to financial statements

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Notes to Financial Statements

Seven Months Ended June 30, 2009

(1) General Information

The financial statements are intended to reflect the financial position and results of operations for the Jewish Family Services of Orange County (JFS) Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) only.

On December 1, 2008, JFS entered into a Cooperative Agreement (Agreement) with the Orange County Transportation Authority (OCTA) and the City of Irvine (City) to provide transportation services to eligible individuals in accordance with Section 99275 of the California Public Utilities Code (Code) within the City. The Agreement extends through June 30, 2011. The Agreement provides that all TDA Program monies are to be passed through the City to JFS. According to the Code, TDA Program funds may only be expended for community transit services, including services for the disabled who cannot use conventional transit services. In accordance with the Agreement, JFS is required to provide matching funds equal to 20% of the allocation amount. JFS satisfied its required match for the seven months ended June 30, 2009.

Nature of Activities

JFS was organized in 1971 as a 501(c)(3) non-profit organization. The purpose of JFS is to provide social service assistance, including transportation services to Jewish senior adults in Orange County, 60 years and older, who cannot drive or who have limited ability to drive.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The JFS is a non-profit organization whose accounts are maintained on the accrual basis of accounting. Only the revenues and expenditures related to the TDA Program have been included in the accompanying financial statements.

Budgetary Accounting

The TDA program budget is formally adopted by JFS on an annual basis and is prepared in conformity with accounting principles generally accepted in the United States of America.

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Notes to Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Cash and Investments

JFS pools its cash and investments. The TDA Article 4.5 Fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

(3) Deferred Revenue

Deferred revenue in the amount of \$173 represents taxi voucher revenue received during the seven months ended June 30, 2009 for which the taxi services have not yet been provided.

Supplemental Data

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Schedule of Allocations Received and Expended, by Project Year

Seven Months Ended June 30, 2009

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 6/30/08</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unspent Allocations at 6/30/09</u>	<u>Project Status</u>
Senior Transportation Program	Local	2008-09	\$ 34,652	-	34,652	34,652	-	Completed
Totals			<u>\$ 34,652</u>	<u>-</u>	<u>34,652</u>	<u>34,652</u>	<u>-</u>	

See Independent Auditors' Report



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) of Jewish Family Services of Orange County (JFS), a subrecipient of the City of Irvine, California (City of Irvine), for the seven months ended June 30, 2009, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered JFS' internal control over financial reporting of the TDA Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JFS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of JFS' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects JFS' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of JFS' financial statements that is more than inconsequential will not be prevented or detected by JFS' internal control. We consider the deficiency described in the

accompanying Finding and Recommendation section of this report as Item 1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by JFS' internal control.

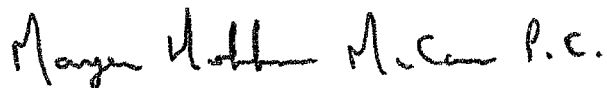
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the accompanying Finding and Recommendation section of this report is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Program of JFS are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The JFS' response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of JFS, the City of Irvine and the Orange County Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
December 21, 2009

**JEWISH FAMILY SERVICES
OF ORANGE COUNTY**

Transportation Development Act
Article 4.5 Funds
Paratransit Operating and Capital Program

Finding and Recommendation

Seven Months Ended June 30, 2009

(1) Need to Allocate Indirect Cost Based upon Actual Conditions

Jewish Family Services (JFS) does not have a formal indirect cost allocation plan. JFS allocates administrative costs based upon the ratio of the Transportation Development Act (TDA) Article 4.5 Funds of the Paratransit Operating and Capital Program (Program) budget to the total budget of the Organization. During the seven months ended June 30, 2009, the TDA Program budget was 8.77% of the total JFS budget. However, JFS allocated only 5.00% of the actual administrative costs to the TDA Program based upon estimates from administrative staff.

Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, Paragraph 7.D.3.c *Allocation basis* states, in part:

“Actual conditions shall be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitting functions...”

Allocating indirect costs based upon estimates can result in an incorrect amount of indirect costs charged to the TDA Program.

Recommendation

We recommend that JFS establish procedures to ensure that indirect costs are allocated based upon actual costs incurred, and that the basis used to allocate the costs be based upon actual conditions and not estimates.

Management Response

During FY 2009, the year in which the TDA Paratransit Operating and Capital Program began operating, Jewish Family Service (JFS) allocated indirect operating costs to programs on the basis of the ratio of program expenses to total organization expenses. Although that percentage was 8.77, only 5.0% was charged to the program for the period ending June 30, 2009. That was an error. For the current period and future periods, actually incurred administrative costs will be charged to the TDA Program.



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ATTACHMENT E

December 22, 2009

Ms. Kathleen M. O'Connell, CPA
Executive Director, Internal Audit
Orange County Transportation Authority
600 S. Main Street, 12th Floor
Orange, California 92868

Dear Ms. O'Connell:

In planning and performing our audit of the Transportation Development Act (TDA) Article 3 Funds of the Bicycle and Pedestrian Facilities and Bus Stop Accessibility Programs (Program) of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2009, we considered OCTA's internal control structure to the extent necessary to design our audit procedures. An audit is not designed to provide assurance on the internal control structure for other purposes.

During our audit we became aware of one matter that we believe presents an opportunity for OCTA to further strengthen its internal controls over financial reporting. This matter does not represent a significant deficiency, material weakness in internal control, or material instance of noncompliance. The following summarizes our comment and suggestions regarding this matter. This letter does not affect our report issued on the TDA Program as of and for the year ended June 30, 2009.

Need to Improve Coordination Between Accounting and TDA Program Manager for Financial Reporting of TDA Program

The results of the TDA Program audit for the year ended June 30, 2009 included a prior period adjustment to reflect the fact that sources other than TDA funds were used to fund various bus stop improvement projects over the past several years. Additionally, a prior period adjustment was required for the fiscal year ended June 30, 2006 to reflect financial information under the accrual basis of accounting, as opposed to the cash basis. These adjustments have been required in part, because the key audit contact for obtaining financial reporting information has been the TDA Program Manager without input from the Accounting Department. Accounting Department personnel are generally more knowledgeable in proper accounting and financial reporting principles.

Recommendation

We recommend that OCTA develop a coordinated approach between the TDA Program Manager and the Accounting Department when preparing TDA financial reporting information.

Ms. Kathleen M. O'Connell, CPA
Executive Director, Internal Audit
Orange County Transportation Authority
December 22, 2009

Management Response

Management concurs with this recommendation and will implement a coordinated approach for reporting TDA financial information on a go forward basis.

Should you have any questions regarding this matter, please do not hesitate to call me at (949) 474-2020 extension 244, or Sam Perera at extension 272.

Sincerely,

MAYER HOFFMAN McCANN P.C.



Marcus D. Davis, CPA
Shareholder



February 8, 2010

To: Members of the Board of Directors
From: Will Kempton, Chief Executive Officer
Subject: Measure M Quarterly Progress Report

Overview

Staff has prepared a Measure M progress report for the fourth quarter of 2009. This is a regular report that highlights the Measure M projects and programs currently under development.

Recommendation

Receive and file as an information item.

Background

Measure M Ordinance No. 2 requires quarterly reports to the Orange County Transportation Authority's (OCTA) Board of Directors (Board), which present the progress of implementing the Measure M Expenditure Plan. Quarterly reports highlight accomplishments for the freeway, streets and roads, and transit programs within Measure M. Reports also include summary financial information for the period and total program to date.

Discussion

This quarterly report updates progress in implementing the Measure M Expenditure Plan during the fourth quarter of 2009 (October through December). Highlights and accomplishments of work-in-progress for freeway, streets and roads, and transit programs, along with expenditure information are presented for Board review.

Freeway Program

Prior Measure M construction projects along the Santa Ana Freeway (Interstate 5), Costa Mesa Freeway (State Route 55), Orange Freeway (State Route 57), and

the Riverside Freeway (State Route 91) are complete. The following are highlights and major accomplishments along active freeway corridor projects:

Interstate 5 (I-5), Gateway Project

The two-mile stretch of the I-5, from just north of the I-5/State Route 91 (SR-91) interchange to the Los Angeles County line, is the last phase of the I-5 in Orange County to be improved. On April 18, 2006, the freeway widening construction package was awarded to FCI Constructors/Balfour Beatty Construction, Inc. Various construction activities continued during the report period, with the project currently 84 percent complete.

The Fullerton Creek Bridge was completed this period. With bridge reconstruction work substantially complete, the contractor is focused on completing mainline freeway pavement work. Three lanes of northbound traffic were moved off the old I-5 pavement and onto new lanes for the reconstruction of the northbound Beach Boulevard off-ramp. Construction crews continued widening the southbound Artesia Boulevard off-ramp. Retaining wall work is 90 percent complete with crews completing the last walls at the south end median and Beach Boulevard ramp areas this quarter.

The public outreach team continued distributing emails and faxes regarding nighttime full freeway closures and meeting with community organizations and the auto dealers association to provide project updates.

Streets and Roads Programs

Substantial funding to cities and the County is provided by the various programs within the Measure M Local and Regional Streets and Roads programs through OCTA's Combined Transportation Funding Program (CTFP). The CTFP encompasses Measure M streets and roads competitive programs, as well as federal sources such as the Regional Surface Transportation Program. Funds are awarded on a competitive basis within the guidelines of each program and are used to fund a wide range of transportation projects.

During the fourth quarter of 2009, the CTFP provided nearly \$19.1 million towards streets and roads projects throughout the County. Some of the significant projects include \$10.2 million to the City of La Habra for the Imperial Highway (State Route 90) Smart Street Project and \$3.7 million to the City of Anaheim for Katella Avenue Smart Street Improvements. The City of Anaheim also received more than \$1.7 million for an intersection and interchange improvement projects.

At the July 27, 2009, Board meeting, it was requested that staff provide quarterly updates on the CTFP similar to those provided as part of the semi-annual review. Below is a table showing the current status of the program along with the data from the previous report period for comparison:

Status	Definition	Measure M Allocations (millions) 9/30/09	Measure M Allocations (millions) 12/31/09
Completed	Project work is complete, final report is filed, approved, and the final payment has been made.	\$ 410.8	\$ 425.7
Pending	Project work has been completed and only final report submittal/approval is pending.	45.2	50.0
Started	Project has begun and the funds have been obligated.	115.3	124.1
Planned	Projects are planned but have not entered the program year or a delay has been requested.	134.2	98.2
	TOTAL PROJECT ALLOCATIONS	\$ 705.5	\$ 698.0

The significant changes in the program values over the previous quarter, including the overall decrease in total program allocations, is reflective of the adjustments requested as part of the recent 2009 semi-annual review. The changes requested as part of the semi-annual review will be presented under a separate item to the Board in March, following a review by the Technical Advisory Committee.

Transit Programs

Rail Program

The OCTA rail program is comprised mainly of the Metrolink Commuter Rail Program and the associated capital improvements intended to support existing service as well as future service expansion.

Metrolink Service Expansion Program (Expansion)

On November 14, 2005, the Board authorized the implementation of the Expansion. The Expansion includes all of the capital and operational improvements necessary to accomplish high-frequency service between the stations located in Fullerton and Laguna Niguel/Mission Viejo. When feasible and appropriate, local, state, and federal funds are used to fund program elements. Only those elements supported by Measure M funding are discussed here. Attachment A provides details on the status of various program elements.

Financial Status

As required in Measure M, all Orange County eligible jurisdictions receive 14.6 percent of the sales tax revenue based on population ratio, Master Plan of Arterial Highways miles, and total taxable sales. There are no competitive criteria to meet, but there are administrative requirements such as having a growth management plan. This money can be used for local transportation projects as well as ongoing maintenance of local streets and roads. The total amount of Measure M turnback funds distributed since program inception is \$540.7 million. Distributions to individual agencies, from inception-to-date and for the report period, are detailed in Attachment B.

Net Measure M expenditures through December 31, 2009, total \$ 3.20 billion. Net expenditures include project specific reimbursements to Measure M from local agencies and the California Department of Transportation on jointly funded projects. Total net tax revenues consist primarily of Measure M sales tax revenues and non-bond interest minus estimated non-project related administrative expenses through 2011. Net revenues, expenditures, estimates at completion, and summary project budgets, per the Measure M Expenditure Plan, are presented in Attachment C. The basis for project budgets within each of the Measure M Expenditure Plan programs is identified in the notes section of Attachment C. Additional details and supporting information to the Measure M Revenue and Expenditure Summary are provided under Attachment D.

Budget Variances

Project budget versus estimate at completion variances relate to freeway and transitway elements as these programs have defined projects. Other programs, such as regional and local streets and roads, assume all net tax revenues will be spent on existing or yet to be defined future projects.

Revenue Projections

Staff continues to closely monitor actual local sales tax revenues versus prior forecasts. Unlike prior quarterly reports which continued to predict declining revenues, the December 2009 report includes an updated forecast that indicates a revenue increase of \$1.9 million as compared to the September 2009 report.

OCTA continues to evaluate the status of all active and pending Measure M competitive projects to assess potential project delivery issues. At the present time, the funding commitment to competitive projects is within the current updated revenue forecast.

Summary

As required in Measure M Ordinance No. 2, a quarterly report is provided to update progress in implementing the Measure M Expenditure Plan. This report covers freeways, streets and roads, transit program highlights, and accomplishments from October through December 2009.

Attachments

- A. Metrolink Service Expansion Program (Expansion) Overview
- B. Measure M Local Turnback Payments
- C. Measure M Revenue and Expenditure Summary as of December 31, 2009
- D. Supporting Information to Measure M Revenue and Expenditure Summary

Prepared by:



Norbert Lippert
Project Controls Manager
(714) 560-5733

Approved by:



Kia Mortazavi
Executive Director, Development
(714) 560-5741

Metrolink Service Expansion Program (Expansion) Overview

On March 27, 2009, the Southern California Regional Rail Authority (SCRRA) awarded the civil package to Herzog Contracting Corporation to support the Expansion. The bid package includes civil construction work for both the Expansion (Measure M) and the Grade Crossing Safety Enhancements and Quiet Zone Program, which is part of the Early Action Plan for Measure M 2 (M2).

In addition to the civil construction contract, four other procurement packages associated with the Expansion, including special track work, signal construction, signal maintenance, and rail and ties, have been awarded. On August 3, 2009, SCRRA issued a notice to proceed to start construction of the rail infrastructure improvements and grade crossing enhancements.

The Expansion project is now in construction. Both the Laguna Niguel and Fullerton turnback facilities are currently under construction and are scheduled to be completed by September 2010. Completion of these two facilities is required prior to implementation of expanded high-frequency service.

Staff continues to meet with individual station cities in order to develop plans for expansion of parking facilities necessary to support the expanded service. The City of Orange has chosen a preferred option for two mixed-use parking structures in the Historic Depot Area. The sites chosen for the city lead projects are existing surface parking lots that are currently used for Metrolink parking. Design of the structures is scheduled to begin in mid-2010.

Design work for the new parking structure to be built on the existing surface parking lot at the Tustin Metrolink Station began in April 2009 and is currently 95 percent complete. Final plans are expected in the first quarter of 2010, with a construction contract to be awarded in the second quarter of 2010, pending a California Transportation Commission (CTC) funding vote in April 2010.

The City of Fullerton completed 40 percent design plans that had been scheduled to go out to bid for the design-build of an 818 space parking structure. At its December 2009 meeting, the CTC did not allocate any funding for the project. Staff is currently evaluating funding options to move the project forward.

The Orange County Transportation Authority (OCTA) continues to work with the City of Laguna Niguel regarding added station parking capacity. A memorandum of understanding was approved by the city and the Board in September 2009, to study the acquisition of property for surface parking on Camino Capistrano.

City-Initiated Transit Extensions to Metrolink

Project development continued with the two Board-approved Go Local fixed-guideway projects from the City of Anaheim and the cities of Santa Ana and Garden Grove.

Both teams are currently underway with step two efforts to complete detailed planning including alternatives analysis (AA), selection of a locally preferred alternative, and environmental clearance.

Consistent with the federal AA and environmental clearance practices, the City of Anaheim hosted a public scoping meeting in November 2009 to solicit input on the alternatives being considered. Twenty-five members of the public attended the workshop to weigh in on the potential route alignments and vehicle technologies being evaluated, which include bus rapid transit and elevated fixed-guideway. The City of Anaheim and OCTA staff also continued ongoing coordination meetings with the Federal Transit Administration (FTA) regarding the ridership modeling effort and other project development efforts.

The project team from the cities of Santa Ana and Garden Grove initiated development of the initial goals, objectives, and evaluation methodology for the cities' proposed guideway project. The cities also continued development of the project's screening criteria which will be used to assess the potential benefits of each alignment and technology being considered as part of the alternatives analysis.

OCTA staff continued its ongoing participation, review and comment on development activities and deliverables related to both fixed-guideway projects. During this quarter, OCTA hosted a workshop for both cities to discuss the fixed-guideway planning process as outlined by the FTA. The FTA requirements are a sound model for planning and development of fixed-guideway projects as it relates to ridership modeling, financial planning, and project management.

During the reporting period, three remaining cooperative agreements with participating bus/shuttle cities (Irvine, Laguna Woods, La Habra) were approved to define the roles of responsibilities for step two service planning on bus/shuttle concepts. Task One service planning work was initiated in each of the six bus/shuttle sub-regions, which includes a review of existing plans, studies, and data and preliminary meetings with cities and stakeholder groups. Work continued on the ridership methodology tool which will be used to assess the viability and feasibility of all step two bus/shuttle concepts.

The Board of Directors (Board) approved a system-wide transit study in November 2009, which impacts Go Local bus/shuttle service planning. A revised schedule for step two service planning work will be developed in the first quarter of 2010 to ensure integration with the system-wide study effort.

All planning work done as part of Step One and Step Two of the Go Local Program is funded by Measure M in preparation for the implementation of Step Three through Project S, Transit Extensions to Metrolink, M2. Staff continues to develop guidelines for the evaluation of Project S funds and expects to provide draft guidelines for the Board's consideration in spring/summer 2010.

MEASURE M LOCAL TURNBACK PAYMENTS

Agency	Fourth Quarter 2009	Total Apportionment as of 12/31/09
Aliso Viejo	\$ 56,372	\$ 3,572,931
Anaheim	519,338	59,196,122
Brea	82,599	9,630,502
Buena Park	140,877	14,592,371
Costa Mesa	215,403	25,413,750
Cypress	84,357	9,511,036
Dana Point	51,383	6,030,814
Fountain Valley	97,363	11,586,460
Fullerton	196,251	23,136,611
Garden Grove	228,004	26,391,262
Huntington Beach	295,450	34,560,243
Irvine	377,311	38,190,569
Laguna Beach	39,568	4,533,902
Laguna Hills	54,345	6,367,020
Laguna Niguel	104,417	11,514,672
Laguna Woods	21,336	1,676,709
La Habra	82,639	9,084,405
Lake Forest	120,661	11,999,644
La Palma	31,054	3,042,791
Los Alamitos	20,459	2,522,595
Mission Viejo	146,049	16,782,698
Newport Beach	163,038	16,809,948
Orange	253,627	28,079,645
Placentia	72,478	8,358,305
Rancho Santa Margarita	65,805	4,591,834
San Clemente	86,823	8,615,262
San Juan Capistrano	58,880	6,679,557
Santa Ana	443,781	52,836,944
Seal Beach	39,525	4,274,445
Stanton	45,981	5,313,517
Tustin	129,224	14,542,303
Villa Park	8,262	968,400
Westminster	132,879	15,864,676
Yorba Linda	91,019	10,029,612
County Unincorporated	271,765	34,386,076
Total County:	\$ 4,828,321	\$ 540,687,631

Measure M Revenue and Expenditure Summary
as of December 31, 2009

Project Description <i>(\$ in thousands, escalated to year of expenditure/revenue)</i>	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	To Date Net Project Cost	Percent Budget Expended	Notes
	A	B	C	(A - C)	(B - C)	D	(D / B)	
Freeways (43%)								
I-5 between I-405 and I-605	\$ 948,149	\$ 810,010	\$ 800,650	\$ 147,499	\$ 9,360	\$ 727,030	89.8%	1
I-5 between I-5/I-405 Interchange and San Clemente	67,818	57,836	59,936	7,882	(2,100)	59,936	103.6%	1
I-5/I-405 Interchange	86,077	72,802	73,075	13,002	(273)	73,075	100.4%	1
SR-55 between I-5 and SR-91	57,384	44,511	50,225	7,159	(5,714)	49,340	110.8%	1
SR-57 between I-5 and Lambert Road	49,559	24,128	22,759	26,800	1,369	22,758	94.3%	1
SR-91 between Riverside Co. line & Los Angeles Co. line	123,898	116,136	105,702	18,196	10,434	105,389	90.7%	1
SR-22 between SR-55 and Valley View Street	395,170	303,297	302,934	92,236	363	299,520	98.8%	1
Subtotal Projects	\$ 1,728,055	\$ 1,428,720	\$ 1,415,281	\$ 312,774	\$ 13,439	\$ 1,337,048	93.6%	
Net (Bond Revenue)/Debt Service		308,398	308,398	(308,398)	-	168,949		
Total Freeways	\$ 1,728,055	\$ 1,737,118	\$ 1,723,679	\$ 4,376	\$ 13,439	\$ 1,505,997	86.7%	3
Expenditures as a Percent of Total Program							47.0%	
Regional Street and Road Projects (11%)								
Smart Streets	\$ 151,564	\$ 149,182	\$ 149,182	\$ 2,382	\$ -	\$ 150,630	101.0%	2,4
Regionally Significant Interchagnes	88,412	88,412	88,412	-	-	62,998	71.3%	2
Intersection Improvement Program	126,303	126,303	126,303	-	-	79,120	62.6%	2
Traffic Signal Coordination	63,152	63,152	63,152	-	-	48,060	76.1%	2
Transportation Systems and Transporation Demand Mgmt	12,630	12,630	12,630	-	-	7,512	59.5%	2
Subtotal Projects	\$ 442,061	\$ 439,679	\$ 439,679	\$ 2,382	\$ -	\$ 348,320	79.2%	
Net (Bond Revenue)/Debt Service		2,382	2,382	(2,382)	-	1,305		
Total Regional Street and Road Projects	\$ 442,061	\$ 442,061	\$ 442,061	\$ -	\$ -	\$ 349,625	79.1%	2
Expenditures as a Percent of Total Program							10.9%	

ATTACHMENT C

Measure M Revenue and Expenditure Summary
as of December 31, 2009

Project Description	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	To Date Net Project Cost	Percent Budget Expended	Notes
<i>(\$ in thousands, escalated to year of expenditure/revenue)</i>	A	B	C	(A - C)	(B - C)	D	(D / B)	
Local Street and Road Projects (21%)								
Master Plan of Arterial Highway Improvements	\$ 159,672	\$ 159,672	\$ 159,672	\$ -	\$ -	\$ 92,901	58.2%	2
Streets and Roads Maintenance and Road Improvements	584,262	584,262	584,262	-	-	540,752	92.6%	2
Growth Management Area Improvements	100,000	100,000	100,000	-	-	74,863	74.9%	2
Subtotal Projects	\$ 843,934	\$ 843,934	\$ 843,934	\$ -	\$ -	\$ 708,516	84.0%	
Net (Bond Revenue)/Debt Service						-		
Total Local Street and Road Projects	\$ 843,934	\$ 843,934	\$ 843,934	\$ -	\$ -	\$ 708,516	84.0%	
Expenditures as a Percent of Total Program						22.1%		
Transit Projects (25%)								
Pacific Electric Right-of-Way	\$ 19,445	\$ 15,000	\$ 14,000	\$ 5,445	\$ 1,000	\$ 13,853	92.4%	
Commuter Rail	362,428	346,366	377,929	(15,501)	(31,563)	290,632	83.9%	
High-Technology Advanced Rail Transit	440,764	421,230	410,688	30,076	10,542	156,828	37.2%	
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	-	-	19,000	95.0%	
Transitways	162,046	146,381	126,360	35,686	20,021	125,961	86.1%	1
Subtotal Projects	\$ 1,004,683	\$ 948,977	\$ 948,977	\$ 55,706	\$ -	\$ 606,274	63.9%	
Net (Bond Revenue)/Debt Service		55,706	55,706	(55,706)	-	30,517		
Total Transit Projects	\$ 1,004,683	\$ 1,004,683	\$ 1,004,683	\$ -	\$ -	\$ 636,791	63.4%	
Expenditures as a Percent of Total Program						19.9%		
Total Measure M Program	\$ 4,018,733	\$ 4,027,796	\$ 4,014,357	\$ 4,376	\$ 13,439	\$ 3,200,929	79.5%	

Notes:

1. Project Budget based on escalated value of 1996 Freeway Strategic Plan plus subsequent Board approved amendments.
2. Project Budget and Estimate at Completion equal to Total Net Tax Revenues as all funds collected will be expended on future projects.
3. Due to a change in reporting practices, Estimates at Completion now include approximately \$10 million of OCTA direct project labor not included in Project Budgets.
4. To date net project costs include expenditures approved by the Board for transfer to the Master Plan of Arterial Highways Improvements. Transfers are pending.

ATTACHMENT D

Schedule 1

Supporting Information to Measure M Revenue and Expenditure Summary

(\$ in thousands)	Quarter Ended Dec 31, 2009	Year to Date Dec 31, 2009 (A)	Period from Inception to Dec 31, 2009 (B)
Revenues:			
Sales taxes	\$ 55,122	\$ 99,253	\$ 3,678,443
Other agencies share of Measure M costs			
Project related	7,756	7,756	390,938
Non-project related	-	-	613
Interest:			
Operating:			
Project related	15	15	1,030
Non-project related	4,643	6,691	250,740
Bond proceeds	-	-	136,067
Debt service	6	476	81,322
Commercial paper	-	-	6,072
Orange County bankruptcy recovery	-	-	42,268
Capital grants	467	467	158,623
Right-of-way leases	59	159	4,870
Proceeds on sale of assets held for resale	537	1,073	22,964
Miscellaneous:			
Project related	-	-	26
Non-project related	-	-	775
Total revenues	68,605	115,890	4,774,751
Expenditures:			
Supplies and services:			
State Board of Equalization (SBOE) fees	705	1,410	53,110
Professional services:			
Project related	2,681	3,416	180,969
Non-project related	616	785	30,100
Administration costs:			
Project related	449	853	18,600
Non-project related	1,185	2,416	79,479
Orange County bankruptcy loss	-	-	78,618
Other:			
Project related	23	44	1,277
Non-project related	6	86	15,600
Payments to local agencies:			
Turnback	4,828	9,980	540,736
Other	41,385	52,509	616,531
Capital outlay	2,270	2,901	1,967,674
Debt service:			
Principal payments on long-term debt	-	-	842,755
Interest on long-term debt and commercial paper	-	4,509	552,414
Total expenditures	54,148	78,909	4,977,863
Excess (deficiency) of revenues over (under) expenditures	14,457	36,981	(203,112)
Other financing sources (uses):			
Transfers out:			
Project related	(989)	(1,990)	(254,664)
Non-project related	-	-	(5,116)
Transfers in project related	-	-	1,829
Bond proceeds	-	-	1,169,999
Advance refunding escrow	-	-	(931)
Payment to refunded bond escrow agent	-	-	(152,930)
Total other financing sources (uses)	(989)	(1,990)	758,187
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	\$ 13,468	\$ 34,991	\$ 555,075



MEMORANDUM

February 8, 2010

To: Members of the Board of Directors
From: Will Kempton, Chief Executive Officer
Subject: **2010 State Transportation Improvement Program**

On January 25, 2010, the Board of Directors (Board) deferred action on the Orange County Transportation Authority's (OCTA) submittal of the 2010 State Transportation Improvement Program (STIP) due to Board discussion of potential opportunities for OCTA to invest in state Proposition 116 general obligation bonds or other state financial instruments. Director Campbell recommended, and the Board concurred, that the 2010 STIP item should return to the Board pending further discussion with the Finance and Administration Committee (Committee) at the January 27, 2010, meeting.

On January 27, 2010, the Committee received a presentation on a potential OCTA purchase of state financial instruments in order to allow the California Transportation Commission (CTC) to allocate the remaining \$102 million in Proposition 116 funds. The Committee recommended further analysis of these options which will be presented to the Committee on February 17, 2010.

The 2010 STIP is due to the CTC on February 12, 2010. Staff is recommending that the Board approve the 2010 STIP recommendations as presented on January 25, 2010 (attached), and direct staff to revisit the STIP submittal after the Proposition 116 funding approach is resolved.

WK:kb
Attachment



BOARD COMMITTEE TRANSMITTAL

January 25, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: 2010 State Transportation Improvement Program

Highways Committee Meeting of January 18, 2010

Present: Directors Cavecche, Dixon, Glaab, Hansen, Mansoor, and Pringle
Absent: Director Bates

Committee Vote

This item was passed by all Committee Members present.

Director Pringle was not present to vote on this matter.

Committee Recommendations

- A. Approve the Orange County Regional Transportation Improvement Program for the 2010 State Transportation Improvement Program covering fiscal years 2010-11 through 2014-15 for a total of \$298.3 million as follows: (1) \$185.3 million for highway projects, (2) \$92.3 million in transit projects, and (3) \$20.7 million for a transportation enhancement call for projects.
- B. Direct staff to make all necessary amendments to the State Transportation Improvement Program and the Federal Transportation Improvement Program, as well as execute any necessary agreements to facilitate the above action.



January 18, 2010

To: Highways Committee
From: Will Kempton, Chief Executive Officer
Subject: 2010 State Transportation Improvement Program

Overview

Every two years, the Orange County Transportation Authority prepares a program of projects for state funding through the State Transportation Improvement Program. Due to the state budget crisis, there is no new funding in 2010 for highway or transit projects. Agencies are being held to 2008 funding levels and previously approved projects may be delayed. Staff has developed the 2010 State Transportation Improvement Program recommendations for Board of Directors' consideration and approval. This program holds previously approved project schedules.

Recommendations

- A. Approve the Orange County Regional Transportation Improvement Program for the 2010 State Transportation Improvement Program covering fiscal years 2010-11 through 2014-15 for a total of \$298.3 million as follows: (1) \$185.3 million for highway projects, (2) \$92.3 million in transit projects, and (3) \$20.7 million for a transportation enhancement call for projects.
- B. Direct staff to make all necessary amendments to the State Transportation Improvement Program and the Federal Transportation Improvement Program, as well as execute any necessary agreements to facilitate the above action.

Background

The State Transportation Improvement Program (STIP) is a major source of funding for transportation improvements throughout the State of California. Revenues from state and limited federal sources are consolidated into the STIP. The STIP is divided into two major funding categories, the Regional Improvement Program (RIP) and the Interregional Improvement Program (IIP).

Seventy-five percent of the STIP is directed to the RIP, which is then sub-allocated to counties by formula. The remaining 25 percent is programmed to the IIP, which is then allocated to the California Department of Transportation (Caltrans) for projects of interregional significance.

In Orange County, the Orange County Transportation Authority (OCTA) dedicates the RIP funds for use on projects of countywide significance consistent with the Board of Directors (Board) adoption of the Comprehensive Funding Strategy and Policy Direction and the Long-Range Transportation Plan.

Staff also considered the following in developing a recommendation for the 2010 STIP:

- Compatibility with STIP guidelines and performance measures
- Prior funding commitments
- Project readiness
- Transit projects that serve dual purposes
 - Complimentary to the Metrolink Service Expansion Program
 - Serving both transit and carpooling needs

Every two years, state and federal transportation revenues are forecasted and programmed for the subsequent five-year period. OCTA is responsible for the development and programming of the RIP portion of the STIP revenues, which is submitted to the California Transportation Commission (CTC) for approval and adoption.

Consistent with federal and state regulations, the CTC adopted the 2010 STIP Fund Estimate (FE) in October 2009. In the 2010 STIP, there is no new funding capacity for highway or transit projects. All regions are being held at the remaining 2008 STIP funding capacity for each region. As a result of the limited funding capacity in the 2010 FE, the 2010 STIP guidelines call for some projects programmed from fiscal year (FY) 2009-10 through FY 2012-13 move to later years where sufficient program capacity is estimated to be available.

Based on the FE and the 2010 STIP guidelines also adopted in October 2009 by the CTC, Orange County must submit its regional transportation improvement program (RTIP), which includes projects to be included in the 2010 STIP, by February 12, 2010. The CTC may either accept the proposed program or reject it in its entirety. Specific County fund estimates have not been provided but OCTA estimates its programming capacity for the five-year

STIP period is \$185.3 million in Transportation Investment Funds (TIF) for highway projects, \$92.3 million in Public Transit Account Funds for transit projects, and \$20.7 million for transportation enhancement (TE) projects.

Existing project commitments included in the 2008 STIP will consume most of this funding capacity.

Discussion

The CTC has noted that due to cash flows predicted in the 2010 FE, 30-39 percent of the existing funding will need to be programmed into the last two years (FY 2013-14 and FY 2014-15) of the STIP programming cycle.

OCTA has \$185.3 million available for highway projects in the 2010 STIP. Staff is recommending programming the same projects in the same year as the 2008 STIP. These projects are listed in Attachment A, which provides a table of the proposed projects and STIP programming information and Attachment B, which provides brief project descriptions for the proposed 2010 STIP projects. Based on savings from the existing highway projects, one new project is being added in the last year of the 2010 STIP FY 2014-15. The project is an environmental document for the Costa Mesa Freeway (State Route 55) widening between the San Diego Freeway (Interstate 405) and the Santa Ana Freeway (Interstate 5).

OCTA has \$92.3 million available for transit projects in the 2010 STIP. Based on securing Proposition 116 funding for three of the existing 2008 STIP transit projects (Tustin Rail Station Parking Expansion, the Sand Canyon Grade Separation, and the Fullerton Transportation Center Parking Structure), \$75.7 million was made available to support the Anaheim Regional Transportation Intermodal Center, Goldenwest Transportation Center Parking Structure, Anaheim Canyon Station Project, Orange Station Parking Structure, and Laguna Niguel Station Improvements. The proposed 2010 STIP transit projects are also listed in Attachments A and B.

The other programming opportunity is primarily made up of federal TE revenue which has limited uses. OCTA uses these funds for a call for projects which typically includes bicycle, pedestrian, and landscaping projects. Projects funded with TE funds will be determined through a call for projects scheduled to go to the Board for review and approval in April 2010, with projects selected in the summer of 2010.

In order to maintain OCTA's existing project delivery schedules and meet funding requirements for projects co-funded with Proposition 1B funds, OCTA has not

delayed projects to later years as requested by the CTC. The CTC may request OCTA to revise the plan if sufficient delays are not received from other areas. The overall schedules for the Goldenwest Transportation Center Parking Structure, the Orange Station Parking Structure and the Laguna Niguel Station Improvements transit projects were conducive to delaying \$26.5 million in funding into the later years. These projects need further engineering and environmental work prior to starting construction.

These recommendations represent a proposal to program all 2010 STIP funding capacity for Orange County. It is likely that CTC staff may request changes due to revised funding capacity constraints related to the Governor's budget. Adjustments to the recommended program may be necessary and staff will continue to work with the CTC, Caltrans, and other appropriate agencies to ensure the projects continue to move forward. Staff will keep the Board apprised if material changes are necessary.

Next Steps

With Board approval, staff will finalize the nomination packages for submittal to the CTC by February 12, 2010. The CTC will hold public hearings on the proposed 2010 STIP on March 22, 2010, in a Northern California location and on March 24, 2010, in a Southern California location. Staff will continue to pursue the projects as recommended until final approval in May 2010 by the CTC.


Summary

OCTA is responsible for the development and programming of the STIP for Orange County. The maximum programming for Orange County is estimated to be \$298.3 million for the 2010 STIP period. Projects are recommended for funding through the submittal of the RTIP to the CTC.


Attachments

- A. Orange County Transportation Authority – Recommended 2010 State Transportation Improvement Program
- B. Orange County Transportation Authority – Regional Transportation Improvement Program for the 2010 State Transportation Improvement Program Project Descriptions

Prepared by:


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Section Manager,
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(714) 560-5915

Approved by:


Kia Mortazavi
Executive Director, Development
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Orange County Transportation Authority
Recommended 2010 State Transportation Improvement Program

Proposed 2010 STIP															
STIP 2010 TIF Proposed Projects:	Project Totals by Fiscal Year (FY)									Project Totals by Component					
	Total	Prior	2010 STIP	2010-11	2011-12	2012-13	2013-14	2014-15	ROW	Const	E & P	PS & E	ROW Sup	Con Sup	
Highway Projects															
Planning, programming, and monitoring ¹	20,257	9,492	10,765	3,215	3,215	1,445	1,445	1,445	-	20,257	-	-	-	-	
SR-91, Tustin Avenue to SR-55 interchange improvements ²	88,557	7,474	81,083	10,700	-	70,383			1,700	62,286	7,474	7,500	1,500	8,097	
I-5 Jamboree Road SB off ramp and auxiliary lane ²	8,485	1,606	6,879	6,879	-	-			16	5,920	424	1,150	16	959	
SR-91 widening, SR-55 to Gypsum Canyon ³	74,000	17,323	56,677	56,677	-	-			3,087	47,800	4,763	9,050	423	8,877	
SR-90 - Kellogg Drive - La Palma Avenue landscaping ³	1,673	233	1,440	-	1,440	-			-	1,284	30	190	9	160	
I-5/SR-74 interchange improvements ³	62,014	36,626	25,388	-	-	25,388			28,753	18,814	-	4,873	3,000	6,574	
SR-55 widening I-405 to I-5 ⁴	3,035		3,035								3,035				
Subtotals for 2008 STIP (TIF) Program FY 2010-11 through FY 2012-13 ⁵ :			185,267	80,578	4,655	100,034	-	-							
Subtotals for Proposed 2010 STIP (TIF) program with Caltrans proposed figures:			185,267	77,471	4,655	97,216	1,445	4,480							
Difference ⁶ :		-	-	(3,107)	-	(2,818)	1,445	4,480							
STIP 2010 PTA Proposed Projects															
Rail and Transit Projects															
Anaheim Regional Transportation Intermodal Center ⁷ (ARTIC)	29,219		29,219	29,219	-	-				29,219	-	-	-	-	
Placentia Rail Station ⁸	19,100	2,500	16,600	-	-	16,600			-	16,600	-	2,500	-	-	
Goldenwest Transportation Center Parking Structure ⁸	8,000		8,000					8,000		8,000					
Anaheim Canyon Station ⁹	20,000		20,000		8,000	12,000			8,000	12,000					
Orange Station Parking Structure ⁸	12,000		12,000				12,000			12,000					
Laguna Niguel Station Improvements ⁹	6,500		6,500					6,500		6,500					
Subtotals for 2008 STIP (PTA-Transit) Program FY 2010-11 through FY 2012-13 ⁵ :			92,319	29,219	16,500	46,600	-	-							
Subtotals for Proposed 2010 STIP (PTA - Transit) program:			92,319	29,219	8,000	28,600	12,000	14,500							
Difference:				-	(8,500)	(18,000)	12,000	14,500							
Transportation Enhancement (TE) Projects															
Projects															
TE Funds ¹⁰	20,703		20,703	3,667	3,307	3,933	4,898	4,898		20,703					

- 1 - Planning, programming, and monitoring is an existing project in the 2008 STIP. Changes in funding amounts occur in FY 2012-13 through FY 2014-15 based on the amount of funding available for this purpose during that period.
- 2 - This is an existing project in the 2008 STIP. The only change is a reduction in the amount of funding needed in FY 2010-11 for design and right of way. The design and right of way are now estimated to cost \$2.877 million less than originally anticipated. \$0.230 is savings in the I-5 Jamboree Road project.
- 3 - This project is an existing project in the 2008 STIP. No changes have been made.
- 4 - This is a new project. Savings from the SR-91, Tustin Avenue to SR-55 interchange improvements will be used to fund the environmental for widening SR-55. The total project cost is estimated at \$3.281 million. Additional funds may be available for this project in the 2012 STIP.
- 5 - Subtotals for 2008 STIP derives from the 2009 Orange Book.
- 6 - The difference (-3.107 million) in FY 2010-11 is from a savings in the anticipated design cost for the SR-91, Tustin Avenue to SR-55 interchange improvements. The difference in FY 2012-13 (-2.818 million) is derived dividing the available planning, programming, and monitoring funds into FY 2012-13 through FY 2014-15. The difference in FY 2013-14 (+1.445 million) is due to the addition of planning, programming, and monitoring into that FY. The difference in FY 2014-15 (+4.480) is due to the addition of planning, programming, and monitoring and of the new project for SR-55.
- 7 - The Board of Directors (Board) approved using STIP funds which were previously programmed to the Fullerton Transportation Center for the ARTIC project on April 27, 2009. The California Transportation Commission approved this amendment at the July 2009 meeting.
- 8 - This is new project for the 2010 STIP. It is being funded with STIP funds made available when Proposition 116 funds were programmed to the Tustin Rail Station parking expansion and the Sand Canyon grade separation projects.
- 9 - This is a new project for the 2010 STIP but was previously considered by the Board for STIP funding when the Board approved using Proposition 116 funds for projects previously programmed to receive STIP.
- 10 - Call for projects scheduled to go to the Board for approval in April 2010.

SR-91 - Riverside Freeway (State Route 91)
 SR-55 - Costa Mesa Freeway (State Route 55)
 I-5 - Santa Ana Freeway (Interstate 5)
 SR-90 - Imperial Highway (State Route 90)
 SR-74 - Ortega Highway (State Route 74)
 I-405 - San Diego Freeway (Interstate 405)

STIP - State Transportation Improvement Program
 TIF - Transportation Investment Fund
 Caltrans - California Department of Transportation
 PTA - Public Transit Account

ROW - Right-of-Way
 Const - Construction
 E & P - Environmental and Planning
 PS & E - Plans, Specifications, and Estimates
 ROW Sup - Right-of-Way Support
 Con Sup - Construction Support

Orange County Transportation Authority
Regional Transportation Improvement Program for the
2010 State Transportation Improvement Program Project Descriptions

Highways

Riverside Freeway (State Route 91), Tustin Avenue to the Costa Mesa Freeway (State Route 55) interchange improvements

Implementation of this project will add a westbound auxiliary lane beginning at the northbound State Route (SR-55) to westbound State Route 91 (SR-91) connector through the Tustin Avenue interchange. The project is intended to relieve weaving congestion in this section.

Additional features of the project include the following:

- Reconstruction of Santa Ana River Bridge to accommodate additional lanes and possible reconstruction of the Riverdale Avenue overcrossing
- Partial reconstruction of the NB ramps at the Imperial Highway (State Route 90) interchange and Lambert Road exit ramp

Santa Ana Freeway (Interstate 5) Jamboree Road southbound (SB) off-ramp and auxiliary lane

This project takes place within the cities of Irvine and Tustin and will construct and auxiliary land and widen the off-ramp on Interstate 5 (I-5) southbound at Jamboree Road.

The project is needed to address existing and forecasted operational deficiencies at the I-5/Jamboree interchange. The primary objective of the project is to minimize congestion at the I-5 freeway and the Jamboree Road during both the AM and the PM peak periods. This congestion results due to lack of storage space on the SB off ramp from SB I-5. The level of service (LOS) at the Jamboree Road intersection with current conditions and existing traffic volumes is F. The proposed improvements will attain a LOS of B or D for the current or future traffic volumes.

SR-91 widening, SR-55 to Gypsum Canyon

In Anaheim, the SR-91 widening project will widen one lane in each direction from SR-55 to east of Weir Canyon Road. Also, the project will widen the existing general-purpose lanes and outside shoulders to standard widths within the project limits. This project will increase capacity to improve traffic flow.

The SR-91 widening from SR-55 to Gypsum Canyon project will provide mid-term capacity enhancements for SR-91 and improve operational characteristics, such as weaving and lane efficiency at ramp junctions. This project is expected to reduce

the amount of traffic using parallel arterials, especially on La Palma Avenue and Santa Ana Canyon Road, thus helping to reduce congestion on local streets. This project is expected to reduce travel time by 15 minutes during peak periods within the project limits. The LOS will be improved from F to D. This project enhances operations, reduces delay, and improves travel times by expanding capacity.

I-5/Ortega Highway (State Route 74) interchange improvements

This project will reconstruct State Route 74 (SR-74) and the I-5 interchange in San Juan Capistrano.

The existing SR-74/I-5 interchange currently experiences congestion during the morning and afternoon peak periods resulting in unacceptable LOS. Vehicle queue lengths exceed the available distance for several turning movements. The interchange and sections of SR-74 within the interchange area operate at LOS E and F. Without any improvements, the I-5/SR-74 interchange will experience more congestion resulting in worsening levels of service.

The proposed project will reconfigure the interchange to better accommodate existing and future traffic volumes and alleviate the congestion within the interchange area.

SR-55 widening San Diego Freeway (Interstate 405) to I-5

OCTA, in cooperation with the California Department of Transportation (Caltrans) District 12, has completed a project study report (PSR)/ project development support which evaluated six alternatives to increase freeway capacity and improve traffic operations on SR-55 from post mile 6.29 (north of the Interstate 405 [I-405] connectors) to post mile 10.32 (south of I-5 connectors). The environmental phase, which would be completed with STIP funding, would narrow the alternatives to a viable project. The project is located in the cities of Santa Ana, Irvine, Tustin, and in the County of Orange.

State Route 90 (SR-90) - Kellogg Drive - La Palma Avenue landscaping

Landscaping along SR-90 from Kellogg Drive to La Palma Avenue.

Planning, programming, and monitoring

Orange County - Countywide activities - planning, programming, and monitoring (PPM)

Orange County is impacted by severe congestion on many regional and interregional facilities. Examination of the problem and potential solutions are necessary for the future construction of improvements. The PPM will be used to develop projects for the

PSR and environmental clearance stage, thus creating a shelf of projects for the future. PPM funds will also be used to support activities in the following areas:

Planning

Develop strategies to address the short- and long-term multimodal transportation needs of both Orange County and the region and to guide the expenditure of federal, state, and local transportation funds.

Programming

Consultant, management and staff support to prioritize, allocate, program and manage federal, state, and local funds for transportation improvements through the county transportation improvement program, including the regional component of the State Transportation Improvement Program (STIP), and Orange County's component of the Regional Transportation Improvement Program (RTIP). Support consultant, management and staff support activities related to: (1) regional funding programs, including technical STIP, Proposition 1B, California Transportation Commission, and Caltrans issues; (2) federal programs, including Congestion Mitigation and Air Quality Program, Regional Surface Transportation Program, Transportation Enhancement Activities, and demonstration (through the federal transportation act) programs, including shepherding Orange County projects through Caltrans District 12 and Sacramento; (3) preparation and processing of Federal Transportation Improvement Program amendments; and (4) support for the Orange County Transportation Authority's (OCTA) participation in Proposition 1B grants.

Transportation Monitoring, Data Management, and Analysis

Consultant and staff support to meet state and federal transportation data collection and monitoring requirements, thereby providing the analytical basis for countywide planning and programming decisions. In addition, consultant and staff support to monitor the development and delivery of transportation projects programmed through the STIP and RTIP. Activities may include: transportation forecasting; demographic projections, maintenance of regional transportation-related data, such as air quality planning, conformity, and regulatory processes and database coordination, and monitoring of transportation system performance and project progress.

Transit

Anaheim Regional Transportation Intermodal Center (ARTIC)

ARTIC is envisioned to be a regional transportation gateway for Orange County. OCTA and the City of Anaheim (City) are working collaboratively on the continued development of ARTIC. The long term vision or project goal is a multi-modal transit center with fully integrated transit supportive commercial mixed use development within the City.

ARTIC will become a gateway to Orange County, a destination for tourists and those that live and work in the region, a point of origin for local and regional commuters, and a place to transfer between modes of transportation. ARTIC will be a destination in itself with integration of mixed-use development including retail and office with multimodal access.

ARTIC is proposed to be built in a phased, 20-year effort, with each phase coinciding with new and/or expansion of transportation services and each phase being implemented as a stand alone project. Development of the ARTIC facility is anticipated as an opportunity for potential joint development and other private sector cost sharing and/or revenue sharing arrangements.

The first phase is defined as the minimum transit center and transit supporting facilities necessary to relocate the existing station to the ARTIC site and to support existing transit services (rail and non-rail), as well as to accommodate future transit services such as the planned Metrolink Service Expansion Program (MSEP), planned bus rapid transit, and other fixed-route services. Phase 1 will also accommodate transit-oriented retail, mixed-use commercial development, and civic space. Phase 1 is planned to focus on preparing the site infrastructure to accommodate additional conventional rail passenger services.

Placentia Rail Station

The proposed Placentia Rail Station is located on the 91 Line serving Riverside, Corona, Anaheim, Fullerton, Buena Park, Norwalk/Santa Fe Springs, Commerce, and Los Angeles. The station will be located in the City of Placentia, east of the Orange Freeway (State Route 57) and Melrose Avenue and north of Crowther Avenue. One new rail siding will be constructed to accommodate the freight rail movement without impacting passenger movement especially when passenger trains are at the station. The new siding is to be approximately 4,800 feet.

The following key elements will be incorporated at the station:

- Two side platforms, 680 feet in length
- A minimum of 500 surface parking spaces
- Provisions for future 3-4 story parking structure

Goldenwest Transportation Center Parking Structure

The existing transportation center is located at 7301 Center Avenue on the northeast corner of Gothard Street and Center Avenue in Huntington Beach in Orange County. The Goldenwest Transportation Center Parking Structure will be located on the surface parking area west of the existing bus facility. There are currently 10 service bus bases at this site along with approximately 124 parking spaces for passenger vehicles. The existing parking is being used at 100% capacity. The project will construct a four level parking garage of approximately 300 spaces which will continue to serve as a park and ride facility.

The project will construct a four level parking garage of approximately 300 spaces which will continue to serve as a park and ride facility.

Anaheim Canyon Station

The Anaheim Canyon Station will be a multi-modal transit center that will accommodate Metrolink commuter rail service, OCTA express and local bus service, StationLink shuttle service, and Anaheim Resort Transit. A number of key elements are needed at the station including:

- Two side platforms, 680 feet in length
- A pedestrian undercrossing
- A minimum of 100 parking spaces
- Enhanced shelters, benches, and other furniture

Orange Station Parking Structure

Parking facility improvements proposed at the Orange Transportation Center will accommodate the current demand and future transit parking needs at the station, also known as the Santa Fe Depot. Two parking structure concepts were selected as the preferred alternative for this project. The Lemon Street parking structure will include between 600-700 spaces and include residential units and a retail/market component. The West Chapman parking structure will include 406 parking spaces and a retail/market component. Approximately 900 spaces total between both structures will be exclusive to Metrolink patrons. The remaining spaces will be paid for by the City of Orange for use for private residences or the retail/market component.

Each parking structure is expected to be five levels with two subterranean levels and designed to conform to fit into the historic nature of the Orange downtown area.

Laguna Niguel Station Improvements

The Laguna Niguel/Mission Viejo Metrolink Station is bounded by Crown Valley Parkway to the north, Oso Creek and Forbes Road to the west, Camino Capistrano and I-5 to the east and the San Joaquin Transportation Corridor (State Route 73) to the south. Under the MSEP the station will be improved to operate as a terminal station for south Orange County. The addition of a third stub track and platform modifications will enable the station to operate as a turnback facility. As a result of this increased frequency of service under the MSEP certain station improvements will be required that include:

- Continuous shade/rain canopies with seating on all platforms
- Permanent restrooms facilities
- New higher speed/higher capacity elevators
- Improved station identification signage
- Improve bus layover area to increase capacity
- Additional ticket kiosks for all platforms
- Passenger drop-off location
- Real time information system



February 8, 2010

To: Members of the Board of Directors
Will Kempton
From: Will Kempton, Chief Executive Officer
Subject: Jobs for Main Street Act Funds

Overview

In December 2009, the House of Representatives passed the Jobs for Main Street Act to create or save jobs with investments in highways, streets and roads, and transit infrastructure – key drivers of economic growth. In preparation for a final bill and to meet strict timely use of funds requirements included in the House of Representatives bill, a series of actions are presented to the Board of Directors to position the Orange County Transportation Authority to secure funds for Orange County projects and programs.

Recommendations

- A. Approve the highway, streets and roads, and transit strategy presented in the staff report.
- B. Authorize the Chief Executive Officer or his designee to negotiate and execute Amendment No. 1 to Cooperative Agreement No. C-9-0829 between the Orange County Transportation Authority and the California Department of Transportation to replace \$186.36 million in state Corridor Mobility Improvement Account funds with federal Jobs for Main Street Act funds.
- C. Authorize staff to process all necessary amendments to the Federal Transportation Improvement Program and State Transportation Improvement Program and execute any necessary agreements to facilitate programming of Jobs for Main Street Act funds.

Background

The House of Representatives passed the Jobs for Main Street Act (JMSA) in December 2009, and the Senate is planning to introduce one or more similar economic stimulus bills with the goal of having a final bill signed by

mid-February. Due to recent criticism that jobs are not being created fast enough, the House bill requires that 50 percent of the funding be under contract within 90 days and the remainder within one year from date of apportionment. This project readiness requirement is more rigorous than the previous requirement under the American Recovery and Reinvestment Act, which required projects to be approved for funding within 90 days. No relief from any of the federal requirements is expected.

The State of California, in preparation of the final bill, acknowledges that it may not be able to completely meet the 90-day contract award time frame. The state expects to receive \$2.6 billion and only has \$600 million in projects ready for contract award within the initial 90 days against a \$1.3 billion delivery target. The state recognizes the difficulty of meeting the contract award requirement and has asked the regional transportation planning agencies to provide a list of potential projects that could meet the 90-day requirement.

On January 27, 2010, the California Department of Transportation (Caltrans) issued preliminary distribution of JMSA highway funds for initial programming purposes. The Orange County Transportation Authority (OCTA) is expected to receive \$103 million in highway apportionment, \$3.8 million in transportation enhancement funding, and \$77 million in transit funding.

In anticipation of a new bill, OCTA staff has been working with the local agencies and the state to develop a preliminary list of potential projects that can meet the project readiness requirements of the new program. OCTA sent an initial request to public works officials asking for projects that could meet the 90-day contract award requirement. Projects must be environmentally cleared, 100 percent designed, and meet all of the requirements of the State Transportation Improvement Program (STIP). Only a handful of streets and roads projects appear to be ready to meet the requirements and further investigation is needed to determine whether or not the projects are in fact ready for contract award within 90 days (Attachment A).

Discussion

On January 27, 2010, the Caltrans Division of Programming issued guidance for immediately programming of projects in the Federal Transportation Improvement Program (FTIP). Although the bill is not signed, the metropolitan planning organizations are required to program the projects immediately to meet the 90-day contract award deadline currently proposed under the House bill. The California Transportation Commission (CTC) is expected to amend the STIP on or after February 24, 2010, to add projects nominated by the regional transportation planning agencies for JMSA, pending legislation.

90-Day Contract Award Strategy

In order to meet very tight deadlines, staff discussed nomination of the San Diego Freeway (Interstate 405/San Gabriel Freeway (Interstate 605) West County Connector (WCC) Project to the Executive Committee at its February 1, 2010, meeting. This project is currently funded with \$186 million in Corridor Mobility Improvement Account (CMIA) funds and scheduled for CTC allocation at the February 24-25, 2010, CTC meeting. The project has National Environmental Policy Act clearance, 100 percent design, meets all of the requirements of the STIP, and is expected to meet all of the requirements for contract award within 90 days as required by the JMSA.

Caltrans is proposing to apportion \$161.4 million in JMSA funds to the Interstate 405 (I-405)/Interstate 605 (I-605) WCC Project in place of Proposition 1B CMIA funds. This is not enough to fund the project; however, the state has indicated willingness to provide an additional \$25 million in JMSA funds to cover the construction support costs for the I-405/I-605 WCC Project, although it is not reflected in the preliminary distribution breakdown. The remaining \$25 million could also be funded from OCTA's regional JMSA highway apportionment, with the understanding that OCTA will retain an equivalent level of CMIA funding for future projects. Staff is recommending the Chief Executive Officer or his designee negotiate and execute an amendment to the cooperative agreement between OCTA and Caltrans to replace \$186.4 million in state CMIA funds with federal JMSA funds. This action is required to fully fund and expedite the project for 90-day contract award.

Staff is also proposing that a share of the regional highway funds be "flexed over" to fund the purchase of rail cars for the Metrolink Service Expansion Program (MSEP). This will allow re-programming of approximately \$48 million of Measure M (M1) transit funds currently dedicated to the rail car purchase to future MSEP needs. When combined with the above funding for the I-405/I-605 WCC Project, OCTA will meet the delivery target for the initial 90 days.

Staff is recommending that transit funding be directed to operating assistance and capital cost of contracting. Staff is further suggesting that OCTA advocate for permitting an increased percentage of the transit funding to be used for direct operating costs in accordance with the conditions contained in the American Public Transportation Association Principles for Emergency Support for Public Transportation. Staff proposes to amend the FTIP to program JMSA funds, in the amount of \$77 million, to fixed-route operating assistance, up to the maximum amount allowable, and any remaining balance to preventative maintenance, capital cost of contracting, and non fixed-route operating assistance.

90-Day to One-Year Contract Award Strategy

Staff is proposing to provide funding to the local agencies projects and allocate funds on a competitive basis through a special call for projects for streets and roads projects. This includes up to 30 percent of the JMSA highway funding and 100 percent of the transportation enhancement funding. As it stands today, the funding is expected to flow through the STIP process. A competitive call for projects is in line with the STIP guidelines which include performance measures, as well as being scalable to unknown funding targets.

Relation to Proposition 116-Funded Projects

The Executive Committee requested staff consider JMSA funds as a fall back plan for Proposition 116-funded projects. Only two Proposition 116-funded projects have the potential of meeting the very stringent requirements, namely the Sand Canyon grade separation project and the Tustin Commuter Rail Station parking structure. Staff is investigating if these projects can meet the JMSA requirements concurrent with options to bond for Proposition 116 funds. Moreover, by virtue of funding the MSEP project with JMSA funds, OCTA will free up an equal amount of M1 transit funds. Staff is proposing to hold these funds in reserve pending resolution of Proposition 116 funding and revenues needed to advance the affected projects.

Federal Jobs for Main Street Acts Fund
Initial Programming Strategy¹

	90-Day to Award (\$ x million)	One-Year to Award (\$ x million)
Regional Surface Transportation Program		
I-405/I-605 WCC Project ²	25	
MSEP	48	
Local Agency Projects		30
Subtotal	73	30
Transit Program		
Operating Assistance and Capital Maintenance	77	
Transportation Enhancement		4
Total	150	34

1 - Reflects JMSA funding levels. Actual funding to be based on final bill

2 - Assumes \$161.4 million of funding from state's portion of JMSA. Negotiating use of states share of \$25 million

Summary

In preparation for the JMSA, staff is preparing projects to meet the very rigorous contract award requirements and is seeking Board of Directors approval to enter into a cooperative agreement to change the I-405/I-605 WCC Project funding from CMIA funding to JMSA funding. In addition, staff is programming the I-405/I-605 WCC Project and transit projects in the FTIP using JMSA funding, in the amounts of \$186 million and \$77 million, respectively. Depending on final allocations, staff is recommending that a share of the Regional Surface Transportation Program funds be used for the rail car purchase for the MSEP, freeing up M1 transit funds. Staff has also developed a strategy to fund local agency streets and roads and transportation enhancement projects in the 90-day to one-year time period.

Attachment

- A. Local Agency Jobs for Main Street Act 90-Day Project Submittals

Prepared by:



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Capital Programs Manager
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Approved by:



Kia Mortazavi
Executive Director, Development
(714) 560-5741

Local Agency Jobs for Main Street Act 90-Day Project Submittals

Project Description - Streets and Roads	Stimulus Request (\$ x 1,000)	Minimum Number of Days to Project Contract Award
Anaheim Gene Autry Way	\$ 29,000	90 Days
Anaheim Olive Avenue rehabilitation	\$ 1,400	90 Days
Buena Park Knott Avenue rehabilitation	\$ 1,300	90 Days
Costa Mesa Wilson Street rehabilitation	\$ 1,000	90 Days
Laguna Hills La Paz Road widening at I-5	\$ 1,900	90 Days
Tustin Ranch Road extension, Walnut Avenue to Valencia Avenue	\$ 24,000	90 Days
Tustin Armstrong extension, Warner Avenue to Barranca Parkway	\$ 8,000	90 Days
Villa Park (landscape median) TE project	\$ 660	90 Days
Villa Park (landscape median) TE project	\$ 350	90 Days
Subtotal - 90 Days to Contract	\$ 67,610	
<p>Note: Additional projects were proposed by the City of Westminster and the Transportation Corridor Agencies but were not included as they do not have environmental clearance.</p>		

I-5 - Santa Ana Freeway (Interstate 5)

TE - Transportation enhancement



BOARD COMMITTEE TRANSMITTAL

February 8, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Report on Traffic and Revenue Analysis for the San Diego Freeway (Interstate 405) Improvement Project and Contract Amendment

Highways Committee Meeting of February 1, 2010

Present: Directors Bates, Cavecche, Dixon, Glaab, Hansen, and Mansoor
Absent: Director Pringle

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

- A. Authorize staff to continue the analysis of four build alternatives for the San Diego Freeway (Interstate 405) Improvement Project through the environmental phase.
- B. Authorize the Chief Executive Officer to negotiate and execute an amendment to Agreement No. C-8-0693 with Parsons Transportation Group, in an amount not to exceed \$4.5 million, for additional services to perform preliminary engineering and environmental studies for the two additional alternatives through the environmental phase, bringing the total contract value to \$14,105,417.



February 1, 2010

To: Highways Committee

From: Will Kempton, Chief Executive Officer

Subject: Report on Traffic and Revenue Analysis for the San Diego Freeway (Interstate 405) Improvement Project and Contract Amendment

Overview

Staff is presenting information from the traffic and revenue analysis conducted to determine the financial viability of an express-lane facility on the San Diego Freeway (Interstate 405). The express lanes alternative is one of four alternatives under consideration in the environmental phase of the Measure M2 improvement project. Based on the preliminary traffic and revenue analysis which indicates the express lanes can be a financially viable alternative, staff recommends that this alternative be developed further through the environmental phase. Board of Directors' approval is requested to authorize the Chief Executive Officer to negotiate and execute an amendment to the agreement with Parsons Transportation Group for additional services to perform preliminary engineering and environmental studies for two additional alternatives for the San Diego Freeway (Interstate 405) Improvement Project.

Recommendations

- A. Authorize staff to continue the analysis of four build alternatives for the San Diego Freeway (Interstate 405) Improvement Project through the environmental phase.
- B. Authorize the Chief Executive Officer to negotiate and execute an amendment to Agreement No. C-8-0693 with Parsons Transportation Group, in an amount not to exceed \$4.5 million, for additional services to perform preliminary engineering and environmental studies for the two additional alternatives through the environmental phase, bringing the total contract value to \$14,105,417.

Background

The Measure M2 (M2) San Diego Freeway (Interstate 405) Improvement Project proposes to add new lanes to Interstate 405 from the Costa Mesa Freeway (State Route 55) to the San Gabriel River Freeway (Interstate 605), generally within the existing right-of-way (ROW).

On January 26, 2009, the Orange County Transportation Authority (OCTA) Board of Directors (Board) approved staff's recommendation to consider four alternatives. Alternative 1 proposes to add one general purpose lane in each direction, and Alternative 2 proposes to add two general purpose lanes in each direction. Alternative 3, the express lanes alternative, would add one general purpose lane and one express lane in each direction; the new express lane and existing high-occupancy vehicle (HOV) lane would be operated as a two-lane express facility in each direction. Alternative 4 would identify improvements related to adding one general purpose lane in each direction that match the currently available funding through the M2 Program.

Alternatives 3 and 4 were included to address the significant funding gap between the available funding for the project and the estimated cost to add one or two general purpose lanes.

OCTA staff and the consultant team have evaluated the viability of the four build alternatives. The outcome of identifying what improvements could be built for the currently available funding (Alternative 4) and analyzing and minimizing the ROW impacts associated with the two-lane alternatives (Alternatives 2 and 3) was presented to the OCTA Board on August 24, 2009. Information on the financial viability of the express lanes alternative is provided below.

Discussion

The analysis to date shows that the cost of Alternative 1, one lane in each direction, is approximately \$1.7 billion, while the alternative of adding two lanes in each direction is \$1.9 billion. These figures represent year-of-expenditure dollars, assuming construction begins in year 2016. Given that the M2 revenues for this project are currently estimated to be \$600 million over the life of the M2 Program, an option is to seek alternative or innovative funding to construct the project. Therefore, the concept of express lanes is being considered.

A traffic and revenue analysis has been prepared to evaluate the potential of an express facility on Interstate 405 to generate revenue. The traffic and revenue analysis considered two access scenarios and two HOV operating scenarios. The analysis assumed direct access to the express lanes facility on Interstate 405 from the San Joaquin Transportation Corridor (State Route 73) at the south end and from the Garden Grove Freeway (State Route 22) and Interstate 605 at the north end. For the scenarios that include intermediate access to the express lanes, two access points were assumed, one at Brookhurst Street/Talbert Avenue and one at Goldenwest Street/Bolsa Avenue. Four scenarios were evaluated for traffic volumes and the potential to generate revenue: HOVs with 2+ free (carpools with 2 or more occupants would not pay a toll to use the express lanes) with no intermediate access between State Route 73 and Interstate 605, HOVs with 2+ free with two intermediate access points, HOVs with 3+ free (carpools with 3 or more occupants would not pay a toll to use the express lanes) with no intermediate access, and HOVs with 3+ free with two intermediate access points.

The results show there is only a slight difference between the annual revenue projected for the scenarios where no intermediate access is provided versus those where intermediate access is provided; however, the scenarios that include intermediate access show a potential for generating more revenue. There is a significant difference in potential annual revenues between the HOV 2+ free scenarios and the HOV 3+ free scenarios. The scenario where HOV 2+ vehicles would use the express lanes for free and intermediate access is provided could generate \$45 million annually. In this case, 81 percent of the express lanes users are carpools, leaving 19 percent of the express facility capacity available for toll payers. The scenario where HOV 3+ vehicles would be free and intermediate access is provided could generate nearly \$200 million annually because only 21 percent of the express lanes users are carpools, leaving 79 percent of the express facility capacity available for those who choose to pay a toll.

The bonding capacity of the HOV 2+ free scenarios could support construction costs ranging from \$300 million to \$500 million. The bonding capacity of the HOV 3+ free intermediate access scenario could support construction costs in the range of \$1.4 billion to \$1.8 billion. The estimated cost of the express lanes alternative is \$2.2 billion, making the funding gap \$1.6 billion. This indicates that an HOV 2+ free operation leaves a \$1.2 billion funding gap, while an HOV 3+ free operation can fund the project.

As shown in slide six of the PowerPoint presentation included with this report, M2 provides some traffic congestion relief with the addition of one general purpose

lane in Alternative 1, but the HOV lane is expected to have the same travel speed as the general purpose lanes. HOV lanes are currently congested during peak periods, and with the projected increase in traffic, will not continue to provide travel time and air quality benefits in the future with the current vehicle occupancy requirement. Alternatives 2 and 3 will provide better mobility and more throughput because two lanes of capacity would be added in each direction. The overall mobility in the corridor is improved with the express lanes alternative because the added general purpose lane with Alternative 3 will have better mobility than the added general purpose lane with Alternative 1. In addition, there will be two uncongested express lanes at free flow speeds with Alternative 3. The express lanes facility could significantly alleviate congestion on Interstate 405 by providing additional capacity and additional choices to commuters for increased mobility and trip reliability, as well as the means to fund those improvements and thereby deliver the travel benefits to the public earlier. The express lanes alternative will also be a benefit to the 2-passenger carpools that choose to use the general purpose lanes because these lanes will have better speeds than the general purpose lanes in Alternative 1. The express lanes alternative includes the addition of one general purpose lane in each direction to fulfill our M2 commitment.

On August 24, 2009, staff reported to the Board that all four of the build alternatives, including the two lane options, minimize potential ROW impacts and are therefore viable from a ROW standpoint. Staff now has information that supports the financial viability of the express lanes alternative. Four public scoping meetings were held in the cities of Fountain Valley, Huntington Beach, Rossmoor, and Westminster in late September/early October 2009. At these well-attended scoping meetings (over 400 attended in total), staff presented information about the project and the four alternatives and collected written input to be considered as the environmental technical studies are performed on all four build alternatives.

The current contract with Parsons Transportation Group (PTG) includes engineering and environmental work to be performed only for Alternatives 1 and 2 through the final project report and environmental document. The contract also includes a preliminary analysis of the ROW and financial viability of the express lanes alternative (Alternative 3) and a preliminary assessment of the improvements that could be delivered for the currently available funding (Alternative 4). Now that the traffic and revenue analysis has been completed, indicating that the express lanes are financially viable, further evaluation should be considered. The contract with PTG will need to be amended to include additional engineering and environmental work to carry the two additional alternatives, including the express lanes alternative, through the final project

report and environmental document. This work will also include a more detailed traffic and revenue analysis.

The total contract amendment is estimated at \$4.5 million to complete preliminary engineering and all of the required environmental technical studies for Alternatives 3 and 4. The existing contract is for \$9.6 million. This contract was structured to perform preliminary analysis of four alternatives and detailed analysis of only two alternatives. All four alternatives continue to be viable and staff's recommendation is to carry the alternatives through more detailed analysis. If Alternative 4 can be later folded into one of the other build alternatives and eliminated as a standalone alternative, the contract amendment could be reduced by approximately \$1 million. Further reductions in scope of work and cost may occur if engineering and/or environmental work is curtailed for any of the other build alternatives after some initial environmental studies are completed. Staff therefore requests Board approval to negotiate and execute a contract amendment, in a not-to-exceed amount of \$4.5 million.

Staff will return to the Board with future reports on the project. The next report will provide information for the Board's consideration in determining operational and tolling policies related to a potential express lanes facility on Interstate 405. A subsequent report will provide information on options to implement the project, including the use of design-build and the potential for public-private partnership.

Procurement Approach

This procurement was handled in accordance with OCTA's procedures for professional architectural and engineering services. The original Agreement No. C-8-0693 was awarded on March 17, 2009, in the amount of \$9,605,417.

Agreement No. C-8-0693 is based on PTG providing project report and environmental document preparation consulting services for two alternatives related to the widening of Interstate 405. Supplemental services are now required to conduct similar studies on two additional alternatives. These additional services require an amendment to Agreement No. C-8-0693, in an amount not to exceed \$4.5 million.

Fiscal Impact

The additional work described in Amendment No. 1 of Agreement No. C-8-0693 was partially included in OCTA's Fiscal Year 2009-10 Budget, Development Division, Account 0017-7519-FK101-N2Y (\$1,500,000), and the remaining amount transferred from Account 0017-7831-TR001-N37 (\$3,000,000), funded through M2.

Summary

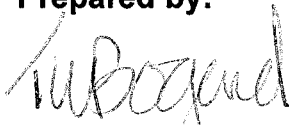
Board approval is requested to authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-8-0693 with PTG, in an amount not to exceed \$4.5 million, for additional services to perform preliminary engineering and environmental studies for two additional alternatives for the Interstate 405 Improvement Project.

Staff is also providing information from the traffic and revenue analysis performed for the Interstate 405 Improvement Project to be received and filed.

Attachments

- A. Agreement No. C-8-0693 Fact Sheet
- B. Amendment No. 1, Scope-of-Work, Project Report and Environmental Services for Proposed Improvements to San Diego Freeway (Interstate 405), Executive Summary

Prepared by:

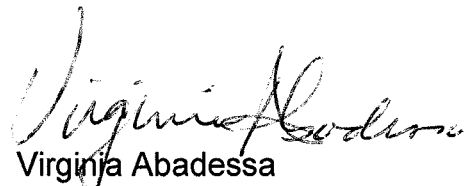


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Approved by:



Kia Mortazavi
Executive Director, Development
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Virginia Abadessa
Director, Contracts Administration &
Materials Management
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AGREEMENT NO. C-8-0693 FACT SHEET

1. March 17, 2009, Agreement No. C-8-0693, in the amount of \$9,605,417, approved by the Board of Directors.
 - Provide project report and environmental document preparation consultant services for widening the San Diego Freeway (Interstate 405).
2. February 8, 2010, Amendment No. 1 to Agreement No. C-8-0693, in an amount not to exceed \$4,500,000, pending approval by the Board of Directors.
 - Add funding for additional services to perform preliminary engineering and environmental studies for two additional alternatives through the environmental phase.

Total committed to Parsons Transportation Group after approval of Amendment No. 1 to Agreement No. C-8-0693 will be: \$14,105,417.

Amendment No. 1
Scope-of-Work
Project Report and Environmental Services for
Proposed Improvements to San Diego Freeway (Interstate 405)
Executive Summary

The proposed Amendment would expand the Scope-of-Work. The current Scope-of-Work provides for the preparation of a Project Report and Environmental Document (Environmental Impact Statement/Environmental Impact Report) covering two Build Alternatives on the San Diego Freeway (I-405). The proposed Scope-of-Work will increase the number of Build Alternatives from two to four. It will also increase the number of freeway miles from 12.5 to 26.0, including 12.5 miles of transitions.

The current Scope-of-Work covers Build Alternatives 1 and 2, which would add one and two general purpose lanes in each direction, respectively, from Euclid Street to the I-605 interchange. The proposed Scope-of-Work covers Build Alternatives 3 and 4. Build Alternative 3 would add one toll lane to the existing carpool lane in each direction which would be managed together. Build Alternative 3 also adds a general purpose lane in each direction north of Euclid Street to I-605. Build Alternative 4 would provide an additional general purpose lane at various locations from Euclid Street to I-605 and improve various interchanges.

The proposed Scope-of-Work includes an increase in the freeway mileage to be covered. The current Scope-of-Work covers 12.5 miles from Hyland Street to I-605. The proposed Scope-of-Work would add 13.5 miles of additional freeway mileage. The additional 13.5 miles include six additional miles along I-405 and 7.5 miles of transition areas along SR-73, SR-22 East, and I-605.

The proposed Scope-of-Work combined with the current Scope-of-Work would cover all of the Build Alternatives included in the Scoping Meetings held in September and October 2009 pursuant to the requirements of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). The proposed Scope-of-Work provides for the following services covering the two additional Build Alternatives:

- Mapping and Surveys for 11 additional freeway miles
- Plans and Profiles
- Draft and Final Mandatory and Advisory Fact Sheets
- Structure Advance Planning Studies for four additional bridges
- Cost Estimates
- Impacted Utilities delineated on utility plans
- Preliminary Cost Estimate of Utility Relocations/Impacts
- Right-of-way Data Sheets
- Identification of Major Drainage Improvements on Layout Plans
- Traffic Management Plan with Construction Staging/Traffic Handling Concepts
- Express Facility Operations Plan
- Phase II Toll and Revenue Estimate

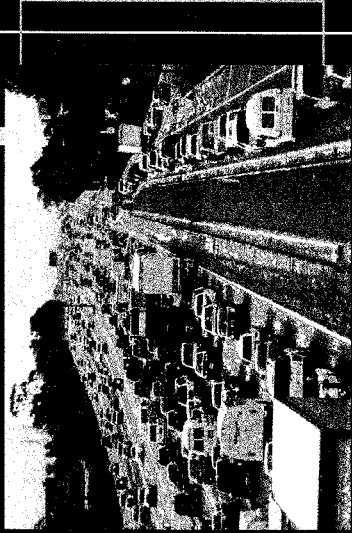
- High Occupancy Vehicle Report

The proposed Scope-of-Work also provides for the expansion of the following documents, technical studies, and deliverables to include the additional two Build Alternatives:

- Modified Access Report
- Technical Memo on Geotechnical Impacts to Costs
- Draft and Final Value Analysis Study Report
- Storm Water Data Report
- Administrative and Final Draft Project Report
- Administrative and Final Project Report
- Draft and Final Floodplain Evaluation Report
- Draft and Final Water Resources and Hydrology Technical Study
- Draft and Final Air Quality Technical Study
- Draft and Final Traffic/Circulation Impact Report
- Draft and Final Initial Site Assessment
- Draft and Final Visual Impact Assessment
- Draft and Final Noise Study
- Draft and Final Noise Abatement Decision Report
- Historic Property Survey Report
- Archaeological Survey Report
- Historic Resources Evaluation Report
- Native American Coordination
- Draft and Final Section 4(f) and 6(f) Evaluation
- Draft and Final Natural Environment Study
- Draft and Final Paleontology Literature Study
- Draft and Final Relocation Impact Report
- Draft and Final Community Impact Assessment
- Topography/Geology/Soils/Seismic Analysis Report
- Energy Analysis
- Draft and Final Growth Inducement and Cumulative Impacts Analysis
- Screencheck, Draft, and Final Draft Environmental Impact Report/Environmental Impact Statement
- Screencheck, Draft, and Final Final Environmental Impact Report/Environmental Impact Statement

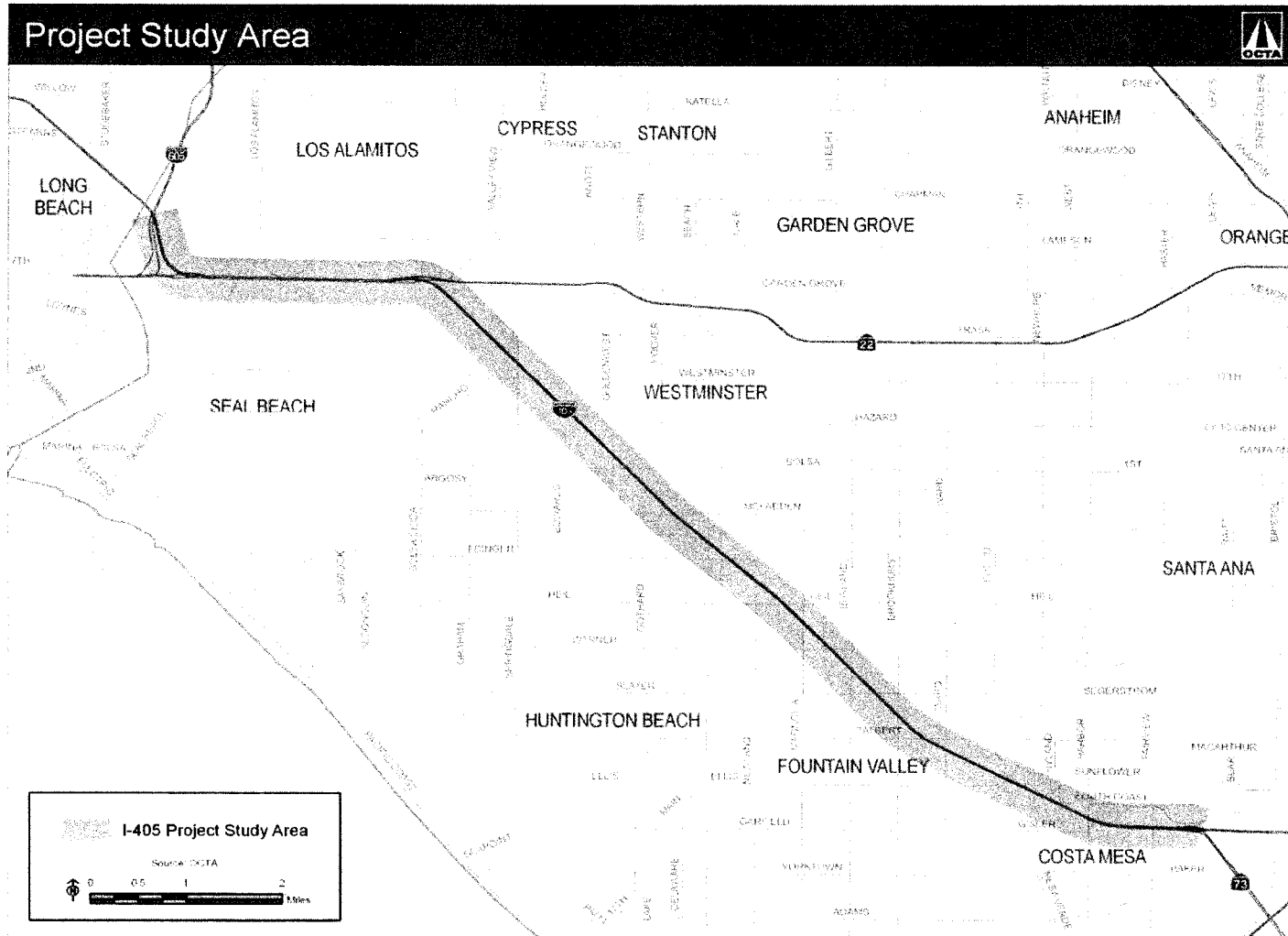
PowerPoint Presentation

**Report on Traffic and Revenue Analysis for the
San Diego Freeway (Interstate 405)
Improvement Project
and Contract Amendment**



Orange County Transportation Authority
Board of Directors Meeting
February 8, 2010

Interstate 405 Project Location



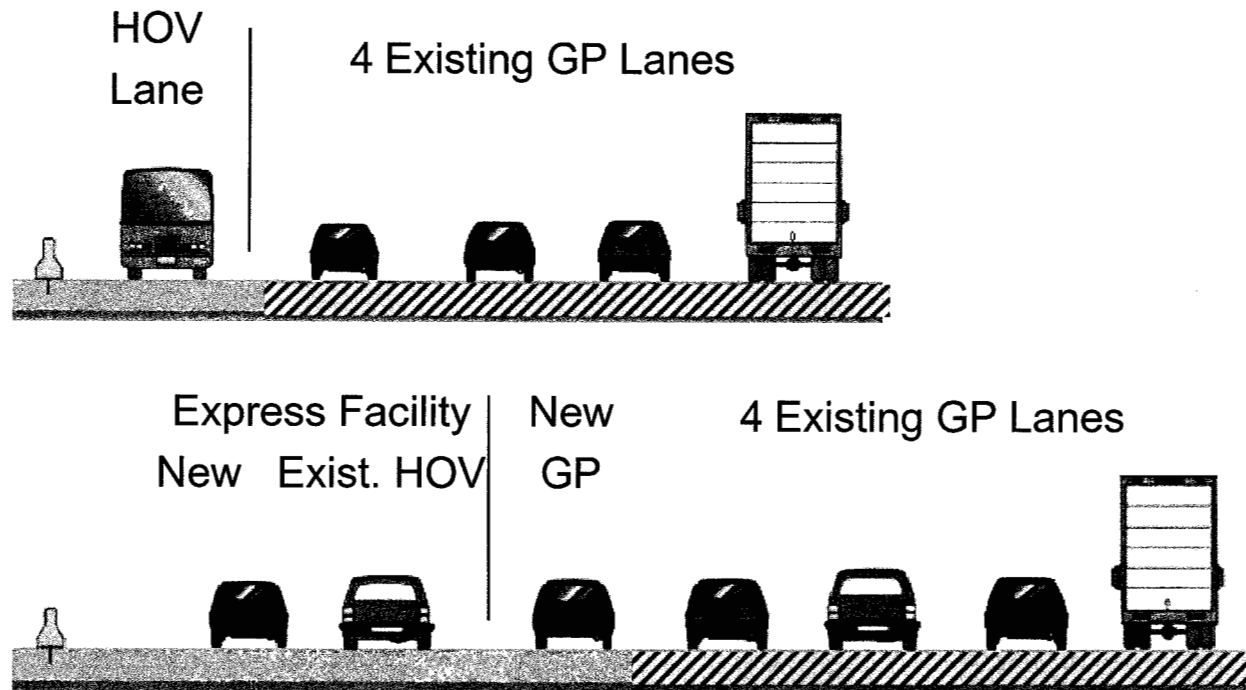
Study Alternatives

- Add one lane each way
(\$1.7 billion)
- Add two lanes each way
(\$1.9 billion)
- Available funding <\$600 million
- Alternatives not currently funded

Added Alternatives

- Nominal improvements within available funding
(\$600 million)
- Two-lane Express Lane toll facility
(\$2.2 billion)

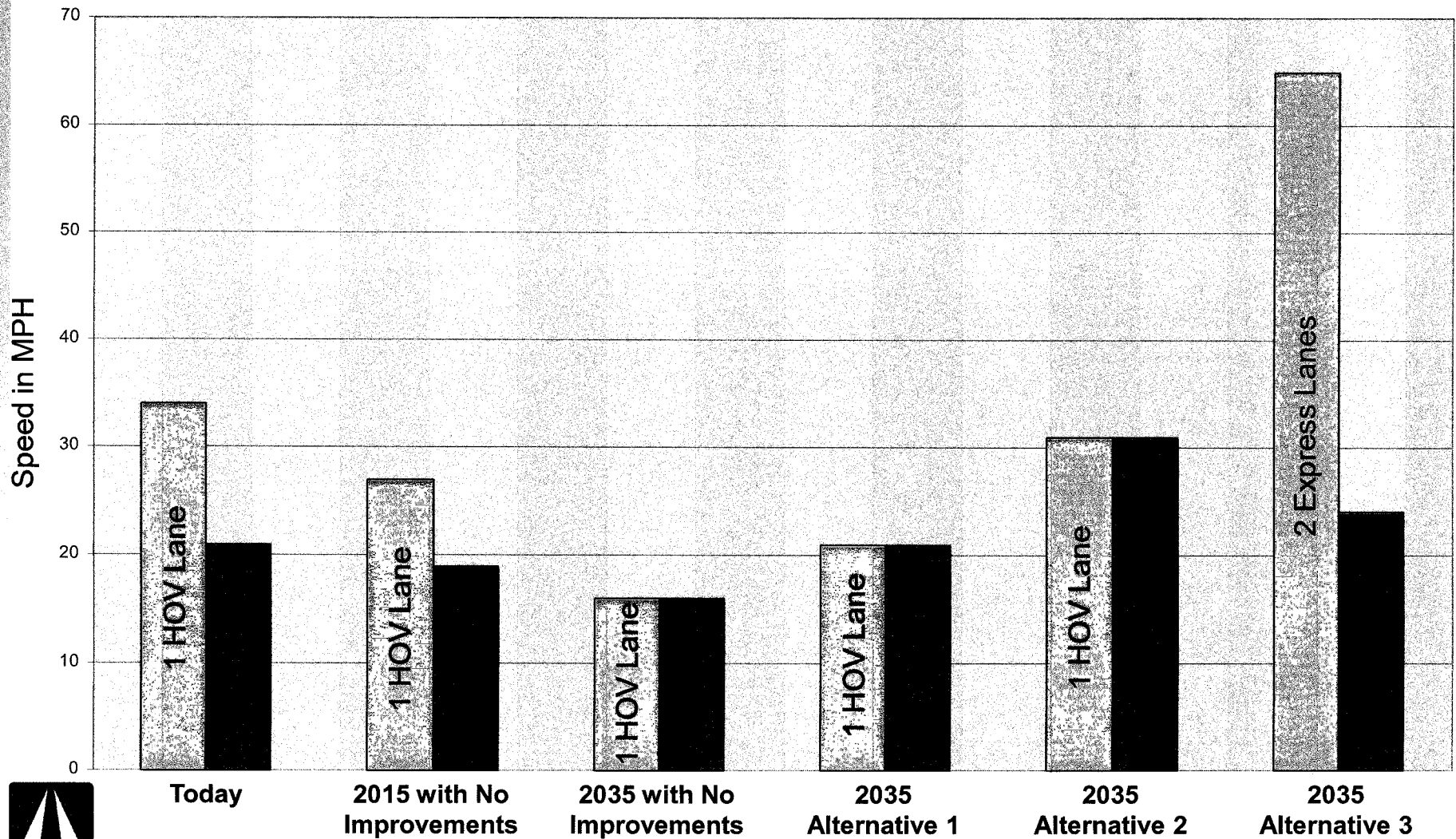
Express Lanes Configuration



Express alternative:

- accommodates both HOV and toll operations
- improves mobility in GP lanes
- may fund other improvements

Expected PM Peak Speeds by Lane Type

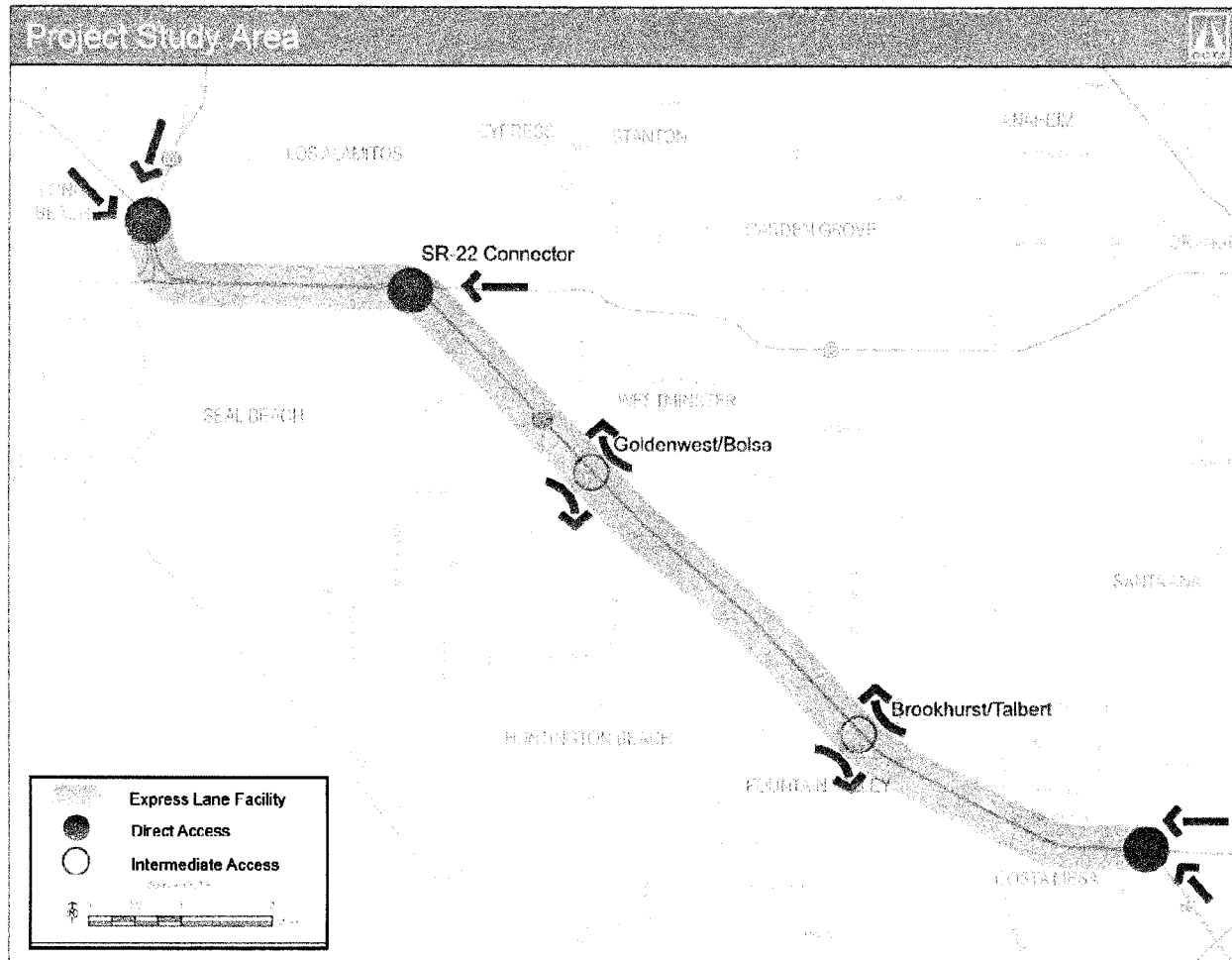


*Based on estimates, further study required.

Traffic and Revenue Study

- Phase 1: indicates financial viability, based on existing traffic data and model
- Phase 2: more refined traffic and revenue estimation to be initiated later in environmental phase
- Phase 3: investment-grade analysis

Proposed Access Points



Summary of Annual Revenue Forecasts

Scenario	Annual Revenue
HOV 2+ Free	\$45.1 million
HOV 3+ Free	\$196.7 million

Construction Costs Supported by Revenue

Scenario	Bonding Capacity
HOV 2+ Free	\$300 million-\$500 million
HOV 3+ Free	\$1.4 billion-\$1.8 billion

Express Lanes Financial Viability

Alternative 3: Express Lanes

- Funding gap

\$2.2 billion - \$600 million = **\$1.6 billion**

- Revenue potential range

- HOV 2+ Free **\$0.3 billion - \$0.5 billion**

- HOV 3+ Free **\$1.4 billion - \$1.8 billion**

Re-cap of Progress to Date

- One and two lane alternatives can generally fit within existing ROW
- Express lanes alternative could provide needed funds
- Four public scoping meetings conducted
 - Good attendance (400+)
 - Active Q&A sessions
 - Concerns remain about local ROW impacts

Next Steps

- Prepare environmental technical studies on the build alternatives
- Amend consultant contract to include technical studies for the additional alternatives
- Return to Board to discuss:
 - Preliminary findings from environmental studies
 - Potential reduction in number of build alternatives
 - Operating scenarios for Express Lanes