



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 22, 2010, at 9:00 a.m.

REVISED

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 Buffa

Invocation

Chairman Amante



BOARD AGENDA

Special Matters

1. Presentation of Resolutions of Appreciation for Employees of the Month for February 2010

Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2010-012, 2010-013, 2010-014 to Mohamed Adnan, Coach Operator; Ray Consiglio, Maintenance; and Andrea West, Administration, as Employees of the Month for February 2010.

Consent Calendar (Items 2 through 18)

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 Board Member Travel

Approval is requested for Director Arthur Brown to travel to Washington D.C., March 13 - 17, 2010, to participate in the American Public Transportation Association (APTA) Legislative Conference.

3. Approval of Minutes

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of February 8, 2010.

4. Audit Responsibilities of the Finance and Administration Committee

Kathleen M. O'Connell

Overview

The Finance and Administration Committee of the Board of Directors of the Orange County Transportation Authority has functioned as an audit committee in its oversight of audit activities. In December 2007, the Board of Directors adopted Audit Responsibilities of the Finance and Administration Committee to formally establish the responsibilities of the Finance and Administration Committee with regard to audits. The responsibilities include an annual affirmation of the roles and responsibilities of the Finance and Administration Committee in fulfilling this function.



BOARD AGENDA

4. (Continued)

Recommendation

Affirm the Audit Responsibilities of the Finance and Administration Committee.

5. **Investments: Compliance, Controls, and Accounting, January 1 through June 30, 2009**

Kathleen M. O'Connell

Overview

The Internal Audit Department has completed a review of investments for the period January 1, 2009 through June 30, 2009. Based on the review, it appears that the Orange County Transportation Authority is in compliance with its debt, investment, and accounting policies and procedures. There were no audit findings or recommendations resulting from this review.

Recommendation

Receive and file Investments: Compliance, Controls, and Accounting, January 1 through June 30, 2009, Internal Audit Report No. 10-505.

6. **Evaluation of Independent Auditor and Consideration of Contract Amendment to Extend Audit Services through the Fiscal Year Ending June 30, 2010**

Kathleen M. O'Connell

Overview

The Internal Audit Department has prepared an evaluation of the Orange County Transportation Authority's independent auditor, Mayer Hoffman McCann P.C. and, based on the evaluation, is recommending that the Board of Directors authorize the execution of an amendment to Agreement No. C-6-0667 to exercise the first option term to provide audit services for the fiscal year ending June 30, 2010.



BOARD AGENDA

6. (Continued)

Recommendations

- A. Approve draft evaluation findings and comments prepared by the Internal Audit Department for the Finance and Administration Committee.

- B. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-6-0667 between the Orange County Transportation Authority and Mayer Hoffman McCann P.C., to exercise the first option term, in an amount not to exceed \$339,500, for the annual financial audit for the fiscal year ending June 30, 2010, for a total contract amount of \$1,307,380.

7. Orange County Transportation Authority Internal Audit Department Peer Review Report

Kathleen M. O'Connell

Overview

An external quality assurance, or peer, review has been completed of the Internal Audit Department of the Orange County Transportation Authority. The peer review found that the Internal Audit Department's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for the year ended December 31, 2009. The peer review team also provided a management letter with recommendations to further strengthen the internal quality control system.

Recommendation

Direct the Internal Audit Department to implement recommendations provided by the Association of Local Government Auditors in a letter dated February 5, 2010.



BOARD AGENDA

8. State Legislative Status Report Manny Leon/Kristine Murray

Overview

The State Legislative Status Report includes background information on the recently elected leaders of the State Legislature and a report on the Senate democratic transportation funding proposal. In addition, a support with amendment position is recommended on SB 901 (Ashburn, R-Bakersfield) that would allow local and regional agencies to apply for a Letter of No Prejudice for eligible projects funded under the Proposition 1B Highway-Railroad Crossing Safety Account. Lastly, information relative to the state's debt service levels is also provided.

Recommendation

Adopt the following recommended position on legislation:

Support with amendment SB 901 (Ashburn, R-Bakersfield), which would allow local and regional agencies to apply for a Letter of No Prejudice for eligible projects funded under the Proposition 1B Highway-Railroad Crossing Safety Account

9. Federal Legislative Status Report Richard J. Bacigalupo/Kristine Murray

Overview

This Federal Legislative Status Report provides information on the President's recently released federal fiscal year 2011 budget, outlines the Senate's expected job stimulus legislation, and seeks approval to amend the Orange County Transportation Authority's 2010 Federal Legislative Platform to support federal funding for transit operating assistance.

Recommendation

Authorize the Chief Executive Officer to amend the Orange County Transportation Authority 2010 Federal Legislative Platform to add support for federal funding for transit operating assistance, under the conditions provided in Principles for Emergency Support for Public Transportation.



BOARD AGENDA

- 10. Second Quarter Fiscal Year 2009-10 Procurement Status Report**
Virginia Abadessa/Kenneth Phipps

Overview

The second quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from October 1, 2009 through December 31, 2009, with a dollar value greater than \$250,000. The second quarter procurement status report also projects future procurement activity for the third quarter as identified in the fiscal year 2009-10 annual budget.

Recommendation

Receive and file as an information item.

- 11. Amendment to Agreements for Vanpool Services**
Stella Lin/Ellen S. Burton

Overview

On June 11, 2007, the Board of Directors approved agreements with VPSI Inc. and Enterprise Rent-A-Car Company of Los Angeles to provide subsidized commuter vanpool services. This report requests approval to exercise the first option term of those agreements.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 3 to exercise the first option year from July 1, 2010 to June 30, 2011 for Agreement No. C-7-0735 between the Orange County Transportation Authority and VPSI Inc. and Agreement No. C-7-0272 between the Orange County Transportation Authority and Enterprise Rent-A-Car Company of Los Angeles. The value of the option year to be shared between each firm, based upon the number of vanpools operated, is \$1,547,265 with a total maximum cumulative obligation of \$6,793,665.



BOARD AGENDA

Orange County Local Transportation Authority Consent Calendar Matters

12. Review of Metrolink Audit Activities

Kathleen M. O'Connell

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed a review of the audit activities of the Southern California Regional Rail Authority. The review was conducted in response to a recommendation made during the Orange County Transportation Authority's fiscal year 2004-06 state triennial audit. Recommendations have been made to enhance the internal audit function at the Southern California Regional Rail Authority and management has indicated that they will be implemented.

Recommendation

Receive and file Review of Metrolink Audit Activities, Internal Audit Report No. 08-010.

13. Measure M2 Progress Report for October 2009 through December 2009

Andrew Oftelie/Kenneth Phipps

Overview

Staff has prepared a Measure M2 progress report for October through December 2009 for review by the Orange County Transportation Authority Board of Directors. Despite current economic conditions, implementation of Measure M2 continues at a fast pace. The report highlights progress on Measure M2 projects and programs and is made available to the public via the Orange County Transportation Authority website.

Recommendation

Receive and file as an information item.



BOARD AGENDA

14. Southern California Regional Rail Authority Fiscal Year 2009-10 Budget Update and Temporary Service Reductions

Michael Litschi/Darrell Johnson

Overview

Due to declining fare revenues and several unanticipated cost items, the Southern California Regional Rail Authority is projecting a shortfall of approximately \$11.884 million in its fiscal year 2009-10 operating budget. On January 8, 2010, the Southern California Regional Rail Authority Board of Directors approved a revised budget which included reductions in expenses, including temporary Metrolink service reductions and suspension of some weekend service on the Orange County and Inland Empire – Orange County lines, in order to balance the budget while minimizing the impact on the Orange County Transportation Authority's current year Metrolink operating subsidy.

Recommendation

Support the temporary suspension of four trains on the Orange County Line on Saturday and Sunday, as well as four trains on the Inland Empire – Orange County Line on Saturday, two trains on Sunday, and two off-peak trains on weekdays, through the remainder of fiscal year 2009-10.

15. Amendments to Consulting Agreements for Step Two Go Local Bus/Shuttle Service Planning

Dana Wiemiller/Beth McCormick

Overview

Beginning in October 2008, the Orange County Transportation Authority Board of Directors has approved 30 Go Local Project S bus/shuttle proposals for advancement into Step Two detailed service planning. In October 2009, the Board of Directors approved an additional 22 Measure M2 Project V community-based transit circulator concepts to be included in the Step Two service planning effort. Amendments to the agreements with the project management consultant and service planning consulting bench are necessary to accommodate the additional work required for Project S and Project V Step Two detailed service planning.



BOARD AGENDA

15. (Continued)

Recommendations

- A. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-1144 between the Orange County Transportation Authority and TSG Enterprises, Inc., dba: The Solis Group, in an amount not to exceed \$150,952, for the provision of Step Two project management assistance, bringing the total contract value to \$400,552.

- B. Authorize the Chief Executive Officer to execute amendments to Agreement No. C-8-1012 with Dan Boyle and Associates, Inc., Agreement No. C-8-1216 with HDR Engineering, Inc., Agreement No. C-8-1217 with IBI Group, and Agreement No. C-8-1239 with Transportation Management and Design, Inc., in an amount not to exceed \$632,000 for a new combined maximum obligation of \$1,712,000 among all agreements.

Orange County Transit District Consent Calendar Matters

16. Amendment to Agreement for Bravo! Program Management Consultant Gordon Robinson/Beth McCormick

Overview

On November 23, 2009, the Board of Directors approved a recommendation to substitute the planned three Bravo! bus rapid transit corridors with traffic signal synchronization for the purposes of meeting air quality mandates. An amendment to exercise the final option term in Agreement No. C-5-2585 with Carter & Burgess, Inc., is necessary to continue to provide program oversight and project management support during the implementation of the traffic signal synchronization work on these three corridors.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 14 to Agreement No. C-5-2585 between the Orange County Transportation Authority and Carter & Burgess, Inc. to exercise the second option term at no additional cost, to provide professional consulting services for the oversight of the traffic signal synchronization implementation in fiscal years 2009-10 and 2010-11.



BOARD AGENDA

17. **PREVIOUSLY SCHEDULED ITEM HAS BEEN PULLED.**
18. **Request for Proposals for Bus Advertising Revenue Program**
Stella Lin/Ellen S. Burton

Overview

As part of the Orange County Transportation Authority's effort to generate revenue to operate its bus service, advertising is sold on its fleet of fixed-route and ACCESS bus vehicles. The current contract with Titan Outdoor will expire August 31, 2010. Staff has developed a request for proposals to initiate a competitive procurement process to retain a concessionaire to sell, place, and maintain advertisements on the interior and exterior of our buses.

Recommendations

- A. Approve the proposed evaluation criteria and weightings for Request for Proposals 0-1329 for selection of a concessionaire.
- B. Approve the release of Request for Proposals 0-1329 for sales of interior and exterior bus advertising.

Regular Calendar

19. **PREVIOUSLY SCHEDULED ITEM HAS BEEN PULLED.**

Orange County Transit District Regular Calendar Matters

20. **March 2010 Service Change Update**
Gordon Robinson/Beth McCormick

Overview

On November 23, 2009, the Orange County Transportation Authority Board of Directors approved a bus service reduction program of up to 300,000 annual revenue vehicle hours. Staff was directed to reduce service by 150,000 annual revenue vehicle hours in March 2010 with the stipulation that the remaining 150,000 hours may be removed later in the year should available revenue levels fail to improve. Following the direction provided by the Transit Committee, staff was also tasked to work with stakeholders regarding proposals affecting service in the Fullerton-North Orange County area and to confirm and convey the start times and status of Night Owl trips



BOARD AGENDA

20. (Continued)

and other early morning and late night trips on other routes. Finally, staff was directed to initiate a comprehensive systemwide transit study to develop recommendations to improve the effectiveness and efficiency of bus service delivery.

Recommendation

Receive and file as an information item.

Discussion Items

21. 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.

22. Chief Executive Officer's Report

23. Directors' Reports

24. Closed Session

- A. Pursuant to Government Code Section 54956.9(a) to discuss Orange County Transportation Authority v. Commercial Family Limited Partnership, et al; Orange County Superior Court Case No. 30-2009-00116864.
- B. Pursuant to Government Code Section 54957.6 to meet with designated OCTA representative, Paddy Gough, to discuss fringe benefits for unrepresented employees, and negotiations with Teamsters Local 952; negotiator, Patrick Kelly, represents the coach operators and maintenance employees.



BOARD AGENDA

25. Adjournment

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



ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

ANDREA WEST

WHEREAS, the Orange County Transportation Authority recognizes and commends Andrea West in her role with the Government Relations Divisions at the OCTA. Andrea has performed her responsibilities as a Local Government Relations Representative in a professional, effective and collaborative manner; and

WHEREAS, Andrea West is recognized for her efforts in coordinating and implementing the successful "CEO City Tour" including all thirty-four Orange County Cities and the County of Orange, a stated goal of the CEO; and

WHEREAS, Andrea West has demonstrated remarkable leadership in efforts to coordinate with multiple public agencies and stakeholders on efforts to bring High Speed Rail to Southern California; and

WHEREAS, Andrea West led all efforts to implement the successful 2009 OCTA Leadership Forums held in all five Orange County Supervisorial Districts that included all OCTA Board Members, OCTA Senior Executive Staff and community leaders from all over Orange County; and

WHEREAS, Andrea West has built an impressive network of city leaders, city staff and other interests and works effectively in that arena to help OCTA advance Board-directed priorities.

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Andrea West as the Orange County Transportation Authority Administration Employee of the Month for February 2010; and

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

Dated: February 22, 2010

Jerry Amante, Chairman
Orange County Transportation Authority

Will Kempton, Chief Executive Officer
Orange County Transportation Authority





ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

RAY CONSIGLIO

WHEREAS, the Orange County Transportation Authority recognizes and commends Ray Consiglio; and

WHEREAS, be it known that Ray is a valued member of the Maintenance Department. Ray is proficient in all areas of bus vehicle trouble shooting and repair and is an expert in engine rebuild;

WHEREAS, be it known that Ray is a principal player in our Maintenance Department with his innovative contributions, service and commitment. Ray has disassembled and rebuilt the Cummins ISL engine using service manuals;

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 Ray Consiglio as the Orange County Transportation Authority Maintenance Employee of the Month for February, 2010; and

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

Dated: February 22, 2010

Jerry Amante, Chairman
Orange County Transportation Authority

Will Kempton, Chief Executive Officer
Orange County Transportation Authority





ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

MOHAMED ADNAN

WHEREAS, the Orange County Transportation Authority recognizes and commends Mohamed Adnan; and

WHEREAS, let it be known that Mohamed Adnan has demonstrated excellent customer service skills, and has been with the Authority since September 2001. He has distinguished himself by maintaining an outstanding record for safety, attendance and customer relations; and

WHEREAS, Mohamed's dedication to his duties and desire to excel are duly noted, and he is recognized as an outstanding Authority employee who has consistently demonstrated a level of professionalism that is the embodiment of the Authority's core values; and

WHEREAS, be it known that Mohamed Adnan takes great pride in his driving skills and demonstrates true professionalism in his overall performance as an OCTA Coach Operator.

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Mohamed Adnan as the Orange County Transportation Authority Coach Operator of the Month for February 2010; and

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

Dated: February 22, 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
February 8, 2010

Call to Order

The February 8, 2010, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Vice Chair Bates at 9:02 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

Roll Call

Directors Present: Patricia Bates, Vice Chair
Arthur C. Brown
Peter Buffa
Bill Campbell
Carolyn Cavecche
William J. Dalton
Richard Dixon
Don Hansen
John Moorlach
Janet Nguyen
Curt Pringle
Miguel Pulido
Gregory T. Winterbottom
Cindy Quon, Governor's Ex-Officio Member

Also Present: Will Kempton, Chief Executive Officer
James S. Kenan, 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: Jerry Amante, Chairman
Paul Glaab
Allan Mansoor

Invocation

Vice Chair Bates gave the invocation.

Pledge of Allegiance

Director Hansen led the Board and audience in the Pledge of Allegiance.

Special Matters

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

Vice Chair Bates presented 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, who were recently voted Employees of the Year for 2010.

Consent Calendar (Items 2 through 15)

Vice Chair Bates 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

2. Approval of Minutes

A motion was made by Director Brown, seconded by Director Moorlach, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 25, 2010.

3. Fiscal Year 2008-09 Annual Financial Reports

A motion was made by Director Brown, seconded by Director Moorlach, and declared passed by those present, to receive and file the fiscal year 2008-09 annual financial reports as information items.

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

A motion was made by Director Brown, seconded by Director Moorlach, and declared passed by those present, to receive and file the Fiscal Year 2008-09 Auditor's Communication with Those Charged with Governance.

5. Fiscal Year 2008-09 Management Letter

A motion was made by Director Brown, seconded by Director Moorlach, and declared passed by those present, to receive and file the Fiscal Year 2008-09 Management Letter.

6. Authority to Acquire Right-of-Way for Placentia Avenue Railroad Grade Separation Project and Provide Relocation Assistance and Benefits

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

- 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

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

- 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

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

- 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.

9. Letter of No Prejudice for the Imperial Highway (State Route 90) and Associated Road Smart Street Brea Project

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

- 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

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

- 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

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

- 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.

11. (Continued)

- 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.

Vice Chair Bates abstained from voting on Recommendation A, due to a potential conflict.

Orange County Local Transportation Authority Consent Calendar Matters

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

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

- 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.

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

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

- 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.

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

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

- 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.

15. Measure M Quarterly Progress Report

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

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

16. 2010 State Transportation Improvement Program

Kurt Brotcke, Director of Strategic Planning, presented staff's recommendations for the 2010 State Transportation Improvement Program (STIP). Mr. Brotcke highlighted the project nomination process and the manner in which the STIP is updated every two years.

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

- 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

Kia Mortazavi, Executive Director of Development, presented this item to the Board and provided background as well as an update on the Jobs for Main Street Act (JMSA). Mr. Mortazavi stated that while there is no funding in the 2010 STIP, the JMSA, if signed into a final bill, could provide funding for major projects in Orange County.

He stated that the bill passed the House in December, and the Senate is considering their version of the bill, and it is unknown at this time when the bill will be finalized. It is staff's understanding, that the goal is to have something by mid-February.

Mr. Mortazavi provided details of the bill's potential provisions and funding for transportation, and it is estimated that the final bill could provide approximately \$103 million to Orange County in regional funds, \$77 million for transit, and \$4 million for transportation enhancement.

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

- 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.
- 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, Program Manager for Highway Project Delivery, and Gerald Nielsten, Senior Principal for Stantec, who presented the outcome of the Traffic and Revenue Analysis performed recently to determine the financial viability of implementing express lanes on the Interstate 405 (I-405)

18. (Continued)

Ms. Casey presented the three study alternatives under consideration for this corridor and details on each.

Director Pringle requested capacity volumes for vehicles on Interstate 405 under each of the study alternatives presented for lane additions.

Discussion followed, and staff's consensus was that it would be premature at this time to select an definite alternative prior to the necessary environmental work being performed.

Director Campbell expressed concerns that promises made to the public through Measure M's passage be carried out and for that of "mixing" funds.

Director Cavecche stated she would like to see this item come back through the Finance and Administration Committee when appropriate for any further action.

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

- 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.

Discussion Items

19. Public Comments

Vice Chair Bates 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.

There were no public comments offered at this time.

20. Chief Executive Officer's Report

Chief Executive Officer, Will Kempton, reported:

- Upcoming meetings and events;
- A Transit Forum was held at Chapman University on Friday, February 5, which included many significant transportation officials and high-level legislators;
- A passenger at the Laguna Niguel train station was seriously injured by a train this morning when he reached onto the track to retrieve an item;
- Introductory meetings with all 34 cities have been completed.

21. Directors' Reports

Director Moorlach stated that he recently requested information on a recent Diamond sponsorship, and asked for details.

Ellen Burton, Executive Director of External Affairs, responded that the sponsorship was part of the education program with the Orange County Register, and as part of that, they did some additional advertising; there was no cost to OCTA.

Director Moorlach suggested OCTA request reimbursement by the State for costs related to efforts on Senate Bill 375.

Vice Chair Bates offered this would be a good topic to come through the Legislative and Communications Committee.

Director Winterbottom expressed his appreciation for the successful Transit Forum on February 5. Director Winterbottom reported that the event was very well-attended, and complimented Director Pringle on his "Fly California" presentation, displaying how high-speed rail will perform.

Director Pringle, in his role as Chairman of the California High-Speed Rail Authority, informed the Board that the Executive Director of that organization will be retiring in March. He stated that a compensation package has been approved, and a recruitment for the position is underway.

22. Closed Session

A Closed Session was not conducted.

23. Adjournment

The meeting adjourned at 10:23 a.m. 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.

ATTEST

Wendy Knowles
Clerk of the Board

Patricia Bates
OCTA Vice Chair



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 17, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Audit Responsibilities of the Finance and Administration Committee

Overview

The Finance and Administration Committee of the Board of Directors of the Orange County Transportation Authority has functioned as an audit committee in its oversight of audit activities. In December 2007, the Board of Directors adopted Audit Responsibilities of the Finance and Administration Committee to formally establish the responsibilities of the Finance and Administration Committee with regard to audits. The responsibilities include an annual affirmation of the roles and responsibilities of the Finance and Administration Committee in fulfilling this function.

Recommendation

Affirm the Audit Responsibilities of the Finance and Administration Committee.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function whose purpose is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities. Internal Audit also monitors the activities of external auditors, including the independent financial statement auditors. The Finance and Administration Committee (Committee) has served as OCTA's audit committee, having primary responsibility for the oversight of all audit activities.

Discussion

The Committee receives and reviews the annual internal audit plan, all audit reports and management responses, and quarterly updates to the internal audit plan. The Committee reviews the independently audited financial statements of

OCTA and related entities, as well as the external auditor's required communications, including the management letter.

The Board of Directors adopted Audit Responsibilities of the Finance and Administration Committee to establish the responsibilities of the Finance and Administration Committee with regard to audit. The responsibilities include an annual affirmation of the roles and responsibilities of the Committee in fulfilling this role. These roles and responsibilities were developed using guidance provided by the American Institute of Certified Public Accountants, the national professional organization for certified public accountants.

At this time, Internal Audit is making no recommendations for revisions to the document.

Summary

Audit Responsibilities of the Finance and Administration Committee include Committee review of OCTA's audited financial statements, oversight of its Internal Audit function, and communication with its external auditors. These responsibilities are presented for Committee affirmation.

Attachment

- A. Orange County Transportation Authority Audit Responsibilities of the Finance and Administration Committee

Prepared by:



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

**Orange County Transportation Authority
Audit Responsibilities of the Finance and Administration Committee**

The Finance and Administration Committee (Committee) of the Board of Directors of the Orange County Transportation Authority (OCTA) will assist the Board of Directors in fulfilling its audit oversight responsibilities with regard to (1) the integrity of OCTA's financial statements, (2) OCTA's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of OCTA's internal audit function. In providing this assistance to the Board of Directors, the Committee will assume audit responsibilities as provided herein and recommend action on all audit matters to the full Board of Directors.

All Committee members will participate in fulfilling these responsibilities. At least one of the Committee members will have financial experience sufficient to provide guidance and assistance to other Committee members on matters related to accounting, auditing, budgeting, and finance.

Audit responsibilities of the Committee will include, but not be limited to, the following:

Financial Statements

- Review with management and the external auditors:
 - The annual financial audit reports and related footnotes, schedules, unadjusted differences, and management letter, including OCTA accounting principles and significant estimates or judgments impacting the financial statements.
 - Any serious difficulties or disputes with management encountered during the audit.
 - Matters required to be discussed by Statements on Auditing Standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants or other state or federal agencies.
- Inquire of the Chief Executive Officer and the Executive Director of Finance and Administration regarding the fiscal health of OCTA as well as the financial status of OCTA in relation to its adopted budget.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the Internal Audit Department.
- Inquire of the external auditors, internal auditors, and management about significant risks or exposures facing OCTA and assess the steps management has taken or proposes to take to minimize such risks.
- Review the performance of the external auditors, including any issues arising during their most recent quality-control or peer review, their independence as it relates to OCTA and recommend to the Board of Directors the appointment or discharge of the external auditors.

Orange County Transportation Authority
Audit Responsibilities of the Finance and Administration Committee

Internal Audit

- Review with management and the Executive Director of the Internal Audit Department the Annual Audit Plan and quarterly reports of audit activity.
- Review the activities, staffing, budget, independence, and organizational structure of the internal audit function, including the effectiveness of the function and its compliance with the Government Accountability Office's *Government Auditing Standards* (Yellow Book).
- Review all internal audit reports, including management responses thereto.
- Ensure there are no unjustified restrictions or limitations placed upon the Internal Audit Department.
- Review and concur in the appointment, replacement, or dismissal of the Executive Director of the Internal Audit Department.

Internal Control

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Consider the effectiveness of the OCTA's internal control system, including information technology security and control.

Other

- Review the Audit Responsibilities of the Finance and Administration Committee annually to reassess their adequacy and recommend any proposed changes.
- Review the Committee's effectiveness in carrying out its responsibilities.
- Other matters deemed appropriate by the Committee Chairman or as directed by the Chairman of the Board of Directors.



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 17, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Investments: Compliance, Controls, and Accounting, January 1 through June 30, 2009

Overview

The Internal Audit Department has completed a review of investments for the period January 1, 2009 through June 30, 2009. Based on the review, it appears that the Orange County Transportation Authority is in compliance with its debt, investment, and accounting policies and procedures. There were no audit findings or recommendations resulting from this review.

Recommendation

Receive and file Investments: Compliance, Controls, and Accounting, January 1 through June 30, 2009, Internal Audit Report No. 10-505.

Background

The Treasury/Public Finance Department is responsible for management of the Orange County Transportation Authority's (OCTA) investment portfolio. On June 30, 2009, the investment portfolio's book value was approximately \$906.4 million. The portfolio consists of two managed portfolios: liquid assets for OCTA's daily operations and the short-term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and OCTA's treasurer manages the liquid assets portfolio. OCTA also has funds invested in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department is responsible for recording all debt and investment transactions and reconciling all bank and custodial accounts monthly.

Discussion

OCTA's investment activities are reviewed on a periodic basis by Internal Audit. The objective of this review was to determine if OCTA is in compliance

with OCTA's debt, investment, and accounting policies and procedures for the review period of January 1, 2009 through June 30, 2009.

Summary

Based on the review, investments were in compliance with OCTA's debt, investment, and accounting policies and procedures.

Attachment

- A. Investments: Compliance, Controls, and Accounting, January 1 through June 30, 2009

Prepared by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Investments: Compliance, Controls, and Accounting January 1 through June 30, 2009

INTERNAL AUDIT REPORT NO. 10-505

January 25, 2010



Internal Audit Team:

Kathleen M. O'Connell, CPA, Executive Director
Janet Sutter, CIA, Internal Audit, Section Manager
Serena Ng, CPA, Senior Internal Auditor

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

**Investments: Compliance, Controls, and Accounting
January 1 through June 30, 2009
January 25, 2010**

Conclusion.....	1
Background	1
Objectives, Scope and Methodology.....	1

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

**Investments: Compliance, Controls, and Accounting
January 1 through June 30, 2009
January 25, 2010**

Conclusion

The Internal Audit Department has completed a review of investments for the period January 1, 2009 through June 30, 2009. Based on the review, it appears that the Orange County Transportation Authority (OCTA) is in compliance with its debt, investment, and accounting policies and procedures.

Background

The Treasury/Public Finance Department is responsible for management of OCTA's investment portfolio. On June 30, 2009, the investment portfolio's book value was approximately \$906.4 million. The portfolio consists of two managed portfolios: liquid assets for OCTA's daily operations, and the short term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and OCTA's Treasurer manages the liquid assets portfolio. OCTA also has funds invested in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department is responsible for recording all debt and investment transactions and reconciling all bank and custodial accounts monthly.

Objectives, Scope and Methodology

The primary objective of the review was to determine if OCTA was in compliance with its debt, investment, and accounting policies and procedures.

Additional audit objectives included determining if:

- Internal controls over OCTA's investment activities were adequately designed;
- OCTA was in compliance with California Government Code;
- Investment transactions were adequately supported; and
- OCTA was in compliance with investment requirements of debt issuances.

OCTA's independent auditors, Mayer Hoffman McCann P.C. (MHM), performed agreed-upon procedures with respect to the Treasury Department for the year ended June 30, 2009, and issued their report dated November 11, 2009. Internal Audit limited the scope of this review to procedures not performed by MHM during the course of their agreed-upon procedures.

The methodology consisted of reviewing a judgmental sample of daily cash worksheets prepared by the Accounting Department and the Treasury/Public Finance Department, reviewing a judgmental sample of wire transfers, and reviewing two quarterly debt and investment reports provided to OCTA's Board of Directors. The review period was January 1, 2009 through June 30, 2009.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

**Investments: Compliance, Controls, and Accounting
January 1 through June 30, 2009
January 25, 2010**

This review was conducted in accordance with Generally Accepted Government Auditing Standards, except for the triennial peer review requirement which has not yet been fulfilled. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 17, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Evaluation of Independent Auditor and Consideration of Contract Amendment to Extend Audit Services through the Fiscal Year Ending June 30, 2010

Overview

The Internal Audit Department has prepared an evaluation of the Orange County Transportation Authority's independent auditor, Mayer Hoffman McCann P.C. and, based on the evaluation, is recommending that the Board of Directors authorize the execution of an amendment to Agreement No. C-6-0667 to exercise the first option term to provide audit services for the fiscal year ending June 30, 2010.

Recommendations

- A. Approve draft evaluation findings and comments prepared by the Internal Audit Department for the Finance and Administration Committee.
- B. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-6-0667 between the Orange County Transportation Authority and Mayer Hoffman McCann P.C., to exercise the first option term, in an amount not to exceed \$339,500, for the annual financial audit for the fiscal year ending June 30, 2010, for a total contract amount of \$1,307,380.

Discussion

On January 24, 2007, the Finance and Administration Committee (Committee) of the Orange County Transportation Authority's (Authority) Board of Directors (Board) conducted interviews of two short-listed accounting firms to provide independent financial audits of the Authority and its related entities. The Committee has responsibilities equivalent to that of an audit committee and is, therefore, charged with recommending the selection of the independent financial auditors.

The Committee recommended that the Board select Mayer Hoffman McCann P.C. (MHM) as the Authority's independent auditors, succeeding Macias Gini & O'Connell LLP. The Board selected MHM on February 12, 2007, and a contract was executed for a three-year term with two one-year options.

MHM completed independent financial audits of the Authority for fiscal years ended June 30, 2007, 2008, and 2009. The contract's first option term will be for independent audit services for the fiscal year ending June 30, 2010. A decision as to whether or not to exercise the first option term should be made through a recommendation by the Committee, in its audit committee capacity, to the Board.

The American Institute of Certified Public Accountants (AICPA) provides several tools to assist audit committees in fulfilling their responsibilities. Attachment A, *Evaluating the Independent Auditors: Questions to Consider*, is the AICPA's recommended format for the evaluation of an organization's independent auditors.

The tool suggests that input be obtained from four sources including the audit committee, the chief audit executive, the chief financial officer, and the independent auditor. Internal Audit has drafted responses on behalf of the Committee and will incorporate any changes the Committee provides. The Internal Audit Department has provided comments relative to its relationship and experience with MHM and collected responses from the Authority's Accounting & Financial Reporting Department in response to questions typically posed to the chief financial officer. Finally, responses from MHM have been incorporated in the evaluation, as well as MHM's peer review report (Attachment B).

The evaluation indicates that MHM's performance over the contract period has met expectations. Strengths identified include good communication and coordination with Authority staff, responsiveness, good technical knowledge of accounting and auditing matters, timely delivery of required reports, a high degree of professionalism, and continuity of MHM management.

Two areas will require additional monitoring to ensure there are no impacts to the quality of audit services provided the Authority. First, MHM has experienced some turnover of its staff during the contract term. Staff turnover can result in inefficiency and inconvenience to Authority staff. Secondly, MHM performs work under several other audit contracts with the Authority. Internal Audit will continue to monitor the quantity and type of other services provided

by MHM to ensure that the firm's independence with regard to its financial statement opinions is not impaired, in fact or appearance.

Procurement Approach

This procurement was originally handled in accordance with the Authority's procedures for professional and technical services. The original agreement was awarded on a competitive basis. On February 12, 2007, the Board of Directors approved a contract for a three-year initial term with two one-year option terms with MHM, in the amount of \$937,880. Internal Audit has amended the scope of work several times since the contract was first executed to include additional audit requirements totaling \$30,000. Option year pricing was negotiated in the original agreement as firm fixed price. As a result of price renegotiation by the Contracts Administration and Materials Management Department, MHM has agreed to keep the same firm fixed price for the first option term as the final year of the initial term. This results in a 5 percent reduction in price, which equates to \$16,770 cost savings to the Authority. The initial term will expire March 31, 2010, requiring the first option term to be exercised and extend the term through March 31, 2011, in an amount not to exceed \$339,500, bringing the total contract to \$1,307,380 (Attachment C). Extending the term of the agreement will allow MHM to provide independent audit services of the Authority's financial statements for the fiscal year ending June 30, 2010.

Fiscal Impact

Funds to exercise the option year were not included in the Authority's fiscal year 2009-10 budget. Funds, in the amount of \$324,315, have been identified and reallocated from Contracts Administration and Materials Management, Account 1270-7519-A5150-6J7.

Summary

Based on the results of an evaluation of the Authority's independent auditor, MHM, the Internal Audit Department is recommending that the Board approve Amendment No. 4 to Agreement No. C-6-0667 with MHM, to exercise the first option term from April 1, 2010 to March 31, 2011, for audit services for the fiscal year ending June 30, 2010, in an amount not to exceed \$339,500.

Attachments

- A. Evaluating the Independent Auditor: Questions to Consider
- B. AICPA Peer Review Report by Davis, Kinard & Co., P.C.
- C. Mayer Hoffman McCann P.C. Agreement No. C-6-0667 Fact Sheet

Prepared by:



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



Virginia Abadessa
Director, Contracts Administration and
Materials Management
(714) 560-5623

Evaluating the Independent Auditor: Questions to Consider

Purpose of This Tool. The audit committee (or its equivalent) may have the responsibility to hire, fire, and evaluate the independent auditor. If the audit committee (or its equivalent) has this responsibility, the audit committee should answer a series of questions about its relationship with the independent auditor and should ask key executives in the government organization for their comments as well.

In considering information gathered through the process of evaluating the independent auditors, it is important that the audit committee give consideration to the source of the information. For example, if the chief financial officer (CFO) or controller comments that he or she believes the auditor went too far in certain areas, that would probably carry less weight in your deliberations than if the CFO or controller comments that certain areas were not tested adequately or that auditor independence had been breached. As with all deliberative processes, the different perspectives and motivations of those having input into the deliberations should be considered.

Instructions for Using This Tool. The sample questions included in this tool are only a starting point in evaluating the performance and effectiveness of the independent auditors. Audit committee members should ask follow-up questions as appropriate and required.

Evaluation of the Independent Auditors <i>Questions for Audit Committee Members</i>	Yes	No	Not Sure	Comments
1. Did the auditor meet with the audit committee when requested?	X	<input type="checkbox"/>	<input type="checkbox"/>	DRAFT MHM has met with the Finance and Administration Committee on numerous occasions to discuss audit planning, timing, scope and the results of the audits.
2. Did the auditor address issues of “tone at the top,” and antifraud programs and controls in place in the government organization?	X	<input type="checkbox"/>	<input type="checkbox"/>	DRAFT In their management letter for the fiscal year ended 06/30/07, MHM recommended that OCTA develop a policy on misconduct which led to OCTA’s development and adoption of a Code of Conduct.
3. Did the auditor inform the audit committee of any risks of which the committee was not previously aware?	X	<input type="checkbox"/>	<input type="checkbox"/>	DRAFT Due to their involvement in numerous committees and/of the Board of Directors, Committee members are well aware of the risks facing the organization. MHM has provided management letters which provide recommendations to improve controls to mitigate operational or internal control risks.
4. Did the auditor adequately discuss issues of the quality of financial reporting, including the applicability of new and significant accounting principles? Did the auditor adequately discuss issues relating to the government’s conformance with local laws, regulations, and oversight requirements?	X	<input type="checkbox"/>	<input type="checkbox"/>	DRAFT - MHM meets with the Committee annually to discuss their financial statement opinions, their management letter and other issues of accounting and auditing significance, including OCTA’s compliance with FTA and TDA requirements.

Evaluation of the Independent Auditors <i>Questions for Audit Committee Members</i> <i>(continued)</i>	Yes	No	Not Sure	Comments
5. Did the auditor communicate issues freely with the audit committee, or did they seem protective of management?	X	<input type="checkbox"/>	<input type="checkbox"/>	DRAFT MHM has been forthright in its comments to the Committee and has shared all significant findings in its annual management letters to the Board of Directors.
6. Does it appear that management exercises undue influence on the independent auditors?	<input type="checkbox"/>	X	<input type="checkbox"/>	DRAFT It does not appear that management exercises undue influence on the independent auditors. OCTA's contract with the independent auditors is managed by the Internal Audit Department to mitigate the risk of management influence.
7. Does it appear that the independent auditors are reluctant or hesitant to raise issues that would reflect negatively on management?	<input type="checkbox"/>	X	<input type="checkbox"/>	DRAFT This would not appear to be the case, as comments provided by the independent auditor in its management letters have been professionally critical of certain policies and procedures.
8. Is the audit committee satisfied with the planning and conduct of the audit, including the financial statements and internal control over financial reporting (as applicable)?	X	<input type="checkbox"/>	<input type="checkbox"/>	DRAFT Yes, the audit committee is satisfied with the planning, conduct, and evaluations of internal controls over financial reporting.

Evaluation of the Independent Auditors <i>Questions for Audit Committee Members</i> <i>(continued)</i>	Yes	No	Not Sure	Comments
<p>9. Review all audit-related and nonaudit services conducted by the independent auditor in the prior year. Are you satisfied that the independent auditor remains independent and objective both in fact and appearance?</p>	<p>X</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p>DRAFT MHM has not provided any nonaudit services during fiscal year 2008-2009. However, they have provided audit services under several contracts. MHM performs OCTA’s annual TDA audits. The annual fee for these audits is approximately \$60,000. MHM also performs on-call price reviews. During FY 2008-2009, the firm completed 2 price reviews in the total amount of \$36,656. Finally, MHM competed under the Internal Audit Department’s general on-call auditing contract and was awarded one contract task order for audits of Combined Transportation Funding Program (CTFP) projects in the amount of \$53,360. Total fees, therefore, for additional audit related work amounted to approximately \$150,000. While this is a substantial sum, it is still far less than the financial statement opinion engagement for which fees amount to approximately \$350,000. The Internal Audit Department and Finance and Administration Committee will monitor this situation to ensure that MHM’s fees for work done on projects other than the financial statement audits do not create an impairment or the appearance thereof.</p>

Evaluation of the Independent Auditors <i>Questions for Audit Committee Members</i> <i>(continued)</i>	Yes	No	Not Sure	Comments
<p>10. Understand the size of the firm and its total revenues firm-wide, for the office(s) providing a substantial amount of services to the government, and the book-of-business of the partner-in-charge of the audit. Is the firm, the office, or the partner dependent on the government engagement for a material percentage of its fee income? If so, the audit committee should consider whether this impairs the appearance of independence with respect to the government.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>DRAFT MHM is a national CPA firm with approximately 250 shareholders and over 35 offices throughout the United States. OCTA’s audit is managed by shareholder Marc Davis of the Irvine Office. Mr. Davis is the “partner-in-charge” of numerous government clients both within and outside of Orange County, including cities, special districts and the federal government. His extensive book of business helps ensure that he remains independent, in both fact and appearance.</p>
<p>11. Is the audit committee satisfied with its relationship with the auditor? In making this determination, the audit committee should consider (a) whether the partner-in-charge of the audit participated in audit committee meetings, (b) whether the auditor was frank and complete in the required discussions with the audit committee, (c) whether the auditor was frank and complete during executive sessions with the audit committee, (d) whether the auditor was on time in the delivery of services to the government.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>DRAFT The Committee is satisfied with its relationship with MHM. The engagement shareholder participates in Committee meetings, appears technically knowledgeable about accounting and auditing matters, is honest and forthright with the Committee and appears to work well with OCTA management and staff.</p>
<p>13. Was the audit fee fair and reasonable in relation to what the audit committee knows about fees charged to other government organizations, and in line with fee benchmarking data the audit committee might have available?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>DRAFT OCTA goes through a competitive procurement for independent auditing services. During a 2006 procurement, MHM proposed \$322,900 as fees for fiscal year 2008-2009. The second rated firm, Macias Gini & O’Connell, proposed fees of \$411,495. The other four proposing firms scored well below the top two ranked firms as to qualifications and experience.</p>

Evaluation of the Independent Auditors	Yes	No	Not Sure	Comments
12. Did the independent auditor provide constructive observations, implications, and recommendations in areas needing improvement, particularly with respect to the organization’s internal control system over financial reporting? How constructive are the key issues communicated in the management letter and other disclosures on audit findings and recommendations?	X	<input type="checkbox"/>	<input type="checkbox"/>	DRAFT MHM provides meaningful and useful recommendations in its annual management letter. The findings and recommendations have had impact in the areas of (1) financial reporting, (2) internal controls, (3) compliance with laws and regulations and (4) program efficiencies.

Following are some questions the audit committee (or its equivalent) should ask different individuals in the government organization to assist in evaluating the performance of the independent auditors.

Evaluation of the Independent Auditors	Yes	No	Not Sure	Comments
Chief Audit Executive				
1. From your perspective in working with the independent auditors, are you satisfied with the scope, nature, extent, and timing of the testing performed by the independent auditor?	X	<input type="checkbox"/>	<input type="checkbox"/>	MHM, internal auditors, and staff from the Accounting and Financial Reporting Department meet annually for a more in-depth “kick-off” of the annual audit. The scope, nature, extent and timing of planned testwork is discussed. Auditors are informed of current issues and events which could impact the scope, nature, extent and timing of audit procedures.
2. Did the independent auditor work with you to ensure the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources?	X	<input type="checkbox"/>	<input type="checkbox"/>	During the planning phase of the audit, MHM reviews all of the work performed by the Internal Audit Department to ensure there is no duplication of effort and to understand the nature and results of Internal Audit work. Through its contract with OCTA, MHM receives some assistance (in the way of staff time) from Internal Audit and plans for the most effective and efficient use of that time.
3. <i>a.</i> Are you satisfied with the knowledge, skills, and abilities of the staff assigned to do the audit work?	X	<input type="checkbox"/>	<input type="checkbox"/>	MHM’s reputation as a strong presence in the government arena is evident to Internal Audit. MHM staff are well versed in current Government Accountability Office (GAO) and Government Accounting Standards Board (GASB) standards and pronouncements ,as well as other technical guidance. This knowledge is very helpful in interpreting the effect of these rules and standards on OCTA. MHM staff’s experience with other government entities within the region provides perspective that results in useful advise and sound recommendations.

Evaluation of the Independent Auditors <i>Chief Audit Executive (continued)</i>	Yes	No	Not Sure	Comments
<i>b.</i> Are you satisfied with the engagement leadership assigned, including the partner(s), manager(s), and fieldwork leaders?	X	<input type="checkbox"/>	<input type="checkbox"/>	The engagement shareholder has a consistent presence during the audit. He attends all weekly status meetings with his staff and that of OCTA. He is responsive to phone calls and emails and is timely in following up on questions and requests.
4. <i>a.</i> Did the independent auditors work with the internal auditors according to the plan?	X	<input type="checkbox"/>	<input type="checkbox"/>	The coordination between MHM and Internal Audit has been excellent throughout the contract period.
<i>b.</i> Was the cooperative work conducted in the spirit of professionalism and mutual respect?	X	<input type="checkbox"/>	<input type="checkbox"/>	Communication and cooperation between MHM, Internal Audit and OCTA staff is consistently professional and respectful.
5. Are you satisfied that the independent auditors remain independent of the government in spite of any audit-related or nonaudit services the auditor provides to the government?	X	<input type="checkbox"/>	<input type="checkbox"/>	MHM, in addition to the financial audit, provides other audit related services under on-call price review and general audit contracts. While fees from the other activities are less than 50% of the financial audit fee, Internal Audit will remain alert to the potential for the appearance of a lack of independence.
6. <i>a.</i> Are you aware of any other information that might impair the independence of the independent audit firm?	<input type="checkbox"/>	X	<input type="checkbox"/>	No other information has come to Internal Audit's attention which could indicate an impairment of MHM's independence.
<i>b.</i> Are you aware of any individuals on the audit team that might not be independent with respect to the government for whatever reason?	<input type="checkbox"/>	X	<input type="checkbox"/>	No information has come to Internal Audit's attention which could indicate an impairment in the independence of MHM's staff.
7. <i>a.</i> If the choice were yours, would you hire the firm to conduct next year's audit?	X	<input type="checkbox"/>	<input type="checkbox"/>	Internal Audit has been pleased with the professionalism, responsiveness and technical expertise of MHM.
<i>b.</i> What changes would you make?	<input type="checkbox"/>	<input type="checkbox"/>	X	None at this time.

Evaluation of the Independent Auditors	Yes	No	Not Sure	Comments
<i>CFO and Controller</i>				
1. From your perspective in working with the independent auditor, are you satisfied with the scope, nature, extent, and timing of the testing performed by the independent auditors?	X	<input type="checkbox"/>	<input type="checkbox"/>	
2. Are you satisfied with the knowledge, skills, and abilities of the staff assigned to the audit work? Did the auditor appear to have sufficient knowledge of the most recent generally accepted government auditing standards (GAGAS) as set forth by the Government Accountability Office (GAO), as well as AICPA auditing standards?	X	<input type="checkbox"/>	<input type="checkbox"/>	
3. Are you satisfied with the engagement leadership assigned, including the partner(s), manager(s), and fieldwork leaders?	X	<input type="checkbox"/>	<input type="checkbox"/>	The engagement principal and team leads were easily accessible and responsive.
4. a. If the choice were yours, would you hire the firm to conduct next year's audit?	X	<input type="checkbox"/>	<input type="checkbox"/>	
b. What changes would you make?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Accounting and Financial Reporting Department has requested that the auditors provide tentative materiality levels by fund to assist staff in making accrual/adjustment decisions.
5. Did the auditor comply with the requirements as set forth in the request for proposal and/or subsequent contract for auditor services?	X	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Independent Auditor</i>				
1. What were the results of the firm's peer review?	X	<input type="checkbox"/>	<input type="checkbox"/>	In our most recent peer review report dated September 26, 2008, MHM received an unqualified opinion on the design of the firm's system of quality control so as to provide reasonable assurance of complying with applicable professional standards.

Evaluation of the Independent Auditors	Yes	No	Not Sure	Comments
<i>Independent Auditor (continued)</i>				
2. Does the audit organization have a quality control system for monitoring compliance with independence requirements?	X	<input type="checkbox"/>	<input type="checkbox"/>	MHM's system of quality control includes procedures for evaluating compliance with independence requirements.
3. Does the audit organization have a quality control system for monitoring compliance with continuing professional education requirements?	X	<input type="checkbox"/>	<input type="checkbox"/>	MHM's system of quality control includes procedures for monitoring compliance with continuing professional education requirements.



Davis, Kinard & Co., P.C.
Certified Public Accountants

First Financial Bank Building
400 Pine Street, Suite 600
Abilene, Texas 79601-5138
Office (325) 672-4000
FAX (325) 672-7049
1-800-588-2525

September 26, 2008

To the Shareholders of
Mayer Hoffman McCann P.C.
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Mayer Hoffman McCann P.C. (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2008. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Mayer Hoffman McCann P.C. in effect for the year ended April 30, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with applicable professional standards.

As is customary in a system review, we have issued a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. The matters in the letter were not considered to be of sufficient significance to affect the opinion expressed in this report.

Davis, Kinard & Co., P.C.
DAVIS, KINARD & CO., P.C.

FOR MORE INFORMATION CONTACT:

American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, North Carolina 27707-8110

Attachment to the Peer Review Report of Mayer Hoffman McCann P.C.

Description of the Peer Review Process

Overview

Firms enrolled in the AICPA Center for Public Company Audit Firms (the Center) Peer Review Program have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objective of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA.

The reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards.

A peer review is based on selective tests and directed at assessing whether the design of and compliance with the firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers provides the firm with reasonable, but not absolute, assurance of complying with professional standards. Consequently a peer review on the firm's system of quality control is not intended to, and does not, provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated.

The Center's Peer Review Committee (PRC) establishes and maintains peer review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance, and examines every report, letter of comments, and accompanying response from the reviewed firm that states its corrective action plan before the peer review is finalized. The Center's staff plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the peer review reports, letters of comments, and reviewed firms' responses, they are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC.

Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the Public Company Accounting Oversight Board (PCAOB), are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. Therefore, we did not review the firm's accounting and auditing practice applicable to SEC issuers.

Planning the Review of the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

To plan the review of Mayer Hoffman McCann P.C., we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice, and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's system of quality control in preventing the performance of engagements that do not comply with professional standards.

Performing the Review of the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected engagements within those units to test for compliance with the firm's system of quality control. The engagements selected for review included engagements performed under *Government Auditing Standards*, audits of Employee Benefit Plans and audits of engagements subject to the Federal Deposit Insurance Corporation Improvement Act. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity, and objectivity; personnel management; and acceptance and continuance of clients and engagements. Prior to concluding the review, we reassessed the adequacy of scope and conducted an exit conference with firm management to discuss our findings and recommendations.



Davis, Kinard & Co., P.C.
Certified Public Accountants

First Financial Bank Building
400 Pine Street, Suite 600
Abilene, Texas 79601-5138
Office (325) 672-4000
FAX (325) 672-7049
1-800-588-2525

September 26, 2008

To the Shareholders of
Mayer Hoffman McCann P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Mayer Hoffman McCann P.C. (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2008, and have issued our report thereon dated September 26, 2008. The matters described below were not considered to be of sufficient significance to affect the opinion expressed in that report, which should be read in conjunction with this letter.

Engagement Performance

Comment – The firm’s quality control policies and procedures require the engagement shareholder, among others, to review the firm’s reports and engagement documentation for compliance with professional standards prior to report issuance. We noted instances where it was evident that a careful review was not performed. As a result, in several situations (1) the report issued did not contain all of the language required by professional standards and/or the circumstances, and (2) management representation letters were not appropriately tailored to the engagement. None of the deficiencies noted were of such significance, however, to require additional action by the firm.

Recommendation – We recommend the firm reemphasize to all professionals, particularly engagement shareholders, the importance of carefully reviewing the firm’s reports and engagement documentation, as required by the firm’s quality control policies and procedures, to ensure that the reports and documentation comply with professional standards. Further, we recommend this matter be given additional emphasis as a part of the firm’s monitoring procedures.

Davis, Kinard & Co., P.C.

DAVIS, KINARD & CO., P.C.

**Mayer Hoffman McCann P.C.
Agreement No. C-6-0667 Fact Sheet**

1. February 12, 2007, Agreement No. C-6-0667, \$937,880, approved by Board of Directors.
 - To provide annual financial audits of the Orange County Transportation Authority and related agencies for the fiscal year ending June 30, 2007, 2008, and 2009.
 - The initial term is effective February 12, 2007 through March 31, 2010.
2. July 2, 2008, Amendment No. 1 to Agreement No. C-6-0667, \$6,100, was approved by Contracts Administration and Materials Management.
 - Amendment to revise the scope of work.
3. February 2, 2009, Amendment No. 2 to Agreement No. C-6-0667, \$17,300, was approved by Contracts Administration and Materials Management.
 - Amendment to revise the scope of work.
4. January 25, 2010, Amendment No. 3 to Agreement No. C-6-0667, \$6,600, was approved by Contracts Administration and Materials Management.
 - Amendment to revise the scope of work.
5. February 22, 2010, Amendment No. 4 to Agreement No. C-6-0667, \$339,500, pending approval by Board of Directors.
 - Amendment to exercise the first option term and extend the agreement through March 31, 2011.

Total committed to Mayer Hoffman McCann P.C., Agreement No. C-6-0667: \$1,307,380.



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 17, 2010

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Orange County Transportation Authority Internal Audit Department Peer Review

Overview

An external quality assurance, or peer, review has been completed of the Internal Audit Department of the Orange County Transportation Authority. The peer review found that the Internal Audit Department's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for the year ended December 31, 2009. The peer review team also provided a management letter with recommendations to further strengthen the internal quality control system.

Recommendation

Direct the Internal Audit Department to implement recommendations provided by the Association of Local Government Auditors in a letter dated February 5, 2010.

Background

Government Auditing Standards (Standards), issued by the United States Government Accountability Office (GAO), set professional standards for the performance of government audits. One of the Standards is that audit departments undergo an external quality assurance, or peer, review once every three years. Internal audit departments may either engage an independent audit firm to have the peer review performed, or participate in a peer review program of a recognized professional association.

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) sought the assistance of the Association of Local Government Auditors (ALGA) to perform the peer review. ALGA's peer review program is well developed and is rotational in nature. In volunteering

80 hours of service on peer review teams during 2009, Internal Audit received this reciprocal peer review at minimal cost to OCTA.

The peer review was performed during the week of February 1, 2009. The peer review team consisted of two auditors from other government agencies. The review period was January 1, 2009 through December 31, 2009, and represents Internal Audit's first such review. Henceforth, peer reviews will be conducted triennially.

Discussion

The peer review process began approximately six months prior to the site visit. Internal Audit worked with an ALGA peer review coordinator to schedule the review. The coordinator solicited volunteers nationally and evaluated those volunteers' independence with regard to OCTA and Internal Audit personnel. The peer review team assembled for OCTA's peer review included an auditor from the City of Palo Alto and another from the Central New Mexico Community College system.

Prior to the site visit, the peer review team was provided with Internal Audit's policies and procedures manual, organizational chart and staff information, OCTA background information, an inventory of all audits completed during the year, and a description of Internal Audit's quality control system. The quality control system consists of processes in place to ensure Internal Audit's consistent compliance with the Standards.

Once on site, the peer review team conducted interviews of staff, reviewed workpapers, audit reports, price review reports, and other documents produced by Internal Audit. The peer review team evaluated Internal Audit's independence and the impact that non-audit services provided by Internal Audit may have on its independence, tested training records, and reviewed procedures for Internal Audit's follow-up of outstanding audit recommendations.

Peer reviews under GAO Standards result in one of three opinions. Full compliance means that the system of quality control of the reviewed audit organization was adequately designed and complied with during the period reviewed to provide reasonable assurance of conforming with the Standards. A modified opinion is one in which the peer review team concludes that, except for the effects of deficiencies described in the report, the system of quality control was adequately designed and complied with during the period. An adverse opinion is a conclusion that the system of quality control was not adequately designed and complied with to provide reasonable assurance of

compliance with the Standards. OCTA's peer review team concluded that Internal Audit was in full compliance during the 12 months ended December 31, 2009 (Attachment A).

In addition to issuing its report on compliance with the Standards, ALGA's peer review team provided Internal Audit with a management letter (Attachment B). The peer review team recognized Internal Audit for providing value through quick turn-around of requests for price reviews and Buy America reviews, developing professional expertise in certain technical areas, and for productivity. The peer review team also recognized the Finance and Administration Committee (Committee) for its role in promoting Internal Audit's independence and the Committee's support and engagement in the internal audit function.

The review team also included three observations and suggestions. The peer review team questioned Internal Audit's classification of price reviews and Buy America reviews as audit services and recommended that Internal Audit investigate whether these types of projects might actually be non-audit services. The distinction is important in the peer review process because non-audit, or consulting-type, services are subject to minimal review. The Standards focus almost exclusively on whether or not an auditor's independence and objectivity is impaired by providing non-audit services.

In contrast, the Standards for audits are extensive and are the foundation of a quality work product. Internal Audit has classified price reviews as audits because of both the technical nature of the work and the desire to have these subjected to the same quality control as performance audits. It is clear, however, that some of the Standards do not apply or would be inefficient to implement for these routine projects. The peer review team suggested that reclassification of these projects to non-audit services might be appropriate. Internal Audit agreed to investigate the classification and seek guidance from the GAO.

The peer review team also noted that Internal Audit did not implement a quality control checklist until mid-year and indicated that it should be better tailored to address price review engagements. Internal Audit agreed with the recommendation and will develop improved checklists by June 30, 2010.

Finally, the peer review team found that Internal Audit did not clearly identify elements of an audit finding within the audit workpapers. These elements include the condition (the situation that exists), criteria (benchmarks or requirements against which performance is compared), cause (factors or

reasons for the condition), effect (outcomes or consequences of the condition), and recommendations (suggestions to eliminate the condition). While Internal Audit explores and discusses these elements in the workpapers, the elements were not clearly visible to the peer review team. As such, the peer review team recommended a worksheet to centrally document these elements. Internal Audit agreed with the recommendation and will implement a solution within the department's audit workpaper software.

Internal Audit's response to the external quality assurance review can be found in Attachment C.

Summary

A peer review has been completed of the Internal Audit Department. The peer review found that Internal Audit's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for the year ended December 31, 2009. The peer review team also provided recommendations to further strengthen the internal quality control system.

Attachments

- A. External Quality Control Review of the Orange County Transportation Authority Internal Audit Department
- B. Association of Local Government Auditors February 5, 2010, Management Letter to Kathleen M. O'Connell
- C. Letter of Response to Management Letter from Kathleen M. O'Connell to Allen Leatherwood, CPA and Edwin S. W. Young, dated February 5, 2010

Prepared by:

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



External Quality Control Review

of the
Orange County Transportation
Authority Internal Audit Department

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

For the period January through December 2009



Association of Local Government Auditors

February 5, 2010

Ms. Kathleen M. O'Connell, Executive Director
Orange County Transportation Authority
Internal Audit Department
600 S. Main Street – 12th Floor
Orange, California 92863

Dear Ms. O'Connell

We have completed a peer review of the Orange County Transportation Authority Internal Audit Department for the period January through December 2009. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Orange County Transportation Authority Internal Audit Department internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January through December 2009.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Allen Leatherwood, CPA, CIA
Team Leader
Central New Mexico Community College

Edwin Young, CIA, CFE, CGFM
Team Member
City of Palo Alto, CA



Association of Local Government Auditors

February 5, 2010

Ms. Kathleen M. O'Connell, Executive Director
Orange County Transportation Authority
Internal Audit Department
600 S. Main Street – 12th Floor
Orange, California 92863

Dear Ms. O'Connell

We have completed a peer review of the Orange County Transportation Authority (OCTA) Internal Audit Department for the period January through December 2009 and issued our report thereon dated February 5, 2010. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your Audit function excels:

- The Internal Audit Department adds value to the organization by providing rapid turn-around to organizational requests for Price Reviews and Buy America Reviews.
- Internal audit staff has professional expertise in sophisticated technical areas and is very productive.
- The role of the Finance and Administration Committee promotes independence of the Audit function and the Committee is both supportive and engaged.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

Classification of Audit Services. GAS 3.20 through 3.30 address issues related to performing professional (non-audit) services to an organization. These types of services augment the value an internal audit function can bring to an organization.

During our review we noted that certain services provided at the request of OCTA's Contracts and Materials Management Department (CMM) could be considered non-audit services. GAS Standards were followed for OCTA's Internal Audit Price Reviews however, classification of these services as GAS attestation audits creates additional work due to strict requirements of *Governmental Auditing Standards*.

Suggestion: OCTA's Internal Audit Department should investigate whether services provided to OCTA's Contracts and Materials Management Department could be classified as non-audit services.

Use of Checklists: The Department did not implement Quality Control Checklists until July 2009, representing half of the period under review. In addition, the Checklist is not adequately tailored to address price review engagements.

Suggestion: OCTA's Internal Audit Department should continue to utilize the Quality Control Checklist for audit work; however, in order to enhance controls, should consider developing a Quality Control Checklist specific to price review work.

Development Worksheets: *Government Auditing Standards* require the development of certain elements in an audit finding. These elements are: condition, criteria, cause, effect, and recommendation. Our review of a performance audit required reading the entire report and the supporting workpapers to clearly identify these elements.

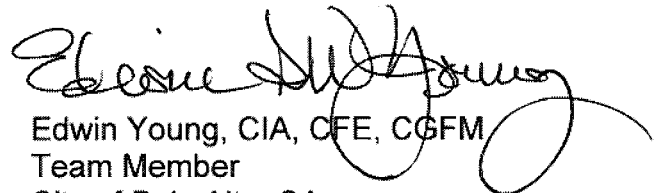
Suggestion: OCTA Internal Audit should prepare formal development finding worksheets that clearly identify each of the elements of a finding as prescribed in *Government Auditing Standards* which would facilitate supervisory review, quality control, and report writing.

We extend our thanks to you, your staff and the other Orange County Transportation Authority officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Allen Underwood, CPA, CIA
Team Leader
Central New Mexico Community College



Edwin Young, CIA, CFE, CGFM
Team Member
City of Palo Alto, CA



BOARD OF DIRECTORS

*Jerry Amante
Chairman*

*Patricia Dales
Vice Chairman*

*Art Brown
Director*

*Peter Butta
Director*

*Bill Campbell
Director*

*Carolyn V. Cavocho
Director*

*William J. Dalton
Director*

*Richard Dixon
Director*

*Paul G. Glab
Director*

*Don Hanson
Director*

*Allan Mansoor
Director*

*John Moorlach
Director*

*Janet Nguyen
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*

February 5, 2010

**Allen Leatherwood, CPA
Central New Mexico Community College
Albuquerque, New Mexico**

**Edwin S. W. Young
Office of the City Auditor, City of Palo Alto
Palo Alto, California**

Dear Msrs. Leatherwood and Young:

I have reviewed your report dated February 4, 2010, containing the results of your External Peer Review of the Internal Audit Department (Department) of the Orange County Transportation Authority (OCTA), performed using guidelines established by the Association of Local Government Auditors (ALGA). As this was the first such review of the Department, it was reassuring to learn that you have concluded that the Department conducts its audit work in accordance with *Government Auditing Standard (GAS)*. In addition, I appreciate your recognition of some of the positive accomplishments you found during your review.

While an opinion on the Department's compliance is important, it is also important to identify ways in which to improve operations. In your management letter, you have offered recommendations intended to help the Department enhance compliance with the Standards. Following are my responses to your suggestions.

Suggestion 1: Investigate Classification of Price Reviews and Buy America Reviews

The Department agrees with the recommendation and will investigate the appropriate classification of the Department's work with respect to pre-award price reviews and Buy America reviews. In conducting the investigation, we will contact the Government Accountability Office (GAO) for guidance.

February 5, 2010

Page 2

This classification matter has been the subject of many healthy debates in our Department over the year as we attempted to comply with GAs while recognizing the unique features of this work that make strict GAO compliance inefficient. For example, GAS require audit planning, yet such a procedure is not applicable to price reviews because they are performed using routine procedures suggested by Federal Acquisition Regulations. To plan a price review would be an inefficient exercise. Despite the inapplicability of some standards, we have leaned towards the classification of price reviews and Buy America reviews as "audit services" because we believe that this work is of such vital importance in the government contracting process that it should be subjected to the same sort of rigorous peer review scrutiny as other financial and performance audits.

Suggestion 2: Develop a Quality Control Checklist

The Department agrees with this recommendation and will implement new quality control checklists by June 30, 2010. Since June 2009, the Department has been using ALGA's quality control checklist as the method by which we ensure consistent compliance with the Standards. We recognize, however, that this checklist is neither tailored to the unique policies or procedures of the Department, nor comprehensive in its consideration of all GAS. As such, we will develop a more detailed and thorough checklist of all required workpaper elements to ensure consistent compliance.

SUGGESTION 3: Develop a Worksheet to Identify Condition, Criteria, Cause, Effect and Recommendation for Each Audit Finding

The Department agrees with this recommendation. While we believe the required elements of audit findings are identified in our workpapers and audit reports, we recognize that they are not clearly labeled. Labeling the elements would both enable peer reviewers to identify them easily, as well as serve as a training tool for less experienced auditors as they gain experience drafting audit reports that include these elements. Rather than develop a checklist, however, we will use the Department's recently implemented software package and create tabs in the "Findings" module for each of the elements. We will amend our policies and procedures accordingly. We expect to complete these modifications by June 30, 2010.

February 5, 2010
Page 3

Staff in the Internal Audit Department found the ALGA External Peer Review to be a very valuable and constructive process. We very much appreciate the time you took away from your own departments to review our operation. Thank you for the professional and thorough manner in which you conducted this work, and for the opportunity to share ideas that we can apply in our respective audit organizations.

Sincerely,

A handwritten signature in cursive script that reads "Kathleen M. O'Connell". The signature is written in black ink and is positioned above the printed name.

Kathleen M. O'Connell, CPA
Executive Director, Internal Audit



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 18, 2010

To: Legislative and Communications Committee
From: Will Kempton, Chief Executive Officer
Subject: State Legislative Status Report

Overview

The State Legislative Status Report includes background information on the recently elected leaders of the State Legislature and a report on the Senate democratic transportation funding proposal. In addition, a support with amendment position is recommended on SB 901 (Ashburn, R-Bakersfield) that would allow local and regional agencies to apply for a Letter of No Prejudice for eligible projects funded under the Proposition 1B Highway-Railroad Crossing Safety Account. Lastly, information relative to the state's debt service levels is also provided.

Recommendation

Adopt the following recommended position on legislation:

Support with amendment SB 901 (Ashburn, R-Bakersfield), which would allow local and regional agencies to apply for a Letter of No Prejudice for eligible projects funded under the Proposition 1B Highway-Railroad Crossing Safety Account

Background

In January, members of the California Legislature elected three new leaders in the Assembly and Senate. The Assembly elected freshman Assembly Member John Pérez (D-Los Angeles) as the next Speaker and the Assembly Republican Caucus elected Assembly Member Martin Garrick (R-Carlsbad) as the next Republican Leader. The Senate Republican Caucus elected Senator Robert Dutton (R-Rancho Cucamonga) as the next Republican Leader of the Senate. Brief biographies of the newly elected members are provided on the following pages.

Assembly Speaker-Elect John Pérez (D-Los Angeles)

Elected to the Assembly in 2008, Speaker-Elect Pérez was chosen by his colleagues to succeed current Speaker Karen Bass (D-Los Angeles). Current term-limit statutes will allow Speaker-Elect Pérez to potentially serve five years as Speaker of the Assembly. Speaker-Elect Pérez represents the 46th Assembly District, which covers downtown Los Angeles. He previously worked over 15 years as a labor organizer in the Los Angeles area. In that capacity, Speaker-Elect Pérez was also involved in a variety of community organizations including the League of Conservation Voters, AIDS Project Los Angeles, and the Los Angeles Economic Development Corporation. Speaker-Elect Pérez assumes office on March 1, 2010.

Assembly Republican Leader-Elect Martin Garrick (R-Carlsbad)

Elected in 2006, Republican Leader-Elect Garrick was elected by the Assembly Republican Caucus to succeed current Republican Leader Sam Blakeslee (R-San Luis Obispo). Republican Leader-Elect Garrick represents the 74th Assembly District, which covers most of northern San Diego County reaching as far south as Del Mar. Following his tenure as a staff member in President Reagan's Administration, Republican Leader-Elect Garrick relocated to San Diego County to open and run several businesses in the telecommunications and real estate sectors. Over the past three years, Republican Leader-Elect Garrick's legislative priorities have included improving California's business climate, transportation infrastructure, tax and regulation reform, and public safety. Republican Leader-Elect Garrick assumed the Republican Leader position on February 1, 2010.

Senate Republican Leader-Elect Robert Dutton (R-Rancho Cucamonga)

Elected in 2004, Republican Leader-Elect Dutton was elected by the Senate Republican Caucus to succeed current Republican Leader Dennis Hollingsworth (R-Murrieta). Republican Leader-Elect Dutton represents the 31st Senate District, which covers portions of San Bernardino County and northern Riverside County. Prior to being elected to this new post, Republican Leader-Elect Dutton served as Vice-Chair of the Senate Budget Committee and was one of the lead Republican negotiators for the 2006 infrastructure bond package and 2004 workers compensation reform legislation. A transition date has not been set as of the writing of this report.

Democratic Gas Tax Proposal

While no official documents have been released, the Senate Democrat Caucus has been drafting a counter proposal to the Governor's proposed gas tax swap, which would eliminate the state sales tax on gasoline and replace it with an increase in the state gas excise tax (gas tax). A number of transportation stakeholders have indicated the Democrat's proposal would keep in place much of the Governor's proposal, with a few key distinctions.

The Senate proposal would raise the level of the proposed increase to the gas tax from 10.8 to 18 cents per gallon. The uses for these funds would be restricted to Article XIX, as was the case in the Governor's proposal (no transit operations), and be distributed as follows: 30 percent to the State Transportation Improvement Program (STIP), 30 percent to the State Highways Operations and Protection Program (SHOPP), and 40 percent to Local Streets and Roads. As this proposal contains a greater increase to the gas tax than the Governor proposed, the reported amounts that would be distributed to the aforementioned programs would also be greater. However, similar concerns remain over the future protections associated with these allocations as the amounts could be revised in future state budget actions since these allocations are simply statutory in nature.

The Democrat's proposal also differs from the Governor's by including two proposed elements to return some level of funding for public transit. First, the state sales tax on diesel fuel would remain in place and serve as the sole funding source for the Public Transportation Account (PTA). This funding source would generate an estimated \$313 million annually and be shared by all previous PTA obligations including the California Department of Transportation (Caltrans) Intercity Rail, the California Public Utilities Commission and California Transportation Commission (CTC) support, and other items, in addition to funding for local transit agencies. It is estimated that approximately half of the annual funding would go toward the other noted expenditures, with the remaining amount distributed to local agencies. This is approximately 15-20 percent of historic PTA funding levels.

Local agencies would also have the option of approving an additional fee dedicated to transit operations and capital. As of the writing of this report, the proposal would allow metropolitan planning organizations, such as the Southern California Association of Governments, to approve the local fee with only a majority vote of its governing board.

Details of this and other proposals are still ongoing. Additional information will be provided as it becomes available.

SB 901 (Ashburn, R-Bakersfield)

SB 901 would allow local and regional agencies to apply for a Letter of No Prejudice (LONP) from the CTC for Proposition 1B projects receiving funding from the Highway-Railroad Crossing Safety Account (HRCSA). Using LONPs, local and regional agencies are enabled to advance local funds to keep capital projects moving forward as the state's cash resources and inability to sell bonds limit the CTC's funding allocation capabilities. Under an LONP agreement, the CTC is to reimburse the agency exercising an LONP when cash resources become available.

The Orange County Transportation Authority (OCTA) will receive approximately \$8 million in HRCSA for the Sand Canyon Grade Separation Project (Sand Canyon project), which is programmed for CTC allocation in FY 2010-11.

Due to the state's difficulties in selling general obligation bonds, a funding allocation from the CTC for both Proposition 116 and HRCSA dollars is uncertain. As a result, OCTA is exploring several alternatives to ensure funding for the Sand Canyon project as it continues to move forward and SB 901 could provide a mechanism for that to occur. However, in order for SB 901 to provide maximum effectiveness OCTA would request that the bill be made into an urgency bill. In addition, OCTA would like to explore the possibility with the author and bill sponsors to expand this bill to apply to Proposition 116 as well.

An analysis of the bill is attached (Attachment A). Staff recommends: **SUPPORT WITH AMENDMENT.**

Overview of State Debt Service Levels and Policy Implications

The state's debt service ratio is an increasingly discussed policy issue for the legislature as debt service payments for general obligation bonds are a priority expenditure of the General Fund.

In total, California has approximately \$111 billion in authorized, voter-approved general obligation bond authority, \$63.9 billion of this amount has been sold and \$47.5 billion is still pending. An additional \$11 billion in general obligation bonds for water infrastructure projects is currently planned for the November 2010 ballot. While the present amount of General Fund revenues dedicated to debt service is approximately 6 percent of all General Fund revenues, both the Legislative Analyst's Office (LAO) and the State Department of Finance have indicated that the state's debt service ratio (the

amount of General Fund revenues dedicated to debt service payments in proportion to the total amount of General Fund revenues) will increase to 9 percent by the end of FY 2014-15.

In November of 2006, the largest state infrastructure bond package was approved by the California voters in the form of Propositions 1A through 1E. The \$42.6 billion bond package authorized general obligation bond funding for a variety of education, water, and transportation-related capital projects, in addition to providing additional protections for existing transportation funding.

Over time, as the state's budget has increasingly faced greater deficits, the infrastructure bond package has increased the pressure on the state's General Fund by increasing the amount of annual debt service associated with the bonds. As a result, as future authorized bonds are sold by the State Treasurer and the economic downturn continues to erode the state's revenue base, a greater percentage of General Fund revenues will be required to be dedicated to debt service, decreasing the availability of this funding for other services.

This dynamic of increasing debt service obligations, eroding General Fund revenue, and a convoluted budget approval process has impacted the state's credit ratings, which are critical in setting the interest rates for general obligation bonds. California currently possesses the lowest credit ratings of any other state in the country. The state's low credit ratings consequently increase the costs of the bonds when sold. Bond ratings by the nation's top three credit agencies are stated below:

Fitch: BBB

Moody's: Baa1

Standard and Poor's: A-

With this in mind, the Legislature will face difficult decisions on setting spending priorities for the upcoming fiscal years. In addition, it will be necessary for the state to develop a process that prioritizes bond sales to maximize state investments to ensure critical, viable projects move forward. This will help ensure that the projects that are most likely to generate significant economic benefits are the ones that move forward so that the state can make the most of its scarce General Fund resources. OCTA plans to take an active role in these discussions as they relate to infrastructure bonds as they progress.

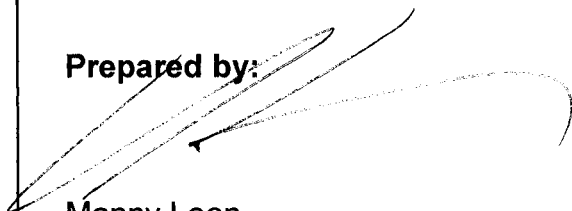
Summary

Background information on the recently elected leaders of the State Legislature is provided. A review of the Senate Democratic transportation funding proposal is provided. A support with amendment position is recommended on SB 901 (Ashburn, R-Bakersfield), which would allow local and regional agencies to apply for a Letter of No Prejudice for eligible projects funded under the Proposition 1B Highway-Railroad Crossing Safety Account. An overview of the state's debt condition is provided.

Attachment

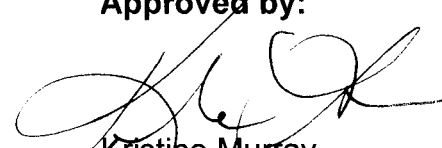
- A. Bill Analysis for SB 901 (Ashburn, R-Bakersfield)

Prepared by:



Manny Leon
Senior Government Relations
Representative
(714) 560-5393

Approved by:



Kristine Murray
Executive Director, Government Relations
(714) 560-5908

BILL: SB 901 (Ashburn, R-Bakersfield)
Introduced January 26, 2010

SUBJECT: Allows local and regional agencies to apply for a Letter Of No Prejudice for eligible projects funded under the Proposition 1B Highway-Railroad Crossing Safety Account

STATUS: Pending Committee Assignment

SUMMARY AS OF FEBRUARY 3, 2010:

SB 901 would allow local and regional agencies to apply for a Letter Of No Prejudice (LONP) from the California Transportation Commission (CTC) for Proposition 1B projects receiving funding from the Highway-Railroad Crossing Safety Account (HRCSA). In order to provide a tool to keep transportation projects moving forward as the state continues to address both budgetary and cash shortfalls, the Governor signed AB 672 (Chapter 463, Statutes of 2009), which allowed the CTC to issue LONP's to local and regional agencies for Proposition 1B funded projects except for any grade separation projects funded by HRCSA. Using LONP's, local and regional agencies are permitted to advance local funds to keep Proposition 1B projects moving forward as the state's cash resources and inability to sell bonds limit the CTC's funding allocation capabilities. Under an LONP agreement, the CTC is to reimburse the agency exercising an LONP when cash resources become available. Since AB 672 specifically exempted HRCSA projects from LONP authority, SB 901 would remove this exemption and allow HRCSA projects to have the same LONP authority granted for other Proposition 1B projects.

EFFECTS ON ORANGE COUNTY:

The Orange County Transportation Authority (OCTA) will receive approximately \$8 million in HRCSA for the Sand Canyon Grade Separation Project (Sand Canyon project) which is programmed for CTC allocation in fiscal year (FY) 2010-2011. Totalling \$54 million, the Sand Canyon project is funded by multiple funding sources including \$22 million in Proposition 116 funds programmed in the current fiscal year.

Due to the state's difficulties in selling general obligation bonds, a funding allocation from the CTC for both Proposition 116 and HRCSA dollars is uncertain. As a result, OCTA is exploring several alternatives to ensure funding for the Sand Canyon project continues to move forward and SB 901 could provide a mechanism for that to occur. However, in order for SB 901 to provide the maximum effectiveness OCTA would request that the bill be made into an urgency bill. This would allow the bill to take immediate effect upon signature and would require a two-thirds vote of the Legislature. Without this provision, the bill would not take effect until January 1, 2011, and would not provide the timing needed to most effectively serve the Sand Canyon project. In addition, OCTA would like to explore the possibility with the author and bill sponsors to

expand this bill to apply to Proposition 116 as well. Although OCTA will be introducing its own sponsor bill to accomplish this goal, it would benefit OCTA to have this provision appear in multiple measures such as SB 901.

OCTA POSITION:

Staff recommends: SUPPORT WITH AMENDMENT

Introduced by Senator AshburnJanuary 26, 2010

An act to amend Section 8879.501 of the Government Code, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

SB 901, as introduced, Ashburn. Transportation: bond funded projects: letter of no prejudice.

Existing law, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, authorizes the issuance of \$19.925 billion of general obligation bonds for various transportation purposes. Existing law designates the state agency responsible for programming bond funds under the act as the administrative agency for those purposes. Existing law authorizes a regional or local agency that is a lead agency for a project or project component, other than specified grade separation and railroad crossing projects, for which bond funding has been programmed or otherwise approved by the administrative agency or is otherwise targeted to be available, as specified, to apply to the administrative agency for a letter of no prejudice that makes the regional or local agency eligible to be subsequently reimbursed from bond funds for expenditures of funds under its control for the project or project component under certain conditions, as specified.

This bill would also authorize those regional and local agencies to apply to the administrative agency for a letter of no prejudice that would make the regional or local agencies eligible to be subsequently reimbursed from bond funds for expenditures of funds under their control for grade separation and railroad crossing projects, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 California Environmental Quality Act (Division 13 (commencing
2 with Section 21000) of the Public Resources Code).

3 (4) The expenditures were incurred after the project or project
4 component was programmed or otherwise approved for funding
5 by the administrative agency.

6 (5) There is in the applicable bond proceeds fund or account
7 under Chapter 12.49 (commencing with Section 8879.20) an
8 appropriated amount sufficient to make the reimbursement
9 payment. Nothing in this section requires any bond proceeds fund
10 or account to be funded at any particular time or in any particular
11 amount.

12 (c) The administrative agency and the regional or local agency
13 may enter into an agreement or agreements governing
14 reimbursement as described in this section.

15 (d) The administrative agency, in consultation with regional
16 and local agencies, may develop guidelines to implement this
17 section.

18 (e) Nothing in this section modifies any requirement under
19 Chapter 12.49 (commencing with Section 8879.23).

20 (f) For purposes of this section, “letter of no prejudice” means
21 an agreement between a regional or local agency and the
22 administrative agency that makes eligible for future reimbursement
23 from bond proceeds the expenditure of funds under the control of
24 the regional or local agency, subject to availability of bond funds,
25 as provided in this section. The timing and final amount of
26 reimbursement is dependent on the terms of the agreement and the
27 availability of bond funds. The final amount of reimbursement
28 may be less than the amount stated in the letter of no prejudice.

O



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 18, 2010

To: Legislative and Communications Committee
From: Will Kempton, Chief Executive Officer
Subject: Federal Legislative Status Report

Overview

This Federal Legislative Status Report provides information on the President's recently released federal fiscal year 2011 budget, outlines the Senate's expected job stimulus legislation, and seeks approval to amend the Orange County Transportation Authority's 2010 Federal Legislative Platform to support federal funding for transit operating assistance.

Recommendation

Authorize the Chief Executive Officer to amend the Orange County Transportation Authority 2010 Federal Legislative Platform to add support for federal funding for transit operating assistance, under the conditions provided in Principles for Emergency Support for Public Transportation.

Discussion

On February 1, President Obama submitted his federal fiscal year (FFY) 2011 budget to Congress. The budget contains \$79 billion for the Department of Transportation, which represents a 2.4 percent increase over the FFY 2010 enacted level. The budget calls for an obligation limitation for highways of \$41.36 billion versus \$41.1 billion in FFY 2010. The request for all transit programs is \$10.8 billion, up slightly from the FFY 2010 enacted amount of \$10.73 billion. However, traditional programs within transit are proposed to be reduced slightly to make room for a series of new programs, including a new livable communities initiative (\$307 million), a new transit rail safety oversight program (\$24 million), and a new greenhouse gas emission reduction program (\$53 million).

The budget proposes an additional \$1 billion for high-speed rail, down from the \$2.5 billion enacted by Congress for FFY 2010, but the same amount proposed by the President in last year's budget. The budget also proposes \$4 billion for a

new multimodal National Infrastructure Innovation and Finance Fund (NIIFF) to issue grants and loans for large projects of national and regional significance. Eligible projects would include highway, transit, rail, aviation, port, maritime, and multimodal projects. This is proposed to be an initial level of funding for an ultimate \$25 billion multi-year NIIFF commitment by the President.

This FFY 2011 budget will now go through a series of hearings leading to a nonbinding congressional budget resolution in the April-May timeframe which will set a limit on discretionary spending. Thereafter, the House and the Senate will mark up appropriation bills for FFY 2011 with the goal to have them approved by the end of the current FFY on September 30, 2010.

Apart from the annual budget process, Congress is continuing efforts to enact emergency job stimulus legislation. Last December, the House passed the Jobs for Main Street Act (JMSA), providing \$154 billion for numerous job stimulus activities, including \$27.5 billion for highway infrastructure spending and \$8.4 billion for transit spending, with 10 percent of the transit capital assistance program available to fund direct transit operating costs.

The Senate has yet to introduce similar legislation. However, Senate leadership has announced the intention to introduce one or more job stimulus bills in the upcoming days. Advance information indicates that they are considering an overall transportation job stimulus program of approximately \$25 billion for all modes, with approximately \$14 billion available to highways and \$7 billion for transit. The Senate appears to be open to the grantee option of using some greater portion of transit funding for direct transit operating costs. Estimates have ranged from 20 percent to as high as two-thirds.

On February 1, 2010, staff gave an overview to the Executive Committee of the proposed Senate stimulus package and the possibility of it extending to federal funding of transit operating assistance. The 2010 Federal Legislative Platform, enacted by the Board of Directors (Board) on November 9, 2009, is silent on this issue. Federal funding for direct transit operations has traditionally presented a challenging policy position, since it requires balancing immediate operating needs with long-term core capital needs.

At the Executive Committee on February 1, staff also shared, a set of "Principles for Emergency Support for Public Transportation" prepared by the American Public Transportation Association (APTA). A copy of these principles is provided as Attachment A. The APTA principles recognize that these extraordinary economic times dictate the need for emergency federal funding for public transportation to ensure that Americans have transportation access to jobs, education, medical services, and to preserve transit worker

jobs. Therefore, the APTA principles call for a new temporary emergency support program for transit operating assistance, similar to the program provided under JMSA. However, transit formula funds apportioned under this emergency program could be used, in whatever amount determined to be necessary by local transit agencies, to continue transit service and avoid layoffs.

The APTA principles make clear that any such program must be temporary, and must not be considered a precedent for any ongoing program, or a substitute for the currently authorized transit program or any subsequent authorization. Under the APTA principles, any temporary federal transit program would need to be funded by the general fund, would not impact ongoing appropriations, and would sunset when the economy recovers and unemployment is reduced to a determined acceptable level. This temporary funding would be used to preserve or create jobs and transit service, and not for wage increases to current personnel. Finally, under these principles, systems that choose not to use the funds for direct operating costs would still have access to the same amount of formula funding for capital purposes.

Based upon the input of the Executive Committee, staff believes that these principles properly balance the emergency need for additional federal funds for direct operations with the long-term need to preserve the core transit capital program contained in current or future authorization legislation. Therefore, staff seeks the approval of the Board to proceed with advocacy efforts in accordance with these APTA principles for any job stimulus legislation, and to amend these principles into the 2010 Federal Legislative Platform.

Summary

The President has submitted a FFY 2011 budget to Congress which provides for a slight increase in overall transportation funding. Congress is continuing to consider job stimulus legislation which could provide additional funds for direct transit operating costs. Approval is sought to make the APTA "Principles for Emergency Support for Public Transportation" a part of the 2010 Federal Legislative Platform.

Attachment

- A. Principles for Emergency Support for Public Transportation,
December 15, 2009

Prepared by:



Richard Bacigalupo
Federal Relations Manager
(714) 560-5901

Approved by:



Kristine Murray
Executive Director, Government Relations
(714) 560-5908

Principles for Emergency Support for Public Transportation

December 15, 2009

Extraordinary economic times have brought with them the need for emergency federal funding for public transportation, supplementing existing levels of support. Such is needed to ensure that millions of Americans have access to their jobs and to preserve transit worker jobs. Emergency funds must be separate and distinct from continuing needs which APTA has long supported, including funding to address the cost of federal requirements beyond the ability of transit systems to control, and also the flexibility of public transportation systems in urbanized areas of more than 200,000 population which operate fewer than 100 buses in peak operation to use FTA Section 5307 funds for operating purposes.

Guiding principles for a new, additional, emergency support program would be as follows:

1. A new, free-standing, temporary emergency support program must be established to continue public transportation services in urban and rural America.
2. The new program would provide cash to all systems to be used for the continuation of vital public transportation services and avoidance of employee layoffs.
3. Funding would be allocated to transit systems on the basis of Section 5307 apportionment factors. Agencies outside of urban areas (i.e., rural areas) would be allocated funds on the basis of Section 5311.
4. This would be a temporary program and neither a precedent for any ongoing program, nor a substitute for any program in current law.
5. This temporary program would provide new, additional funding through general funds, and should not adversely impact public transportation appropriations as a result of budget marks.
6. The temporary program would sunset when the national economy recovers and unemployment returns to normal levels.
7. Federal funding used to support operations should preserve or create jobs and transit service and not be used for wage/salary increases for current personnel.
8. In the event that a state or local municipality takes sufficient actions to sustain and preserve public transportation service and/or fare levels without this assistance, a system may use funds allocated for this purpose to address the enormous capital infrastructure backlog facing public transportation.



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 17, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Second Quarter Fiscal Year 2009-10 Procurement Status Report

Overview

The second quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from October 1, 2009 through December 31, 2009, with a dollar value greater than \$250,000. The second quarter procurement status report also projects future procurement activity for the third quarter as identified in the fiscal year 2009-10 annual budget.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2009-10 Budget, which identifies the goods and services that will be purchased during the fiscal year. A quarterly procurement report has been prepared detailing the procurement activity greater than \$250,000 that occurred during the second quarter of FY 2009-10. The report also provides a "look-ahead" of upcoming procurement activity by Board committee. The quarterly procurement report identifies contractual activity, not dollars spent.

Discussion

During the second quarter of FY 2009-10, the Contracts Administration and Materials Management Department handled 314 different contractual documents. Of the total, 189 procurements, valued at \$28,510,477, were completed; the remaining 125 procurements will be executed during the third quarter.

In the second quarter, the Board took action on 51 procurements. The 51 procurements included 26 new agreements valued at \$14,779,716, 15 cooperative agreements valued at \$82,946,807, one purchase order valued at \$500,000, and eight amendments valued at \$8,923,000. One option term was exercised during this period for a total value of \$80,000. Many of these items require either negotiations or cost and price reviews not all Board approved procurements are completed within the same quarter. Many will be carried over and completed in the third quarter. Attachment A shows a list of Board-approved procurements during the second quarter that have a value greater than \$250,000.

Looking forward to the third quarter of FY 2009-10 (January through March), the Board committees will be asked to take action on several consultant selections for bond counsel, on-call architectural and engineering services and freeway service patrol services; cooperative agreements with several cities, for the freeway access studies and parking structure design, as well as a cooperative agreement with Southern California Regional Rail Authority (Metrolink) for design for safety enhancements; and a sole source for project management services for the fixed route radio upgrade. Estimated value of these upcoming procurements is \$134,141,450. Attachments B through E identify procurement activity anticipated in the third quarter of FY 2009-10 by the committee that will review the items.

Summary

This report provides an update of the procurement activity for the second quarter of FY 2009-10, October through December 2009, as well as a look ahead at anticipated procurement activity for the third quarter of FY 2009-10. Staff recommends that this report be received and filed as an information item.

Attachments

- A. Board-approved Contracts Over \$250,000 During Second Quarter Fiscal Year 2009-10
- B. Highways Committee – Third Quarter Outlook (January 1, 2010 – March 31, 2010)
- C. Transit Committee – Third Quarter Outlook (January 1, 2010 – March 31, 2010)
- D. Finance and Administration Committee – Third Quarter Outlook (January 1, 2010 – March 31, 2010)
- E. Transportation 2020 Committee – Third Quarter Outlook (January 1, 2010 – March 31, 2010)

Prepared by:



Virginia Abadessa
Director, Contracts Administration and
Materials Management
714-560-5623

Approved by:



Kenneth Phipps
Executive Director,
Finance and Administration
714-560-5637

Board-approved Contracts Over \$250,000 During Second Quarter Fiscal Year 2009-10

AGREEMENTS

Prime Vendor	Contract #	Contract Description	Effective Date	Expiration Date	Amount
Arellano Associates	C90250	Public outreach services for right-of-way final design and construction phases of five grade separation projects	12/8/2009	6/30/2013	\$ 610,000
GFI Genfare	C90515	Implementation of farebox computing infrastructure upgrade	12/28/2009	12/31/2009	349,218
FusionStorm, Inc.	C90552	Implementation of disaster recovery solution for critical Authority information technology systems	11/1/2009	10/31/2010	366,287
Dell Marketing	C90607	Microsoft Enterprise software, licenses and maintenance to support computing infrastructure for the Authority	11/2/2009	10/31/2012	802,766
David Evans and Associates, Inc.	C90612	On-call right-of-way engineering and surveying services	11/9/2009	11/30/2012	750,000 (Aggregate total)
Guida Surveying, Inc.	C90780	On-call right-of-way engineering and surveying services	11/9/2009	11/30/2012	750,000 (Aggregate total)
Huitt-Zollars, Inc.	C90781	On-call right-of-way engineering and surveying services	11/9/2009	11/30/2012	750,000 (Aggregate total)
Hunsaker and Associates Irvine, Inc.	C90782	On-call right-of-way engineering and surveying services	11/9/2009	11/30/2012	750,000 (Aggregate total)
Psomas	C90783	On-call right-of-way engineering and surveying services	11/9/2009	11/30/2012	750,000 (Aggregate total)
RBF Consulting	C90784	On-call right-of-way engineering and surveying services	11/9/2009	11/30/2012	750,000 (Aggregate total)
ShelterCLEAN	C80728	Bus stop maintenance	11/30/2009	11/30/2012	1,739,236
Joshua Grading and Excavating, Inc.	C90698	Maintenance services for OCTA railroad right-of-way	12/1/2009	1/31/2009	360,000
California Property Specialists, Inc.	C90822	On-call right-of-way services for transit and highway projects	11/23/2009	11/30/2013	1,000,000 (Aggregate total)
Epic Land Solutions, Inc.	C90452	On-call right-of-way services for transit and highway projects	11/23/2009	11/30/2013	1,000,000 (Aggregate total)
HDR Engineering, Inc.	C90747	On-call right-of-way services for transit and highway projects	11/23/2009	11/30/2013	1,000,000 (Aggregate total)
Overland, Pacific and Cutler, Inc.	C90748	On-call right-of-way services for transit and highway projects	11/23/2009	11/30/2013	1,000,000 (Aggregate total)
Paragon Partners, Ltd.	C90749	On-call right-of-way services for transit and highway projects	11/23/2009	11/30/2013	1,000,000 (Aggregate total)
Stantec Consulting, Inc.	C90453	On-call utility coordination and support services	11/23/2009	11/30/2013	900,000 (Aggregate total)
Spec Services	C90751	On-call utility coordination and support services	11/23/2009	11/30/2013	900,000 (Aggregate total)
Utility Specialists California, Inc.	C90751	On-call utility coordination and support services	11/23/2009	11/30/2013	900,000 (Aggregate total)

Board-approved Contracts Over \$250,000 During Second Quarter Fiscal Year 2009-10

Prime Vendor	Contract #	Contract Description	Effective Date	Expiration Date	Amount
APA Engineering, Inc.	C90752	On-call utility coordination and support services	11/23/2009	11/30/2013	\$ 900,000 (Aggregate total)
Berg & Associates	C90753	On-call utility coordination and support services	11/23/2009	11/30/2013	900,000 (Aggregate total)
Greater Southern California, Inc.	C90719	Freeway service patrol (Beat 1)	1/1/2010	11/30/2013	1,414,500
Top Towing	C90840	Freeway service patrol (Beat 2)	1/1/2010	11/30/2013	1,157,184
A & B Towing	C90841	Freeway service patrol (Beats 3 and 10)	1/1/2010	11/30/2013	2,394,005
California Coach Orange, Inc.	C90842	Freeway service patrol (Beats 4 and 5)	1/1/2010	11/30/2013	2,936,520
TOTAL NUMBER OF CONTRACTS					26
TOTAL DOLLAR VALUE					\$ 14,779,716

COOPERATIVE AGREEMENTS

Prime Vendor	Contract #	Contract Description	Effective Date	Expiration Date	Amount
United States Fish and Wildlife Service; California Department of Fish and Game; California Department of Transportation	C90278	Memorandum of agreement for conservation planning efforts	11/23/2009	11/23/2013	\$ -
United States Fish and Wildlife Service; California Department of Fish and Game; California Department of Transportation	C90279	Planning agreement for conservation planning efforts	11/23/2009	11/23/2013	-
City of Fullerton	C90576	Railroad grade separation projects	12/31/2009	8/1/2016	50,982,000
City of La Habra	C90729	Service planning of bus/shuttle proposal	11/13/2009	5/13/2011	300,000
California Department of Transportation (Caltrans)	C90816	Right-of-way certification services for the northbound Orange Freeway (State Route 57) widening between Katella Avenue and Lincoln Avenue	11/9/2009	7/1/2015	2,743,000
City of Placentia	C90864	Repayment of funds to the California Department of Transportation	7/1/2011	6/30/1930	4,100,000
City of Anaheim	C90802	Assignment of all rights and responsibilities of Agreement No. C90230 with ICF International (formerly Jones and Stokes Associates, Inc.) for support in completing environmental clearance of phase one of Anaheim Regional Transportation Intermodal Center (ARTIC)	11/23/2009	N/A	-

Board-approved Contracts Over \$250,000 During Second Quarter Fiscal Year 2009-10

Prime Vendor	Contract #	Contract Description	Effective Date	Expiration Date	Amount
City of Anaheim	C90821	Completion of environmental clearance of phase one of ARTIC	11/23/2009	12/31/2014	\$ 3,645,307
City of Irvine	C90830	Service planning of bus/shuttle proposals	11/23/2009	5/23/2011	500,000
City of Laguna Woods	C90831	Service planning of bus/shuttle proposals	11/23/2009	5/23/2011	100,000
Caltrans	C90829	Construction of west segment of West County Connectors Project	11/23/2009	12/31/2015	13,912,500
City of Long Beach	C90815	Traffic mitigation measures	11/23/2009	12/31/2014	1,510,000
City of Fullerton	C90839	Preliminary planning and environmental work on transportation center expansions	11/23/2009	6/30/2012	875,000
City of Santa Ana	C90823	Preliminary planning and environmental work on transportation center expansions	11/23/2009	6/30/2012	3,000,000
California Department of Transportation (Caltrans)	C90778	Landscape construction of the Interstate 5 gateway project from State Route 91 to north of Orange/Los Angeles County line	1/8/2010	3/1/2016	1,279,000
TOTAL NUMBER OF CONTRACTS					15
TOTAL DOLLAR VALUE					\$ 82,946,807

PURCHASE ORDERS

Prime Vendor	Contract #	Contract Description	Effective Date	Expiration Date	Amount
Marsh Risk Insurance, Inc.	A15270	91 Express Lanes property insurance renewal	3/1/2010	3/1/2011	\$ 500,000
TOTAL NUMBER OF CONTRACTS					1
TOTAL DOLLAR VALUE					\$ 500,000

Board-approved Contracts Over \$250,000 During Second Quarter Fiscal Year 2009-10

AMENDMENTS

Prime Vendor	Contract #	Contract Description	Effective Date	Expiration Date	Amount
AT&T Mobile (formerly Cingular Wireless)	C52927	Digital wireless service for freeway emergencies call box system	3/27/2006	12/31/2010	\$ 75,000
Kaiser Foundation Health Plan, Inc.	C50455	Prepaid medical services	1/1/2010	12/31/2010	1,500,000
Aetna	C81054	Prepaid medical services	1/1/2010	12/31/2010	753,000
Aetna	C81055	Open access managed choice medical services	1/1/2010	12/31/2010	410,000
MetLife Insurance Company	C52862	Preferred provider organization dental services	1/1/2010	12/31/2010	1,756,000
Vision Service Plan	C60657	Vision services	1/1/2010	12/31/2010	3,400,000
California Department of Transportation (Caltrans)	C90628	Increase funding commitment for West County Connectors project	11/9/2009	2/1/2015	924,000
California Department of Transportation (Caltrans)	C52358	Reimburse City of Buena Park for maintenance of Orange County monument sign	12/14/2009	12/31/2015	105,000
TOTAL NUMBER OF CONTRACTS					8
TOTAL DOLLAR VALUE					\$ 8,923,000

OPTION YEARS

Prime Vendor	Contract #	Contract Description	Effective Date	Expiration Date	Amount
Mercer	C41271	Exercise second option term for health insurance brokerage services	12/9/2009	11/30/2010	\$ 80,000
TOTAL NUMBER OF CONTRACTS					1
TOTAL DOLLAR VALUE					\$ 80,000

HIGHWAYS COMMITTEE - Third Quarter Outlook (January 1, 2010 - March 31, 2010)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
January 18, 2010	Amendment to Agreement for Riverside Freeway (State Route 91) westbound lane addition between Santa Ana Freeway (Interstate 5) and the Orange Freeway	\$ 689,000	Development
	Amendment to Agreement for the Integration of the San Diego Freeway (Interstate 5) Avenida Pico interchange project)	350,000	Development
	Amendment to Agreement for report on traffic and revenue analysis for the San Diego Freeway (Interstate 5) improvement project	1,000,000	Development
	Freeway Service Patrol Program Fund transfer agreement	3,727,010	Executive Office
February 1, 2010	Cooperative agreement with City of Costa Mesa for the Costa Mesa Freeway access study	800,000	Development
	Amendment to cooperative agreement with the California Department of Transportation for northbound Orange Freeway (State Route 57) widening project.	964,475	Development

HIGHWAYS COMMITTEE - Third Quarter Outlook (January 1, 2010 - March 31, 2010)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
February 1, 2010	Amendment to agreement with Parsons Transportation Group to perform preliminary engineering for two additional alternatives on the San Diego Freeway (Interstate 5)	\$ 4,500,000	Development
March 1, 2010	Consultant selection for Freeway Service Patrol services for the West County Connectors Construction Project	1,350,000	Executive Office

TRANSIT COMMITTEE - Third Quarter Outlook (January 1, 2010 - March 31, 2010)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
January 14, 2010	Amendment to agreement for bus system schedule checking	\$ 188,366	Transit
	Sole Source agreement for project management, technical consulting and support for the procurement and implementation of the Intelligent Transit Management System	427,565	Transit
	Amendment to agreement for security upgrades at Anaheim, Garden Grove, Irvine Construction Circle, and Irvine Sand Canyon bus bases	71,134	Rail
	Agreement for construction of a pedestrian access and fencing at the Tustin Metrolink Station	212,400	Rail
<hr/>			
February 11, 2010	Cooperative agreement with the City of Orange for the design of a parking structure at the Orange Transportation Center	2,100,000	Rail
	Selection of project management consultant services for the project study report for the at-grade rail-highway crossings along the Los Angeles/San Diego Rail Corridor (LOSSAN)	550,000	Rail

TRANSIT COMMITTEE - Third Quarter Outlook (January 1, 2010 - March 31, 2010)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
March 11, 2010	Cooperative agreement with the City of Laguna Niguel for parking expansion at the Laguna Niguel/Mission Viejo Metrolink Station	\$ 6,000,000	Rail
	Consultant selection for on-call architectural and engineering services for facility modifications	2,000,000	Rail
	Upgrade of OCTA's radio system to the integrated transportation management system	20,400,000	Transit
	Award of contract for concrete repairs at the Anaheim Base	61,500	Rail
	Amendment to cooperative agreement with the Southern California Regional Rail Authority for at-grade rail-highway grade crossing safety enhancement design and construction along the Los Angeles/San Diego Rail Corridor (LOSSAN)	87,400,000	Rail

FINANCE AND ADMINISTRATION COMMITTEE - Third Quarter Outlook (January 1, 2010 - March 31, 2010)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
January 13, 2010	Committee Meeting cancelled		
January 27, 2010	Consultant Selection for Bond Counsel Services	\$ 200,000	Finance and Administration
February 10, 2010	No procurement items on agenda		
February 24, 2010	No procurement items on agenda		
March 10, 2010	No procurement items on agenda		

TRANSPORTATION 2020 COMMITTEE - Third Quarter Outlook (January 1, 2010 - March 31, 2010)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
February 1, 2010	Consultant selection for the preparation of a natural community conservation plan/habitat conservation plan/master streambed alteration agreement	\$ 1,150,000	Development



BOARD COMMITTEE TRANSMITTAL

February 22, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Amendment to Agreements for Vanpool Services

Transit Committee Meeting of February 11, 2010

Present: Directors Brown, Dalton, Nguyen, Pulido, and Winterbottom
Absent: Directors Dixon and Glaab

Committee Vote

This item was passed by all Committee Members present.

Director Pulido was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 3 to exercise the first option year from July 1, 2010 to June 30, 2011 for Agreement No. C-7-0735 between the Orange County Transportation Authority and VPSI Inc. and Agreement No. C-7-0272 between the Orange County Transportation Authority and Enterprise Rent-A-Car Company of Los Angeles. The value of the option year to be shared between each firm, based upon the number of vanpools operated, is \$1,547,265 with a total maximum cumulative obligation of \$6,793,665.



February 11, 2010

To: Transit Committee
From: Will Kempton, Chief Executive Officer
Subject: Amendment to Agreements for Vanpool Services

Overview

On June 11, 2007, the Board of Directors approved agreements with VPSI Inc. and Enterprise Rent-A-Car Company of Los Angeles to provide subsidized commuter vanpool services. This report requests approval to exercise the first option term of those agreements.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 3 to exercise the first option year from July 1, 2010 to June 30, 2011 for Agreement No. C-7-0735 between the Orange County Transportation Authority and VPSI Inc. and Agreement No. C-7-0272 between the Orange County Transportation Authority and Enterprise Rent-A-Car Company of Los Angeles. The value of the option year to be shared between each firm, based upon the number of vanpools operated, is \$1,547,265 with a total maximum cumulative obligation of \$6,793,665.

Discussion

In July 2007, the Orange County Transportation Authority (OCTA) launched the vanpool program to offer commuters a transportation option for their daily home-to-work trips. Since the launch, the program has grown steadily with 287 vans at the end of December 2009. Those vans carry 2,242 passengers commuting to 52 unique worksites in Orange County.

The vanpool service is delivered through private vanpool providers. OCTA offers a \$400 monthly subsidy per van for qualified vanpools with seed funding provided primarily through the Congestion Mitigation and Air Quality (CMAQ) improvement program. Serving as one of the region's transportation control measures, the vanpool program helps OCTA achieve Regional Transportation Plan emission

reduction targets. In addition, federal Section 5307 transit funding is anticipated as a direct result of vanpool statistics that are reported in the National Transit Database (NTD). Additional revenue is expected to exceed the overall cost of the vanpool program and the revenue to cost ratio could be as high as 2:1. The following table provides details of vanpool program cost and estimated federal apportionments for fiscal year (FY) 2007-08 and 2008-09.

Fiscal Year Vanpool Data			
	2007-08	2008-09	2009-10 (July – Dec. 2009)
Vanpools	204	285	287
Revenue miles	2,967,112	5,088,479	2,594,403
Passenger trips	449,055	781,828	400,909
Subsidy paid	\$670,520	\$1,266,680	\$661,320
General and Administrative	\$112,590	\$197,800	n/a
Total Expenses	\$783,110	\$1,464,480	n/a
5307 Apportionment*	\$1,533,486	\$2,814,217	n/a

*These are the estimated amounts that OCTA expects to receive based on the vanpool program data included in OCTA’s annual NTD report. Apportionments are generally received 18 months after NTD report filing.

OCTA’s subsidy is paid to the vanpool provider who credits the vanpool customer in the same amount. OCTA has budgeted \$1,547,265 as the maximum expenditure of subsidies to be shared among providers during the first option year.

Estimated Growth/Subsidy FY 10/11*		
Month	Vans	Subsidy
Jul	305	\$ 122,000
Aug	308	\$ 123,220
Sep	311	\$ 124,452
Oct	314	\$ 125,697
Nov	317	\$ 126,954
Dec	321	\$ 128,223
Jan	324	\$ 129,505
Feb	327	\$ 130,801
Mar	330	\$ 132,109
Apr	334	\$ 133,430
May	337	\$ 134,764
Jun	340	\$ 136,112
Total Subsidy		\$ 1,547,265

*Estimate based on 1 percent monthly growth rate.

Procurement Approach

This federal procurement was originally handled in accordance with the OCTA's procedures for professional and technical services. The original agreements were awarded on a competitive basis. On June 11, 2007, the Board of Directors originally approved on-call agreements with Enterprise Rent-A-Car Company of Los Angeles Company of Los Angeles, Midway Rent-A-Car, Inc., and VPSI, Inc., in an amount not to exceed \$5,246,400, for a three-year initial term with two one-year option terms. However, the agreement with Midway Rent-A-Car, Inc. was canceled in June 2008 because this firm no longer provided vanpool services. Option year pricing was negotiated in the original agreements based on a firm fixed monthly subsidy by the OCTA in the amount of \$400 per qualified vanpool. The initial term will expire June 30, 2010, requiring the first option term to be exercised and extend the term through June 30, 2011, in an amount not to exceed \$1,547,265, bringing the total contract to \$6,793,665 (Attachment A). The on-call firms have provided excellent service to the Authority throughout the term of the agreements. Amending the contracts will allow the firms to continue providing subsidized commuter vanpool services.

Fiscal Impact

This project will be included in the OCTA's Fiscal Year 2010-2011 Budget, External Affairs Marketing Budget, Account 1842-7319-D4621-L77, pending Board approval and is funded through the CMAQ improvement program.

Summary

Based on the information provided, staff recommends the amendment of Agreement No. C-7-0735 to VPSI Inc. and Agreement No. C-7-0272 to Enterprise Rent-A-Car Company of Los Angeles, in the amount of \$1,547,265, for vanpool services.

Attachment

- A. Agreement No. C-7-0272 Fact Sheet
- B. Agreement No. C-7-0735 Fact Sheet

Prepared by:



Stella Lin
Marketing Manager
(714) 560-5342

Approved by:



Ellen Burton
Executive Director, External Affairs
(714) 560-5923



Virginia Abadessa
Director, Contracts Administration and
Materials Management
714-560-5623

ATTACHMENT A

Enterprise Rent-A-Car Company of Los Angeles Agreement No. C-7-0272 Fact Sheet

1. June 11, 2007, Agreement No. C-7-0272, in an amount not to exceed \$5,246,400, shared between Enterprise Rent-A-Car Company of Los Angeles and VPSI, Inc. with two one-year option terms, approved by Board of Directors.
 - Enterprise Rent-A-Car Company of Los Angeles provides subsidized commuter vanpool services.
 - Initial term is effective June 27, 2007 through June 30, 2010.
2. July 7, 2008, Amendment No. 1 to Agreement No. C-7-0272, \$0.00, was approved by Contracts Administration and Materials Management.
 - Amendment to remove Midway Rent-A-Car, Inc. as an on-call firm in providing commuter vanpool services.
3. August 18, 2009, Amendment No. 2 to Agreement No. C-7-0272, \$0.00, was approved by Contracts Administration and Materials Management.
 - Amendment to revise the scope of work and update the Alcohol and Drug Policy.
4. February 22, 2010, Amendment No. 3 to Agreement No. C-7-0272, \$1,547,265, shared between Enterprise Rent-A-Car Company of Los Angeles and VPSI, Inc. pending approval by Board of Directors.
 - Amendment to exercise the first option term and extend the agreement through June 30, 2011.

Total commitment shared between Enterprise Rent-A-Car Company of Los Angeles, Agreement No. C-7-0272 and VPSI, Inc., Agreement No. C-7-0735: \$6,793,665.

ATTACHMENT B

**VPSI, Inc.
Agreement No. C-7-0735 Fact Sheet**

1. June 11, 2007, Agreement No. C-7-0735, in an amount not to exceed \$5,246,400, shared between VPSI, Inc. and Enterprise Rent-A-Car Company of Los Angeles with two one-year option terms, approved by Board of Directors.
 - Enterprise Rent-A-Car Company of Los Angeles provides subsidized commuter vanpool services.
 - Initial term is effective June 27, 2007 through June 30, 2010.
2. June 10, 2008, Amendment No. 1 to Agreement No. C-7-0735, \$0.00, was approved by Contracts Administration and Materials Management.
 - Amendment to remove Midway Rent-A-Car, Inc. as an on-call firm in providing commuter vanpool services.
3. October 8, 2009, Amendment No. 2 to Agreement No. C-7-0735, \$0.00, was approved by Contracts Administration and Materials Management.
 - Amendment to revise the scope of work, revise the key personnel, and update the Alcohol and Drug Policy.
4. February 22, 2010, Amendment No. 3 to Agreement No. C-7-0735, \$1,547,265, shared between VPSI, Inc. and Enterprise Rent-A-Car Company of Los Angeles pending approval by Board of Directors.
 - Amendment to exercise the first option term and extend the agreement through June 30, 2011.

Total commitment shared between VPSI, Inc., Agreement No. C-7-0735 and Enterprise Rent-A-Car Company of Los Angeles, Agreement No. C-7-0272: \$6,793,665.



MEMO

February 17, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.



February 17, 2010

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Review of Metrolink Audit Activities

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed a review of the audit activities of the Southern California Regional Rail Authority. The review was conducted in response to a recommendation made during the Orange County Transportation Authority's fiscal year 2004-06 state triennial audit. Recommendations have been made to enhance the internal audit function at the Southern California Regional Rail Authority and management has indicated that they will be implemented.

Recommendation

Receive and file Review of Metrolink Audit Activities, Internal Audit Report No. 08-010.

Background

In September 2006, the Orange County Transportation Authority (OCTA) engaged an independent consultant to perform a state-mandated triennial performance review of OCTA, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines. In April 2007, the consultant issued its review reports which included 38 recommendations for improvements to OCTA operations.

Among the recommendations was one that suggested that, as a member agency of the Southern California Regional Rail Authority (Metrolink), OCTA conduct periodic audits of Metrolink operations. In response, OCTA's Internal Audit Department (OCTA Internal Audit) proposed an initial evaluation of the audit activities of Metrolink.

Discussion

The purpose of conducting a review of the audit activities of Metrolink was to assess the level of audit activity, review the internal audit function's compliance with applicable professional standards, and evaluate the need for the inclusion of Metrolink operations in future OCTA annual internal audit plans.

In conducting this review, OCTA Internal Audit relied on publicly available audit reports, audit status reports, Board of Directors (Board) and Board committee agendas and minutes, and inquiries and discussions with Metrolink staff.

OCTA Internal Audit noted that the independence of Metrolink's internal audit function could be improved. Through inquiry with Metrolink staff and review of the results of audits performed by Metrolink's contract audit firm, OCTA Internal Audit observed that Metrolink staff have input into the scope and procedures performed by the contract audit firm. An outsourced audit function creates greater reliance by auditors on the expertise and knowledge of the staff who oversee the programs under audit. As such, OCTA Internal Audit recommended that the Safety and Operational Oversight Committee (Committee) of Metrolink's Board, acting as Metrolink's audit committee, create a stronger firewall between staff and auditors through revisions to Metrolink's audit charter. Metrolink agreed with the recommendation and will modify its audit charter and procedures accordingly.

OCTA Internal Audit also observed that audits performed by Metrolink's on-call audit firms are not provided to the Committee or Board. These audits generally consist of contract audits or price and cost reviews. Through review of these reports, OCTA Internal Audit noted that the reports include financial claims and recommendations for improvements to Metrolink operations. OCTA Internal Audit recommended that all audit reports, regardless of audit contractor, be provided to the Committee and Board. Metrolink agreed and will provide all audits, with the exception of price reviews, to the Committee and Board.

Through review of a 2003 Metrolink audit risk assessment, OCTA Internal Audit determined that the Metrolink's internal audit function was obtaining only limited coverage of business processes identified as high risk. Furthermore, professional audit standards require that the risk assessment be updated annually, which has not been the case. OCTA Internal Audit recommended that a comprehensive risk assessment be conducted annually and that limited internal audit resources be directed toward those operations considered high risk. Management agreed, indicating that a risk assessment and audit plan is under development and is expected to be completed by April 2010.

Metrolink staff is charged with monitoring the status of internal audit findings and recommendations and closing them out when implemented. Professional standards require that follow-up procedures be independently performed and include testing and documentation. OCTA Internal Audit recommended that follow-up procedures be performed by Metrolink's contract auditors and that they be performed according to professional standards. Management indicated that policies will be developed to establish the protocols for follow-up of audit recommendations.

The final three recommendations are related to improvements in Metrolink's audit charter, its internal audit quality assurance program, and its internal audit policies and procedures. OCTA Internal Audit recommended that the Committee periodically review and update its audit charter, that staff and the Committee evaluate their contract audit firm for compliance with professional audit standards, and that core policies and procedures related to Metrolink's internal audit function be developed. Metrolink management agreed with all the recommendations and will revise its audit charter and policies and procedures.

OCTA Internal Audit recognized that this review was conducted during a period of organizational changes and while Metrolink is launching numerous safety initiatives and programs that stretch staff resources and availability. As such, OCTA Internal Audit is appreciative of the cooperation of Metrolink management and staff, and their resolve to make improvements to Metrolink's internal audit function.

Summary

OCTA Internal Audit has completed a review of the audit activities of Metrolink. Based on the review, OCTA Internal Audit has offered recommendations for improving the internal audit function of Metrolink and ensuring its compliance with Government Auditing Standards. Metrolink management provided responses, indicating that all would be implemented.

Attachment

- A. Review of Metrolink Audit Activities, Internal Audit Report No. 08-010 dated February 5, 2010.

Approved by:

A handwritten signature in cursive script that reads "Kathleen M O'Connell".

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

Orange County Transportation Authority Internal Audit Department



Review of Metrolink Audit Activities

INTERNAL AUDIT REPORT NO. 08-010

February 5, 2010



Internal Audit Team:

Kathleen M. O'Connell, CPA, Internal Audit Manager
Ricco Bonelli, Senior Internal Auditor

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Conclusion.....	1
Background	2
Review Objectives, Scope and Methodology	5
Review Observations and Recommendations.....	7
Acknowledgements.....	7
Auditor Independence.....	7
Audit Report Distribution.....	9
Annual Risk Assessment, Audit Plan, and Audit Activities.....	10
Audit Activity Monitoring and Follow-up Reviews	11
Internal Audit Charter.....	13
Quality Assurance and Improvement Program	13
Policies and Procedures	14
Appendix A: Metrolink’s Internal Audit Charter.....	16
Appendix B: Risk Assessment of Significant Key Business Processes.....	17
Appendix C: Summary of Internal Audit Findings and Recommendations	18
Appendix D: Summary of On-Call Audit Results.....	19

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Conclusion

The Internal Audit Department of the Orange County Transportation Authority (OCTA Internal Audit) has completed a review of audit activities of the Southern California Regional Rail Authority (Metrolink or SCRRA). The review was conducted in response to an OCTA state triennial audit recommendation that OCTA, as a member agency in a six county Joint Powers Agreement (JPA), audit Metrolink activities. Rather than conducting audits of Metrolink, OCTA Internal Audit proposed an initial evaluation of the audit function of Metrolink.

Based on this review, OCTA Internal Audit determined that Metrolink established an internal audit function in 1998. The Metrolink Board of Directors (Board) has adopted an internal audit charter, established an audit committee, contracted with an external firm to perform independent audits, and implemented procedures over reporting and communication of audit results.

Despite a formally established audit function, Metrolink's audit activities have been limited. OCTA Internal Audit noted only four audit engagements were completed by Metrolink's internal audit contractor between April 2004 and November 2009. Numerous other audits, primarily contract close out audits, have been performed by other on-call contract auditors at the direction of Metrolink staff; however, these audit reports have not been provided to the Board or audit committee.

In addition to the limited number of internal audits performed, it does not appear that Metrolink's audit function is obtaining adequate coverage of high-risk operations or business functions, as defined in a risk assessment conducted in November 2003. Furthermore, Metrolink's audit function requires improvement to be fully compliant with the International Standards for the Professional Practice of Internal Auditing (Standards) as required by its Internal Audit Charter (Charter).

During this review, OCTA Internal Audit observed areas where the audit function could be enhanced:

- Auditor Independence
- Audit Report Distribution
- Annual Risk Assessment and Audit Plan
- Audit Activity Monitoring and Follow-up Reviews
- Quality Assurance and Improvement Program
- Internal Audit Charter
- Policies and Procedures

As a party to the JPA establishing Metrolink, OCTA has no direct control over this separate and distinct legal entity. In addition, the JPA only requires that Metrolink

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

provide for an annual independent audit.¹ However, as a result of this review, OCTA's Internal Audit Department has concluded that OCTA is exposed to financial risks that are not addressed by Metrolink's internal audit function. Consequently, during the development of OCTA's annual audit plan, OCTA Internal Audit will consider several audits as they relate to Metrolink. In particular, OCTA Internal Audit will include all OCTA cooperative agreements with Metrolink in the annual risk assessment, as well as a financial review of the revenue and expense allocations to OCTA by Metrolink.

OCTA Internal Audit has offered recommendations for Metrolink's consideration and Metrolink management has provided responses which are included herein. OCTA Internal Audit appreciates the assistance of Metrolink staff in conducting this review.

Background

Review Purpose

As a recipient of State Transportation Development Act funds, OCTA is required to have a performance audit conducted every three years. In the Fiscal Year 2004 through 2006 Triennial Performance Audit of OCTA, dated May 31, 2007, the consultant recommended "OCTA conduct periodic audits and reviews of Metrolink activities on a regular basis to assure integrity in the use of funds spent for rail services affecting Orange County." OCTA's management response indicated that OCTA Internal Audit would include a review of Metrolink's audit activities in its fiscal year 2007-08 Internal Audit Plan. The review would include an inventory of the audit activities of Metrolink and evaluate the reasonableness and comprehensiveness of those audit efforts.

Metrolink

In 1991, Metrolink, a Joint Powers Authority, consisting of five county transportation planning agencies, was formed to develop a regional transit service to reduce congestion on highways and improve mobility throughout the Southern California region. Metrolink's five-agency membership includes the Los Angeles County Metropolitan Transportation Authority, OCTA, the Riverside County Transportation Commission, the San Bernardino Associated Governments, and the Ventura County Transportation Commission. Metrolink operates an average of 149 weekday trains, serving 55 stations, and carries approximately 45,000 riders per day. OCTA's total operating contribution to Metrolink for fiscal year 2007-08 was \$14,176,000.

¹ Section 14.0 of the JPA states "The AUTHORITY shall provide for the accountability of all funds and shall provide for an annual independent audit."

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Metrolink Audits

Metrolink did not establish an internal audit function upon formation in 1991. On June 10, 1998, a Metrolink Peer Review Audit Group (Peer Group), consisting of financial officers and staff support from the five member agencies was established to perform a general review of Metrolink policies, practices, and procedures to ascertain whether the internal control environment and structure was appropriate for the evolving role of Metrolink. The Peer Group reviewed the following areas:

- a. Policies, Procedures and Internal Controls
- b. Personnel Management
- c. Finance/Treasury Functions
- d. Contracting Functions
- e. Risk Management Functions
- f. Performance Audit, Classification Study, and Management Study

In its report to Metrolink's Board, the Peer Group recommended the establishment of an internal audit function. In response to this recommendation, on June 11, 1999, the Metrolink Board awarded an internal audit contract to the public accounting firm of Ernst & Young, LLP. In December 1999, the Metrolink Board formally adopted Metrolink's Internal Audit Charter. The Charter defined the purpose, independence, authority, scope, and reporting of Metrolink's Internal Audit function. The Charter's purpose states "reviews performed by Internal Audit will comply with the *Code of Ethics* and the [International] *Standards for the Professional Practice of Internal Audit*." See Metrolink's Charter at Appendix A.

Since June 11, 1999, Metrolink's internal audit function has been out-sourced to an external firm (Internal Audit Firm). The Internal Audit Firm reports to the Safety and Operational Oversight Committee that serves as Metrolink's audit committee. Metrolink's Controller is designated as the day-to-day staff coordinator for internal audit matters. Metrolink's Internal Audit Firm submits audit reports to the Safety and Operational Oversight Committee and the Metrolink Board.

The Safety and Operational Oversight Committee is responsible for overseeing Metrolink's operational and financial performance. This includes review of internal and external audit reports and oversight of management's corrective action. Metrolink staff provides updates of the results of audits to members of the Safety and Operational Oversight Committee and Metrolink's Board using Audit Activity Status Reports (Status Reports).

In addition to the Internal Audit Firm, Metrolink has on-call contracts with audit firms for use on an ad-hoc basis. Staff has the ability to solicit assistance from these auditors to address emerging issues or problems staff has identified, to conduct audits of contracts or inventory, and to perform other routine audit activities like price and cost reviews.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Metrolink Audit Status Reports

Status Reports are presented to the Safety and Operational Oversight Committee and the Board of Directors about once every three months and list unresolved findings of recent audits, including all externally mandated audits. In addition to the findings, the Status Reports document the Internal Audit Firm's recommendations, responses provided by Metrolink's management, and the implementation status of management's corrective actions. As findings are satisfactorily resolved and implemented, they are removed from the Status Report. The Status Report also provides notification of upcoming audits as well as the status of audits in progress.

Management Audit Committee

In addition to the audit committee responsibilities of the Safety and Operational Oversight Committee, Metrolink staff has established an Engineering & Construction Audit Committee to deal with contract audit issues. The committee meets quarterly and is comprised of the assistant executive officers, as well as staff from the capital programs, engineering, and procurement and accounting departments.

Risk Assessment

In November 2003, then Internal Audit Firm Thompson, Cobb, Bazilio and Associates, PC (TCBA) submitted a risk assessment of Metrolink's business processes/functions by major functional area to the Safety and Operational Oversight Committee. This risk assessment listed 17 business processes that were determined by TCBA to warrant high-level risk status. The following functions/processes were identified:

- Railroad Services
- Program Control
- Contract Administration & Procurement
- Materials Management
- Information Systems
- Signal & Communication Contract Management
- Maintenance of Way
- Public Projects
- Grants Development & Administration
- Accounts Payable/Invoice Processing
- Payroll & Timekeeping
- Fixed Asset & Inventory Control Management
- Grant Accounting
- Recollectables
- Financial Reporting
- Employee Relations
- Project Management

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

This list, which was presented to Metrolink in no specific priority order, was utilized in the selection of audits to be performed by the Internal Audit Firm. According to Metrolink staff, the internal audits selected were based on this initial risk assessment along with input from Metrolink management and Board members. See Appendix B for the Risk Assessment of Significant Key Business Processes, prepared by TCBA.

Internal Audits

OCTA Internal Audit has identified the following audit reports submitted by Metrolink's Internal Audit Firm since April 2004:

<u>Title of Audit Report</u>	<u>Report Issued</u>	<u>Findings</u>
Fare Collection Services	July 2006	6
Grants Management & Administration	October 2005	2
Project and Program Controls	August 2005	6
Cash Receipts and Accounts Receivable	April 2004	4

Detailed information concerning each audit performed by Metrolink's Internal Audit Firm can be found at Appendix C. An inventory of Metrolink's on-call audits can be found at Appendix D: Summary of On-Call Audit Results.

Review Objectives, Scope and Methodology

The objective of this review was to evaluate Metrolink's internal audit activities including its annual audit planning process, the nature, frequency, and results of audits performed, and the reporting and follow-up of audit findings and recommendations.

The review scope considers Metrolink audit activities from April 2004 to November 2009.

The review methodology included obtaining an understanding of Metrolink's internal audit function and activities. Through interviews with Metrolink and OCTA staff and review of documents and reports, we gained an understanding of Metrolink's audit process, the selection and performance of internal audits, and the communication of audit results. OCTA Internal Audit also reviewed all Status Reports and Audit Reports submitted to Metrolink's Board and its Safety and Operational Oversight Committee since April of 2004.

This review was conducted in accordance with generally accepted government auditing standards, except for the triennial peer review requirement, which has not yet been fulfilled. Those standards require that OCTA Internal Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. OCTA Internal Audit believes that the evidence obtained provides a reasonable basis for these findings and conclusions based on the audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Compliance with these standards relates to the work performed by OCTA Internal Audit in assessing the internal audit activities of Metrolink and does not intend to, and does not, constitute an audit of Metrolink's financial condition, results of operations, or system of internal controls. Furthermore, because OCTA has no governance responsibilities for Metrolink, management responses to recommendations provided herein will not be assessed for accuracy, adequacy, or implementation.

In performing this review, OCTA Internal Audit relied on Metrolink documents, reports, and Board and Committee minutes. As these records were unaudited, their accuracy or completeness could have a material effect on the findings and conclusions contained herein.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Review Observations and Recommendations

Acknowledgements

OCTA Internal Audit recognizes that this review was conducted during a period of organizational change at Metrolink and while the organization was launching numerous safety initiatives and programs that stretched staff resources and availability. Some of the initiatives and programs cited by management include the installation of inward-facing cameras, grade crossing safety enhancements, and the implementation of a public safety program, including the establishment of an independent Commuter Rail Safety Review Panel. Metrolink is also moving forward with the installation of automatic train stop technology at speed sensitive locations and is operating under a strategy to accelerate the implementation of Positive Train Control three years ahead of a federal mandate.

Management also expressed their commitment to improved internal controls, with plans to augment contractor oversight, safety and compliance staff. Management also indicated that it is conducting workshops with staff to train them on proper controls over contract management.

Despite competing priorities, Metrolink management committed valuable time and assistance to OCTA Internal Audit during this review. Furthermore, as demonstrated in management's responses to the recommendations below, Metrolink has committed to implementing all proposed recommendations for its internal audit function in a timely manner and concurrently with on-going safety enhancement initiatives.

Auditor Independence

As discussed in the Background section, Metrolink outsources its internal audit function to a contractor (Internal Audit Firm). According to Metrolink's Audit Charter, internal audit reports functionally to the Safety and Operational Oversight Committee (Committee) and the Board of Directors (Board). Presumably, this means that only administrative functions related to the contract with the Internal Audit Firm will be handled by Metrolink staff.

However, Metrolink staff is involved in directing the work of the Internal Audit Firm. This has resulted, in part, from staff's disappointment in the performance of the Internal Audit Firm. Staff indicated that the Internal Audit Firm required advice on program risks, audit scope, audit procedures, and findings and recommendations.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010

While it appears that this direction from staff is well intentioned and resulted in increased scrutiny of the performance of the Internal Audit Firm, staff direction or involvement in audit scope and procedures jeopardizes the independence of the internal audit function.

Recommendation 1:

OCTA's Internal Audit Department recommends that the Metrolink Internal Audit Charter be revised to specifically address the administrative support that Metrolink staff may provide the Internal Audit Firm. Furthermore, the Audit Charter should incorporate a periodic evaluation of audit contractors by the Committee and Board. Such a mechanism would allow Metrolink staff, the Committee, and the Board to provide input into the performance of audit contractors, thus preserving auditor independence. A formalized performance evaluation process for the Internal Audit Firm would also ensure that performance issues with an audit contractor are elevated and addressed in a timely manner. The American Institute of Certified Public Accountants (AICPA) and the Government Finance Officers Association (GFOA) are two professional organizations that provide "best practice" tools and templates for a thorough evaluation of audit firms.

Some of the problems staff encountered with the Internal Audit Firm related to the audit firm's lack of familiarity with the industry, the Metrolink organization and its projects and programs. This leaves a contract audit firm heavily reliant on the very staff whose functions it audits. While it is strictly a matter of Board policy, OCTA's Internal Audit Department recommends that Metrolink consider an in-house internal auditor to improve the quality of internal audit work.

Management Response to Recommendation 1:

Metrolink management concurs with this recommendation. The involvement of Metrolink staff in the internal audit process, at times, has been required when staff has the knowledge necessary to assist and impart information to the auditors that they might find beneficial during their audit process; information they may not have been able to gain otherwise. While it was never staff's intent to hinder auditor independence, internal audit policies will incorporate proper follow up procedures when the results of an audit contradict what is known to staff or other parties regarding Agency's business processes or practices. As part of best practice recommendations, management will incorporate into internal audit policies and the auditor charter procedures for the receipt, retention or treatment of concerns regarding accounting, internal controls, or auditing matters. Such procedures will specifically provide for the confidential, anonymous submission by employees regarding questionable business practices and accounting or auditing matters. The audit committee also should monitor controls performed directly by senior management, as well as controls designed to prevent or detect senior management override of other controls. Metrolink's audit charter, to be revised no later

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

than June 30, 2010, will help govern the internal audit process effectively and efficiently whether it's done in-house or by an external third party.

Audit Report Distribution

In addition to the Internal Audit Firm, Metrolink engages on-call audit firms for use on an ad-hoc basis. Management may solicit assistance from these auditors to address emerging issues or problems staff have identified, to conduct audits of contracts or inventory, or to perform other routine audit activities like pre-award price and cost reviews. A summary of audit reports reviewed by OCTA Internal Audit may be found at Appendix D.

OCTA Internal Audit noted that many of these audit reports include findings that result in financial claims against contractors. In fact, on-call auditors questioned costs of over \$2.6 million in the reports reviewed by OCTA Internal Audit. They also include findings related to contractors' compliance with other contract terms. For example, there were several instances where contractors had billed for unapproved subcontractors. OCTA Internal Audit also noted an instance where a contractor had not carried the appropriate amount of insurance, as required by the contract.

OCTA Internal Audit also noted findings and recommendations related to Metrolink's system of internal control. For example, an audit performed of Contract C3078-05 included recommendations related to Metrolink's approval of contract payment vouchers and compliance checklists. The same audit report suggested that Metrolink needs to improve controls over progress payment verifications.

Audit reports and communications from these on-call audit firms are not currently provided to the Committee or Board.

Recommendation 2:

OCTA's Internal Audit Department recommends that Metrolink's Audit Charter be revised to require that all audit or review reports or communications, regardless of auditor or audit contract, be provided to the Committee and Board, with the exception, perhaps, of reviews of price and cost proposals. This distribution will ensure that all audit recommendations are evaluated as to significance by the Committee and Board, that they are tracked, that corrective action is taken and that the implementation of recommendations is validated. Furthermore, OCTA Internal Audit recommends that Metrolink staff advise the Committee and Board of the status of each of the recommendations identified in Appendix D, and any other audits reports prepared during that period or since.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Management Response to Recommendation 2:

Metrolink management concurs with this recommendation. All audits, with the exception of price reviews, will be presented to the Safety and Operational Oversight Committee for review and approval. Additionally, staff will advise the Committee and the Board of the status of each of the recommendations identified in Appendix D. In an effort to mitigate risk to the Agency and properly address any operational deficiencies, several years ago Metrolink staff formed an ad-hoc audit committee that is comprised of Directors, Managers and other staff of the Agency. The primary goal was to address audit issues as they arose from various on-call audit activities. On-call audit activities consist of contract close out audits, interim audits, and operational audits and other audits or reviews as deemed necessary or required. During the start-up phase of the audit committee, meetings were conducted monthly to assess the status of completed and pending audits and provide guidance and resolution to management and staff. Staff-conducted audit committee meetings continue to be held on a quarterly basis in order to address audit issues, mitigate risk to the Agency, and ensure compliance of staff with proper business practices.

Annual Risk Assessment, Audit Plan, and Audit Activities

Metrolink's Internal Audit Charter requires that all reviews be conducted in compliance with the [International] Standards for the Professional Practice of Internal Audits (Standards). These Standards, commonly referred to as the "Red Book," are issued by the Institute of Internal Auditors and are one of two sets of standards with which government auditors generally comply. The Standards require that the organization establish risk-based plans to determine the priorities of the internal audit function, consistent with the organization's goals. The internal audit function's plan of engagements must be based on a documented risk assessment, undertaken at least annually.

Metrolink does not develop an annual risk based audit plan. In November 2003, Metrolink's Internal Audit Firm submitted a "Risk Assessment of Significant Key Business Processes" (Risk Assessment) to Metrolink's Safety and Operational Oversight Committee. The Risk Assessment identified 17 business processes/functions assessed as high-risk. OCTA Internal Audit noted that the Risk Assessment did not adequately define or describe Metrolink's 48 business processes/functions or the 13 risk factors utilized and that it has not been updated since its development in 2003.

OCTA Internal Audit identified four audit reports issued by Metrolink's Internal Audit Firm between 2003 and 2009. Two of the audits performed relate to business processes/functions identified as high-risk in the Risk Assessment; however, the other two relate to business processes/functions identified as medium risk in the Risk Assessment. Furthermore, both the Fare Collection Services audit and the Grants

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Management & Administration audit appear to be repeats of prior audits performed three to six years earlier.

Based on OCTA Internal Audit's review of the Risk Assessment and the four audit reports issued since 2004, it appears that Metrolink's audit function is obtaining limited coverage of its operations or those business functions considered high-risk. It also appears that there is little correlation between the risk assessment and audits performed.

Recommendation 3:

Because Metrolink's Internal Audit Charter requires compliance with the Standards for the Professional Practice of Internal Audit, OCTA's Internal Audit Department recommends that Metrolink require an annual risk assessment and internal audit plan. The methodology used to conduct the risk assessment should be explained and the business processes or functions sufficiently detailed. Risk factors should also be defined.

Risk-based audit plans establish the priorities of an entity's internal audit function. To help ensure adequate audit coverage, the timing and results of prior audits should be considered when assessing risk. Additionally, priority of audits should be directed toward business functions/processes evaluated as high-risk to ensure efficient use of limited internal audit resources.

Management Response to Recommendation 3:

Metrolink management concurs with this recommendation. Metrolink's current internal auditors from Macias Consulting Group are in the process of developing a comprehensive risk assessment and internal audit plan. They anticipate completing this process and presenting their assessment to the Safety and Operational Oversight Committee April 2010. Upon review and approval by the Safety and Operational Oversight Committee the internal auditors will begin the internal audit process on Metrolink's highest risk areas. On an annual basis the internal auditors, in accordance with Standards for the Professional Practice of Internal Audit and the Metrolink Audit Charter, will update the risk assessment and audit plan to ensure that areas of high risk are constantly being reviewed and audited. This will enable Metrolink Board of Directors and management to mitigate areas of high risk through the development of new practices or enhanced policies and procedures.

Audit Activity Monitoring and Follow-up Reviews

Metrolink monitors the disposition of audit report findings and recommendations. On a quarterly basis, the Metrolink Board of Directors (Board) and its Safety and Operational Oversight Committee (Committee) members receive a Status Report, which includes

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

unresolved findings of recent audits and the status of Metrolink management's corrective action. The report includes an estimated month of completion for each open item and notifies the Board and Committee of ongoing and upcoming audits, including external audits and state/federal mandated audits.

It does not appear, however, that specific follow-up procedures are performed to evaluate whether management's corrective action has been effectively implemented. Follow-up is a process by which internal auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations, including those made by external auditors. Follow-up procedures must be evidenced by documentation demonstrating the procedures performed, results of procedures, and conclusions reached.

Metrolink management provides the status updates for the corrective action plans noted in the Status Reports, but there does not appear to be independent evaluation performed by Metrolink's Internal Audit Firm to corroborate management's status update. OCTA Internal Audit observed that both the Fare Collection Services (2006) audit report and the Grants Management & Administration (2005) audit report, performed by Thompson, Cobb, Bazillo & Associates, included follow-up testing on previously reported audit findings; however, the time elapsed between the original audits and subsequent audits was approximately six years and three years, respectively.

Recommendation 4:

OCTA Internal Audit recommends that Metrolink conduct follow-up reviews in a timely manner and that these follow-ups be conducted in accordance with the same professional standards as other audit work. Specifically, follow-up procedures should be independently performed. Metrolink's Internal Audit Firm should conduct the follow up, rather than staff. Policies and procedures establishing when a follow-up must be initiated and the protocols, documentation, and close-out process should also be developed.

Management Response to Recommendation 4:

Metrolink management concurs with this recommendation. It is staff's goal to continue to update the audit status activity report given to the Committee on a monthly basis and the Board quarterly. Follow up audits, to be conducted six months after the issuance of an audit report, and every six months thereafter until all recommendations have been satisfactorily addressed, will include an update memo and periodic close out memorandums to management and the Safety and Operational Oversight Committee. An internal audit policy will be developed no later than June 30, 2010, that will establish protocols for audit procedures and appropriate follow up.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Internal Audit Charter

In December 1999, the Metrolink Board of Directors formally adopted Metrolink's Charter. Metrolink's Charter defines the purpose, independence, authority, scope, and reporting requirements of Metrolink's internal audit function. During OCTA Internal Audit's review of Metrolink Board and Safety and Operational Oversight Committee agenda meetings, we noted that the Charter has not been reaffirmed. According to the Standards, the Charter should be periodically reviewed and presented to senior management and the Board for affirmation.

The Charter's purpose states, "All reviews comply with the Code of Ethics and the [International] Standards for the Professional Practice of Internal Audit;" however, none of the audit reports submitted by the Internal Audit Firm indicate compliance with either the Code of Ethics or the Standards. Compliance with the Standards should be disclosed in the audit report, if applicable. For non-compliant engagements, the audit report should disclose which Standard(s) was/were not met as well as the reason and impact of non-compliance on the engagement.

Recommendation 5:

OCTA Internal Audit recommends that Metrolink update its Audit Charter and provide it to the Committee and Board for approval. The Audit Charter itself should establish the requirement that it be periodically reviewed, updated and approved.

Metrolink's Internal Audit Firm should also be advised of the requirement that it conduct its audits or reviews in compliance with the Code of Ethics and Red Book Standards, and that it cite compliance therewith in its reports.

Management Response to Recommendation 5:

Metrolink management concurs with this recommendation. The audit charter, to be updated no later than June 30, 2010, will incorporate the requirement that Metrolink's internal audit firm conduct its audits or reviews in compliance with the applicable Government Auditing Standards and professional Code of Ethics, and that it cite compliance therewith in its reports. Metrolink will present the updated internal audit policies and charter to the Safety and Operational Oversight Committee and the Board of Directors and seek approval no later than June 30, 2010.

Quality Assurance and Improvement Program

Metrolink does not have a Quality Assurance and Improvement (QA) Program as required by the Standards. A QA Program is designed to evaluate the internal audit function's compliance with the Standards and the Code of Ethics. A QA Program also

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

assesses the efficiency and effectiveness of internal audit activity and identifies opportunities for improvement.

Using an independent audit firm as the internal auditor for an organization relieves the organization of some, but not all, of the requirements of a QA Program. For example, the organization need not conduct an evaluation of the internal auditors' compliance with the Standards as long as the organization verifies that the audit firm has a QA Program in place and it is operating effectively. This is accomplished by obtaining and reviewing the results of the firm's periodic "peer review".

An organization that outsources its internal audit function must evaluate and document an assessment of the audit firm's independence periodically. Audit firms that become too reliant on fees from certain clients may compromise their independence and objectivity, in either fact or appearance.

Recommendation 6:

OCTA Internal Audit recommends that Metrolink establish policies and procedures for its Quality Assurance Program. Among other things, the policies and procedures should include a periodic review of the Internal Audit Firm's "peer review" report. The policies and procedures should include action Metrolink should take when peer review findings indicate a lack of compliance by the Internal Audit Firm to the Standards. Metrolink's policies and procedures for a Quality Assurance Program should also include a periodic evaluation of the Internal Audit Firm's independence.

Management Response to Recommendation 6:

Metrolink management concurs with this recommendation. Management will develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program will also assesses the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The quality assurance and improvement program will include both internal and external assessments. The quality assurance and improvement will be developed in conjunction with the internal audit policies and audit charter.

Policies and Procedures

The Standards require that organizations develop policies and procedures to guide the internal audit function. The form and content of written policies and procedures should

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

be appropriate to the size and structure of the internal audit activity and the complexity of its work.

In situations where the internal audit function is out-sourced, detailed policies and procedures for the performance of audits and reviews are obviously unnecessary. However, several other considerations are relevant:

- Internal Audit Firm Selection, Evaluation, Retention and Dismissal
- Reporting and Communication Requirements
- Protocols and Requirements for Adjustments to the Annual Internal Audit Plan
- Audit Records - Access and Retention
- Evaluation of Impairments, Including Those Caused by Non-Audit Services
- Confidentiality Requirements
- Responsibilities with Regard to Fraud, Illegal Acts, and Violations of Provisions of Contracts, Grant Agreements, and Waste or Abuse Investigations

Recommendation 7:

OCTA Internal Audit recommends that Metrolink develop core policies and procedures to govern the Internal Audit function, including some of the considerations identified above.

Management Response to Recommendation 7:

Metrolink management concurs with this recommendation. Since Metrolink outsources its internal audit function, management will incorporate the relevant considerations listed as they relate to the outsourced internal audit function. A complete set of internal audit policies and procedures, updated audit charter, and quality assurance program will be available no later than June 30, 2010.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Appendix A: Metrolink's Internal Audit Charter

ITEM 6

DECEMBER 3, 1999

TO: MEMBERS AND ALTERNATES - 12/10 MEETING

FROM: CHIEF EXECUTIVE OFFICER

SUBJECT: INTERNAL AUDIT CHARTER

Member Agencies:
Los Angeles County
Metropolitan Transportation
Authority
Orange County
Transportation Authority
Riverside County
Transportation Commission
San Bernardino
Associated Governments
Ventura County
Transportation Commission
Ex Officio Members:
Southern California
Association of Governments
San Diego Association
of Governments
State of California

ISSUE

The Audit Committee (Committee), at its September 24, 1999 meeting, formally adopted an Internal Audit Charter, which must be approved by the SCRRRA Board.

RECOMMENDATION

The Committee recommends the SCRRRA Board approve the adoption of the Internal Audit Charter.

BACKGROUND

As a result of the Audit Peer Group report issued in September 1998, the Committee recommended (to the Board) the establishment of an internal audit function within SCRRRA. On June 11, 1999, the Board awarded the Internal Audit contract to Ernst & Young LLP, which signified the official start of the internal audit function within SCRRRA.

To assist both the Audit Committee and the Internal Auditor in discharging their respective duties, at its September 24, 1999 meeting the Committee adopted an Internal Audit Charter. At its November 19, 1999 meeting, the Committee revised the original Internal Audit Charter to include recommendations of legal counsel (See Attachment A).

Highlights of the Internal Audit Charter are:

1. Purpose - The Charter defines the purpose of Internal Audit to review the Authority's operations as a service to management and the Board of Directors.
2. Independence - The Charter specifies that Internal Audit is an independent appraisal function that examines and evaluates activities within the Authority. Internal Audit must maintain an independent and objective mental attitude and therefore, cannot have direct authority over any operation or activity it may review.

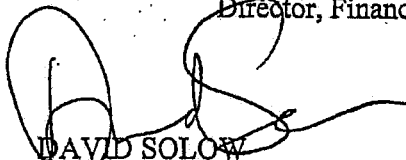
3. Authority – Except for confidential files or files that are attorney/client work product, privileged, the Charter gives Internal Audit unlimited access to all authority activities, records, property and employees.
4. Scope - The Charter defines the scope of Internal Audit as examining and evaluating the adequacy and effectiveness of the Authority's system of internal control and the quality of performance in carrying out assigned responsibilities.
5. Reporting - The Charter specifies that the Internal Auditor reports functionally to the Committee and to the Board. The Charter requires reporting of significant findings to Senior Management and the Audit Committee. Management is responsible for taking action on audit recommendations, and internal audit will report quarterly to the Audit Committee on the status of these actions.

In summary, the Internal Audit Charter gives the Internal Audit function the authority necessary to carryout its responsibilities to the Committee and to the Board.

BUDGET IMPACT

There is no budget impact.

Prepared by: Paul Sakamoto
Director, Finance


DAVID SOLOW
Chief Executive Officer

ATTACHMENT A

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY INTERNAL AUDIT CHARTER

This Charter defines the purpose, authority, scope and reporting requirements of Internal Audit.

Purpose

Internal Audit independently reviews the SCRRA's operations as a service to Management and the Audit Committee on behalf of the Board of Directors. All reviews comply with the *Code of Ethics* and the *Standards for the Professional Practice of Internal Audit*.

AUTHORITY and SCOPE

The Internal Audit is an independent appraisal function established by the SCRRA Board of Directors to examine and evaluate the activities within the organization. It reports functionally to the Audit Committee and to the SCRRA Board of Directors. This reporting relationship ensures independence, promotes comprehensive audits and assures audit recommendations get proper consideration. The Internal Auditor has a duty to the Board of Directors to notify the Audit Committee regarding any irregularity or suspicion of irregularity.

Except for confidential personnel files or files that are attorney/client work product privileged, Internal Auditors will have unlimited access to all authority activities, records, property, and employees. Access may be considered and approved upon written justification or be determined by recommendation of the Committee and directions from the Board with advice of counsel. Limitations of scope must be reported immediately to the Audit Committee and the Chief Executive Officer.

The scope of internal auditing will encompass the examination and evaluation of the adequacy and effectiveness of the authority's system of internal control and the quality of performance in carrying out assigned responsibilities. Internal Audit will:

- Review the reliability and integrity of financial and operation information and the means used to identify, measure, classify and report such information.
- Review the established systems to ensure compliance with policies, plans, procedures, laws, regulations, and contracts.
- Review the means of safeguarding assets and verify existence of such assets, as appropriate.
- Appraise the economy and efficiency with which resources are employed.
- Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried as planned.

Internal Audit must maintain an independent and objective mental attitude. Therefore, it cannot have direct authority over any operation or activity it may review. Designing, installing, or operating systems, policies, procedures, and standards are not audit functions. Performing such activities impairs objectivity and independence. However, reviewing procedures and controls as they are designed into manual or automated systems is appropriate.

Reviews by Internal Audit do not relieve Management of their responsibilities. It is the responsibility of management to ensure that proper controls are in place and policies and procedures are being followed.

REPORTING

Internal auditors will meet with Audit Committee at least quarterly. Management will respond, in writing, to Internal Audit's finding and recommendations within 10 working days of being presented with them. Such responses must include the actions Management will take to comply with the findings and a timetable for completing them. When Management disagrees with a recommendation, an explanation must be given regarding the disagreement by Management, and a description of the compensating controls must be provided. An alternative recommendation may be proposed by management. Internal Audit will issue a draft report, including Management's responses to the Management of the area reviewed. If Internal Audit does not receive a response from Management within the 10 working day period, the draft report will be issued indicating Management did not respond. A final report will be issued after appropriate Management review.

Internal Audit will report significant outstanding findings to Senior Management and to the Audit Committee. Management must update Internal Audit, in writing, on the status of any outstanding findings. Management is responsible for taking action on audit recommendations. Internal Audit will report quarterly to the audit committee on the status of these actions.

All findings are issued to Senior Management and the Audit Committee.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Appendix B: Risk Assessment of Significant Key Business Processes

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC
Certified Public Accountants and Management, Systems and Financial Consultants

Main Office:
 1101 15th Street, N.W.
 Suite 400
 Washington, DC 20005
 (202) 737-3300
 (202) 737-2684 Fax

Regional Office:
 100 Pearl Street
 14th Floor
 Hartford, CT 06103
 (860) 249-7246
 (860) 275-6504 Fax

Regional Office:
 21250 Hawthorne Boulevard
 5th Floor
 Torrance, CA 90503
 (310) 792-7001
 (310) 792-7004 Fax

November 4, 2003

Mr. Ron Roberts, Chairman, Operational Oversight Committee
 Southern California Regional Railroad Authority
 700 South Flower Street, Suite 2600
 Los Angeles, CA 90017-4101

Re: Risk Assessment of SCRRA Business Processes/Functions

Dear Mr. Roberts:

Thompson, Cobb, Bazilio & Associates, PC (TCBA) is pleased to present the attached risk assessment of SCRRA's business processes/functions by major functional area. Please note that a high-level risk designation should not be construed as an indication that specific problems or internal control weaknesses have been identified, but rather that a potential for high-level risk exists. A high-level risk assessment means that the potential of a significant loss in terms of dollars, productivity and/or efficiency are high if the business process is not adequately controlled or designed.

The major functional areas and applicable managerial responsibility are as follows:

<u>Division</u>	<u>Director/Manager</u>
Equipment	Bill Lydon
Support Services	Steve Wylie
Engineering & Construction	Mike McGinley
Communications & Development	Steve Lantz
Finance	Mark Dubeau
Operations	John Kerins
Human Resources	Irene Shapiro

This risk assessment is based in part upon interviews with the seven SCRRA Directors/Managers listed above. We also interviewed the following six SCRRA Directors/Managers to obtain their input and views on SCRRA's business processes/functions that they believe are of high risk:

Mr. Ron Roberts
November 4, 2003
Page 2

<u>Division</u>	<u>Director/Manager</u>
Grants Administration	Joanna Capelle
Railroad Services	Bruce Ferguson
Safety	Fred Jackson
Contracts Admin. & Procurement	Cheryl Johns
Public Projects	Ron Mathieu
Engineering & Construction	Harold Watson

Coupled with the input we received from the interviews with the 13 SCRRA Directors/Managers above, we also assessed each business process/function using the 13 risk factors listed in the attached risk assessment analysis. Each of the 13 risk factors was rated as low, medium, or high for each business process/function. An overall risk assessment of low, medium or high was then assigned to each business process/function based on the majority of the ratings assigned to the 13 risk factors assessed.

Based on TCBA's risk assessment approach discussed above, we have identified the following 17 SCRRA business processes/functions that we believe warrant a high-level risk assessment at this time. The listing below is in no specific priority order.

1. Railroad Services
2. Program Control
3. Contract Administration & Procurement
4. Materials Management
5. Information Systems
6. Signal & Communication Contract Management
7. Maintenance of Way
8. Public Projects
9. Grants Development & Administration
10. Accounts Payable/Invoice Processing
11. Payroll & Timekeeping
12. Fixed Asset & Inventory Control Management
13. Grant Accounting
14. Recollectables
15. Financial Reporting
16. Employee Relations
17. Project Management

The matrices by functional area detailing the 17 high-level risk processes and the factors or reasons contributing to this high-risk assessment are attached.

Mr. Ron Roberts
November 4, 2003
Page 3

After SCRRA management's review and concurrence of this risk assessment, TCBA will then prepare an internal audit work plan that will identify the internal audits to be performed over the next 18 months.

If you have any questions, please feel free to contact me at 310-792-7001.

Respectfully,



Michael J. de Castro
Principal

Cc: Mr. Bill Alexander, Chairman, Board of Directors

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Appendix C: Summary of Internal Audit Findings and Recommendations

Review of Metrolink Audit Activities
Summary of Internal Audit Findings and Recommendations
April 2004 - August 2008

Audit (Date)	Audit Firm	Findings/Observations	Recommendation
Fare Collection Services (July 2006)	TCBA	<p>SCRRA lacks a comprehensive set of policies and procedures for the Fare Collection Services (FCS) area.</p> <p>Annual physical inventory records did not include an inventory of cash boxes, bill vaults, bucos, and coin drums maintained at their site. This equipment is not inventoried and reconciled on a periodic basis.</p> <p>The credit card refund process would be strengthened if the Passenger Services Department required a supervisory signature for approval of refunds. Also, we found that Passenger Services does not research transaction numbers of all refund requests.</p> <p>Controls over cash at Union Station were generally adequate, but could be improved by ensuring that cash deposits are made on a daily basis. We also found that security procedures governing the dual combination safes located at the Union Station ticket offices could be improved.</p> <p>L.A. Federal prepares reports daily for FCS and the Finance Department. The accuracy over information contained in the reports prepared by L. A. Federal could be improved if that information was periodically verified to system-generated data.</p> <p>Controls over the charge-back process could be strengthened if the investigator's findings required a second or supervisory review before they are sent to the credit card company. Additionally, since credit card refund and charge-back processes are performed by separate departments, there exists the risk that both a refund and charge-back could be issued for the same transaction.</p> <p>Project control policies and procedures for Railroad Services and the procedures for the review of engineering and construction management invoices within the Engineering & Construction Department are not documented, nor do any written manuals or desk procedures exist.</p>	<p>FCS management should complete the documentation of their management processes and procedures in formal written format. The development of policies and procedures has been, and continues to be, an important activity of SCRRA.</p> <p>Implementation of the new Fare Collection inventory system should be accompanied by a thorough inventory recount of all Fare Collection equipment. Procedures should be developed to corroborate the inventory information.</p> <p>Refund decisions by Passenger Services require review and approval by an additional official within that Department and 2) Transaction numbers for all refund requests should be researched and matched to data found in the CMS database.</p> <p>Ticket agents should prepare and submit cash deposits daily as part of the comprehensive cash collection control procedures. Additionally, dual combination locks on safes located at the Union Station ticket offices should be changed to ensure that the safes could be opened only with a SCRRA representative's combination and L.A. Federal guard combination.</p> <p>We recommend that SCRRA verify on a periodic basis the amount of currency and coin that should have been collected as shown in the Deposit by TVM Report and the BUCOs Installed/Removed Report to the source data on the Money and Change Cards Reports.</p> <p>We recommend that 1) investigation decisions by FCS should require review and approval by an additional official within that Department to assure that decisions are reasonable and consistent, and 2) the Passenger Services Department and FCS should develop formal procedures for exchanging credit card refund and charge back data to reduce or eliminate the risk of refunding an individual twice for the same transaction.</p> <p>Recommend that SCRRA management complete the development of written policies and procedures for project control functions.</p>

**Review of Metrolink Audit Activities
Summary of Internal Audit Findings and Recommendations
April 2004 - August 2008**

Audit (Date)	Audit Firm	Findings/Observations	Recommendation
Project and Program Controls (August 2005)	TCBA	<p>Expenditure data for SCRRA's operating and capital project activity is not being entered into the Oracle System until after review and approval of contractor invoices, resulting in a delay of up to one month or more in recording the expenditure. Despite an established contractual requirement requiring that all contractors submit invoices directly to Accounts Payable, we found that this requirement is neither being adhered to nor enforced by SCRRA management.</p> <p>Only one individual is responsible for the recording, review, and approval of invoice coding for various SCRRA contracts under the control of the Railroad Services Division. The current flow of the invoice review process results in the coding of invoices after the project manager's review. This internal control weakness could result in the charging of project costs to the wrong funding source going undetected, resulting in the potential of disallowed costs or loss of State and Federal funding.</p> <p>We found that not all project managers were notified or aware of costs charged against their respective project budgets. We also noted certain project managers have found that retroactive cost adjustments were made to their project budgets without their prior knowledge and/or approval.</p>	<p>Recommend that SCRRA management enforce the requirement that all contractors submit invoices directly to Accounts Payable. Also recommend that upon receipt of an invoice by Accounts Payable, expenditure data should be entered into the Oracle System and established as an accrual.</p>
		<p>Only one individual is responsible for the recording, review, and approval of invoice coding for various SCRRA contracts under the control of the Railroad Services Division. The current flow of the invoice review process results in the coding of invoices after the project manager's review. This internal control weakness could result in the charging of project costs to the wrong funding source going undetected, resulting in the potential of disallowed costs or loss of State and Federal funding.</p> <p>We found that not all project managers were notified or aware of costs charged against their respective project budgets. We also noted certain project managers have found that retroactive cost adjustments were made to their project budgets without their prior knowledge and/or approval.</p>	<p>We recommend that contractors be instructed as to the proper coding of invoices and forward coded invoices directly to Accounts Payable for prompt recording (accrual) into the Oracle financial system. When a contract, purchase order, CTO or other authorization to perform work is issued, detailed invoice coding instructions should be provided to the contractors. Project managers should then be responsible for review and approval of the invoices as to both proper coding and authorized costs.</p>
		<p>We found that not all project managers were notified or aware of costs charged against their respective project budgets. We also noted certain project managers have found that retroactive cost adjustments were made to their project budgets without their prior knowledge and/or approval.</p>	<p>We recommend that the approval of the project manager responsible for funding and budget oversight of a project be required prior to processing CTO's. Procedures should also be implemented to ensure that all cost transfers and/or retroactive cost adjustments are made only after the written approval of the project manager whose project will be incurring the cost. In addition, journal entries for these project changes should only be processed with the appropriate supporting documentation such as an adjusted invoice.</p>
		<p>Noted that the Request for Proposal form was used infrequently to initiate an Engineering CTO. Not using the RFP form is a violation of internal procurement policy as outlined in the Engineering Department's own Design Procedures Manual. Without this documentation on file, Federal and State auditors could question and disallow all costs associated with a CTO.</p>	<p>We recommend that engineering CTO's not be processed unless the Request for Proposal form has been properly prepared, reviewed, and authorized by the appropriate project manager.</p>
		<p>There are no formal criteria or detailed procedures in existence detailing how Estimates-at-Completion for SCRRA capital projects should be prepared. Consequently, in the absence of formal procedures, the resulting effect is Estimates-at-Completion that do not accurately include all costs and the expected time projection for those costs.</p>	<p>Since the time of our audit fieldwork, the Engineering Department has made improvements to the Estimates-at-Completion procedures by modifying their project management report summary format. We recommend that this report format be further improved by adding a column showing the anticipated value of future work to be authorized.</p>

**Review of Metrolink Audit Activities
Summary of Internal Audit Findings and Recommendations
April 2004 - August 2008**

Audit (Date)	Audit Firm	Findings/Observations	Recommendation
Grant Management & Administration (October 2005)	TCBA	<p>Contracts Administration & Procurement (CA&P) department has difficulty obtaining timely grant information for use in procurements and contracting. This is particularly pertinent in cases where one contract might be necessary for more than one project. Since information on the Grant Summary Report is arranged by specific project titles, it is often difficult to obtain in these cases. Alternatively, CA&P must obtain required grant information details from project managers, and/or individuals in GRANTS and the Budget Division via e-mail and/or phone contact often resulting in conflicting information being disseminated.</p> <p>During Invoice testing . Auditors noted the following: Supporting documentation (invoices) amounts did not match reimbursement billings to grantor agency; no evidence of payment authorization for invoices which exceeded authorized Contract Task Order (CTO) amounts; and lack of an audit trail for certain adjustments made to invoice payments.</p>	<p>We recommend that departments such as CA&P and others communicate their specific grant information needs to GRANTS for incorporation in the current report format or provide suggestions for development in alternative formats. We also recommend that GRANTS continue its outreach efforts throughout the organization to increase awareness as to the type of information available on the current report and how it can be more effectively utilized.</p> <p>We recommend that Finance should establish the practice of maintaining duplicate copies of the supporting documentation for State invoices for a period of at least one year. Also, in cases where an estimated invoice from a contractor is issued for purpose of verifying the actual quantities, the original invoice should always be adjusted to reflect the adjustments/changes that have occurred after review and approval of the invoice by Construction management. Furthermore, Finance should always ensure that all invoices are within the authorized CTO limits before processing for payment.</p>
Cash Receipts and Accounts Receivable (April 2004)	TCBA	<p>SCRRA should prepare and analyze the accounts aging report on a consistent basis.</p> <p>SCRRA should document past due receivable follow-up and analysis</p> <p>SCRRA does not have formal procedures for writing off uncollectible accounts receivable.</p> <p>SCRRA should establish a reserve for bad debt and write-off uncollectible receivables.</p>	<p>Account receivables aging reports should be consistently prepared and generated on a monthly basis for management review and analysis and the appropriate follow-up of all past due receivables.</p> <p>Follow-up action on all outstanding past due receivables should be adequately documented.</p> <p>SCRRA should establish procedures and approval requirements for the write-off of uncollectible receivables.</p> <p>The June 30, 2003 account receivables balance for all categories needs to be reviewed for potential collection. Accounts deemed to be uncollectible should be reserved for bad debt and eventually written-off after all collection efforts are exhausted.</p>

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Review of Metrolink Audit Activities
February 5, 2010**

Appendix D: Summary of On-Call Audit Results

**Review of Metrolink Audit Activities
Summary of On-Call Audit Results
January 2005 - April 2009**

Audit	Audit Type	Date	Audit Firm	Findings/Observations	Recommendations
Close-out Audit of Costs Claimed - Contract No. E0720C (STV, Inc.)	Close-out Audit	1/24/05	MHIM	Contractor billed SCRRA excess overhead, excess subcontractor overhead, unauthorized subcontractor premium time, and other direct costs were not adequately supported.	Recover questioned costs of \$8,711.
Close-out Audit of Costs Claimed - Contract No. E0720B (Hanson-Wilson, Inc.)	Close-out Audit	2/1/05	MHIM	Contractor billed SCRRA excess labor costs, excess labor overhead, unsupported subcontractor costs, and unapproved fixed fees.	Recover questioned costs of \$21,083.
Close-out Audit of Costs Claimed - Contract Number E0720A (Commuter Rail Engineering Team)	Close-out Audit	12/15/05	MHIM	Questioned costs relate to excess labor costs, excess labor overhead, unsupported subcontractor costs, unsupported other direct costs, and unapproved fixed fees.	Recover questioned costs of \$96,971.
Close-out Audit of invoiced costs under Contract No. JO101-05. (Herzog Contracting Corporation, Inc.)	Close-out Audit	4/16/06	TCBA	Finding 1: Contractor did not meet all insurance requirements. Herzog could not provide an insurance certificate for Transportation Management Systems, Inc., a subcontractor responsible for miscellaneous trucking and hauling. Finding 2: Certified payroll records were not always attached to invoice. Five invoices totaling \$1,115,782 did not have certified payroll records attached as required by the contract.	Auditor provided no recommendations.
Review and recalculation of equipment rates and charges under Contract No. MS196-03. (Mass Electric Construction Company)	Contract Compliance Review	5/17/06	TCBA	Contractor was paid \$384,089 more than the amount allowed for equipment charges under the contract's equipment rental provisions.	Recover \$384,089 of overpaid equipment charges. SCRRA should establish, through a contract amendment, equitable overtime rates for certain specialty equipment items.
Review of Change Order No. 13, 14 and 15 under Contract No. C3079 (J.S. Meek Company)	Change Order Review	6/19/06	TCBA	Price negotiated for change orders No. 13, 14 and 15 was found to be fair and reasonable and adequately supported.	No recommendations provided.
Contract Compliance Review of Invoiced Costs (J. L. Patterson & Associates)	Contract Compliance Review	8/9/06	TCBA	Contractor's invoiced costs were reasonable, adequately supported, and in compliance with the terms of the Contract, except for \$64,848 in vehicle costs.	Seek reimbursement from the Contractor the amount of \$64,848 for over-billed vehicle costs.
Review of Change Order # 2 for Contract No. C3084-06 (Johnson Western Gunitite Company)	Change Order Review	8/17/06	TCBA	Contractor's proposed grout rate increase for quantities in excess of 25% of the contract schedule was not supported.	Grout costs should be paid at the stipulated contract rate of \$15.20 per bag resulting in a reduction of \$54,135 for Change Order # 2.
Review of Change Orders 16, 17 and 19 under Contract No. C3079 (J.S Meek Company, Inc.)	Change Order Review	8/31/06	TCBA	Review of supporting documents for three change orders resulted in questioned total of \$23,595.	Auditor provided no recommendations.

**Review of Metrolink Audit Activities
Summary of On-Call Audit Results
January 2005 - April 2009**

Audit	Audit Type	Date	Audit Firm		Findings/Observations	Recommendations
			Firm	TCBA		
Close-out Audit of Invoiced Costs under Contract No. CM 100-01, Contract Task Orders 13, 15, 17, 20 and 26. (The Culver Group)	Close-out Audit	12/21/06	TCBA		Invoiced amounts included costs beyond the authorized period of performance, some invoiced labor charges were not supported by employee timesheets, amounts billed for 4 labor categories were not included in the contract, and 5% of the timesheets reviewed did not have supervisor approval.	Auditor questioned costs of \$68,500, representing work performed beyond the authorized task order period, unsupported labor, and labor categories and rates not stipulated in the contract.
Contract No. E730-05 Report on Agreed-Upon Procedures - Review of Direct Labor Rates	Cost/Price Analysis	3/6/07	MHM		Various adjustments to contractor and subcontractors relating to escalation and billing rates.	Recommendations are for contract negotiation only.
Analysis of Overhead Rates Contract No. E730-05	Cost/Price Analysis	4/17/07	MHM		Various adjustments to contractor and subcontractors relating to escalation and billing rates.	Recommendations are for contract negotiation only.
Closeout audit of invoiced costs under Contract No. C3086-06. (John S. Meek Company, Inc.)	Close-out Audit	6/18/07	TCBA		Invoiced costs were reasonable, allowable, allocable and in compliance with the terms of the contract.	SCRRA should comply with appropriate procedures in closing out the contract using the \$379,130 as the final contract value and releasing the retention amount of \$18,956 to the contractor.
Review of direct labor rates and equipment rate increases applicable to Contract Number MS148 for the period July 1, 2007 through June 30, 2008	Cost/Price Analysis	6/27/07	MHM		Various adjustments to Contractor's proposed labor and equipment rate increases.	Recommendations are for contract negotiation only.
Close-out audit of invoiced costs under Contract No. C3079-04. (John S. Meek Company, Inc.)	Close-out Audit	6/28/07	TCBA		<p>Finding 1: The retention portion, in an amount of \$220,322, remains to be paid. The Contractor did not invoice SCRRA for Change Order 12, but the Contractor did perform the work. Therefore, SCRRA owes the contractor \$9,897 for Change Order 12.</p> <p>Finding 2: Twelve of sixteen subcontractors used were not in accordance with the approved list in the contract. Seven of these twelve unapproved subcontractors had subcontract values that exceeded 1/2 % of the contract value and therefore required approval by SCRRA.</p>	<p>Recommendation 1: SCRRA should comply with appropriate procedures in closing out the contract using the \$4,416,339 as the final contract value and releasing the retention amount of \$220,322 plus \$9,897 for Change Order 12 for a total amount of \$230,219 to the contractor.</p> <p>Recommendation 2: SCRRA should improve its oversight of the contractor's use of subcontractors to ensure that subcontractors not on the approved list in the contract are properly approved prior to the subcontractor beginning work.</p>

**Review of Metrolink Audit Activities
Summary of On-Call Audit Results
January 2005 - April 2009**

Audit		Audit Type	Date	Firm	Findings/Observations	Recommendations
Close-out Audit of Costs Claimed under Contract Number C3078-05. (J.A. Placek Construction Company, Inc.)	Close-out Audit	6/29/07	MHM	<p>Finding 1: Failure to properly complete and approve contract payment vouchers, invoice review and compliance checklists, and progress payment applications in accordance with SCRRA policies.</p> <p>Finding 2: Failure to complete and approve progress payment verification logs.</p>	<p>Recommendation 1: SCRRA should instruct all individuals in the processing of vendor invoices to comply with Policy Number 8.1, Invoice Processing and Accounts Payable Policy.</p> <p>Recommendation 2: The contractor serving in the capacity of Construction Manager on behalf of the SCRRA should ensure that all progress payment verification logs are completed and approved to properly support the percentage of completed tasks.</p>	
Review of Change Order No. 16 (CN-87) under Contract No. C3074-6. (FCI Constructors, Inc.)	Change Order Review	10/26/07	TCBA	<p>The Resident Engineer's Fair Cost Estimate of \$515,600 was reasonable, adequately supported and priced in accordance with contract terms.</p>	<p>Auditor recommended approval of the global settlement at \$550,000.</p>	
Close-out audit of invoiced costs under Contract No. C3074-06. (FCI Constructors, Inc.)	Close-out Audit	12/3/07	TCBA	<p>A railroad crossing at Fairhaven and Lincoln Ave, as designed and constructed, creates a safety hazard for large trucks in the 18 wheeler 55 ton category, resulting in a temporarily closure of the railroad crossing.</p>	<p>SCRRA should assess whether or not the design contractor was at fault for the safety hazard at the Fairhaven railroad crossing and whether SCRRA should seek recovery of damages through the errors and omissions provisions of the design contractor's contract with SCRRA.</p>	
Pre-award cost / price analysis of RAM Industrial Services, Inc.	Cost/Price Analysis	2/22/08	KNL Support Services	<p>Auditor recommended adjustments to contractor and subcontractor rates for direct labor, escalation, material costs, etc.</p>	<p>Recommendations are for contract negotiation only.</p>	
Close-out audit of invoiced costs under Job Orders 103-6 and 104-6. (Herzog Contracting Corp's)	Close-out Audit	3/5/08	TCBA	<p>Invoiced fees under No. 103-6 and No. 104-6 were found reasonable, allowable, allocable and in compliance with the terms of the contract and the Federal Acquisition Regulations.</p>	<p>No recommendations provided</p>	
Interim close-out audit of costs invoiced under Contract No. OP-120-03. (Bombardier Transportation)	Close-out Audit	5/28/08	TCBA	<p>Audited overhead rates for years 2 through 5, computed in accordance with FAR 31.2, were less than the overhead rates billed to SCRRA by the contractor, resulting in an over-billing of \$798,131.</p>	<p>Recommendation 1: SCRRA should seek reimbursement of the \$798,131 of overhead and G&A costs billed in excess of audited overhead and G&A rates for years 2 through 5 of the contract.</p> <p>Recommendation 2: SCRRA should establish a lower provisional overhead and G&A rate below the 14.2% contract ceiling percentage. The provisional rate should be the average of the audited overhead and G&A rates for years 1 through 5, which is approximately 11%.</p>	

**Review of Metrolink Audit Activities
 Summary of On-Call Audit Results
 January 2005 - April 2009**

Audit	Audit Type	Date	Audit Firm		Findings/Observations	Recommendations
Contract close-out audit of invoiced fees under Contract No. MS146-00. (Herzog Contracting Corporation, Inc.)	Close-out Audit	2/9/09	TCBA		Invoiced fees were found reasonable, allowable, allocable and in compliance with the terms of the contract, except for \$2,357 of equipment rental costs overcharged.	SCRRA should seek reimbursement from the contractor in the amount of \$2,357 for the overcharged equipment rental charges on invoice number. 85.
Cost and price analysis of Change Order No. 005 under Contract No. C3092-08. (Lim & Nascimbeno Engineering Corp's)	Cost/Price Analysis	4/6/09	KNL	Support Services	Based on the analysis, we took no exceptions to the increase to the original quantities and total contract price.	No recommendations provided.



February 22, 2010

To: Members of the Board of Directors
From: Will Kempton, Chief Executive Officer
Subject: Measure M2 Progress Report for October 2009 through December 2009

Overview

Staff has prepared a Measure M2 progress report for October 2009 through December 2009 for review by the Orange County Transportation Authority Board of Directors. Despite current economic conditions, implementation of Measure M2 continues at a fast pace. The report highlights progress on Measure M2 projects and programs and is made available to the public via the Orange County Transportation Authority website.

Recommendation

Receive and file as an information item.

Background

Measure M Ordinance No. 3 requires quarterly status reports regarding the major projects detailed in the Measure M2 (M2) Transportation Investment Plan be filed with Orange County Transportation Authority (OCTA) Board of Directors (Board). All M2 progress reports are posted online for public review.

Discussion

Voter safeguards are a critical factor for public acceptance of M2. The quarterly report is an opportunity to show progress in implementing the M2 Transportation Investment Plan. In order to be cost-effective and improve the accessibility of information to stakeholders and the public, all M2 progress reports are web-based; however, hard copies are mailed upon request. The report reflects progress being made on Board-approved Early Action Plan (EAP) projects and programs. Each item features a brief paragraph that provides an overview of significant progress for the time period, with a web link

to more information including staff reports and project descriptions (Attachment A).

Highlights of the M2 progress report in this quarter include:

- Freeway projects were progressing for the Santa Ana Freeway (Interstate 5), the Orange Freeway (State Route 57), the Riverside Freeway (State Route 91), and the San Diego Freeway (Interstate 405). Construction began on the State Route 91 eastbound lane addition, which is partially funded by the federal economic stimulus program.
- The master plan for the Regional Traffic Signal Synchronization Program is under development and OCTA will seek Board guidance on the elements in early 2010.
- Construction of the civil portions of the Metrolink Service Expansion Program (MSEP) and grade crossing safety enhancements continues.
- Two Board-approved Go Local fixed-guideway projects are in Step Two, completing alternatives analysis and environmental clearance.
- Under Project V, the Board also approved project concepts for community-based transit circulators from 13 cities.
- The M2 Environmental Cleanup Allocation/Water Quality Committee (Allocation Committee) finalized the draft funding guidelines and framework for the allocation of water quality funding.
- The M2 Freeway Mitigation Program Environmental Oversight Committee (EOC) reviewed the independent conservation assessment of conservation/mitigation opportunities within Orange County.

To encourage the public review of the quarterly report online, information will be placed on OCTA's website. Staff also will notify all Orange County cities and use other existing communication tools such as project newsletters and Board action updates to notify the public about the online availability of the M2 progress report. Since the public may view both the original Measure M and M2 as one program, the original Measure M annual report also includes an update on the progress of M2.

Summary

As required by Measure M Ordinance No. 3, a quarterly report covering activities from October 2009 through December 2009 is provided to update progress in implementing the M2 Transportation Investment Plan. To facilitate accessibility and transparency of information available to stakeholders and the public, the M2 progress report is presented on the OCTA website.

Attachment

- A. M2 Quarterly Progress Report for October—December 2009

Prepared by:



Robert Nathan
Senior Public Information Specialist
(714) 560-5327

Approved by:



Andrew Oftelie
Acting Director, Program Management
(714) 560-5649

**M2 Quarterly Progress Report
*October - December 2009***

The following is a summary of the progress made on the M2 Early Action Plan (EAP) covering the fourth quarter (October - December) of 2009.

Highway Projects

Tom Bogard (714) 560-5918

Interstate 5 Projects

The Orange County Transportation Authority (OCTA) is preparing an environmental document for improvements along the San Diego Freeway (Interstate 5) between Avenida Pico and Pacific Coast Highway, through the communities of San Clemente and Dana Point. The environmental study will evaluate the benefits of extending the current high-occupancy vehicle (HOV) lanes on I-5, that presently end at the Pacific Coast Highway interchange, down to Avenida Pico in San Clemente. Environmental approval is expected in mid 2011. (Part of Project C)

OCTA is also preparing a project study report to evaluate options to improve the Avenida Pico interchange on Interstate 5 (I-5). The study will look at ways to improve local traffic flow entering and leaving the freeway in this area. This study will be coordinated with the environmental study being done for the I-5 HOV lane project in the same vicinity. The study is expected to be completed in late 2010. (Part of Project D)

The California Department of Transportation (Caltrans) is preparing final design for the reconstruction of the I-5/Ortega Highway (State Route 74) interchange. The project will reconstruct the State Route 74 (SR-74) bridge over the freeway and improve local traffic flow along SR-74 and the adjacent streets leading to the freeway. Design is expected to be completed in late 2011. (Part of Project D)

OCTA is preparing a project study report to look at ways to improve traffic flow along I-5 between the San Joaquin Toll Road (State Route 73) and San Diego Freeway (Interstate 405) through the communities of Lake Forest, Laguna Hills, and Mission Viejo. The study will look at capacity enhancements and interchange improvements to ease the flow of traffic through this area. The study is expected to be completed in mid-2010. (Part of Project C)

Caltrans has recently completed a project study report to identify ways to relieve freeway congestion along the Santa Ana Freeway (Interstate 5) between the Costa Mesa Freeway (State Route 55) and the Orange Freeway (State Route 57) in Santa Ana. The study identifies ways to increase capacity and improve traffic flow through this section of I-5 that connects four major freeways in central Orange County. (Project A)

State Route 57 Projects

OCTA recently completed an environmental analysis to add a new northbound lane on the Orange Freeway (State Route 57) between Katella Street and Lincoln Avenue in the Anaheim area. Final design is now underway and is expected to be completed in late 2010. (Part of Project G)

OCTA is nearing completion on final design for a new northbound lane on State Route 57 (SR-57) from Orangethorpe Avenue to Lambert Avenue through the communities of Brea and Fullerton. The widening of the freeway in the northbound direction will be generally accommodated within the existing right of way. Construction is expected to begin in late 2010. (Part of Project G)

State Route 91 Projects

OCTA is preparing an environmental document to add a new westbound lane to the Riverside Freeway (State Route 91) between I-5 and SR-57 in Anaheim. This study is examining the environmental and design issues related to adding a new general-purpose lane and will identify the most practical approach that has the least impact on existing properties along the freeway. Environmental approval is expected in early 2010. (Project H)

Caltrans is preparing an environmental document to improve traffic flow through the State Route 55 (SR-55) and State Route 91 (SR-91) interchange. The improvements to the interchange will focus on the northbound to westbound connector along SR-91 between SR-55 and Tustin Avenue. Environmental approval is expected in early 2011. (Part of Project I)

Caltrans is preparing final design to add one new lane each way along SR-91 from SR-55 to Eastern Toll Road (State Route 241). This project will add significant new capacity along SR-91, generally within existing right of way, through the cities of Anaheim and Placentia. Final design is expected to be completed in late 2010. (Part of Project J)

Caltrans has awarded a contract to construct a new eastbound lane on SR-91 between State Route 241 (SR-241) and the Corona Expressway (State Route 71) in Riverside County. The project will extend the existing eastbound auxiliary lane that currently terminates within Santa Ana Canyon to the State Route 71 (SR-71) interchange. Construction of the project is funded under the federal economic stimulus program. Construction is expected to be completed in late 2010. (Part of Project J)

The Riverside County Transportation Commission (RCTC) is planning to extend the SR-91 Express Lanes eastward from their current terminus in Anaheim all the way to the Corona Freeway (Interstate 15). This project will also add one general-purpose lane in each direction from Interstate 15 (I-15) to SR-241 in Orange County. RCTC is

currently preparing an environmental analysis for the proposed improvements, which is expected to be completed in 2011. (Part of Project J)

Interstate 405 Projects

OCTA is preparing an environmental study to add one or two new lanes each way on the San Diego Freeway (Interstate 405) between SR-55 and the San Gabriel Freeway (Interstate 605). These improvements will add mainline capacity and improve the local interchanges along the corridor that serves the communities of Costa Mesa, Fountain Valley, Huntington Beach, Los Alamitos, Santa Ana, Seal Beach, and Westminster. One option being studied is to add express lanes in each direction in the median of the freeway to provide a free-flowing toll facility similar to that currently operating on SR-91 in Anaheim. The environmental document is expected to be completed in 2012. (Project K)

Signal Synchronization

Anup Kulkarni (714) 560-5867

In April 2008, the California Transportation Commission (CTC) awarded OCTA \$4 million as part of the Proposition 1B traffic signal synchronization program for signal synchronization. When combined with \$4 million from the original Measure M (M1), \$8 million will be provided to fund signal synchronization along 10 significant street corridors comprised of 533 signalized intersections on 158 miles of roadway over the next three years. OCTA has started work on the three corridors that make up the first phase of the project: Alicia Parkway with 41 signalized intersections along 11 miles, Beach Boulevard with 71 signalized intersections along 20 miles, and Chapman Avenue with 47 signalized intersections along 13 miles.

OCTA has been working on a Master Plan for the Regional Traffic Signal Synchronization Program that will be funded by M2. The goal of the program is to improve the flow of traffic by developing and implementing regional signal coordination through more than 2,200 intersections. OCTA will be seeking Board guidance on the elements of the Master Plan in early 2010. The Master Plan builds on all of the work OCTA has accomplished with the Demonstration Projects and the Traffic Light Synchronization Program (TLSP) projects.

Metrolink

Grade Crossing Improvements

Mary Toutouchi (714) 560-5833

Orange County's at-grade rail-highway crossing (railroad crossing) safety enhancement project began in August 2009 and is continuing to make progress. Improvements to railroad crossings can cover a wide spectrum from basic safety improvements (improving crossing surfaces, reapplying pavement markings, and enhancing signage),

to the installation of supplemental safety measures that allow for the reduction of locomotive horn blowing (Quiet Zones).

Construction continues on railroad crossing safety enhancements in the cities of Orange, Anaheim and Santa Ana. Signal crews are working during nights and weekends installing conduits and foundations in preparation for pedestrian safety treatments at the crossings and synchronizing traffic signals with railroad signals. Civil construction crews also are working during the week resurfacing pavement, restriping lines, installing new signs and constructing new medians.

Construction for all 50 railroad crossings in the eight participating cities is anticipated to be completed by the end 2011. OCTA staff and the Southern California Regional Rail Authority (SCRRA) construction teams continue to meet with cities to coordinate construction activities and to ensure that any issues are resolved early to avoid possible delays.

Once construction is completed, cities may establish a Quiet Zone through the Federal Railroad Administration. A quiet zone is an area along the train tracks where trains do not routinely need to sound their horns. Many of the cities have already started the application process by completing a Notice of Intent to implement a Quiet Zone.

A comprehensive public outreach program also has been established to notify communities of construction impacts such as road detours, nighttime work, and dust impacts throughout the program. The goal is to inform and engage the public throughout the development of construction, raise awareness of increased train service, and partner with participating cities to create a quiet zone outreach program. During the fourth quarter, 21 e-mailed construction alerts have been distributed to more than 700 residents throughout the County, specifically in the cities of Anaheim, Fullerton, Orange and Santa Ana. The project's e-mail account and toll-free hotline have received 12 e-mailed inquiries and four voicemails. A communications survey was also sent to people who subscribe to the construction alerts. Fifty-five percent of those who responded felt the information that is shared is helpful, and 40 percent felt that it is very helpful.

Presentations are also offered to community groups throughout the County. OCTA Chairman Jerry Amante and other key OCTA staff members made a presentation to the Tustin Meadows Homeowners Association in October 2009. Nearly 30 people were in attendance, including a reporter from the Tustin News as part of the Orange County Register. Countywide, the community outreach staff has provided 17 presentations, reaching nearly 250 people.

Rail Safety

Sarah Swensson (714) 560-5376

The "Be Rail Safe" education program continues to visit community groups along the rail corridor. Five presentations were given in the cities of Anaheim, Fullerton, Irvine and

Tustin to nearly 150 people, regarding future construction schedules and tips to be rail safe. Based on evaluations from these presentations, 90 percent rate the rail safety program as excellent and 91 percent are very supportive of the program.

The “Be Rail Safe” program has also taken an active role in the youth community. Two animated characters, Max and Lucy, a brother and sister team, will be featured in a bilingual comic book and on the interactive website to teach children tips to be rail safe. In addition to comic book characters, the team shared rail safety tips with trick-or-treaters in Orange and Anaheim community events. More than 5,000 people participated in the Treats in the Streets festival in Orange and more than 8,000 people participated in the 73rd annual Anaheim Fall Festival. Each festival recognized the harvest season and brought children and families together, creating the perfect opportunity for the rail safety team to distribute safety messages to children and adults, along with traditional treats.

Go Local

Go Local Fixed-Guideway *Kelly Long (714) 560-5725*

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 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 their proposed Guideway project. The cities also continued development of the project’s screening criteria that will be used to assess the potential benefits of each alignment and technology being considered as part of the alternatives analysis.

OCTA staff, with assistance from the project management consultant, 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.

Go Local--Bus/Shuttle

Dana Wiemiller (714) 560-5718

During the reporting period, three remaining cooperative agreements with participating cities were approved to define the roles and 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 that will be used to assess the viability and feasibility of all Step Two bus/shuttle concepts.

The Board approved a system-wide transit study in November that impacts Go Local bus/shuttle service planning. A revised schedule for Step Two service planning work will be developed in first quarter 2010 to ensure integration with the system-wide study effort.

All planning work done as part of Steps One and Two of the Go Local program is funded by Measure M (M1) in preparation for the implementation of project S (transit extensions to Metrolink), funded by M2. Staff continues to develop guidelines for the evaluation of Go Local projects that will compete for M2, project S funds. Staff expects to bring draft guidelines for the Board's consideration in Spring/Summer 2010.

Community-Based Transit Circulators

Dana Wiemiller (714) 560-5718

In October, the Board approved Project V concepts from 13 cities for community-based transit circulators. Follow-up meetings occurred with each city to refine their project concepts that resulted in a total of 22 Project V concepts being advanced and incorporated into Step Two service planning.

Environmental Committees

Marissa Espino (714) 560-5607

The Environmental Cleanup Allocation/Water Quality Committee (Allocation Committee) and the Environmental Oversight Committee (EOC) both began meeting on a monthly basis starting in January 2008.

Water Quality Program

The M2 Environmental Cleanup Allocation Committee (Allocation Committee) is designed to make recommendations to the Board of Directors on the allocation of funds for water quality improvements. These funds will be allocated on a countywide competitive basis to assist jurisdictions in meeting the Clean Water Act standards for controlling transportation-generated pollution.

During the fourth quarter of 2009, the draft funding guidelines and the framework for the allocation of water quality funding were finalized. In January 2010, the Allocation Committee is expected to recommend approval of the guidelines and framework to the OCTA Board of Directors (Board), which will vote on the items in February 2010.

Funds will be allocated in phases with the first grant program focusing on a catch basin improvement program that will offer funding for equipment purchases and upgrades to existing catch basin screens, filters and inserts.

A second grant program also is in development that will focus on funding for multi-jurisdictional, multi-year capital intensive projects. The next step is to receive Board approval in February 2010 to develop a planning study that will identify the most strategically effective areas, opportunities and types of investments to reduce road and freeway runoff impacts to waterways in Orange County.

Freeway Mitigation Program

The purpose of the M2 Freeway Mitigation Program Environmental Oversight Committee (EOC) is to make recommendations to the Board on the allocation of environmental freeway mitigation funds and monitor the implementation of a Master Agreement between OCTA and state and federal resource agencies. The Master Agreement will provide higher-value environmental benefits such as habitat protection, wildlife corridors and resource preservation in exchange for streamlined project approvals and greater certainty in the delivery of the freeway program as a whole.

Since winter 2008/09, OCTA has engaged in an outreach process to inform the Orange County community at large and owners of prospective conservation properties about the freeway mitigation program. As part of this outreach, property owners, local government agencies and community groups have had the opportunity to make presentations to the EOC and provide information regarding potential conservation properties and restoration projects that could be funded under the freeway mitigation program.

During the fourth quarter of 2009, the EOC reviewed the independent Conservation Assessment of conservation/mitigation opportunities within Orange County. The completion of the analysis enabled OCTA staff, Caltrans and the wildlife agencies (including the California Department of Fish and Game and U.S. Fish and Wildlife Service) to begin reviewing properties that may be available for early acquisition and/or restoration funding.

In order to manage the extensive list of properties, OCTA, Caltrans and the wildlife agencies began to evaluate the submittal properties within the Priority Conservation Areas, which are regions with the highest biological values in Orange County. Next, the non-biological criteria will be evaluated to determine the placement of the first group of properties. The review team will continue to review all properties in early 2010.

Once the top priority properties are identified and it is determined the properties are owned and/or managed by a landowner willing to consider sale or restoration for conservation purposes, the EOC will make preliminary funding recommendations to the Board. This is anticipated to occur in the first quarter of 2010.

Early acquisitions would then be approved based on completion of the final step of the prioritization process, which involves real estate appraisals and financial assessments. Ultimately, properties or restoration projects possessing the highest biological value that will benefit the freeway mitigation program will be recommended to the Board for consideration for acquisition and/or restoration funding.

Financing

Ken Phipps (714) 560-5637

In early June 2009, staff received a projection of taxable sales growth rates from the State Board of Equalization and has updated this forecast with actual advances through December 2009. Staff has applied this updated sales tax forecast for the balance of the M1 period, and used the three university average sales tax forecasts from Chapman University, the University of California Los Angeles (Anderson Forecast), and California State University, Fullerton to develop a revised M2 forecast.

As compared to the 2005 nominal revenue estimates, the first 12 months of M2 sales tax revenue is now projected to be more than \$100 million less than the 2005 projections and the average annual growth rate over the 30-year period is projected to decrease by approximately 0.5 percent. Overall, the nominal M2 sales tax revenue is projected to decrease from a 2005 estimate of \$24.3 billion to a revised estimate of \$14.3 billion for the 30-year period.



BOARD COMMITTEE TRANSMITTAL

February 22, 2010

To: Members of the Board of Directors
WK
From: Wendy Knowles, Clerk of the Board
Subject: Southern California Regional Rail Authority Fiscal Year 2009-10
Budget Update and Temporary Service Reductions

Transit Committee Meeting of February 11, 2010

Present: Directors Brown, Dalton, Nguyen, Pulido, and Winterbottom
Absent: Directors Dixon and Glaab

Committee Vote

This item was passed by all Committee Members present.

Director Pulido was not present to vote on this item.

Committee Recommendation

Support the temporary suspension of four trains on the Orange County Line on Saturday and Sunday, as well as four trains on the Inland Empire – Orange County Line on Saturday, two trains on Sunday, and two off-peak trains on weekdays, through the remainder of fiscal year 2009-10.



February 11, 2010

To: Transit Committee
From: Will Kempton, Chief Executive Officer
Subject: Southern California Regional Rail Authority Fiscal Year 2009-10 Budget Update and Temporary Service Reductions

Overview

Due to declining fare revenues and several unanticipated cost items, the Southern California Regional Rail Authority is projecting a shortfall of approximately \$11.884 million in its fiscal year 2009-10 operating budget. On January 8, 2010, the Southern California Regional Rail Authority Board of Directors approved a revised budget which included reductions in expenses, including temporary Metrolink service reductions and suspension of some weekend service on the Orange County and Inland Empire – Orange County lines, in order to balance the budget while minimizing the impact on the Orange County Transportation Authority’s current year Metrolink operating subsidy.

Recommendation

Support the temporary suspension of four trains on the Orange County Line on Saturday and Sunday, as well as four trains on the Inland Empire – Orange County Line on Saturday, two trains on Sunday, and two off-peak trains on weekdays, through the remainder of fiscal year 2009-10.

Background

The Southern California Regional Rail Authority (SCRRA) is a five-member joint powers authority that operates the 400-mile commuter rail system known as Metrolink. The SCRRA’s membership includes the Los Angeles County Metropolitan Transportation Authority (Metro), the Orange County Transportation Authority (OCTA), the Riverside County Transportation Commission (RCTC), the San Bernardino Associated Governments (SANBAG), and the Ventura County Transportation Commission (VCTC). Metrolink operates 149 daily trains on seven lines, serving 55 stations, and carries more than 41,000 riders per day.

On June 26, 2009, the SCRRA Board of Directors (Board) adopted a \$603.8 million budget for fiscal year (FY) 2009-10, including an operating budget of \$169.6 million. Subsequent to the budget adoption, several additional operating cost items were identified, including the unexpectedly high cost of insurance liability premiums, increase in reimbursement rate for access to freight-owned tracks, additional subsidy to support the Rail 2 Rail program, and transition expenses related to a new train and engine crew operating contract with Amtrak. These items led to a projected budget shortfall of approximately \$4.167 million.

At the same time, Metrolink ridership has dropped steadily during the first half of FY 2009-10 due to the downturn in the economy and rising unemployment, resulting in an estimated \$7.717 million decrease in fare revenue. Combined, these factors contribute to a total operating budget shortfall of \$11.884 million.

Discussion

In an effort to close the budget gap, SCRRA staff has identified approximately \$5.786 million in budget reductions for FY 2009-10, including planned reductions to existing rolling stock maintenance, signal and communication maintenance, track maintenance, and operating contracts, as well as implementation of a "hard freeze" on new hiring for non safety-related positions and reductions to time off with pay accruals for Metrolink employees.

In addition, SCRRA staff intends to use \$2.484 million from the dissolution of an equipment lease-back transaction to cover one-time costs related to the higher than anticipated insurance liability premiums and the planned transition of train and engine crews from Connex to Amtrak.

Even after the budget reductions discussed above, SCRRA staff expects a FY 2009-10 budget deficit of \$3.614 million based on current revenue projections. In order to maintain existing service levels, the shortfall would need to be covered by increased member agency subsidies, with OCTA's share totaling nearly \$1 million for the balance of FY 2009-10.

Since November 2009, the SCRRA Board has discussed a number of options to balance the FY 2009-10 Metrolink operating budget, including temporary service reductions, increases in member agency subsidies, and a systemwide fare increase between 3 and 6 percent.

On December 11, 2009, after considering more than 2,000 public comments, the SCRRA Board voted 6 to 5 to oppose a proposed 3 percent systemwide fare

increase for FY 2009-10, and to reconsider the matter in early 2010 as part of the FY 2010-11 budget development process.

On January 8, 2010, the SCRRA Board discussed a series of temporary service reductions that will reduce operating costs and help balance the budget. The proposal discussed by the SCRRA Board included the temporary suspension of some weekend trains on both the Orange County (OC) Line (Los Angeles – Oceanside) and the Inland Empire – Orange County (IEOC) Line (San Bernardino – Riverside – Oceanside), as well as the suspension of weekday IEOC trains 852 and 853, which run midday between Oceanside and downtown Riverside and have consistently low ridership.

Metrolink has offered weekend service on the OC and IEOC lines year-round for the past four years. Weekend service on the OC Line consists of eight trips on Saturday and Sunday and is funded solely by OCTA. Average daily ridership on OC Line weekend trains has grown by 20 percent since service began in FY 2006-07. Weekend service on the IEOC Line consists of six trips on Saturday and four trips on Sunday and is jointly funded by OCTA, RCTC, and SANBAG. Average daily ridership on IEOC Line weekend trains has grown by more than 61 percent since service began in FY 2006-07.

At the January 8, 2009, meeting, the SCRRA Board approved the temporary suspension of four trains on the OC Line on Saturday and Sunday, as well as four trains on the IEOC Line on Saturday and two trains on Sunday. Metrolink will continue to operate two roundtrips on the OC Line and one roundtrip on the IEOC Line each on Saturday and Sunday. In addition, the SCRRA Board approved the elimination of IEOC trains 852 and 853 on weekdays.

Contrary to what staff anticipated, proposed service reductions on the Ventura County Line, San Bernardino County Line, and Antelope Valley Line were not approved after Metro Board Members agreed to provide additional subsidy to VCTC and SANBAG to keep the services running through the end of the current FY.

The service changes will take effect starting in February 2010 and are expected to continue through the end of the current FY on June 30, 2010. OCTA staff is working with Metrolink to draft revised schedules for the remaining trains that will best serve weekend riders in the corridor. Additional service changes and fare increases may be brought forward as part of Metrolink's FY 2010-11 budget development process.

The temporary suspension of the Metrolink weekend trains in Orange County will coincide with planned track work necessary for the Metrolink Service

Expansion Program, allowing the contractor to be more productive by permitting slightly longer work windows, and increasing reliability and on-time performance of the remaining Metrolink and Amtrak service.

The cost reductions associated with the temporary suspension of the trains listed above will reduce the additional FY 2009-10 operating subsidy required from OCTA by nearly half, to \$529,100.

Staff will continue to closely monitor the impact of Metrolink ridership and revenue on SCRRA's FY 2009-10 budget and will report back as necessary. Any future changes to Metrolink service in Orange County will be brought forward as part of the FY 2010-11 OCTA budget development process.

Fiscal Impact

The additional operating subsidy of \$529,100 can be accommodated within OCTA's Fiscal Year 2009-10 Budget, Rail Division, Account 0093-7629-A0001-DS2, funded through the Commuter Urban Rail Endowment fund.

Summary

Lower than expected fare revenue and several unanticipated cost items have contributed to an \$11.884 million deficit in SCRRA's FY 2009-10 operating budget. Expense reductions and one-time revenues have reduced this to \$3.614 million. In an effort to close the budget gap without significantly increasing member agency subsidies, the SCRRA Board has approved a number of temporary service reductions, including the suspension of several weekend trains on the OC and IEOC lines through Orange County.

Attachment

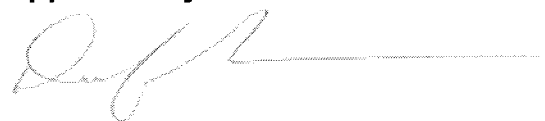
None.

Prepared by:



Michael Litschi
Section Manager, Metrolink Operations
(714) 560-5581

Approved by:



Darrell Johnson
Executive Director, Rail Programs
(714) 560-5343



BOARD COMMITTEE TRANSMITTAL

February 22, 2010

To: Members of the Board of Directors
WK
From: Wendy Knowles, Clerk of the Board
Subject: Amendments to Consulting Agreements for Step Two Go Local Bus/Shuttle Service Planning

Transit Committee Meeting of February 11, 2010

Present: Directors Brown, Dalton, Nguyen, Pulido, and Winterbottom
Absent: Directors Dixon and Glaab

Committee Vote

This item was passed by all Committee Members present.

Committee Chairman Nguyen abstained from voting on this item.

Director Pulido was not present to vote on this item.

Committee Recommendations

- A. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-1144 between the Orange County Transportation Authority and TSG Enterprises, Inc., dba: The Solis Group, in an amount not to exceed \$150,952, for the provision of Step Two project management assistance, bringing the total contract value to \$400,552.

- B. Authorize the Chief Executive Officer to execute amendments to Agreement No. C-8-1012 with Dan Boyle and Associates, Inc., Agreement No. C-8-1216 with HDR Engineering, Inc., Agreement No. C-8-1217 with IBI Group, and Agreement No. C-8-1239 with Transportation Management and Design, Inc., in an amount not to exceed \$632,000 for a new combined maximum obligation of \$1,712,000 among all agreements.



February 11, 2010

To: Transit Committee

From: Will Kempton, Chief Executive Officer 

Subject: Amendments to Consulting Agreements for Step Two Go Local Bus/Shuttle Service Planning

Overview

Beginning in October 2008, the Orange County Transportation Authority Board of Directors has approved 30 Go Local Project S bus/shuttle proposals for advancement into Step Two detailed service planning. In October 2009, the Board of Directors approved an additional 22 Measure M2 Project V community-based transit circulator concepts to be included in the Step Two service planning effort. Amendments to the agreements with the project management consultant and service planning consulting bench are necessary to accommodate the additional work required for Project S and Project V Step Two detailed service planning.

Recommendations

- A. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-1144 between the Orange County Transportation Authority and TSG Enterprises, Inc., dba: The Solis Group, in an amount not to exceed \$150,952, for the provision of Step Two project management assistance, bringing the total contract value to \$400,552.
- B. Authorize the Chief Executive Officer to execute amendments to Agreement No. C-8-1012 with Dan Boyle and Associates, Inc., Agreement No. C-8-1216 with HDR Engineering, Inc., Agreement No. C-8-1217 with IBI Group, and Agreement No. C-8-1239 with Transportation Management and Design, Inc., in an amount not to exceed \$632,000 for a new combined maximum obligation of \$1,712,000 among all agreements.

Discussion

In October 2008, the Orange County Transportation Authority (Authority) Board of Directors (Board) approved contracts with TSG Enterprises, Inc., dba: The Solis Group and a bench of technical consultants to provide project management assistance and perform Go Local Step Two detailed service planning for approved Project S bus/shuttle concepts providing extensions to Metrolink stations. In October 2009, the Board approved the addition of community-based transit circulator concepts under Measure M2 (M2) Project V into the Step Two planning process. In total, there are now 52 bus/shuttle project concepts and 13 cities/teams participating in Step Two (Attachment A).

The consulting bench is assessing the feasibility of the project concepts by evaluating areas such as potential service demand and ridership estimates, route segment and system performance, potential impacts to existing Authority fixed-route bus and paratransit service, boarding per revenue vehicle hours productivity, capital resource requirements and operating cost estimates. The Solis Group, the project management consultant, is assisting staff in directing the service planning effort and providing review and oversight of the technical work products.

Since Board approval of the Project V concepts in October 2009, The Solis Group has been working with Project V cities to refine its concepts in preparation for submittal to the bench consultants for analysis. Amendments are required to the project management contract and the four consulting bench contracts to accommodate the additional work required for Step Two service planning (Attachments B and C). The estimated service planning cost for all Project V concepts, three additional Project S concepts, and the additional project management assistance is \$782,952 (Attachment D).

Consistent with Project S, the service planning costs for Project V concepts will be shared. Participating cities provide a local funding match of 10 percent of the actual service planning cost for each concept up to a maximum of \$100,000. Cooperative agreements with participating cities will be amended to incorporate the addition of Project V into the scope of work. Amendments to the city match are not required, as the match obligation for both Project S and Project V concepts is not expected to exceed the \$100,000 maximum for any participating city.

Step Two detailed service planning for Project S concepts was initiated in October 2009. The County has been divided into six sub-regions and each of the bench consultants are participating in the service planning effort. The total cost of \$1.7 million will accommodate the evaluation of all 52 concepts under

both Project S and Project V and is split among the six sub-regions and the bench consultants. Early service planning tasks include the review of existing studies and data and the preparation of a ridership estimation tool to be used by all consultants to ensure a consistent methodology when developing ridership projections. Combining the service planning effort for both Project S and Project V provides a more efficient analysis and evaluation of these concepts and will allow cities to evaluate the viability and funding potential of their concepts as either Project S or Project V candidates.

Significant reductions to the Authority's fixed-route service have implications to the supplemental services intended through the Go Local Project S and Project V programs. The Board approved a systemwide transit study in November 2009, and staff is currently seeking consulting services to conduct this study effort. Coordination with this systemwide study is necessary to ensure a comprehensive transit plan which incorporates both regional and community objectives. As a result, Step Two, detailed service planning will continue through 2010 and is anticipated to conclude in spring 2011.

Procurement Approach

The procurements for the Go Local Step Two bus/shuttle project management consultant and a bench of technical on-call consultants were originally handled in accordance with the Authority's procedures for professional and technical services and the original agreements were awarded on a competitive basis.

On October 27, 2008, the Board of Directors approved an agreement for project management consulting services with TSG Enterprises, Inc., dba: The Solis Group, in an amount not to exceed \$249,600, for a two-year initial term with a one-year option term. Additional work necessary for Board-approved M2 Project V bus/shuttle concepts requires an amendment with The Solis Group, in the amount of \$150,952, bringing the total contract to \$400,552.

On October 27, 2008, the Board of Directors approved on-call agreements with Dan Boyle and Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management and Design, Inc., in a combined maximum obligation of \$1,080,000, for a two-year initial term and a one-year option term. Service planning for the addition of Project V concepts and three additional Project S concepts requires an amendment of \$632,000, bringing the combined maximum obligation to \$1,712,000 among all agreements.

Fiscal Impact

The project was not included in the fiscal year 2009-10 budget. Funds have been transferred from Account 0010-7831-L2000-PJV, Contributions to Other Agencies, to Account 0010-7519-T5410-3SB, Other Professional Services - Go Local Step Two Bus/Shuttle Consultant Support.

Summary

Step Two service planning for Go Local bus/shuttle concepts submitted under M2 Project S is underway. Additional community circulator concepts submitted under M2 Project V have been prepared for detailed service planning. Amendments to the Go Local bus/shuttle project management and service planning consultant contracts are necessary to accommodate the additional work required for all Project S and Project V concepts.

Attachments

- A. Go Local Bus/Shuttle Projects Concept Summary
- B. TSG Enterprises, Inc. dba The Solis Group Agreement No. C-8-1144 Fact Sheet
- C. Go Local Step Two On-Call Consulting Agreements Fact Sheet
- D. Go Local Service Planning Amendments Cost Estimate

Prepared by:



Dana Wiemiller
Acting Section Manager,
Community Transportation Services
(714) 560-5718

Approved by:



Beth McCormick
General Manager, Transit
(714) 560-5964



Virginia Abadessa
Director, Contracts Administration and
Materials Management
(714) 560-5623

**Go Local Bus/Shuttle
Projects Concept Summary**

City or Team	Project S Descriptions	Target Station
<p style="text-align: center;">ANAHEIM</p>	<p>Anaheim Regional Transportation Intermodal Center (ARTIC) to Downtown Anaheim to Fullerton Transportation Center (FTC) Connector – Bus rapid transit system operating in mixed traffic will allow residents and workers in downtown Anaheim to reach ARTIC either to commute to jobs outside of the City of Anaheim or to reach other points of interest near ARTIC. It will also allow people in The Platinum Triangle to reach downtown Anaheim. A possible future extension to the FTC is also proposed.</p>	<p>Anaheim Fullerton</p>
	<p>ARTIC to Anaheim Canyon Station Connector – BRT system which connects the Anaheim Canyon Station to ARTIC, eliminating the need for people to make a transfer at the Orange Station. Proposes to operate in mixed traffic either along La Palma Avenue, State College Boulevard, or along the Orange Freeway (State Route 57).</p>	<p>Anaheim Anaheim Canyon</p>
	<p>ARTIC/Anaheim Resort/West Anaheim Commuter Shuttle – Bus-based system to jumpstart the elevated fixed-guideway system by operating at an at-grade transit connection along the high-volume corridor between ARTIC and the Anaheim Resort. Would also allow transit riders in west and northwest Anaheim to have a direct link to the Anaheim Resort and to ARTIC.</p>	<p>Anaheim</p>
<p style="text-align: center;">ALISO VIEJO</p>	<p>Anaheim Canyon Feeder Shuttles – Two new shuttle routes to circulate between Anaheim Canyon Station and within the Anaheim Canyon Business Center. A third shuttle route would ensure continuation of the ART-operated service between Anaheim Canyon Station and Downtown Anaheim.</p>	<p>Anaheim Canyon</p>
	<p>Town Center Shuttle Bus – Shuttle system linkage between Laguna Niguel/Mission Viejo Metrolink Station and Aliso Viejo Town Center and nearby employment and business centers.</p>	<p>Laguna Niguel- Mission Viejo</p>

**Go Local Bus/Shuttle
Projects Concept Summary**

City or Team	Project S Descriptions	Target Station
BUENA PARK	Buena Park Station to Auto Center/Civic Center Shuttle – Single loop route connecting the Buena Park Metrolink Station, Fullerton Park-and-Ride lot, Buena Park Auto Center, and proposed new satellite park-and-ride lot(s).	Buena Park
	Buena Park Station to Buena Park Downtown/Entertainment Zone (E-Zone) Shuttle – Shuttle service originating at the Fullerton Park-and-Ride lot, with service focused on connecting major activity centers and residential areas in Buena Park to the Buena Park Metrolink Station.	Buena Park
FULLERTON	California State University, Fullerton (CSUF) Street Car – Rubber tire system (potential for long-term conversion to a fixed-guideway facility) serving areas between CSUF and traveling along Commonwealth Avenue to the FTC.	Fullerton
IRVINE	Spectrum Shuttle – Building directly off the Irvine Guideway Demonstration Project, the shuttle system will provide local circulator service throughout the Irvine Spectrum area including apartment villages and a variety of corporate offices, retailers, and local businesses.	Irvine
	Tustin Station 1 – Route connecting to the Tustin Metrolink Station serving UCI, Westpark residents and employees along Harvard Avenue, portions of Turtle Rock, University Park and University High School.	Tustin
	Tustin Station 2 – Route connecting to the Tustin Metrolink Station serving portions of Lower Peters Canyon, Northwood, Woodbury and Stonegate neighborhoods.	Tustin
	Tustin Station 3 – Residential bi-directional loop serving the Woodbridge neighborhood and adjacent residential villages.	Tustin

**Go Local Bus/Shuttle
Projects Concept Summary**

City or Team	Project S Descriptions	Target Station
<p style="text-align: center;">IRVINE Continued</p>	<p>Tustin Station 4 – Route connecting to the Tustin Metrolink Station serving the Walnut Village, Northwood and Woodbury neighborhoods</p> <p>Irvine Station 1 – Route connecting the Irvine Station with the Great Park and surrounding neighborhoods, Woodbury, Woodbury East, and Stonegate.</p> <p>Brea Employee Shuttle – Shuttle service proposed to connect the FTC with key employment sites and activity centers within the City of Brea.</p>	<p style="text-align: center;">Tustin</p> <p style="text-align: center;">Irvine</p>
<p style="text-align: center;">LA HABRA TEAM (Fullerton, Brea, Placentia and Yorba Linda)</p>	<p>Yorba Linda and Placentia Park-and-Ride Shuttle – Shuttle to accommodate reverse commute needs of Metrolink (from both the FTC and Anaheim Canyon Stations), riders needing to access activity centers in Savi Ranch and other locations in Yorba Linda or Placentia, and community-based travel needs within the cities of Placentia and Yorba Linda.</p> <p>La Habra Community Bus/Neighborhood Circulator – Community bus/neighborhood circulator which will connect to key activity centers in the City of La Habra and will also accommodate commuters accessing the Buena Park Metrolink Station.</p>	<p style="text-align: center;">Fullerton</p> <p style="text-align: center;">Anaheim Canyon</p> <p style="text-align: center;">Buena Park</p>
<p style="text-align: center;">LAGUNA BEACH</p>	<p>Laguna Beach Summer Arts Festival Shuttle – Direct connection from Irvine Station to the Laguna Beach Festival operating on weekends during summer season. This would relieve congestion along Laguna Canyon Road and would reduce the need for additional parking at the Act V parking lot in the city.</p>	<p style="text-align: center;">Irvine</p>
<p style="text-align: center;">LAGUNA WOODS</p>	<p>Laguna Woods/Laguna Hills/Lake Forest Irvine Station – Bus route linking Laguna Woods into proposed Lake Forest/Laguna Hills Go Local concept providing service into the Irvine Metrolink Station.</p>	<p style="text-align: center;">Irvine</p>

**Go Local Bus/Shuttle
Projects Concept Summary**

City or Team	Project S Descriptions	Target Station
LAKE FOREST	<p>Demand Response Shuttle – Demand-response commuter shuttle to Irvine Station and northern Lake Forest connecting to employment centers (Portola Hills, Foothill Ranch and Northern Lake Forest business areas.)</p>	Irvine
LAKE FOREST (Laguna Hills)	<p>Park-and-Ride Metrolink Shuttle – Scheduled shuttle service from a park-and-ride lot within Laguna Hills and Lake Forest that will travel to/from Irvine Station, serving city residents that commute via Metrolink.</p>	Irvine
MISSION VIEJO	<p>Laguna Niguel/Mission Viejo Metrolink Station to Mission Viejo Community Center – Bus/shuttle providing a direct connection from the southern and central portions of Mission Viejo to Laguna Niguel/Mission Viejo Metrolink Station. Adds new service to unserved residential areas along portions of Felipe Road and La Paz Road.</p> <p>Irvine Transportation Center to Mission Viejo Community Center – Bus/shuttle providing a direct connection from the Irvine Transportation Center to the Mission Viejo (Norman P. Murray) Community Center. Potential areas served along Muirlands Boulevard, La Paz Road, Trabuco Road and Jeronimo road.</p>	Laguna Niguel/Mission Viejo
SAN CLEMENTE TEAM (San Juan Capistrano and Dana Point)	<p>Tri-City Trolley – Bus-based trolley service which connects to Metrolink and Amtrak (San Clemente and San Juan Capistrano), links key destinations within the three cities and reduces traffic congestion and parking demand.</p>	San Clemente San Juan Capistrano

**Go Local Bus/Shuttle
Projects Concept Summary**

City or Team	Project S Descriptions	Target Station
TUSTIN	<p>Downtown Shuttle – Local shuttle connecting the Metrolink Station to city hall and other locations in downtown Tustin while providing connectivity to major employment centers and Old Town Tustin.</p>	Tustin
	<p>Legacy Shuttle – Local shuttle connecting future residents and employees of the Tustin Legacy Project to the Tustin Metrolink Station.</p>	Tustin
WESTMINSTER TEAM (Fountain Valley, Huntington Beach and Stanton)	<p>Bolsa Chica Inter-County Express (Huntington Beach and Westminster) – Bus/shuttle offering weekday, peak hour express bus service operating between Metrolink and select locations in Huntington Beach, Westminster and the Bolsa Chica Business Park, continuing to the Metro Blue line station at the Long Beach Transit Center.</p>	Orange Santa Ana
	<p>Fountain Valley Express (Fountain Valley) – Weekday peak period express bus service connecting the Santa Ana Metrolink Station with Mile Square Park, the San Diego Freeway (Interstate 405) corridor, Fountain Valley and Huntington Beach with the Orange or Santa Ana Metrolink Stations.</p>	Orange Santa Ana
	<p>Little Saigon/Fountain Valley/Huntington Beach Express (Fountain Valley, Huntington Beach and Westminster) – Weekday and weekend express bus service connecting the Little Saigon area in Westminster, Fountain Valley and Huntington Beach with the Orange or Santa Ana Metrolink Stations.</p>	Orange Santa Ana

**Go Local Bus/Shuttle
Projects Concept Summary**

Project V Descriptions	
City or Team	
ALISO VIEJO	<p>Town Center Shuttle - Evaluation of current Project S submittal which provides linkage between Laguna Niguel/Mission Viejo Metrolink Station and Aliso Viejo Town Center and nearby employment and business centers, including connections between employment centers and Town Center for lunch time service. Interested in V funding for mid-day portion of concept.</p>
ANAHEIM	<p>West Anaheim to Resort Area – Community shuttle to provide service between West Anaheim and the resort district to serve large population of transit-dependent resort-district employees. Shuttle would link to proposed Anaheim fixed-guideway project.</p> <p>Expansion of Current Senior Mobility Program – Expand current Monday – Thursday am/pm peak service to full-day service Monday – Friday.</p>
BUENA PARK	<p>Satellite Parking Shuttle – 1.9 mile shuttle connecting Buena Park Metrolink Station and potential, 258-space Stanton Avenue satellite park-and-ride lot.</p>
DANA POINT	<p>Harbor Shuttle – Joint project with Orange County Dana Point Harbor for service to relieve harbor-area traffic, congestion, and parking restrictions by providing improved access for harbor-area employees and additional public access to area attractions.</p>
FULLERTON TEAM (Brea, La Habra, Placentia)	<p>Imperial Line (Brea/Fullerton/La Habra) – Connection from FTC to cities of La Habra and Brea via the Union Pacific Railroad and other rights-of-way.</p> <p>Downtown Loop (Brea/Fullerton) – Shuttle/trolley system to link the Anaheim Resort, downtown Fullerton, and downtown Brea.</p> <p>Commuter Loop (Brea/Fullerton/Placentia) – Trolley/street car to connect proposed Placentia Metrolink Station to Cal State Fullerton and Brea Mall.</p>

**Go Local Bus/Shuttle
Projects Concept Summary**

City or Team	Project V Descriptions
HUNTINGTON BEACH	<p>City Circulator – Bus/shuttle to connect key activity centers and expand coastal access. <i>(Also included in joint project with the Westminster Team of Fountain Valley, Westminster, and Stanton)</i></p>
IRVINE	<p>Mid-Day North Irvine/Spectrum Circulator – Circulator serving key destinations within the North Irvine/Spectrum area.</p>
	<p>Mid-Day Central Irvine/Spectrum Circulator – Circulator serving key destinations within the Central Irvine/Spectrum area.</p>
	<p>Mid-Day Irvine Business Complex Circulator – Circulator serving key destinations within the Irvine Business Complex.</p>
	<p>Evening North Irvine/Spectrum Circulator – Circulator serving key destinations within the North Irvine/Spectrum area.</p>
	<p>Evening Central Irvine/Spectrum Circulator – Circulator serving key destinations within the Central Irvine/Spectrum area.</p>
	<p>Evening Irvine Business Complex/Spectrum Circulator – Circulator serving key destinations within the Irvine Business Complex and Spectrum areas. Evening Irvine Business Complex Circulator – Circulator serving key destinations within the Irvine Business Complex market area.</p>

**Go Local Bus/Shuttle
Projects Concept Summary**

Project V Descriptions	
City or Team	
LAGUNA WOODS	El Toro Road Shuttle – Shuttle serving key destinations along the El Toro Road corridor in Laguna Woods, Laguna Hills and Lake Forest such as the Laguna Hills Mall, Willow Tree Center, The Arbor, and Home Depot Center.
MISSION VIEJO	Laguna Niguel/Mission Viejo Metrolink Station to Mission Viejo Community Center – Evaluation of current Project S concept with consideration of expanded or additional circulator routes. Irvine Transportation Center to Mission Viejo Community Center – Evaluation of current Project S concept with potential Lake Forest and Rancho Santa Margarita connections.
RANCHO SANTA MARGARITA	Intra-City Senior Circulator – Circulator between senior high-density housing and the community center, medical facilities and shopping destinations.
TUSTIN	Intra-City Senior Circulator – Circulator for seniors and transit dependent connecting with retail and industrial areas, parks and city facilities.
WESTMINSTER TEAM (Huntington Beach, Fountain Valley)	Inter-City Circulator – Circulator connecting retail centers, city/community facilities, colleges, parks and beaches within participating cities. <i>(This concept could be broken into multiple routes rather than a one-route circulator)</i>

**TSG Enterprises, Inc. dba The Solis Group
Agreement No. C-8-1144 Fact Sheet**

1. October 27, 2008, Agreement No. C-8-1144, \$249,600, approved by Board of Directors.
 - Agreement for Go Local Step Two bus/shuttle service planning project management services.
 - The initial term is effective January 16, 2009 through November 30, 2010.
2. February 22, 2010, Amendment No. 1 to Agreement No. C-8-1144, \$150,952, pending approval by Board of Directors.
 - Amendment to increase the maximum obligation by \$150,952 to accommodate additional work required for Board-approved Renewed Measure M Project V bus/shuttle concepts.

Total committed to The Solis Group, Agreement No. C-8-1144: \$400,552.

GO LOCAL STEP TWO ON-CALL CONSULTING AGREEMENTS FACT SHEET

The total commitment shared among the four CTO-based agreements including Dan Boyle & Associates, Inc., Agreement No. C-8-1012; HDR Engineering, Inc., Agreement No. C-8-1216; IBI Group, Agreement No. C-8-1217; and Transportation Management & Design, Inc., Agreement No. C-8-1239 is \$1,712,000.

**Dan Boyle & Associates, Inc.
Agreement No. C-8-1012**

1. October 27, 2008, Agreement No. C-8-1012, \$1,080,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) approved by Board of Directors.
 - Agreement for Go Local Step Two on-call bus/shuttle detailed service planning.
 - Combined maximum obligation for all on-call consultants of \$1,080,000.
 - The initial term is effective December 10, 2008 through November 10, 2010.
2. October 14, 2009, Amendment No. 1 to Agreement No. C-8-1012, \$0.00, approved by Contracts Administration and Materials Management.
 - Amendment to revise the key personnel and subcontractors.
3. February 22, 2010, Amendment No. 2 to Agreement No. C-8-1012, \$632,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) pending approval by Board of Directors.
 - Amendment to increase the combined maximum obligation for all Go Local bench consultants by \$632,000 to accommodate additional work required for Project V concepts.

Total combined maximum obligation shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.: \$1,712,000.

**HDR Engineering, Inc.
Agreement No. C-8-1216**

1. October 27, 2008, Agreement No. C-8-1216, \$1,080,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) approved by Board of Directors.
 - Agreement for Go Local Step Two on-call bus/shuttle detailed service planning.
 - Combined maximum obligation for all on-call consultants of \$1,080,000.
 - The initial term is effective December 10, 2008 through November 10, 2010.

2. February 22, 2010, Amendment No. 1 to Agreement No. C-8-1216, \$632,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) pending approval by Board of Directors.
 - Amendment to increase the combined maximum obligation for all Go Local bench consultants by \$632,000 to accommodate additional work required for Project V concepts.

Total combined maximum obligation shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.: \$1,712,000.

IBI Group
Agreement No. C-8-1217

1. October 27, 2008, Agreement No. C-8-1217, \$1,080,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) approved by Board of Directors.
 - Agreement for Go Local Step Two on-call bus/shuttle detailed service planning.
 - Combined maximum obligation for all on-call consultants of \$1,080,000.
 - The initial term is effective February 11, 2009 through November 10, 2010.
2. October 9, 2009, Amendment No. 1 to Agreement No. C-8-1217, \$0.00, approved by Contracts Administration and Materials Management.
 - Amendment to revise the key personnel.
3. February 22, 2010, Amendment No. 2 to Agreement No. C-8-1217, \$632,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) pending approval by Board of Directors.
 - Amendment to increase the combined maximum obligation for all Go Local bench consultants by \$632,000 to accommodate additional work required for Project V concepts.

Total combined maximum obligation shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.: \$1,712,000.

Transportation Management & Design, Inc.
Agreement No. C-8-1239

1. October 27, 2008, Agreement No. C-8-1239, \$1,080,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) approved by Board of Directors.
 - Agreement for Go Local Step Two on-call bus/shuttle detailed service planning.
 - Combined maximum obligation for all on-call consultants of \$1,080,000.
 - The initial term is effective December 10, 2008 through November 10, 2010.

2. February 22, 2010, Amendment No. 1 to Agreement No. C-8-1239, \$632,000, (shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.) pending approval by Board of Directors.
 - Amendment to increase the combined maximum obligation for all Go Local bench consultants by \$632,000 to accommodate additional work required for Project V concepts.

Total combined maximum obligation shared among Dan Boyle & Associates, Inc., HDR Engineering, Inc., IBI Group, and Transportation Management & Design, Inc.: \$1,712,000.

Go Local Service Planning Amendments Cost Estimate

City/Team	Project V Concepts	Est. Total Cost	Additional Project S	Est. Total Cost
Aliso Viejo	1	\$ 10,000		
Anaheim	2	\$ 20,000		
Buena Park	1	\$ 10,000		
Dana Point	1	\$ 20,000		
Fullerton Team (Fullerton, Brea, La Habra, Placentia)	3	\$ 90,000	2	\$ 60,000
Huntington Beach	1	\$ 30,000		
Irvine	7	\$ 202,000		
Laguna Woods	1	\$ 30,000	1	\$ 10,000
Mission Viejo	2	\$ 40,000		
Rancho Santa Margarita	1	\$ 30,000		
Tustin	1	\$ 30,000		
Westminster Team (Westminster, Huntington Beach, Fountain Valley, Stanton)	1	\$ 50,000		
Total Concepts/Cost	22	\$ 562,000	3	\$ 70,000

Summary	
Total Project S	\$70,000
Total Project V	\$562,000
Project Management	\$150,952
Total	\$782,952



BOARD COMMITTEE TRANSMITTAL

February 22, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Amendment to Agreement for Bravo! Program Management Consultant

Transit Committee Meeting of February 11, 2010

Present: Directors Brown, Dalton, Nguyen, Pulido, and Winterbottom
Absent: Directors Dixon and Glaab

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 14 to Agreement No. C-5-2585 between the Orange County Transportation Authority and Carter & Burgess, Inc. to exercise the second option term at no additional cost, to provide professional consulting services for the oversight of the traffic signal synchronization implementation in fiscal years 2009-10 and 2010-11.



February 11, 2010

To: Transit Committee

From: Will Kempton, Chief Executive Officer 

Subject: Amendment to Agreement for Bravo! Program Oversight, Update and Next Steps

Overview

On November 23, 2009, the Board of Directors approved a recommendation to substitute the planned three Bravo! bus rapid transit corridors with traffic signal synchronization for the purposes of meeting air quality mandates. An update on the implementation of the traffic signal synchronization projects as well as next steps on the Bravo! program are provided along with a request to extend Agreement No. C-5-2585 with Carter & Burgess, Inc. to continue to provide program oversight and project management support.

Recommendations

- A. Authorize the Chief Executive Officer to execute Amendment No. 14 to Agreement No. C-5-2585 between the Orange County Transportation Authority and Carter & Burgess, Inc. to exercise the Second Option Term at no additional cost, to provide professional consulting services for the oversight of the traffic signal synchronization implementation in Fiscal Years 2009-10 and 2010-11.

- B. Receive and file as an information item.

Discussion

Since October 2005, the Bravo! bus rapid transit (BRT) program has been under development as a Transportation Control Measure (TCM) project to provide emissions reductions equivalent to those attributed to the discontinued CenterLine Light Rail Project to meet federal air quality conformity requirements in the South Coast Air Basin. The three corridors and adopted components under development have progressed beyond the project approval/environmental document (PA/ED) phase which was completed in 2007 with the plans, specifications, and estimates (PS&E) design phase to be

substantially completed in January 2010 (Attachment A). However, implementing and operating new BRT services could not be sustained as a result of financial pressures associated with decreasing revenues to support bus operations. On November 23, 2009, the Board approved the Bravo! traffic signal synchronization (TSS) component as substitute TCM projects while deferring the implementation of the three planned Bravo! service corridors. The signal synchronization projects offer equivalent air quality benefits and will be implemented on a schedule similar to the Bravo! projects.

With approval from the Southern California Association of Governments (SCAG), staff will begin implementing the Bravo! TSS component to satisfy federal air quality mandates as outlined in the Regional Transportation Improvement Program (RTIP). The "28-mile" or Bristol Street/State College Boulevard corridor is scheduled for TSS implementation first. In addition, the Harbor Boulevard and Westminster Avenue/17th Street TSS implementations will proceed next with all TSS corridors completed by June 2011 (Attachment B).

Since late November, staff has been working with SCAG to add TSS as substitute TCM projects (Attachment C). This recommendation was approved at the Transportation Conformity Working Group meeting on January 26, 2010. As a result, staff will be working with SCAG to amend the RTIP. With regard to the future implementation of Bravo! services, staff is including the three corridors in the 2010 Long-Range Transportation Plan. Phasing recommendations will be included as part of the plan.

Traffic Signal Synchronization (TSS) Implementation Plan

In January 2010, the Bravo! TSS final design plans and reports will be completed and the implementation of TSS on the three corridors will be commence with estimated completion by June 2011.

The overall TSS effort encompasses 252 intersections within 11 agency jurisdictions. FTA 5309 Capital program grant funds will be used to support the implementation of the traffic signal coordination improvements on the three corridors. After installation is complete on each corridor, "After" studies and project report tasks will be completed and followed by signal timing support services conducted over a nine month period.

The Project Management Consultants (PMC), Carter & Burgess, Inc. (Carter & Burgess), under Agreement No. C-5-2585, will provide technical oversight support during the implementation of TSS on the three corridors as in-house traffic engineering staff resources are not available to support the

implementation effort. Currently, the PMC has provided project management support for the transit programs including Bravo! since October 2005, such as the Go Local, and the conceptual development work on the Anaheim Regional Transportation Intermodal Center. The PMC team has been modified over time to reflect the different tasks underway (i.e. traffic engineering design versus civil design) and to reflect the revised scope as elements of the program have been scaled back. The assistance provided by the PMC has been of excellent quality and the firm has been very responsive as the Authority's needs and capability to fund the project has changed over time.

Pending Board approval, the proposed second option term would become effective April 1, 2010, in the current fiscal year and continue through December 31, 2011, in fiscal year 2010-11 under Amendment No. 14. As this contract is a time and expense agreement, funds are not encumbered beyond the fiscal year and must be budgeted each year.

Program Components Update

Since January 2008, design efforts for the adopted Bravo! program components which include station stops, TSS, real-time passenger information system (RTPIS), preliminary 30 percent design level of transit signal priority (TSP), and branded vehicles have been under development.

Traffic Signal Synchronization (TSS)

With the design of the Bravo! TSS component completed in January 2010, this is the only component that will be implemented under the Bravo! program as the approved substitute TCM requirement to meet air quality mandates. Final reports and design plans including TSS data collection and inventory, TSS alignments, traffic signal timing optimization, and TSS "Before" study document, will be used as part of the implementation effort. As a required step prior to beginning TSS implementation on the three corridors, staff is currently developing cooperative agreements with 11 agencies including the Cities of Anaheim, Brea, Caltrans, Costa Mesa, Fountain Valley, Fullerton, Garden Grove, Orange, Santa Ana, Seal Beach, and Westminster. Initially, staff will be working directly with some of these agencies along the Bristol Street/State College Boulevard corridor as this will be the first TSS corridor implemented.

Station Stops

With regard to the status of the Bravo! station stops, this component of the program will not be constructed at this time. Future implementation of this program component will be considered at the time the Bravo! service is being

considered. The decision to proceed with the construction of station stops will depend on funding availability and other relevant variables. In January 2010, the architectural and engineering consultant completed draft final design plans for 105 station stops along the three corridors. The design includes civil modifications, utility connections, architectural plans, structural plans, landscape plans, water erosion control plans, traffic control plans, and electrical plans including a solar power alternative. In addition, detailed draft final specifications and cost estimates were prepared to support a public works bid package. Pending any changes required by outside agencies or due to alignment changes, the design plans will require minimal revision prior to incorporation into a future Invitation for Bid (IFB) construction package. Prior to the release of an IFB, affected agencies, universities and colleges, and other stakeholders will be contacted to conduct a final review of the station stop design plans. Additionally, staff will be required to develop cooperative agreements in coordination with affected agencies prior to initiating this type of public works construction activity in the future.

Real-time Passenger Information System (RTPIS)

With the cancellation of the RTPIS component in early 2009, the ability to provide real-time passenger information for customers is in the process of being implemented as part of the radio system upgrade project and the implementation of the 511 Interactive Voice Response (IVR) system. The RTPIS component was originally planned to be a stand-alone system that would be implemented and tested under the Bravo! program prior to expansion throughout the entire fixed route bus network. However, with the system currently under development, RTPIS will be available system-wide and will be part of the radio system, decreasing the need to maintain and support two different computer applications, including the implementation of duplicative equipment.

Transit Signal Priority (TSP)

With regard to the preliminary 30 percent level TSP design of 250 intersections on all three corridors, in mid-2009, the scope of work for this component was reduced to an estimated 15 percent design level in response to budget shortfalls to support the implementation of the Bravo! services. Data collection and inventory of existing traffic signals and traffic management systems, agency and on-board bus system architecture exhibits and equipment costs, design plans for traffic signal and intersection lighting modification, and TSP project design notebooks will be included as part of the completion of the design phase. Deliverables for these tasks and plans will be retained by staff for future use prior to further design development.

Vehicle Branding

Similar to the status of the TSP component, in mid-2009, the painting or “branding” of the Bravo! vehicles by in-house staff did not proceed to completion due to a delay in the implementation of the Bravo! services. Prior to this period, one prototype vehicle was completed by in-house staff in December 2008 for proof of design concept purposes. Detailed diagrams, specifications, lists of materials, estimated costs, and other schematic illustrations will be retained by staff for use in the future prior to implementation.

Other Activities and Next Steps

For all components under development within the PS&E design phase, staff conducted extensive outreach efforts with agencies, organizations, universities and colleges, utility companies, and other stakeholders, to collect input for incorporation into multiple design plans, exhibits, specifications, and reports.

In terms of next steps regarding the Bravo! program components, staff is working on the development of cooperative agreements with agencies in preparation of beginning TSS implementation. For the station stops, draft final design plans will be completed in January 2010 and retained for future use in conjunction with the implementation of Bravo! services.

Procurement Approach

This procurement was originally handled in accordance with the Authority’s procedures for architectural and engineering services. The original time and expense agreement was awarded on a competitive basis. On October 14, 2005, the Board of Directors approved a contract with Carter & Burgess in the amount of \$5,000,000 for a two-year initial term with two two-year option terms. Direct labor rates were negotiated subject to an annual escalation amount not to exceed four percent. Carter & Burgess has agreed to maintain the same rates for the second option term as the first option term rates. In preparation for the TSS implementation effort, the first option term was extended three months and will expire on March 31, 2010, requiring the Authority to exercise the second option and extend the term through December 31, 2011. Based on the reduction of the Bravo! program components, the current contract value of \$13,842,892 will cover the required PMC services needed through December 31, 2011. Therefore, there is no increase in the maximum obligation proposed. Carter & Burgess has provided excellent service supporting the Bravo! program. Exercising the second option

term will allow the firm to continue to support the program through the completion of TSS.

Funding Status

In 2006 and 2007, Bravo! program activities within the PA/ED phase was funded by state and federal grants including the Statewide Transportation Improvement Program (STIP), Federal Transit Administration (FTA) 5309 Capital program grants, and matching Local Transportation Funds. Estimated consultant and staff expenditures within this initial phase totaled about \$4,500,000.

Since January 2008, the Bravo! program has been funded by STIP and FTA 5309 Capital program grants to support the design phase and upcoming TSS implementation. Grant awards totals and estimated remaining funding amounts are outlined below:

Estimated Budget Status

Available Grants	Grant Award	Expended *	Remaining *
STIP (PS&E Design Phase):	\$ 8,310,000	\$ 8,310,000	\$ -
FTA 5309 (CA-04-0078):	\$ 1,856,250	\$ 1,714,833	\$ 141,417
FTA 5309 (CA-03-0709):	\$ 2,730,583	\$ 447,000	\$ 2,283,583
Totals:	\$ 12,896,833	\$ 10,471,833	\$ 2,425,000

* Note: Estimated expended and remaining budgets through the completion of the Bravo! PS&E Design phase.

The estimated remaining budget of \$2,425,000 will support the TSS implementation for all three corridors including traffic engineering consultant services, PMC technical oversight support services, staff labor hours, and subsequent signal coordination fine-tuning efforts over a nine month period. To continue future efforts to implement station stops with the integration of RTPIS, TSP, or vehicle branding components, additional funding will be required.

Next Steps

With the design phase for the Bravo! components completed in January 2010, the implementation of TSS on the three corridors will commence with estimated completion by June 2011. Through a contract extension of the first option term and the proposed execution of the second option term, the PMC will provide technical oversight support for the implementation of TSS due to unavailable

in-house traffic engineering staff resources. An FTA 5309 Capital program grant fund will be used to support the TSS implementation and subsequent signal timing support services on the three corridors.

Fiscal Impact

The proposed budget for the second option term is \$405,000 in fiscal year 2010-11, Transit Systems Development Department, Transit Division, account 1545-7519-A9601-3TO. This budget will be funded by FTA 5309 Capital program grant funds and Local Transportation Fund matching funds. The proposed budget will not result in an increase to the maximum obligation of the contract.

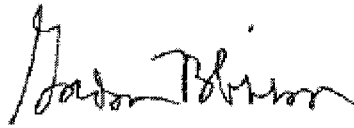
Summary

On November 23, 2009, the Board approved a recommendation to replace the planned three Bravo! bus rapid transit corridors with traffic signal synchronization for the purposes of meeting air quality mandates. Since that time, staff worked with SCAG to approve the addition of traffic signal synchronization as substitute TCM projects. As the TSS component is the only component to be implemented under the Bravo! program, with design complete in January 2010, implementation will begin on the Bristol Street/State College Boulevard, Harbor Boulevard, and Westminster Avenue/17th Street corridors with completion by June 2011. To support the TSS implementation effort, the execution of the second option term is required at no increase to the maximum obligation under the Carter & Burgess professional services contract. The TSS implementation effort will be funded by FTA 5309 Capital program grant funds and Local Transportation Fund matching funds. Prior to the implementation of Bravo! services in the future, additional funding will be required to continue efforts for the implementation of the station stops, vehicle branding, and TSP program components. It is anticipated that RTPIS will be operational and the time of the implementation of the Bravo! service moves forward.

Attachments

- A. Agreement No. C-5-2585 Fact Sheet
- B. Bravo! Corridors
- C. Bravo! Traffic Signal Synchronization Corridors

Prepared by:



Gordon Robinson
Project Manager
(714) 560-5715

Approved by:



Beth McCormick
General Manager, Transit
(714) 560-5964



Virginia Abadessa
Director, Contracts Administration and
Materials Management
714-560-5623

**Fact Sheet
Carter & Burgess, Inc.
Agreement No. C-5-2585**

1. October 14, 2005, Agreement No. C-5-2585, \$5,000,000, approved by Board of Directors.
 - Provide project management consulting services for rapid transit projects.
 - Initial term is two years, January 1, 2006 through December 31, 2007.
2. April 25, 2006, Amendment No. 1 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
3. October 19, 2006, Amendment No. 2 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
4. February 19, 2007, Amendment No. 3 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
5. March 7, 2007, Amendment No. 4 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
6. May 29, 2007, Amendment No. 5 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
7. June 5, 2007, Amendment No. 6 to Agreement No. C-5-0455, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
8. May 29, 2007, Amendment No. 7 to Agreement No. C-5-2585, \$485,000, approved by Board of Directors, bringing total commitment to \$5,485,000.
 - Amend scope of services to include support for ARTIC project.
 - Increase maximum obligation by \$485,000 in support of this additional work to be performed during the initial term.

Fact Sheet
Carter & Burgess, Inc.
Agreement No. C-5-2585

9. October 22, 2007, Amendment No. 8 to Agreement No. C-5-2585, \$9,170,009, approved by the Board of Directors, bringing the total commitment to \$14,655,009.
 - Exercise first option term, January 1, 2008 through December 31, 2009.
 - Increase maximum obligation for initial term by \$378,000.
 - Increase maximum obligation for the first option term \$8,792,009.
10. January 2, 2008, Amendment No. 9 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
11. June 19, 2008, Amendment No. 10 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
12. January 1, 2009, Amendment No. 11 to Agreement No. C-5-2585, \$0, approved by Contracts Administration and Materials Management.
 - Administrative change only.
13. January 11, 2010, Amendment No. 12 to Agreement No. C-5-2585, approved by Contracts Administration and Materials Management, bringing total commitment to \$13,842,892.
 - Administrative change only.
 - Decrease payment obligation by \$812,117.
14. January 26, 2010, Amendment No. 13 to Agreement No. C-5-2585 approved by Contracts Administration and Materials Management.
 - Extend term for three months with no increase in maximum obligation.
15. February 22, 2010, Amendment No. 14 to Agreement No. C-5-2585 pending approval by Board of Directors, with no increase in the total commitment.
 - Exercise second option term, April 1, 2010 through December 31, 2011.

Total committed to Carter & Burgess, Inc., Agreement No. C-5-2585 for the amount of \$13,842,892.

Update on Bravo! and Program Components

With approval from the Southern California Association of Governments (SCAG), staff will begin implementing the Bravo! traffic signal synchronization (TSS) component to satisfy federal air quality mandates as outlined in the Regional Transportation Improvement Program (RTIP). The “28-mile” or Bristol Street/State College Boulevard corridor is scheduled for TSS implementation first. In addition, the Harbor Boulevard and Westminster Avenue/17th Street TSS implementations will proceed next with all TSS corridors completed by June 2011.

Since late November, staff has been working with SCAG to add TSS as substitute transportation control measure (TCM) projects. This recommendation was approved at the Transportation Conformity Working Group meeting on January 26, 2010. As a result, staff will be working with SCAG to amend the RTIP. With regard to the future implementation of Bravo! services, staff is including the three corridors in the 2010 Long-Range Transportation Plan. Phasing recommendations will be included as part of the plan.

TSS Implementation Plan

With the design of the Bravo! TSS component completed in January 2010, this is the only component that will be implemented under the Bravo! program as the approved substitute TCM requirement to meet air quality mandates. The overall TSS effort encompasses 252 intersections within 11 agency jurisdictions. Final reports and design plans including TSS data collection and inventory, TSS alignments, traffic signal timing optimization, and TSS “before” study document, will be used as part of the implementation effort.

As a required step prior to beginning TSS implementation on the three corridors, staff is currently developing cooperative agreements with 11 agencies including the cities of Anaheim, Brea, Caltrans, Costa Mesa, Fountain Valley, Fullerton, Garden Grove, Orange, Santa Ana, Seal Beach, and Westminster. Initially, staff will be working directly with some of these agencies along the Bristol Street/State College Boulevard corridor as this will be the first TSS corridor implemented.

Federal Transit Administration (FTA) Section 5309 Capital program grant funds of approximately \$2,425,000 are available to support the implementation of the traffic signal coordination improvements on the three corridors by June 2011. After installation is complete on each corridor, “after” studies and project report tasks will be completed and followed by signal timing support services conducted over a nine month period.

Program Components Update

Since January 2008, design efforts for the adopted Bravo! program components which include station stops, TSS, real-time passenger information system (RTPIS), preliminary 30 percent design level of transit signal priority (TSP), and branded vehicles have been under development.

Station Stops

With regard to the status of the Bravo! station stops, this component of the program will not be constructed at this time. Future implementation of this program component will be considered at the time the Bravo! service is being considered. The decision to proceed with the construction of station stops will depend on funding availability and other relevant variables. In January 2010, the architectural and engineering consultant completed draft final design plans for 105 station stops along the three corridors. The design includes civil modifications, utility connections, architectural plans, structural plans, landscape plans, water erosion control plans, traffic control plans, and electrical plans including a solar power alternative. In addition, detailed draft final specifications and cost estimates were prepared to support a public works bid package. Pending any changes required by outside agencies or due to alignment changes, the design plans will require minimal revision prior to incorporation into a future invitation for bid (IFB) construction package. Prior to the release of an IFB, affected agencies, universities and colleges, and other stakeholders will be contacted to conduct a final review of the station stop design plans. Additionally, staff will be required to develop cooperative agreements in coordination with affected agencies prior to initiating this type of public works construction activity in the future.

RTPIS

With the cancellation of the RTPIS component in early 2009, the ability to provide real-time passenger information for customers is in the process of being implemented as part of the radio system upgrade project and the implementation of the 511 interactive voice response system. The RTPIS component was originally planned to be a stand-alone system that would be implemented and tested under the Bravo! program prior to expansion throughout the entire fixed route bus network. However, with the system currently under development, RTPIS will be available system-wide and will be part of the radio system, decreasing the need to maintain and support two different computer applications, including the implementation of duplicative equipment.

TSP

With regard to the preliminary 30 percent level TSP design of 250 intersections on all three corridors, in mid-2009, the scope of work for this component was reduced to an estimated 15 percent design level in response to budget shortfalls to support the

implementation of the Bravo! services. Data collection and inventory of existing traffic signals and traffic management systems, agency and on-board bus system architecture exhibits and equipment costs, design plans for traffic signal and intersection lighting modification, and TSP project design notebooks will be included as part of the completion of the design phase. Deliverables for these tasks and plans will be retained by staff for future use prior to further design development.

Vehicle Branding

Similar to the status of the TSP component, in mid-2009, the painting or “branding” of the Bravo! vehicles by in-house staff did not proceed to completion due to a delay in the implementation of the Bravo! services. Prior to this period, one prototype vehicle was completed by in-house staff in December 2008 for proof of design concept purposes. Detailed diagrams, specifications, lists of materials, estimated costs, and other schematic illustrations will be retained by staff for use in the future prior to implementation.

Other Activities and Next Steps

For all components under development within the PS&E design phase, staff conducted extensive outreach efforts with agencies, organizations, universities and colleges, utility companies, and other stakeholders to collect input for incorporation into multiple design plans, exhibits, specifications, and reports.

In terms of next steps regarding the Bravo! program components, staff is working on the development of cooperative agreements with agencies in preparation of beginning TSS implementation. For the station stops, draft final design plans were completed in January 2010 and retained for future use in conjunction with the implementation of Bravo! services.

Funding Status

In 2006 and 2007, Bravo! program activities within the PA/ED phase was funded by state and federal grants including the Statewide Transportation Improvement Program (STIP), FTA Section 5309 Capital program grants, and matching local transportation funds. Estimated consultant and staff expenditures within this initial phase totaled about \$4,500,000.

Since January 2008, the Bravo! program has been funded by STIP and FTA Section 5309 Capital program grants to support the design phase and upcoming TSS implementation. Grant awards totals and estimated remaining funding amounts are outlined below:

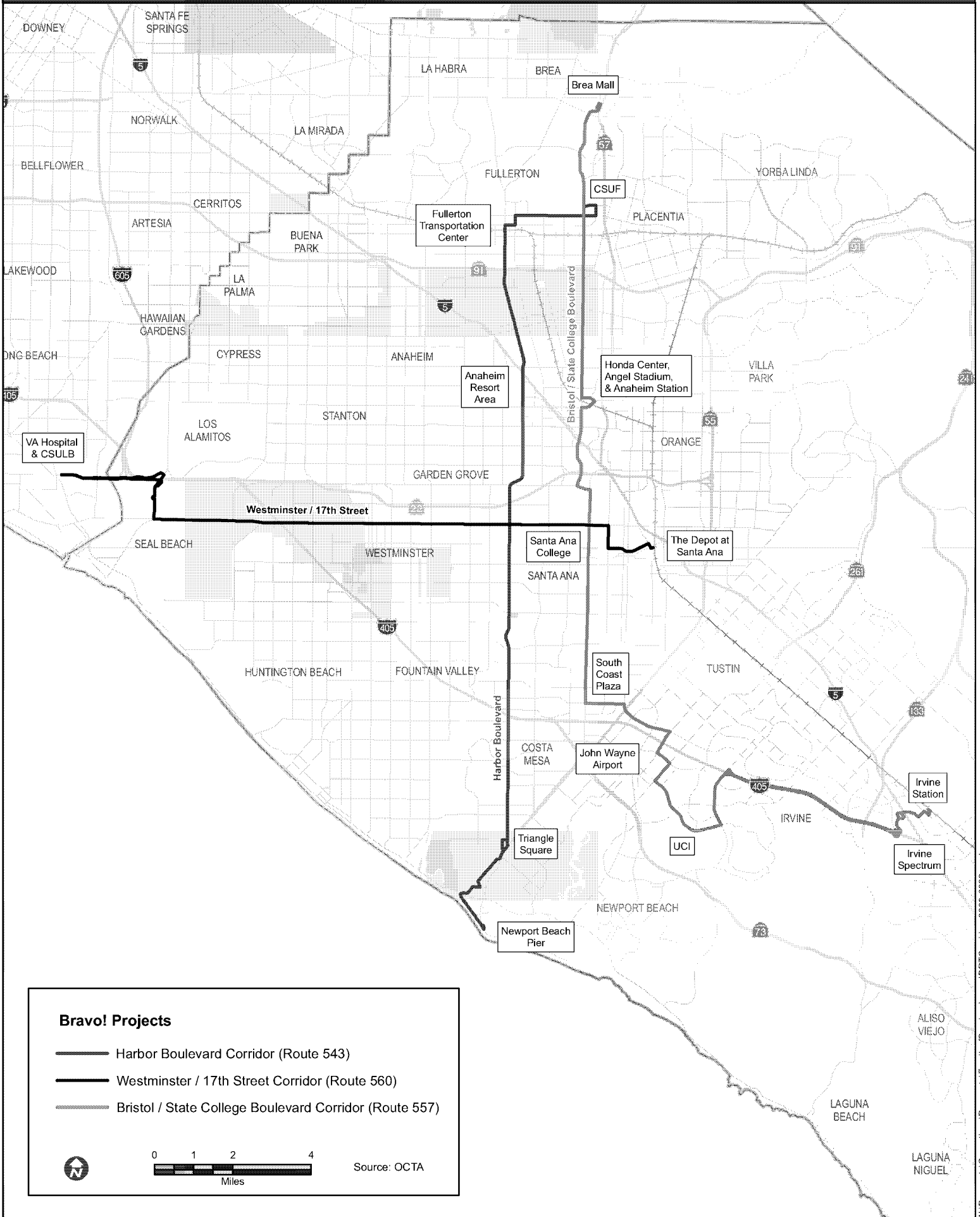
Estimated Budget Status

Available Grants	Grant Award	Expended *	Remaining *
STIP (PS&E Design Phase):	\$ 8,310,000	\$ 8,310,000	\$ -
FTA 5309 (CA-04-0078):	\$ 1,856,250	\$ 1,714,833	\$ 141,417
FTA 5309 (CA-03-0709):	\$ 2,730,583	\$ 447,000	\$ 2,283,583
Totals:	\$ 12,896,833	\$ 10,471,833	\$ 2,425,000

* Note: Estimated expended and remaining budgets through the completion of the Bravo! PS&E design phase.

The estimated remaining budget of \$2,425,000 will support the TSS implementation for all three corridors including traffic engineering consultant services, project management consultants (PMC) technical oversight support services, staff labor hours, and subsequent signal coordination fine-tuning efforts over a nine month period. To continue future efforts to implement station stops with the integration of RTPIS, TSP, or vehicle branding components, additional funding will be required.

Bravo! Corridors



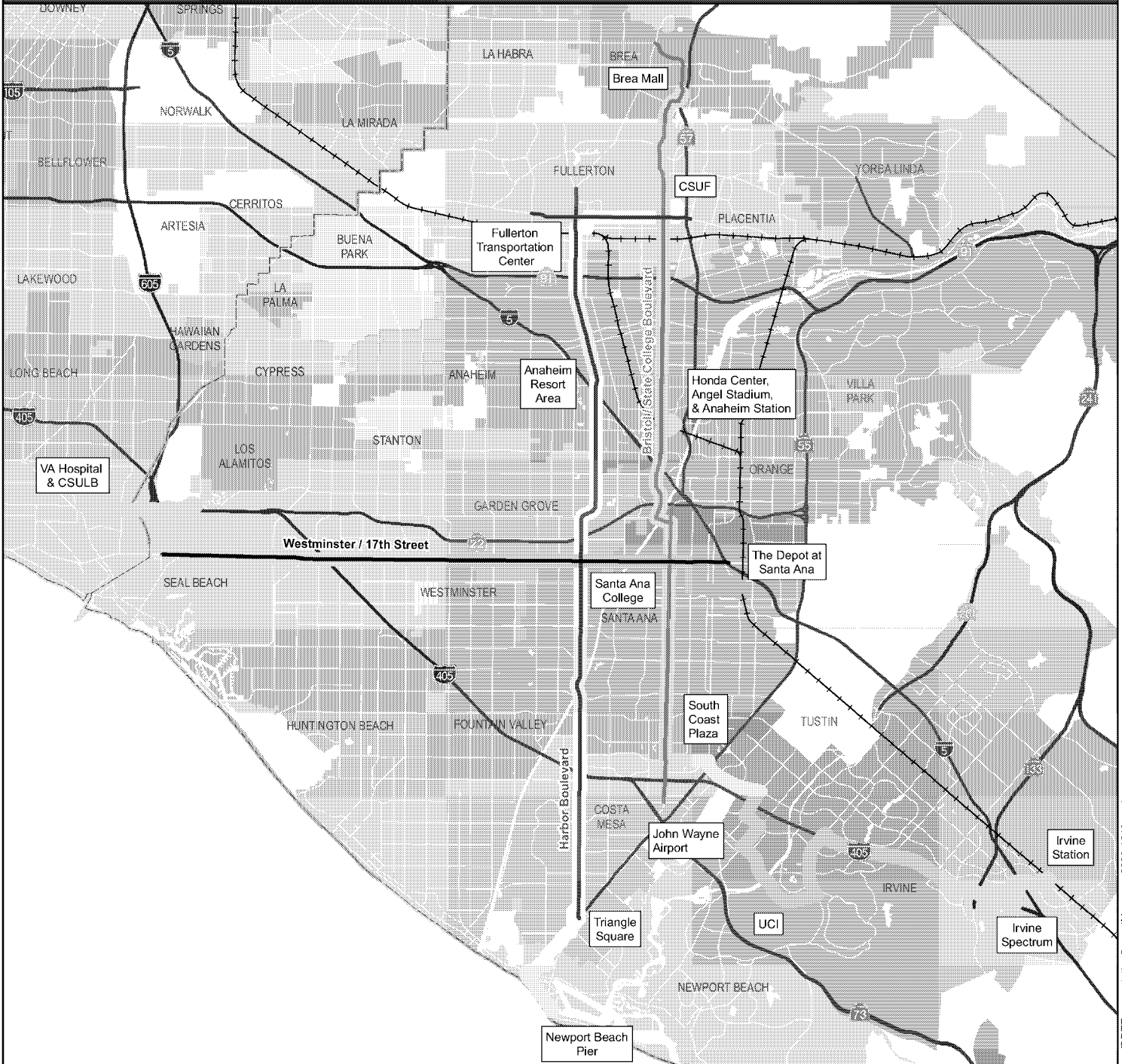
Bravo! Projects

- Harbor Boulevard Corridor (Route 543)
- Westminster / 17th Street Corridor (Route 560)
- Bristol / State College Boulevard Corridor (Route 557)

0 1 2 4
Miles

Source: OCTA

Bravo! Traffic Signal Synchronization Corridors



Traffic Signal Synchronization and Bravo! BRT Projects

- Harbor Boulevard Signal Synchronization
- Bristol / State College Boulevard Signal Synchronization
- Westminister / 17th Street Signal Synchronization
- Former Harbor Boulevard BRT (Route 543)
- Former Bristol / State College Boulevard BRT (Route 557)
- Former Westminister / 17th Street BRT (Route 560)

0 1 2 4
Miles

Source: OCTA

**THIS MATERIALS IN THIS SECTION WERE
REMOVED DUE TO THE ITEM BEING
DEFERED TO A FUTURE MEETING**

THANK YOU



February 22, 2010

To: Members of the Board of Directors
From: Will Kempton, Chief Executive Officer
Subject: Request for Proposals for Bus Advertising Revenue Program

Overview

As part of the Orange County Transportation Authority's effort to generate revenue to operate its bus service, advertising is sold on its fleet of fixed-route and ACCESS bus vehicles. The current contract with Titan Outdoor will expire August 31, 2010. Staff has developed a request for proposals to initiate a competitive procurement process to retain a concessionaire to sell, place, and maintain advertisements on the interior and exterior of our buses.

Recommendations

- A. Approve the proposed evaluation criteria and weightings for Request for Proposals 0-1329 for selection of a concessionaire.
- B. Approve the release of Request for Proposals 0-1329 for sales of interior and exterior bus advertising.

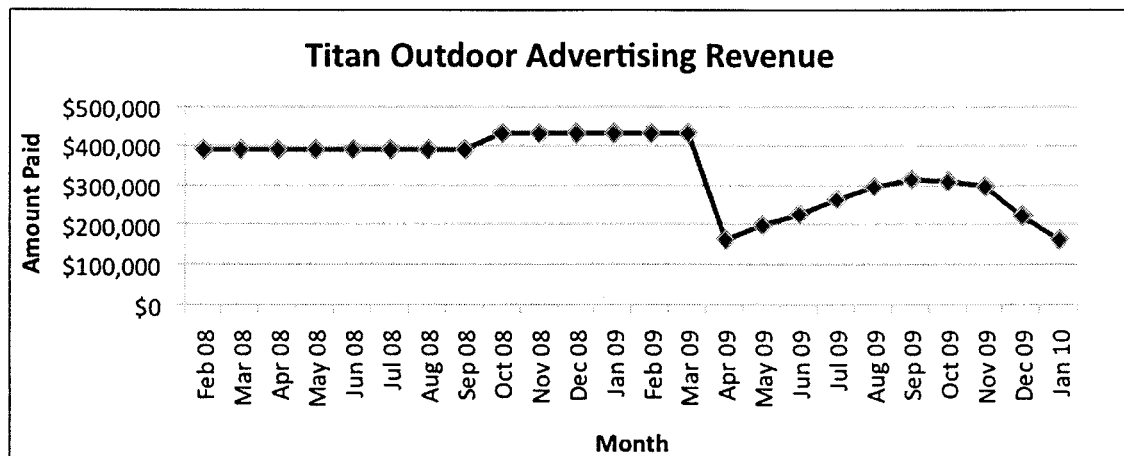
Discussion

The Orange County Transportation Authority (OCTA) has contracted with Titan Outdoor to sell, place, and maintain advertisements on the interior and exterior of the buses since September 2005. The initial term of the agreement was from September 1, 2005 to August 31, 2008, with two one-year options. Titan Outdoor offered an annual minimum guarantee, or 60 percent of the advertising sales revenue, whichever was higher. The annual minimum guarantee for each contract year ranged between \$3.8 million in year one to \$5.7 million in the last option year.

Since the inception of the agreement in September 2005, Titan Outdoor has performed in accordance with the provisions in the agreement and provided timely payments of the minimum guarantee every month. In March 2009, Titan Outdoor approached the OCTA to renegotiate the terms of the initial

agreement due to the impact on advertising sales as a result of the economic downturn. On March 11, 2009, the Board of Directors (Board) agreed to renegotiate the contract to eliminate the minimum guarantee and provide the OCTA with 67 percent of gross advertising revenue through the end of the contract term.

The following chart outlines the bus advertising revenue received over the past two years.



The bus advertising revenue program provides considerable revenue for OCTA. Revenue generated from the program supports operations of OCTA's bus service. The current contract with Titan Outdoor is set to expire on August 31, 2010. Staff is requesting authorization to release Request for Proposal (RFP) 0-1329 for qualified outdoor advertising firms to sell, place, and maintain advertising on the interior and exterior of the buses.

Procurement Approach

OCTA's procurement policies and procedures require that the Board approve all RFPs over \$1 million as well as approve the evaluation criteria and weightings. Staff is submitting, for Board approval, the proposed RFP and evaluation criteria and weightings, which will be used to evaluate proposals received in response to the RFP. The recommended evaluation criteria and weights are as follows:

- Qualifications of the Firm 25%
- Staffing and Project Organization 20%
- Work Plan 15%
- Revenue 40%

Several factors were considered in developing the criteria weights. Staff proposed assigning the greatest weight to the revenue criteria, since generating the highest revenue share is the most important element. The second highest rated criteria is the qualifications of the firm, the stability and marketing focus of the firm and its expertise in the area of interior and exterior bus advertising which is essential to the success of the program. Likewise, the experience and expertise of the staff and proposed project organization garnered a significant share of the weights.

The RFP will be released upon Board approval of this recommendation.

Fiscal Impact

The bus advertising revenue program provides a critical source of revenue to the Orange County Transit District Fund. This revenue helps to fund bus service. Funds received from this procurement will be realized in fiscal years 2010-11 through 2015-16.

Summary

Board approval is requested to release RFP 0-1329 to retain a concessionaire to sell, place, and maintain advertisements on the interior and exterior of OCTA buses.

Attachment

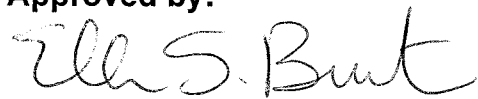
- A. Draft Request for Proposals (RFP) No. 0-1329 Bus Advertising Revenue Program

Prepared by:



Stella Lin
Marketing Manager
(714) 560-5342

Approved by:



Ellen S. Burton
Executive Director, External Affairs
(714) 560-5923



Virginia Abadessa
Director, Contracts Administration &
Materials Management
(714) 560-5623

REQUEST FOR PROPOSALS (RFP) 0-1329

BUS ADVERTISING REVENUE PROGRAM



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 23, 2010
Pre-Proposal Conference Date:	March 3, 2010
Question Submittal Date:	March 10, 2010
Proposal Submittal Date:	April 12, 2010
Interview Date:	April 27, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
NOTICE FOR REQUEST FOR PROPOSALS	i
SECTION I INSTRUCTIONS TO OFFERORS	1
SECTION II PROPOSAL CONTENT	6
SECTION III EVALUATION AND AWARD	11
A. EVALUATION CRITERIA	11
B. EVALUATION PROCEDURE	11
C. AWARD	12
D. NOTIFICATION OF AWARD AND DEBRIEFING	13
EXHIBIT A SCOPE OF WORK	
EXHIBIT B COST AND PRICE FORMS	
EXHIBIT C PROPOSED AGREEMENT	
EXHIBIT D FORMS	
EXHIBIT E DRUG-FREE WORKPLACE ACT OF 1988	
EXHIBIT F STATUS OF PAST AND PRESENT CONTRACTS	



February 23, 2010

BOARD OF DIRECTORS

Jerry Amante
Chairman

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

Curt Pringle
Director

Miguel Pulido
Director

Gregory T. Winterbottom
Director

Cindy Quon
Governor's
Ex-Officio Member

**SUBJECT: NOTICE OF REQUEST FOR PROPOSALS
RFP 0-1329: BUS ADVERTISING REVENUE PROGRAM**

Gentlemen/Ladies:

The Orange County Transportation Authority invites proposals from qualified consultants to provide sales, placement and maintenance for interior and exterior Bus Advertising Revenue Program.

Proposals must be received in the Orange County Transportation Authority's office at or before 2:00 p.m. on April 12, 2010.

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
600 South Main Street, 4th Floor
Orange, California 92868
Attention: Eugenia F. Pinheiro**

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: Eugenia F. Pinheiro**

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) 0-1329 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:

CHIEF EXECUTIVE OFFICE

Will Kempton
Chief Executive Officer

- Name of Firm
- Address
- Contact Person
- Telephone and Facsimile Number
- Request For Proposal (RFP) 0-1329

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 0-1329, 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>
Marketing, Advertising & Media Services	Advertising – Outdoor Billboard

A pre-proposal conference will be held on March 3, 2010, at 2:00 p.m. at the Authority's Administrative Office, 600 South Main Street, Orange, California, in Conference Room 103/104. All prospective Offerors are encouraged to attend the pre-proposal conference.

The Authority has established April 27, 2010 as the date to conduct interviews. All prospective Offeror's will be asked to keep this date available.

Offerors are encouraged to subcontract with small businesses to the maximum extent possible.

All Offerors 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,

A handwritten signature in black ink, appearing to read 'Eugenia F. Pinheiro', written in a cursive style.

Eugenia F. Pinheiro
Section Manager, Procurement
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 March 3, 2010, at 2:00 p.m. the Authority's Administrative Office, 600 South Main Street, Orange, California, in Conference Room 103/104. All prospective Offerors are 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. Offerors 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:

Eugenia F. Pinheiro
Contracts Administration and Materials Management Department
550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584
Phone: 714.560.5641, Fax: 714.560.5792
E-Mail: epinheiro@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., on March 10, 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 92868.
 - (3) Facsimile: The Authority's fax number is (714) 560-5792.
 - (4) E-Mail: Eugenia F. Pinheiro e-mail address is *epinheiro@octa.net*.

3. Authority Responses

Responses from the Authority will be posted on CAMM NET, the Authority's interactive website, no later than March 15, 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 Eugenia F. Pinheiro.

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:

Category(s):

Marketing, Advertising & Media Services

Commodity(s):

Advertising – Outdoor Billboard

Inquiries received after March 10, 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 April 12, 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: Eugenia F. Pinheiro**

Or 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: Eugenia F. Pinheiro**

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 0-1329: BUS ADVERTISING REVENUE PROGRAM"

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 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 firms 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 either Fixed Guaranteed Revenue or a Revenue Sharing contract specifying minimum guaranteed revenue amounts for each contract year.

L. 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.

M. CODE OF CONDUCT

Offeror 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. Offeror agrees to include these requirements in all of its subcontracts.

SECTION II
PROPOSAL CONTENT

SECTION II. PROPOSAL CONTENT

A. PROPOSAL FORMAT AND CONTENT

1. Format

Proposals should be typed with a standard 12 point 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"x17" 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 Eugenia F. Pinheiro 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 contract person identified during period of proposal evaluation.
- b. Identification of all proposed subcontractors including legal name of company, contact person's name and address, phone number and fax number; relationship between Offeror and subcontractors, if applicable.
- c. Acknowledgement 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 120 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 a similar nature; demonstrated competence in the services to be provided; strength and stability of the firm; staffing capability; work load; record of meeting schedules on similar projects; and supportive client references.

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; and number of employees.
- (2) Provide a general description of the firm's financial condition and 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. List the firm's top five (5) revenue-generating contracts comparable to the Authority's fleet size, over the last five (5) years and the amount of revenue generated per contract per year. Describe experience in working with the various government agencies identified in this RFP.
- (4) Identify subcontractors by company name, address, contact person, telephone number and project function. Describe Offeror's experience working with each subcontractor.
- (5) Provide as a minimum five (5) references for the projects cited as related experience, and 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, which 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.
- (2) Furnish brief resumes (not more than two [2] pages each) for the proposed Project Manager and other key personnel.
- (3) Indicate adequacy of labor resources utilizing a table projecting the labor-hour allocation to the project by individual task.
- (4) 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, proposed position for this project, current assignment, level of commitment to that assignment, availability for this assignment and how long each person has been with the firm.
- (5) Include a project organization chart, which clearly delineates communication/reporting relationships among the project staff.
- (6) 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 should provide a narrative, which addresses the Scope of Work, and shows Offeror's understanding of Authority's needs and requirements.

Offeror to:

- (1) Describe the approach to completing the tasks specified in the Scope of Work. The work plan shall be of such detail to demonstrate the Offerors 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 would perform them.

- (3) Furnish a project schedule for completing the tasks 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 in 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 Exhibit C.

4. Revenue Proposal

As part of the revenue proposal, the Offeror shall submit proposed revenue pricing for the services described in Exhibit A, Scope of Work.

The Offeror shall provide advertising service proposals under two revenue generating scenarios:

- a) Fixed, Guaranteed Revenue basis, with OCTA receiving a specified annual amount of revenue regardless of actual advertising sales; and
- b) Revenue-sharing basis, with OCTA receiving a percentage of actual net revenues with a minimum guaranteed annual amount, whichever is greater.

The Offeror shall complete the "Fixed Guaranteed Revenue Summary Sheet" and the "Revenue Sharing Price Summary Sheet" form(s) included with this RFP as Exhibit B.

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 form(s) as part of its proposal and it should be included in only the **original** proposal. The prime consultant and subcontractors must complete the form entitled "Party Disclosure Form". The form entitled "Participant Disclosure Form" must be completed by lobbyists or agents representing the prime consultant. Therefore, the prime consultant, subcontractors and agents will be required to report all campaign contributions from the proposal submittal date up and until the Board of Directors makes a selection, which is currently scheduled for June 14, 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.

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** **20%**
 Qualifications of project staff, particularly key personnel and especially the Project Manager; key personnel's level of involvement in performing related work cited in "Qualifications of the Firm" section; logic of project organization; adequacy of labor commitment; concurrence in the restrictions on changes in key personnel.
3. **Work Plan** **15%**
 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.
4. **Revenue** **40%**
 Reasonableness of the total revenue and competitiveness of this amount with other offers received; adequacy of data in support of figures quoted.

B. EVALUATION PROCEDURE

An evaluation committee will be appointed to review all proposals received for this RFP. The committee is comprised of Authority staff and may include outside personnel. The committee members will evaluate the written proposals using criteria identified in Section III A. A list of top ranked proposals, firms within a competitive range, will be developed based upon the totals of each committee members' score for each proposal.

During the evaluation period, the Authority may interview some or all of the proposing firms. The Authority has established April 27, 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 discussion. The interview may consist of a short presentation by the Offeror after which the evaluation committee will ask questions related to the firm's proposal and qualifications.

At the conclusion of the proposal evaluations, Offerors remaining within the competitive range may be asked to submit a Best and Final Offer (BAFO). In the BAFO request, the firms may be asked to provide additional information, confirm or clarify issues and submit a final cost/price offer. A deadline for submission will be stipulated.

At the conclusion of the evaluation process, the evaluation committee will make their recommendation to the Transit Committee, the Offeror with the highest final ranking or a short list of top ranked firms within the competitive range whose proposal(s) is most advantageous to the Authority. The Transit Committee will review the evaluation committee's recommendation and forward its decision to the full Board of Directors for final action.

C. AWARD

The Authority will evaluate the proposals received and will submit, with approval of the Transit Committee, the proposal considered to be the most competitive to the Authority's Board of Directors, for consideration and selection. The Authority may also negotiate contract terms with the selected Offeror prior to award, and expressly reserves the right to negotiate with several Offerors simultaneously and, thereafter, to award a contract to the Offeror offering the most favorable terms to the Authority.

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.

D. NOTIFICATION OF AWARD AND DEBRIEFING

Offerors who submit a proposal in response to this RFP shall be notified via CAMM NET of the contract award. Such notification shall be made within three (3) days of the date the contract is awarded.

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 the Authority must receive it within three (3) days of notification of the contract award.

EXHIBIT A
SCOPE OF WORK

**SCOPE OF WORK
BUS ADVERTISING REVENUE PROGRAM**

BACKGROUND

The Orange County Transportation Authority (OCTA) is the agency responsible for planning, developing, and implementing transportation programs and services within Orange County. These programs and services include fixed-route bus service, ACCESS (paratransit) bus service, commuter rail service, administering Measure M revenue to create a balanced multi-modal transportation system, motorists services, and the 91 Express Lanes toll road.

Transit advertising on its fixed-route and ACCESS vehicles has provided OCTA with an innovative way to generate additional needed revenue. In addition, it also provides a service to the business community. Outdoor media in Orange County is very limited, which makes it difficult and expensive to obtain. OCTA vehicles provide, in essence, moving billboards, which businesses can lease to place advertising messages. The vehicles are highly visible on Orange County streets and roads. OCTA's service area covers 797 square miles throughout Orange County as well as some areas in Los Angeles.

This agreement between OCTA and the CONCESSIONAIRE is to provide the sales and administration of OCTA's bus advertising revenue program. The CONCESSIONAIRE shall solicit, place, administer, and manage and maintain advertisements in and on the interior and exterior space available on OCTA vehicles.

The existing revenue-generating agreement is for three years with two, one-year option terms. The agreement was initially based on annual minimum guaranteed revenue or 65 percent of the total gross revenue, whichever was greater. Midway through the first option term, the contract was renegotiated due to economic downturns and the impact on advertising sales. The renegotiation provided a 67 percent revenue share on gross profits, with a reinstatement of the minimum guarantee once sales returned to normal. Below are the minimum guarantees for those years, as well as the revenue share for those months on the revised contract.

Time Period	Minimum Guarantee
September 1, 2005 to August 31, 2006	\$3,800,000
September 1, 2006 to August 31, 2007	\$4,200,000
September 1, 2007 to August 31, 2008	\$4,700,000
September 1, 2008 to February 28, 2009	\$2,600,000
	67% Revenue Share
March 1, 2009 to August 31, 2009	\$1,450,000
September 1, 2009 to December 31, 2009	\$1,675,000

OCTA FLEET INVENTORY

Currently, OCTA's fleet consists of articulated large buses (60' in length), large buses (40' in length), mid-size buses (30' in length), and mini buses (less than 30' in length). The fleet type and quantity of advertisements allowed on each type of bus is described below. These numbers represent OCTA's best estimate on the fleet mix and are subject to change. Space availability on OCTA vehicles may change during the period of this contract for reasons including, but not limited to, the acquisition of new vehicles, the retiring of old vehicles, the addition or reduction of vehicles due to fluctuations in service hours.

Bus Type	Ad Space Available	Bus Quantity Original Contract	Bus Quantity FY 09-10	Bus Quantity FY 10-11
30' & under mini/ mid-size	1 tail	332	332	272
40' diesel powered	2 king, 1 tail, 1 front	282	31	0
40' LNG powered	2 king, 1 tail, 1 front	232	232	169
40' CNG powered	2 king, 1 front	0	342	299
60' articulated	3 king, 1 tail, 1 front	50	50	40

Note: On 40' and 60' buses, king-size advertisements measure 30" x 144". On 30' buses and larger, tail-size advertisements measure 21" x 72". On buses less than 30', tail-size advertisements measure 21" x 72" and 21" x 70", front bike rack ads 14" x 44".

OCTA's bus fleet is currently distributed among five operating bases:

Anaheim Base (fixed route)
1717 E. Via Burton
Anaheim, CA 92806

Garden Grove Base (fixed route)
11790 Cardinal Circle
Garden Grove, CA 92843

Irvine Base (fixed route/MV Transit)
14736 Sand Canyon Road
Irvine, CA 92618

Santa Ana Base (fixed route)
4301 W. MacArthur Boulevard
Santa Ana, CA 92704

Irvine (ACCESS/Veolia)
16281 Construction Circle
Irvine, CA 92606

TASKS AND RESPONSIBILITIES

- 1) CONCESSIONAIRE agrees to solicit advertising in an effort to completely sell all available advertising space authorized by this agreement.
- 2) CONCESSIONAIRE agrees to refuse advertising of tobacco and/or alcoholic beverage products and sexually explicit copy on any OCTA vehicles.
- 3) If requested in writing by OCTA, an advertiser's poster, inside or outside of any bus, shall be removed by CONCESSIONAIRE within 48 hours of receipt of written request.
- 4) Installation and removal of advertisements shall be done by CONCESSIONAIRE at CONCESSIONAIRE's sole expense. Installation and removal at OCTA's five bus facilities shall be performed by CONCESSIONAIRE between the hours of 8:00 p.m. and 4:30 a.m. unless prior approval is obtained from OCTA. CONCESSIONAIRE shall be responsible for, at no cost to OCTA, any repairs required as a result of installation or removal of advertisements. This includes, but is not limited to, any paint or stripe damage, if any, resulting from the removal of direct application advertisements.
- 5) OCTA enforces a strict safety policy for employees and vendors. Due to the level of activities at OCTA facilities, and the large number of vehicles and employees, yard congestion, and safety is of vital concern. In order to avoid personal injuries or property damage, the following procedures, as found in the OCTA safety manual, shall be followed at all times.
 - Maximum yard speed is 10 m.p.h.
 - Yield right-of-way to vehicles backing out of the shop and parking stalls.
 - Follow designated yard directional traffic flow; do not drive across bus stalls.
 - Stop at designated "stop" markings in the yard.
 - Vehicle must have headlights on, directional signals flashing, and rotating beacon light on.
 - All workers in the yard must wear a reflective safety vest at all times.
 - Always be courteous and never demand the right-of-way to the extent of causing an accident.
 - Pedestrian traffic in or out of the vehicle access gates is prohibited.
 - Steel-toed boots should be worn at all times in the yard.
- 6) OCTA and CONCESSIONAIRE shall work together to continue the full wrap, partial full wrap, king ad, and tail wrap bus programs in which the entire or partial parts of the bus are wrapped with a vinyl adhesive printed with the advertisers message. OCTA will also allow 60' articulated buses to be part of the wrap programs. OCTA shall have the right of prior approval of all advertising to be proposed for this program. CONCESSIONAIRE shall be responsible for initial application and final removal of the vinyl graphics. Upon removal of graphics, CONCESSIONAIRE shall be responsible for, at no cost to OCTA, repainting the bus to the original color scheme and replacing any damaged stripes or markings, if any, discovered during removal.

- 7) Exterior advertising material shall in no case exceed dimensions that will interfere with safe bus operations. Advertising that partially or entirely “wraps” the vehicle including window surfaces, shall not cover more than 30 percent of a vehicle’s total window surface and not more than 50 percent of the window surface of any bus side may be covered. Exceptions are granted on a case–by-case basis, and should not be requested as normal operations.
- 8) To maintain an attractive exterior on each of it’s buses, the CONCESSIONAIRE shall agree to maintain clean and not worn, tattered or defaced advertising displays. Each ad shall be free from wrinkles, blisters or similar defects and shall be “squared” to the vehicle contour lines, and shall present a sharp and clear appearance. No “layering” of vinyl advertisements is permitted, the previous vinyl must be removed before application of a new vinyl.
- 9) Printing and mounting specifications for the exterior advertising are: 3M, non-permanent self-adhesive is the only acceptable material (film and over laminates) to be used on all OCTA bus exteriors.
- 10) OCTA and CONCESSIONAIRE shall work together to continue the front bike rack advertising program in which ads are placed in the frames on the bike racks at the front of each bus. OCTA shall have the right of prior approval of all advertising to be proposed for this program. CONCESSIONAIRE shall be responsible for initial application and final removal of the graphics. Upon removal of graphics, CONCESSIONAIRE shall be responsible for, at no cost to OCTA, replacing any damaged, if any, discovered during removal.
- 11) Printing and mounting specifications for the bike rack advertising are: 3M IJ36 vinyl printed with weatherproof/waterproof inks, mounted on chloroplast corrugated plastic.
- 12) OCTA owns, maintains, installs, and removes all advertising frames (located on the front of all bike racks). OCTA’s requires that advertisements be made of pressure-sensitive self-adhesive vinyl that can be placed directly on the surface of the vehicles, for all advertisements other than those located in the frames on the bike racks.
- 13) OCTA and CONCESSIONAIRE shall work together to continue the interior bus advertising program. To properly maintain the interior advertising cards, installation of black 11”x1-1/2” high-impact styrene plastic spacers between all advertising cards is required. The spacers will be procured and replaced as necessary by the CONCESSIONAIRE.
- 14) CONCESSIONAIRE shall be responsible for any storage space required to store CONCESSIONAIRE's tools, advertising signs, or any other items required to complete tasks and responsibilities. OCTA will not make space available for storage of these items on OCTA property.

- 15) The CONCESSIONAIRE must remove date sensitive advertisements within one week after expiration. Failure to remove date sensitive advertisements within one week after expiration may result in OCTA removing the advertisements and assessing the cost for removal to the CONCESSIONAIRE.
- 16) By the fifteenth day of each month, CONCESSIONAIRE shall furnish to OCTA a posting report, which summarizes all advertisements that have appeared or will appear on OCTA vehicles during that month. The posting report shall include the following for each advertisement: advertiser's name, name of advertisement, number of units, type of advertisement, posting and billing dates, and gross revenue. Any deviations from normal contract procedures, such as, but not limited to, "bonuses", shall be noted on this report.
- 17) Upon request, CONCESSIONAIRE shall furnish to OCTA a copy of each contract entered into by CONCESSIONAIRE for advertising on all buses during this agreement. Terms and conditions of sales of advertising shall be at the sole discretion of CONCESSIONAIRE, subject to the terms and conditions of this agreement.
- 18) By the end of each Monday, CONCESSIONAIRE shall furnish to OCTA a detailed audit of each garage showing the bus number and type of ad and name of ad on each available ad space on each bus.
- 19) OCTA shall have the option to retain, free of charge, for its own use: 35 king-size exterior bus advertising spaces, 35 tail-size exterior bus advertising spaces, and 5 full wraps on buses of OCTA's choice. OCTA may use these for their own use, or as part of barter (trade) agreements with any other firm, including the CONCESSIONAIRE. OCTA will notify CONCESSIONAIRE in a timely manner when it plans to use this space. OCTA shall also have, free of charge, the use of up to 50 unsold exterior bus advertising spaces, as they are available. It shall be CONCESSIONAIRE's responsibility to determine the amount of unsold space available and to notify OCTA in a timely manner (two to four weeks advance notice) in order that OCTA may utilize said space to its best advantage. An audit of CONCESSIONAIRE's records shall periodically be conducted by OCTA to verify the amounts of unsold advertising space available. Such audit may be conducted every six months.
- 20) If OCTA decides to use any of its exterior advertising space, CONCESSIONAIRE agrees to install OCTA's king size and tail poster size advertisements at no charge within ten days after receipt and to remove all advertising within three days of the specified removal date. OCTA will install any ultra king, tail wrap or full wrap exterior advertising at their own expense.
- 21) CONCESSIONAIRE shall reserve 20 interior bus card spaces per bus for OCTA's own use. In addition, OCTA may use any unsold interior spaces. OCTA's interior bus cards shall have priority of installation over all other non-revenue-generating interior cards. OCTA further reserves the right to post at such places as it desires upon its buses: bus books, route maps, and marketing materials regarding its services or operations.

- 22) If OCTA decides to use any of its interior or exterior advertising space, CONCESSIONAIRE agrees to install OCTA's advertisements at no charge within ten days after receipt and to remove all advertising within three days of the specified removal date.
- 23) CONCESSIONAIRE shall report, notify, and/or make OCTA aware of all "trade contracts" that CONCESSIONAIRE may obtain or have for the duration of this agreement.
- 24) CONCESSIONAIRE shall compensate OCTA accordingly for such "trade contracts" by either (1) paying OCTA monies equal to the percentage that OCTA has in this agreement or (2) by other means common in the industry. Such compensation will be determined by OCTA and CONCESSIONAIRE must obtain OCTA approval prior to entering into any "trade contracts." CONCESSIONAIRE shall be accountable to OCTA for such "trade contracts."
- 25) CONCESSIONAIRE shall establish an irrevocable letter of credit in favor of OCTA. The irrevocable letter of credit shall be established on the effective date of this agreement and be in the amount of one-fourth of the minimum annual guarantee for each year the agreement is in effect.
- 26) OCTA agrees to cooperate fully with CONCESSIONAIRE in providing ridership data, bus route information, and actual bus promotions if requested by CONCESSIONAIRE to assist in sales promotions.
- 27) CONCESSIONAIRE may be subject to annual audits on its business relating to the Bus Revenue-Generating Advertising Program. After receipt of reasonable notice, CONCESSIONAIRE shall provide OCTA access to records and facilities as OCTA deems necessary to determine the accuracy of monthly statements and posting reports. Access shall be defined as a location within either Orange County or Los Angeles County.
- 28) At the end of the contract period, existing CONCESSIONAIRE must cooperatively participate in the transition of this service to a new CONCESSIONAIRE if necessary. If a transition to a new CONCESSIONAIRE occurs, the existing CONCESSIONAIRE agrees to make reasonable efforts to maintain service levels without any degradation to the service. These efforts are to ensure a smooth transition of service and to eliminate any service disruption.
- 29) In the event that a new CONCESSIONAIRE is awarded the contract, a transition of agreements must take place. As of June 15, 2010, the existing CONCESSIONAIRE will not enter into any new advertising agreements for OCTA that expire later than August 31, 2010. A status report will be submitted to the OCTA indicating a list of agreements, how many units are involved, and date of expiration for each agreement. The new CONCESSIONAIRE will take over all open advertising units on September 1, 2010, and will be notified of each expiring agreement, taking over that advertising space when open.

EXHIBIT B
COST AND PRICE FORMS

**FIXED GUARANTEED REVENUE
PRICE SUMMARY SHEET
REQUEST FOR PROPOSALS (RFP) 0-1329**

Enter below the proposed revenue price for each term, based on fixed, guaranteed revenue scenario.

Year 1	Year 2	Year 3	1st Option Term	2nd Option Term
Sept. 1, 2010 to Aug. 31, 2011	Sept. 1, 2011 to Aug 31, 2012	Sept. 1, 2012 to Aug 31, 2013	Sept. 1, 2013 to Aug. 31, 2014	Sept. 1, 2014 to Aug. 31, 2015

1. Estimated Gross Advertising Revenues:

\$ _____ \$ _____ \$ _____ \$ _____ \$ _____

2. Fixed Amount of Guaranteed Revenue to Authority Annually

Year 1	Year 2	Year 3	1st Option Term	2nd Option Term
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

State how frequently payment to the Authority will be made during a twelve month period (i.e., annually in advance, annually in arrears, monthly, quarterly, etc.)

**REVENUE SHARING
PRICE SUMMARY SHEET
REQUEST FOR PROPOSALS (RFP) 0-1329**

Enter below the proposed revenue price for each term, based on revenue-sharing scenario.

Year 1	Year 2	Year 3	1st Option Term	2nd Option Term
Sept. 1, 2010 to Aug. 31, 2011	Sept. 1, 2011 to Aug. 31, 2012	Sept. 1, 2012 to Aug. 31, 2013	Sept. 1, 2013 to Aug. 31, 2014	Sept. 1, 2014 to Aug. 31, 2015

1. Estimated Gross Advertising Revenues:

\$ _____ \$ _____ \$ _____ \$ _____ \$ _____

2. Percentage of Split of Actual Gross Revenues:

OCTA:

Year 1	Year 2	Year 3	1st Option Term	2nd Option Term
_____ %	_____ %	_____ %	_____ %	_____ %

Concessionaire:

Year 1	Year 2	Year 3	1st Option Term	2nd Option Term
_____ %	_____ %	_____ %	_____ %	_____ %

3. Minimum Amount of Revenue Guaranteed to Authority Annually:

Year 1	Year 2	Year 3	1st Option Term	2nd Option Term
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

State how frequently payment to the Authority will be made during a twelve month period (i.e., annually in advance, annually in arrears, monthly, quarterly, etc.)

EXHIBIT C
PROPOSED AGREEMENT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

PROPOSED AGREEMENT NO. C-0-1329

BETWEEN

ORANGE COUNTY TRANSPORTATION AUTHORITY

AND

THIS AGREEMENT is effective this _____ day of _____, 2010, by and between the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584, a public corporation of the state of California (hereinafter referred to as "AUTHORITY"), and _____, _____, (hereinafter referred to as "CONCESSIONAIRE").

WITNESSETH:

WHEREAS, AUTHORITY requires assistance in selling, placing administering and managing advertisements on the interior and exteriors of AUTHORITY's transit vehicles; and

WHEREAS, said work cannot be performed by the regular employees of AUTHORITY; and

WHEREAS, CONCESSIONAIRE has represented that it has the requisite personnel and experience, and is capable of performing such services; and

WHEREAS, CONCESSIONAIRE wishes to perform these services; and

WHEREAS, the AUTHORITY's Board of Directors approved this Agreement on June 14, 2010;

NOW, THEREFORE, it is mutually understood and agreed by AUTHORITY and CONCESSIONAIRE as follows:

ARTICLE 1. COMPLETE AGREEMENT

A. This Agreement, including all exhibits and documents incorporated herein and made applicable by reference, constitutes the complete and exclusive statement of the terms and conditions of this Agreement between AUTHORITY and CONCESSIONAIRE and it supersedes all prior representations, understandings and communications. The invalidity in whole or in part of any

1 term or condition of this Agreement shall not affect the validity of other terms or conditions.

2 B. AUTHORITY's failure to insist in any one or more instances upon
3 CONCESSIONAIRE's performance of any term(s) or condition(s) of this Agreement shall not be
4 construed as a waiver or relinquishment of AUTHORITY's right to such performance or to future
5 performance of such term(s) or conditions and CONCESSIONAIRE's obligation in respect thereto
6 shall continue in full force and effect. Changes to any portion of this Agreement shall not be binding
7 upon AUTHORITY except when specifically confirmed in writing by an authorized representative of
8 AUTHORITY by way of a written amendment to this Agreement and issued in accordance with the
9 provisions of this Agreement.

10 **ARTICLE 2. AUTHORITY DESIGNEE**

11 The Chief Executive Officer of AUTHORITY, or designee, shall have the authority to act for
12 and exercise any of the rights of AUTHORITY as set forth in this Agreement.

13 **ARTICLE 3. DEFINITIONS**

14 As used throughout this Agreement, the following terms shall have the following
15 corresponding meanings.

16 A. "Buses" shall mean all revenue vehicles which are now or may be later owned and/or
17 operated by AUTHORITY, including but not limited to the following:

- 18 1. Large buses (40' or more in length).
- 19 2. NABI large buses (40' in length).
- 20 3. Mini/mid-size buses (less than 30' in length).
- 21 4. Articulated Buses (60' in length).
- 22 5. Mid-size buses (30' in length).

23 B. "Carding" shall mean all labor and materials involved in attaching, placing, or
24 removing advertising materials in the appropriate frames, or areas provided, including direct
25 application of pressure sensitive material.

26 C. "Gross Revenue" shall mean all amounts billed and billable by CONCESSIONAIRE,

1 for the advertising authorized or permitted to be displayed in or on the buses, less recognized
2 advertising agency commission which has been deducted, if applicable, (not-to-exceed fifteen
3 percent). Bad debt losses shall not be deducted from Gross Revenue, unless CONCESSIONAIRE
4 receives prior approval from AUTHORITY.

5 "Gross Revenue" shall also include the value of all consideration including
6 consideration other than cash received by CONCESSIONAIRE for the advertising authorized or
7 permitted to be displayed on the buses.

8 D. "Framing" shall mean attachment and maintenance of all necessary frames.

9 E. "Framing Plan" shall mean the size and location of advertising framing which
10 shall be as follows:

11 1. 30" x 144" and 21" x 72", on all current standard large buses, 21" x
12 72", and 21" x 70" on minibuses.

13 2. On standard buses, adhesive free form displays requiring no frames
14 may be applied to both sides and rear.

15 F. "Minimum Guarantee" shall mean the least amount of money paid to
16 AUTHORITY by CONCESSIONAIRE, such amounts are shown in Article 7.

17 G. "Trade Contracts" shall mean agreements, either written or oral, made
18 between CONCESSIONAIRE instead of a monetary fee.

19 H. "Accounting Year" shall be twelve (12) full calendar months. The Accounting
20 Year shall be synonymous with the twelve-month period contained in the first one-year term of this
21 Agreement. Once the accounting year has been established, it shall be continued through the term
22 of this Agreement unless AUTHORITY specifically approves in writing a different accounting year.
23 AUTHORITY shall only approve a change in accounting year in the event of undue hardship being
24 placed on either CONCESSIONAIRE or AUTHORITY, or because of more convenience or
25 inconvenience.

I. "Working Day" shall mean Monday through Friday, except for the following holidays:

New Year's Day, Martin Luther King Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, Christmas Day.

ARTICLE 4. SCOPE OF WORK

A. CONCESSIONAIRE shall perform the work necessary to complete in a manner satisfactory to AUTHORITY the services set forth in Exhibit A, entitled "Scope of Work," attached to and, by this reference, incorporated in and made a part of this Agreement. All services shall be provided at the times and places designated by AUTHORITY.

B. CONCESSIONAIRE shall provide the personnel listed below to perform the above-specified services, which persons are hereby designated as key personnel under this Agreement.

<u>Names</u>	<u>Functions</u>
_____	_____
_____	_____
_____	_____
_____	_____

C. No person named in paragraph B of this Article, or his/her successor approved by AUTHORITY, shall be removed or replaced by CONCESSIONAIRE, nor shall his/her agreed-upon function or level of commitment hereunder be changed, without the prior written consent of AUTHORITY. Should the services of any key person become no longer available to CONCESSIONAIRE, the resume and qualifications of the proposed replacement shall be submitted to AUTHORITY for approval as soon as possible, but in no event later than seven (7) calendar days prior to the departure of the incumbent key person, unless CONCESSIONAIRE is not provided with such notice by the departing employee. AUTHORITY shall respond to CONCESSIONAIRE within seven (7) calendar days following receipt of these qualifications concerning acceptance of the

1 candidate for replacement.

2 **ARTICLE 5. EXCLUSIONARY RIGHTS**

3 AUTHORITY shall grant to CONCESSIONAIRE, in accordance with the terms and conditions
4 of this Agreement, the exclusive right to sell advertising in and on all AUTHORITY buses.

5 **ARTICLE 6. TERM OF AGREEMENT**

6 A. This Agreement shall commence on September 1, 2010, and shall continue in full
7 force and effect through August 31, 2013 ("Initial Term"), unless earlier terminated or extended as
8 provided in this Agreement.

9 B. AUTHORITY, at its sole discretion, may elect to extend the term of this Agreement for
10 an additional twelve (12) months, commencing September 1, 2013 and continuing through
11 August 31, 2014 ("First Option Term"), and thereupon require CONCESSIONAIRE to continue to
12 provide services in accordance with Exhibit A, "Scope of Work, " at no less than the minimum
13 guarantees set forth in Article 7, "Payment."

14 C. If AUTHORITY exercises its option to extend the term of this Agreement as provided
15 in paragraph B of this Article 6, then AUTHORITY, at its sole discretion, may elect to extend the term
16 of this Agreement for an additional twelve (12) months, commencing September 1, 2014 and
17 continuing through August 31, 2015 ("Second Option Term"), and thereupon require
18 CONCESSIONAIRE to continue to provide services in accordance with Exhibit A, "Scope of Work, "
19 at no less than the minimum guarantees set forth in Article 7, "Payment."

20 D. AUTHORITY's election to extend this Agreement beyond the Initial Term shall not
21 diminish its right to terminate the Agreement for AUTHORITY's convenience or CONCESSIONAIRE
22 default as provided elsewhere in the Agreement. The "maximum term" of this Agreement shall be
23 the period extending from September1, 2010 through August 31, 2015, which period encompasses
24 the Initial Term, First Option Term, and Second Option Term.

25 /

26 /

ARTICLE 7. PAYMENT

A. By the twentieth (20) working day of each month, CONCESSIONAIRE shall pay to the AUTHORITY's Accounts Receivable Department an amount equal to _____ percent (___%) of the actual Gross Revenue received during the preceding month. Within fifteen (15) days of the end of each three-month quarter (a "Quarterly Period"), in the event the total percentage amount attributable to the Quarterly Period is less than the total minimum guarantee attributable to the Quarterly Period, CONCESSIONAIRE shall make additional payments to AUTHORITY that shall be equal to the difference between the minimum guarantee attributable to that Quarterly Period and the percentage amount attributable to that Quarterly Period.

B. CONCESSIONAIRE shall pay to AUTHORITY's Accounts Receivable Department, an amount equal to one-twelfth of the minimum guarantee amount stated below (the "Minimum Guarantee Payment"). Within Fifteen (15) working days of the end of each Quarterly Period, CONCESSIONAIRE shall pay to the AUTHORITY the amount, if any, by which _____ (___%) percent of the actual Gross Revenue received for the period commencing on the first day of the Quarterly Period through the end of applicable Quarterly Period exceeds the aggregate amounts paid to the AUTHORITY pursuant to the Minimum Guarantee for that particular Quarterly Period (the "Reconciliation Amount").

C. Accompanying each payment to AUTHORITY two (2) copies of a correct statement of all applicable Gross Revenues for that portion of the Accounting Year which ends with and includes the last day of the preceding calendar month. This statement shall be signed by CONCESSIONAIRE or CONCESSIONAIRE's responsible agent, under penalty of perjury, and shall be in the form prescribed by AUTHORITY's Accounts Receivable Department. Each statement shall include:

1. Agreement No. C-0-1329;
2. One-twelfth of the annual Minimum Guarantee (if applicable);
3. The total gross revenue for said portion of the Accounting Year;
4. The related itemized amounts of percentage payment computed as herein provided and the total thereof (if applicable);

5. The total payment previously paid by CONCESSIONAIRE for the Accounting Year within which the preceding months falls, and
6. Certification signed by the CONCESSIONAIRE or his/her designated alternate that the statement is true, complete and correct; and
7. Any other information as agreed or requested by AUTHORITY to substantiate the validity of the statement; and
8. The amount due for the preceding month.

The annual minimum guarantees for each year covered by this Agreement are:

Time Period	Minimum Guarantee
September 1, 2010 – August 31, 2011	\$ _____
September 1, 2011 – August 31, 2012	\$ _____
September 1, 2012 – August 31, 2013	\$ _____
September 1, 2013 – August 31, 2014	\$ _____ Option Term: _____
September 1, 2014 – August 31, 2015	\$ _____ Option Term: _____

The percentage amount due shall be calculated by applying a rate of _____ percent (___%) to the total Gross Revenue. If this amount is greater than one-twelfth of the annual minimum guarantee, CONCESSIONAIRE shall pay to the AUTHORITY _____ percent (___%) of actual Gross Revenue received computed for that portion of the Accounting Year ending with the including the last day of the preceding month less the total amount previously paid for the Accounting Year.

D. AUTHORITY and CONCESSIONAIRE shall work together to continue the “Full Wrap Bus,” “Partial Wrap Bus,” and “Tail Wrap Bus” programs. CONCESSIONAIRE shall be responsible for the initial wrapping of the vehicle removal of the wrap and repair of any paint or stripe damage, at no cost to AUTHORITY. AUTHORITY shall have the right of prior approval of all advertising to be proposed for wrapping on the vehicles. Revenue generated from the “Wrap Program” shall be included as part of the minimum guarantee.

E. CONCESSIONAIRE shall compensate AUTHORITY for all “trade contracts” either: (1)

1 paying AUTHORITY monies equal to the percent that AUTHORITY has in this contract or (2) by
 2 other means common in the industry, such compensation to be determined by AUTHORITY.
 3 CONCESSAIRE shall be accountable to AUTHORITY for such "trade contracts."

4 F. CONCESSIONAIRE hereby acknowledges that a late payment of any and all
 5 amounts due hereunder will cause AUTHORITY to incur costs not contemplated by this
 6 Agreement, the exact amount of which will be extremely difficult to ascertain. Such costs include but
 7 are not limited to costs such as administrative processing of delinquent notices, increased
 8 accounting costs, et cetera. Accordingly, if any payment of amounts due, as specified herein, or of
 9 any other sum due AUTHORITY is not received by the due date, a late charge of one and one-half
 10 (1.5%) of the amount due and unpaid plus an administrative charge of \$100 shall be added to the
 11 amount due, and the total sum shall become immediately due and payable to AUTHORITY. An
 12 additional charge of one and one-half percent (1.5%) of said amounts remains unpaid.
 13 CONCESSIONAIRE and AUTHORITY hereby agree that such late charges represent a fair and
 14 reasonable estimate of the cost that AUTHORITY will incur by reason of CONCESSIONAIRE's late
 15 payment. Acceptance of such late charges (and/or any portion of the overdue payment) by
 16 AUTHORITY shall in not event constitute a waiver of CONCESSIONAIRE's default with respect to
 17 such overdue payment, or prevent AUTHORITY from exercising any of the other rights and
 18 remedies granted hereunder. Full payment of amount due, including the last payment, interest
 19 charged and administrative charge shall constitute a cure of CONCESSIONAIRE's default.
 20 CONCESSIONAIRE shall invoice AUTHORITY on a monthly basis for payments corresponding to
 21 the work actually completed by CONCESSIONAIRE. Percentage of work completed shall be
 22 documented in a monthly progress report prepared by CONCESSIONAIRE, which shall accompany
 23 each invoice submitted by CONCESSIONAIRE. CONCESSIONAIRE shall also furnish such other
 24 information as may be requested by AUTHORITY to substantiate the validity of an invoice. At its
 25 sole discretion, AUTHORITY may decline to make full payment for any task listed in paragraph B of
 26

1 this Article until such time as CONCESSIONAIRE has documented to AUTHORITY's satisfaction,
2 that CONCESSIONAIRE has fully completed all work required under the task.

3 **ARTICLE 8. AUTHORITY APPROVAL**

4 AUTHORITY shall retain the right to approve any advertising prior to placement on or in any
5 of AUTHORITY buses and shall approve or disapprove at AUTHORITY's discretion, all advertising
6 to be used on the "Wrap bus" campaign prior to implementation pursuant to this Agreement,
7 AUTHORITY covenants that any AUTHORITY approval will not be unreasonably withheld or
8 delayed. In the event an advertisement has been placed on or in an AUTHORITY bus with
9 AUTHORITY disapproves, then CONCESSIONAIRE shall remove said advertising immediately
10 upon being notified of disapproval by AUTHORITY.

11 **ARTICLE 9. NOTICES**

12 All notices hereunder and communications regarding the interpretation of the terms of this
13 Agreement, or changes thereto, shall be effected by delivery of said notices in person or by
14 depositing said notices in the U.S. mail, registered or certified mail, returned receipt requested,
15 postage prepaid and addressed as follows:

16 To CONCESSIONAIRE:

17 _____
18 _____
19 _____

20 ATTENTION: _____

21 (____/____)

22 E-Mail: _____

To AUTHORITY:

Orange County Transportation Authority

550 South Main Street

P. O. Box 14184

Orange, CA 92863-1584

ATTENTION: Eugenia F. Pinheiro

Section Manager, Procurement

(714/560-5841)

epinheiro@octa.net

25 /

26 /

1 **ARTICLE 10. INDEPENDENT CONTRACTOR**

2 CONCESSIONAIRE's relationship to AUTHORITY in the performance of this Agreement is
3 that of an independent contractor. CONCESSIONAIRE's personnel performing services under this
4 Agreement shall at all times be under CONCESSIONAIRE's exclusive direction and control and shall
5 be employees of CONCESSIONAIRE and not employees of AUTHORITY. CONCESSIONAIRE
6 shall pay all wages, salaries and other amounts due its employees in connection with this
7 Agreement and shall be responsible for all reports and obligations respecting them, such as social
8 security, income tax withholding, unemployment compensation, workers' compensation and similar
9 matters.

10 **ARTICLE . 11 INSURANCE**

11 A. CONCESSIONAIRE shall procure and maintain insurance coverage during the entire
12 term of this Agreement. Coverage shall be full coverage and not subject to self-insurance
13 provisions. CONCESSIONAIRE shall provide the following insurance coverage:

- 14 1. Commercial General Liability, to include Products/Completed Operations,
15 Independent Contractors', Contractual Liability, and Personal Injury Liability, and Property Damage
16 with a minimum limit of \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.
- 17 2. Automobile Liability Insurance to include owned, hired and non-owned autos
18 with a combined single limit of \$1,000,000.00 each accident;
- 19 3. Workers' Compensation with limits as required by the State of California
20 including a waiver of subrogation in favor of AUTHORITY, its officers, directors, employees or
21 agents;
- 22 4. Employers' Liability with minimum limits of \$1,000,000.00; and
- 23 5. Professional Liability with minimum limits of \$1,000,000.00 per claim.

24 B. Proof of such coverage, in the form of an insurance company issued policy
25 endorsement and a broker-issued insurance certificate, must be received by AUTHORITY prior to
26 commencement of any work. Proof of insurance coverage must be received by AUTHORITY within

1 ten (10) calendar days from the effective date of this Agreement with the AUTHORITY, its officers,
2 directors, employees and agents designated as additional insured on the general and automobile
3 liability. Such insurance shall be primary and non-contributive to any insurance or self-insurance
4 maintained by the AUTHORITY.

5 C. CONCESSIONAIRE shall include on the face of the Certificate of Insurance the
6 Agreement Number C-0-1329; and, the Contract Administrator's Name, Eugenia F. Pinheiro.

7 D. CONCESSIONAIRE shall also include in each subcontract the stipulation that
8 subcontractors shall maintain insurance coverage in the amounts required from CONCESSIONAIRE
9 as provided in this Agreement.

10 **ARTICLE 12. ORDER OF PRECEDENCE**

11 Conflicting provisions hereof, if any, shall prevail in the following descending order of
12 precedence: (1) the provisions of this Agreement, including all exhibits; (2) the provisions of
13 RFP 0-1329; (3) CONCESSIONAIRE's proposal dated _____; (4) all other documents,
14 if any, cited herein or incorporated by reference.

15 **ARTICLE 13. CHANGES**

16 By written notice or order, AUTHORITY may, from time to time, order work suspension
17 and/or make changes in the general scope of this Agreement, including, but not limited to, the
18 services furnished to AUTHORITY by CONCESSIONAIRE as described in the Scope of Work. If
19 any such work suspension or change causes an increase or decrease in the price of this Agreement,
20 or in the time required for its performance, CONCESSIONAIRE shall promptly notify AUTHORITY
21 thereof and assert its claim for adjustment within ten (10) calendar days after the change or work
22 suspension is ordered, and an equitable adjustment shall be negotiated. However, nothing in this
23 clause shall excuse CONCESSIONAIRE from proceeding immediately with the agreement as
24 changed.

25 /

26 /

1 **ARTICLE 14. DISPUTES**

2 A. Except as otherwise provided in this Agreement, any dispute concerning a question
3 of fact arising under this Agreement which is not disposed of by supplemental agreement shall be
4 decided by AUTHORITY's Director, Contracts Administration and Materials Management (CAMM),
5 who shall reduce the decision to writing and mail or otherwise furnish a copy thereof to
6 CONCESSIONAIRE. The decision of the Director, CAMM, shall be final and conclusive.

7 B. The provisions of this Article shall not be pleaded in any suit involving a question of
8 fact arising under this Agreement as limiting judicial review of any such decision to cases where
9 fraud by such official or his representative or board is alleged, provided, however, that any such
10 decision shall be final and conclusive unless the same is fraudulent or capricious or arbitrary or so
11 grossly erroneous as necessarily to imply bad faith or is not supported by substantial evidence. In
12 connection with any appeal proceeding under this Article, CONCESSIONAIRE shall be afforded an
13 opportunity to be heard and to offer evidence in support of its appeal.

14 C. Pending final decision of a dispute hereunder, CONCESSIONAIRE shall proceed
15 diligently with the performance of this Agreement and in accordance with the decision of
16 AUTHORITY's Director, CAMM. This Disputes clause does not preclude consideration of questions
17 of law in connection with decisions provided for above. Nothing in this Agreement, however, shall
18 be construed as making final the decision of any AUTHORITY official or representative on a
19 question of law, which questions shall be settled in accordance with the laws of the state of
20 California.

21 **ARTICLE 15. TERMINATION**

22 A. AUTHORITY may terminate this Agreement for its convenience at any time, in whole
23 or part, by giving CONCESSIONAIRE written notice thereof. Upon said notice, AUTHORITY shall
24 pay CONCESSIONAIRE its allowable costs incurred to date of termination and those allowable
25 costs determined by AUTHORITY to be reasonably necessary to effect such termination.
26 Thereafter, CONCESSIONAIRE shall have no further claims against AUTHORITY under this

1 Agreement.

2 B. AUTHORITY may terminate this Agreement for CONCESSIONAIRE's default if a
 3 federal or state proceeding for the relief of debtors is undertaken by or against CONCESSIONAIRE,
 4 or if CONCESSIONAIRE makes an assignment for the benefit of creditors, or if CONCESSIONAIRE
 5 breaches any term(s) or violates any provision(s) of this Agreement and does not cure such breach
 6 or violation within ten (10) calendar days after written notice thereof by AUTHORITY.
 7 CONCESSIONAIRE shall be liable for all reasonable costs incurred by AUTHORITY as a result of
 8 such default including, but not limited to, reprocurement costs of the same or similar services
 9 defaulted by CONCESSIONAIRE under this Agreement.

10 **ARTICLE 16. INDEMNIFICATION**

11 CONCESSIONAIRE shall indemnify, defend and hold harmless AUTHORITY, its officers,
 12 directors, employees and agents from and against any and all claims (including attorneys' fees and
 13 reasonable expenses for litigation or settlement) for any loss or damages, bodily injuries, including
 14 death, damage to or loss of use of property caused by the negligent acts, omissions or willful
 15 misconduct by CONCESSIONAIRE, its officers, directors, employees, agents, subcontractors or
 16 suppliers in connection with or arising out of the performance of this Agreement.

17 **ARTICLE 17. ASSIGNMENTS AND SUBCONTRACTS**

18 A Neither this Agreement nor any interest herein nor claim hereunder may be assigned
 19 by CONCESSIONAIRE either voluntarily or by operation of law, nor may all or any part of this
 20 Agreement be subcontracted by CONCESSIONAIRE, without the prior written consent of
 21 AUTHORITY. Consent by AUTHORITY shall not be deemed to relieve CONCESSIONAIRE of its
 22 obligations to comply fully with all terms and conditions of this Agreement.

23 B. AUTHORITY hereby consents to CONCESSIONAIRE's subcontracting portions of the
 24 Scope of Work to the parties identified below for the functions described in CONCESSIONAIRE's
 25 proposal. CONCESSIONAIRE shall include in the subcontract agreement the stipulation that
 26 CONCESSIONAIRE, not AUTHORITY, is solely responsible for payment to the subcontractor for the

1 amounts owing and that the subcontractor shall have no claim, and shall take no action, against
2 AUTHORITY, its officers, directors, employees or sureties for nonpayment by CONCESSIONAIRE.

3 Subcontractor Name/Addresses

Subcontractor Amounts

4 _____

\$ _____

5 _____

\$ _____

6 **ARTICLE 18. AUDIT AND INSPECTION OF RECORDS**

7 A. CONCESSIONAIRE shall provide AUTHORITY, or other agents of AUTHORITY,
8 such access to CONCESSIONAIRE's accounting books, records, payroll documents and facilities,
9 as AUTHORITY deems necessary. CONCESSIONAIRE shall maintain such books, records, data
10 and documents in accordance with generally accepted accounting principles and shall clearly
11 identify and make such items readily accessible to such parties during CONCESSIONAIRE's
12 performance hereunder and for a period of four (4) years from the date of final payment by
13 AUTHORITY. AUTHORITY's right to audit books and records directly related to this Agreement
14 shall also extend to all first-tier subcontractors identified in Article 12 of this Agreement.
15 CONCESSIONAIRE shall permit any of the foregoing parties to reproduce documents by any means
16 whatsoever or to copy excerpts and transcriptions as reasonably necessary.

17 B. In addition to any other remedies available to AUTHORITY at law or in equity
18 or under this Agreement, in the event the CONCESSIONAIRE fails to maintain and keep
19 books, records, and accounts on the CONCESSIONAIRE's premises and/or source
20 documents relating thereto, or to make the same available to AUTHORITY for examination
21 and audit, or to record sales and/or to maintain registers to record sales, or to provide
22 financial statements and other information to AUTHORITY regarding gross sales as
23 required by this Agreement, AUTHORITY, at AUTHORITY's option, may:

- 24 1. Perform such examinations, audits, and/or investigations itself or through
25 agents or employees as AUTHORITY and/or its auditors may deem
26 appropriate to confirm the amount payable by CONCESSIONAIRE under this

1 Agreement and any and all costs and/or expenses incurred by AUTHORITY in
2 connection therewith shall be promptly reimbursed to AUTHORITY by
3 CONCESSIONAIRE upon demand.

4 2. Require that CONCESSIONAIRE provide accounting services and/or a system
5 for recording sales and charges, including without limitation and, at
6 AUTHORITY's option, maintain personnel on the premises to observe and/or
7 record such sales at CONCESSIONAIRE's sole cost and expense and, in
8 such event, CONCESSIONAIRE shall promptly reimburse AUTHORITY for
9 any and all costs incurred by AUTHORITY in connection therewith; and/or

10 3. Require that CONCESSIONAIRE pay percentage amounts based on
11 AUTHORITY's best good faith estimate of CONCESSIONAIRE's gross
12 receipts from business operations conducted on or from the premises and any
13 such determination made by AUTHORITY shall be conclusive and binding
14 upon CONCESSIONAIRE. AUTHORITY will provide written justification for
15 such estimate.

16 The above costs payable by CONCESSIONAIRE shall include reimbursement
17 to AUTHORITY of AUTHORITY provided services at such rates as AUTHORITY may from
18 time to time, in good faith, establish for such services. In the case of services provided by
19 AUTHORITY's employees, such rates shall be sufficient to reimburse AUTHORITY for
20 employees' salaries, including employee taxes and benefits and AUTHORITY's overhead
21 or, at AUTHORITY's option, may be the rate for such services would be charged by a
22 qualified third party or parties, approved by AUTHORITY, if engaged by AUTHORITY to
23 perform such services.

24 **ARTICLE 19. CONFLICT OF INTEREST**

25 CONCESSIONAIRE agrees to avoid organizational conflicts of interest. An organizational
26 conflict of interest means that due to other activities, relationships or contracts, the

1 CONCESSIONAIRE is unable, or potentially unable to render impartial assistance or advice to the
2 Authority; CONCESSIONAIRE's objectivity in performing the work identified in the Scope of Work is
3 or might be otherwise impaired; or the CONCESSIONAIRE has an unfair competitive advantage.
4 CONCESSIONAIRE is obligated to fully disclose to the AUTHORITY in writing Conflict of Interest
5 issues as soon as they are known to the CONCESSIONAIRE. All disclosures must be submitted in
6 writing to AUTHORITY pursuant to the Notice provision herein. This disclosure requirement is for the
7 entire term of this Agreement.

8 **ARTICLE 20. CODE OF CONDUCT**

9 CONCESSIONAIRE agrees to comply with the AUTHORITY's Code of Conduct as it relates
10 to Third-Party contracts which is hereby referenced and by this reference is incorporated herein.
11 CONCESSIONAIRE agrees to include these requirements in all of its subcontracts.

12 **ARTICLE 21. FEDERAL, STATE AND LOCAL LAWS**

13 CONCESSIONAIRE warrants that in the performance of this Agreement, it shall comply with
14 all applicable federal, state and local laws, statutes and ordinances and all lawful orders, rules and
15 regulations promulgated thereunder.

16 **ARTICLE 22. EQUAL EMPLOYMENT OPPORTUNITY**

17 In connection with its performance under this Agreement, CONCESSIONAIRE shall not
18 discriminate against any employee or applicant for employment because of race, religion, color, sex,
19 age or national origin. CONCESSIONAIRE shall take affirmative action to ensure that applicants are
20 employed, and that employees are treated during their employment, without regard to their race,
21 religion, color, sex, age or national origin. Such actions shall include, but not be limited to, the
22 following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff
23 or termination; rates of pay or other forms of compensation; and selection for training, including
24 apprenticeship.

25 /

26 /

ARTICLE 23. PROHIBITED INTERESTS

CONCESSIONAIRE covenants that, for the term of this Agreement, no director, member, officer or employee of AUTHORITY during his/her tenure in office or for one (1) year thereafter shall have any interest, direct or indirect, in this Agreement or the proceeds thereof.

ARTICLE 24. OWNERSHIP OF REPORTS AND DOCUMENTS

A. The originals of all letters, documents, reports and other products and data produced under this Agreement shall be delivered to, and become the property of AUTHORITY. Copies may be made for CONCESSIONAIRE's records but shall not be furnished to others without written authorization from AUTHORITY. Such deliverables shall be deemed works made for hire and all rights in copyright therein shall be retained by AUTHORITY.

B. All ideas, memoranda, specifications, plans, manufacturing, procedures, drawings, descriptions, and all other written information submitted to CONCESSIONAIRE in connection with the performance of this Agreement shall not, without prior written approval of AUTHORITY, be used for any purposes other than the performance under this Agreement, nor be disclosed to an entity not connected with the performance of the project. CONCESSIONAIRE shall comply with AUTHORITY's policies regarding such material. Nothing furnished to CONCESSIONAIRE, which is otherwise known to CONCESSIONAIRE or is or becomes generally known to the related industry shall be deemed confidential. CONCESSIONAIRE shall not use AUTHORITY's name, photographs of the project, or any other publicity pertaining to the project in any professional publication, magazine, trade paper, newspaper, seminar or other medium without the express written consent of AUTHORITY.

C. No copies, sketches, computer graphics or graphs, including graphic artwork, are to be released by CONCESSIONAIRE to any other person or agency except after prior written approval by AUTHORITY, except as necessary for the performance of services under this Agreement. All press releases, including graphic display information to be published in newspapers, magazines, etc., are to be handled only by AUTHORITY unless otherwise agreed to by

1 CONCESSIONAIRE and AUTHORITY.

2 **ARTICLE 25. PATENT AND COPYRIGHT INFRINGEMENT**

3 A. In lieu of any other warranty by AUTHORITY or CONCESSIONAIRE against patent or
 4 copyright infringement, statutory or otherwise, it is agreed that CONCESSIONAIRE shall defend at
 5 its expense any claim or suit against AUTHORITY on account of any allegation that any item
 6 furnished under this Agreement or the normal use or sale thereof arising out of the performance of
 7 this Agreement, infringes upon any presently existing U. S. letters patent or copyright and
 8 CONCESSIONAIRE shall pay all costs and damages finally awarded in any such suit or claim,
 9 provided that CONCESSIONAIRE is promptly notified in writing of the suit or claim and given
 10 authority, information and assistance at CONCESSIONAIRE's expense for the defense of same.
 11 However, CONCESSIONAIRE will not indemnify AUTHORITY if the suit or claim results from: (1)
 12 AUTHORITY's alteration of a deliverable, such that said deliverable in its altered form infringes upon
 13 any presently existing U.S. letters patent or copyright; or (2) the use of a deliverable in combination
 14 with other material not provided by CONCESSIONAIRE when such use in combination infringes
 15 upon an existing U.S. letters patent or copyright.

16 B. CONCESSIONAIRE shall have sole control of the defense of any such claim or suit
 17 and all negotiations for settlement thereof. CONCESSIONAIRE shall not be obligated to indemnify
 18 AUTHORITY under any settlement made without CONCESSIONAIRE's consent or in the event
 19 AUTHORITY fails to cooperate fully in the defense of any suit or claim, provided, however, that said
 20 defense shall be at CONCESSIONAIRE's expense. If the use or sale of said item is enjoined as a
 21 result of such suit or claim, CONCESSIONAIRE, at no expense to AUTHORITY, shall obtain for
 22 AUTHORITY the right to use and sell said item, or shall substitute an equivalent item acceptable to
 23 AUTHORITY and extend this patent and copyright indemnity thereto.

24 **ARTICLE 26. FINISHED AND PRELIMINARY DATA**

25 A. All of CONCESSIONAIRE's finished technical data, including but not limited to
 26 illustrations, photographs, tapes, software, software design documents, including without limitation

1 source code, binary code, all media, technical documentation and user documentation, photoprints
 2 and other graphic information required to be furnished under this Agreement, shall be AUTHORITY's
 3 property upon payment and shall be furnished with unlimited rights and, as such, shall be free from
 4 proprietary restriction except as elsewhere authorized in this Agreement. CONCESSIONAIRE
 5 further agrees that it shall have no interest or claim to such finished, AUTHORITY-owned, technical
 6 data; furthermore, said data is subject to the provisions of the Freedom of Information
 7 Act, 5 USC 552.

8 B. It is expressly understood that any title to preliminary technical data is not passed to
 9 AUTHORITY but is retained by CONCESSIONAIRE. Preliminary data includes roughs,
 10 visualizations, software design documents, layouts and comprehensives prepared by
 11 CONCESSIONAIRE solely for the purpose of demonstrating an idea or message for AUTHORITY's
 12 acceptance before approval is given for preparation of finished artwork. Preliminary data title and
 13 right thereto shall be made available to AUTHORITY if CONCESSIONAIRE causes AUTHORITY to
 14 exercise Article 8, and a price shall be negotiated for all preliminary data.

15 **ARTICLE 27. ALCOHOL AND DRUG POLICY**

16 A. CONCESSIONAIRE agrees to establish and implement an alcohol and drug program
 17 that complies with 41 U.S.C. sections 701-707, (the Drug Free Workplace Act of 1988), which is
 18 attached to this Agreement as Exhibit E. CONCESSIONAIRE agrees to produce any documentation
 19 necessary to establish its compliance with sections 701-707.

20 B. Failure to comply with this Article may result in nonpayment or termination of this
 21 Agreement.

22 **ARTICLE 28. FORCE MAJEURE**

23 Either party shall be excused from performing its obligations under this Agreement during the
 24 time and to the extent that it is prevented from performing by an unforeseeable cause beyond its
 25 control, including but not limited to: any incidence of fire, flood; acts of God; commandeering of
 26 material, products, plants or facilities by the federal, state or local government; national fuel

1 shortage; or a material act or omission by the other party; when satisfactory evidence of such cause
2 is presented to the other party, and provided further that such nonperformance is unforeseeable,
3 beyond the control and is not due to the fault or negligence of the party not performing.

4 **ARTICLE 29. LETTER OF CREDIT**

5 As partial security against CONCESSIONAIRE's failure to satisfactorily fulfill all of its
6 obligations under this Agreement, CONCESSIONAIRE shall establish an Irrevocable Letter of Credit
7 in favor of AUTHORITY and available for AUTHORITY to draw upon the draft by submitting a written
8 statement signed by AUTHORITY's Chief Executive Officer. The written statement shall state that
9 CONCESSIONAIRE has failed to comply with the terms and conditions of Agreement No. C-0-1329.
10 The Irrevocable Letter of Credit shall be established at a federally insured banking institution, in the
11 name of AUTHORITY and shall meet the following requirements:

- 12 A. Be established on the effective date of this Agreement;
- 13 B. Identify AUTHORITY and Agreement No. C-0-1329 for which the Irrevocable Letter of
14 Credit is provided;
- 15 C. Be in the amount of twenty-five percent (25%) of the annual minimum guarantee as
16 stated in Article 7 for each year the Agreement is in effect;
- 17 D. Be a non-interest bearing Irrevocable Letter of Credit;
- 18 E. Be in effect for the entire term of this Agreement, and any possible extensions to this
19 Agreement; and
- 20 F. Be accessed only by written authorization from AUTHORITY.

21 /
22 /
23 /
24 /
25 /
26 /

This Agreement shall be made effective upon execution by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. C-0-1329 to be executed on the date first above written.

CONCESSIONAIRE

ORANGE COUNTY TRANSPORTATION AUTHORITY

By _____

By _____

Will Kempton
Chief Executive Officer

APPROVED AS TO FORM:

By _____

Kennard R. Smart, Jr.
General Counsel

APPROVED:

By _____

Ellen S. Burton
Executive Director, External Affairs

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

EXHIBIT D

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, Chairman

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

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, Chairman

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

Curt Pringle, Director

Miguel Pulido, Director

Gregory T. Winterbottom, Director

Status of Past and Present Contracts Form

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 Form entitled "Status of Past and Present Contracts," I am affirming that all of the information provided is true and accurate.

Name

Title

Date

EXHIBIT E

DRUG-FREE WORKPLACE ACT OF 1988



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 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.

Source: Federal Registers April 11, 1988 & May 25, 1990 & the Federal Acquisition Streamlining Act of 1994 (FASA).

EXHIBIT F

LEVEL 3 SAFETY SPECIFICATIONS

Project Name: Bus Advertising Revenue Program

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.

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

Project Name: Bus Advertising Revenue Program

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.

Project Name: Bus Advertising Revenue Program

- 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.

Project Name: Bus Advertising Revenue Program

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 the Authority HSEC Department.
 - 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 of work.

Project Name: Bus Advertising Revenue Program

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.

Project Name: Bus Advertising Revenue Program

- 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).

Project Name: Bus Advertising Revenue Program

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.

Project Name: Bus Advertising Revenue Program

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.

Project Name: Bus Advertising Revenue Program

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 protections 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 Manger must be notified and provide approval. The required documentation shall be provided to the Authority's Project Manager upon request within 72 hours.

Project Name: Bus Advertising Revenue Program

- 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.

Project Name: Bus Advertising Revenue Program

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

**THIS MATERIALS IN THIS SECTION WERE
REMOVED DUE TO THE ITEM BEING
DEFERED TO A FUTURE MEETING**

THANK YOU



BOARD COMMITTEE TRANSMITTAL

February 22, 2010

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: March 2010 Service Change Update

Transit Committee Meeting of February 11, 2010

Present: Directors Brown, Dalton, Nguyen, Pulido, and Winterbottom
Absent: Directors Dixon and Glaab

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file as an information item.



February 11, 2010

To: Transit Committee
From: Will Kempton, Chief Executive Officer
Subject: March 2010 Service Change Update

Overview

On November 23, 2009, the Orange County Transportation Authority Board of Directors approved a bus service reduction program of up to 300,000 annual revenue vehicle hours. Staff was directed to reduce service by 150,000 annual revenue vehicle hours in March 2010 with the stipulation that the remaining 150,000 hours may be removed later in the year should available revenue levels fail to improve. Following the direction provided by the Transit Committee, staff was also tasked to work with stakeholders regarding proposals affecting service in the Fullerton-North Orange County area and to confirm and convey the start times and status of Night Owl trips and other early morning and late night trips on other routes. Finally, staff was directed to initiate a comprehensive systemwide transit study to develop recommendations to improve the effectiveness and efficiency of bus service delivery.

Recommendation

Receive and file as an information item.

Background

In the fall of 2008, staff began work on a series of bus service reduction programs as part of the Orange County Transportation Authority's (Authority) response to an ever-worsening operating revenue shortfall. The first of five reduction programs was implemented in December 2008. With the scheduled reduction of service in March 2010, approximately 390,000 annual revenue vehicle hours (RVH) of service will have been removed, over 20 percent of the hours originally budgeted for bus service in June 2008. In addition, the Board of Directors (Board) postponed the reduction of another 150,000 RVH pending the status of state transit assistance monies at risk as part of the continuing state budget crisis. Should the state budget resolution omit transit assistance,

additional reductions in service will be necessary, perhaps in excess of the remaining 150,000 RVH identified and approved to date.

Discussion

As part of the directives for the implementation of the March 2010 service reductions, staff was tasked with follow-up work in association with stakeholders regarding specific reduction plan elements. Specifically, staff was directed to respond to suggestions submitted by the Transit Advocates of Orange County (TAOC), and meet with representatives of California State University, Fullerton (CSUF). In addition, staff met with stakeholders representing Cypress College and the City of Irvine, and provided an overview of changes to be implemented in March 2010 to the City of Lake Forest.

Following these discussions, the service reduction program was modified to incorporate some of the suggestions received. Consequently, RVH were restored for several services that would otherwise have been reduced. In order to offset the hours restored while meeting the 150,000 RVH target, other reduction actions will be drawn from the second list of 150,000 RVH that were deferred pending the outcome of the state budget process.

A summary of the continued outreach to stakeholders is included for your review in Attachment A.

Summary of Revised Bus Service Reduction Program

As discussed at the November 23, 2009, meeting of the Board, the service hours savings presented were based on estimates of what might be achieved, and that more accurate data would be available after the scheduling work was completed in January 2010. As a result of implementing changes made after receiving input from the TAOC and other stakeholders, the annualized savings was reduced by approximately 15,000 annual RVH. Consequently, service reductions involving three other routes (routes 71, 72, and 82) have been advanced to meet the 150,000 annual RVH target for March 2010. The additional hours were sourced from the second list of deferred savings approved by the Board. The revised bus service reduction program is described below with changes noted.

Night Owl Service

- Discontinue Night Owl service, but maintain late night-early morning service on routes 43, 50, 57 and 60 to about 1:00 am. on all days of the week to serve riders during the highest hour of ridership between midnight and

approximately 1:00 a.m. on the Night Owl lines. In addition, trips will start at 4:00 a.m. on these four routes, all days of the week.

Route Eliminations

- On weekdays, eliminate routes 62, 74, 75, 131, 147, 164, and 693. Route 24 originally proposed for discontinuation will continue in service at reduced schedule frequency, in response to stakeholder input.
- On Saturdays, eliminate routes 24, 76, 86, 172, 193, and 693, as originally proposed.
- On Sundays, eliminate routes 24, 51, 76, 82, 85, 172, 193, and 693, as originally proposed.

Frequency Reductions

- On weekdays, implement less frequent schedules for routes 24, 25, 30, 35, 37, 50, 55, 64, 66, 71, 72, 76, 82, and 145. Routes 71 and 82 were added to the program while the plan for Route 72 was modified to remove slightly more service to offset hours that will be restored in response to stakeholder input.
- On Saturdays, implement less frequent schedules for routes 29, 50, 55, 66, and 89, as originally proposed.
- On Sundays, implement less frequent schedules for routes 29, 50, 55, 66, and 89, as originally proposed.

Route Restructuring

- Restructure routes 29, 43, 47, 53, 59, and 70 on all days of the week to improve service efficiency and to better match ridership demand with resources. Modifications to the original proposals involving routes 29 and 59 will be incorporated based on stakeholder input. Routes 57 and 167 were removed from the restructuring proposal based on input received.
- Implement new routes 90, 129, 143, and 153 to cover all segments of truncated portions of routes 29, 43, 47, 53, 59, and 70. The original proposals for routes 129 and 153 will be modified based on input received from stakeholders.

Trip Reduction

- On weekdays, Route 21 midday trips will be removed, as originally proposed.

Attachments B, C, and D show the weekday, Saturday, and Sunday system networks following the March 2010 service change program. Routes delineated in yellow will be eliminated; those delineated in green will have fewer trips scheduled; and the routes highlighted in blue will be restructured.

Attachment E shows the services that will be restructured, and new routes 90, 129, 143, and 153.

Projected Revenue Vehicle Hour Service Reduction Yield

As a result of the revisions that were made to the service reduction program in response to stakeholder input and refinements as a result of the actual completion of the associated scheduling work, the resource savings fell short of the goal by approximately 15,000 annual RVH. In order to meet the 150,000 annual RVH target, two routes (71 and 82) were added to the list for schedule frequency reductions. Additionally, Route 72, already on the list, was revisited and additional savings in the weekday schedule were realized. With the completion of the work for the March 2010 service change program, the 150,000 hour target will be achieved.

ACCESS Paratransit Service Changes

Due to the elimination of seven routes on weekdays, six routes on Saturdays, eight routes on Sundays, the current ACCESS footprint will be affected in some areas. It is estimated approximately two riders on weekdays, 33 riders on Saturdays, and 69 riders on Sundays will be affected. However, alternative travel may be arranged through the Authority's Same Day Taxi program. Maps of the ACCESS areas impacted on weekdays, Saturday, and Sunday are attached (Attachment F). A discussion of the Same Day Taxi program is included with Attachment G.

Systemwide Transit Study

A draft scope of work has been developed for use in selecting a consultant to conduct a systemwide transit study to maximize bus service delivery, improve efficiency, and provide recommendations for cost-effective alternatives in a period of reduced transit funding and revenues. In addition, the study will

include service recommendations for service restoration and service growth in future years as funding becomes available.

Major tasks in the scope of work include:

- Develop analytical framework and evaluation criteria to quantify the benefits and costs of alternative service strategies and recommendations;
- Conduct public outreach efforts to collect input from riders and other stakeholders;
- Develop alternatives and scenarios for the bus system for each defined period;
- Evaluate the impacts that alternative service strategies and recommendations shall have on current and future ridership and facilities;
- Select a preferred alternative that recommends the best mix of service integration, route structure, headways, and service coverage consistent with the study's goals and objectives;
- Develop a phasing plan and implementation schedule for the preferred alternative for each defined period; and
- Prepare and present draft and final reports.

Other March 2010 Service Changes

In addition to the service reductions listed in the preceding pages of this report and associated attachments, schedule maintenance work will be applied to weekday routes 33, 55, 60, 79, 86, 167, and 211. The work adjusts service based on input received from Authority coach operators. No trips will be deleted. Similarly, the Route 411 schedule will be adjusted in response to a detour that will be made a permanent part of the route of line in March 2010.

Summary

On November 23, 2009, the Board approved staff recommendations to reduce service by approximately 150,000 annual RVH effective with the March 2010 service change program. An additional 150,000 annual RVH of savings were deferred pending the status of state transit assistance funds and other sources of revenue available in fiscal year 2010-11. The Board also approved the procurement of a contract to conduct a systemwide transit study.

Since the November 2009 meetings of the Transit Committee and Board of Directors, staff met with stakeholders to discuss planned changes in detail and to collect additional input. As a result, staff is planning to reduce service by approximately 150,000 annual RVH effective with the March 2010 service change.

As approved by the Board on November 23, 2009, additional service reductions may be required in the future should state budget actions omit assistance for transit operators.

Attachments

- A. Summary of Outreach Actions
- B. Bus System Following 150,000 Annual Revenue Vehicle Hour Reductions – Weekday Network
- C. Bus System Following 150,000 Annual Revenue Vehicle Hour Reductions – Saturday Network
- D. Bus System Following 150,000 Annual Revenue Vehicle Hour Reductions – Sunday Network
- E. North County Restructuring – New Routes, 129, 143, 153, and 90
- F. ACCESS Footprint Following 150,000 Annual Revenue Vehicle Hour Reductions – Weekday Network, Saturday Network, and Sunday Network
- G. Options for ACCESS Eligible Customers When Service Area Impacted

Prepared by:



Gordon Robinson
Project Manager
714-560-5715

Approved by:



Beth McCormick
General Manager, Transit
714-560-5964

Summary of Outreach Actions

California State University, Fullerton (CSUF)

On November 19, 2009, as directed by the Transit Committee, staff met with CSUF representatives to discuss the original proposal to eliminate Route 24. With the input of CSUF stakeholders, it was agreed that service will continue to operate on weekdays with hourly trips scheduled, preserving service supporting the transit needs of students and staff. Doing so also mitigates the impacts on parallel Route 26, another issue of concern to the TAOC. Route 24 weekend service, however, will be discontinued as originally proposed. Line 167 will, therefore, continue to operate over the current route and will not be extended over part of the Route 24 alignment as originally proposed.

Transit Advocates or Orange County (TAOC)

On December 9, 2009, staff met with members of the TAOC and based on the input received, staff agreed to the following revisions.

Route 29 will end at Beach and La Habra boulevards instead of the Buena Park Metrolink Station as originally proposed.

As requested, Route 57 will not be changed to end at State College Boulevard and Orangethorpe Avenue, but will continue to operate on its current routing to the Brea Mall, directly serving CSUF as it does today.

The Route 59 modification will be modified, as requested, so that service will continue to the Anaheim Canyon Industrial Area near La Palma and Kraemer avenues instead of ending at the Orange Transportation Center (OTC) as originally proposed.

As a result of the modifications originally proposed for routes 29 and 59, the new Route 129 will operate only between Beach and La Habra boulevards in La Habra, and La Palma and Kraemer avenues in the Anaheim Canyon Industrial Area.

In addition, for the routes currently providing 24-hour service, routes 43, 50, 57, and 60, the first trip in the morning will begin at 4:00 a.m. all days of the week. With the revisions to Night Owl service, the last southbound Route 43 trip was adjusted north of the Fullerton Transportation Center (FTC) to depart the North Court terminal 12-minutes later, instead of laying over at the transit center. In effect, this adjustment provides a later trip for those boarding north of FTC, consistent with input received from the TAOC.

To address the TAOC's concern regarding the span of service, the first and last trips of each schedule will continue to operate at essentially the same times as today.

Minor adjustments in departure times were incorporated to provide connections between routes where service is being restructured. These changes involve existing routes 43, 47, 53, and 59, and new routes 129, 143, and 153, and are designed to create better connections between intersecting bus routes in the early morning and late night hours.

Finally, staff investigated the TAOC's request that Route 47 terminate at Fullerton College, but a turnaround loop with a layover zone is not available for use. Therefore, Route 47 will end at the FTC, two blocks from the college.

City of Irvine

On December 22, 2009, staff met with the City of Irvine staff to address concerns regarding ACCESS service impacts to eligible city residents and the need to provide them with advance notification and information on alternatives.

The Authority is currently responding to requests the city has submitted. Fixed route and ACCESS paratransit mitigation information to customers using handouts and brochures will be available on buses as well as on the Authority's website.

Cypress College

On December 27, 2009, staff met with Cypress College representatives to discuss the proposal to cut midday weekday service on Route 21. It was agreed that the Authority and Cypress College staff would work together to inform students of the changes to the bus service and assist with the development of travel alternatives.

On January 19, 2010, External Affairs staff hosted an information booth on the Cypress College campus to inform students, faculty, and staff about the upcoming March 2010 service changes.

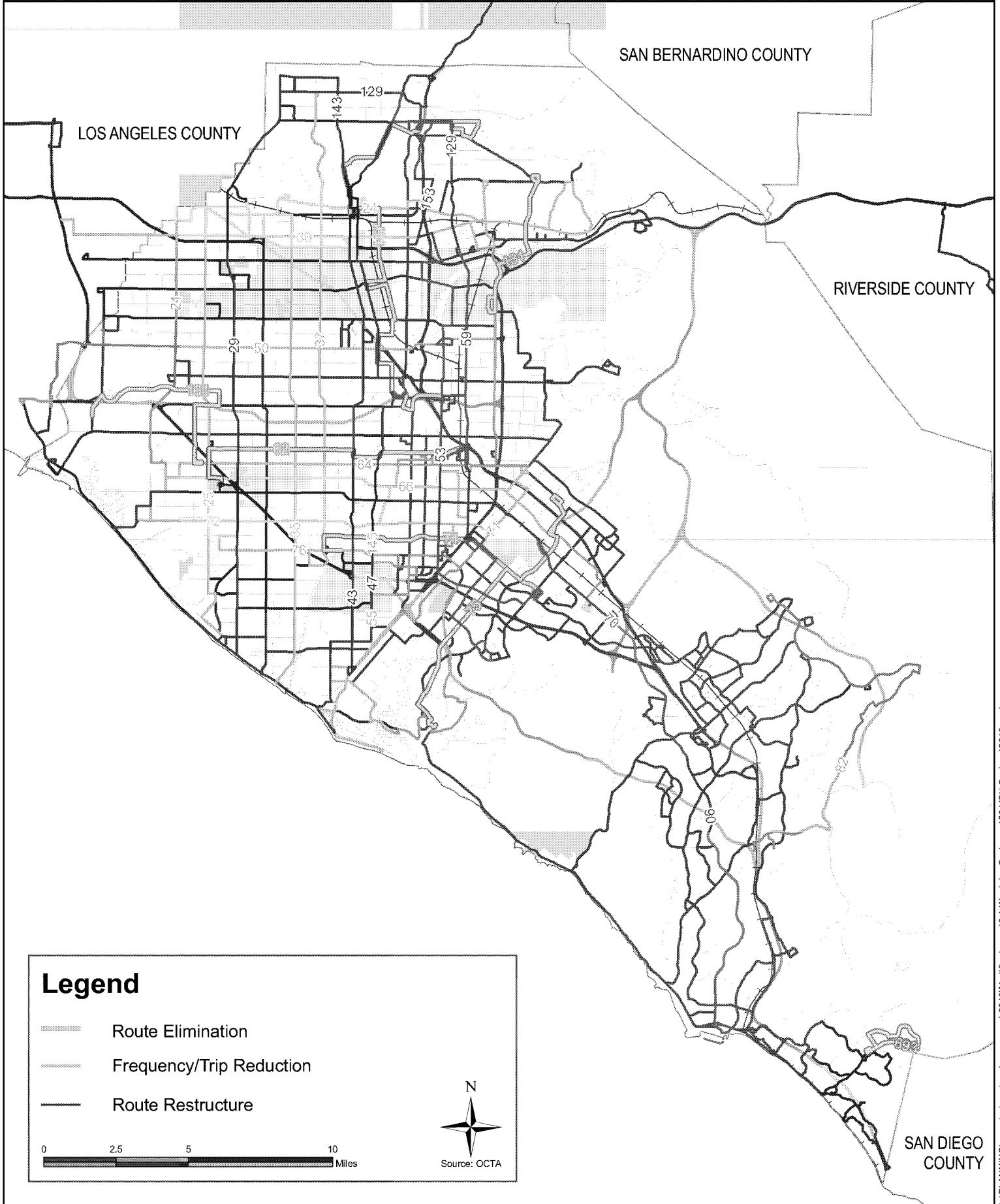
City of Lake Forest

On January 5, 2010, staff attended a city council meeting in the City of Lake Forest to provide an informational overview of planned changes to bus services.

Other Public Outreach Activities

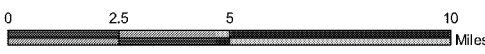
In addition to the meetings held with CSUF and Cypress College, External Affairs staff hosted information booths at Irvine College, the University of California, Irvine (UCI), and Fullerton College on January 18, 20, and 21, respectively. Information was provided regarding transit services and changes that would be implemented with the March 2010 service change program.

Bus System Following 150,000 Annual Revenue Vehicle Hour Reductions Weekday Network



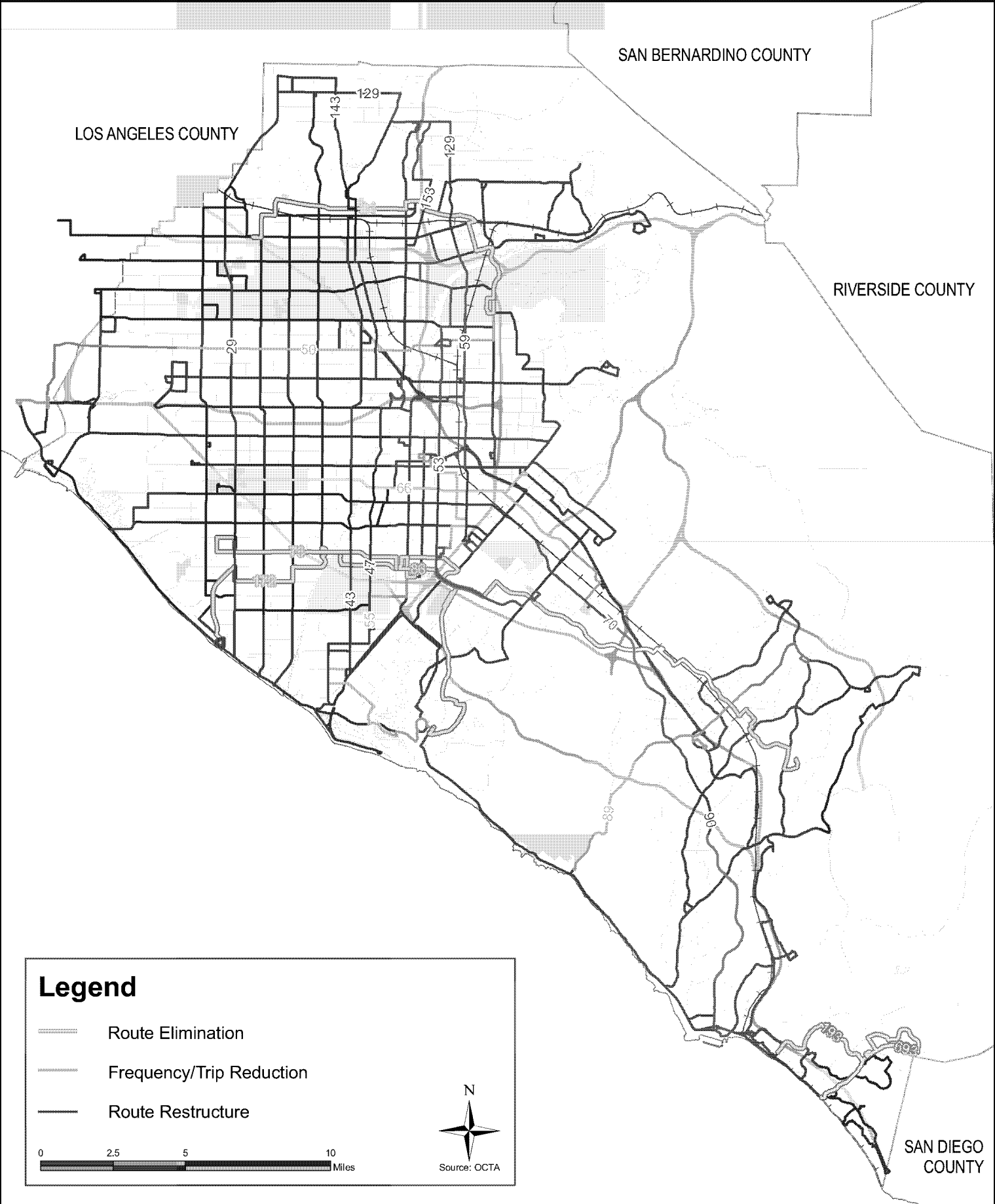
Legend

- Route Elimination
- Frequency/Trip Reduction
- Route Restructure



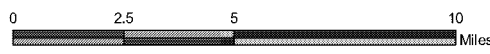
Source: OCTA

Bus System Following 150,000 Annual Revenue Vehicle Hour Reductions Saturday Network



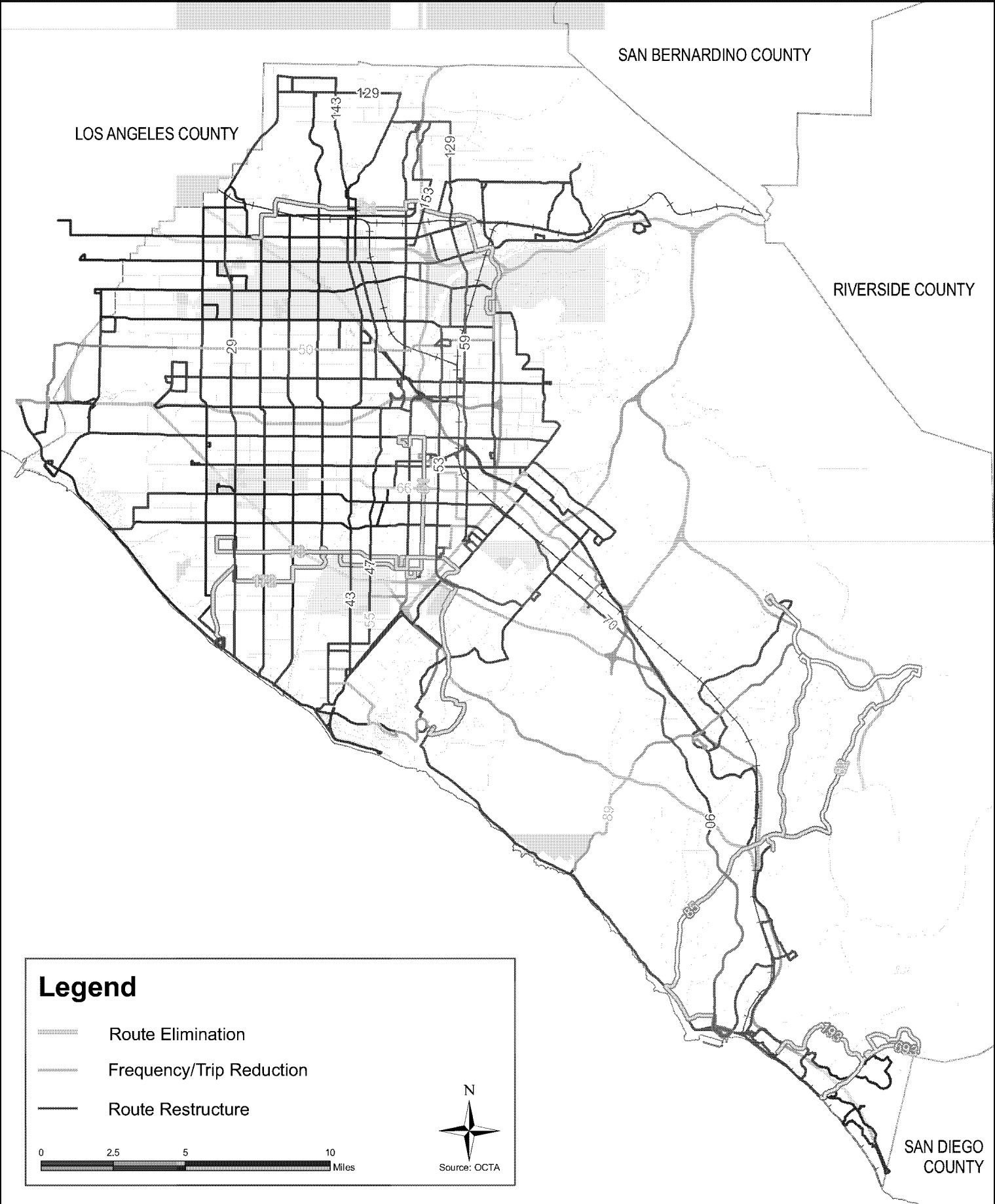
Legend

- Route Elimination
- - - Frequency/Trip Reduction
- Route Restructure



Source: OCTA

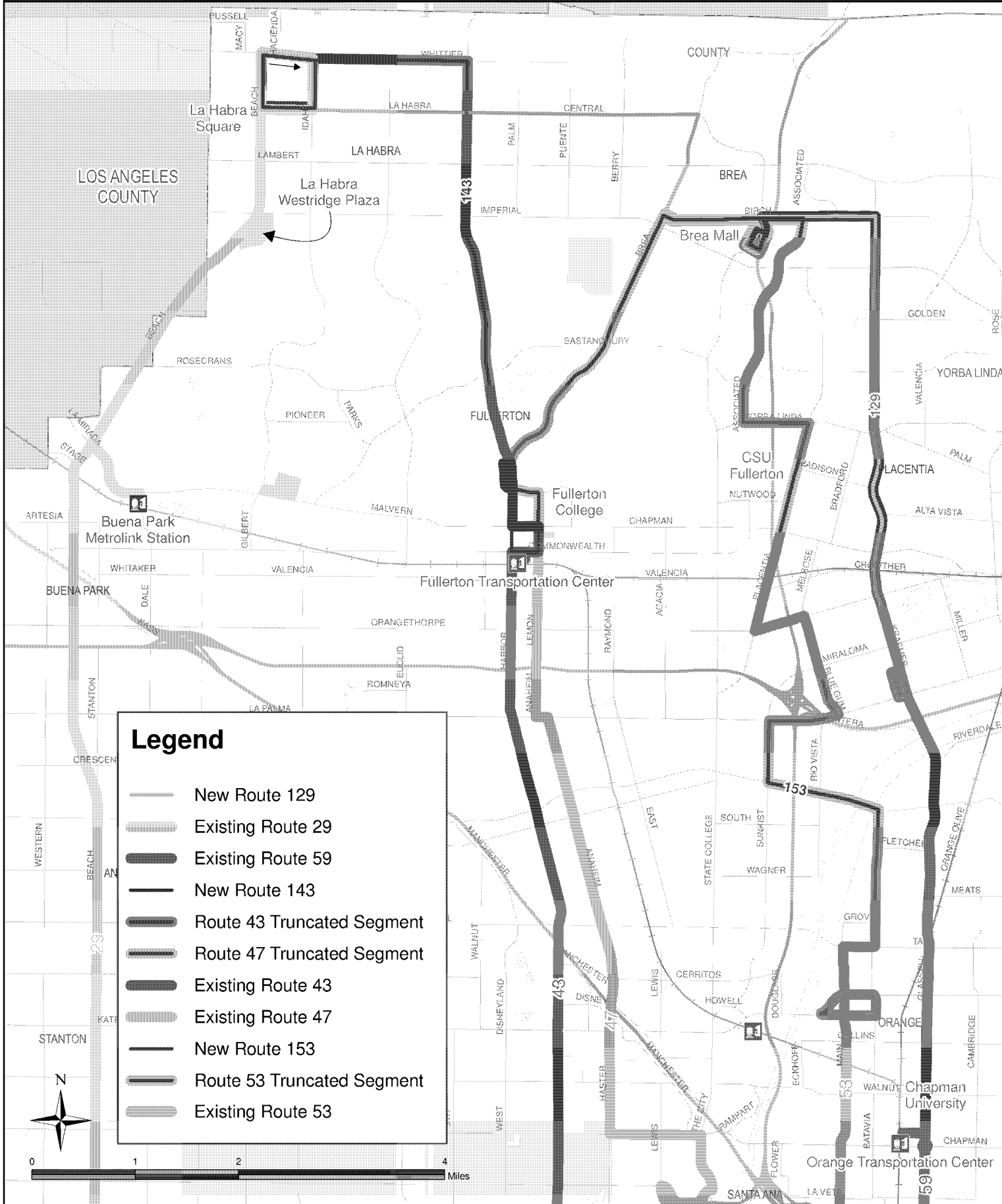
Bus System Following 150,000 Annual Revenue Vehicle Hour Reductions Sunday Network





North County Restructuring

New Routes 129, 143, and 153

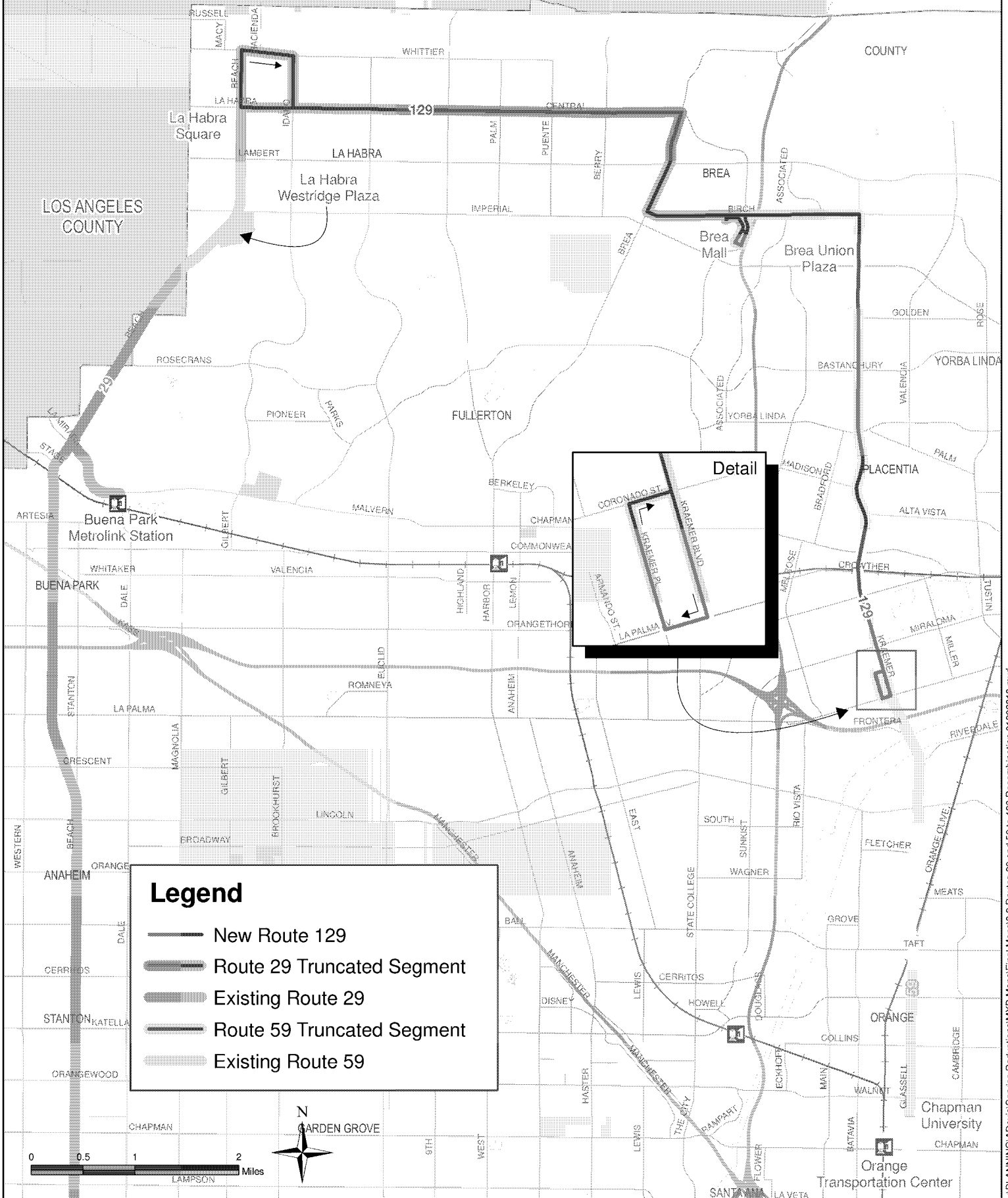


Legend

- New Route 129
- Existing Route 29
- Existing Route 59
- New Route 143
- Route 43 Truncated Segment
- Route 47 Truncated Segment
- Existing Route 43
- Existing Route 47
- New Route 153
- Route 53 Truncated Segment
- Existing Route 53

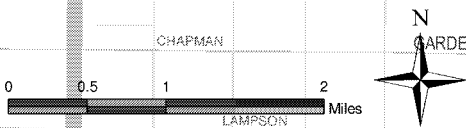
New Route 129

La Habra Square to Anaheim



Legend

- New Route 129
- Route 29 Truncated Segment
- Existing Route 29
- Route 59 Truncated Segment
- Existing Route 59



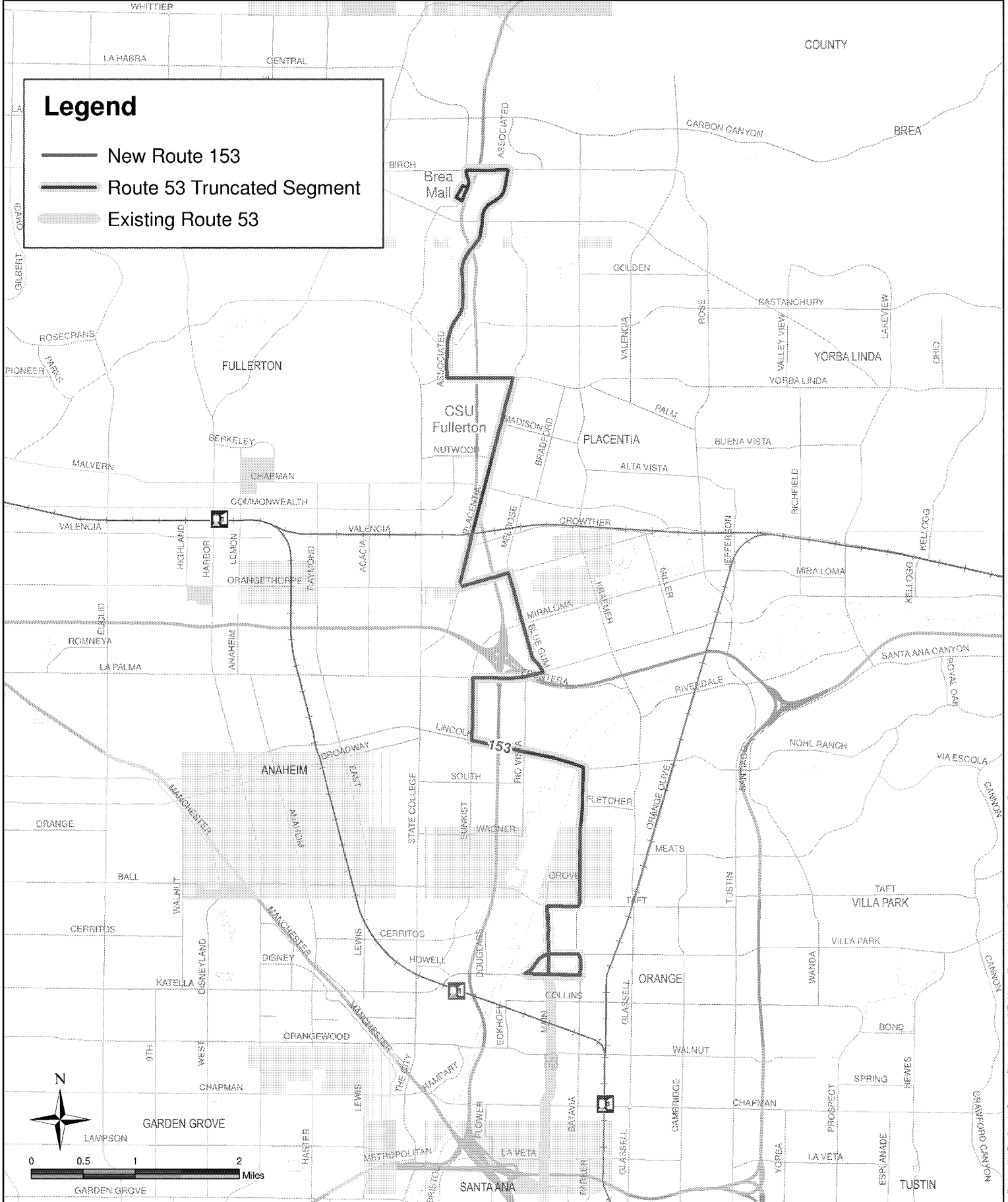
New Route 153

Brea Mall to Main-Katella



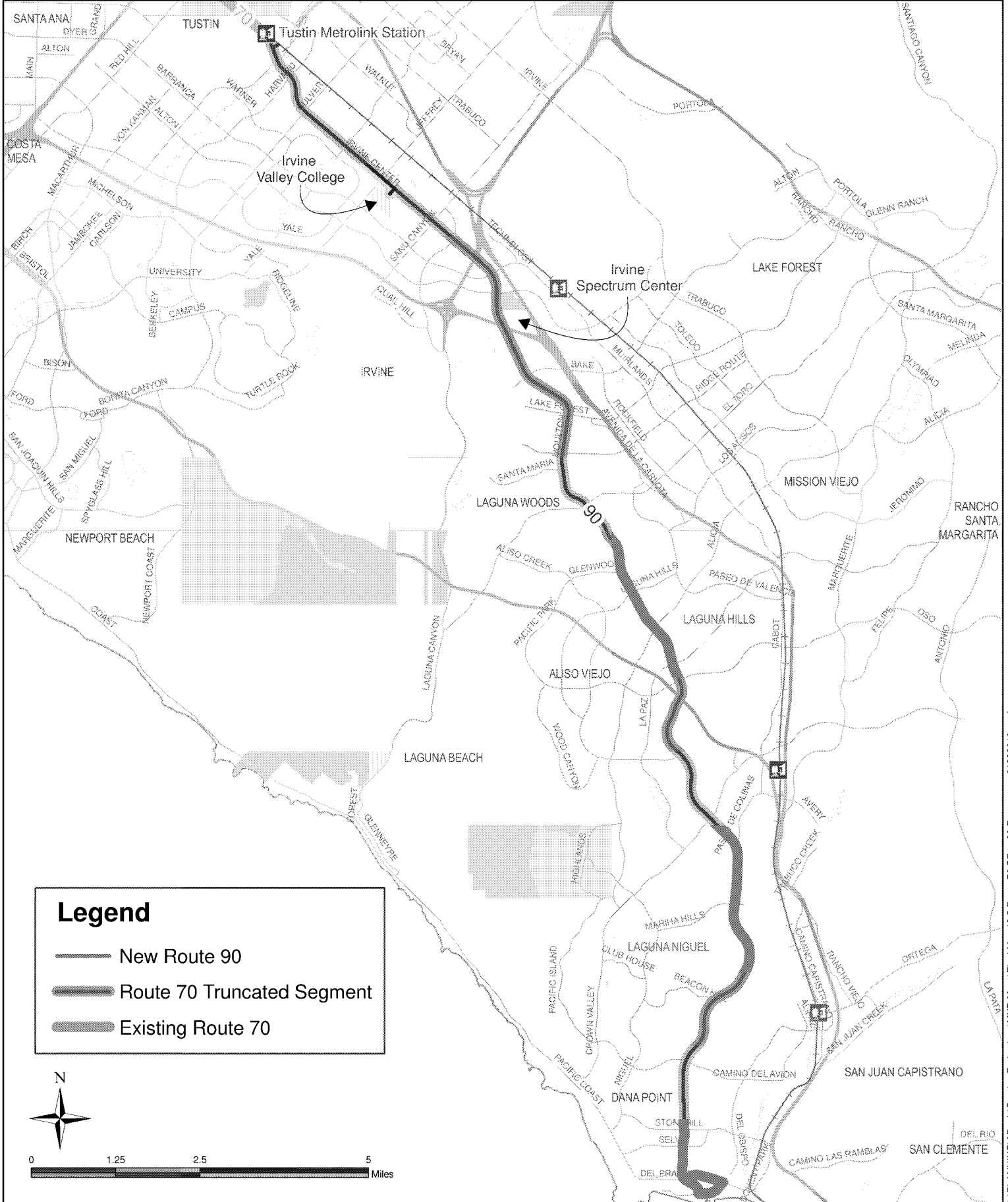
Legend

- New Route 153
- Route 53 Truncated Segment
- Existing Route 53

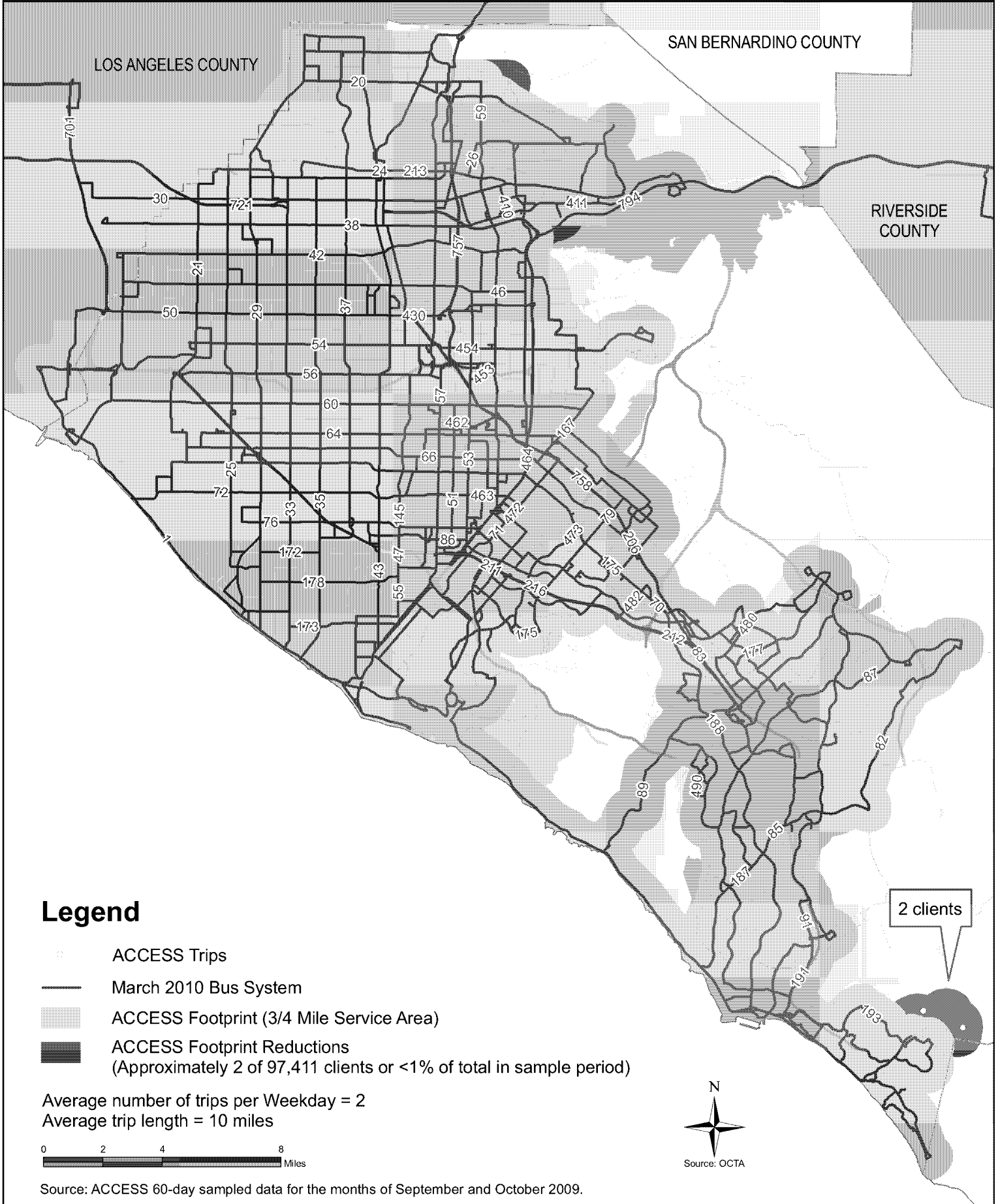


New Route 90

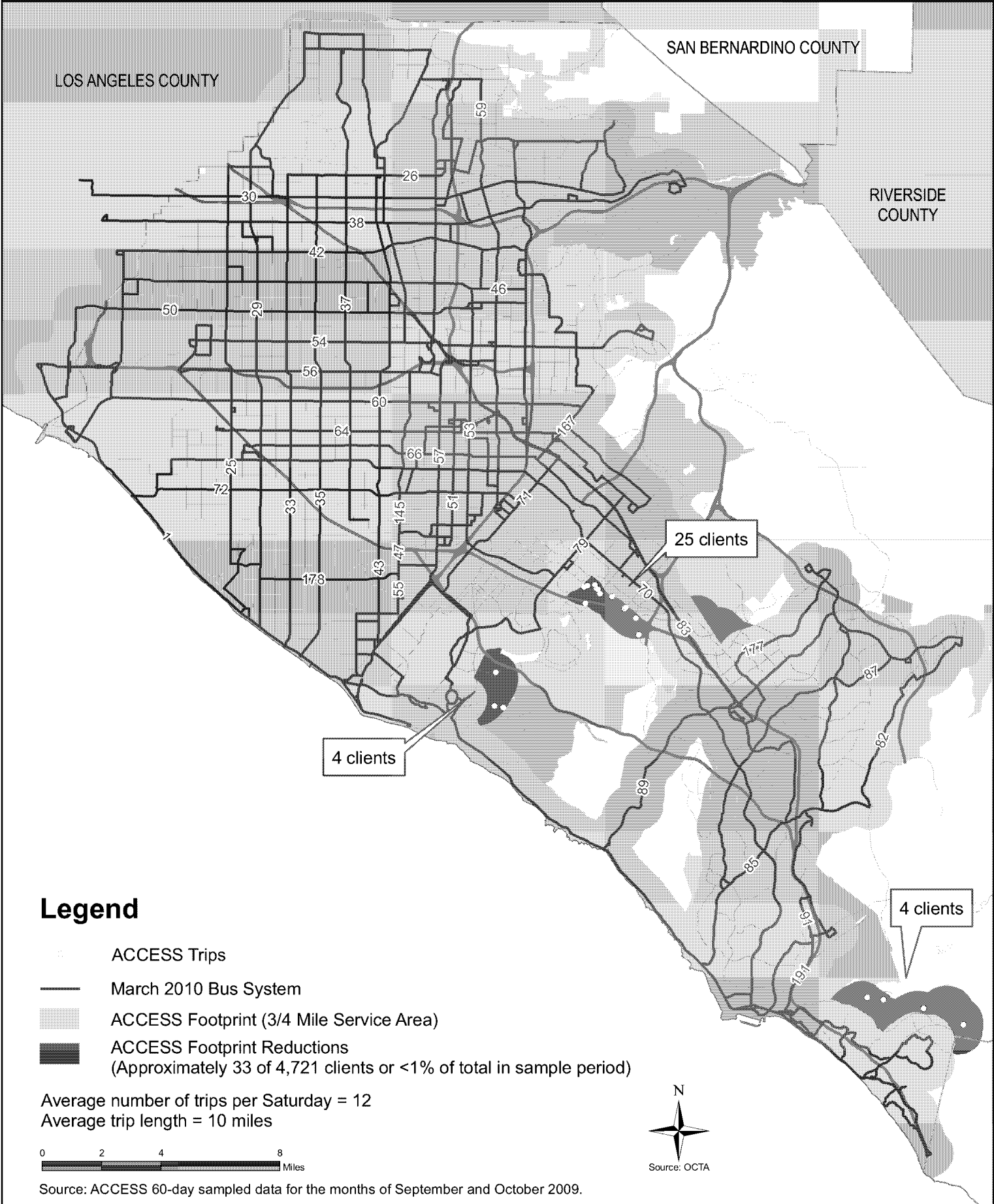
Tustin Metrolink Station to Dana Point



ACCESS Footprint Following 150,000 Annual Revenue Vehicle Hour Reductions Weekday Network



ACCESS Footprint Following 150,000 Annual Revenue Vehicle Hour Reductions Saturday Network



Legend

- ACCESS Trips
- March 2010 Bus System
- ACCESS Footprint (3/4 Mile Service Area)
- ACCESS Footprint Reductions (Approximately 33 of 4,721 clients or <1% of total in sample period)

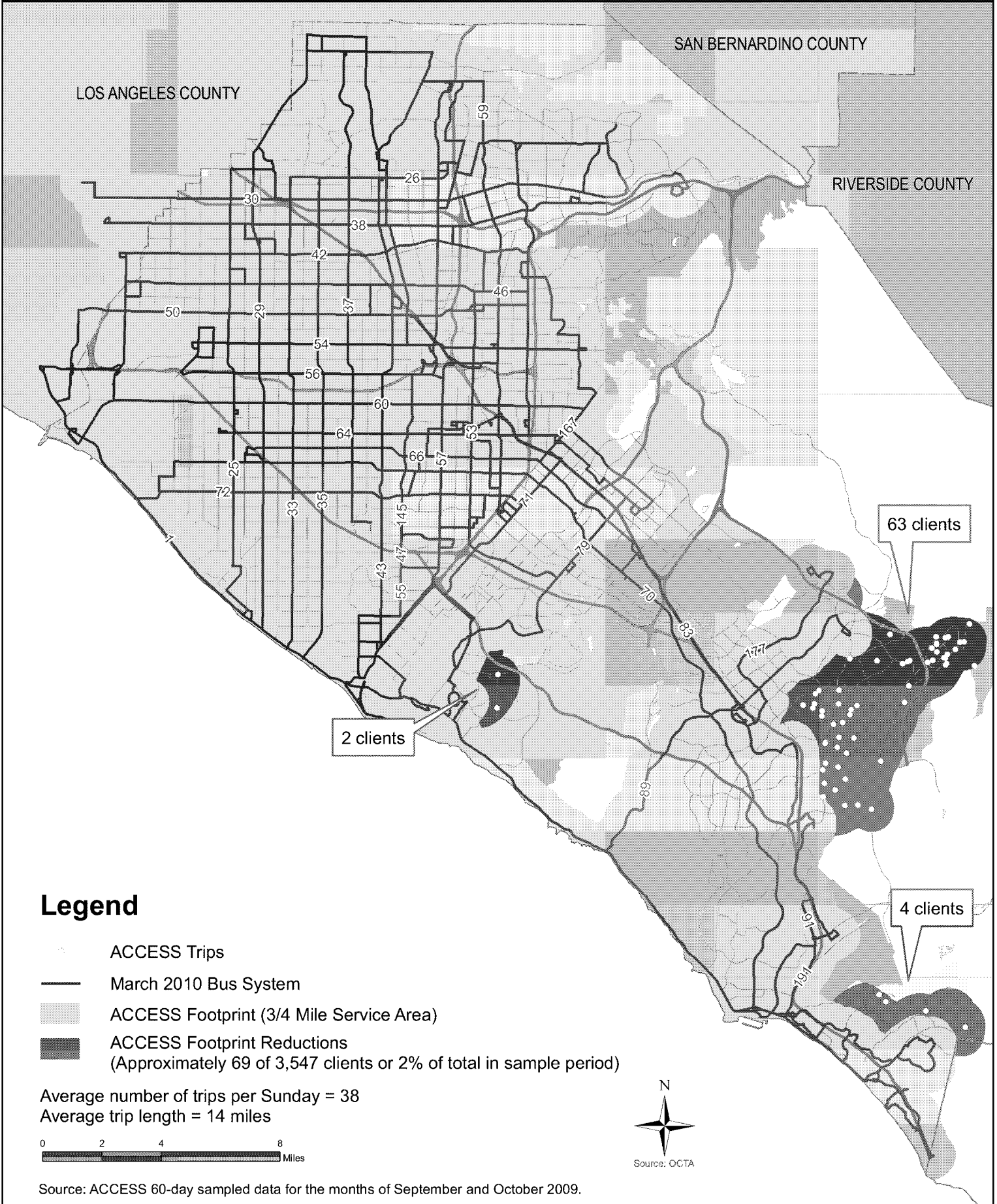
Average number of trips per Saturday = 12
Average trip length = 10 miles



Source: OCTA

Source: ACCESS 60-day sampled data for the months of September and October 2009.

ACCESS Footprint Following 150,000 Annual Revenue Vehicle Hour Reductions Sunday Network



Legend

- ACCESS Trips
- March 2010 Bus System
- ACCESS Footprint (3/4 Mile Service Area)
- ACCESS Footprint Reductions
(Approximately 69 of 3,547 clients or 2% of total in sample period)

Average number of trips per Sunday = 38
Average trip length = 14 miles



Source: OCTA

Source: ACCESS 60-day sampled data for the months of September and October 2009.

Options for ACCESS Eligible Customers When Service Area Impacted

What is ACCESS service and what is the service area?

ACCESS service is complementary paratransit service for customers unable to ride the fixed route service because of a disability. ACCESS customers must be certified as eligible under the guidelines set forth by the Americans with Disabilities Act. ACCESS operates within a $\frac{3}{4}$ mile corridor and during the same days and hours as the fixed route service.

What types of services does ACCESS provide?

Standard Service

Standard service is a curb-to-curb service for riders certified by ACCESS.

Door-to-Door Service

Door service is an escorted service and is provided at an additional cost.

Subscription Service

Subscription service allows riders to receive service without the need to call and request each trip. This is good for riders who are traveling to work, school, for regularly scheduled medical appointments, or to other destinations on a regular basis.

What options are available for ACCESS eligible customers if their trip begins or ends outside the $\frac{3}{4}$ -mile fixed route corridor?

Same-Day Taxi Program

OCTA offers a same-day taxi service for customers with current ACCESS eligibility. These trips are not reserved in advance and are scheduled the same day a customer wishes to travel at the time they wish to travel. The fare is \$2.70 upon boarding the taxi — the same fare as a regular ACCESS trip. At the end of the trip, any amount left on the taxi meter over \$10.00 will be paid by the customer. Customers wishing to use the same-day taxi service can call the ACCESS reservation number at (877) OCTA-ADA (628-2232).

The Same-day Taxi Program is provided as an alternative transportation choice to ACCESS riders for trips anywhere within Orange County; it is not limited to the $\frac{3}{4}$ mile of the fixed route network/corridor. The following pages provide detailed information about OCTA's Same-Day Taxi service.

Same-Day Taxi Program

Background

On October 25, 2004, the Authority's Board of Directors approved the Paratransit Growth Management Plan. As a part of this plan, two elements were implemented that affected that ability for all ACCESS users to maintain their current level of service: same-day non-emergency medical back-up was discontinued and the ACCESS service areas was decreased to conform with the ADA regulations to provide complementary paratransit service within a ¼ mile corridor of all fixed route services during the same days and hours of operation. As part of the growth management plan and to provide a mechanism for passengers who could no longer use ACCESS for these displaced trips, the Authority approved the implementation of a same-day non-ADA taxi service for individuals with ADA eligibility.

How is Same-Day Taxi Service different than regular ACCESS service?

The Same-Day Taxi program offers a transportation alternative to all ACCESS eligible riders. Same-Day Taxi service trips are provided on the same day requested, meaning riders call to schedule their trip on the day they wish to travel at the time they are ready to travel.

This service is different from regular ACCESS in several ways. For example, riders do not make their reservation in advance as required for ACCESS. Same-day taxi service is only available for trips within Orange County, and depending on the length of the trip, the cost could be more than the standard \$2.70 ACCESS fare. The service also operates countywide – not only within a ¼ mile corridor of fixed route service.

Who can use the service?

Anyone with current ACCESS eligibility is able to use the same-day taxi service. Companions or Personal Care Attendants of an ACCESS customer can travel in the same taxi as space allows at no additional fare.

What does it cost and how do riders pay the fare?

Under this program, OCTA and the rider share the cost of the trip. At the start of the trip, the rider pays the taxi driver \$2.70 – the same fare as a regular ACCESS trip. OCTA will pay the next part of the trip, reimbursing the taxi operator a flat rate of \$7.30 for the trip, regardless of the trip length. At the end of the trip, any amount left on the taxi meter over \$10.00 is paid by the rider before exiting the taxi.

What are the hours of operation?

Monday through Friday, from 7:00 a.m. until 5:00 p.m.
Saturday, Sunday, Holidays, from 8:00 a.m. until 5:00 p.m.

What are the benefits of the program to ACCESS riders?

There are a number of benefits to ACCESS riders including the ability to schedule a same-day trip, the ability to schedule a trip outside of the ACCESS service area anywhere within the county, and the ability to share the cost of the trip taken with OCTA.

What are the benefits of the program to OCTA?

One of the primary benefits of the Same-Day Taxi program is the Authority's ability to provide a segment of service to ACCESS-certified individual at a substantially reduced cost per trip (compared to the per trip cost for ACCESS service). Below are statistics for the Same-Day Taxi service, including number of bookings, mileage per trip, and total annual cost savings.

Same-Day Taxi Program Statistics

Total Bookings

FY 07/08	13,956	
FY 08/09	14,140	
FY 09/10 (through October 2009)	5,868	July – Oct, only 4 months (could top FY 08/09 totals at this rate)

Number of Trips Beyond ¾ Mile

FY 07/08	1,024	
FY 08/09	1,242	
FY 09/10 (through October 2009)	387	July – Oct 2009 only 4 months (could fall between FY 07/08 & FY 08/09 at this rate)

Average Weekday Trips

FY 07/08	43.4
FY 08/09	41.0
FY 09/10 (through October 2009)	55.7

Average Weekend Trips

FY 07/08	25.4
FY 08/09	32.3
FY 09/10 (through October 2009)	35.4

Average Ride in Miles

FY 07/08	2.90
FY 08/09	2.86
FY 09/10 (through September 2009)	2.60

Average Longest Ride

FY 07/08	22.40
FY 08/09	22.90
FY 09/10 to date	28.50

Annual Cost Savings (ACCESS vs SDT)*

FY 07/08	\$252,324.00	
FY 08/09	\$299,798.00	
FY 09/10 to Date	\$116,813.00	July – Oct, only 4 months (could top FY 08/09 totals at this rate)

* Cost savings calculated taking cost for each ACCESS trip diverted to this program less fixed cost paid by OCTA for taxi trip

Service Area

80% of all trips are in the North and Central parts of the county - Anaheim, Garden Grove, Buena Park, Fullerton, Brea, Orange, Westminster