

**MEASURE M
COC/TOC AUDIT SUBCOMMITTEE MEETING
AGENDA**

Tuesday, June 15, 2010
5:00 p.m. – 6:00 p.m.

Orange County Transportation Authority
600 S. Main Street, Orange, CA
Conference Room 506

Conference room is directly in front of the elevator on the 5th floor.

1. Review and approve minutes from April 13, 2010
2. Quarterly Measure M Revenue and Expenditure Report *Kenneth Phipps*
3. Sales Tax Forecast *Kenneth Phipps*
4. Status of Measure M2 Triennial Assessment *Alice Rogan*
5. Draft Measure M2 Expenditure Report *Monica Salazar*
6. Other Matters
7. Public Comments*

The Agenda listings are intended to give notice to members of the public of items of business to be transacted or discussed. The Audit Subcommittee may take any action which it deems appropriate on an agenda item.

*Public Comments: At this time, members of the public may address the Audit Subcommittee regarding any items within the subject matter jurisdiction of the Subcommittee provided that NO action may be taken off-agenda items unless authorized by law. Comments shall be limited to five (5) minutes per person and 20 minutes for all comments, unless different time limits are set by the Chairman, subject to the approval of the Subcommittee.

**MEASURE M
COC/TOC AUDIT SUBCOMMITTEE MEETING
Minutes**

Orange County Transportation Authority
550 S. Main Street, 600 Building
Orange, CA
Conference Room 506
Tuesday, April 13, 2010
5:00 p.m. – 6:00 p.m.

- COC/TOC members present: Jim Kelly, Gregory Pate, David Sundstrom
- OCTA staff present: Alice Rogan, Ken Phipps, Janet Sutter, Kathleen O'Connell, Kim Bowman

Meeting was called to order at: 5:09pm.

Review and approve minutes from February 9, 2010: Minutes from the February meeting were approved.

Measure M2 Triennial Assessment Kick-Off: Alice Rogan, Community Relations Officer, introduced Stan Oftelie and Dr. Wallace Walrod from the Orange County Business Council (OCBC), the firm selected for the triennial performance assessment of Measure M2. Alice informed the Audit Subcommittee (Subcommittee) that a couple of meetings with OCBC have already taken place, one of which Subcommittee member Howard Mirowitz took part in on behalf of the Subcommittee. Alice read several points prepared by Howard after his participation in the organizational meeting of March 24, 2010, to the Subcommittee:

1. *The SANDAG review is a good example of a professionally conducted performance audit. The work product of our project should incorporate, where appropriate, as much as possible the type of approach in the SANDAG document, taking into consideration that our project is at a much lower budget compared to the SANDAG work, that our project is an assessment instead of an audit, and that we are looking for a strategic level assessment of Measure M2's probability of future success as well as a tactical, operational assessment of Measure M's success to this point.*
2. *OCBC should plan to review its project plan with the TOC's Audit Subcommittee on 4/13. The committee will be particularly interested in how OCBC will be allocating its time to the various tasks, considering which areas within each task it perceives as highest risk after its initial background document review. Accordingly, OCBC should expect to present to the Subcommittee a detailed project schedule with manpower loading.*

3. *Open communication between OCBC and the TOC Audit Subcommittee is important, and OCBC should plan to have regular meetings with the Audit Subcommittee as the work progresses to review interim findings instead of waiting until the final deliverable for the next report. While the next scheduled TOC Audit Subcommittee meeting after 4/13 is on 6/8, the Subcommittee would be more than willing to schedule special meetings as needed for this purpose.*
4. *The target date for submittal of the final report to the TOC is 8/10.*
5. *Dr. Boarnet may attend the 4/13 meeting, however in subsequent meetings with the TOC, OCBC will limit its representation to Dr. Walrod and Stan Oftelie, who will expend the majority of project hours, in order to conserve budget.*
6. *Stan Oftelie pointed out that OCBC's prior report on Measure M1, issued approximately halfway through the life of the measure, was organized as an itemized progress report indexed to each item in the original ballot language. He felt this type of structure would probably be inappropriate at this stage of M2, and that referencing the M2 ordinance in each task in the work scope would be better. Although the tasks do not map directly to the ballot measure language, it is important to reference ballot language to the extent that it is relevant to what is being investigated. OCTA staff members generally agreed with his overall conception of the report structure.*

Dr. Walrod then provided Subcommittee members with copies of OCBC's detailed project plan; discussion ensued regarding the plan. Alice called attention to No. 5 of the plan which addresses the Taxpayers Oversight Committee, and page 8 which discusses deliverables and schedule. Jim Kelly asked if the Measure M Assessment 1990-2005 could be posted online. Alice said she would provide a link to Subcommittee members to view the document.

Quarterly Measure M Revenue and Expenditure Report: Kenneth Phipps, Executive Director of Finance and Administration, indicated to Subcommittee members that the quarterly report was not ready. Ken further clarified that the agenda item should have been a Sales Tax Update. Ken gave Subcommittee members copies of a letter from the State Board of Equalization (SBOE) dated January 19, 2010, regarding estimated statewide growth rates for the time period January 2009 through June 2011. Ken stated the SBOE forecasts a continuing positive trend in taxable sales beginning April – June 2010 through April - June 2011. The SBOE's previous forecast had been much more conservative, with a little over one percent growth from the prior year. This 1.1 percent growth assumption is what was built into next year's budget.

OCTA Internal Audit Peer Review Report: Kathleen O'Connell, Executive Director of Internal Audit, provided copies of OCTA's Internal Audit Department's first peer review to the Subcommittee, as mandated by the Audit Charter. Internal Audit passed the peer review, and David commended Kathleen on a great review.

Revised Stanton CTFP Report: Janet Sutter, Section Manager of Internal Audit, passed out a reissued copy of the City of Stanton's Combined Transportation Funding Program

report, which had been revised to reflect the discovery of documents that had not been provided for the previous report. There are no exceptions in the revised report.

Update on City Selection for Audits of Measure M Turnback: Internal Audit provided the Subcommittee with a summary of the results of questionnaires sent to Orange County cities and results of the cities' most recent management letter and single audit report (if applicable), along with information on the amount of Measure M turnback dollars paid to the cities for the Subcommittee's review and consideration in selecting cities for turnback audit for fiscal year 2010. After discussion regarding these results, the Subcommittee selected the cities of Buena Park, La Habra, Los Alamitos, San Juan Capistrano, Santa Ana, Stanton, Tustin, and Westminster for audit.

Other Matters: None

Public Comments: None

Meeting Adjourned at: 6:03 p.m.

Next meeting scheduled for June 15, 2010, 5:00 p.m. CR 506.

Measure M
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of March 31, 2010

(\$ in thousands)	Quarter Ended Mar 31, 2010	Year to Date Mar 31, 2010 (A)	Period from Inception to Mar 31, 2010 (B)
Revenues:			
Sales taxes	\$ 55,801	\$ 155,054	\$ 3,734,244
Other agencies share of Measure M costs			
Project related	452	8,208	391,390
Non-project related	-	-	613
Interest:			
Operating:			
Project related	11	27	1,041
Non-project related	1,929	8,619	252,669
Bond proceeds	-	-	136,067
Debt service	781	1,257	82,103
Commercial paper	-	-	6,072
Orange County bankruptcy recovery	-	-	42,268
Capital grants	1,487	1,955	160,110
Right-of-way leases	139	298	5,010
Proceeds on sale of assets held for resale	537	1,610	23,501
Miscellaneous:			
Project related	-	-	26
Non-project related	-	-	775
Total revenues	61,137	177,028	4,835,889
Expenditures:			
Supplies and services:			
State Board of Equalization (SBOE) fees	705	2,115	53,815
Professional services:			
Project related	3,384	6,799	184,353
Non-project related	650	1,435	30,749
Administration costs:			
Project related	410	1,263	19,010
Non-project related	1,224	3,640	80,704
Orange County bankruptcy loss	-	-	78,618
Other:			
Project related	26	70	1,303
Non-project related	83	171	15,684
Payments to local agencies:			
Turnback	11,390	21,370	552,126
Other	21,782	74,291	638,313
Capital outlay	27,891	30,792	1,995,565
Debt service:			
Principal payments on long-term debt	78,405	78,405	921,160
Interest on long-term debt and commercial paper	4,509	9,018	556,922
Total expenditures	150,459	229,369	5,128,322
Excess (deficiency) of revenues over (under) expenditures	(89,322)	(52,341)	(292,433)
Other financing sources (uses):			
Transfers out:			
Project related	-	(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)	-	(1,990)	758,187
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	\$ (89,322)	\$ (54,331)	\$ 465,754

See accompanying notes to Measure M Schedules

Measure M
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of March 31, 2010

(\$ in thousands)	Quarter Ended Mar 31, 2010 (actual)	Year Ended Mar 31, 2010 (actual)	Period from Inception through Mar 31, 2010 (actual)	Period from April 1, 2010 through March 31, 2011 (forecast)	Total
	(C.1)	(C.1)	(D.1)	(E.1)	(F.1)
Tax revenues:					
Sales taxes	\$ 55,801	\$ 155,054	\$ 3,734,244	\$ 211,389	\$ 3,945,633
Other agencies share of Measure M costs	-	-	613	-	613
Operating interest	1,929	8,619	252,669	8,649	261,318
Orange County bankruptcy recovery	-	-	20,683	-	20,683
Miscellaneous, non-project related	-	-	775	-	775
Total tax revenues	<u>57,730</u>	<u>163,673</u>	<u>4,008,984</u>	<u>220,039</u>	<u>4,229,023</u>
Administrative expenditures:					
SBOE fees	705	2,115	53,815	1,966	55,781
Professional services, non-project related	650	1,434	21,888	1,961	23,849
Administration costs, non-project related	1,224	3,640	80,704	6,503	87,207
Operating transfer out, non-project related	-	-	5,116	-	5,116
Orange County bankruptcy loss	-	-	29,792	-	29,792
Other, non-project related	83	171	6,585	1,533	8,118
	<u>2,662</u>	<u>7,360</u>	<u>197,900</u>	<u>11,962</u>	<u>209,862</u>
Net tax revenues	<u>\$ 55,068</u>	<u>\$ 156,313</u>	<u>\$ 3,811,084</u>	<u>\$ 208,077</u>	<u>\$ 4,019,161</u>
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	781	1,257	82,103	4,491	86,594
Interest revenue from commercial paper	-	-	6,072	-	6,072
Orange County bankruptcy recovery	-	-	21,585	-	21,585
Total bond revenues	<u>781</u>	<u>1,257</u>	<u>1,415,826</u>	<u>4,491</u>	<u>1,420,317</u>
Financing expenditures and uses:					
Professional services, non-project related	-	1	8,861	-	8,861
Payment to refunded bond escrow	-	-	153,861	-	153,861
Bond debt principal	78,405	78,405	921,160	82,795	1,003,955
Bond debt interest expense	4,509	9,018	556,922	5,396	562,318
Orange County bankruptcy loss	-	-	48,826	-	48,826
Other, non-project related	-	-	9,099	-	9,099
Total financing expenditures and uses	<u>82,914</u>	<u>87,424</u>	<u>1,698,729</u>	<u>88,191</u>	<u>1,786,920</u>
Net bond revenues (debt service)	<u>\$ (82,133)</u>	<u>\$ (86,167)</u>	<u>\$ (282,903)</u>	<u>\$ (83,700)</u>	<u>\$ (366,603)</u>

See accompanying notes to Measure M Schedules

Measure M
Schedule of Revenues and Expenditures Summary
as of March 31, 2010

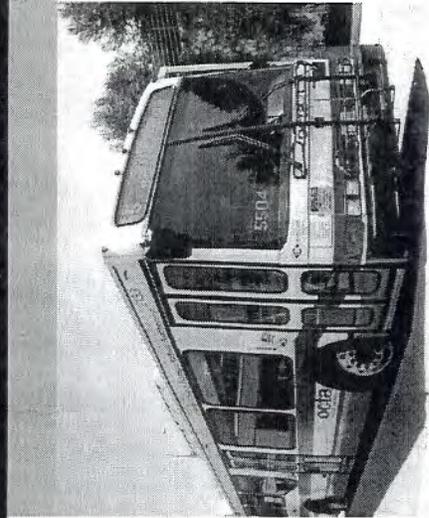
Project Description (G)	Net Tax Revenues Program to date Actual (H)	Total Net Tax Revenues (I)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through Mar 31, 2010 (N)	Reimbursements through Mar 31, 2010 (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)	\$ 918,946	\$ 969,119	\$ 810,010	\$ 800,650	\$ 168,469	\$ 9,360	\$ 835,971	\$ 84,427	\$ 751,544	92.5%
I-5 between I-5/I-405 Interchange and San Clemente	64,314	67,825	57,836	59,936	7,889	(2,100)	70,294	10,358	59,936	103.6%
I-5/I-405 Interchange	81,629	86,086	72,802	73,075	13,011	(273)	98,157	25,082	73,075	100.4%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	54,419	57,391	44,511	50,225	7,166	(5,714)	55,366	6,172	49,194	110.5%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	27,210	28,695	24,128	22,759	5,936	1,369	25,617	2,859	22,758	94.3%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	117,496	123,911	116,136	105,389	18,522	10,747	123,995	18,606	105,389	90.7%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	374,752	395,212	303,297	302,934	92,778	363	614,368	315,250	299,118	98.6%
Subtotal Projects	1,638,766	1,728,239	1,428,720	1,414,968	313,271	13,752	1,823,768	462,754	1,361,014	
Net (Bond Revenue)/Debt Service			308,496	308,496	(308,496)	-	238,063		238,063	
Total Freeways	\$ 1,638,766	\$ 1,728,239	\$ 1,737,216	\$ 1,723,464	\$ 4,775	\$ 13,752	\$ 2,061,831	\$ 462,754	\$ 1,599,077	47.8%
%				42.9%						
Regional Street and Road Projects (11%)										
Smart Streets	\$ 143,732	\$ 151,580	\$ 149,197	\$ 149,197	\$ 2,383	\$ -	\$ 166,079	\$ 11,195	\$ 154,884	103.8%
Regionally Significant Interchanges	83,844	88,422	88,422	88,422	-	-	63,144	146	62,998	71.2%
Intersection Improvement Program	119,777	126,316	126,316	126,316	-	-	82,540	214	82,326	65.2%
Traffic Signal Coordination	59,888	63,158	63,158	63,158	-	-	50,205	132	50,073	79.3%
Transportation Systems Management and Transportation Demand Management	11,978	12,632	12,632	12,632	-	-	7,707	149	7,558	59.8%
Subtotal Projects	419,219	442,108	439,725	439,725	2,383	-	369,675	11,836	357,839	
Net (Bond Revenue)/Debt Service			2,383	2,383	(2,383)	-	1,839		1,839	
Total Regional Street and Road Projects	\$ 419,219	\$ 442,108	\$ 442,108	\$ 442,108	\$ -	\$ -	\$ 371,514	\$ 11,836	\$ 359,678	10.8%
%				11.0%						

Measure M
Schedule of Revenues and Expenditures Summary
as of March 31, 2010

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 Ex penditures at Completion (L)	Variance Project Budget to Ex penditures at Completion (M)	Expenditures through Mar 31, 2010 (N)	Reimbursements through Mar 31, 2010 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	\$ 146,254	\$ 159,700	\$ 159,700	\$ 159,700	\$ -	\$ -	\$ 97,086	\$ 99	\$ 96,987	60.7%
Streets and Roads Maintenance and Road Improvements	554,073	584,324	584,324	584,324	-	-	552,142	-	552,142	94.5%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	77,880	431	77,449	77.4%
Subtotal Projects	800,327	844,024	844,024	844,024	-	-	727,108	530	726,578	
Net (Bond Revenue)/Debt Service										
Total Local Street and Road Projects	\$ 800,327	\$ 844,024	\$ 844,024	\$ 844,024	\$ -	\$ -	\$ 727,108	\$ 530	\$ 726,578	
%				21.0%						21.7%
Transit Projects (25%)										
Pacific Electric Right-of-Way	\$ 15,441	\$ 19,448	\$ 15,000	\$ 14,000	\$ 5,448	\$ 1,000	\$ 16,661	\$ 2,808	\$ 13,853	92.4%
Commuter Rail	342,668	362,468	346,407	377,772	(15,304)	(31,365)	351,437	60,805	290,632	83.9%
High-Technology Advanced Rail Transit	417,990	440,811	421,278	410,688	30,123	10,590	175,034	7,409	167,625	39.8%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	19,000	-	19,000	95.0%
Transitways	153,673	162,063	146,381	126,606	35,457	19,775	162,651	36,765	125,886	86.0%
Subtotal Projects	952,772	1,004,790	949,066	949,066	55,724	-	724,783	107,787	616,996	
Net (Bond Revenue)/Debt Service			55,724	55,724	(55,724)	-	43,001		43,001	
Total Transit Projects	\$ 952,772	\$ 1,004,790	\$ 1,004,790	\$ 1,004,790	\$ -	\$ -	\$ 767,784	\$ 107,787	\$ 659,997	
%				25.0%						19.7%
Total Measure M Program	\$ 3,811,084	\$ 4,019,161	\$ 4,028,138	\$ 4,014,386	\$ 4,775	\$ 13,752	\$ 3,928,237	\$ 582,907	\$ 3,345,330	

See accompanying notes to Measure M Schedules

Measure M2 Forecast Update Spring 2010



Finance and Administration
Committee

June 17, 2010

Background

- Chapman University Forecast
 - Since inception of Measure M in 1991
- Three University Forecast
 - Since development of Measure M2
 - Average of three forecasts
 - Chapman University
 - California State University Fullerton
 - UCLA – Anderson Forecast

- **FY 2010-11 Budget Forecast**
 - 1.1%, which is based on SBOE projections
 - Conservative
- **Spring 2010 Three-University Forecast for FY 2010-11**
 - 6.1% (average forecast)
- **Difference between methods**
 - **Three University Forecast is higher**
 - FY 2010-11: \$25.8 million higher
 - Measure M2 Total 30-year Program: \$1.7 billion higher

2010 Budget Forecast

- Total M2 Nominal Forecast is \$13.6 billion
- FY 2040 Forecast is \$759.4 million

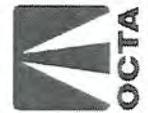
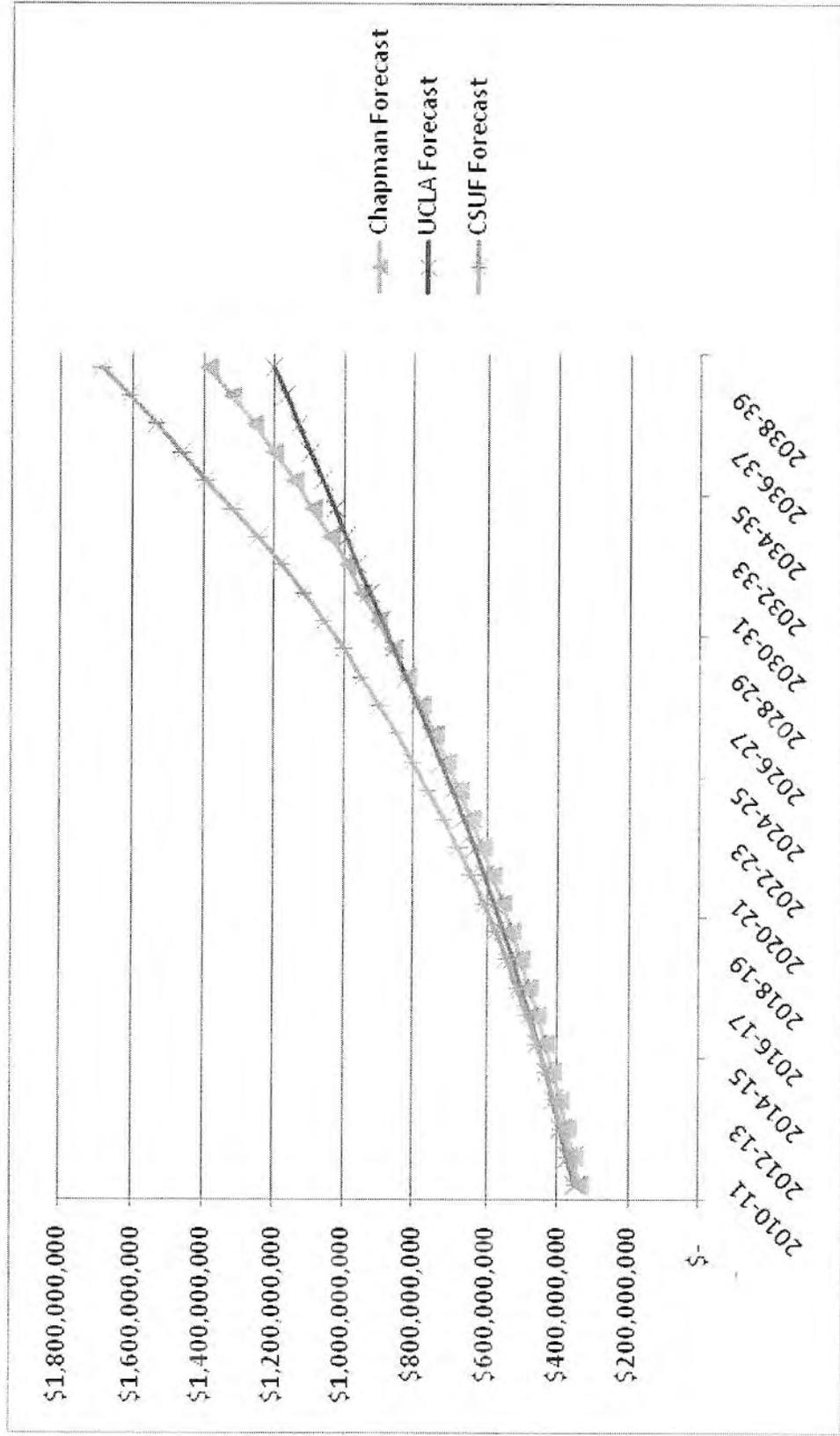
2010 Average Forecast

- Total M2 Nominal Forecast is \$15.3 billion
- FY 2040 Forecast is \$851.5 million

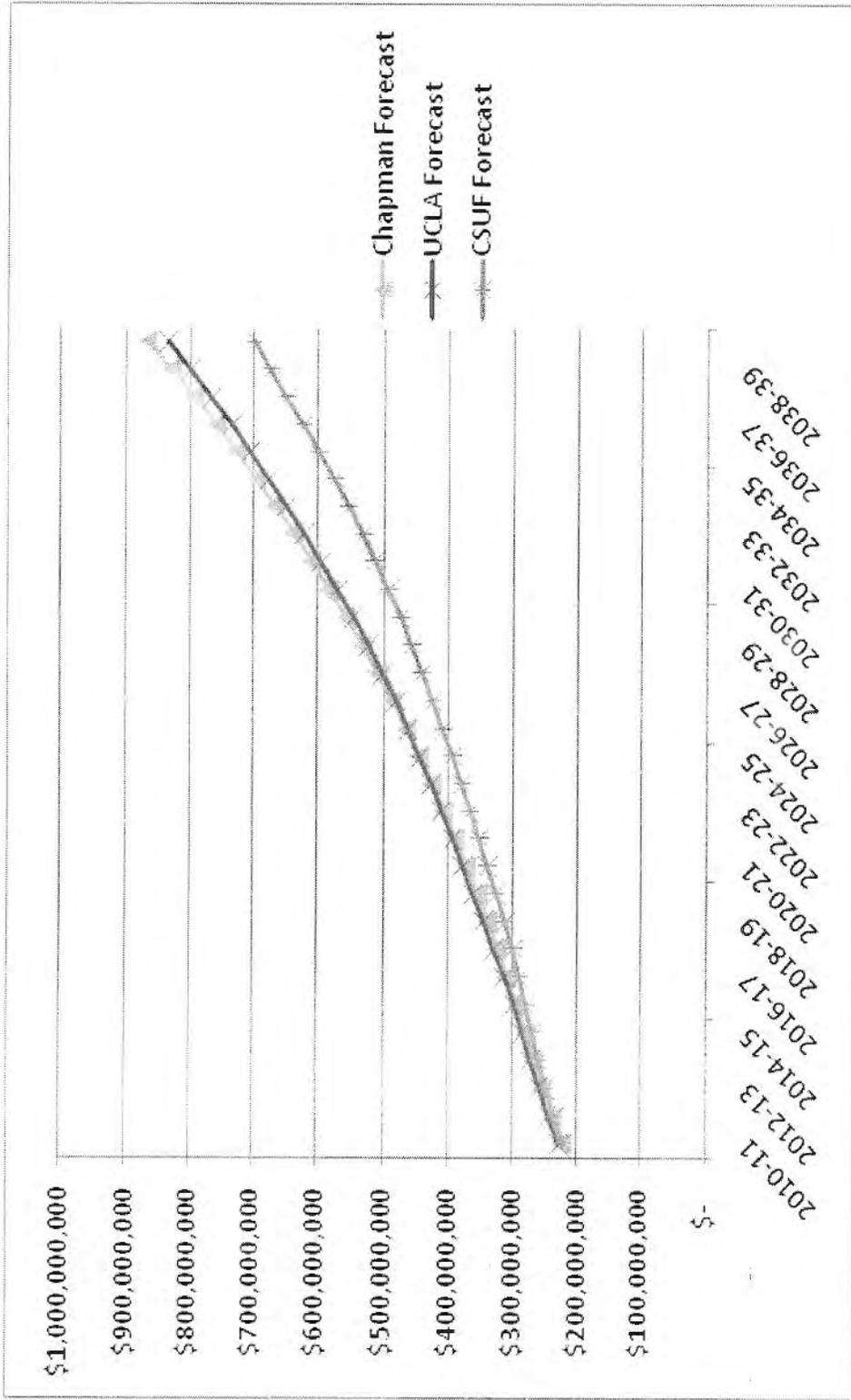
2005 Average Forecast

- Total M2 Nominal Forecast was \$24.3 billion
- FY 2040 Forecast was \$1.4 billion

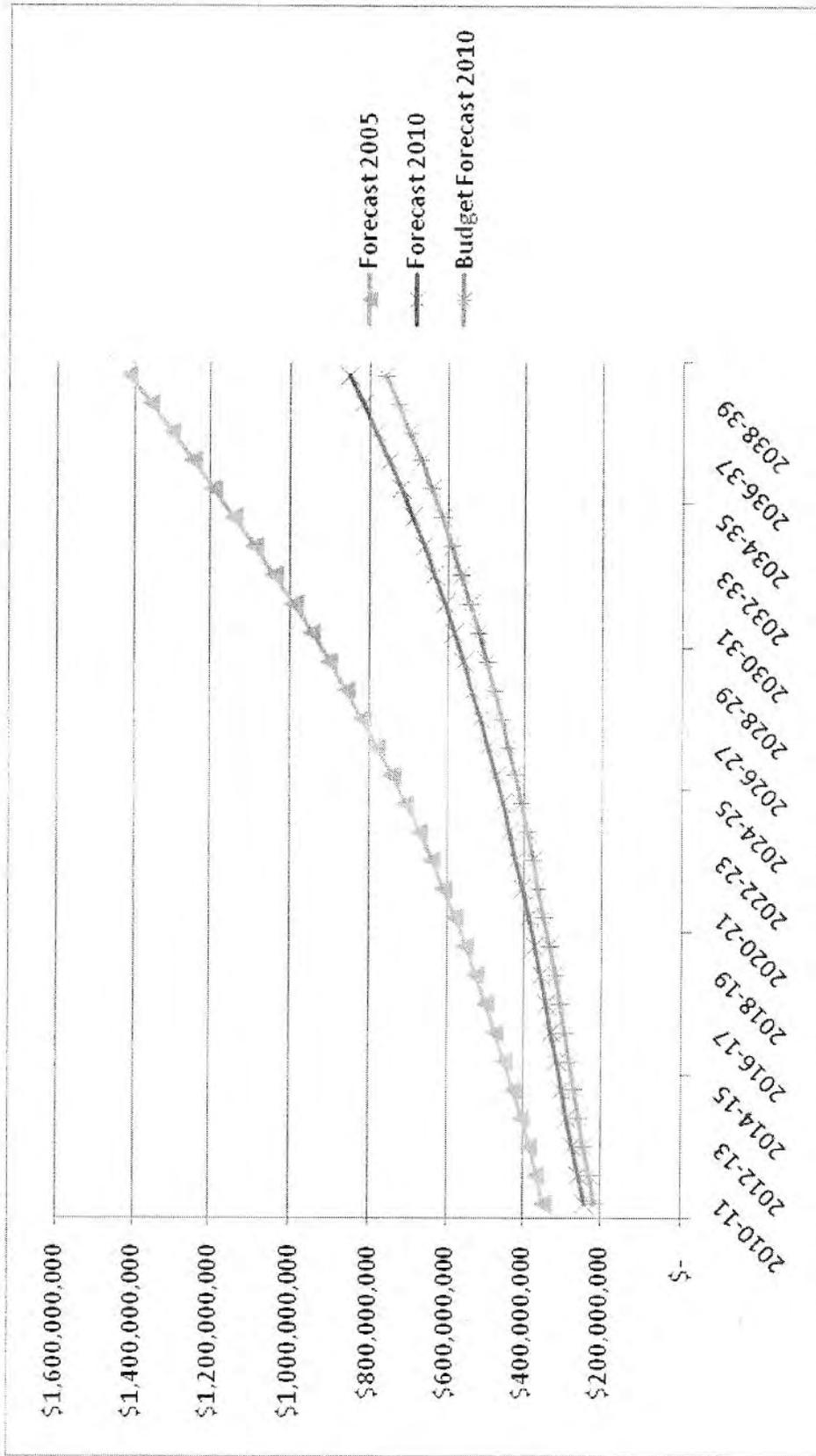
2005 Average Forecast



Spring 2010 Average Forecast



Forecast Comparison



- Continue to utilize the Budget Forecast
 - As the base year forecast (includes actuals year-to-date)
 - As the budget year forecast
- Use Average Three University Forecast thereafter



MEMO

June 15, 2010

To: Members of the Audit Subcommittee, TOC
From: Monica Salazar, OCTA
Subject: **Renewed Measure M Expenditure Report**

The Measure M (M1) Ordinance contains specific language indicating what is required from local agencies to be eligible to receive funding. Eligibility documentation is submitted by local agencies to the Orange County Transportation Authority (OCTA) by June 30 of each year. This documentation is reviewed by staff and evaluated to ensure compliance with M1 eligibility requirements. The documents are also presented to the Technical Advisory Committee and the Taxpayers Oversight Committee (TOC) for concurrence. The final determination of local agency eligibility is made by the OCTA Board of Directors.

With the passage of Measure M2 (M2) local agencies must continue to demonstrate eligibility prior to receipt of funding. The eligibility requirements included in the M2 Ordinance have, in many ways, been enhanced over the previous requirements, including some new requirements. Specifically, local agencies are now asked to provide an Expenditure Report every year. According to the M2 Ordinance, Attachment B, Section III.A.8:

"Expenditure Report. Adopt an annual Expenditure Report to account for Net Revenues, developer/traffic impact fees, and funds expended by the Eligible Jurisdiction which satisfy the Maintenance of Effort requirements. The Expenditure Report shall be submitted by the end of six (6) months following the end of the jurisdictions' fiscal year and include the following:

- a. All Net Revenue fund balances and interest earned.
- b. Expenditures identified by type (i.e., capital, operations, administration, etc.), and program or project."

This requirement is specific to Renewed Measure M. The first Expenditure Report will be due no later than December 31, 2011. OCTA staff is in the process of developing an Expenditure Report template that will be utilized in determining a local jurisdiction's eligibility. Ideally, the report will be based upon financial data currently collected by local jurisdictions in a format that is

easily verified. Agency Finance Directors may be called upon to assist in developing a consensus reporting format. Staff is inviting suggestions from the TOC Audit Subcommittee.

Please contact Monica Salazar at msalazar@octa.net or (714) 560-5905 for further questions or comments.