

AGENDA

- 1. Welcome**
- 2. Pledge of Allegiance**
- 3. CEO Welcome**
- 4. Approval of Minutes/Attendance Report for June 11, 2019**
- 5. Presentation Items**
 - A. Measure M2 Environmental Mitigation Program Update
Dan Phu, Program Manager, Project Development
 - B. Comprehensive Transportation Funding Programs (CTFP) Update
Joseph Alcock, Section Manager, M2 Local Programs
 - C. Project V Update
Joseph Alcock, Section Manager, M2 Local Programs
 - D. OC Streetcar Project Update
Jim Beil, Executive Director, Capital Programs
- 6. OCTA Staff Updates**
 - A. I-405 Update – Christina Byrne, Department Manager, Public Outreach
 - B. City Eligibility Update - Andrew Oftelie, Chief Financial Officer
 - C. Staff Liaison – Alice Rogan, Director, Marketing and Public Outreach
- 7. Annual Eligibility Review Subcommittee Report**
- 8. Audit Subcommittee Report**
- 9. Environmental Oversight Committee Report**
- 10. Committee Member Reports**
- 11. Public Comments***
- 12. Adjournment**

The next meeting will be held on October 8, 2019

*Public Comments: At this time, members of the public may address the Taxpayer Oversight Committee (TOC) regarding any items within the subject matter jurisdiction of the TOC, provided that no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to three (3) minutes per person, unless different time limits are set by the Chairman, subject to the approval of the TOC.

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 business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

INFORMATION ITEMS

Staff Report Title	Board Meeting Date
1. Annual Update to Investment Policy	June 24, 2019
2. Fiscal Year 2018-19 Third Quarter Budget Status Report	June 24, 2019
3. Taxpayer Oversight Committee Measure M2 Annual Public Hearing Results and Compliance Finding	June 24, 2019
4. Taxpayer Oversight Committee New Member Recruitment and Lottery	July 8, 2019
5. Measure M2 Eligibility Review Recommendations for Fiscal Year 2017-18 Expenditure Reports	July 8, 2019
6. OC Streetcar Project Quarterly Update	July 22, 2019
7. Measure M2 Environmental Mitigation Program Update and Annual Report	August 12, 2019
8. Measure M2 Comprehensive Transportation Funding Programs – 2020 Annual Call for Projects	August 12, 2019
9. Measure M2 Community-Based Transit Circulators Program Project V Ridership Report	August 12, 2019
10. Local Agencies' Interest in Project V Call for Projects	August 12, 2019

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

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 business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Measure M Taxpayer Oversight Committee
Orange County Transportation Authority
550 S. Main Street, Orange CA, Room 07
June 11, 2019 @ 6:00 p.m.

MEETING MINUTES

Committee Members Present:

Richie Kerwin Lim, First District Representative
Dr. Pauline Merry, First District Representative
Mark Kizzar, Second District Representative
Ronald Randolph, Third District Representative
Larry Lang, Fourth District Representative
Jeffery Kaplan, Fifth District Representative
Matt McGuinness, Fifth District Representative

Committee Member(s) Absent:

Eric Woolery, Orange County Auditor-Controller, Co-Chairman
Larry Tekler, Second District Representative

Orange County Transportation Authority Staff Present:

Jim Beil, Executive Director of Capital Programs
Christina Byrne, Department Manager, Public Outreach
Jared Hill, Community Relations Specialist
Kia Mortazavi, Executive Director of Planning
Andrew Oftelie, Chief Financial Officer
Alice Rogan, Director, Marketing & Public Outreach
Tamara Warren, Measure M Program Manager

1. Welcome

Acting Co-Chair Richie Lim welcomed everyone to the Orange County Transportation Authority (OCTA) Taxpayer Oversight Committee (TOC) meeting and introduced new member Dr. Pauline Merry.

2. Pledge of Allegiance

Dr. Ronald Randolph led the Pledge of Allegiance to the Flag.

3. Annual Public Hearing

A. Acting Co-Chair Richie Lim opened the Annual Public Hearing. Matt McGuinness gave a brief overview on Measure M2 (also known as OC Go). Acting Co-Chair Richie Lim gave an overview of the TOC and its responsibilities. The TOC Members introduced themselves.

B. Review of the 2018 Taxpayer Oversight Committee Actions

Matt McGuinness described the function of the TOC. Activities include: review of FY 2017 Local Transportation Authority (LTA) Audit Results, review of M2

Investment Plan, and review of Measure M Quarterly Revenue and Expenditures Forecast Summary Report.

C. Annual Eligibility Review (AER) Subcommittee Report

Matt McGuinness, AER Subcommittee Chair, provided an overview of committee responsibilities and findings. All cities reviewed were found to be in compliance.

D. Audit Subcommittee Report

Acting Co-Chair Richie Lim introduced the Audit Subcommittee members and reviewed their responsibilities and findings. He announced the departure of Eugene Fields from the subcommittee and the TOC. OCTA was found to be in compliance and there was no management letter with recommendations for OCTA.

E. Public Comments

Eugene Fields, former Co-Chair of the TOC, said he is leaving his position on the TOC early to run for public office and he thanks the TOC and the OCTA for making it easy for the TOC to fulfill the responsibilities as mandated by the Measure M2 Ordinance. He said he is proud of the TOC AER Subcommittee members for critically analyzing the cities, especially in the instance of the City of Fullerton. The Subcommittee sent a letter to the city outlining how the city needs to use the Measure 2 funds wisely for their pavement management plan. The next year the City of Fullerton had one of the best plans. He encouraged the TOC to keep up the good work.

Alice Rogan said OCTA received nine comments online in regards to the TOC Annual Public Hearing. She said they were all from south Orange County and related to the Toll Roads and managed lanes. She said none of the comments were specific to Ordinance compliance. Acting Co-Chair Richie Lim said if this topic is deemed to have relevance, the TOC will hear a presentation at a later date.

F. Adjournment of Public Hearing

The Measure M Taxpayer Oversight Committee Public Hearing adjourned at 6:20 p.m.

4. Approval of the Minutes/Attendance Report for April 9, 2019

Acting Co-Chairman Richie Lim asked if there are any corrections to the Minutes/Attendance Report for April 9, 2019. A motion was made by Dr. Ronald Randolph, seconded by Dr. Pauline Merry, and carried unanimously to approve the April 9, 2019 TOC Minutes and the Attendance Report.

5. Action Items

A. Measure M2 AER Subcommittee Recommendations for Fiscal Year 2017-18 Expenditure Reports

Matt McGuinness, AER Subcommittee Chair, reported the Measure M2 Ordinance requires all local jurisdictions to satisfy eligibility requirements annually to receive Measure M2 funds. As part of the FY 2018/19 Eligibility review, the TOC AER subcommittee reviewed the FY 2017/18 expenditure reports for local jurisdictions. The Cities of Santa Ana and Stanton were deemed ineligible by the OCTA Board on May 13, 2019.

The AER Subcommittee recommendations for full committee consideration include:

- Approval of the local jurisdictions and the County of Orange's annual expenditure reports to be eligible to receive Measure M2 revenues for FY 2018/19 with the exception of the City of Santa Ana and the City of Stanton.
- Recommend to the Taxpayer Oversight Committee Audit Subcommittee that the Cities of Dana Point, La Habra and San Clemente be considered for audit next year.
- Direct OCTA staff to express appreciation to the City of Rancho Santa Margarita for bringing their Maintenance of Effort (MOE) above the benchmark.

A motion was made by Dr. Ronald Randolph, seconded by Jeffrey Kaplan. and carried unanimously to approve the Local Jurisdictions 2017/18 Expenditure Reports – Eligibility Findings by the AER Subcommittee.

B. 2019 Measure M Annual Hearing Follow-Up and Compliance Findings

Matt McGuinness said the compliance finding is based on results of the annual LTA audit, the public hearing and all information the committee has received to date. The Audit Subcommittee has indicated that based on the audit results presented, OCTA has acted in compliance for the past year. Matt asked for a motion to find that the OCLTA has been proceeding in accordance with the Renewed Measure M (M2) Transportation Ordinance and Investment Plan for 2018.

A motion was made by Larry Lang, seconded by Matt McGuinness and carried unanimously to approve the June 11, 2019 Measure M Annual Hearing and Compliance Findings Report as presented.

6. Presentation Items

A. Measure M2 Quarterly Expenditure Report

Tamara Warren presented the Measure M2 Quarterly Progress Report for the period of January 2019 through March 2019. She gave an overview and highlights of the freeways, streets, roads, and transit and environmental programs. Tamara

discussed the program outlook and said sales tax revenue actuals are currently exceeding assumption. Tamara said OCTA needs to change freeway signs because the blue header is no longer acceptable. She showed some different sign options and said OCTA is working with State of California to determine the best way to present the information. Tamara said the project management office continues to monitor market conditions and will be implementing recommendations from the Triennial Performance Assessment.

The committee asked about Project F. Tamara Warren said there are two projects: the north project between SR-91 and I-5 and the south project between I-5 and the I-405. She said the south project is currently in design and is scheduled to go into construction during the Next 10 timeframe. The north project is going into the environmental process.

The committee asked about Project L. Tamara Warren said the project, which is on the I-405 between SR-55 and the "Y," was recently environmentally cleared. The committee asked about the cost of the project, because the I-405 tolls could play a part in funding the project. Tamara said the cost of the project is predicted to be almost \$400 million.

The committee asked about I-405 toll lane excess revenues. Andrew Oftelie said OCTA will not know if there will be excess revenue until about 2053. He said it will be a board policy, but any tolls collected on the I-405 will have to be used on the I-405 corridor by law.

The committee asked about the OC Streetcar Project cost increase. Jim Beil said the cost increase is comparable around the nation, but it is highly variable. Jim said the subsidy rates are different between all forms of transit.

The committee asked about \$182 million being used to fund \$5.1 billion boardings on Metrolink. Andrew Oftelie said there is about a 50% subsidy on commuter rail and the Orange County Line is the highest in terms of farebox recovery.

The committee asked about OCTA taking the lead in Right of Way (ROW) acquisitions. Jim Beil said Caltrans has limited staff due to many people retiring and the funding of SB1 creating an additional work load. In the interest of keeping things on schedule and keeping costs down, OCTA has taken on the role of performing appraisals and ROW work related to utilities and imminent domain

resolutions. The OCTA Board meets frequently which keeps things moving and is beneficial to property owners.

7. Selection of Co-Chair

Acting Co-Chair Richie Lim opened the nominations for selection of Co-Chair of the TOC. Acting Co-Chair Lim said Larry Tekler has expressed interest in the position. Acting Co-Chair Lim said he recommends Larry for the position.

Acting Co-Chair Richie Lim nominated Larry Tekler for the position of TOC Co-Chair. A motion was made by Acting Co-Chair Lim, seconded by Dr. Ronald Randolph and approved unanimously to select Larry Tekler to the position of TOC Co-Chair.

8. Subcommittee Selection

Alice asked the members continuing on the TOC to let her know what Subcommittees they would like to serve on in the following year.

Audit Subcommittee	Annual Eligibility Review Subcommittee	Environmental Oversight Committee
Mark Kizzler Larry Tekler Eric Woolery Larry Lang	Jeffery Kaplan Larry Tekler	Dr. Pauline Merry

9. OCTA Staff Updates

A. I-405 Update – Christina Byrne reported the partial demolition of Westminster Boulevard and Bolsa Avenue bridges have been completed. Currently, there are 10 bridges under construction. Falsework is being constructed at Goldenwest and Magnolia. The Slater Avenue bridge should be fully opened in late August. In September, the Talbert and Bushard bridges will be closed and demolished. She said the project mobile application is up and running well.

The committee asked about feedback received from the neighbors. Christina Byrne said there are few complaints. The committee asked about traffic accidents in the area. Christina said OCTA is working with the CHP to lower the speed limit as part of an ongoing CHP safety campaign.

B. I-5 (73 to El Toro Road) Update – Christina Byrne said OCTA had the groundbreaking ceremony for this project on June 6, 2019. She said it is a \$581 million project that is 6.5 miles long. The project will add a north and southbound general-purpose lane, extend the second carpool lane and reconstruct the Avery

Parkway and La Paz interchanges. Christina said OCTA is out in the community working with the residents.

The committee asked how much of the project is funded by Measure M. Kia Mortazavi said about 50 percent is funded by Measure M.

- C. Staff Liaison Update – Alice Rogan said OCTA staff is looking at taking TOC members out in the fall on a tour of the I-405 Project. She said staff will be checking members and past members availability.

Alice Rogan thanked outgoing members for their service on the TOC. She said it has been a pleasure having you on the committee. Resolutions of Appreciations will be sent in the mail. Please feel free to re-apply for your positions.

Acting Co-Chair Richie Lim said it has been a pleasure working with OCTA and the TOC. Dr. Ronald Randolph said, “OCTA is the best run government agency he has every worked with,” and Acting Co-Chair Lim agrees. He said thank you to his fellow TOC members.

Dr. Ronald Randolph thanked the outgoing members for their service and commitment to the TOC and hopes members will resubmit applications to the committee.

10. Committee Member/Staff Reports

There were no committee member comments.

11. Public Comments

There were no public comments.

12. Adjournment

The Measure M Taxpayer Oversight Committee meeting adjourned at 6:07 p.m. The next meeting will be the Measure M2 Annual Hearing on August 13, 2019 at 5 p.m.

Taxpayer Oversight Committee

Fiscal Year 2019-2020

Attendance Record

X = Present E = Excused Absence * = Absence Pending Approval U = Unexcused Absence -- = Resigned

Meeting Date	July	13-Aug.	Sept.	8-Oct.	Nov.	10-Dec.	Jan.	11-Feb.	March	14-Apr.	May	9-Jun.
Douglas P. Gillen												
Dale Soeffner												
Larry Tekler												
Richie Kerwin Lim												
Mark Kizzar												
Andrew Lesko		--		--		--		--		--		--
Ronald T. Randolph												
Tuan Nguyen												
Larry A. Lang												
Michael Pascual												
Jeffrey Kaplan												
Douglas Anderson												

Absences Pending Approval

Meeting Date Name Reason

***Presentation
Items***



COMMITTEE TRANSMITTAL

August 12, 2019

To: Members of the Board of Directors

From: Laurena Weinert,  Clerk of the Board

Subject: Measure M2 Environmental Mitigation Program Update and Annual Report

Regional Planning and Highways Committee Meeting of August 5, 2019

Present: Directors Bartlett, Chaffee, Delgleize, M. Murphy, R. Murphy, and Pulido

Absent: Director Muller

Committee Vote

This item was passed by the Members present.

Committee Recommendation

Receive and file as an information item.



August 5, 2019

To: Regional Highways and Planning Committee

From: Darrell E. Johnson, Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is positioned to the right of the "From:" line.

Subject: Measure M2 Environmental Mitigation Program Update and Annual Report

Overview

Measure M2 includes a program to deliver comprehensive mitigation for the environmental impacts of 13 freeway projects in exchange for streamlined project approvals from the state and federal resources agencies. To date, the Environmental Mitigation Program has acquired conservation properties and provided funding for habitat restoration projects as part of the Natural Community Conservation Plan/Habitat Conservation Plan. On a parallel path, a similar approach was developed to obtain state and federal clean water permits to facilitate the implementation of the Measure M2 freeway projects. A summary of the first Annual Report for the Orange County Transportation Authority M2 Natural Community Conservation Plan/Habitat Conservation Plan covering all activities up to December 31, 2018, is provided. Additional Environmental Mitigation Program activities post 2018 are also provided in this report.

Recommendation

Receive and file as an information item.

Background

Measure M2 (M2) includes an innovative Environmental Mitigation Program (EMP) to address certain impacts, as well as streamline the M2 freeway projects. This was achieved through a Natural Community Conservation Plan/Habitat Conservation Plan (Conservation Plan), approved by the California Department of Fish and Wildlife and the United States Fish and Wildlife Service (Wildlife Agencies). An endowment was also established for the long-term management of the conservation properties (Preserves).

In a parallel process, the United States Army Corps of Engineers (Corps) and the State Water Resources Control Board (SWRCB) have also established a framework to expedite the regulatory permitting process. The EMP delivers more effective mitigation while supporting faster delivery of M2 freeway improvements.

The acquisition of seven conservation properties, as well as the funding of 12 habitat restoration projects, have largely met the mitigation needs for the M2 freeway projects. These Preserves and projects are depicted in Attachment A. Through the Conservation Plan, the Orange County Transportation Authority (OCTA) is well underway to satisfying these obligations. Many of the restoration projects are close to or have obtained approvals from the Wildlife Agencies. As a commitment of the Conservation Plan, OCTA is required to prepare an annual report on the implementation processes. The executive summary for the First Annual Report is included as Attachment B. The complete report is available on the OCTA website at [http://www.octa.net/Projects-and-Programs/OC-Go/OC-Go-\(2011-2041\)/Freeway-Mitigation/Conservation-Plan/](http://www.octa.net/Projects-and-Programs/OC-Go/OC-Go-(2011-2041)/Freeway-Mitigation/Conservation-Plan/).

Discussion

Conservation Plan Update

The Conservation Plan permit was issued by the Wildlife Agencies in mid-2017. As a result, the M2 environmental process has been streamlined, allowing OCTA to expedite the M2 freeway projects. The Conservation Plan approval by the Wildlife Agencies requires the establishment of a \$34.5 million endowment to fund the long-term management of the Preserves. The first endowment deposit was made in early 2017. The most recent deposit was made in August 2018. The next deposit is scheduled for July 2019. Quarterly investment reports are provided to the Board of Directors (Board), with the most recent one given in June 2019. As of March 31, 2019, the endowment balance is \$9,263,521.79. Staff will continue to oversee and provide regular endowment updates to the Finance and Administration Committee and the Environmental Oversight Committee (EOC).

In compliance with the Conservation Plan, resource management plans (RMPs) have been developed for each Preserve. The RMPs provide guidelines for the management and monitoring of each Preserve in accordance with the goals and objectives outlined in the Conservation Plan. Key components of the RMPs include guidance for ongoing protection, preservation, and adaptive management of the natural resources found within each Preserve. The seven Preserve RMPs were released for a 90-day public review and comment period, with the final RMPs completed in September 2018.

In consultation with the local fire authority, OCTA began developing fire management plans (Plans) for the Preserves in September 2018. The Plans will provide guidelines for decision-making at all stages, including fire prevention, pre-fire vegetation management, suppression activities, and post-fire responses that are compatible with conservation and stewardship responsibilities. These Plans are a requirement of the Conservation Plan and must be approved by the Wildlife Agencies. An overview of the proposed content Fire Management Plan development process was provided to the EOC in February and July 2019.

Conservation Plan First Annual Report

The executive summary for the First Annual Report is included as Attachment B. This includes the tracking of impacts associated with covered freeway improvement projects, other management and monitoring activities on Preserves, status and activities, progress of the restoration projects, plan administration, and public outreach activities. In summary, the First Annual Report documents that OCTA's activities through 2018 are in compliance and on target with the Conservation Plan commitments. OCTA will continue with its efforts to complete the required objectives in a timely manner. This First Annual Report has been reviewed and approved by the Wildlife Agencies. In addition, it has been presented to the OCTA EOC and will be available for a public review.

Restoration Project Updates

The North Coal Canyon and Chino Hills State Park (CHSP) restoration projects were approved by the EOC and OCTA Board as part of the EMP's second round of restoration funding in 2012 and were incorporated into the OCTA Conservation Plan. Due to limitations on the California Department of Parks and Recreation contracting process, CHSP was unable to implement these two restoration projects. At the direction of the EOC, staff utilized the Board-approved procurement procedures to solicit qualified entity(ies) to implement these projects. These projects were awarded to RECON Environmental, Inc., and Habitat Restoration Services, Inc., in early 2019. Both contractors have taken the necessary steps to begin the implementation of these projects.

Clean Water Act Permits Update

The M2 freeway projects are anticipated to impact jurisdictional waters, which will require mitigation. Before construction activities can occur, OCTA must obtain Sections 401 and 404 Clean Water Act permits from the Corps and SWRCB (regulatory agencies). To maximize the benefits of OCTAs' investments,

Conservation Plan mitigation was able to be utilized to help obtain programmatic 401 and 404 permits. These permits were issued in late 2017 and early 2018, and have streamlined the project-level permitting processes. These efforts are the result of years of collaboration between OCTA and the regulatory agencies, and constitute another groundbreaking milestone for the M2 EMP.

Freeway Projects Update

The following projects are either in or near construction and were able to benefit from the EMP:

- Project C (Interstate 5 Improvement Project from State Route 73 [SR-73] to El Toro Road);
- Project K (Interstate 405 Improvement Project from SR-73 to the Los Angeles County line); and
- Project M (Interstate 605 and Katella Avenue Interchange Project).

The California Department of Fish and Wildlife (CDFW) streambed alteration agreement (permit) for Project C (Segment 3) is pending. Based on recent coordination, it is anticipated that a path forward will be determined that will allow permit issuance by CDFW which will avoid project delays.

Without the EMP's established process, these projects could have incurred mitigation-related requirements and cost, resulting in project schedule risks. A strong partnership has been forged through collaboration with the environmental community as exemplified by their participation on the EOC. Furthermore, there has been substantial reduction in risk from the threat of potential lawsuits because of these partnerships.

Summary

M2 includes an EMP that provides funding for programmatic mitigation to off-set impacts of the 13 individual freeway projects. To expedite the delivery of the freeway projects, this program was initiated to implement early project mitigation through preservation and habitat restoration. This program is administered through a Conservation Plan, which was approved by the Wildlife Agencies in mid-2017. To maximize the benefits of the investments, OCTA has utilized some of that same mitigation to obtain Clean Water Act permits.

Attachments

- A. OCTA Preserves and Funded Restoration Projects
- B. M2 Natural Community Conservation Plan/Habitat Conservation Plan - First Annual Report 2019

Prepared by:



Lesley Hill
Project Manager
(714) 560-5759

Approved by:

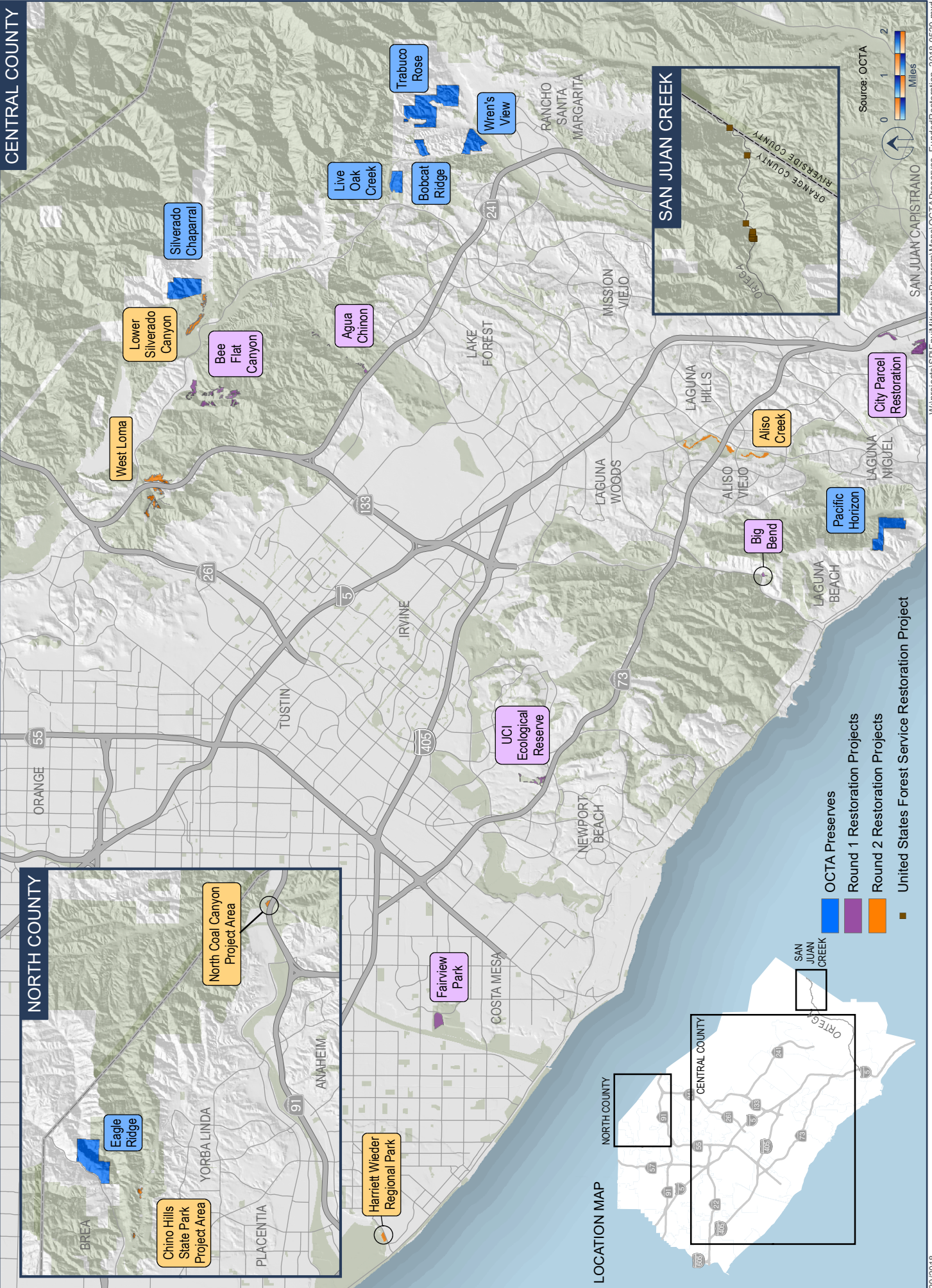
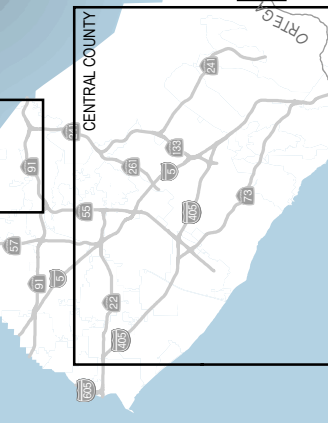
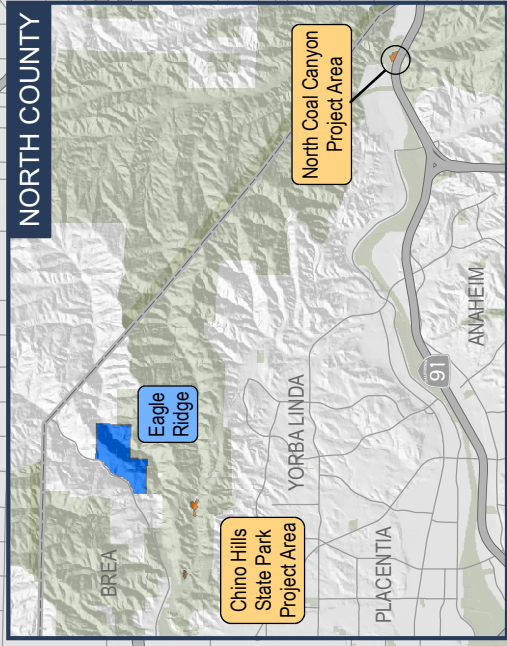


Kia Mortazavi
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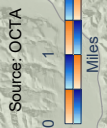
OCTA Preserves and Funded Restoration Projects



CENTRAL COUNTY



- OCTA Preserves
- Round 1 Restoration Projects
- Round 2 Restoration Projects
- United States Forest Service Restoration Project



Source: OCTA



M2 Natural Community Conservation Plan/Habitat Conservation Plan— First Annual Report

2019

Prepared by
Orange County Transportation Authority
550 S. Main Street
Orange, CA 92863

With support from
ICF
525 B Street, Suite 1700
San Diego, CA 92101



Executive Summary

This is the first Annual Report for the Orange County Transportation Authority (OCTA) M2 Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP or Plan), covering all activities up to December 31, 2018. This report summarizes the tracking of impacts associated with covered freeway improvement projects and other management and monitoring activities on Preserves (Covered Activities), status and activities on the OCTA Preserves, progress on the implementation of OCTA-funded restoration projects, and additional Plan administration and public outreach activities. This Annual Report has been reviewed and approved by the California Department of Fish and Wildlife (CDFW) and U.S. Fish and Wildlife Service (USFWS), collectively referred to as the Wildlife Agencies. In addition, this Annual Report is presented to the OCTA Environmental Oversight Committee (EOC) and is available for a public review.

Tracking Impacts from Covered Activities

OCTA keeps an accounting of the Plan-to-date impacts on habitat types from all covered freeway improvement projects to ensure impacts stay within the caps established within the Plan. To date, a total of **7.5 acres of habitat impacts have been authorized relative to a cap of 141.0 acres**. In addition, OCTA uses a consistency determination checklist to evaluate how and when avoidance and minimization measures are implemented on covered freeway improvement projects. Four projects (C1, B1, L1, M1) had consistency determinations drafted, modified, or completed within the timeframe of this Annual Report. Other tracking requirements include:

- *Tracking for Covered Plant Species Policy* – OCTA tracks the credits for covered plant species protection (on Preserves) and restoration/enhancement (restoration projects) relative to allowable impacts. The Plan-to-date balance for each plant species is net positive (intermediate mariposa lily [+963], many-stemmed dudleya [+60], southern tarplant [+1,513]).
- *Tracking Impacts on Habitat Types Resulting from Covered Activities within Preserves* – The Plan establishes a cap that no more than 13 acres (approximately 1%) of the natural habitat within the OCTA Preserves will be impacted by Preserve management activities. To date, no measurable permanent impacts have been recorded on the Preserves.
- *Maintaining Rough Proportionality* – The Plan requires implementation of conservation measures roughly proportional in time and extent to impacts on natural communities and Covered Species. To date, two restoration projects, Big Bend and City Parcel, have received sign-off from the Wildlife Agencies as meeting their success criteria and have achieved conservation credits that keeps the Plan ahead of allowable impacts.

OCTA Preserves

OCTA acquired seven properties resulting in the protection of 1,236¹ acres of natural habitat (see Figure 1). In all instances, the seven Preserves are located within priority conservation areas and immediately adjacent to other protected lands. These Preserves add to the protection of large blocks of natural open space in areas important for regional conservation. OCTA has completed Resource Management Plans (RMPs) for each Preserve that includes Preserve-specific goals and objectives and define an appropriate level of public access and trail use consistent with protection of biological resources. It is anticipated that Conservation Easements will be completed and recorded in the near future. Currently each Preserve is being managed by OCTA, with the exception of the Eagle Ridge Preserve, which is being managed by Chino Hills State Park (CHSP) under an interim land management agreement. OCTA is working to identify and transition to long-term Preserve Managers in the near future. OCTA has contracted with the following consulting firms to support Preserve management: (1) Glenn Lukos Associates to provide biological monitoring, prepare invasive species management plans, and assist with public outreach events, (2) RECON Environmental to support general Preserve stewardship including maintenance of access roads, tree trimming, and control of public access, (3) Wildland Res Mgt to complete Fire Management Plans (FMPs), and (4) ICF to assist with completion of RMPs and preparation of the Annual Report. OCTA has hosted numerous Preserve-specific outreach events to educate the public about property value and access and plans to continue this process in the near term as part of a managed access approach. To date, a 1.5-acre fire occurred on the Eagle Ridge Preserve. The fire was extinguished quickly by Brea County Fire, and the burn area has been recovering with no additional management actions. No other fires or major events have occurred on the Preserves, although a level of trespassing and vandalism continues to occur requiring ongoing monitoring and enforcement.

OCTA-Funded Restoration Projects

OCTA has approved funding for 11 restoration projects and a check dam removal project that will result in over 350 acres of restored habitats and improvement to habitat functions for Covered Species. The restoration projects occur throughout the Plan Area in core habitat areas and within key habitat linkages and riparian corridors (see Figure 1). The restoration projects are on lands that are currently managed and will enhance habitat for Covered Species. OCTA is working with the restoration project sponsors to complete implementation and monitoring of the restoration activities and achieve sign-off from the Wildlife Agencies that the restoration projects meet their success criteria. Each restoration project is at different stages of the process. To date, 2 of the 11 restoration projects have obtained sign-off.

Additional Conditions for Coverage

As part of the Conservation Analysis (Chapter 6) in the Plan, there were two Covered Species, arroyo chub and many-stemmed dudleya, noted for additional conditions for coverage above and beyond

¹ The acreage of natural habitat preserved is based on best available information using during the preparation of RMPs and may be slightly different from acreages reported in the M2 NCCP/HCP.

\\PDC\ITRDS\GIS\1\San_Diego\projects\OCTA\RMP_00399_15\mapdoc\RMPs\AnnualReport\2 Figure 1-1 HCP Preserves and Restoration.mxd Date: 12/1/2018 3:41:53

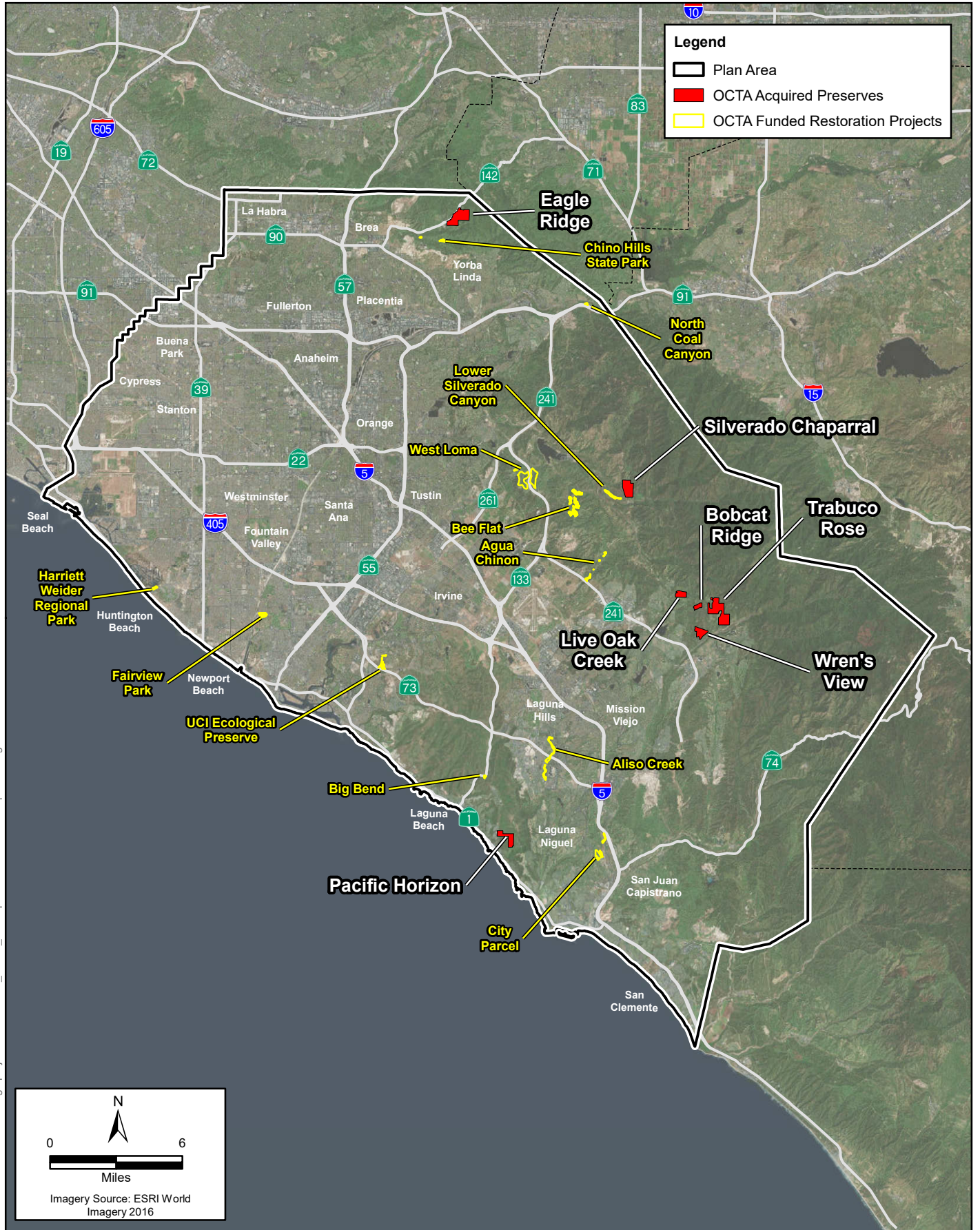


Figure 1-1
OCTA M2 NCCP/HCP Preserves and Restoration Projects
M2 NCCP/HCP Annual Report



the acquisition of the OCTA Preserves and funding of restoration projects. In 2017, the EOC and Wildlife Agencies approved OCTA to fund the United States Forest Service Dam Removal restoration project that, when complete, will satisfy the conditions for coverage of arroyo chub. OCTA is currently taking steps to protect and enhance an existing population of many-stemmed dudleya on the Pacific Horizon Preserve with the hope that it will expand to help meet or will meet the criteria needed to achieve coverage for many-stemmed dudleya.

Public Outreach

OCTA has been committed to transparency in how the M2 funds have been and are being used to implement the Plan and the broader Environmental Mitigation Program (EMP). OCTA has conducted a variety of public outreach activities aimed at informing and engaging the public on the overall EMP as well as Preserve-specific issues and events. These have included public meetings during the preparation of the Preserve RMPs, maintaining a website with information and documents related to the program, and engaging in various outreach efforts and encouraging volunteer programs. Between 2009 and 2018, OCTA participated in 67 EMP public outreach events and meetings and 39 Preserve-specific public outreach events.

Plan Funding

The primary source of funding for the Plan will derive from the M2 transportation sales tax designed to raise money to improve Orange County's transportation system. As part of the M2 sales tax initiative, at least 5% of the revenues from the freeway program will be set aside for the M2 EMP revenues. There are sufficient funds available through the M2 EMP to cover the development and implementation of the Plan. OCTA is currently in a 10–12 year process to accumulate and establish an endowment that will provide a long-term funding source to cover ongoing Preserve management and monitoring, adaptive management, and responses to changed circumstances, in perpetuity. In the short-term, the current M2 EMP revenue stream is used to cover Plan implementation and administration.

Plan Administration

OCTA is responsible for implementing the Plan and staffing an NCCP/HCP Administrator position. OCTA has designated Lesley Hill as the NCCP/HCP Administrator. Her role includes overseeing Preserve management and monitoring, coordinating with restoration project sponsors, serving as the primary point of contact with the Wildlife Agencies, ensuring avoidance and minimization measures are implemented pursuant to the Plan, tracking impacts and conservation, assisting with public outreach, and preparing this Annual Report.

The Plan outlines how modifications, Minor Amendments, and Major Amendments can be made to the Plan. This Annual Report summarizes Plan modifications that have been made in collaboration with the Wildlife Agencies that address revisions to restoration project design plans and sponsors, minor Preserve boundary adjustments, and approval of a new restoration project since Plan approval. No Minor or Major Amendments are proposed.



COMMITTEE TRANSMITTAL

August 12, 2019

To: Members of the Board of Directors

From: Laurena Weinert,  Clerk of the Board

Subject: Measure M2 Comprehensive Transportation Funding Programs -
2020 Annual Call for Projects

Regional Planning and Highways Committee Meeting of August 5, 2019

Present: Directors Bartlett, Chaffee, Delgleize, M. Murphy, R. Murphy, and
Pulido

Absent: Director Muller

Committee Vote

This item was passed by the Members present.

Director Pulido was not present to vote on this item.

Committee Recommendations

- A. Approve proposed revisions to the Comprehensive Transportation Funding Programs Guidelines.
- B. Authorize staff to issue the 2020 annual call for projects for the Regional Capacity Program.
- C. Authorize staff to issue the 2020 annual call for projects for the Regional Traffic Signal Synchronization Program.



August 5, 2019

To: Regional Planning and Highways Committee

From: Darrell E. Johnson, Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is positioned to the right of the "From:" line.

Subject: Measure M2 Comprehensive Transportation Funding Programs -
2020 Annual Call for Projects

Overview

The Comprehensive Transportation Funding Programs Guidelines provide the mechanism for administration of the annual competitive call for projects for Measure M2 programs, including the countywide Regional Capacity Program (Project O) and the Regional Traffic Signal Synchronization Program (Project P). The 2020 Regional Capacity Program and Regional Traffic Signal Synchronization Program call for projects is presented for review and approval.

Recommendations

- A. Approve proposed revisions to the Comprehensive Transportation Funding Programs Guidelines.
- B. Authorize staff to issue the 2020 annual call for projects for the Regional Capacity Program.
- C. Authorize staff to issue the 2020 annual call for projects for the Regional Traffic Signal Synchronization Program.

Background

The Regional Capacity Program (RCP) provides Measure M2 (M2) Project O funding for improvements to the Orange County Master Plan of Arterial Highways. The program also provides for intersection improvements and other projects to help improve street operations and reduce congestion.

The Regional Traffic Signal Synchronization Program (RTSSP) provides M2 Project P funding for multi-agency, corridor-based signal synchronization throughout Orange County.

These programs allocate funds through a competitive call for projects (call) process and target projects that improve traffic by considering factors, such as degree of congestion relief, cost-effectiveness, and project readiness.

The Comprehensive Transportation Funding Programs (CTFP) document serves as the mechanism with which the Orange County Transportation Authority (OCTA) staff administer the RCP and RTSSP call, as well as other competitive transit (projects S, T, and V) and environmental cleanup programs (Project X).

The CTFP Guidelines (Guidelines) identify procedures and requirements that local agencies must follow in order to apply for M2 funding (and following award of funds) in order to seek reimbursement. These Guidelines were first approved by the OCTA Board of Directors (Board) on March 22, 2010, and were most recently updated and approved in August 2019.

Discussion

Updates to the Guidelines have been prepared in anticipation of the Board's authorization of the upcoming 2020 annual call for the RCP and RTSSP. OCTA worked closely with the Technical Steering Committee (TSC) and Technical Advisory Committee (TAC) to determine areas of the Guidelines that needed to be adjusted and/or updated. Issues and lessons learned from previous calls were also reviewed and considered. The Guidelines were reviewed and updated, as appropriate, to provide for better consistency and streamlining throughout the document.

The most significant proposed changes include the following:

- **Project O**
 - Revised the point spread for economic effectiveness in the scoring criteria.
 - Clarified ineligibility of gateway treatments.
- **Project P**
 - Noted that OCTA-led projects are not available for this call.
 - Revised total number of corridors per project from two to three.
 - Revised description of eligible activities so that the activities are clearer to applicants.
 - Clarified the maximum amount of fiber capacity that is required to support a M2 Project P traffic signal synchronization project.
 - Included three new eligible project features for project characteristics.

A more detailed summary of proposed changes is included in Attachment A, which provides a table of proposed changes, as well as Attachment B, which provides a marked-up version of the Guidelines. Proposed changes that were deemed to be non-substantive (i.e. wording/grammatical, streamlining, and clarifications) are generally not identified.

These proposed changes were recommended for Board approval by the OCTA TSC and TAC in July and are now being submitted for Board final consideration and approval. For this call, staff is proposing to set a target of \$32 million for Project O, and \$8 million for Project P. This is consistent with previous call amounts.

Next Steps

If the Board approves these recommendations and authorizes the 2020 call for the RCP and RTSSP, staff will send out letters and e-blast announcements notifying local agencies of the call's initiation and any other pertinent information. Applications would be due to OCTA by October 24, 2019, and based upon project selection criteria as specified in the Guidelines, projects will be prioritized for Board, TAC, and TSC consideration in spring 2020. Project funds, if awarded, would become available to local agencies starting July 1, 2020, and may be programmed as late as fiscal year 2022-23.

Summary

M2 provides funds for intersection and arterial improvements through the RCP and signal synchronization through the RTSSP to enhance both street operations and reduce congestion. The Guidelines serve as the mechanism that OCTA uses to administer competitive RCP and RTSSP funds. Proposed changes to the Guidelines were presented and approved by the TAC on July 24, 2019, and staff is now seeking approval of proposed modifications to the Guidelines and authorization to release the 2020 annual call.

Attachments

- A. 2020 CTFP Guidelines (Projects O and P) – Proposed Changes List
- B. Comprehensive Transportation Funding Programs, Guidelines Excerpt,
Proposed Revisions

Prepared by:



Alfonso Hernandez
Senior Transportation Funding Analyst
(714) 560-5363

Approved by:



Kia Mortazavi
Executive Director, Planning
(714) 560-5741

2020 CTFP Guidelines (Projects O and P) – Proposed Changes List

No.	Section/Chapter	Subsection	Page No.	Proposed Change
1	III. Definitions	8. Excess Right-of-Way and Surplus Right-of-Way	ix	Definition revised
2	III. Definitions	20. O&M Technical Memorandum	x	Added definition for new term
3	IV. Acronyms	N/A	xii - xiv	Adding new section for acronyms
4	V. Precepts	4	xvi	Clarified that a separate cooperative funding agreement will be issued for Project V funded projects and any OCTA-led Project P (RTSSP)-funded projects
5	V. Precepts	32	xix	Revise “shall” to “intent is to”
6	V. Precepts	35	xx	Revised to coincide with language from Chapter 9
7	Chapter 7	Programming Approach	7-2	Revised language to read as “Typically, OCTA has made approximately \$32 million available for each RCP (Project O) programming cycle”
8	Chapter 7	2020 Call for Projects	7-3	Revised language to read as “Contingent on OCTA’s Board approval, the 2020 Call for Projects (call) for RCP (Project O) – under M2 is anticipated to provide approximately \$32 million for...”
9	Chapter 7	Applications	7-4	Contact information and due updated
10	Chapter 7	Application Review Process	7-13	Dates and years have been updated for 2020 call for projects (call)
11	Chapter 7	Ineligible Expenditures	7-17	Added “gateway treatments”
12	Chapter 7	Operational Attributes/Sustainability Elements	7-23	To clarify section related to the scoring criteria, added “Points are awarded at construction phase only”
13	Chapter 7	Table 7-2 – Street Widening Point Breakdown	7-29	Due to majority of past applicants scoring in the top ranges (9 & 10), recommended reducing the ranges to make category more competitive
14	Chapter 7	Potentially Eligible Items	7-42	Revised “should not” to “shall not”
15	Chapter 7	Ineligible Projects	7-43	Added “gateway treatments”
16	Chapter 8	Objectives	8-2	Added “intersecting crossing arterial”
17	Chapter 8	2020 Call for Projects	8-2	Revised language to read as “Contingent on OCTA’s Board approval, the 2020 call for RTSSP (Project P)– under M2 is anticipated to provide approximately \$8 million...”
18	Chapter 8	2020 Call for Projects – 2	8-2	Revised total number of corridors per project from “two (2)” to “three (3)”. Other sections with same language in Chapter were also changed
19	Chapter 8	2020 Call for Projects – 5(a)	8-2	Added “A Project Report is required at the conclusion of this phase to document work completed during the PI phase. This PI Project Report shall be submitted according to the payment process”

2020 CTFP Guidelines (Projects O and P) – Proposed Changes List

No.	Section/Chapter	Subsection	Page No.	Proposed Change
20	Chapter 8	2020 Call for Projects – 5(b)	8-2	Revised “project final report” to O&M Technical Memorandum”
21	Chapter 8	2020 Call for Projects – 6	8-3	Added “as part of the PI Project Report”
22	Chapter 8	Applications	8-3	Removed “CD” and added “thumb drive, memory stick, or via electronic file upload and/or email”
23	Chapter 8	Applications	8-3 – 8-4	Contact information updated
24	Chapter 8	Application Process	8-4 – 8-6	The 2020 Call will not include OCTA-led projects. Given this, language referring to OCTA-led projects has been removed
25	Chapter 8	Application Review and Program Adoption	8-8	Dates and years have been updated for the 2020 Call, including in other applicable sections throughout Chapter 8
26	Chapter 8	Sample Resolution Form	8-8	In order to clarify ordinances needed for local agencies’ resolutions, added “Local agencies, at a minimum, must include items a-h from the sample resolution”
27	Chapter 8	Project Definition	8-9	Added “This includes construction or modifications of an Intelligent Transportation Systems communications link between intersections or to the Agency’s Traffic Management Center. This link may be off of the main line but is necessary for a Regional Traffic Signal Synchronization Corridor project”
28	Chapter 8	Project Definition	8-9	Change from “Two linked corridors” to “Linked corridors”
29	Chapter 8	Eligible Activities/New or Upgraded Communication Systems	8-10	Added “not to exceed 120 strands” in order to clarify the maximum amount of fiber capacity required to support a M2 Project P Traffic Signal Synchronization project
30	Chapter 8	Eligible Activities/CCTV	8-11	Added “Intelligent cameras that include analytics, such as automated continuous counts and other metrics. If implemented, these items will require a data sharing agreement with OCTA”
31	Chapter 8	Eligible Activities/ADA Compliant Pedestrian Signal	8-11	Revised language to “ADA compliant Pedestrian Signals including, but not limited to, tactile and audible buttons in countdown signal heads”
32	Chapter 8	Eligible Activities/Caltrans labor	8-12	Clarified section to reflect eligible items under Caltrans labor activities
33	Chapter 8	Eligible Activities/Active Transportation/Pedestrian Safety Related Elements	8-12	Added three-line items under Active Transportation/Pedestrian Safety related elements

2020 CTFP Guidelines (Projects O and P) – Proposed Changes List

No.	Section/Chapter	Subsection	Page No.	Proposed Change
34	Chapter 8	Ineligible Expenditures	8-12	Added “Rewiring of complete intersection because of age or isolated mitigation”
35	Chapter 8	Selection Criteria/Transportation Significance	8-13	Revised language
36	Chapter 8	Table 8-1 Point Breakdown	8-15	Added three eligible project features for project characteristics
37	Chapter 8	Matching Funds	8-17	Added “in-kind match” as eligible for Caltrans fees and expenses
38	Chapter 8	Matching Funds	8-17	Added” Please note, overmatch is subject to the same audit and requirements as in-kind match”
39	Chapter 8	Matching Funds	8-17	Added “In-kind match services are subject to audit”
40	Chapter 8	Matching Funds	8-18	Removed OCTA-led language
41	Chapter 8	Exhibit 8-1 Project P Regional Traffic Signalization Checklist	8-20 & 8-21	Revised/updated application checklist

Acronyms

CTFP – Comprehensive Transportation Funding Program

O&M – Operations & Maintenance

N/A – Not applicable

OCTA – Orange County Transportation Authority

RTSSP – Regional Transportation Signal Synchronization Program

RCP – Regional Capacity Program

Board – Board of Directors

M2 – Measure M2

PI – Primary Implementation

CCTV -Closed Circuit Television

ADA – Americans with Disabilities Act

Caltrans – California Department of Transportation

Comprehensive Transportation Funding Programs

Guidelines Excerpt Proposed Revisions

III. Definitions

1. The term "agency," "agencies," "local agency" or any form thereof shall be described in Precept 2.
2. "Competitive funds" refers to funding grants received through the Comprehensive Transportation Funding Programs (CTFP).
3. The term "complete project" is inclusive of acquiring environmental documents, preliminary engineering, Right-of-Way (ROW) acquisition, construction, and construction engineering.
4. The term "cost overrun" in reference to projects awarded through the CTFP shall refer to any and all costs beyond the original estimate that are necessary to complete the approved project scope.
5. The term "encumbrance" or any variation thereof shall mean the execution of a contract or other action (e.g. city council award of a primary contract or issuance of a purchase order and Notice to Proceed (NTP)) to be funded by Net Revenues.
6. The term "escalation" or "escalate" is the inflationary adjustment, as determined by the Engineering News Record (ENR) Construction Cost Index (CCI) 20-city average, added to the application funding request (current year basis) for ROW and construction phases (see Precept 13).
7. The term "environmental mitigation" is referred to as environmental clean-up/preservation measures made as part of that projects environmental clearance.
- ~~8. For the purpose of these guidelines, the terms "excess right-of-way" and "surplus right-of-way" shall interchangeably refer to ROW acquired for a specific transportation purpose that is not needed for that purpose. ROW designation shall be acknowledged by applicant to OCTA within sixty calendar days of designation. Furthermore, surplus property plan must also be provided to OCTA at time of designation. The term "excess right-of-way" is ROW acquired for projects and deemed excess to the proposed transportation use. Excess ROW designation shall be acknowledged by applicant during the grant application process.~~
- ~~8.9.~~ The term "Fast Track" shall refer to projects that apply for both planning and implementation phase funding in a single competitive application/call for projects.
- ~~9.10.~~ The term "Fully Burdened Labor Rates" include Work Force Labor Rate (WFLR) plus overhead (see Chapter 9).
- ~~10.11.~~ The term "funding grant," "grant," "project funding," "competitive funds," "project programming" shall refer to the total amount of funds approved by the Board through the CTFP competitive process.

- ~~11.12.~~ The term "Gap Closure" shall refer to the construction of a roadway to its full MPAH build-out for the purpose of connecting two existing ends of that roadway by filling in a missing segment or for completing the terminus of an MPAH roadway. This applies to increased roadway capacity only as it relates to vehicular traffic.
- ~~12.13.~~ The term "implementing agency" is the agency responsible for managing the scope, cost and schedule of the proposed project as defined in the grant application.
- ~~13.14.~~ The term "lead agency" shall refer to the agency responsible for the submission of the grant application.
- ~~14.15.~~ The term "Master Funding Agreements" or any form thereof shall refer to cooperative funding agreements described in Precept 4.
- ~~15.16.~~ The term "match rate", "local match", "local matching funds", or any variation thereof, refers to the match funding that an agency is pledging through the competitive process and disposed of through procedures in Chapter 9.
- ~~16.17.~~ A "micro-purchase" is any purchase that does not exceed \$2,500. For the purposes of proof of payment, only an invoice is required.
- ~~17.18.~~ The term "obligate" or any variation thereof shall refer to the process of encumbering funds.
- ~~18.19.~~ "OCFundtracker" refers to the online grant application and payment system used by OCTA to administer the competitive programs awarded through the CTFP. Refer to <https://ocfundtracker.octa.net/>.
20. "Operations and Maintenance (O&M) Technical Memorandum" refers to the report required at the conclusion of O&M phase. It is a technical report that documents the work completed during O&M.
- ~~19.21.~~ The term "project phase" or any form thereof shall refer to the three distinct project phases (engineering, right-of-way, and construction) OCTA funds through the CTFP. Additionally, the "engineering phase" shall include the preparation of environmental documents, preliminary engineering, and ROW engineering. The "ROW phase" shall include ROW acquisition, utility relocation and adjustment to private property as contained in the ROW agreements, private improvements taken, Temporary Construction Easements (TCE), severance damages, relocation costs that are the legal obligation of the agency, as well as loss of good will, fixtures and equipment including legal cost. The "construction phase" shall include construction and construction engineering. A fourth phase defined as "Operations & Maintenance" applies to select programs and is described more fully in the applicable program chapter.

IV. Acronyms

AADT – Average Annual Daily Traffic

ACE – Arterial Capacity Enhancements

ADA – Americans with Disabilities Act of 1990

ADT – Average Daily Trips

A/E – Architectural/Engineering

APIRI – Applications Programming Interface with Referenced Implementations

ATC – Advanced Transportation Controller

ATMS – Advanced Transportation Management System

BMP – Best Management Practices

B/RVH – Boardings Divided by the Revenue Vehicle Hours

C2C – Center-to-Center Communication

CASQA – California Stormwater Quality Association

CAPPM – Cost Accounting Policies and Procedures Manual

CCI – Construction Cost Index

CCTV – Closed Circuit Television

CDS – Continuous Deflection Separator

CFS – Climate Forecast System

CE – Categorical Exclusion

CEQA – California Environmental Quality Act

CIP – Capital Improvement Plan

CPI – Catchment Prioritization Index

CSPI – Corridor System Performance Index

CTC – California Transportation Commission

CTFP – Comprehensive Transportation Funding Programs

ECAC – Environmental Cleanup Allocation Committee

ECP – Environmental Cleanup Program

EIR – Environmental Impact Report

ENR – Engineering News Record

EVP – Emergency Vehicle Preempt
FAST – Freeway Arterial/Streets Transition
FTA – Federal Transit Administration
FY – Fiscal Year
GIS – Geographic Information System
GSRD – Gross Solid Removal Device
HAWK – High-Intensity Activated Crosswalk Signaling Systems
ICE – Intersection Capacity Enhancements
ICU – Intersection Capacity Utilization
ID – Identification
IRWMP – Integrated Regional Water Management Plan
ITS – Intelligent Transportation System
LFS – Local Fair Share
LID – Low-Impact Development
LOS – Level of Service
M2 – Measure M2
MG/yr – Megagrams per Year
MPAH – Master Plan of Arterial Highways
MUTCD – Manual on Uniform Traffic Control Devices
ND – Negative Declaration
NDS – National Data & Surveying Services
NEPA – National Environmental Policy Act
NTP – Notice to Proceed
O&M – O&M
OCTA – Orange County Transportation Authority
OCTAM – Orange County Transportation Analysis Model
PA/ED – Project Approvals/Environmental Documentation
PCI – Pavement Condition Index
PI – Primary Implementation

PSR – Project Study Report

PS&E – Plan, Specification and Estimate

PUC – Public Utilities Commission

RCP – Regional Capacity Program

RGSP – Regional Grade Separation Program

RTSSP – Regional Traffic Signal Synchronization Program

ROADS – Roadway Operations and Analysis Database System

ROW – ROW

RVH – Revenue Vehicle Hours

SAR – Semi-Annual Review

SBPAT – Structural BMP Prioritization Analysis Tool

SLPP – State-Local Partnership Program

TAC – Technical Advisory Committee

TCE – Temporary Construction Easement

TCIF – Trade Corridors Improvement Funds

TDA – Transportation Development Act

TMC – Traffic Management Center

TOC – Traffic Operations Center

TPC – Total Project Cost

TPI – Transportation Priority Index

TSC – Technical Steering Committee

TSP – Transit Signal Priority

UPS – Uninterruptible Power Supply

UTDF – Universal Traffic Data Format

v/c – Volume/Capacity

VMT – Vehicle Miles Traveled

WFLR – Work Force Labor Rates

WQLRI – Water Quality Load Reduction Index

IV.V. Precepts

The OCTA Board of Directors (Board) approved these guidelines on March 22, 2010. The guidelines subsequently have been amended and approved by the Board as needed. The purpose is to provide procedures that assist in the administration of the CTFP under M2 where other superseding documents lack specificity. OCTA, or an agent acting on the authority's behalf, shall enforce these guidelines.

1. All eligible Orange County cities and the County of Orange may participate in the M2 competitive programs and federal funding programs included in the CTFP. Other agencies (e.g. Department of Transportation or local jurisdiction) may participate on a project, however, one local agency shall be designated as the implementing agency, shall be responsible for all funding requirements associated with the project, and shall be the recipient of funds through the program.
2. To participate in the CTFP, OCTA must declare that an agency is eligible to receive M2 Net Revenues which include LFS distributions. Failure to meet minimum eligibility requirements after programming of funds will result in deferral or cancellation of funding.
3. The lead agency must execute a Master Funding Agreement with the OCTA. OCTA and lead agencies will periodically amend the agreement via letter to reflect funding changes through competitive calls for projects.
4. A separate cooperative funding agreement will be issued for Project V funded projects and any OCTA-led Project P (RTSSP) ~~(Project P) projects funded projects~~.
5. An agency must have a fully executed letter agreement prior to the obligation of funds. Local agencies may be granted pre-award authority for M2 funded projects. Local agencies, at their own risk, may use this pre-award authority to obligate funds for an M2 funded project prior to the programmed year. Expenditures prior to the Board approved programmed year will not be eligible for reimbursement (see Chapter 9).
6. For transit programs not covered by the letter agreement process (e.g. Projects S, V and W), pre-award authority is granted upon Board approval of the funding grant. See Precept 5 above for pre-award authority provisions.
7. Local agencies shall scope projects, prepare estimates, and conduct design in cooperation with and in accordance with the standards and procedures required by the local agencies involved with the project (e.g., Caltrans, County, state/federal resource agencies).
8. Local agencies should select consultants based upon established contract management and applicable public contracting practices, with qualification-based selection for architectural/engineering (A/E) services, and competitive bidding

Intersection Capacity Utilization (ICU) calculations shall use 1,700 vehicles per hour per lane with a .05 clearance interval.

25. OCTA shall consider matching fund credit(s) for an implementing agency's proposed projects current and applicable environmental clearance expenditures. OCTA will review and consider these expenditures on a case-by-case basis at the time of funding approval.
26. An approved CTFP project may be determined ineligible for funding at any time if it is found that M2 funding has replaced all or a portion of funds or commitments that were to be provided by other sources such as: development conditions of approval, development deposits, fee programs, redevelopment programs or other dedicated local funding sources (i.e., assessment districts, community facilities districts, bonds, certificates of participation, etc.). Appeals may be made in accordance with Precept 39.
27. OCTA may fund environmental mitigation, up to 25 percent (25%) of the total eligible project cost by phase, as required for the proposed project contained in the environmental document. Participating environmental mitigation expenditures are eligible for funding under certain programs, but not all.
28. Construction Engineering, Construction Management, Materials Testing, Engineering Support and/or Project Management shall not exceed 15 percent (15%) of the total eligible project cost based upon the engineers' estimate. The cap is applied to the sum of eligible expenses, contract change orders (within the scope of work), equipment and materials (e.g. eligible traffic signal equipment).
29. Contract change orders are only eligible for reimbursement of work due to unforeseen changed conditions within the original scope of work and not exceeding 10 percent (10%) contingency provided in the application cost estimate.
30. OCTA shall evaluate "whole" projects during the initial review process. Subsequent phase application reviews shall not include prior phases in the evaluation unless locally funded and pledged as a match and are subject to OCTA verification. The criteria for ranking project applications is included in these guidelines as part of each program component chapter.
31. Projects that receive competitive CTFP funds shall not use other M2 competitive funds as a local match source. Lead agencies may request project consolidation. The TAC and Board must approve consolidation requests. OCTA shall use the weighted average match rate of the consolidated project's individual segments.
32. OCTA shall conduct a SAR of all active CTFP projects. All agencies shall participate in these sessions through a process established by OCTA. Currently, OCTA administers the SAR through OCFundtracker. OCTA's intent is to ~~shall~~: 1) verify project schedule, 2) confirm project's continued viability, 3) discuss project changes

- to ensure successful and timely implementation, 4) request sufficient information from agencies to administer the CTFP, and 5) address any potential issues with external fund sources committed as match against the competitive funds.
33. For any project experiencing cost increases exceeding 10 percent (10%) of the originally contracted amount, a revised cost estimate must be submitted to OCTA as part of the SAR process. This is applicable even if the increase is within the overall grant amount.
 34. Agencies shall submit payment requests to OCTA in a timely fashion. Agencies may request an initial payment for M2 (generally up to 75 percent (75%) of programmed amount or eligible expenditures, see Chapter 9) once the funds have been encumbered. The final 25 percent (25%) of the available programmed balance will be released upon the submission of an approved final report.
 35. For situations where a grant amount exceeds \$2,000,000, the amount withheld pending the submittal of an approved final report shall be capped at \$500,000 per project phase but shall in no case be less than 10 percent (10%) of the grant or the contract amount, whichever is less. Should the 75 percent/25 percent (75%/25%) payment distribution ratio result in a final payment retention that exceeds \$500,000, the payment percentages will be adjusted to meet the \$500,000 cap until the 10 percent (10%) threshold is reached. At no time will the final payment retention be less than 10 percent (10%).
 36. When a project phase is complete, an agency shall notify OCTA in writing within thirty (30) calendar days of completion. The date of project phase completion will begin the 180-day requirement for the submission of a project final report as required by the M2 Ordinance, Attachment B, Section III.A.9.
 37. An agency shall provide final accounting in an approved final report format (see Chapter 9) within 180 calendar days of project phase completion. The process for untimely final reports is described in Chapter 9. Failure to provide a final accounting shall result in repayment of applicable M2 funds received for the project phase in a manner consistent with the Master Funding Agreement. Projects funded with M2 funding require a project final report within 180 calendar days of project phase completion as part of eligibility compliance. Failure to meet eligibility requirements, including submittal of final reports within 180 calendar days of project phase completion may result in suspension of all net revenues including fair share funds.
 38. The payment distribution ratio referenced in Precept 35 may be modified to a reimbursement process, at the discretion of the Board, in the event that financing, or bonding is required to meet OCTA's cash flow needs.
 39. Agencies may appeal to the TAC on issues that the agency and OCTA staff cannot resolve. An agency may file an appeal by submitting a brief written statement of the

Funding Estimates

Funding will be provided on a pay-as-you go basis. The RCP will make an estimated \$1.1 billion (in 2005 dollars) available during the 30-year M2 program. Programming estimates are developed in conjunction with periodic calls for projects. Funding is shared with intersection, interchange and grade separation improvement categories. No predetermined funding has been set aside or established for street widening.

Programming Approach

Programming decisions are based upon project prioritization ranking, feasibility and readiness. Each round of funding has resulted in a diverse range of activities, cost and competitive score. Funding applications may seek financial assistance for planning, engineering, ROW, construction or a combination of these activities. Effective grant programs include a combination of project development as well as implementation projects. In order to ensure continued distribution of funding opportunities between small and large-scale projects, a tiered funding approach will be used.

~~Typically, OCTA has made approximately \$32 million available for each RCP (Project O) programming cycled during the 2020 Call for Projects.~~ Category 1 projects are limited to those projects requesting \$5 million or less. Category 2 projects are defined as those requesting more than \$5 million in Measure M2 funds.

Tiered Funding Approach: The two-tiered funding (Tier 1 and Tier 2) approach will only be applicable to the RCP. This approach is proposed to prioritize high scoring projects while providing a balanced program with funding availability for small and large projects. The first tier is for projects scoring 50 points or higher, and the second tier is for all projects after first satisfying the Tier I ranking. Within Tier 1, two categories would be established with 60 percent (60%) (Category 1) of the M2 funds available for smaller projects (requesting \$5 million or less), and 40 percent (40%) (Category 2) of the M2 funds available for larger projects (requesting \$5 million or more). This approach is intended to broaden the distribution of M2 funds to higher scoring/lower cost projects and retain the ability to fund larger projects without placing formal funding caps on allocations. Any M2 funds not programmed in Tier I will be designated for Tier 2 allocation. A funding split between small and large projects is not recommended for Tier 2.

Applications may be for any project phase provided it represents a meaningful, logical terminus and is consistent with scoping from a previously funded project if applicable (i.e., if engineering was previously funded, the ROW and/or construction request must be for the same project scope).

	Category 1 (60%)	Category 2 (40%)
Tier I >=50	<ul style="list-style-type: none"> • \$0 - \$5 million • Score at least 50 points • Logical, standalone project • Unallocated balance shifts to Tier II for programming 	<ul style="list-style-type: none"> • \$5+ million request • Score at least 50 points • Logical, standalone project • Unallocated balance shifts to Tier II for programming
Tier II	<ul style="list-style-type: none"> • Balance of unallocated funds from Tier I prioritization • Request can be of any dollar value to compete in Tier II • Multiple segments of the same project cannot be submitted under both categories. 	

2020 Call for Projects

Contingent on OCTA’s Board approval, the 2020 Call for Projects (call) for RCP (Project O) – under M2 is anticipated to provide approximately **\$32 million** for streets and roads improvements across Orange County.

Funding will be provided for the three RCP funding programs: ACE, ICE, and FAST. Chapter 7 details the specific program’s intent, eligible project expenditures, ineligible project expenditures, and additional information that may be needed when applying for funds. Each section should be read thoroughly before applying for funding. Application should be prepared for the program that best fits the proposed project.

For this call, OCTA shall program projects for a three-year period (FY 19/20 – 21/22), based upon the current estimate of available funds. For specifics on the funding policies that apply to this call, refer to the Program Precepts as found in Section IV of these guidelines.

Applications

In order for OCTA to consider a project for funding, applications will be prepared by the lead agency. A separate application package must be completed for each individual project. Multiple variations of the same project (i.e. with different local match rates) will not be considered. If funding is requested under multiple program components for a single project (i.e. arterials and intersections) a separate application must be prepared

for each request. OCTA shall require agencies to submit both online and hardcopy applications for the 2020 call for projects by **5:00 p.m. on ~~Thursday~~Friday, October 24~~18~~, 2019~~8~~**. **Late and/or incomplete submittals will not be accepted.**

Since each funding program has slightly different application requirements, an "Internal Application Checklist Guide" has been provided for the three programs under the RCP (Exhibits 7-1, 7-2, and 7-3). The checklist guide identifies the basic forms and documentation required for each of the program components. In addition, items required at the time of project submittal are differentiated from supplemental items due later. The appropriate **checklist must be provided as a cover sheet for each application submitted**. For any items that are required for the candidate project or program that are missing or incomplete, an explanation should be included in a cover letter with the application. In addition to this checklist guide, please review the **Attachments/Additional Information** section of each program component for a description of supplementary documentation which may be required to support your agency's project application in specific cases.

Additionally, **three (3) unbound hardcopies** of the application and any supporting documentation must be submitted to OCTA by the application deadline.

Hardcopy applications should be mailed to:

OCTA

Attention: ~~Alfonso Hernandez~~Joe Alcock

600 S. Main Street

P.O. Box 14184 Orange, CA 92863-1584

Hardcopy applications can be hand delivered to:

600 S. Main Street

Orange, CA 92868

scored, ranked and submitted to the TSC, TAC and Board for consideration and funding approval.

Local agencies awarded funding will be notified as to which projects have been funded and from what sources after the Board takes action. A tentative call schedule is detailed below:

Board authorization to issue call: August 201~~9~~8

Application submittal deadline: October ~~24~~18, 201~~9~~8

TSC/TAC Review: February/March 20~~20~~19

Committee/Board approval: May 20~~20~~19

Funding

M2 RCP (Project O) funding will be used for this call.

The CTFP Guidelines include a provision that allows applicants to request ROW and/or construction funding prior to completion of the planning phase (including final design) provided that the phase is underway, substantially complete and the agency will complete the activities within six months of the start of the new phase programmed year. A thorough review of eligible activities is not always possible during the call for projects evaluation period. As a result, it is possible that cost elements contained within an application and included in a funding recommendation may ultimately be deemed ineligible for program participation. The applicant is responsible for ensuring projects are implemented according to eligible activities contained within the program guidelines.

If a relocation is eligible to be reimbursed, and to be performed by the utility owner or by the utility owner's contractor, the work should be included in the ROW phase costs and clearly identified in the project application submittal. For eligible relocations to be performed during the construction phase by the local agency's contractor, the work should be included in the plans and specifications similar to other construction activities. Adjustment of existing utilities to grade (e.g. water valves, manhole frames and covers), due to new roadway cross sections are not eligible in the construction phase subject to the limitations previously described. New or relocated fire hydrants are ineligible.

In all cases, eligible costs shall only include "in-kind" relocation. No reimbursements will be made for betterments above the cost of "in-kind" relocation. Additionally, costs submitted for program reimbursement must include any salvage credits received.

Ineligible Expenditures

Items that are not eligible under the ACE Program are:

- Grading outside of the roadway ROW not related to a TCE or ROW agreement.
- Rehabilitation (unless performed as component of capacity enhancement project)
- Reconstruction (unless performed as component of capacity enhancement project)
- Grade Separation Projects
- Enhanced landscaping, ~~and~~ aesthetics and gateway treatments (landscaping that exceeds that necessary for normal erosion control and ornamental hardscape)
- ROW acquisition and construction costs for improvements greater than the typical ROW width for the applicable MPAH Roadway Classification. (See standard MPAH cross sections in Exhibit 7-5) Where full parcel acquisitions are necessary to meet typical ROW requirements for the MPAH classification, any excess parcels shall be disposed of in accordance with the provisions of these guidelines, State statutes as outlined in Article XIX and the California State Controllers Guidelines Relating to Gas Tax Expenditures.
- Utility Betterments
- Construction of new utilities

Operational Attributes (within the roadway): This category is additive. Each category, except Active Transit Routes, must be a new feature added as a part of the proposed project.

- Pedestrian Facilities: Placement of a new sidewalk where **none currently exists** along an entire segment of proposed project.
- Meets MPAH configuration: Improvement of roadway to full MPAH standard for the segment classification.
- Active Transit Route(s): Segments served by fixed route public transit service.
- Bus Turnouts: Construction of bus turnouts.
- Bike Lanes: Installation of new bike lanes
- Median (Raised): Installation of a mid-block raised median where none exists today. Can be provided in conjunction with meeting MPAH standards.
- Remove On-street Parking: Elimination of on-street parking in conjunction with roadway widening project. Can be provided in conjunction with meeting MPAH standards and installation of new bike lanes.
- Sustainability Elements: Includes the use of recycled materials during the roadway construction process (recycled aggregate or rubberized asphalt) or the installation of solar lighting within the roadway cross section. Other elements of sustainability may be considered on a case by case basis. Points are awarded at construction phase only.
- Water Conservation: Includes elements that reduce water consumption, compared to current usage within project limits, such as the replacement of existing landscaping with hardscape and/or "California Native" drought tolerant type landscaping; the replacement of existing sprinklers with drip irrigation systems; the installation of new "grey" or recycled water systems where such does not currently exist.
- Safety Improvements: Project features that increase the safety of pedestrians. These elements can include the new installation of: median barriers, curb extensions, residential traffic diverters, pedestrian crossing islands, pedestrian activated signals, crosswalk enhancements, safety signage, and the addition, modification, or improvement of existing pedestrian signals. Other elements of safety may be considered on a case by case basis.
- Other (Golf cart paths in conformance with California Vehicle Code and which are demonstrated to remove vehicle trips from roadway).

Improvement Characteristics: Select one characteristic which best describes the project:

- Gap Closures: the construction of a roadway to its full MPAH build-out for the purpose of connecting two existing ends of that roadway by filling in a missing

Table 7-2 Street Widening Point Breakdown

ACE SCORING CRITERIA Point Breakdown for Arterial Capacity Enhancement Projects Maximum Points = 100

Facility Usage Points: 30		
Existing ADT Range		Points
45+	thousand	10
40 – 44	thousand	8
35 – 39	thousand	6
30 – 34	thousand	5
25 – 29	thousand	4
20 – 24	thousand	3
15 – 19	thousand	2
10 – 14	thousand	1
<10	thousand	0
Existing ADT Range		Points
31+	thousand	10
26 – 30	thousand	8
22 – 25	thousand	6
18 – 21	thousand	5
14 – 17	thousand	4
11 – 13	thousand	3
08 – 10	thousand	2
04 – 07	thousand	1
<4	thousand	0
Current Project Readiness		Max Points: 10
ROW (All Easement and Titles)		5
Final Design (PS&E)		4
Environmental Approvals		2
Preliminary Design (35%)		2
ROW (All Offers Issued)		2
Points are additive. Design and ROW limited to highest qualifying designation.		
Economic Effectiveness Points: 15		
Cost Benefit (Total \$/ADT)		Points
Range*		Points
< 499		10
50400 – 14974		9
1750 – 499		7
1200 – 1249		5
1250 – 1299		4
2300 – 2349		3
2350 – 3299		2
4300 – 349499		1
350500+		0
Funding Over-Match (local match/project cost) minus minimum local match requirement.		
Range*		Points
25+%		10
20 – 24%		9
15 – 19%		7
10 – 14%		5
05 – 09%		4
00 – 04%		3
*Range refers to % points above agency minimum requirement.		
Facility Importance Points: 20		
Transportation Significance Range		Points
Principal or CMP Route		10
Major		8
Primary		6
Secondary		4
Collector		2
Operational Attributes (within the roadway)		Max Points: 10
Pedestrian Facilities (New)		3
Meets MPAH Configs.		3
Bike Lanes (New)		3
Active Transit Route(s)		2
Bus Turnouts		2
Median (Raised)		2
Remove On-Street Parking		2
Water Conservation Elements		2
Safety Improvements		2
Sustainability		2
Other		2
Benefit Points: 35		
Improve Characteristics		Points
Gap Closure		10
New Facility/Extension		8
Bridge Crossing		8
Adds Capacity		6
Improves Traffic Flow		2
LOS Improvement		Max Points: 25
Existing LOS Starting Point Range (LOS Imp x LOS Starting Pt)		Points
1.01+		5
.96 – 1.00		4
.91 – .95		3
.86 – .90		2
.81 – .85		1
<.81		0
LOS Improvements with Project (exist. Volume)		
Existing LOS Starting Point Range		Points
.20+		5
.16 – .20		4
.10 – .15		3
.05 – .09		2
.01 – .05		1
<.01		0

- Storm drains/catch basins/detention basins/bioswales/other pollutant discharge mitigation devices (details below)
- Aesthetic improvements including landscaping within the project ROW (eligible improvements up to 10 percent (10%) of construction costs, provided costs are reasonable for the transportation benefit)
- Rehabilitation and/or resurfacing of existing pavement when necessitated by proposed improvement (such as change in profile and cross section)
- Improvements to private property if part of a ROW settlement agreement
- Utility relocation where the serving utility has prior rights as evidenced by a recorded legal document
- Roadway grading within the ROW ~~shall~~ not ~~to~~ exceed a depth for normal roadway excavation (e.g. structural section) or as required by TCEs, and/or ROW agreement related improvements. Additional grading (e.g. over excavation for poor soil conditions) will be considered on a case by case basis.
- Auxiliary lanes if necessitated by interchange improvements
- Soundwalls (in conjunction with roadway improvement mitigation measures)

Environmental mitigation will be allowed only as required for the proposed roadway improvement, and only as contained in the environmental document. Program participation in environmental mitigation shall not exceed 25 percent (25%) of the total eligible project costs.

Longitudinal storm drains are eligible for program participation when the storm drain is an incidental part (cost is less than 25 percent (25%) of the total eligible improvement cost) of an eligible improvement. Program participation shall not exceed 10 percent (10%) of the cost of storm drain longitudinal/parallel and main lines. Storm drain inlets, connectors, laterals and cross culverts shall have full participation in FAST improvement category funding. Storm drains outside standard MPAH ROW widths are not eligible, excluding catch basins within reasonable distance and in general proximity to a project intersection (e.g. within ten feet of the curb return). Catch basins and drainage systems extending into adjacent areas (including public streets) shall not be eligible past the first catch basin.

Soundwalls are eligible only if they are required as part of the environmental mitigation for the proposed project and shall not exceed 25 percent (25%) of the total eligible project cost. Aesthetic enhancements and landscaping in excess of minimum environmental mitigation requirements are eligible at up to 10 percent (10%) of the total eligible construction costs, provided costs are reasonable for the transportation benefit.

The relocation of detention basins/bioswales are potentially eligible dependent on prior rights and will be giving consideration on a case by case basis (see utility relocations below).

Roadway grading is eligible for structural sections if within the standard MPAH cross section for the facility (inclusive of any TCEs). OCTA assumes rough roadway grading is complete prior to project start and is considered an ineligible item.

Utility Relocations

The expenses associated with the relocation of utilities are eligible for RCP reimbursement only when:

- The relocation is made necessary due to conflict with proposed improvements.
- The facility to be relocated is within the project right-of-way.
- It has been determined that the local agency is legally liable for either a portion of or all of the relocation costs.

Liability can be determined by property rights, franchise rights/agreements, state and local statutes/ordinances, permits, a finding by the local agency's counsel, or other recorded legal document. Documentation providing proof of the local agency's liability for the costs of utility relocation must be submitted with an initial payment request (see Chapter 9). Utilities funded through enterprise funds shall not be eligible for reimbursement.

If a relocation is eligible to be reimbursed, and to be performed by the utility owner or by the utility owner's contractor, the work should be included in the ROW phase costs and clearly identified in the project application submittal. For eligible relocations to be performed during the construction phase by the local agency's contractor, the work should be included in the plans and specifications similar to other construction activities. Adjustment of existing utilities to grade (e.g. water valves, manhole frames and covers), due to new roadway cross sections are generally eligible in the construction phase.

In all cases, eligible costs shall only include "in-kind" relocation. No reimbursements will be made for betterments above the cost of "in-kind" relocation. Additionally, costs submitted for program reimbursement must be reduced by any salvage credits received.

Ineligible Projects

- Seismic retrofit projects (unless combined with eligible capacity enhancements)
- Enhanced landscaping, ~~and~~ aesthetics and gateway treatments (landscaping that exceeds that necessary for normal erosion control and ornamental hardscape).

Selection Criteria

Specific selection criteria will be used to evaluate competitive program project applications. Emphasis is placed on existing usage, level of services benefits, local match funding and overall facility importance. Technical categories and point values are shown on Tables 7-5 and 7-6. Data sources and methodology are described below.

Objectives

- Synchronize traffic signals across jurisdictions
 - Monitor and regularly improve the synchronization.
 - Synchronize signals on a corridor, intersecting crossing arterial and/–or route basis reflecting existing traffic patterns in contiguous zones or road segments that have common operations.

2020 Call for Projects

Contingent on OCTA's Board approval, The 2020 Call for Projects (call) for RTSSP (Project P)– under M2 is anticipated to will–provide approximately **\$8 million** for signal coordination across Orange County. The following information provides an overview of the 2020 RTSSP Call for Projects:

1. Projects must result in new, optimized, and field-implemented coordination timing.
2. Project may be a single contiguous corridor or set of contiguous corridors related to each other. Multiple corridors, related systems of corridors, and corridors that form a “grid” may be submitted as a single optimized timing project. However, the total number of corridors per project will be limited to three (3) two (2) and the total number of intersections between these corridors are limited to fifty (50).
3. Projects selected will be programmed after July 1 of the programmed year (July 1 – June 30).
4. Project delays resulting in a time extension request will fall within the process outlined in the CTFP Guidelines.
5. Projects are funded for a grant period of three (3) years and are divided into two phases:
 - a. Primary Implementation (PI) – includes the required implementation of optimized signal timing as well as any signal improvements proposed as part of a project. A Project Report is required at the conclusion of this phase to document work completed during the PI phase. This PI Project Report shall be submitted according to the payment process.
 - b. Ongoing O&M – includes the required monitoring and improving optimized signal timing in addition to any optional communications and/or detection support. O&M will begin after the optimized signal timing is implemented and be required for the remainder of the project (typically 2 Years). An O&M Technical Memorandum project final report is required at the conclusion of this phase to document work completed during the O&M phase.
6. Projects shall include a Before and After Study. This study shall collect morning, mid-day, and evening peak periods using travel times, average speeds, green lights to red lights, stops per mile, and the derived corridor system performance index (CSPI) metric. This information shall be collected both before any signal timing changes have been made and after the PI. The study shall compare the information

collected both before and after the timing changes. Comparisons shall identify the absolute and percent differences for the entire corridor, by segment, direction, and time period. Segments will be defined by major traffic movements as observed during the project (e.g. commuting segments between freeways, pedestrian-friendly segments in a downtown area, etc.). The Before and After study shall also include field inventory, count data, modeling data, and Greenhouse Gas calculations. The Before and After Study shall be submitted after the PI phase is completed as part of the PI Project Report.

7. Any corridor or portion of a corridor funded through this call cannot re-apply for funding until the three-year grant period or commitment to operate signal synchronization beyond the three-year grant period is completed, whichever ends later.
8. This chapter identifies the selection criteria for projects, eligible activities, minimum project requirements, data compatibility required as part of any funded project, and other key information.

Additional details of the specific program's intent, eligible project expenditures, ineligible project expenditures, and additional information that may be needed when applying for funds are included in this chapter. Each section should be read thoroughly before applying for funding. Application should be prepared for the program that best fits the proposed project.

For specifics on the funding policies that apply to this call, refer to the Program Precepts as found in Section IV of these guidelines.

Applications

In order for OCTA to consider a project for funding, applications will be prepared by the local agency responsible for the project application. OCTA shall require agencies to submit applications for the call for projects by **5:00 p.m. on Thursday, October 24, 2019**. Late and/or incomplete submittals will not be reviewed or considered. The local agency responsible for the project application must submit the application and any supporting documentation via OCFundtracker as outlined below.

A separate application package must be completed for each individual project and uploaded to OCFundtracker. **Three (3) unbound printed copies and one electronic copy on a ~~CD or~~ USB, thumb drive, memory stick, or via electronic file upload and/or email** of each complete application shall also be mailed or delivered to:

Orange County Transportation Authority
550 South Main Street
P.O. Box 14184
Orange, California 92863-1584
Attn: Alfonso Hernandez

[Email: AHernandez@octa.net](mailto:AHernandez@octa.net)

Application Process

Project grants are determined through a competitive application process administered by OCTA. Agencies seeking funding must complete an online application, a supplemental application, and provide supporting documentation that will be used to evaluate the project proposal as outlined below. Key information to be provided as part of the application process includes:

- Funding needs by phase and fiscal year
- Percent match rate including funds type, source, and description (minimum 20 percent (20%))
- Lead agency ~~Option 1~~ (default – local agency) ~~or Option 2 (OCTA)~~
- Lead and supporting agencies names
- Supporting technical information
- Project development and implementation schedule
- Environmental clearances and other permits
- Any additional information deemed relevant by the applicant
- Complete photographic field review (including cabinet interiors and communication facilities) for all projects that ~~either~~ exceed one million dollars in capital improvements ~~or request OCTA serve as lead agency regardless of capital improvement budget~~. Original photos shall be uploaded to OCFundtracker or included with electronic copy of application.
- ~~Current City Specifications (including specific equipment specifications, inspection requirements, etc.) if OCTA is requested to be the lead agency. Refer to the 2019 Supplemental Application for additional information. This shall be uploaded to OCFundtracker or included with electronic copy of application.~~

A call for projects for the funding cycle will be issued as determined by the Board. Complete project applications must be submitted by the established due dates to be considered eligible for consideration.

An application should be submitted for a single corridor or route corridor project. Multiple corridors that form a “grid” may be submitted as separate or single project(s). However, the total number of corridors per route corridor project will be limited to three (3) and the total number of intersections between these corridors are limited to fifty (50). A single corridor project not proposed as a connected route or grid project may be submitted and is not subject to the 50-intersection limit. The following instructions should be used in developing project applications.

Applications will be reviewed by OCTA for consistency, accuracy, and concurrence. Once applications have been completed in accordance with the Program requirements, the

projects will be scored, ranked, and submitted to the TSC, TAC, and the Board for consideration and funding approval. OCTA reserves the right to evaluate submitted project costs for reasonableness as part of the review and selection process and suggest potential revisions to make the cost more appropriate. Grants will be subject to funding agreements with OCTA.

Other Application Materials

Supporting documentation is required to fully consider each project application. A Supplemental Application Template is required to be completed for each project application. Note: There is a new section for all costs, on a line item basis, in excel format for both project phases. The template is distributed with other application materials at the issuance of the Call for Projects. In addition to the funding plan described above, local agencies will be required to submit the following materials:

Lead Agency: Eligible local agency. ~~Lead agency for the project must be identified: local agency or OCTA.~~

Participating Agencies: All participating agencies must be identified and adopted City Council resolutions or Minute Order actions authorizing the participating agency's support of the project under the lead agency must be included. **If a draft copy of these resolutions of support are provided, the local agency must also provide the date the resolution will be finalized by the participating agency's governing body.** A final copy of the City Council approved resolution must be provided at least four (4) weeks **PRIOR** to the consideration of programming recommendations by OCTA's Board of Directors.

Council Approval: A Council Resolution or Minute Order action authorizing request for funding consideration with a commitment of project local match funding must be provided with the project application from all participating agencies. **If a draft copy of the resolution is provided, the local agency must also provide the date the resolution will be finalized by the local agency's governing body.** A final copy of the City Council approved resolution must be provided at least four (4) weeks **PRIOR** to the consideration of programming recommendations by OCTA's Board of Directors.

Project Support: If proposed project has completed initial planning activities (such as PSR or equivalent, EIR, or design), evidence of approval should be included with the application. Satisfactory evidence includes project approval signature page, engineer-stamped site plan, or other summary information to demonstrate completion or planning phases. The applicant will be asked for detailed information only if necessary to adequately evaluate the project application.

Lead Agency

This Program is administered through a single lead agency: a local eligible city ~~or OCTA.~~

Local Agency Lead: Only the lead agency will receive payments in accordance with the CTFP Guidelines regarding payment for costs related to project for optimized signal timing development, capital improvements, planning, and related design. Payments will be disbursed consistent with Chapter 9. The lead agency is responsible for reimbursing other agencies as part of the effort. Additionally, the lead agency is also responsible for ensuring that all agencies participating in the project provide the local match proposed in the project application.

OCTA Lead: **[NOT AVAILABLE FOR 2020 CALL FOR PROJECTS]** OCTA may, at the request of the involved local agencies, act as the lead agency for RTSSP projects. If the involved local agencies would like OCTA to implement a project on the signal synchronization network, the local agency shall work cooperatively with OCTA to develop the scope of work and cost elements of the project. The lead local agency shall contact OCTA with a **written request at least four weeks prior to deadline for submittal of the project grant application**. Projects nominated for OCTA lead shall be discussed at the Traffic Forum. Applications must include a complete photographic field review (as outlined above) when submitted. The application will be scored using the criteria outlined in the previous sections. Based on local agency interest and OCTA resource availability, a limited number of projects will be developed and implemented by OCTA.

If any projects that are designated as OCTA lead are awarded funding, OCTA will then be responsible for implementation of the project including optimized signal timing development, capital improvements, planning, and related design. OCTA will implement the project based on the cost estimates developed in the application. Project elements may be modified based on final costs with the agreement of all participating agencies. OCTA will be responsible for ensuring that all agencies participating in the project provide the local match as identified in the project application (minimum 20 percent (20%)).

Additionally, for projects designating OCTA as lead agency, a consultant traffic engineering firm may be contracted to provide staff and services to implement the project. Therefore, in-kind match designated as staffing commitment under an OCTA lead agency option shall be limited. The following will be used as a guide for staffing commitment, when the local agency develops the application:

- Primary Implementation (PI) (12 months)
 - Project Administration - Each local agency traffic engineer or equivalent participates in approximately 10-15 hours per month of project administration (meetings, review of reports, minutes, and other administration).
 - Signal Synchronization Timing - Each local agency traffic engineer or equivalent reviews consultant developed draft and final timing plans for intersections within the local agency, approximately 2-4 hours per local agency intersection.

Final programming recommendations will be provided to the TSC and TAC for approval. Recommendations will be presented to the Board, who will approve projects for funding under the CTFP.

OCTA shall distribute copies of the approved program to each participating local jurisdiction with any qualifying conditions stipulated for the jurisdiction's funded project(s). Local agencies awarded funding will be notified as to which projects have been funded and from what sources after the Board takes action. A tentative call schedule is detailed below:

Board authorization to issue call: August 201~~98~~

Application submittal deadline: October ~~24~~18, 201~~98~~

TSC/TAC Review: February/March 20~~20~~19

Committee/Board approval: April 20~~20~~19

Checklist Guide

The "Project P Regional Traffic Signal Synchronization Program Application Checklist" has been provided for the RTSSP (Exhibit 8-1). The checklist identifies the basic documentation required for the program. In addition to items required at the time of project submittal, additional items that are not specified may be requested later. The checklist should be provided as a cover sheet for **each** application submitted. For any items that are required for the candidate project or program that are missing or incomplete, an explanation should be included in a cover letter with the application.

Sample Resolution Form

A resolution or minute action must be approved by the local agency's governing body. A sample resolution is included as Exhibit 8-2. Local agencies, at a minimum, must include items a-h from the sample resolution. The mechanism selected shall serve as a formal request for RTSSP funds and states that matching funds will be provided by the agency, if necessary. All project requests (i.e., multiple corridors proposed for RTSSP funds) must be included in this action.

Project Definition

Local agencies are required to submit complete projects that, at minimum, result in field-implemented coordinated timing. Project tasks that are eligible for funding can consist of design, engineering, construction, and construction management. Partial projects that design improvements, but do not field implement the improvements are ineligible.

Projects must consist of a corridor along the priority corridor network, signal synchronization network, or the MPAH. Projects previously awarded RTSSP funding must

be complete with a final report submitted and approved by OCTA. Projects can be the full length of the corridor or a segment that complies with the project requirements identified later in the chapter. **Communication system improvements that directly benefit signal synchronization along the project corridor limits, but are not physically within the project corridor, are eligible for inclusion in a project.** This includes construction or modifications of an Intelligent Transportation Systems communications link between intersections or to the Agency's Traffic Management Center. This link may be off of the main line but necessary for a Regional Traffic Signal Synchronization Corridor project.

Applicant agency and owning agency must demonstrate through simulation, or actual vehicle counts showing Origin – Destination that proposed linked corridors form a route. Two-Link linked corridors may also combine at the point of intersection to form a single local Master offset Control Point (T₀) for future Zone operations.

Multimodal consideration of bicyclists and pedestrians along or crossing the intersection or roadway may enhance overall circulation. Therefore, active transportation elements may be included as part of the project.

Eligible Activities

The primary purpose of the Program is to provide funding for projects that develop and maintain corridor-based, multi-jurisdictional signal synchronization along corridors throughout Orange County. All projects funded by this Program must be corridor-based and have a signal coordination component that includes the following:

- Signal Coordination
 - Developing and implementing new signal synchronization timing parameters based on current travel patterns, and federal and state traffic signal timing mandates and guidance, including but not limited to the Manual on Uniform Traffic Control Devices (MUTCD)
 - Monitor, maintain (minimum quarterly/maximum monthly) and/or regularly improve the newly implemented signal synchronization timing and parameters for the remainder of the project
 - "Before" and "after" studies for the project comparing travel times, average speeds, ratio of green lights passed to red lights stopped (greens per red), average stops per mile, and emissions of greenhouse gases

In addition to developing optimized signal timing, a project may include other improvements as long as they contribute to the goal of multi-agency signal synchronization of corridors throughout Orange County. These improvements are restricted to the signal synchronization project limits but may include traffic signalized intersections on intersecting corridors where new optimized timing has occurred within the past three years; maximum distance for either direction from crossing arterial

intersection in 2,700 feet. Gap closure communications links that are installed from a central location and/or communications hub to the project corridor are eligible. All improvements must be designed to enhance the specific project. The following are a list of potentially eligible items as part of a signal coordination project:

- New or upgraded vehicle, pedestrian, and bicycle detection
 - Upgrade detection along the signal synchronization corridors to ensure necessary conditions for signal synchronization: inductive loops, video detection, radar, sonar, thermal, hybrids thereof, and other types of detection systems.
- New or upgraded communication systems
 - New contemporary communication system improvements (e.g. Ethernet) including all conduits, pull boxes, fiber optic and/or copper cabling (not to exceed 120 strands), network switches and distribution systems. These systems should be sufficiently sized for the need capacity of the Intelligent Transportation System (ITS) network. Excess capacity is deemed non-participating.
 - Replacement fiber optic or copper cabling for network communication
 - Fiber optic is the preferred medium and includes pull boxes, network switches and distribution systems
 - Software and hardware for system traffic control
 - Control and monitoring interconnect conduit (including upgrades or replacement of existing systems)
 - Gap closure systems of conduit, cable, and associated equipment that are outside of project limits but complete a designated communications link to an existing network for the Advanced Transportation Management System (ATMS) for an agency or agencies.
 - Communications Support
 - Monitor, maintain, and repair signal communication systems and infrastructure along synchronized corridors to ensure necessary conditions for signal synchronization including interconnect and Central Systems and Local Systems communications equipment (two years after PI acceptance)
 - Detection Support
 - Monitor, maintain, and repair all detection systems and infrastructure associated with the PI Phase of a specific project along synchronized corridors to ensure necessary conditions for signal synchronization including local intersection and System Sampling Detection equipment (two years after PI acceptance)
- Intersection/field system modernization and replacement

- Traffic signal controller replacement of antiquated units with Advanced Transportation controller (ATC) units. ATC shall comply with version 6.24 or better of ATC standard 5201 and ATC standard 5401 Applications Programming Interface with Referenced Implementations (APIRI)
- Controller cabinet (assemblies) replacements that can be shown to enhance signal synchronization
- Closed Circuit Television (CCTV (also can perform video detection))
- Intelligent cameras that include analytics, such as automated continuous counts and other metrics. If implemented, these items will require a data sharing agreement with OCTA.
- Uninterruptible Power Supply (UPS) for ATMS and intersection field equipment
 - For ATMS, UPS shall solely provide electrical power for ATMS Server(s), one dedicated workstation (console terminal) and related communications devices
 - Limited cost and scale
 - UPS not intended to provide power to entire TMC
 - Approval of request for UPS is at the sole discretion of the AUTHORITY
- Minor signal operational improvements (new)
 - Emergency Vehicle Preempt (EVP) intersection control equipment only
 - Transit Signal Priority (TSP) intersection control equipment only
 - Channelization (signing, striping, raised pavement markers, in lane flashing guidance or warning marking systems, and legends) improvements required for traffic signal phasing.
 - Traffic signal phasing improvements that will improve traffic flow and system performance including protective permissive left turn phasing and shared pedestrian phasing
 - Improvements to comply with new federal or state standards for traffic signal design as related to signal synchronization including pedestrian, bicycle, and vehicular timing intervals, as well as the MUTCD
- ADA compliant Pedestrian Signals countdown heads including, but not limited to, tactile and audible buttons in countdown signal heads.
- Traffic Management Center (TMC)/Traffic Operations Centers (TOC) and motorist information
 - New TMCs or TOCs (any project funded under this category must be planned or built to be center-to-center communication (C2C) "ready" with nearby agencies and/or OCTA
 - Upgrades to existing TMCs or TOCs (any project funded under this category must be planned or built to be C2C "ready" with nearby agencies and/or OCTA

- Motorist information systems (up to 10 percent (10%) of total project costs)
- Video display equipment, including wall monitors, screens, mounting cabinets, and optical engines (up to 10 percent (10%) of total construction costs for PI phase only)
- Automated Traffic Signal Performance Measures (must be connected to OCTA SPM Dashboard)
- Real-time traffic actuated operations and demonstration projects
 - Adaptive traffic signal systems
- Caltrans encroachment permits and agency to Caltrans Cooperative Agreement fees
 - Includes ~~eligible~~ Caltrans labor, such as capital, and permitting fees and expenses for reviewing signal timing plans, providing signal timing parameters, and providing existing timing sheets, etc. Applicant must specify how to handle Caltrans intersections on project.
- Active Transportation/Pedestrian Safety related elements
 - Installation of new and/or improved traffic control devices to improve the accessibility, mobility and safety of the facility for pedestrians and bicyclists
 - ADA compliant Accessible Pedestrian Push Button Systems
 - ~~High-Intensity Activated~~ crosswalk signaling systems (HAWK)
 - Pedestrian detection modules
 - Bicycle detection modules
 - Rectangular Rapid Flashing Beacon Systems (RRFB) including striping, legends, and signage

In addition, expenditures related to the design of systems, permitting, and environmental clearance are eligible for funding.

Ineligible Expenditures

- Isolated traffic signal improvements
- Traffic hardware (pole, mast arms, lights, electrical, signs, etc.)
- Regular signal operation and maintenance (such as replacement of light bulbs)
- Field display equipment (Traffic signal heads other than pedestrian countdown, or special bicycle, or Transit Vehicle signal heads)
- Feasibility studies
- Relocation of utilities except for electrical service requirements
- Right-of-way
- Rewiring of complete intersection because of age or isolated mitigation

Funding Estimates

The streets and roads component of M2 is to receive 32 percent (32%) of net revenues, 4 percent (4%) of which are allocated for the RTSSP. The RTSSP will make an estimated \$270 million (2009 dollars) available over the course of the 30-year M2 Program. Programming estimates are developed in conjunction with a call for projects cycle corresponding to concurrent funding agreements with all local agencies.

The RTSSP targets over 2,000 intersections across Orange County for coordinated operations. Because of the limited amount of funds available for the RTSSP, project cap of \$75,000 per signal or \$250,000 per project corridor mile included as part of each project (whichever is higher) has been established for this call for projects.

Selection Criteria

Specific selection criteria will be used to evaluate competitive program project applications. Emphasis is placed on furthering the overall goal of multi-jurisdictional, corridor-based signal synchronization.

Vehicle Miles Traveled (VMT): Centerline length of segment(s) on the corridor proposed for synchronization multiplied by the existing average daily traffic (ADT) for the proposed segment(s) length. For instance, for a three-mile segment with one-mile interval ADT data at of 200 vehicles, 300 vehicles, and 400 vehicles, the VMT would be calculated as:

$$200 \text{ vehicles} * 1 \text{ mile} + 300 \text{ vehicles} * 1 \text{ mile} + 400 \text{ vehicles} * 1 \text{ mile} = 900 \text{ vehicle miles.}$$

VMT should be calculated by the smallest segmentation on which the city typically collects ADT data. (maximum: 20 points)

ADT must be based upon actual count information taken within the 36 months preceding the application date. Data from the OCTA Traffic Flow Map may not be used.

Cost Benefit: Total project cost divided by Existing VMT. (maximum: 10 points)

Project Characteristics: Points are awarded based on the type and relevance of the proposed project. For instance, points accumulate if a signal synchronization project is combined with improvements as defined in the "Eligible Activities" section above. (maximum: 10 points)

Transportation Significance: Points are earned based on the corridor being on the signal synchronization network. (maximum: 5 points) (Priority signal network corridors are eligible, but will not be ~~a part of the 2020 Call for Projects. No points will be~~ awarded for being on a Priority Corridor.)

Maintenance of Effort: Points are earned for a commitment to operate the project signal synchronization timing for a defined period of time beyond the three-year grant period. (maximum: 5 points)

Table 8-1 Point Breakdown

RTSSP SCORING CRITERIA Point Breakdown for Regional Traffic Signal Synchronization Program Projects Maximum Points = 100

<p>Vehicle Miles Travelled (VMT) Points: 20</p> <table border="1"> <thead> <tr> <th>VMT Range</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>250+ thousand</td> <td>20</td> </tr> <tr> <td>200 - 249 thousand</td> <td>15</td> </tr> <tr> <td>150 - 199 thousand</td> <td>10</td> </tr> <tr> <td>100 - 149 thousand</td> <td>6</td> </tr> <tr> <td>50 - 99 thousand</td> <td>3</td> </tr> <tr> <td>0 - 49 thousand</td> <td>1</td> </tr> </tbody> </table> <p><u>Calculation:</u> ADT x segment length (Applies only to coordinated segments of project)</p>	VMT Range	Points	250+ thousand	20	200 - 249 thousand	15	150 - 199 thousand	10	100 - 149 thousand	6	50 - 99 thousand	3	0 - 49 thousand	1	<p>Project Scale Points: 10</p> <table border="1"> <thead> <tr> <th>Number of Signals Coordinated by Project Range</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>50+</td> <td>5</td> </tr> <tr> <td>40 - 49</td> <td>4</td> </tr> <tr> <td>30 - 39</td> <td>3</td> </tr> <tr> <td>20 - 29</td> <td>2</td> </tr> <tr> <td>10 - 19</td> <td>1</td> </tr> <tr> <td>< 10</td> <td>0</td> </tr> </tbody> </table> <p style="text-align: center;">AND</p> <table border="1"> <thead> <tr> <th>Percent of Corridor Signals Being Retimed Range</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>90% or above</td> <td>5</td> </tr> <tr> <td>80 - 89%</td> <td>4</td> </tr> <tr> <td>70 - 79%</td> <td>3</td> </tr> <tr> <td>60 - 69%</td> <td>2</td> </tr> <tr> <td>50 - 59%</td> <td>1</td> </tr> <tr> <td>< 50%</td> <td>0</td> </tr> </tbody> </table> <p><u>Calculation:</u> Number of signals in project divided by total signals in full corridor length.</p>	Number of Signals Coordinated by Project Range	Points	50+	5	40 - 49	4	30 - 39	3	20 - 29	2	10 - 19	1	< 10	0	Percent of Corridor Signals Being Retimed Range	Points	90% or above	5	80 - 89%	4	70 - 79%	3	60 - 69%	2	50 - 59%	1	< 50%	0
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Administrative staff time for documentation of in-kind services is ineligible. Staff time charged to a project is limited to the caps as described in these guidelines. Allowable signal system investment would be improvements that are “eligible activities” per the funding guidelines, which can be shown to improve signal synchronization and would not include any prior investments made by the agency.

The specific matching requirement by project category type is listed below for city led projects:

Project category	Type of matching allowed*
Signal coordination	In-kind match** or cash match
New or upgraded detection	In-kind match** or cash match
New or upgraded communications systems	In-kind match** or cash match
Communications and detection support	In-kind match** or cash match
Intersection/field system modernization and replacement	In-kind match** or cash match
Minor signal operational improvements	In-kind match** or cash match
TMC/TOC and motorist information systems	Cash match
Real-time traffic actuated operations and demonstration projects	Cash match
Caltrans fees and expenses (labor and capital)	<u>In-kind match ** or cash match</u>

* Project match beyond 20 percent (20%) is limited to cash match only. Please note, overmatch is subject to the same audit and requirements as in-kind match.

** In-kind match services are subject to audit.

In-kind match must be defined for each local agency as part of the supplemental application. In-kind match must be identified as staffing commitment and/or new signal system investment. The supplemental application template will include a section to input in-kind match type as well as additional data related to the match:

- Staffing commitment
 - Staff position
 - Number of hours

- Hourly (fully burdened) rate
- Total cost
- New signal system investment
 - Cost of any signal system investment
 - Benefit to project

~~Projects submitted as OCTA led require a 20 percent cash match for Primary Implementation activities with a nominal in-kind allowance for local agency oversight.~~ O&M activities will be permitted in-kind match only for local agency oversight functions. Contract activities will require cash match. Local agency contributions identified as cash match in the application cannot be converted into in-kind match.

OCTA staff will review in detail the presented cash and in-kind match by local agency for reasonableness. Additional requirements on in-kind match as part of the upcoming call are provided in this chapter.

Project Cancellation

If a local agency decides to cancel a project, for whatever reason, the agency shall notify OCTA as soon as possible. Projects deemed infeasible shall bring that phase to a logical conclusion, file a final report, and cancel remaining phases so that remaining funds can be reprogrammed without penalty.

Cancelled projects will be eligible for re-application upon resolution of issues that led to original project termination.

If a lead agency decides to cancel a project before completion of the entire project, for whatever reason, the agency shall notify OCTA as soon as possible. It is the responsibility of the project lead agency to repay OCTA for any funds received.

Project Extensions

Local agencies are provided 36 months to expend the funds from the date of encumbrance. Agencies can request timely use of funds extensions through the SAR in accordance with the CTFP guidelines. Local agencies should issue a separate NTP while combining contracts for both the PI and O&M phases. NTP requirement should be identified in the initial contract/agreement to avoid obligation of both phases at the same time. If this procedure is followed by the local agency the NTP date will be considered the date of encumbrance for the O&M phase.

Audits

All M2 payments are subject to audit. Local agencies must follow established accounting requirements and applicable laws regarding the use of public funds. Failure to submit to an audit in a timely manner may result in loss of future funding. Misuse or

Exhibit 8-1

Project P – Regional Traffic Signal Synchronization Program Application Checklist

Project P Application Checklist	Page Included
<p>RTSSP Online Application – submitted through OCFundTracker</p> <ol style="list-style-type: none"> 1. Vehicle Miles Traveled 2. Benefit Cost Ratio 3. Project Characteristics 4. Transportation Significance 5. Maintenance of Effort 6. Project Scale 7. Number of Jurisdictions 8. Current Project Readiness 9. Funding Over-Match 	<p><u>Online</u></p>
<p>Section 1: Key Technical Information</p> <ol style="list-style-type: none"> a. Project Corridor Limitslimits of the corridor to synchronize b. Designation of the corridor to synchronize: priority corridor, signal synchronization network corridor, or master plan of arterial highways corridor c. Project start date and end date, including any commitment to operate signal synchronization beyond the three-year grant period d. Signalized intersections that are part of the project e. Traffic Forum members 	
<p>Section 2: Lead Agency</p>	
<p>Section 3: Resolutions of Support from the Project’s Traffic Forum Members</p>	
<p>Section 4: Preliminary Plans for the Proposed Project</p> <p>The plans shall include details about both phases of the project: <u>Primary Implementation (PI)</u> and <u>Ongoing Operations and Maintenance (O&M)</u>. The plan should be organized using the following setup:</p> <p><u>Primary Implementation</u> shall include details about the following:</p> <ul style="list-style-type: none"> <u>Task 1: Project Administration (required)</u> <u>Task 2: Data Collection (required)</u> <u>Task 3: Field Review and Plans Specifications and Estimates (required)</u> <u>Task 4: Corridor “Before” Study (required)</u> <u>Task 5: Signal Timing Optimization and Implementation (required)</u> <u>Task 6: Corridor “After” Study (required)</u> <u>Task 7: Synchronization System Construction (required)</u> <u>Task 8: Project Report (required)</u> <u>Task 9: On-going Operations and Maintenance (required)</u> <ol style="list-style-type: none"> a. Developing and implementing optimized signal synchronization timing (required) b. Producing a Before and After study for the proposed project (required) c. Proposed signal improvements (optional): <ol style="list-style-type: none"> i. New or upgraded detection ii. New or upgraded communication systems iii. Intersection/field system modernization and replacement iv. Minor signal operation improvements v. Traffic Management centers vi. Real-time traffic actuated operations and demonstration projects <p><u>Ongoing O&M perations and Maintenance</u> will begin after the <u>PIrimary Implementation</u> of the project is completed. It shall include details about the following:</p> <ol style="list-style-type: none"> a. Monitoring and improving optimized signal timing (required) <u>b. Communications and detection support (optional)</u> <u>b.c. O&M Final Memorandum (required)</u> 	

Section 5: Total Proposed Project Cost by Task a. Table I: Summary of Improvements b. Table II: Detailed Improvement Breakdown	
Section 6: Project Schedule for the 3 Year Grant Period by Task for the 3 Year Grant Period	
Section 7: Matching Funds	
Section 8: Environmental Clearances and Other Permits	
Section 9: Calculations Used to Develop Selection Criteria Inputs	
Section 10: Any additional Information Deemed Relevant by the Applicant	
Appendices	



August 8, 2019

To: Transit Committee

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is positioned to the right of the "To:" field.

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 Community-Based Transit Circulators Program
Project V Ridership Report

Overview

Measure M2 establishes a competitive program through Project V to fund community-based local transit circulators, designed to complement regional transit services. A ridership report on 19 active Project V services operating through the second and third quarters of fiscal year 2018-2019 is provided for Board of Director's information.

Recommendation

Receive and file as an information item.

Background

The Community-Based Transit Circulators Program (Project V) is a competitive program under Measure M2 (M2), which provides funding to develop, implement, and operate local transit services. Services eligible under the program include community-based circulators, shuttles, trolleys, and demand-responsive services intended to complement regional transit, while also better suiting local needs in areas not adequately served by regional transit.

M2 Project V services are required to meet (or exceed) minimum performance standards. If services are not meeting, or are trending toward not meeting, minimum performance standards, Orange County Transportation Authority (OCTA) staff will meet with the local agency and recommend adjustments, with an overall goal of attempting to improve ridership (i.e. boardings per revenue vehicle hour [B/RVH]). If a service continues to perform below minimum performance standards, it will be cancelled, consistent with Board of Director (Board)-approved program guidelines. If a service is cancelled, local agencies can still participate in future funding cycles with new service concepts that are anticipated to be more productive.

Project V-funded service performance is evaluated quarterly and is reported to the OCTA Board semi-annually. This reporting period includes ridership information for the first and second quarters of fiscal year 2018-2019 (i.e. October 1, 2018 through March 31, 2019) and reports on 19 active services.

Discussion

Current Project V services include a combination of special event, commuter, fixed-route, and demand-response projects, which meet a variety of community needs. The prior ridership report reflected 18 services in operation. Since that time, the City of Huntington Beach's Seasonal Local Transit Service was discontinued due to low productivity, and two new routes were initiated in February 2019 in the City of Irvine. As such, the current ridership report reflects 19 active services.

All active services must achieve or exceed six B/RVH by the end of year one and ten B/RVH by the end of year two. After year two, ten B/RVH must be maintained (or exceeded) through the remainder of the Project V grant period.

During this reporting period, most services either met or exceeded their respective performance standards. Productivity for special event services averaged 35 B/RVH, commuter services averaged ten B/RVH, fixed-route services averaged eight B/RVH, and the demand-response service averaged nine boardings per hour of service.

Active Project V services are identified below, and complete ridership details and next steps for services that are not meeting performance standards are provided in Attachment A.

Seasonal services – with no service hours reported during this period include the following:

- Dana Point - Pacific Coast Highway and Special Event Trolley,
- Huntington Beach - Holiday and Event Shuttle,
- Laguna Beach - Summer Breeze Bus Service,
- Newport Beach - Balboa Peninsula Seasonal Trolley,
- Newport Beach - Balboa Peninsula Seasonal Trolley Expansion,
- San Clemente - Summer Weekend Trolley and Seasonal Service,
- San Clemente - Summer Weekday Trolley and Seasonal Service Expansion.

Services meeting or exceeding their respective minimum performance standards include the following:

- Dana Point - Summer Trolley and Seasonal Shuttle,
- La Habra - Special Event Service,
- Laguna Beach - Summer Weekend Trolley and Seasonal Service,
- Lake Forest - Commuter Vanpool Service Irvine Station and Ossur,
- Lake Forest - Commuter Shuttle Service Irvine Station and Panasonic,
- San Clemente – Demand-Response Service¹,
- San Juan Capistrano - Special Event and Weekend Summer Trolley.

Services not at their respective minimum performance standard requirement include the following:

- County of Orange - Local Circulator and Special Event Service, Center Service,
- Laguna Beach - Residential Trolley Year-Round and Seasonal Service, and
- Mission Viejo - Local Community Circulator.

The County of Orange started service in June 2017. The service is currently trending just below the required performance target for this reporting period. However, the service has previously met the ten B/RVH performance target. Staff will continue to monitor this service and work with the County of Orange to discuss ideas and concepts to reduce unproductive service hours. However, if these efforts do not work, this service would be subject to cancellation during the next reporting period.

The City of Laguna Beach (Laguna Beach) Residential Trolley Year-Round and Seasonal Service² did not meet the minimum performance target in the timeframe required, and M2-funded Project V support for this service is scheduled to be cancelled, effective September 30, 2019. Laguna Beach is currently considering applying for an alternative service model, which could potentially be included in a future Project V call. Moving forward, staff will work with Laguna Beach throughout the summer to bring the current service to an appropriate conclusion, as well as keeping Laguna Beach apprised of future Project V call opportunities.

¹ The City of San Clemente's minimum performance standard was modified in early 2019 in order to better reflect the dynamics of this unique program. As such, its performance standard is reported as boardings per hour of service (no minimum), so long as the cost per boarding remains under OCTA's specified \$9.00 per boarding.

² This service's performance difficulties were reported to the Board in the last two M2 Community-Based Transit Circulators Program Project V ridership reports, which were presented in July 2018 and April 2019.

The City of Mission Viejo's (Mission Viejo) service began in October 2016 and is currently reporting eight B/RVH, which is below the ten B/RVH performance threshold required for year two (and the subsequent remaining years) of the grant period. However, on May 13, 2019, the Board, in recognition of several complex issues and challenges confronting this service, authorized a policy exception to the minimum performance standard in order to give Mission Viejo an additional year to modify the service and meet performance targets. OCTA staff is working with Mission Viejo to implement these changes when school resumes on August 20, 2019. If by the end of June 2020, Mission Viejo has not achieved ten B/RVH, the service will be cancelled.

Services in Start-Up Period:

- Irvine - Irvine iShuttle Route E - Irvine Metrolink Station Service,
- Irvine - Irvine iShuttle Route F - Tustin Metrolink Station/Irvine Business Complex.

The City of Irvine's (Irvine) two new iShuttle routes were launched in February 2019 and are still in the start-up period. Irvine has through January 2020 to meet the first-year service requirement of six B/RVH. Ridership is expected to increase over time.

OCTA staff will continue to closely monitor services that are below minimum performance standards and will meet with local agency staff on ideas and concepts to improve service productivity and ridership, when appropriate. Staff will also continue to provide twice yearly updates to the Board on overall Project V status and performance.

Summary

A status report on Project V services is provided for information purposes. Staff will continue to work with local agencies and monitor these services. The next M2 Community-Based Transit Circulators Program Project V Ridership Report is scheduled for January 2020.

Attachment

- A. Project V Services – Ridership Report

Prepared by:



Joseph Alcock
Section Manager, Local Programs
(714) 560-5372

Approved by:



Kia Mortazavi
Executive Director, Planning
(714) 560-5741

Project V Services - Ridership Report

Reporting Period: Q2 and Q3 of FY 2018-19

Agency	Service Description	Measure M2 Project V Funds	Service Type	Service Start Month/Year	Boardings Per Revenue Vehicle Hour (B/RVH) ¹	Notes
County of Orange	Local Circulator and Special Event Service	\$ 2,041,547	Local Circulator and Special Event	June 2017	9	Staff will continue to monitor service and work with the County of Orange to discuss ideas and concepts to improve productivity.
Dana Point	Summer Trolley and Seasonal Shuttle	\$ 2,456,511	Seasonal Service	June 2015	46	
Dana Point	Pacific Coast Highway and Special Event Trolley	\$ 905,968	Seasonal Service	June 2017	N/A ²	
Huntington Beach	Holiday and Event Shuttle	\$ 93,287	Special Event	July 2015	N/A	
Irvine	Irvine iShuttle Route E - Irvine Station - East	\$ 2,705,984	Commuter Service	February 2019	2	Service recently launched and productivity is expected to increase throughout year one.
Irvine	Irvine iShuttle Route F - Tustin Station - Irvine Business Complex	\$ 2,712,258	Commuter Service	February 2019	4	Service recently launched and productivity is expected to increase throughout year one.
La Habra	Special Event Service	\$ 96,810	Special Event	November 2016	29	
Laguna Beach	Summer Weekend Trolley and Seasonal Service	\$ 3,559,860	Special Event	March 2015	19	
Laguna Beach	Residential Trolley Service Year-Round and Seasonal Service	\$ 1,967,400	Year-Round and Seasonal Service	July 2017	4	60-day discontinuation of service notice has been issued. Staff will work with Laguna Beach on the cancellation of service during this transition period.
Laguna Beach	Summer Breeze Bus Service	\$ 634,357	Seasonal Service	July 2018	N/A	-
Lake Forest	Commuter Vanpool Service Irvine Station and Ossur	\$ 148,855	Commuter Service	July 2015	23	
Lake Forest	Commuter Shuttle Service Irvine Station and Panasonic	\$ 1,226,862	Commuter Service	June 2017	11	
Mission Viejo	Local Community Circulator	\$ 3,332,879	Local Circulator	October 2016	8	The Board of Directors authorized an one year extension to June 2020 to allow Mission Viejo time to achieve the Project V minimum performance standard of ten B/RVH, subject to Mission Viejo taking over administration of the service.
Newport Beach	Balboa Peninsula Seasonal Trolley	\$ 685,454	Seasonal Service	June 2017	N/A	
Newport Beach	Balboa Peninsula Seasonal Trolley Expansion	\$ 278,400	Seasonal Service	July 2018	N/A	-
San Clemente	Summer Weekend Trolley and Seasonal Service	\$ 1,181,393	Seasonal and Special Event	May 2017	N/A	
San Clemente	Summer Weekday Trolley and Seasonal Service Expansion	\$ 1,537,200	Seasonal and Special Event	July 2018	N/A	-
San Juan Capistrano	Special Event and Weekend Summer Trolley Service	\$ 958,642	Seasonal and Special Event	July 2018	48	-

Agency	Service Description	Measure M2 Project V Funds	Service Type	Service Start Month/Year	Boardings Per Hour of Service (B/HOS) ¹	Next Steps
San Clemente	On-Demand	\$ 914,400	On-Demand Service	October 2016	9	-

1. Rounded to the next whole number.

2. N/A - No service hours during reporting period (seasonal services).

ACRONYMS

Q2 - Quarter 3 (October-December)

Q3 - Quarter 3 (January - March)

FY - Fiscal year

Minimum Performance Standards for B/RVH

- Six passenger B/RVH by end of year one (12 months from the first day of operating the service).
- Maintain six B/RVH and meet or exceed ten B/RVH by end of year two.
- Ten B/RVH must then be maintained every year thereafter.

Minimum Performance Standards for B/HOS

- Staff will continue to monitor and measure service performance and assess appropriate next steps for this program which will include evaluation of all project related efforts and existing policies in order to determine how best to support and administer this emerging transit delivery model.

NOTE: Services below the minimum performance standard are shaded



August 8, 2019

To: Transit Committee

From: Darrell E. Johnson, Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is positioned to the right of the "From:" line.

Subject: Local Agencies' Interest in Project V Call for Projects

Overview

Measure M2 establishes a competitive program through Project V to fund community-based transit services that complement regional transit services. Earlier this year, the Orange County Transportation Authority Transit Committee directed staff to determine local agencies' level of interest in applying for a fourth Project V call for projects. This report provides findings and recommendations emerging from these efforts.

Recommendation

Direct staff to return by fall 2019 with revised Comprehensive Transportation Funding Programs Guidelines to support a fourth Project V call for projects.

Background

Project V is a competitive program under Measure M2 (M2), which provides funding to develop and implement local transit services. Services currently eligible for this program include community-based transportation services that complement regional bus and rail services and also better suit local needs in areas not adequately served by regional transit. This competitive program provides funding for both capital and operations. Since its inception, the Orange County Transportation Authority (OCTA) Board of Directors (Board) has approved 28 projects and programmed \$41.7 million in Project V funds to support these services, which have primarily consisted of year-round or seasonal/special event trolleys and shuttles, and a demand-responsive service.

Consistent with current Project V Guidelines and program requirements, all Project V-funded services must achieve and maintain a minimum performance standard. Also, the M2 Project V subsidy must not exceed \$9.00 per boarding.

Reports on ridership and performance of all active Project V services are provided twice yearly to the OCTA Board, and general observations from these reports have included the following points:

- Seasonal and special event services appear to be the most successful component of the program, especially in situations where there is limited parking supply to service a major destination and/or event. On average, these services have substantially higher ridership than the other eligible service types;
- Fixed-route services have tended to struggle in achieving the program's minimum performance standards and have been more frequently subject to route/schedule modifications and cancellations.

Based upon these observations, as well as input that Transit Committee (Committee) members received from some local agencies expressing interest in a fourth Project V call for projects (call), the Committee, earlier this year, directed staff to poll all Orange County local agencies to determine the overall county-wide level of interest in a fourth call. This outreach process is now complete, and a summary of findings is provided below for the Board's review and consideration.

Discussion

In total, OCTA received letters from ten eligible local agencies expressing their respective interest in applying for a fourth call (Attachment A). These local agencies include Anaheim, Dana Point, Fullerton, Huntington Beach, La Habra, Laguna Beach, Laguna Niguel, Newport Beach, Orange, and San Clemente. It should be noted that Anaheim, Laguna Beach, and Newport Beach all expressed interest in applying for two different service types (i.e., two different Project V grants per agency, for 13 different expressions of project interest).

The majority of local agencies expressed interest in either providing new and/or expanding existing successful seasonal and special event services. Two agencies are considering/proposing new fixed-route services, one city is proposing to extend its existing fixed-route service, and one city is requesting planning/feasibility study funds to establish a fixed-route concept plan. In addition, three local agencies are proposing demand-responsive micro-transit service types.

Based upon this input, staff conducted a financial analysis of M2 Project V funds to determine if there is available financial capacity to support a fourth Project V call at this time. That analysis, which evaluated outstanding Project V liabilities, cancellations, and project savings, suggests that up to \$9 million, which could support projects over seven years, could potentially be available to support a fourth Project V call.

Therefore, considering the strong level of interest expressed by local agencies and the availability of M2 Project V funds, staff believes that a fourth Project V call can be accommodated, and is, therefore, seeking direction from the Board to initiate development efforts to support a fourth call. These efforts will include refining assessments of potentially available Project V funds and also developing Comprehensive Transportation Funding Programs Guidelines (Guidelines) changes for Project V, as appropriate.

Staff anticipates that if this recommendation is approved, the changes to the Guidelines will be developed over the next several months in collaboration with interested local agencies and will primarily focus upon tailoring program requirements to ensure successful delivery of new Project V services, based upon lessons learned from previous calls. The changes will likely be focused upon the following key concepts:

- Clarifying that OCTA does not have the resources during this call to be a service provider to local agencies;
- Focusing on encouragement of agency-led seasonal and special event services;
- Discussing suitability, viability, and performance parameters for demand-responsive services based on OCTA's experience to date with OC Flex;
- Allowing for planning/feasibility study allocations to keep the program fresh and evolving;
- Assessing long-term ability to accept and expand the program given funding limitations and desire to continue successful projects.

Once this review and update process is complete, staff will return to the Board with recommendations for revised Guidelines and also seek authorization to initiate a fourth call.

Summary

The Committee directed staff to reach out to all Orange County local agencies in order to determine county-wide level of interest in a fourth call. This outreach process is now complete and ten eligible local agencies (with 13 Project V concept requests) have been received. Staff has concluded that there is sufficient demand to justify a fourth Project V call. If the Board approves the recommendation specified above, staff will initiate development efforts to support a fourth call.

Attachment

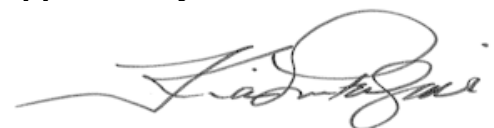
- A. Project V Letters of Interest Overview

Prepared by:



Alfonso Hernandez
Senior Transportation Funding Analyst
(714) 560-5363

Approved by:



Kia Mortazavi
Executive Director, Planning
(714) 560-5741

Project V Letters of Interest Overview

Local Agency	Project Title	Type
Anaheim	Extend existing commuter service from: <ul style="list-style-type: none"> • Anaheim Canyon Metrolink Station to Center City (CtrCity) and Anaheim Resort. 	Year-Round
Anaheim	Provide new on-demand services: <ul style="list-style-type: none"> • Extend existing Free Rides Around the Neighborhood (FRAN) Program in CtrCity; and • Provide FRAN-like service to West Anaheim residents during special events within the Disneyland Resort area. 	To Be Determined (TBD)
Dana Point	Extend and modify existing Dana Point Trolley Program to provide two separate north and south routes.	Seasonal
Fullerton	Provide fixed-route shuttle service to: <ul style="list-style-type: none"> • St. Jude Hospital and medical centers; • California State University, Fullerton and Fullerton College; • North Orange County Courthouse; • OC Records Office; • Fullerton Transportation Center; and • Fullerton Community & Senior Center, Public Library, and Farmers Market. 	TBD
Huntington Beach	Extend existing special event services for: <ul style="list-style-type: none"> • The U.S. Open of Surfing; and • The Great Pacific Air Show. 	Seasonal
La Habra	Add event(s) to existing special event services to include: <ul style="list-style-type: none"> • La Habra High School fall football season. 	Seasonal
Laguna Beach	Extend existing coastal weekend service.	Year-Round


Project V Letters of Interest Overview

Local Agency	Project Title	Type
Laguna Beach	Provide new on-demand service <ul style="list-style-type: none"> • To serve multiple riders in the City’s residential areas with accessible vehicles. 	TBD
Laguna Niguel	Provide fixed-route shuttle service expansion from: <ul style="list-style-type: none"> • Anticipated Beach route to the Laguna Niguel/ Mission Viejo Metrolink Station. 	Seasonal
Newport Beach	Provide additional fixed-route shuttle service from: <ul style="list-style-type: none"> • Leased or municipal satellite parking lot(s) to a designated drop off location just off the island. 	Seasonal
Newport Beach	Provide new on-demand services: <ul style="list-style-type: none"> • To serve multiple riders in the City’s shopping/visitor areas; such as Fashion Island, Corona del Mar, and Balboa Island. 	TBD
Orange	Feasibility study to establish fixed-route conceptual plan to service the City’s major destinations including: <ul style="list-style-type: none"> • St. Joseph/Children’s Hospital Orange County/ University California, Irvine Hospitals; • Orange County Transportation Authority; • Old Towne Orange; • Chapman University; and • The Orange Transportation Center. 	TBD
San Clemente	Extend existing fixed-route shuttle service: <ul style="list-style-type: none"> • To provide a new southern route. 	Seasonal



COMMITTEE TRANSMITTAL

July 22, 2019

To: Members of the Board of Directors
From:  Laurena Weinert, Clerk of the Board
Subject: OC Streetcar Project Quarterly Update

Transit Committee Meeting of July 11, 2019

Present: Directors Davies, Do, Jones, Pulido, Shaw, and Winterbottom
Absent: Director Moreno

Committee Vote


Following the discussion, no action was taken on this receive and file information item.

Staff Recommendation

Receive and file as an information item.



July 11, 2019

To: Transit Committee 
From: Darrell E. Johnson, Chief Executive Officer
Subject: OC Streetcar Project Quarterly Update

Overview

The Orange County Transportation Authority is currently implementing the OC Streetcar project. Project updates are provided to the Board of Directors on a quarterly basis. This report provides a project update for the fourth quarter of fiscal year 2018-19 (April-June).

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (OCTA), in cooperation with the cities of Santa Ana and Garden Grove, is implementing a modern streetcar running between the Santa Ana Regional Transportation Center in the City of Santa Ana and the Harbor Boulevard/Westminster Boulevard intersection in the City of Garden Grove. The OC Streetcar project (Project) will improve transit connectivity and accessibility, increase transit options, relieve congestion, and provide benefits to the community and traveling public. The Project is being implemented as part of Measure M2 Project S – Transit Extensions to Metrolink, approved by Orange County voters in November 2006.

Construction of the 4.15-route-mile (8.3-track-mile) OC Streetcar line involves complex and specialized work, including the installation of embedded track in streets, overhead catenary system to supply power to the vehicles, stops with canopies, bridges, and a maintenance and storage facility (MSF).

The Project includes ten streetcar stops in each direction (four shared center platforms and six side platforms in each direction, for a total of 16 platforms). Each stop includes a canopy, benches, leaning rails, trash cans, lighting, changeable message signs, video cameras, a public address system, and ticket vending

machines which will be procured separately. Platforms will be 14 inches high to enable level boarding. Also included are the installations of new traffic signals and transit signal priority at intersections.

The MSF can accommodate up to 15 modern streetcar vehicles and includes Project administration, operations, vehicle maintenance, parts storage, and maintenance-of-way. Secured exterior vehicle storage, including a wye-track for turning vehicles end-for-end, a free-standing vehicle wash, employee parking, and fire department/delivery access will also be included.

On March 26, 2018, the OCTA Board of Directors (Board) awarded a contract to Siemens Mobility, Inc. (Siemens) for the manufacture and delivery of eight modern streetcar vehicles, spare parts, and special tools. On September 24, 2018, the OCTA Board awarded the Project construction contract to Walsh Construction Company II, LLC (Walsh). On November 30, 2018, the Federal Transit Administration (FTA) executed the Full Funding Grant Agreement (FFGA), which was a significant milestone as it secured \$149 million in federal New Starts discretionary funding for the Project. In February 2019, the FFGA was awarded through the FTA Transit Award Management System, which was the final step necessary to begin the drawdown of federal funding. As of the reporting quarter, \$9.89 million dollars has been drawn down on the FFGA.

Discussion

The following is a status of ongoing OC Streetcar activities.

Right-of-Way Acquisition

Possession of all property rights required to construct the Project was completed on March 4, 2019.

Utility Relocation

There are numerous overhead and underground utilities that require relocation to accommodate the Project. Wet utilities (sewer, water, and storm drains) are being relocated by Walsh as part of the construction contract. There are eight private utility companies with relocations underway. Final relocation of the private utilities is expected to be completed by September 2019, with the exception of final AT&T relocations which will take place after the sewer work is complete. OCTA closely coordinates with the utility companies to monitor progress and minimize conflicts with the construction contractor.

Permits

The remaining permits needed from Army Corps of Engineers and the Orange County Flood Control District (OCFCD) for the construction of the Project bridge across the Santa Ana River were obtained in April 2019.

Construction Activities

The Notice to Proceed with Construction was issued to Walsh on March 4, 2019. Construction activities have commenced on the western half of the alignment, with the focus on preparations for construction of the Santa Ana River and Westminster Avenue bridges, the MSF, storm drain relocations, and sewer and water systems within the City of Santa Ana streets.

Work is currently focused on installing foundations for the new 350-foot long bridge across the Santa Ana River. Completion of foundations, bridge piers, and abutments (the approaches at either side of the river) is anticipated by October 1, 2019, to comply with requirements to be out of the river channel before the beginning of the next rainy season. Once the foundation work is complete for the Santa Ana River Bridge, crews will complete similar work for the bridge over Westminster Avenue. Drainage systems are also being installed in preparation for the installation of ballasted track in the Pacific Electric Right-of-Way (PE ROW).

Construction of the MSF is critical to the Project schedule as the MSF is needed to accept delivery and conduct final assembly and acceptance testing for the eight vehicles being manufactured by Siemens in Sacramento. The foundations and other items left behind by the former property owner have been removed. Under separate report, staff is seeking Board approval for a construction change order for the removal and disposal of contaminated materials at the MSF property. Grading for the building foundation was completed, and Walsh is currently working on installing utility duct work for the plumbing, drainage, and electrical systems.

Sewer relocations are progressing on Santa Ana Boulevard from Raitt to Bristol Streets, and preparations are being made for sewer rehabilitation work on 4th Street. Water line and storm drain relocations for all of the street-running portions of the Project are also underway. All of the utility relocation work is necessary before track installation can begin towards the end of this year.

Vehicle Manufacturing and Delivery

Preliminary design review is near completion and will transition into final design review beginning in July 2019. Major elements of the vehicle, representing over

34 technical submittals, including the carbody, doors, cab layout, exterior/interior design, propulsion, auxiliary power, energy absorbing bumpers, and related manuals have been evaluated with Siemens consistent with the technical specifications. During final design review, comments and revisions will be incorporated into a final design review package for OCTA's final review and approval prior to the start of production. The production of the first car shell is anticipated to be complete in December 2019.

Coordination continued between OCTA, Siemens, and Walsh in the development of the Wheel to Rail Interface Plan that details the integration of the vehicle with the infrastructure, including the tracks, platforms, MSF, and wayside equipment and systems. Under separate report, staff is seeking Board approval for integration and engineering services of OCTA's Intelligent Transportation Management System (ITMS) with the streetcar vehicles.

Other key Project updates include:

- Responded to questions on the operations and maintenance (O&M) request for proposals. Proposals are due July 24, 2019.
- Ongoing coordination with FTA, the City of Santa Ana, City of Garden Grove, Orange County Fire Authority, OCFCD, and OC Parks.

Public Outreach

Outreach activities continue to focus on keeping the community and project stakeholders aware of ongoing construction activities along the alignment with emails and social media updates. The Stakeholder Working Group (SWG) reconvened, and two community open house meetings were held in June 2019. Outreach staff also participated in several existing community events.

The biweekly Construction News email looks ahead to general activities along the alignment, as well as segment-by-segment details. In addition to the email to the project database, individual notifications are provided with a door hanger describing the activity in more detail in multiple languages. The emails are available on the project website, and social media channels are used to broaden its availability and awareness.

On June 19, 2019, the SWG met and staff provided updates on the construction activities, vehicle manufacturing, upcoming procurement for O&M services, and the material developed for the community open houses. A broad cross section of stakeholders participated, including community neighborhood and business association representatives, the City of Santa Ana and Santa Ana Unified School district staff members, and others. This is a very engaged group which assists

OCTA by sharing information through its communication channels and providing feedback on our activities in the community.

Two community open houses were held in June 2019. The first one was at the Santa Ana Corporate Yard facility on Saturday, June 22, 2019. The second was at the Santa Ana Senior Center on the evening of Monday, June 24, 2019. The meeting notification invited the recipients to the open houses and included an overview of the construction sequencing information. The notice was distributed to all properties within 500 feet of the alignment. At the meeting, 30 exhibit boards presented project background and benefits information, renderings of bridges and stop locations, as well as a new section explaining the sequence of construction and start-up activities. Videos highlighting a flyover of the alignment, a streetcar arriving at a station stop, and a frameup of the MSF were available to view.

Cost and Contingency

The Project cost, as included in the FFGA, remains at \$407.7 million. This includes \$37.96 million in contingency. To date, \$513,633 in contingency has been expended for construction change orders. The contingency amount will be updated with the construction change order pending execution (estimated at \$160,000), additional construction change orders anticipated (estimated at \$225,000), as well as the execution of the award of the ITMS Agreement (with a not-to-exceed value of \$2,719,650) pending Board approval.

Next Steps

Construction activities in the next quarter are scheduled to include: on-site utilities for the MSF and building foundations; completing the foundations, piers, and abutments for the Santa Ana River Bridge; foundations for the Westminster Avenue Bridge; preparation for ballasted track installation in the PE ROW; and completion of in-street utilities and the start of in-street embedded tracks. Next steps for vehicles include finalizing the design review and beginning production of the car shell. Upcoming outreach activities include coordination with the construction team and the City of Santa Ana regarding the sewer replacement along 4th Street and water line replacement in several segments.

Additionally, staff will be returning with an item to the Board that will update the programming of funds within OCTA's Capital Funding Plan to ensure consistency with prior Board approvals on the Project.

Summary

The fiscal year 2018-19 fourth quarter update on the OC Streetcar project is provided for the Orange County Transportation Authority Board of Directors' review.

Attachment

None.

Prepared by:



Mary Shavali
Program Manager
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Approved by:



James G. Beil, P.E.
Executive Director, Capital Programs
(714) 560-5646



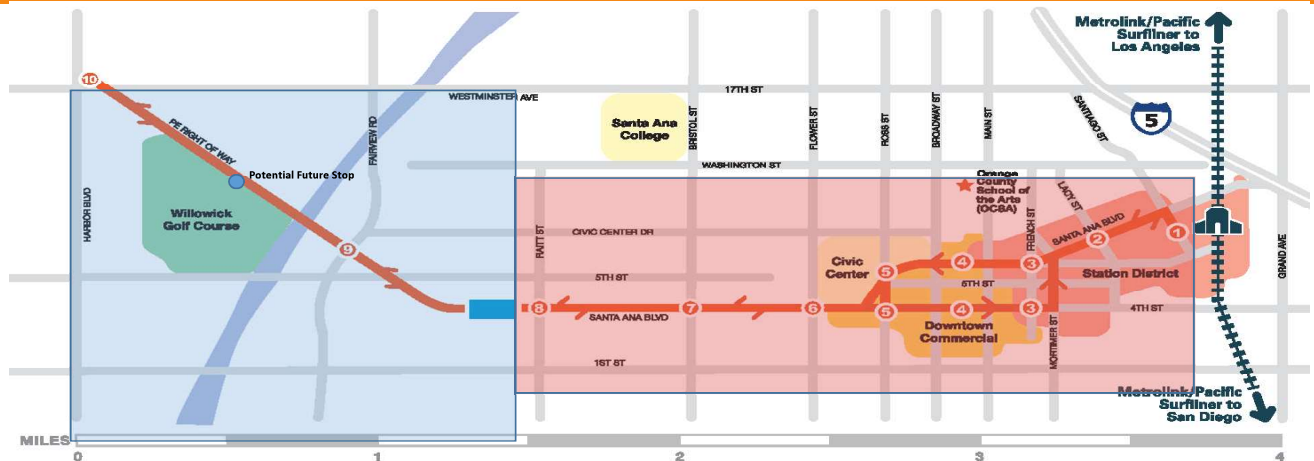
OC Streetcar Project Update

Background

- Measure M2 Project S – Transit Extensions to Metrolink approved by the Orange County voters in November 2006
- Key Project implementation dates:

Key Milestone	Date	Contract Execution Amount (in Millions)
Vehicle Contract Award	March 2018	\$51.52
Construction Contract Award	September 2018	\$220.53
Full Funding Grant Agreement Executed	November 2018	\$148.96

OC Streetcar Features



Pacific Electric Right-of-Way (ROW)

- Dedicated ROW owned by the Orange County Transportation Authority (OCTA)
- Double-Track, Ties, and Ballast
- Two Bridges-Westminster and Santa Ana River
- Two Gated Crossings-Fairview and 5th Street
- Maintenance facility for eight cars west of Raitt Street
- Center Platforms
- Two-Wire Overhead Catenary System (OCS)

STREET RUNNING

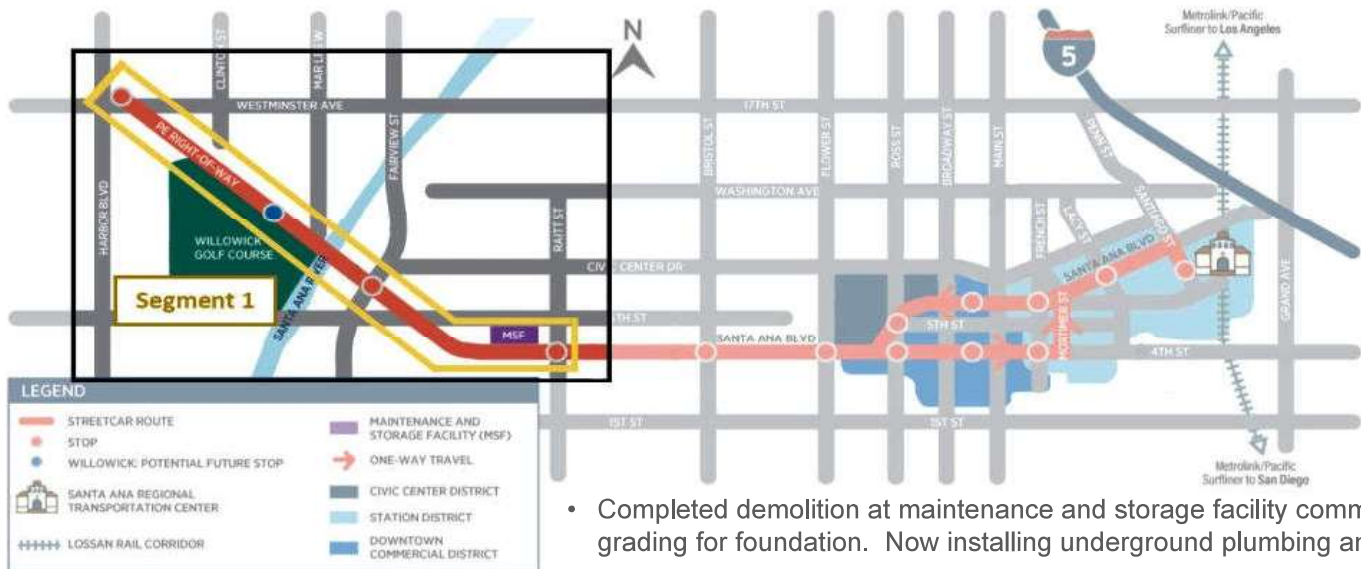
- Traffic Signal Priority
- One-way couplet downtown
 - 4th Street Eastbound, Santa Ana Boulevard Westbound
- Embedded Track (Block Rail)
- Side Platforms (except Santa Ana Regional Transportation Center)
- Protected bike lane on Santa Ana Boulevard
- One-Wire OCS with underground feeder

Utilities

- Wet utilities are being relocated by the streetcar construction contractor: water, sewer, and storm drain
- Eight private utilities are in the process of being relocated
- Final utility relocation work for the private utilities is expected to be complete by September 2019, with exception of final AT&T relocation after sewer lines are complete



Construction—Segment 1



- Completed demolition at maintenance and storage facility commercial site and grading for foundation. Now installing underground plumbing and electrical
- Installing foundations for the Santa Ana River Bridge
- Once complete, the crew will move to the Westminster Avenue Bridge
- Installing drainage improvements
- Grading in preparation for ballasted trackwork installation

Santa Ana River Bridge



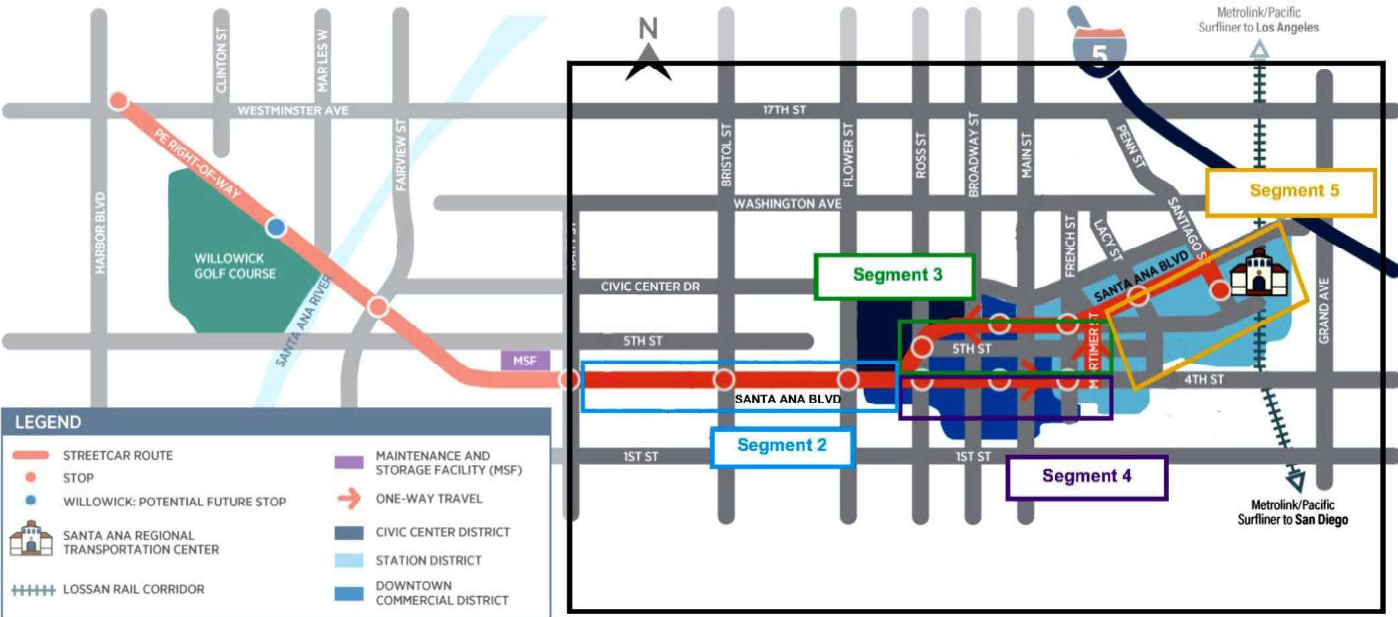
Photo taken 6/26/19 looking southwest

Maintenance and Storage Facility



Photo taken 6/26/19 looking northeast

Construction—Segments 2 through 5



- Installing sewer lines, waterlines, and storm drains—in preparation for track installation late this year

Vehicles

- Production of the first car shell is anticipated to be complete in December 2019.
- Coordination continues between OCTA, Siemens, and Walsh in the development of the Wheel to Rail Interface Plan that details the integration of the vehicle with the project infrastructure and track tolerance.
- Procurement of integration and engineering services of OCTA's Intelligent Transportation Management System with the streetcar vehicles.



Other key OC Streetcar updates

- Responded to questions on the Operations and Maintenance (O&M) Request for Proposals. Proposals due July 24, 2019.
- Award of O&M contract is anticipated for first quarter 2020.
- Ongoing coordination with the Federal Transit Administration, City of Santa Ana, City of Garden Grove, Orange County Fire Authority, OCFCD, and OC Parks.



Outreach

- **Biweekly Construction News emails**
 - Segment by Segment details of construction activities
 - Distributed 2,000+ recipients
- **Stakeholder Working Group**
 - Representatives from Neighborhood Associations, the City of Santa Ana, Santa Ana Unified School District, and Santa Ana Business Association
 - Provided updates on construction activities, vehicle manufacturing, operations & maintenance and construction sequencing
- **Two Community Open Houses**
 - Distributed 3,000+ invitations with construction sequencing information
 - 30 Attendees with positive feedback
- **Community Events**
 - Garden Grove High School (130 contacts)
 - Communication Linkage Awards Banquet (300 + attendees)
- **Targeted outreach to affected businesses and residents**



*Information
Items*



COMMITTEE TRANSMITTAL

June 24, 2019

To: Members of the Board of Directors
From: Laurena Weinert, Clerk of the Board
Subject: Annual Update to Investment Policy

Finance and Administration Committee Meeting June 12, 2019

Present: Directors Do, Hennessey, Jones, R. Murphy, and Steel
Absent: Directors Hernandez and Wagner

Committee Vote

This item was passed by the Members present.

Committee Recommendations

- A. Adopt the 2019 Investment Policy dated June 10, 2019.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2019-20.

Committee Discussion

At the June 12, 2019 Finance and Administration Committee (Committee) meeting, the Committee approved staff's recommendations with the following changes:

- Lower the Repurchase Agreements maximum percentage of portfolio from 75 percent to 25 percent.
- Maintain the Asset-Backed Securities maximum percentage of portfolio limitation of 10 percent.
- Lower the Supranationals maximum percentage of portfolio from 30 percent to 20 percent.



Committee Discussion (Continued):

Pages affected by the Committee's changes are:

Attachment A - Revised: Page 2

Attachment B - Revised: Page 1

Attachment C - Revised: Page 9

Attachment D - Revised: Page 16

Changes to Attachment A – Revised (Page 2) were made to add the Asset-Backed Securities maximum portfolio limitation of 10 percent and to lower the Supranationals maximum percentage of portfolio from 30 percent to 20 percent.

Changes to Attachment B - Revised (Page 1), Attachment C - Revised (Page 9), and Attachment D - Revised (Page 16) were made to modify the column labeled "OCTA Maximum Percentage of Portfolio" to reflect the Committee changes for each of the three types of investments.

Proposed Changes to Authorized Investments, Issuer Concentrations and Maturity Restrictions

Type of Investment	Page	Current Policy	Recommendation	Rationale	Recommended By
Bond Proceeds Investments	4	States investment of bond proceeds and debt service reserve funds are subject to their indentures and investment policy.	Eliminate section	Investment of bond proceeds and debt service reserve funds are governed by their respective bond indenture thus this section is not necessary.	Bond Counsel
Investment Agreements – Bond Proceeds	4	Defines eligible investments for bond proceeds.	Eliminate section	Investment of bond proceeds and debt service reserve funds are governed by their respective bond indenture thus this section is not necessary.	Bond Counsel
Federal Agencies and Government Sponsored Entities (GSE)	6	Limits to specific Federal Agencies and Government Sponsored Entities with diversification limitations.	Match requirements to California Government Code (CGC)	Allows maximum flexibility to invest in Federal instruments and agencies.	Investment Manager
State of California and California Local Agency Obligations	7	Requires a rating in a category of A or A1 or equivalent by two Nationally Recognized Statistical Rating Organizations (NRSRO).	Reduce number of ratings required from two to one, which is consistent with CGC. Recommendation is still more restrictive than CGC and maintains a rating requirement of rating category of A or A1 or its equivalent or higher, and no more than 5% can be invested in any single issuer.	Allows flexibility since it is common for municipal bond deals to only come with one rating, particularly a small issuance.	Investment Manager
Non-California Municipal Obligations	7	Not allowed under current policy.	Allow investments but language is more restrictive than CGC. Limits investments to municipal obligations with a rating in a rating category of A, or its equivalent or higher, and no more than 5% can be invested in any single issuer.	Allows additional investment flexibility.	Investment Manager

Proposed Changes to Authorized Investments, Issuer Concentrations and Maturity Restrictions

Commercial Paper	9	Maximum term is 180 days.	Increase to 270 days.	Allows maximum flexibility and is consistent with CGC.	Investment Manager
Negotiable Certificates of Deposit	9	Maximum term is 180 days.	Increase to 5 years.	Allows maximum flexibility and is consistent with CGC.	Investment Manager
Medium Term Notes	10	Requires a rating in a category of A or equivalent by two NRSROs.	Reduce number of ratings required from two to one, which is consistent with CGC. Recommendation is still more restrictive than CGC by limiting investments to no more than 5% in any single issuer.	Allows additional flexibility by allowing investments in issuers that only receive a rating by one NRSRO.	Investment Manager
Mortgage or Asset-backed Securities	12	Policy limits investments in asset-backed securities to 10% and requires AAA or equivalent rating.	Match requirements to CGC including lowering rating requirement to a rating category of AA or its equivalent or higher. However, maintain current 10% limitation on asset-backed securities and maintain limiting investments to no more than 5% in any single issuer.	Allows additional flexibility by allowing investments in a rating category of AA, or its equivalent or higher, which is still considered high-grade credit.	Investment Manager
Supranationals	12	Not allowed under current policy.	Allow investments in bonds issued by Supranationals. CGC requires rating in a rating category of AA or its equivalent or higher. Limit the maximum percentage of the portfolio to 20% and limit investments to no more than 10% in any single issuer.	Allows additional investment flexibility. Issuers are highly rated credits, currently AAA rated, which is considered a prime credit.	Investment Manager
Joint Powers Authority (JPA) Investment Pools	13	Current policy limits investments to one pool with a maximum of 10%. Current pool is California Asset Management Pool (CAMP).	Allow investments in eligible investment pools per CGC. Maintains existing maximum investment of 10% of the portfolio.	CAMP was originally formed for the investment of bond proceeds but has changed to provide investment of operating funds and capital reserves. Recommendation allows investment flexibility into more investment pools than just CAMP that meet the CGC.	OCTA

ATTACHMENT B - REVISED

Proposed Authorized Investments, Issuer Concentration and Maturity Restrictions

Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S., Federal Agencies & U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" or "A-1" rating category, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	25%, 10% of a single issuer	"A-1" rating category, or its equivalent or higher by an NRSRO	Same as CA Code	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	25%	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio	None	Only permitted as a permitted investment within a JPA investment pool	Only permitted as a permitted investment within a JPA investment pool
Medium Term Maturity Notes	5 Years	30%	"A" rating category, or its equivalent or higher, by an NRSRO	30% total, no more than 5% in any one issuer	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in Asset-backed Securities, no more than 5% in any single issuer	"AA" rating category, or its equivalent or higher, by 2 NRSROs
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)	N/A	\$65 million per account	None	\$65 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

* Additional portfolio restrictions include bank deposits (5%) and variable and floating rate securities (30%)

**Orange County Transportation Authority
2019 Investment Policy
June 10, 2019**

1. PURPOSE

This Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after June 10, 2019. The objective of this Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

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

2. SCOPE

The policy applies to the investment of all funds, excluding the investment of employees' retirement funds and separate trusts. Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed in elsewhere in this Policy do not apply to bond proceeds.

3. INVESTMENT OBJECTIVES

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

- a. **Safety of Principal** -- Safety of principal is the foremost objective of the OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
- b. **Liquidity** -- It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- c. **Total Return** -- The OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
- d. **Diversification** -- Finally, the OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

4. PRUDENCE

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

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

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

5. ETHICS AND CONFLICTS OF INTEREST

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

6. DELEGATION OF AUTHORITY

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

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

7. RESPONSIBILITIES

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

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA also provides a monthly report to the Finance and Administration Committee and provides copies to the Board of Directors per section 53607 of the Code.

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

8. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Investment Policy. However, bond proceeds may be invested in approved short-term investments without regard to diversification limits. This may occur during the initial deposit of the bond proceeds portfolio, the final drawdown of the portfolio, or other times in between when appropriate due to drawdown requirements as requested by OCTA's Treasurer. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and report the circumstances to the Finance and Administration Committee monthly and include a write-up in the quarterly Debt and Investment report to the Board of Directors.

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

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

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

9. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses four nationally recognized fixed income security performance benchmarks to evaluate return on investments. The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1-3 year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios, the ICE/BAML 1-5 year Treasury Index and the ICE/BAML 1-5 year AAA-A U.S. Corporate and Government Index benchmarks are used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

10. PERMITTED INVESTMENTS

Maturity and Term

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

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

Eligible Instruments and Quality

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

1. OCTA NOTES AND BONDS

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

2. U.S., FEDERAL AGENCIES AND U.S GOVERNMENT-SPONSORED ENTERPRISES

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

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

3. MUNICIPAL DEBT

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

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

4. BANKERS ACCEPTANCES

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

5. COMMERCIAL PAPER

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

- B. be issued by corporations that have debt other than commercial paper, if any, that is rated A-1 or its equivalent or higher by a NRSRO
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. may not purchase more than 10 percent of the outstanding paper of any single issuer.

6. NEGOTIABLE CERTIFICATES OF DEPOSIT

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

7. REPURCHASE AGREEMENTS

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

- A. a Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial

undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and
- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

8. MEDIUM TERM NOTES

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

9. MONEY MARKET AND MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares may not represent more than 10 percent of the money market fund's assets.

Shares of beneficial interest issued by diversified management companies, commonly called mutual funds. Shares may not represent more than 10 percent of the fund's or pool's asset and no more than 10% of the total portfolio may be invested in shares of any one mutual fund.

10. MORTGAGE OR ASSET-BACKED SECURITIES

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

11. SUPRANATIONALS

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

12. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

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

13. ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

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

14. INVESTMENT POOLS

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

15. VARIABLE AND FLOATING RATE SECURITIES

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

16. BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

17. DERIVATIVES

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

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

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time invest in a security whose credit rating is down-graded below the minimum credit quality criteria permitted by this Investment Policy.

Any security held as an investment whose credit rating falls below the minimum requirements of this Investment Policy guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification and Maturity Restrictions

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

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

AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S., Federal Agencies & U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	25%, 10% of a single issuer	"A-1" rated, or its equivalent or higher by an NRSRO	Same as CA Code	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	25%	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio	None	Only permitted as a permitted investment within a JPA investment pool	Only permitted as a permitted investment within a JPA investment pool
Medium Term Maturity Notes	5 Years	30%	"A" rating category, or its equivalent or higher, by an NRSRO	30% total, no more than 5% in any one issuer	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in Asset-backed Securities, no more than 5% in any single issuer	Same as CA Code
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)	N/A	\$65 million per account	None	\$65 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

* Additional portfolio restrictions include bank deposits (5%) and variable and floating rate securities (30%)

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

Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.

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

The Authority can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

11. SECURITIES SAFE KEEPING

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

12. BROKER DEALERS

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

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

13. INVESTMENT POLICY REVIEW

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

14. DEFINITION OF TERMS

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

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

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

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by

the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

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

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

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

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

BOOK VALUE: The original cost of the investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 3,000-member banks.

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

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

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

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

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

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

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

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

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

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

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

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

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

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

NEGOTIABLE CD: (See Certificates of Deposit)

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

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

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

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

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

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

PORTFOLIO: A group of securities held by an investor.

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

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

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

PURCHASE DATE: See (Trade Date)

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

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

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

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

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

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

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

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

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

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

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

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

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

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

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

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

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

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

Orange County Transportation Authority

2019 Investment Policy
February 25 ~~June 10~~, 2019

1. PURPOSE

This Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after ~~June~~February 10~~25~~, 2019. The objective of this Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

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

2. SCOPE

The policy applies to the investment of all funds, excluding the investment of employees' retirement funds and separate trusts. Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed in elsewhere in this Policy do not apply to bond proceeds.

3. INVESTMENT OBJECTIVES

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

- a. **Safety of Principal** -- Safety of principal is the foremost objective of the OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
- b. **Liquidity** -- It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- c. **Total Return** -- The OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
- d. **Diversification** -- Finally, the OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

4. PRUDENCE

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

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

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

5. ETHICS AND CONFLICTS OF INTEREST

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

6. DELEGATION OF AUTHORITY

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

The Treasurer shall develop administrative procedures and internal control, consistent with this Investment Policy, for the operation of OCTA's investment program. Such procedures shall be

designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

7. RESPONSIBILITIES

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

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA also provides a monthly report to the Finance and Administration Committee and provides copies to the Board of Directors per section 53607 of the Code.

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

8. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Investment Policy. However, bond proceeds may be invested in approved short-term investments without regard to diversification limits. This may occur during the initial deposit of the bond proceeds portfolio, the final drawdown of the portfolio, or other times in between when appropriate due to drawdown requirements as requested by OCTA's Treasurer. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and report the circumstances to the Finance and Administration Committee monthly and include a write-up in the quarterly Debt and Investment report to the Board of Directors.

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

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

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

9. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses four nationally recognized fixed income security performance benchmarks to evaluate return on investments. The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1-3 year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios, the ICE/BAML 1-5 year Treasury Index and the ICE/BAML 1-5 year AAA-A U.S. Corporate and Government Index benchmarks are used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

~~10. BOND PROCEEDS INVESTMENTS~~

~~Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.~~

~~11. INVESTMENT AGREEMENTS — BOND PROCEEDS~~

~~Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:~~

~~— A. At the time of such investment,~~

~~— • such bank has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs or~~

~~— • such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated in a category of AA or better, or equivalent rating by two NRSROs, or~~

~~— • such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs (and rated in a category of A-1 or equivalent in the short term rating category from two NRSROs ; provided that if, such broker/dealer or bank is rated in a category of A or equivalent also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:~~

~~1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent~~

~~“Agent” for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and~~

~~2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and~~

~~3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.~~

~~B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.~~

1041. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS

Maturity and Term

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

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

Eligible Instruments and Quality

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

1.) OCTA NOTES AND BONDS

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or

by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2.) U.S., FEDERAL AGENCIES AND U.S GOVERNMENT-SPONSORED ENTERPRISES

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

~~— Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.~~

~~— U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Investment Policy. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or the U.S. government sponsored enterprises.~~

3) Federal Agency and Government Sponsored Enterprises Instrumentality Securities (Government Sponsored Enterprises)

~~— Federal agency or United States government sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government sponsored enterprises.~~

~~Debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement issued by the following:~~

- ~~—• Federal Home Loan Bank (FHLB)~~
- ~~—• Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)~~
- ~~—• Federal National Mortgage Association (FNMA or Fannie Mae)~~
- ~~—• Federal Farm Credit Bank (FFCB)~~
- ~~—• Federal Agricultural Mortgage Corporation (Farmer Mac)~~

4) Federal Agencies

~~Mortgage-backed securities and debentures with a final maturity not exceeding five years from the date of trade settlement issued by the following:~~

- ~~—• Government National Mortgage Association (GNMA or Ginnie Mae)~~
- ~~—• Small Business Administration (SBA)~~
- ~~—• Export-Import Bank of the United States (EXIMBANK)~~
- ~~—• Maritime Administration~~
- ~~—• Washington Metro Area Transit~~

- ~~—• U.S. Department of Housing & Urban Development~~
- ~~—• Federal Deposit Insurance Corporation (FDIC)~~
- ~~—• National Credit Union Administration (NCUA)~~
- ~~— Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.~~

345.) State of California and Local Agency Obligations MUNICIPAL DEBT

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

- A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- ~~B. Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California, other than OCTA, of the State, Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency.~~
- C. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- ~~A. Such obligations must be issued by an entity whose debt is rated in a rating category of A (long term) or A-1 (short term) or their equivalents at least A-1 or better by two of the three NRSROs for short-term obligations, or A or the equivalent for long-term debt.~~
- ~~B.~~
- ~~C. OCTA may also purchase defeased state and local obligations as long as if the obligations have been legally defeased with U.S. Treasury securities and such obligations mature or otherwise terminate within five years of the date of purchase.~~
- ~~D.~~
- ~~E. Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.~~

4.6) BANKERS ACCEPTANCES

- ~~— Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank, which:~~
 - ~~A. are eligible for purchase by the Federal Reserve System, and~~
 - ~~— B. are rated by at least two of the NRSROs with at least A-1 or the equivalent for short-term deposits, and~~
 - ~~— C. may not exceed the 5 percent limit on any one commercial bank.~~

—Maximum Term: 180 days (Code)

5.7) COMMERCIAL PAPER

~~—The entity that issues commercial paper shall meet the following conditions~~Commercial Paper must:

- ~~A. be rated at least A-1 or the equivalent by two of the three NRSRO's, and~~
- B. be issued by corporations that have debt other than commercial paper, if any, that is rated at least A-1- or its the equivalent or higher rating by a NRSRO ~~for issuer's debt, other than commercial paper, and~~
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. may not purchase more than ~~not represent more than~~ 10 percent of the outstanding paper of any single issuer.

~~—Maximum Term: 180 days (Code 270 days)~~

6.8) NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state, a savings association or a federal association ~~or by a federally licensed~~ (as defined by Section 5102 of the Financial Code), a state or federally licensed ~~or~~ state licensed branch of a foreign bank, ~~which have been rated in a rating category of A (long term) or A-1 (short term) or their equivalents by at least two of the NRSRO's at least A-1 or the equivalent for short term deposits.~~

~~—Maximum Term: 270 days~~

7.9) REPURCHASE AGREEMENTS

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC ~~so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short term or A2 long term or better by Moody's, and A-1 short term or A long term or better by Standard & Poor's,~~ provided:

- A. a Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and
- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall

have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

~~—Maximum Term: 30 days (Code 1 year)~~

~~Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund~~

~~8.4) MEDIUM TERM NOTES Maturity Corporate Securities~~

~~Medium term notes are defined as all cCorporate and depository institution debt securities which:~~

~~—A. are rated in a rating category of A or its equivalent by at least one NRSRO, and are rated A or better by two of the three NRSRO's, and~~

~~—B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, and~~

~~A. C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5 percent of the portfolio.~~

~~B. Maximum Term: Five (5) years. (Code)~~

~~9.4) MONEY MARKET AND MUTUAL FUNDS~~

~~—Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares (commonly called money market funds) which:~~

~~—A. are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and~~

~~_____B._____~~ may not represent more than 10 percent of the money market fund's assets.

1) Other Mutual Funds

—Shares of beneficial interest issued by diversified management companies, ~~(~~ commonly called mutual funds. Shares ~~)~~ which:

~~_____A._____~~ are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and

~~_____B._____~~ may not represent more than 10 percent of the fund's or pool's asset and no s

~~_____C._____~~ no more than 10% of the total portfolio may be invested in shares of any one mutual fund. ~~may not represent more than 10 percent of the fund's or pool's assets.~~

10.4.) MORTGAGE OR ASSET-BACKED SECURITIES

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

- ~~— A. is rated AAA or equivalent (excluding US Government/Agency/Instrumentality backed structured product which will be permitted with their prevailing ratings even if those ratings are below AAA) by a NRSRO, or be rated at least A-1 or the equivalent by two of the three NRSRO's for money market asset backed securities, and~~
- ~~— B. is issued by an issuer having at least an A or equivalent rating by a NRSRO for its long-term debt.~~
- ~~— Maximum Term: Five year stated final maturity. (Code)~~
- ~~— Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation~~

11.) SUPRANATIONALS

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

12.4) STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

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

13.5) ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

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

14.6.) -INVESTMENT POOLSCalifornia Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under this investment policy 53601 (a) to (e), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630.

~~CAMP is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. CAMP investments must be rated AA or better by two of the three NRSRO's.~~

157.) VARIABLE AND FLOATING RATE SECURITIES

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

16.8) BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO Standard and Poor's and a minimum short term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

17.29) DERIVATIVES

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

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

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time invest in a security whose credit rating is down-graded below the minimum credit quality criteria permitted by this Investment Policy.

Any security held as an investment whose credit rating falls below the minimum requirements of this Investment Policy guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification and Maturity Restrictions Guidelines

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

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

AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

<u>Instruments</u>	<u>At All Times Maximum % Portfolio</u>
1) OCTA Note and Bonds	-25%(Code 100%)
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS).....	100%(Code)
3) Federal Agency and Government Sponsored Enterprises... Instrumentality Securities.....	100%(Code) 100%
4) Federal Agencies	
45) State of California and CA Local Agencies 5) Non-CA Municipal Obligations	-25%(Code 100%)
6) Bankers Acceptances	-30% (Code 40%)
7) Commercial Paper	-25% (Code)
8) Negotiable CDs	-30% (Code)
9) Repurchase Agreements	-75% (Policy)
10) Medium Term Maturity Corporate Securities	-30% (Code)
11) Money Market Funds and 12) Other Mutual Funds (in total).....	-20% (Code)
13) Mortgage and Asset-backed Securities	-20% (Code)
14) Supranationals.....	-30% (Code)
154) LAIF	\$6540mm
maximum per entity	
165) OCIP	\$40mm maximum
per entity	
176) Investment PoolsCAMP	-210%
.....	
187) Variable and Floating Rate Securities	-30%
.....	
198) Bank Deposits.....	-5%
.....	
2019) Derivatives (hedging transactions only) and subject to prior approval	-5%

20) Investment Agreements pursuant to indenture..... 100%

Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S., Federal Agencies & U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	25%, 10% of a single issuer	"A-1" rated, or its equivalent or higher by an NRSRO	Same as CA Code	"A-1" rated, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	25%	"A" rating category or "A-1" rated, or its equivalent or higher, by 2 NRSROs
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio	None	Only permitted as a permitted investment within a JPA investment pool	Only permitted as a permitted investment within a JPA investment pool
Medium Term Maturity Notes	5 Years	30%	"A" rating category, or its equivalent or higher, by an NRSRO	30% total, no more than 5% in any one issuer	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in Asset-backed Securities, no more than 5% in any single issuer	Same as CA Code
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)	N/A	\$65 million per account	None	\$65 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

* Additional portfolio restrictions include bank deposits (5%) and variable and floating rate securities (30%)

Issuer/Counter-Party Diversification Guidelines For All Securities Except ~~Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements and OCTA Debt~~ U.S. Treasuries and U.S. Government Agency Securities

~~Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. _____ 5%~~

~~Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.~~

~~Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Federal Instrumentalities and Repurchase Agreements~~

~~Any one Federal Agency or Federal Instrumentalities _____ 35%~~
~~Any one repurchase agreement counter party name _____~~

~~_____ If maturity/term is \leq 7 days _____ 50%~~
~~_____ If maturity/term is $>$ 7 days _____ 35%~~

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

The Authority can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

11.XII SSECURITIES SSAFE KEEPING

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

XIII.12. BROKER DEALERS

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

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

13XIV. INVESTMENT POLICY REVIEW

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

XV14. DEFINITION OF TERMS

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

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

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

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

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

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

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

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

BOOK VALUE: The original cost of the investment.

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

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

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

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

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. ~~The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.~~

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

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

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

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

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

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

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

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

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

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

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

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 3,000-member banks.

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

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

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

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

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

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

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

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

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

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

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

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

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

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

NEGOTIABLE CD: (See Certificates of Deposit)

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

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

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

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

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

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

PORTFOLIO: A group of securities held by an investor.

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

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

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

PURCHASE DATE: See (Trade Date)

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

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence

a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

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

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

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

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

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

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

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

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

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

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. FEDERAL INSTRUMENTALITIES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (Farmer Mac)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Deposit Insurance Corporation (FDIC)

~~• National Credit Union Administration (NCUA)~~

~~Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.~~

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

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

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

~~For the purposes of this Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.~~

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

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

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



June 12, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Annual Update to Investment Policy

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line of the header.

Overview

The Treasurer is presenting the Orange County Transportation Authority's Investment Policy for 2019. The Investment Policy sets forth the investment guidelines for all funds invested on and after June 10, 2019. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Investment Policy to be reviewed at a public meeting. Further, the governing body of a local agency has the authorization to appoint, for a period of one year, a Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds.

Recommendations

- A. Adopt the 2019 Investment Policy dated June 10, 2019.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2019-20.

Background

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

The Policy is reviewed and approved by the Board of Directors (Board) at least annually. However, relevant changes to the Code may warrant amendments to the Policy throughout the year. In February, the Board approved the 2019 Investment Policy, which included one amendment to facilitate the investment of bond proceeds from the recent Measure M2 bond issuance. At that time, staff

indicated that a more comprehensive review of the investment policy was being conducted and that amendments to the policy based on recommendations from OCTA's investment managers and Bond Counsel would be forthcoming.

Discussion

OCTA procured investment management services in January 2018. As a result of the procurement, three out of four incumbent investment management firms that manage OCTA's short-term portfolio were replaced by new firms. Given the new firms have had approximately one year of experience investing per OCTA's Investment Policy, OCTA contacted each investment management firm to seek their objective evaluation of the policy as it relates to effectiveness and risk. Based on their feedback and recommendations from Bond Counsel, staff is recommending changes be made to the policy.

Historically, OCTA's Policy has been more conservative than the Code and, despite the recommended changes, will remain more conservative than the Code in most areas. Recommended changes to the investment policy can be categorized primarily into three groups which are: changes that impact investment guidelines, language changes to improve clarity of the policy and to align definitions of investments to the Code, and organizational changes within the document to improve readability.

The most important changes to the policy are those that impact the investment guidelines, such as authorized investments, issuer concentrations, and maturity limitations. The primary changes to the policy that impact these areas can be found in Attachment A. The attachment describes the type of investment, current policy, recommended change, rationale for the recommended change, and the source of the recommended change. In addition, Attachment B provides detailed information comparing OCTA's Proposed Investment Policy to the Code. A high-level summary of the recommended changes and the source of the recommendation can be found as follows:

- Eliminate the language referring to the investment of bond proceeds and debt service reserve funds from the policy since those funds are governed by their respective bond indentures (Bond Counsel)
- Allow investment in Federal Agencies and Government Sponsored Entities consistent with the Code given the high credit quality of the investments (investment managers)
- Allow investment in non-California municipal debt, but require strong credit ratings and issuer limitations which are more restrictive than the Code (investment managers)

- Increase maturities on commercial paper and negotiable certificates of deposit to match the Code (investment managers)
- Require only one credit rating for investments in Medium-Term Notes and State of California and California Local Agency obligations, but maintain issuer limitation, which is more conservative than the Code (investment managers)
- Change requirements for mortgage-backed and asset-backed securities to match the Code by reducing credit rating requirements from AAA to AA and removing ten percent limitation on asset-backed securities (investment managers)
- Allow investments in Supranationals, consistent with the Code, based on the high credit quality of the issuers (investment managers)
- Allow investments in Joint Powers Authority Investment Pools, but maintain limitations on pooled investments as a percentage of the portfolio to ten percent, which is more conservative than the Code (100 percent).

Changes to the Policy to improve clarity and to align definitions of investments to the Code can be found in Attachment C, which is the black-lined version of the proposed Policy. The black-lined version of the proposed Policy also contains all the changes to the Policy since the Board approved the Policy on February 25, 2019.

Next Steps

If the Board approves the 2019 Policy, a copy of the final Policy will be provided to each portfolio manager. Each portfolio manager will be required to sign an acknowledgement letter confirming their receipt and understanding of the Policy.

Summary

California Government Code Section 53646(a)(2) recommends that local agencies annually review their Investment Policy at a public meeting. The Treasurer is submitting the Orange County Transportation Authority's 2019 Investment Policy for approval by the Board of Directors. Further, the Orange County Transportation Authority requests approval by the Board of Directors, authorizing the Treasurer, for a period of one year, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2019-20.

Attachments

- A. Proposed Changes to Authorized Investments, Issuer Concentrations and Maturity Restrictions
- B. Proposed Authorized Investments, Issuer Concentration and Maturity Restrictions
- C. Orange County Transportation Authority 2019 Investment Policy June 10, 2019
- D. Black-line Copy of Orange County Transportation Authority 2019 Investment Policy June 10, 2019

Prepared by:



Sean Murdock
Director
Finance and Administration
714-560-5685

Approved by:



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

Proposed Changes to Authorized Investments, Issuer Concentrations and Maturity Restrictions

Type of Investment	Page	Current Policy	Recommendation	Rationale	Recommended By
Bond Proceeds Investments	4	States investment of bond proceeds and debt service reserve funds are subject to their indentures and investment policy.	Eliminate section	Investment of bond proceeds and debt service reserve funds are governed by their respective bond indenture thus this section is not necessary.	Bond Counsel
Investment Agreements – Bond Proceeds	4	Defines eligible investments for bond proceeds.	Eliminate section	Investment of bond proceeds and debt service reserve funds are governed by their respective bond indenture thus this section is not necessary.	Bond Counsel
Federal Agencies and Government Sponsored Entities (GSE)	6	Limits to specific Federal Agencies and Government Sponsored Entities with diversification limitations.	Match requirements to California Government Code (CGC)	Allows maximum flexibility to invest in Federal instruments and agencies.	Investment Manager
State of California and California Local Agency Obligations	7	Requires a rating in a category of A or A1 or equivalent by two Nationally Recognized Statistical Rating Organizations (NRSRO).	Reduce number of ratings required from two to one, which is consistent with CGC. Recommendation is still more restrictive than CGC and maintains a rating requirement of rating category of A or A1 or its equivalent or higher, and no more than 5% can be invested in any single issuer.	Allows flexibility since it is common for municipal bond deals to only come with one rating, particularly a small issuance.	Investment Manager
Non-California Municipal Obligations	7	Not allowed under current policy.	Allow investments but language is more restrictive than CGC. Limits investments to municipal obligations with a rating in a rating category of A, or its equivalent or higher, and no more than 5% can be invested in any single issuer.	Allows additional investment flexibility.	Investment Manager

Proposed Changes to Authorized Investments, Issuer Concentrations and Maturity Restrictions

Commercial Paper	9	Maximum term is 180 days.	Increase to 270 days.	Allows maximum flexibility and is consistent with CGC.	Investment Manager
Negotiable Certificates of Deposit	9	Maximum term is 180 days.	Increase to 5 years.	Allows maximum flexibility and is consistent with CGC.	Investment Manager
Medium Term Notes	10	Requires a rating in a category of A or equivalent by two NRSROs.	Reduce number of ratings required from two to one, which is consistent with CGC. Recommendation is still more restrictive than CGC by limiting investments to no more than 5% in any single issuer.	Allows additional flexibility by allowing investments in issuers that only receive a rating by one NRSRO.	Investment Manager
Mortgage or Asset-backed Securities	12	Policy limits investments in asset-backed securities to 10% and requires AAA or equivalent rating.	Match requirements to CGC which eliminates 10% limitation on asset-backed securities and lowers rating requirement to a rating category of AA or its equivalent or higher. Recommendation is still more restrictive than CGC by limiting investments to no more than 5% in any single issuer.	Allows additional flexibility by allowing investments in a rating category of AA, or its equivalent or higher, which is still considered high-grade credit. Provides the opportunity to invest in asset-backed securities up to 20%, which is consistent with CGC.	Investment Manager
Supranationals	12	Not allowed under current policy.	Allow investments in bonds issued by Supranationals. CGC requires rating in a rating category of AA or its equivalent or higher.	Allows additional investment flexibility. Issuers are highly rated credits, currently AAA rated, which is considered a prime credit.	Investment Manager
Joint Powers Authority (JPA) Investment Pools	13	Current policy limits investments to one pool with a maximum of 10%. Current pool is California Asset Management Pool (CAMP).	Allow investments in eligible investment pools per CGC. Maintains existing maximum investment of 10% of the portfolio.	CAMP was originally formed for the investment of bond proceeds but has changed to provide investment of operating funds and capital reserves. Recommendation allows investment flexibility into more investment pools than just CAMP that meet the CGC.	OCTA

ATTACHMENT B

Proposed Authorized Investments, Issuer Concentration and Maturity Restrictions

Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S., Federal Agencies & U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" or "A-1" rating category, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	25%, 10% of a single issuer	"A-1" rating category , or its equivalent or higher by an NRSRO	Same as CA Code	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	75%	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio	None	Only permitted as a permitted investment within a JPA investment pool	Only permitted as a permitted investment within a JPA investment pool
Medium Term Maturity Notes	5 Years	30%	"A" rating category, or its equivalent or higher, by an NRSRO	30% total, no more than 5% in any one issuer	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 5% in any single issuer	"AA" rating category, or its equivalent or higher, by 2 NRSROs
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	30%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)	N/A	\$65 million per account	None	\$65 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

* Additional portfolio restrictions include bank deposits (5%) and variable and floating rate securities (30%)

**Orange County Transportation Authority
2019 Investment Policy
June 10, 2019**

1. PURPOSE

This Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after June 10, 2019. The objective of this Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

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

2. SCOPE

The policy applies to the investment of all funds, excluding the investment of employees' retirement funds and separate trusts. Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed in elsewhere in this Policy do not apply to bond proceeds.

3. INVESTMENT OBJECTIVES

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

- a. **Safety of Principal** -- Safety of principal is the foremost objective of the OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
- b. **Liquidity** -- It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- c. **Total Return** -- The OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
- d. **Diversification** -- Finally, the OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

4. PRUDENCE

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

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

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

5. ETHICS AND CONFLICTS OF INTEREST

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

6. DELEGATION OF AUTHORITY

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

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

7. RESPONSIBILITIES

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

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA also provides a monthly report to the Finance and Administration Committee and provides copies to the Board of Directors per section 53607 of the Code.

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

8. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Investment Policy. However, bond proceeds may be invested in approved short-term investments without regard to diversification limits. This may occur during the initial deposit of the bond proceeds portfolio, the final drawdown of the portfolio, or other times in between when appropriate due to drawdown requirements as requested by OCTA's Treasurer. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and report the circumstances to the Finance and Administration Committee monthly and include a write-up in the quarterly Debt and Investment report to the Board of Directors.

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

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

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

9. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses four nationally recognized fixed income security performance benchmarks to evaluate return on investments. The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1-3 year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios, the ICE/BAML 1-5 year Treasury Index and the ICE/BAML 1-5 year AAA-A U.S. Corporate and Government Index benchmarks are used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

10. PERMITTED INVESTMENTS

Maturity and Term

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

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

Eligible Instruments and Quality

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

1. OCTA NOTES AND BONDS

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

2. U.S., FEDERAL AGENCIES AND U.S GOVERNMENT-SPONSORED ENTERPRISES

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

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

3. MUNICIPAL DEBT

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

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

4. BANKERS ACCEPTANCES

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

5. COMMERCIAL PAPER

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

- B. be issued by corporations that have debt other than commercial paper, if any, that is rated in a rating category of A or its equivalent or higher by a NRSRO
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. may not purchase more than 10 percent of the outstanding paper of the issuing corporation.

6. NEGOTIABLE CERTIFICATES OF DEPOSIT

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

7. REPURCHASE AGREEMENTS

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated in a rating category of A, or its equivalent or higher, by two NRSROs or a short-term rating of A-1, or its equivalent or higher, by two NRSRO's provided:

- A. a Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and
- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and
- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

8. MEDIUM TERM NOTES

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

9. MONEY MARKET AND MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares may not represent more than 10 percent of the money market fund's assets.

Shares of beneficial interest issued by diversified management companies, commonly called mutual funds. Shares may not represent more than 10 percent of the fund's or pool's asset and no more than 10% of the total portfolio may be invested in shares of any one mutual fund.

10. MORTGAGE OR ASSET-BACKED SECURITIES

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

11. SUPRANATIONALS

US Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. No more than 10% of the portfolio may be invested in any single issuer.

12. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

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

13. ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

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

14. INVESTMENT POOLS

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

15. VARIABLE AND FLOATING RATE SECURITIES

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

16. BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

17. DERIVATIVES

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

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

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time invest in a security whose credit rating is down-graded below the minimum credit quality criteria permitted by this Investment Policy.

Any security held as an investment whose credit rating falls below the minimum requirements of this Investment Policy guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification and Maturity Restrictions

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

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

AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S., Federal Agencies & U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" or "A-1" rating category, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	25%, 10% of a single issuer	"A-1" rating category, or its equivalent or higher by an NRSRO	Same as CA Code	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	75%	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio	None	Only permitted as a permitted investment within a JPA investment pool	Only permitted as a permitted investment within a JPA investment pool
Medium Term Maturity Notes	5 Years	30%	"A" rating category, or its equivalent or higher, by an NRSRO	30% total, no more than 5% in any one issuer	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 5% in any single issuer	"AA" rating category, or its equivalent or higher, by 2 NRSROs
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	30%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)	N/A	\$65 million per account	None	\$65 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

* Additional portfolio restrictions include bank deposits (5%) and variable and floating rate securities (30%)

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

Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.

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

The Authority can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

11. SECURITIES SAFE KEEPING

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

12. BROKER DEALERS

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

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

13. INVESTMENT POLICY REVIEW

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

14. DEFINITION OF TERMS

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

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

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

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by

the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

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

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

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

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

BOOK VALUE: The original cost of the investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 3,000-member banks.

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

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

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

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

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

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

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

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

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

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

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

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

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

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

NEGOTIABLE CD: (See Certificates of Deposit)

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

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

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

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

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

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

PORTFOLIO: A group of securities held by an investor.

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

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

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

PURCHASE DATE: See (Trade Date)

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

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

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

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

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

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

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

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

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

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

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

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

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

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

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

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

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

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

Orange County Transportation Authority

2019 Investment Policy
February 25 ~~June 10~~, 2019

1. PURPOSE

This Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after ~~June~~February 10~~25~~, 2019. The objective of this Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

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

2. SCOPE

The policy applies to the investment of all funds, excluding the investment of employees' retirement funds and separate trusts. Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed in elsewhere in this Policy do not apply to bond proceeds.

3. INVESTMENT OBJECTIVES

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

- a. **Safety of Principal** -- Safety of principal is the foremost objective of the OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
- b. **Liquidity** -- It is important that the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- c. **Total Return** -- The OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
- d. **Diversification** -- Finally, the OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

4. PRUDENCE

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

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

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

5. ETHICS AND CONFLICTS OF INTEREST

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

6. DELEGATION OF AUTHORITY

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

The Treasurer shall develop administrative procedures and internal control, consistent with this Investment Policy, for the operation of OCTA's investment program. Such procedures shall be

designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

7. RESPONSIBILITIES

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

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA also provides a monthly report to the Finance and Administration Committee and provides copies to the Board of Directors per section 53607 of the Code.

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

8. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Investment Policy. However, bond proceeds may be invested in approved short-term investments without regard to diversification limits. This may occur during the initial deposit of the bond proceeds portfolio, the final drawdown of the portfolio, or other times in between when appropriate due to drawdown requirements as requested by OCTA's Treasurer. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and report the circumstances to the Finance and Administration Committee monthly and include a write-up in the quarterly Debt and Investment report to the Board of Directors.

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

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

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

9. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses four nationally recognized fixed income security performance benchmarks to evaluate return on investments. The ICE/BAML 1-3-year Treasury Index and the ICE/BAML 1-3 year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios, the ICE/BAML 1-5 year Treasury Index and the ICE/BAML 1-5 year AAA-A U.S. Corporate and Government Index benchmarks are used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

10. BOND PROCEEDS INVESTMENTS

~~Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.~~

11. INVESTMENT AGREEMENTS — BOND PROCEEDS

~~Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:~~

~~A. At the time of such investment,~~

~~• such bank has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs or~~

~~• such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated in a category of AA or better, or equivalent rating by two NRSROs, or~~

~~• such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs (and rated in a category of A-1 or equivalent in the short term rating category from two NRSROs; provided that if, such broker/dealer or bank is rated in a category of A or equivalent also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:~~

~~1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent~~

~~“Agent” for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and~~

~~2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and~~

~~3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.~~

~~B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.~~

1041. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS

Maturity and Term

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

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

Eligible Instruments and Quality

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

1.3 OCTA NOTES AND BONDS

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or

by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2.) U.S., FEDERAL AGENCIES AND U.S GOVERNMENT-SPONSORED ENTERPRISES

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

~~— Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.~~

~~— U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Investment Policy. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or the U.S. government sponsored enterprises.~~

3) Federal Agency and Government Sponsored Enterprises Instrumentality Securities (Government Sponsored Enterprises)

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

~~Debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement issued by the following:~~

- ~~—• Federal Home Loan Bank (FHLB)~~
- ~~—• Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)~~
- ~~—• Federal National Mortgage Association (FNMA or Fannie Mae)~~
- ~~—• Federal Farm Credit Bank (FFCB)~~
- ~~—• Federal Agricultural Mortgage Corporation (Farmer Mac)~~

4) Federal Agencies

~~Mortgage-backed securities and debentures with a final maturity not exceeding five years from the date of trade settlement issued by the following:~~

- ~~—• Government National Mortgage Association (GNMA or Ginnie Mae)~~
- ~~—• Small Business Administration (SBA)~~
- ~~—• Export Import Bank of the United States (EXIMBANK)~~
- ~~—• Maritime Administration~~
- ~~—• Washington Metro Area Transit~~

- ~~—• U.S. Department of Housing & Urban Development~~
- ~~—• Federal Deposit Insurance Corporation (FDIC)~~
- ~~—• National Credit Union Administration (NCUA)~~

~~— Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.~~

345.) State of California and Local Agency Obligations MUNICIPAL DEBT

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

- A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- B. Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California, other than OCTA, of the State, Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the the State or local agency.
- C. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- A. Such obligations must be issued by an entity whose debt is rated in a rating category of A (long term) or A-1 (short term) or their equivalents at least A-1 or better by two of the three NRSROs for short-term obligations, or A or the equivalent for long-term debt.
- B.
- C. OCTA may also purchase defeased state and local obligations as long as if the obligations have been legally defeased with U.S. Treasury securities and such obligations mature or otherwise terminate within five years of the date of purchase.
- D.
- E. Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

4.6) BANKERS ACCEPTANCES

~~— Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank, which:~~

~~A. are eligible for purchase by the Federal Reserve System, and~~

~~— B. are rated by at least two of the NRSROs with at least A-1 or the equivalent for short-term deposits, and~~

~~— C. may not exceed the 5 percent limit on any one commercial bank.~~

— ~~Maximum Term: 180 days (Code)~~

5.7) COMMERCIAL PAPER

~~—The entity that issues commercial paper shall meet the following conditions~~Commercial Paper must:

- A. ~~be rated at least A-1 or the equivalent by two of the three NRSRO's, and~~
- B. be issued by corporations ~~that have debt other than commercial paper, if any, that is rated in a rating category of at least A-~~ or ~~its~~the equivalent ~~or higher rating~~ by a NRSRO ~~for issuer's debt, other than commercial paper, and~~
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. ~~may not purchase more than not represent more than~~ 10 percent of the outstanding paper of the issuing corporation.

~~—Maximum Term: 180 days (Code 270 days)~~

6.8) NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state, ~~a savings association or a federal association~~ ~~or by a federally licensed~~ (as defined by Section 5102 of the Financial Code), a state or federally licensed ~~or~~ state licensed branch of a foreign bank, ~~which have been rated in a rating category of A (long-term) or A-1 (short-term) or their equivalents by at least two of the NRSRO's, at least A-1 or the equivalent for short-term deposits.~~

~~—Maximum Term: 270 days~~

7.9) REPURCHASE AGREEMENTS

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated ~~in a rating category of A, or its equivalent or higher, by two NRSROs or a short-term rating of A-1, or its equivalent or higher, by two NRSRO's~~ ~~P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's~~, provided:

- A. a Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and
- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus

and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

~~—Maximum Term: 30 days (Code 1 year)~~

~~Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund~~

~~8.4) MEDIUM TERM NOTES Maturity Corporate Securities~~

~~Medium term notes are defined as all cCorporate and depository institution debt securities, which:~~

~~—A. are rated in a rating category of A or its equivalent by at least one NRSRO, and are rated A- or better by two of the three NRSRO's, and~~

~~—B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, and~~

~~A. C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5 percent of the portfolio.~~

~~B. Maximum Term: Five (5) years. (Code)~~

~~9.4) MONEY MARKET AND MUTUAL FUNDS~~

~~—Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Shares (commonly called money market funds) which:~~

~~—A. are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and~~

~~_____B. may not represent more than 10 percent of the money market fund's assets.~~

~~4) Other Mutual Funds~~

~~— Shares of beneficial interest issued by diversified management companies, (commonly called mutual funds, Shares) which:~~

~~_____ A. are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and~~

~~_____ B. may not represent more than 10 percent of the fund's or pool's asset and no s~~

~~_____ C. no more than 10% of the total portfolio may be invested in shares of any one mutual fund. may not represent more than 10 percent of the fund's or pool's assets.~~

104.) MORTGAGE OR ASSET-BACKED SECURITIES

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

~~A. is rated AAA or equivalent (excluding US Government/Agency/Instrumentality backed structured product which will be permitted with their prevailing ratings even if those ratings are below AAA) by a NRSRO, or be rated at least A-1 or the equivalent by two of the three NRSRO's for money market asset-backed securities, and~~

~~B. is issued by an issuer having at least an A or equivalent rating by a NRSRO for its long-term debt.~~

~~Maximum Term: Five year stated final maturity. (Code)~~

~~Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation~~

11.) SUPRANATIONALS

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

are rated AA or by an NRSRO, and

may not represent more than 30 percent of the fund's or pool's assets, and

Not more than 10% of the portfolio may be invested in any single issuer.

12.4) STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

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

13.5) ORANGE COUNTY TREASURY INVESTMENT POOL (OCIP)

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

14.6) INVESTMENT POOLS California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under this investment policy 53601 (a) to (e), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630.

~~CAMP is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. CAMP investments must be rated AA or better by two of the three NRSRO's.~~

15.7) VARIABLE AND FLOATING RATE SECURITIES

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

16.8) BANK DEPOSITS

Bank deposits in California banks which have a minimum short-term rating of A-1, or its equivalent or higher, by a NRSRO Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

17.29) DERIVATIVES

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

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

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time invest in a security whose credit rating is down-graded below the minimum credit quality criteria permitted by this Investment Policy.

Any security held as an investment whose credit rating falls below the minimum requirements of this Investment Policy guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification and Maturity Restrictions Guidelines

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

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

AUTHORIZED INVESTMENTS, ISSUER CONCENTRATION & MATURITY RESTRICTIONS

<u>Instruments</u>	<u>At All Times Maximum % Portfolio</u>
1) OCTA Note and Bonds	-25% (Code 100%)
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS).....	100% (Code)
3) Federal Agency and Government Sponsored Enterprises... Instrumentality Securities.....	100% (Code) 100%
4) Federal Agencies	
45) State of California and CA Local Agencies 5) Non-CA Municipal Obligations	-25% (Code 100%)
6) Bankers Acceptances	-30% (Code 40%)
7) Commercial Paper	-25% (Code)
8) Negotiable CDs	-30% (Code)
9) Repurchase Agreements	-75% (Policy)
10) Medium Term Maturity Corporate Securities	-30% (Code)
11) Money Market Funds and 12) Other Mutual Funds (in total).....	-20% (Code)
13) Mortgage and Asset-backed Securities	-20% (Code)
14) Supranationals.....	-30% (Code)
154) LAIF	\$6540mm
maximum per entity	
165) OCIP	\$40mm maximum
per entity	
176) Investment PoolsCAMP.....	-210%
.....	
187) Variable and Floating Rate Securities	-30%
.....	
198) Bank Deposits.....	-5%
.....	
2019) Derivatives (hedging transactions only) and subject to prior approval	-5%
.....	
20) Investment Agreements pursuant to indenture.....	100%

Type of Investment	CA Code Maximum Maturity	CA Code Maximum % of Portfolio	CA Code Minimum Quality Requirements	OCTA Maximum % of Portfolio*	OCTA Code Minimum Quality Requirements
OCTA Notes and Bonds	5 Years	100%	None	25%	Same as CA Code
U.S., Federal Agencies & U.S. Government Sponsored Enterprises	5 Years	100%	None	Same as CA Code	Same as CA Code
Municipal Debt	5 Years	100%	None	30% total, no more than 5% by any one issuer	"A" or "A-1" rating category, or its equivalent or higher, by an NRSRO
Bankers Acceptances	180 Days	40%, 30% of a single issuer	None	30%, no more than 5% any single issuer	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Commercial Paper	270 Days	25%, 10% of a single issuer	"A-1" rating category, or its equivalent or higher by an NRSRO	Same as CA Code	"A-1" rating category, or its equivalent or higher, by 2 NRSROs
Negotiable Certificates of Deposit	5 Years	30%	None	30%, no more than 5% in any single issuer	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Repurchase Agreements	1 Year	100%	None	75%	"A" or "A-1" rating category, or its equivalent or higher, by 2 NRSROs
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio	None	Only permitted as a permitted investment within a JPA investment pool	Only permitted as a permitted investment within a JPA investment pool
Medium Term Maturity Notes	5 Years	30%	"A" rating category, or its equivalent or higher, by an NRSRO	30% total, no more than 5% in any one issuer	Same as CA Code
Money Market/Mutual Funds	N/A	20%, 10% of any one mutual fund	"AAA" rated, or its equivalent, by 2 NRSROs	20%, 10% of fund's assets, 10% of any one mutual fund	Same as CA Code
Mortgage Pass-Through and Asset-backed Securities	5 Years	20%	"AA" rating category, or its equivalent or higher, by an NRSRO	20%, no more than 5% in any single issuer	"AA" rating category, or its equivalent or higher, by 2 NRSROs
Supranationals	5 Years	30%	"AA" rating category, or its equivalent or higher, by an NRSRO	30%, no more than 10% in any single issuer	Same as CA Code
Local Agency Investment Fund (LAIF)	N/A	\$65 million per account	None	\$65 million per account	Same as CA Code
Orange County Investment Pool (OCIP)	N/A	100%	None	10%	Same as CA Code
Joint Powers Authority (JPA) Investment Pools	N/A	100%	None	10%	Same as CA Code

* Additional portfolio restrictions include bank deposits (5%) and variable and floating rate securities (30%)

Issuer/Counter-Party Diversification Guidelines For All Securities Except ~~Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements and OCTA Debt~~ U.S. Treasuries and U.S. Government Agency Securities

~~Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%~~

~~Unless otherwise specified in this policy, any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.~~

Issuer/Counter-Party Diversification Guidelines For ~~Federal Agencies, Federal Instrumentalities and Repurchase Agreements~~

~~Any one Federal Agency or Federal Instrumentalities 35%~~
~~Any one repurchase agreement counter party name~~

~~_____ If maturity/term is \leq 7 days 50%~~
~~_____ If maturity/term is $>$ 7 days 35%~~

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

The Authority can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

11.XII SSECURITIES SSAFE KKEEPING

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

XIII.12. BROKER DEALERS

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

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

13XIV. INVESTMENT POLICY REVIEW

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

XV14. DEFINITION OF TERMS

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

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

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

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

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

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

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

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

BOOK VALUE: The original cost of the investment.

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

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

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

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

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. ~~The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.~~

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

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

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

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

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

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

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

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

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

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

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

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 3,000-member banks.

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

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

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

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

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

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

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

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

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

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

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

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

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

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

NEGOTIABLE CD: (See Certificates of Deposit)

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

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

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

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

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

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

PORTFOLIO: A group of securities held by an investor.

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

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

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

PURCHASE DATE: See (Trade Date)

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

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence

a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

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

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

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

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

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

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

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

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

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

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. FEDERAL INSTRUMENTALITIES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (Farmer Mac)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export Import Bank of the United States
- Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Deposit Insurance Corporation (FDIC)

•—• National Credit Union Administration (NCUA)

~~Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.~~

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

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

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

~~For the purposes of this Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.~~

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

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

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



COMMITTEE TRANSMITTAL

June 24, 2019

To: Members of the Board of Directors
From: Laurena Weinert, Clerk of the Board
Subject: Fiscal Year 2018-19 Third Quarter Budget Status Report

Finance and Administration Committee Meeting June 12, 2019

Present: Directors Do, Hennessey, Jones, R. Murphy, and Steel
Absent: Directors Hernandez and Wagner

Committee Vote

This item was passed by the Members present.

Committee Recommendation

Receive and file as an information item.

Staff Discussion

At the June 12, 2019 Finance and Administration Committee Meeting, Andrew Oftelie, Chief Financial Officer, reported that the sales tax growth rates for the fiscal year for both the Local Transportation Authority (LTA), which funds the Measure M2 (M2) Program, and the Local Transportation Fund (LTF), which is the primary source of operating funds for the Bus Program, declined substantially based on the final payment of the third quarter. Sales tax growth for both sales tax revenues had shown strong growth through the fiscal year until the final payment of the third quarter from the California Department of Tax and Fee Administration (CDTFA). The final payments of the third quarter for both LTA and LTF were so low that sales tax revenues were 10.4 percent below the amounts received for the same quarter last fiscal year. It also reduced the fiscal year-to-date growth in M2 and LTF sales tax to 0.1 percent and 1.1 percent respectively, which is below the budgeted growth rates of 3.7 percent and 3.1 percent.



Staff Discussion (Continued):

Throughout the past two fiscal years the CDTFA has been delinquent in the timely distribution of sales tax revenues due to an issue caused by the implementation of a new computer system. Given that history, the Orange County Transportation Authority (OCTA) reached out to the CDTFA to determine if that was the cause of the anomaly with the final payment of the third quarter. The CDTFA stated that they are no longer behind in distributing sales tax payments. Mr. Oftelie stated given the large discrepancy the reported amounts may not be correct, and that staff has asked MuniServices to look into the matter in order to determine if the CDTFA is correct or if OCTA should expect additional sales tax revenue over coming months that would be attributable to the third quarter.

Darrell E. Johnson, Chief Executive Officer, stated that once the analysis is complete that staff will provide an update to the Finance and Administration Committee and Board of Directors.



June 12, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2018-19 Third Quarter Budget Status Report

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line and extends into the "Subject:" line.

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2018-19 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2018-19.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2018-19 Budget on June 11, 2018. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.31 billion. Sources of funds were comprised of \$1.07 billion in current FY revenues and \$237.8 million in use of prior year designations. Uses of funds were comprised of \$1.23 billion of current FY expenditures and \$80.3 million of designations.

The Board approved three amendments through the third quarter, increasing the expense budget by \$132.8 million. These amendments increased the budget to \$1.44 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2018	Adopted Budget	\$ 1,305,861
8/13/2018	Purchase of eight streetcar vehicles and spare parts	51,528
9/24/2018	Construction of the OC Streetcar Project	81,000
10/22/2018	Administration of the OC Taxi Administration Program	251
	<i>Subtotal Amendments</i>	132,779
	Total Working Budget	\$ 1,438,640

*in thousands

Discussion

Staff monitors and analyzes revenues and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included in Attachment A are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2).

Total salaries and benefits underran the budget by \$7.7 million. This is primarily due to vacancies OCTA-wide. As a result, an underrun is anticipated to remain through this FY.

Table 2 below provides a year-to-date snapshot of advances for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget through the third quarter. For both programs, March sales tax receipts were significantly lower than anticipated. Staff is working with the California Department of Tax and Fee Administration to determine the cause of the underrun in sales tax receipts for the month and will include the information in the following quarterly report.

Table 2 - Third Quarter Year-to-Date LTA and LTF Sales Tax Revenue

	Budget	Actual	\$ Variance	% Variance
LTA	\$ 246,416,753	\$ 240,124,901	\$ (6,291,853)	-2.55%
LTF	\$ 126,505,532	\$ 126,592,651	\$ 87,119	0.07%

Based on advances posted to-date, growth in LTA M2 Program sales tax is flat in comparison to the budgeted growth rate of 3.7 percent. LTF Bus Program sales tax has grown by approximately 1 percent in comparison to the budgeted growth rate of 3.1 percent.

Bus Program operating revenue overran the budget by \$6.1 million, primarily due to the receipt of state transit operating assistance funds which were received earlier in the FY than anticipated. Bus Program operating expenses underran the budget by \$7.6 million, primarily due to staffing vacancies. Contributing to

the underrun is the Enhanced Mobility for Seniors and Disabled Grant Program, transit system security services, and OC Flex service. These underruns are largely due to the timing of billing and are expected to diminish as the FY progresses.

Bus Program capital revenue overran the budget by \$3.4 million primarily due to state grant revenue received for the purchase of six 40-foot buses for a new Bravo! Route 529 service along Beach Boulevard. State Low Carbon Transit Operations Program grant revenue associated with this project was budgeted in the prior FY but received in the current FY. Also contributing to the overrun were federal grant funds received associated with security system upgrades at the Santa Ana and Garden Grove bus bases. Capital expenses underran the budget by \$0.5 million due to contract execution timing for a bus platform and canopy revitalization project at the Fullerton Transportation Center.

Rail Program operating revenue overran the budget by \$1.3 million primarily due to higher than anticipated interest earnings. Operating expenses underran by \$5.8 million, primarily due to the quarterly operating subsidy payment to Southern California Regional Rail Authority (SCRRA) for OCTA's annual portion of the Metrolink operations. This underrun is the result of a credit received in the current FY based on prior year expenses finishing lower than originally anticipated. Also contributing to the operating expense underrun is a \$1 million variance associated with on-call design review services for the design phase of the Placentia Metrolink Station project. Security services for passenger rail and rail right-of-way also contributed to the underrun due to the timing of invoices. The remainder of the underrun is associated with as-needed services such as right-of-way maintenance, public outreach, and project management services for multiple projects within the Rail Program.

Rail Program capital revenue overran by \$14 million due to receipt of grant funds which were budgeted in a prior FY for construction of the Orange Transportation Center parking structure project, Laguna Niguel-San Juan Capistrano passing siding project, and Anaheim Canyon Metrolink station project. Capital expenses overran the budget by \$10.1 million. The overrun is associated with the Laguna Niguel-San Juan Capistrano passing siding project. A construction contract was not anticipated to be executed until the fourth quarter of the FY, however due to the timely completion of the design phase, the contract was awarded in the third quarter.

The 91 Express Lanes Program operating revenue underran by \$0.1 million, primarily due to lower than projected toll revenue received through the third quarter. The underrun was offset by overruns in fees collected for toll violations and account minimums, and interest on investments in the 91 Express Lanes Fund. Operating expenses underran by \$4.2 million, due to the timing of the 6C protocol tolling infrastructure project, timing of a contract task order for the

back-office system project, and invoices in arrears for the back-office system project. Additionally, the toll road operating contract underran the budget by \$0.6 million due to a lower operating rate than anticipated.

Capital revenue and expenses for the 91 Express Lanes Program each underran the budget by \$0.7 million primarily associated with the customer service center improvement project. The project is led by Riverside County Transportation Commission, and they have chosen to invoice OCTA at the end of the project in the next FY. However, at the time of budget development, billing for OCTA's portion was anticipated at regular intervals. Due to the underrun in capital expenses, less capital revenue was utilized to cover the expenses. The variances will continue throughout the balance of the FY.

Motorist Services Program revenue was in line with the budget through the third quarter. Expenses for the program underran the budget by \$0.5 million due to lower than anticipated invoices for contracted tow service for the Freeway Service Patrol Program. This variance is anticipated to continue for the remainder of the FY.

Expenses for the M2 Program underran the budget by \$94.3 million, primarily due to lower than anticipated project payment requests from the cities and county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Contributing to the underrun in M2 Program expenses is right-of-way acquisition and right-of-way support services for the Interstate 405 (I-405) Improvement Project. Also contributing to the underrun is debt service expense based on the timing of payments associated with new debt issuance. These expenses were less than anticipated through the third quarter.

Summary

Overall, revenue overran the budget by \$91 million, primarily due to prior FY grant revenues received in the current FY. LTA M2 Program sales tax is flat in comparison to the budgeted growth rate, while LTF Bus Program sales tax has grown by approximately one percent in comparison to the budgeted growth rate. Operating expenses underran the budget by \$96 million, primarily due to an underrun in contributions to local agencies based on lower than anticipated project payment requests and lower than anticipated M2 debt service payments based on the timing of new debt issuance. Capital expenses underran the budget by \$40 million, primarily due to right-of-way acquisition expenditures for the I-405 Improvement Project. Salaries and benefits underran by \$8 million primarily due to vacancies OCTA-wide.

Attachment

- A. Quarterly Budget Status Report Third Quarter of Fiscal Year 2018-19

Prepared by:



Anthony Baruch
Section Manager,
Financial Planning and Analysis
(714) 560-5332

Approved by:

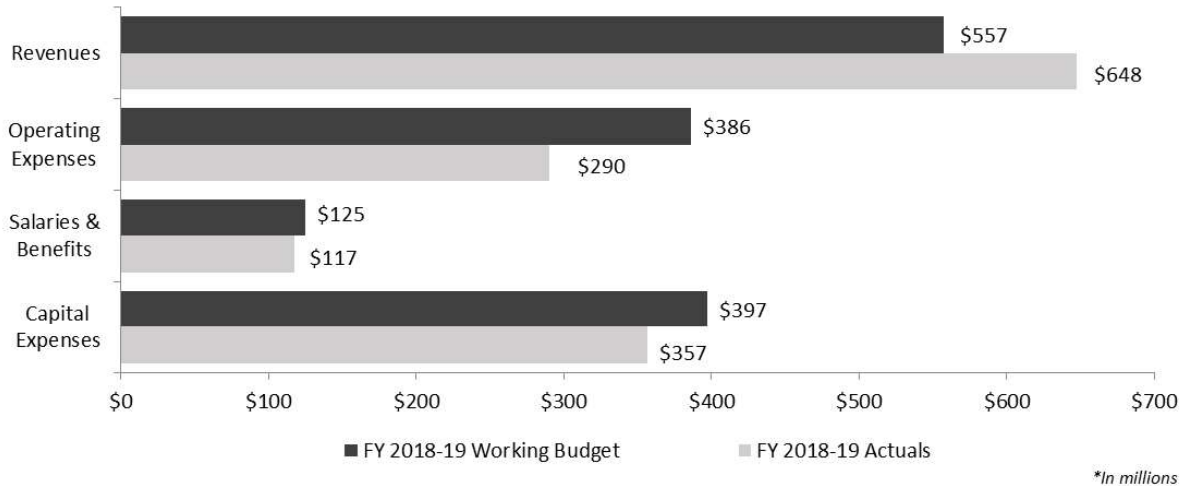


Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



Quarterly Budget Status Report

Third Quarter of Fiscal Year 2018-19



STAFFING

A staffing plan of 1,353 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2018-19. At the end of the third quarter, 1,252.5 of these positions were filled, representing a vacancy rate of 7.4 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	639.0	592.0	47.0	7.4%
Maintenance	171.0	147.0	24.0	14.0%
TCU	37.0	36.0	1.0	2.7%
<i>Union Subtotal</i>	<i>847.0</i>	<i>775.0</i>	<i>72.0</i>	<i>8.5%</i>
Bus Operations Support	165.5	160.5	5.0	3.0%
Other Administrative	340.5	317.0	23.5	6.9%
<i>Administrative Subtotal</i>	<i>506.0</i>	<i>477.5</i>	<i>28.5</i>	<i>5.6%</i>
Total OCTA	1,353.0	1,252.5	100.5	7.4%

TOTAL SALARIES AND BENEFITS

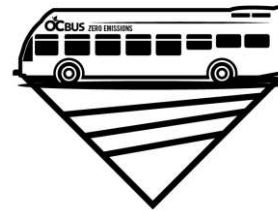
Total salaries and benefits of \$117.4 million were \$7.7 million lower than the budget of \$125 million. This variance is comprised of a \$4.8 million underrun in Bus Program salaries and benefits, as well as a \$2.9 million underrun in General Fund salaries and benefits. In both groups, the underruns are the result of vacant positions.

	Budget	Actual	\$ Variance	% Variance
Bus Program	\$ 81,509	\$ 76,742	\$ 4,767	5.8%
General Fund	43,522	40,617	2,905	6.7%
Total	\$125,031	\$117,359	\$ 7,673	6.1%

PROGRAM VARIANCES

Year-to-date material variances are listed below by program. All dollar amounts in tables are shown in thousands.

Bus Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 198,889	\$ 205,036	\$ 6,146	3.1%
Expenses	182,842	175,261	7,581	4.1%
Net Operating	\$ 16,048	\$ 29,775		
Capital				
Revenue	5,703	9,121	3,418	59.9%
Expenses	5,703	5,216	487	8.5%
Net Capital	\$ -	\$ 3,905		

Operating Revenue: Operating revenue for the Bus Program overran the budget by \$6.1 million primarily due to the receipt of state transit operating assistance funds which occurred earlier than anticipated in the FY. At the time of budget development, staff was unable to determine when the funds would be received, and so they were budgeted

later in the FY. This variance is anticipated to be resolved in the fourth quarter when actuals align with the budget.

Operating Expenses: The \$7.6 million underrun in Bus Program operating expenses can be primarily attributed to salaries and benefits (\$4.8 million), Enhanced Mobility for Seniors and Disabled (EMSD) Grant Program (\$1.1 million), transit system security services (\$0.9 million), and OC Flex special service (\$0.8 million).

Salaries and benefits underran the budget by \$4.8 million. This is primarily due to vacant positions. The vacancy rate at the end of the third quarter was 8.5 percent for union employees and 3 percent for Bus Program administrative employees.

The EMSD Grant Program is contributing \$1.1 million to the underrun due to contract execution timing. Contract negotiations and revisions between OCTA and some of the agencies participating in the new grant program have led to less than anticipated executed contracts through the third quarter. This variance is anticipated to diminish as more contracts are executed in the fourth quarter.

Security services underran by \$0.9 million due to the timing of invoices. The police services, provided by the Orange County Sheriff's Department, monitor Orange County's bus system. The invoices from the vendor are not always received on a monthly basis, and can be received up to two months in arrears. Two monthly invoices for third quarter work were received and paid in the fourth quarter. This variance will be resolved by the end of the FY when all invoices for the FY have been received.

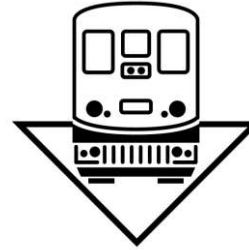
OC Flex service underran by \$0.8 million due to additional review of vendor invoices. OCTA staff has been working with the service vendor to ensure proper data is received along with the invoice for payment. However, actuals are anticipated to align with the budget as the FY progresses.

Capital Revenue: Capital revenue overran the budget by \$3.4 million. This is primarily due to \$3 million in state grant funds associated with the purchase of six buses for a new Bravo! Route 529 service along Beach Boulevard. State Low Carbon Transit Operations Program grant revenue associated with this project was budgeted in the prior FY but received in the current FY. This variance is expected to remain throughout the FY. The remainder of the underrun is due to the timing of federal capital assistance grant funds received. The funds, associated with a project to upgrade security systems at the Santa Ana and Garden Grove bus bases, were budgeted in a prior FY and received in the current FY.

Capital Expenses: Capital expenses underran the budget by \$0.5 million, primarily associated with contract execution timing for a bus platform and canopy revitalization project

at the Fullerton Transportation Center. A request for bids to revitalize bus platforms and canopies was conducted in the first half of the FY but was postponed due to non-responsive bidders. A rebidding of the contract will take place in the fourth quarter of the FY, with an encumbered contract anticipated to be executed before the end of the FY.

Rail Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 29,630	\$ 30,929	\$ 1,299	4.4%
Expenses	29,630	23,840	5,790	19.5%
Net Operating	\$ -	\$ 7,088		
Capital				
Revenue	8,720	22,733	14,013	160.7%
Expenses	8,720	18,781	(10,061)	-115.4%
Net Capital	\$ -	\$ 3,952		

Operating Revenue: Rail Program operating revenue overran the budget by \$1.3 million, primarily due to higher than anticipated interest earnings. This is due to both a larger average cash balance than originally anticipated during the budget development and a more favorable interest rate than anticipated.

Operating Expenses: Rail Program operating expenses underran the budget by \$5.8 million.

The underrun is primarily associated with a \$3.4 million underrun in OCTA's member contribution to Southern California Regional Rail Authority (SCRRA) for its share of the annual Metrolink operating subsidy. The underrun is due to a credit received in the current FY. Each FY, the Metrolink operating subsidy is adjusted based on operating subsidy deficits or surplus from previous FYs. Due to prior FY expenses finishing lower than originally anticipated, actual contributions from OCTA are less than what was anticipated during current FY budget development. As a result, the variance will continue throughout the FY.

Also contributing to the variance is a \$1 million underrun associated with on-call design review services for the design phase of the Placentia Metrolink station project. The underrun is due to the timing of a shared-use agreement between SCRRA and Burlington Northern Santa Fe Railway (BNSF), which has not been finalized. The design review by BNSF will begin when the agreement is reached. This item has been rebudgeted next FY.

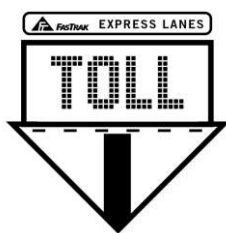
Rail Program security services underran by \$0.4 million due to invoice timing. The police services, provided by the Orange County Sheriff's Department, monitor Orange County's passenger rail and rail right-of-way. The invoices from the vendor are not always received on a monthly basis and can be received up to two months in arrears. Two monthly invoices for third quarter work were received and paid in the fourth quarter. This variance should be resolved by the end of the FY when all invoices for the FY have been received.

Right-of-way maintenance and review services (\$0.4 million), as well as public outreach and project management services (\$0.3 million), for multiple rail projects contributed to the underrun in Rail Program operating expenses. These services are utilized on an as-needed basis. Because the services are used as-needed, the frequency and magnitude of the services can be difficult to forecast.

Capital Revenue: The \$14 million overrun in Rail Program capital revenue can be attributed to reimbursements associated with the Orange Transportation Center parking structure project, Laguna Niguel-San Juan Capistrano passing siding project, and Anaheim Canyon Metrolink station project. State and federal capital grant funds for the right-of-way and construction phases of these projects were budgeted in a prior FY and received in the current FY.

Capital Expenses: Rail Program capital expenses overran the budget by \$10.1 million. This is due to the timing of a construction contract for the Laguna Niguel-San Juan Capistrano passing siding project. The contract was budgeted in the fourth quarter, but due to the timely completion of the design phase, the project was able to be bid for construction and a contract was awarded earlier than anticipated. This variance will be resolved in the fourth quarter.

91 Express Lanes Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 43,580	\$ 43,507	\$ (73)	-0.2%
Expenses	16,710	12,485	4,225	25.3%
Net Operating	\$ 26,870	\$ 31,022		
Capital				
Revenue	1,023	303	(719)	-70.4%
Expenses	1,023	303	719	70.4%
Net Capital	\$ -	\$ -		

Operating Revenue: The 91 Express Lanes operating revenue underran the budget by \$0.1 million due to offsetting factors.

Revenue from tolls underran the budget by \$2.6 million through the third quarter due to lower actual toll revenue than forecasted projections from the 91 Express Lanes consultant. OCTA contracts with a consulting firm to project monthly traffic patterns and toll revenue for the express lanes. To be conservative, OCTA uses 95 percent of the monthly revenue projections for budgeting purposes. However, through the third quarter, toll revenue was below the forecasted budget.

The underrun in toll revenue was primarily offset by overruns in revenue from fees (\$1.5 million) and interest on investments (\$0.8 million). Fees such as toll violations and account minimum fees collected overran by \$1.5 million due to the variable nature of this revenue source which can be difficult to forecast. The overrun of \$0.8 million associated with interest earnings is due to both a higher cash balance than budgeted in the 91 Express Lanes Fund, and a more favorable interest rate environment.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by \$4.2 million. The underrun is primarily due to the timing of the 6C protocol tolling infrastructure project (\$1.4 million), services associated with the new back-office system project (\$1 million), a lower than anticipated rate through the third quarter for the toll road operator contract (\$0.6 million), and lower than anticipated utilization for account collection services (\$0.5 million).

The 6C protocol tolling infrastructure project underran the budget by \$1.4 million. The project, led by Riverside County Transportation Commission (RCTC), commenced later than anticipated in the FY. As a result, invoicing to OCTA for its portion of the project is underrunning the budget. Also, sales of new 6C protocol transponders and marketing for the transponders underran the budget. As a result, expenses for the project have been rebudgeted next FY.

An underrun of \$1 million associated with the new back-office system project is due to contract execution timing for a contract task order, and invoice timing for the project management consultant contract.

An underrun of \$0.6 million in the toll road operating contract is due to a lower than anticipated expense rate through the third quarter. This FY, a higher contracted expense rate with the toll road operator was expected to be negotiated and staff budgeted accordingly. However, based on ongoing negotiations through the third quarter, this has not occurred resulting in an underrun. A renegotiated

contract is expected to occur in the fourth quarter, but a variance is likely to continue through the end of the FY.

An underrun of \$0.5 million associated with account collection services is due to lower utilization than anticipated. This service is used on an as-needed basis and is difficult to forecast based on its variable nature.

Capital Revenue: Capital revenue for the 91 Express Lanes Program underran the budget by \$0.7 million and is directly tied to capital expenses.

Capital Expenses: Capital expenses for the 91 Express Lanes Program underran the budget by \$0.7 million primarily due to invoicing for customer service center improvements (\$0.5 million), and computer equipment (\$0.2 million).

The underrun of \$0.5 million associated with customer service center improvements is due to invoices not being received in the current FY as expected. RCTC is the lead on this project, and at the time of budget development it was anticipated that OCTA would receive regular invoicing from RCTC. However, RCTC plans to invoice OCTA after the improvements are complete, which is anticipated to occur next FY. Accordingly, this item has been rebudgeted.

The underrun of \$0.2 million for computer equipment is associated with the 6C transponder project led by RCTC. Billing is anticipated to be received later in the FY.

Motorist Services Program

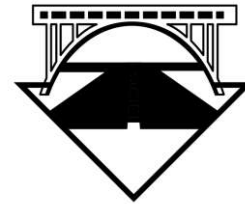


	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 4,756	\$ 4,750	\$ (6)	-0.1%
Expenses	4,756	4,228	528	11.1%
Net Operating	\$ -	\$ 522		

Operating Revenue: Operating revenue for the Motorist Services Program was aligned with the budget through the third quarter.

Operating Expenses: Operating expenses for the Motorist Services Program underran the budget by \$0.5 million. The underrun is associated with Freeway Service Patrol tow services under the Service Authority for Freeway Emergencies Program. For contracted tow services, invoices received were lower than anticipated. This variance is likely to continue for the remainder of the FY.

M2 Program



Revenue: M2 Program sales tax revenue underran the budget by \$6.3 million through the third quarter. Based on advances posted to-date, growth in LTA M2 Program sales tax is flat in comparison to the budgeted growth rate of 3.7 percent.

Mode	Budget	Actual	\$ Variance	% Variance
Streets & Roads	111,206	73,498	37,708	33.9%
Freeways	83,424	47,084	36,340	43.6%
Debt Service	44,365	28,795	15,570	35.1%
Administration	8,818	5,862	2,956	33.5%
Transit	8,274	6,581	1,693	20.5%
Total	\$ 256,086	\$ 161,820	\$ 94,267	36.8%

Expenses: M2 Program expenditures underran the budget by \$94.3 million. Streets and Roads contributed \$37.7 million to the underrun due to lower than anticipated project payment requests from cities and the county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Freeways contributed \$36.3 million to the underrun, primarily due to right-of-way acquisition and support services for the I-405 Improvement Project. Debt Service underran \$15.6 million due to the timing of debt service payments and the refinancing of existing debt. M2 Program administration expenses underran \$3 million due to lower debt issuance services, advisor fees, federal compliance advisory services, and M2 technical support staff services through the third quarter than anticipated during the budget development. Transit contributed \$1.7 million to the underrun, primarily due to actual as-needed rail program support services which were lower than anticipated. Typically, as-needed expenses can be difficult to project.



June 24, 2019

To: Members of the Board of Directors
Darrell E. Johnson
From: Darrell E. Johnson, Chief Executive Officer
Subject: Taxpayer Oversight Committee Measure M2 Annual Public Hearing Results and Compliance Finding

Overview

As called for by the Measure M2 Ordinance, the Taxpayer Oversight Committee is required to review annual audits and conduct an annual hearing to determine whether the Orange County Transportation Authority is proceeding in accordance with the Investment Plan. The annual public hearing took place on June 11, 2019.

Recommendation

Receive and file as an information item.

Background

The Measure M2 (M2) Taxpayer Oversight Committee (TOC) is mandated by the M2 Ordinance. The TOC is an independent committee representing all five supervisorial districts in Orange County. The TOC is responsible for ensuring that transportation projects in M2 are implemented according to the Investment Plan approved by the voters in 2006. The TOC meets bi-monthly to review progress on the implementation of M2.

The TOC is required to hold a public hearing annually to receive comments from citizens regarding M2 as part of its oversight efforts to determine whether the Orange County Transportation Authority (OCTA), acting as the Orange County Local Transportation Authority (OCLTA), is proceeding in accordance with the M2 Transportation Ordinance and Investment Plan.

The results of the hearing and the finding of the TOC are transmitted to the OCTA Board of Directors annually. The TOC has consistently found OCTA in compliance for the past 27 years.

Discussion

The 28th Annual Public Hearing took place on June 11, 2019. The hearing was publicized through news releases, public notices, and posted on OCTA's social media sites, and the On the Move blog. There were two members of the public present at the public hearing, one of whom addressed the committee commending the TOC for its service and how well it operates. In addition, ten members of the public submitted 2019 OC Go implementation feedback on the OCTA website. Nine of the digital submissions expressed that Measure M funds should not be used for toll roads or managed lanes in South Orange County; and one digital submission stated that there is redundancy between OCTA, the California Department of Transportation, and the Transportation Corridor Agency.

Following the public hearing and review of the annual financial audit of OCLTA and all other information the committee members have been provided to date, the TOC made the determination at its June 11, 2019 meeting, that during 2018, OCTA has proceeded in accordance with the M2 Transportation Ordinance and Investment Plan. Orange County's Auditor-Controller, Eric Woolery, who serves as the Chairman of the TOC, prepared an official memo stating its findings (Attachment A).

Additionally, in accordance with M2 Ordinance No. 3, Section 10, Paragraph 3, Chairman Woolery certified that the revenues through fiscal year ending June 30, 2018, have been spent in compliance with the Ordinance.

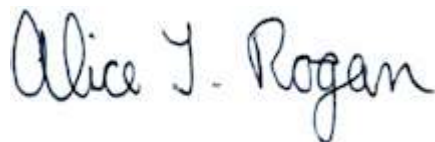
Summary

Subsequent to bi-monthly meetings and the M2 Annual Public Hearing on June 11, 2019, the TOC has determined that OCTA is proceeding in accordance with the M2 Transportation Ordinance and Investment Plan.

Attachment


- A. Memo from Orange County Auditor-Controller Eric Woolery, Chair, Measure M2 Taxpayer Oversight Committee, to Tim Shaw, Chairman, Orange County Transportation Authority, dated June 11, 2019, re: 28th Measure M2 Annual Public Hearing

Prepared by:



Alice T. Rogan
Director, Marketing and Public Outreach
(714) 560-5577

Approved By:



Lance M. Larson
Executive Director, External Affairs
(714) 560-5908



Measure M2 Taxpayer Oversight Committee

June 11, 2019

To: Tim Shaw, Chairman
Board of Directors
Orange County Transportation Authority

From: Taxpayer Oversight Committee

Subject: 28th Measure M2 Annual Public Hearing

In accordance with Attachment C "Taxpayer Oversight Committee," the Taxpayer Oversight Committee (TOC) is required to conduct an annual public hearing to determine whether the Orange County Transportation Authority (Authority) is proceeding in accordance with the Renewed Measure M (M2) Transportation Ordinance and Investment Plan.

The TOC conducted the annual public hearing on June 11, 2019. No items were presented at the hearing to indicate that the Authority was not proceeding in accordance with the M2 Transportation Ordinance and Investment Plan during 2018.

Based upon the above-mentioned hearing, 2017/18 Local Transportation Authority (LTA) financial audit results and all other information the TOC has to date, the TOC hereby finds the Authority is proceeding in accordance with the M2 Transportation Ordinance and Investment Plan.

Also, in accordance with Ordinance No. 3, Section 10, Paragraph 2, I certify that the M2 revenues, through fiscal year ending June 30, 2017, have been spent in compliance with the M2 Transportation Ordinance and Investment Plan.

Sincerely,

A handwritten signature in blue ink that reads "Eric Woolery". The signature is written in a cursive style.

Eric Woolery, Chair
Measure M2 Taxpayer Oversight Committee
Orange County Auditor-Controller



July 8, 2019

To: Members of the Board of Directors
Darrell E. Johnson

From: Darrell E. Johnson, Chief Executive Officer

Subject: Taxpayer Oversight Committee New Member Recruitment and Lottery

Overview

Measure M2 calls for a committee to help ensure voter mandates are met. Each year, new committee members are recruited and selected to fill vacancies left by expired terms. The recruitment process for the Measure M2 Taxpayer Oversight Committee has been completed for 2019, and a lottery must take place in public session to fill vacancies in the First, Third, Fourth, and Fifth Supervisorial Districts.

Recommendation

Pursuant to the Measure M2 Ordinance, conduct the lottery for final selection of new Measure M2 Taxpayer Oversight Committee members by drawing one name, each representing the First, Third, Fourth, and Fifth Supervisorial Districts, from the list of recommended finalists provided by the Grand Jurors Association of Orange County.

Background

The Measure M2 Taxpayer Oversight Committee (TOC) is required by the Measure M2 (M2) Ordinance No. 3. The TOC is an independent committee representing all five supervisorial districts in the County and is responsible for ensuring voter mandates are met and the transportation projects in M2 are implemented according to the M2 Investment Plan. The 11-member committee has a balanced representation of all supervisorial districts, with ten private citizens, plus the Orange County Auditor-Controller. The TOC meets bi-monthly to review progress on the implementation of the M2 program.

Each year, as terms of appointed members on the TOC come to an end, a recruitment process is conducted to fill vacancies. As outlined in the M2 Ordinance, the recruitment process is conducted by the Grand Jurors Association of Orange County (GJAOC). The GJAOC acts as an independent body serving in the interest

of Orange County citizens. In its role, the GJAOC appoints a five-member Selection Panel (Panel) to conduct the recruitment process.

The Panel has conducted the application/recruitment program since the beginning of Measure M in 1990. The first lottery took place on November 15, 1990, and the individuals chosen began meeting in January 1991, serving staggered one-year, two-year, or three-year terms. Following the same recruitment process, new members serving three-year terms have joined the committee each year, replacing outgoing members whose terms have expired.

Discussion

On June 30, 2019, the terms of four members of the TOC will expire. The current membership roster is attached (Attachment A). The schedule for the recruitment process for this year began in late January to fill vacancies in the First, Third, Fourth, and Fifth Supervisorial Districts (Attachment B).

The Panel concluded the recruitment process to fill the four vacant positions in mid-May (Attachment C). A fact sheet/application form was used for recruitment purposes (Attachment D). Announcements were distributed via On the Move, the Orange County Transportation Authority (OCTA) corporate blog, to a database of 7,316 subscribers. Advertisements were also placed in the Los Angeles Times and the Orange County Register, and on their websites. In addition, postings were made on OCTA's Facebook page, and targeted Facebook advertisements were used to notify residents in the First, Third, Fourth, and Fifth Supervisorial Districts; announcements were sent to the media and cities; and information was sent to local organizations and professional associations to include in their newsletters and social media accounts.

The members of the Panel screened 57 applications from interested citizens, looking closely at each applicant's community service record, as well as experience in community and transportation issues. The Panel considered each individual's ability to assess and analyze facts, desire to make the TOC a priority, their involvement in community organizations, any special skills or experience, and their degree of knowledge of government. In addition, the M2 Ordinance prohibits elected or appointed officials from serving on the TOC. Based on a previous amendment to the M2 Ordinance, the Panel also included more specific questions on the application regarding conflicts of interest. Any appointed and elected officials were required to fill out an intent to resign form to indicate they would resign from their position.

Following the initial screening process, 49 personal interviews were conducted by the Panel in an effort to gain as much insight as possible into the most qualified candidates.

The Panel is recommending 19 candidates for possible membership on the committee: four from the First Supervisorial District, five from the Third Supervisorial District, five from the Fourth Supervisorial District, and five from the Fifth Supervisorial District (Attachment E). One of these recommended candidates submitted an intent to resign form, agreeing that, if selected for TOC membership, the candidate will resign from the current public elected or appointed position.

At the July 8, 2019, meeting, the OCTA Board of Directors will select four persons by lottery to fill the vacant positions. The four new members will begin serving their terms in July 2019. Each representative will serve a three-year term.

During the lottery process, the first name drawn from each supervisorial district will be the selected committee member. The remaining names will be drawn from each supervisorial district to establish a contingency list. Should a vacancy occur, finalists would be called upon to serve on the committee in the order in which the names were drawn.

Resolutions for Outgoing Members

Participation on the TOC requires dedication, time, and commitment. The volunteers who serve on the TOC provide expertise and insight, resulting in thoughtful discussions regarding the implementation and oversight of Measure M2. In recognition of this contribution to the citizens of Orange County, Resolutions of Appreciation will be given to the following TOC members who have completed their terms: Richie Kerwin Lim – First Supervisorial District, Eugene Fields – Third Supervisorial District, Stanley F. Counts – Fourth Supervisorial District, and Matt McGuinness – Fifth Supervisorial District.

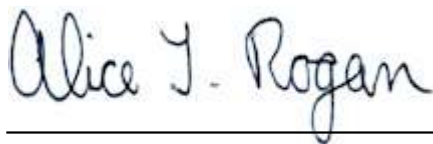
Summary

The Panel has completed its recruitment for four open positions on the TOC for the First, Third, Fourth, and Fifth Supervisorial Districts and submitted the names of eligible candidates for the 2019 lottery to fill the four positions. Outgoing members will receive Resolutions of Appreciation.

Attachments

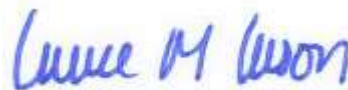
- A. Measure M Taxpayer Oversight Committee Members Fiscal Year 2018-19
- B. Measure M Taxpayer Oversight Committee 2019 Recruitment Schedule, Supervisorial Districts One, Three, Four, and Five
- C. Grand Jurors Association of Orange County Oversight Committee Selection Panel 2019
- D. Taxpayer Oversight Committee 2019 Membership Application
- E. Measure M Taxpayer Oversight Committee 2019 Finalists

Prepared by:



Alice T. Rogan
Director, Marketing and Public Outreach
(714) 560-5577

Approved by:



Lance Larson
Executive Director, External Affairs
(714) 560-5908

**Measure M
Taxpayer Oversight Committee Members
Fiscal Year 2018-19**

District	Name	Term	Expiration
1	Richie Kerwin Lim	3 Years	2019
1	Pauline Merry*	2 Years	2021
2	Larry Tekler	3 Years	2020
2	Mark Kizzar	3 Years	2021
3	Ronald T. Randolph**	3 Years	2020
3	Eugene Fields	3 Years	2019
4	Larry A. Lang	3 Years	2021
4	Stanley F. Counts ***	3 Years	2019
5	Jeffrey Kaplan	3 Years	2021
5	Matt McGuinness	3 Years	2019
	Eric Woolery, Orange County Auditor-Controller		Required by M2 Ordinance

** Completed the remainder of Dale Soeffner's term
** Completed the remainder of Andrew Lesko's term
*** Member resignation; finalist list has been exhausted*

**MEASURE M TAXPAYER OVERSIGHT COMMITTEE
2019 RECRUITMENT SCHEDULE
SUPERVISORIAL DISTRICTS ONE, THREE, FOUR, AND FIVE**

Jan. 24	Planning meeting with Grand Jurors Association of Orange County (GJAOC) Selection Panel
Feb. 11	Website updated with 2019 recruitment content and application
Feb. 18 – Apr. 16	First social media posts on Facebook and Twitter Bi-weekly blog in OCTA’s On the Move
Feb. 26	Press release distributed Info sent to County Supervisor offices, city public information officers, city clerks and city managers; Orange County Business Council (OCBC), Women’s Transportation Seminar (WTS), and other organizations for newsletters/blogs/social media (<i>will work with organizations so that they can notify their own databases in various ways over the next 2 months</i>)
Feb. 26 – Apr. 26	Bi-weekly social media posts (Facebook and Twitter)
Feb. 26 – Apr. 26	Notify legal counsel to make time in May to review applications Ad in the <i>Los Angeles Times</i> (includes local community papers); <i>OC Register</i> (includes local community papers) Posted on Los Angeles Times website and Orange County Register website <i>Westways Magazine</i> Ad in March/April edition (<i>will arrive at people’s houses on Feb. 21</i>)
May 6	Application deadline
May 6, 7, 8, 9, 10, 14, 20	GJAOC Selection Panel interviews candidates and prepares finalist list
May 24	GJAOC Selection Panel submits list of finalists to OCTA
May 28 - June 4	Legal counsel review of finalists
July 8	OCTA Chairman draws names at Board of Directors Meeting

**GRAND JURORS ASSOCIATION OF ORANGE COUNTY
OVERSIGHT COMMITTEE SELECTION PANEL 2019**

Bill Underwood (Chair)

Robin R. Bowen

Bette Flick

John Gallie

John J. Moohr

Virginia Zlaket



TAXPAYER OVERSIGHT COMMITTEE

2019 Membership Application

KEEP AN EYE ON YOUR TAX DOLLARS

RESIDENTS NEEDED FROM THE FIRST, THIRD, FOURTH, AND FIFTH SUPERVISORIAL DISTRICTS

OC Go (also known as Measure M) is the Transportation Ordinance and Plan approved first by Orange County voters in 1990 and renewed again by voters in 2006. The combined measures raise the sales tax in Orange County by one-half cent for a total period of 50 years to alleviate traffic congestion. This money is administered by the Orange County Transportation Authority (OCTA) and pays for specific voter-approved transportation projects for freeway improvements, local street and road improvements, and rail and transit programs specified in the Plan.

OC Go calls for an independent Taxpayer Oversight Committee to oversee compliance with the Ordinance as specified in the Transportation Ordinance and Plan.

The responsibilities of the 11-member Taxpayer Oversight Committee are to:

- Ensure all transportation revenue collected from OC Go is spent on the projects approved by the voters as part of the Plan;
- Ratify any changes in the Plan and recommend any major changes go back to the voters for approval;
- Participate in ensuring that all jurisdictions in Orange County conform with the requirements of OC Go before receipt of any tax monies for local projects;
- Hold annual public meetings regarding the expenditure and status of funds generated by OC Go;
- Review independent audits of issues regarding the Plan and performance of the Orange County Local Transportation Authority regarding the expenditure of OC Go sales tax monies.
- Annually certify OCTA is proceeding in accordance with the Plan.

HOW ARE MEMBERS CHOSEN?

Taxpayer Oversight Committee candidates are chosen by the Grand Jurors Association of Orange County (GJAOC), which has formed a five-member Taxpayer Oversight Committee Selection Panel to conduct an extensive recruitment program. The panel screens all applications, conducts interviews and recommends candidates for membership on the Taxpayer Oversight Committee. The GJAOC is made up of former grand jurors who have a continuing concern for good government and whose purpose is to promote public understanding of the functions and purpose of the grand jury. The GJAOC is a neutral body serving the interests of the citizens of Orange County.

Taxpayer Oversight Committee members represent each of the five Orange County Supervisorial Districts and have been meeting regularly since 1990. At this time, the GJAOC is conducting a recruitment to fill four vacancies with one representative from each of the First, Third, Fourth, and Fifth Supervisorial Districts. The GJAOC will recommend as many as five finalists from each district. The new members are to be chosen by lottery at the June 24, 2019 meeting of the OCTA Board of Directors. The terms for the new committee members will begin July 1, 2019. The representatives will serve three-year terms which expire on June 30, 2022. *This is a volunteer position and no monetary compensation will be paid to committee members.* The chairperson is the elected Auditor-Controller of Orange County. The Auditor-Controller's term coincides with his/her elected/appointed term.

WHO CAN APPLY TO SERVE?

Any Orange County citizen 18 years or older may apply to serve on the Taxpayer Oversight Committee. Potential candidates will be reviewed on the basis of the following criteria:

1. Commitment and ability to participate in Taxpayer Oversight Committee meetings for a three-year term from July 1, 2019 to June 30, 2022. The Committee will maintain time and meeting requirements. The Committee currently meets quarterly.
2. Demonstrated interest and history of participation in community activities, with special emphasis on transportation-related activities.
3. Lack of financial conflict of interest with respect to the allocation of sales tax revenue generated by OC Go. All Taxpayer Oversight Committee members are required to sign a conflict of interest form when accepting appointment.
4. Elected or appointed city, district, county, state or federal officials **are not** eligible to serve.

DEADLINE FOR APPLICATION:

All applications **MUST** be received no later than **May 1, 2019**. For more information on the committee, please call Sandra Dunkin at (949) 735-9151. Please print and mail completed application to:

GJAOC
OC Go TOC Applicant Screening Panel
P.O. Box 17923
Irvine, CA 92623-9998

APPLICATION FOR TAXPAYER OVERSIGHT COMMITTEE

Please type or print using dark ink. Additional sheets may be attached if needed. Please be as comprehensive as possible.

Name: _____ Email: _____

Business Address: _____
Street City Zip Code

Residence Address: _____
Street City Zip Code

Home Phone: () _____ Business Phone: () _____

Supervisorial District Number: ____ (Call Registrar of Voters at (714) 567-7582 to confirm your district.)

Present Employment Status: Employed Unemployed Retired

Present Occupation: _____ Employer: _____

Ethnic Origin (optional): _____ How long have you lived in Orange County? ____ year(s)

Are you a citizen of the United States? Yes No Are you a registered voter? Yes No

Have you (or your spouse) or any entity that you either work for or have a financial interest in, received any financial remuneration for goods or services provided by you, or by any entity you work for or have a financial interest in, that was paid for with OC Go revenues, either directly or indirectly, within the past 12 months? Yes No

If so, please explain.

Do you have any possible conflict of interest with respect to the allocation of OC Go revenues? Yes No

If so, please explain.

Are you currently an elected or appointed officer of any public entity? Yes No
(Note: All public officers shall complete an [intent to resign form](#).)

If so, please explain.

Are you related to or closely associated with any elected official or public employee? Yes No

If so, please state the nature of the association.

Have you ever been convicted of malfeasance in office, or of any felony? Yes No

If so, please explain.



TAXPAYER OVERSIGHT COMMITTEE

2019 Membership Application

As a member of any profession or organization, or as a holder of any office, have you ever been suspended, disbarred, or otherwise disqualified? Yes No

If so, please explain.

Do you personally have any past or pending issues related to development or transportation in any Orange County city? Yes No

If so, please explain.

Have you ever been involved in a lawsuit with OCTA? Yes No

If so, please explain.

Do you possess research abilities, including complex reading facility and capability to assess and analyze facts? Yes No

Is there any reason that you may be biased and not objective if you are chosen to serve as a member of the Taxpayer Oversight Committee? Yes No

While no specific time commitment is predetermined, are you willing to make a conscientious effort for a period of three years to give membership on this committee a priority and participate as necessary? Yes No

If you are presently active or have been active in the past five years in any organization, please give the organization name, nature of your activities and duties, and appropriate dates. (Attach sheet if necessary)

In what transportation-related activities have you been involved?

What do you know about OC Go/Measure M?

What specialized skill or expertise would you bring to the Oversight Committee?



TAXPAYER OVERSIGHT COMMITTEE

2019 Membership Application

EDUCATIONAL BACKGROUND:

List highest grade completed, any degrees you hold and the college/university attended and date of graduation.

EMPLOYMENT BACKGROUND:

List or attach your resume, including positions and titles held.

How did you hear about the Taxpayer Oversight Committee?

- | | | |
|--|--|---|
| <input type="checkbox"/> Online | <input type="checkbox"/> Newspaper/Magazines | <input type="checkbox"/> Social Media |
| <input type="checkbox"/> <i>OC Register</i> | <input type="checkbox"/> <i>OC Register</i> | <input type="checkbox"/> <i>Facebook</i> |
| <input type="checkbox"/> <i>LA Times</i> | <input type="checkbox"/> <i>LA Times</i> | <input type="checkbox"/> <i>Twitter</i> |
| <input type="checkbox"/> <i>OCTA Website</i> | <input type="checkbox"/> <i>Westways</i> | <input type="checkbox"/> <i>Instagram</i> |
| <input type="checkbox"/> Other: _____ | | |

Why do you wish to be considered for membership on the Taxpayer Oversight Committee?

APPLICATION MUST BE RECEIVED BY MAY 1, 2019

Please print and mail completed application to:
GJAOC
OC Go TOC Applicant Screening Panel
P.O. Box 17923
Irvine, CA 92623-9998

For more information call (949) 735-9151.

I hereby declare the information provided in this Application for the Taxpayer Oversight Committee is true, correct and complete to the best of my knowledge. I understand that my statements may be verified and I give permission to do so.

Date

Signature

**MEASURE M TAXPAYER OVERSIGHT COMMITTEE
2019 FINALISTS**

DISTRICT 1

<u>NAME</u>	<u>CITY</u>
Douglas P. Gillen	Santa Ana
Andrew Ramirez	Santa Ana
Joan Williams	Garden Grove
John Wyre	Westminster

DISTRICT 3

<u>NAME</u>	<u>CITY</u>
Craig Floerke	Anaheim
Jeffrey Haspell	Villa Park
Tuan Nguyen	Orange
Peter Riley	Tustin
Kirk Watilo	North Tustin

DISTRICT 4

<u>NAME</u>	<u>CITY</u>
Michael Pascual	Fullerton
Arnel Sarmiento	Placentia
Dana Swart	Placentia
Jose Ulloa	Fullerton
George Wright	Brea

DISTRICT 5

<u>NAME</u>	<u>CITY</u>
Douglas Anderson	Dana Point
Michael Knudsen	Trabuco Canyon
Glenn Powder	Ladera Ranch
Greg Prouty	Rancho Mission Viejo
James Mulvaney	Lake Forest

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

Call to Order

The June 24, 2019 regular meeting of the Orange County Transportation Authority (OCTA) and affiliated agencies was called to order by Chairman Shaw at 9:02 a.m. at the OCTA Headquarters, 550 South Main Street, Board Room – Conference Room 07-08, Orange, California.

Roll Call

Following the Invocation and Pledge of Allegiance, the Clerk of the Board noted a quorum was present, with the following Directors in attendance:

Directors Present: Tim Shaw, Chairman
Lisa A. Bartlett
Doug Chaffee
Laurie Davies
Barbara Delgleize
Michael Hennessey
Gene Hernandez
Jose F. Moreno
Joe Muller
Mark A. Murphy
Richard Murphy
Miguel Pulido
Michelle Steel
Donald P. Wagner
Gregory T. Winterbottom
Ryan Chamberlain, District Director
California Department of Transportation District 12

Directors Absent: Steve Jones, Vice Chairman
Andrew Do

Also Present: Darrell E. Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Olga Prado, Assistant Clerk of the Board
Cassie Trapesonian, Assistant General Counsel
Members of the Press and the General Public

Special Calendar

Orange County Transportation Authority Special Calendar Matters

1. Presentation of Resolutions of Appreciation for Employees of the Month for June 2019

Darrell E. Johnson, Chief Executive Officer (CEO), presented OCTA Resolutions of Appreciation Nos. 2019-064 and 2019-065 to Richard Mares, Coach Operator, and Anh Le, Maintenance, as Employees of the Month for June 2019.

Stella Lin, Administration Employee of the Month for May 2019, was not able to attend the Board of Directors (Board) meeting and will be acknowledged at the July 22, 2019 Board meeting.

2. Presentation of Resolutions of Appreciation for Orange County Transportation Authority's Teen Council Members

Darrell E. Johnson, CEO, presented OCTA Resolutions of Appreciation Nos. 2019-039 through 2019-050 to members of OCTA's Teen Council whose terms expire July 2019.

Consent Calendar (Items 3 through 13)

Orange County Transportation Authority Consent Calendar Matters

3. Approval of Minutes

A motion was made by Director Davies, seconded by Director Hernandez, and declared passed by those present, to approve the Orange County Transportation Authority and affiliated agencies' regular meeting minutes of June 10, 2019.

Director Pulido was not present to vote on this item.

4. State Legislative Status Report

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

Director Pulido was not present to vote on this item.

5. Federal Legislative Status Report

A motion was made by Director Davies, seconded by Director Hernandez, and declared passed by those present, to adopt a SUPPORT position on H.R. 2939 (Napolitano, D-El Monte), which would protect local sales tax dollars from being directed to airports.

Director Pulido was not present to vote on this item.

6. Special Needs Advisory Committee Annual Update and Member Appointments

A motion was made by Director Davies, seconded by Director Hernandez, and declared passed by those present, to receive and file the Special Needs Advisory Committee's status report.

Director Pulido was not present to vote on this item.

7. Citizens Advisory Committee Annual Update and New Member Recruitment

A motion was made by Director Davies, seconded by Director Hernandez, and declared passed by those present, to receive and file the Citizens Advisory Committee status report.

Director Pulido was not present to vote on this item.

8. Annual Update to Investment Policy

Finance and Administration (F&A) Committee Chairman Hennessey pulled this item and reported that at the recent F&A Committee meeting, there was a robust discussion about this item. Additionally, he reported that the F&A Committee is confident with the changes to the policy that gives the investment management services a little more flexibility within the California Government Code guidelines.

A motion was made by Director Hennessey, seconded by Director M. Murphy, and declared passed by those present, to:

- A. Adopt the 2019 Investment Policy dated June 10, 2019.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2019-20.

Director Pulido was not present to vote on this item.

9. Fiscal Year 2018-19 Third Quarter Budget Status Report

This item was pulled in error and a separate vote was taken.

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

Director Pulido was not present to vote on this item.

Orange County Transit District Consent Calendar Matters

10. Agreements for the Intelligent Transportation Management System Upgrade

A motion was made by Director Davies, seconded by Director Hernandez, and declared passed by those present, to:

- A. Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-9-1120 between the Orange County Transportation Authority and Conduent Transport Solutions, Inc., in the amount of \$985,733, to upgrade to the most current OrbCAD core build software and hardware.
- B. Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-9-1055 between the Orange County Transportation Authority and Conduent Transport Solutions, Inc., in the amount of \$137,056, to upgrade to the most current ArcGIS map version of the software.
- C. Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-9-1060 between the Orange County Transportation Authority and Aviat U.S., Inc., in the amount of \$68,898, for the purchase of equipment, licenses, and services to upgrade the microwave system.
- D. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1104 between the Orange County Transportation Authority and Nth Generation Computing, Inc., the lowest responsive, responsible bidder, in the amount of \$388,062, for the purchase of computing hardware and computer storage equipment.

Director Pulido was not present to vote on this item.

Director M. Murphy did not participate or vote on this item due to a potential conflict of employment.

11. Agreement for Bus Hoist Replacement at the Santa Ana Bus Base

A motion was made by Director Davies, seconded by Director Hernandez, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1178 between the Orange County Transportation Authority and Autolift Services, Inc., the lowest responsive, responsible bidder, in the amount of \$149,300, for bus hoist replacement at the Santa Ana Bus Base.

Director Pulido was not present to vote on this item.

Orange County Local Transportation Authority Consent Calendar Matters

12. Taxpayer Oversight Committee Measure M2 Annual Public Hearing Results and Compliance Finding

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

Director Pulido was not present to vote on this item.

13. Measure M2 Project W Safe Transit Stops - 2019 Programming Recommendations

Darrell E. Johnson, CEO, pulled this item and reported:

- Following the June 13, 2019 Transit Committee meeting, the City of Laguna Beach (Laguna Beach) provided comments requesting a better understanding of the improvements proposed at the Laguna Beach Transit Center (LBTC) which was recommended for funding in the amount of \$115,000.
- In conversations with the Laguna Beach staff, OCTA would like to remove the \$115,000 recommendation from this item for the LBTC.
- OCTA is committed to discuss with Laguna Beach the proposed changes to the LBTC.
- Staff recommendation is to update Recommendation A and change the dollar amount from \$.987 million to \$.872 million, remove the LBTC, and return with a future recommendation for the LBTC.

13. (Continued)

- The updated Recommendation A is as follows:
 - A. Approve the award of \$.872 million in 2019 Project W Safe Transit Stops Program funds to seven eligible local agencies and the Orange County Transportation Authority.
- Staff recommended that the Board of Directors (Board) also take action on Recommendation B listed on today's Board agenda.

A motion was made by Chairman Shaw, seconded by Director Muller, and declared passed by those present, to:

- A. Approve the award of \$.872 million in 2019 Project W Safe Transit Stops Program funds to seven eligible local agencies and the Orange County Transportation Authority.
- B. Cancel the programming of \$.370 million in 2014 Measure M2 Project W Safe Transit Stops funds for Orange County Transportation Authority-initiated improvements.

Director Pulido was not present to vote on this item.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

14. Bristol Street Transit Corridor Study - University of California, Irvine Connection Options

Darrell E. Johnson, CEO, provided opening comments and introduced Eric Carlson, Senior Transportation Analyst, Planning, who provided a PowerPoint presentation for this item as follows:

- Background;
- OC Transit Vision Phasing;
- Phasing Considerations;
- Existing Service to University of California, Irvine (UCI) Area;
- Options for Studying a UCI Connection:
 - Option 1: No Change
 - Option 2: Extend Two Alternatives to UCI
 - Option 3: Amend Study Area and Extend Timeline; and
- Next Steps.

14. (Continued)

A discussion ensued regarding:

- Chairman Shaw, who is a Member on the Transit Committee, referenced Slide 6 of the PowerPoint and stated the following:
 - The Transit Committee asked staff to consider amending the Bristol Street Transit Corridor Study (Bristol Study) to include connections to UCI campus and UCI Research Park.
 - At the June 13, 2019 Transit Committee meeting, Transit Committee Chairman Do stated that after further consideration, staff proceed with Option 1, which maintains the current Bristol Study scope of work, and the UCI segment would be studied later.
- Director Delgleize provided comments and stated that the Goldenwest Transportation Center (GTC) connection would also serve the north/west area of Orange County and expressed support to see that happen.
- Slide 3 of the PowerPoint was referenced, and the key corridors in the OC Transit Vision identified an east/west corridor and recommends a connection to GTC.
- Approximately 18 to 24 months ago, the Board decided on an OC Transit Vision that feeds into the Long-Range Transportation Plan, which reviewed 11 key corridors and phasing, and the GTC has been assumed to be part of the OC Transit Vision.
- In fall 2005, when the Board unanimously voted to cancel the CenterLine Project, an effort was made to review the future of Bristol Street in the City of Santa Ana (Santa Ana). Additionally, a grant was made to Santa Ana that envisioned street widening and future transit options.
- The UCI campus connection consideration was at the directive of the Transit Committee.

A motion was made by Chairman Shaw, seconded by Director Delgleize, and declared passed by those present, to direct staff to proceed with Option 1 and maintain the current Bristol Street Transit Corridor Study scope of work.

Directors Hennessey and Pulido were not present to vote on this item.

15. Public Comments

There were no public comments.

16. Chief Executive Officer's Report

Darrell E. Johnson, CEO, reported:

Interstate 5 (I-5) South County:

- Construction work is ramping up on I-5 South County project between Oso Parkway and Alicia Parkway.
- Tomorrow night, OCTA staff will provide a presentation about the I-5 South County project to the Laguna Hills City Council.
- In conjunction with the California Department of Transportation (Caltrans), OCTA posted signs along the corridor.
- Some beginnings of construction are becoming noticeable.
- OCTA will continue to provide public outreach to all commuters throughout the corridor.

OC Streetcar (Streetcar) Open House:

- OCTA continues public outreach regarding construction of the Streetcar.
- On Saturday, June 22nd, there was an open house in Santa Ana to provide information and answer questions about the Streetcar.
- Tonight, at the Santa Ana Senior Center, a second open house is scheduled from 5:30 p.m. to 7:00 p.m.

State Route 57/Lambert Road Interchange Project (Interchange Project):

- On Friday, June 21st, OCTA participated in the Caltrans and City of Brea (Brea) groundbreaking event for the Interchange Project that was a joint effort with Brea, Caltrans, and OCTA.

17. Directors' Reports

Director Davies thanked OCTA staff for the outreach and presenting at the recent City of Laguna Niguel Council meeting about the I-5 Widening Project, and recommended outreach to south Orange County.

Director Davies thanked Alice Rogan, Director of External Affairs, and staff for the OC Flex outreach at the recent Laguna Niguel summer concert by providing a booth and OC Flex shuttle.

Director Davies reported that she announced the OC Flex service at a recent Laguna Niguel summer concert and cards were distributed for a first ride free on the OC Flex by going on the App. Director Davies also reported that OCTA is working with the cities of Aliso Viejo and Mission Viejo for OC Flex outreach at those cities' summer concerts.



COMMITTEE TRANSMITTAL

July 8, 2019

To: Members of the Board of Directors

From: Laurena Weinert,  Clerk of the Board

Subject: Measure M2 Eligibility Review Recommendations for Fiscal Year 2017-18 Expenditure Reports

Regional Planning and Highways Committee Meeting of July 1, 2019

Present: Directors Bartlett, Delgleize, M. Murphy, and R. Murphy

Absent: Directors Chaffee, Muller, and Pulido

Committee Vote

This item was passed by the Members present.

Committee Recommendation

Find all conditionally eligible local agencies (excluding the cities of Santa Ana and Stanton) eligible to receive net Measure M2 revenues for fiscal year 2018-19.



July 1, 2019

To: Regional Planning and Highways Committee

From: Darrell E. Johnson, Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is written over the "From:" line.

Subject: Measure M2 Eligibility Review Recommendations for Fiscal Year 2017-18 Expenditure Reports

Overview

The Measure M2 Ordinance requires that all Orange County local agencies annually satisfy eligibility requirements in order to receive net Measure M2 revenues. As part of this requirement, fiscal year 2017-18 expenditure reports and resolutions were submitted by all local agencies. In May, the cities of Santa Ana and Stanton were deemed ineligible by the Board of Directors, and their expenditure reports were subsequently excluded from further review. In June, the Orange County Transportation Authority Taxpayer Oversight Committee reviewed and affirmed that all currently conditionally eligible local agencies' (excluding the cities of Santa Ana and Stanton) expenditure reports were consistent with Measure M2 requirements. Based upon this determination, Board of Directors approval is now requested to find all currently conditionally eligible local agencies eligible to receive net Measure M2 revenues for fiscal year 2018-19.

Recommendation

Find all conditionally eligible local agencies (excluding the cities of Santa Ana and Stanton) eligible to receive net Measure M2 revenues for fiscal year 2018-19.

Background

The Measure M2 (M2) Ordinance requires local jurisdictions to meet 13 eligibility requirements (identified below).

- Adoption of a Capital Improvement Program;
- Adoption of general plan circulation element consistent with the Master Plan of Arterial Highways;
- Compliance with the Congestion Management Program;
- Adoption of local signal synchronization plans;
- Fulfilling maintenance of effort (MOE) requirements;

- Documentation of Developer Impact Fee Programs;
- Adoption of Pavement Management Plans;
- Timely submission of project final reports;
- Timely expenditure of M2 net revenues;
- Confirmation that net revenues shall not be used to supplant developer funding commitments;
- Participation in traffic forums;
- Documentation of transit/non-motorized considerations in local general plans; and
- Submittal of expenditure reports and adopted resolutions.

All required eligibility components were reviewed by the Orange County Transportation Authority (OCTA) Board of Directors (Board), and all 35 local agencies were deemed to be conditionally eligible to receive net M2 revenues for fiscal year (FY) 2018-19 on December 10, 2018. The remaining component that was required to determine final eligibility was local agencies' submittal of FY 2017-18 expenditure reports and adopted resolutions.

Expenditure reports and adopted resolutions are required to be submitted within six months of the close of each FY. This allows local jurisdictions time to finalize comprehensive annual financial reports and to prepare final expenditure reports. The M2 Ordinance also requires that local jurisdictions satisfy MOE requirements by maintaining a minimum level of local streets and roads expenditures from local discretionary funds. These MOE expenditures are then also reported as a component of the expenditure report process.

Per the M2 Ordinance, the OCTA Taxpayer Oversight Committee (TOC) is responsible for receiving and reviewing eligibility materials, which takes place prior to Board action. However, it should be noted that expenditure reports from the cities of Santa Ana and Stanton were not included in this review as these cities were found ineligible to receive net M2 revenues by the Board on May 13, 2019, due to failure to comply with the MOE eligibility requirement.

Discussion

On May 14, 2019, the Annual Eligibility Review (AER) Subcommittee of the TOC reviewed all remaining conditionally eligible local agencies' M2 expenditure report submittals and affirmed that the documents were consistent with M2 requirements. The AER Subcommittee also requested that staff issue a letter communicating its appreciation to the City of Rancho Santa Margarita (City) for heeding its direction from the previous year and increasing its MOE expenditure reporting above the minimum benchmark. OCTA staff will send out a letter to the City (Attachment A) to acknowledge the City for taking this step, upon Board approval of this staff report.

On June 11, 2019, the TOC reviewed and concurred with the AER Subcommittee's affirmation that all currently conditionally eligible local agencies' M2 expenditure reports and adopted resolutions are consistent with M2 requirements. The TOC's recommendations (Attachment B) are now being advanced to the Board for a final finding that the 33 currently conditionally eligible local agencies (excluding the cities of Santa Ana and Stanton) be deemed eligible to receive net M2 revenues for FY 2018-2019.

Summary

On June 11, 2019, the OCTA TOC convened and found that 33 of Orange County's 35 local agencies had submitted acceptable expenditure reports. A Board finding that all currently conditionally eligible local agencies have met M2 eligibility requirements and are now eligible to receive net M2 revenues for FY 2018-19 is requested. Note, the cities of Santa Ana and Stanton were deemed ineligible through prior Board action.

Attachments

- A. Draft letter to Mr. Brenden Dugan, PE, Public Works Director/City Engineer, City of Rancho Santa Margarita, from Kia Mortazavi, Orange County Transportation Authority, dated July 8, 2019, Measure M2 Maintenance of Effort Follow-Up from the Orange County Transportation Authority's Annual Eligibility Review Subcommittee and Taxpayer Oversight Committee
- B. FY 2018-19 Measure M2 Eligibility Review of FY 2017-18 Expenditure Reports Summary

Prepared by:



Kelsey Imler
Transportation Funding Analyst,
Associate
(714) 560-5397

Approved by:



Kia Mortazavi
Executive Director, Planning
(714) 560-5741

July 8, 2019

Mr. Brendan Dugan, PE
Public Works Director/City Engineer
City of Rancho Santa Margarita
22112 El Paseo
Rancho Santa Margarita, CA 92688

RE: **Measure M2 Maintenance of Effort Follow-Up from the Orange County Transportation Authority's Annual Eligibility Review Subcommittee and Taxpayer Oversight Committee**

Dear Mr. Dugan:

As you know, local jurisdictions are required to submit Measure M (M2) eligibility verification packages to the Orange County Transportation Authority (OCTA) annually to remain eligible to receive net M2 revenues. The OCTA Taxpayer Oversight Committee (TOC) is responsible for reviewing M2 eligibility requirements with reliance upon an Annual Eligibility Review (AER) Subcommittee to review this information, which includes M2 Expenditure Reports.

Last year, the AER Subcommittee and TOC sent a letter to the City of Rancho Santa Margarita (City) expressing concerns with respect to the City's identified maintenance of effort (MOE) expenditures. The AER Subcommittee and TOC observed that the City was the only local agency in Orange County that reported MOE expenditures exactly equal to its MOE benchmark. However, based upon its recent review of the City's fiscal year 2017-18 M2 Expenditure Report submittal, members of the AER Subcommittee were pleased to see that the City had heeded its previous direction and is now reporting in excess of its MOE benchmark.

As has been demonstrated by recent OCTA Board of Directors' actions, if any MOE expenditures are deemed ineligible through an audit and there is not sufficient capacity within a city's MOE expenditure report, local agencies may jeopardize their M2 eligibility status.

If you have any questions, please contact me at kmortazavi@octa.net or at (714) 560-5741.

Sincerely,

Kia Mortazavi
Executive Director, Planning

KM:ki

c: Kurt Brotcke, OCTA
Joe Alcock, OCTA

**FY 2018-19 Measure M2 Eligibility Review
of FY 2017-18 Expenditure Reports Summary**

Local Jurisdiction	Expenditure Report Received by Deadline	Resolution Received by Deadline	MOE Reported	Compliant
Aliso Viejo	Yes	Yes	Yes	Yes
Anaheim	Yes	Yes	Yes	Yes
Brea	Yes	Yes	Yes	Yes
Buena Park	Yes	Yes	Yes	Yes
Costa Mesa	Yes	Yes	Yes	Yes
County of Orange	Yes	Yes	N/A	Yes
Cypress	Yes	Yes	Yes	Yes
Dana Point	Yes	Yes	Yes	Yes
Fountain Valley	Yes	Yes	Yes	Yes
Fullerton	Yes	Yes	Yes	Yes
Garden Grove	Yes	Yes	Yes	Yes
Huntington Beach	Yes	Yes	Yes	Yes
Irvine	Yes	Yes	Yes	Yes
La Habra	Yes	Yes	Yes	Yes
La Palma	Yes	Yes	Yes	Yes
Laguna Beach	Yes	Yes	Yes	Yes
Laguna Hills	Yes	Yes	Yes	Yes
Laguna Niguel	Yes	Yes	Yes	Yes
Laguna Woods	Yes	Yes	Yes	Yes
Lake Forest	Yes	Yes	Yes	Yes
Los Alamitos	Yes	Yes	Yes	Yes
Mission Viejo	Yes	Yes	Yes	Yes
Newport Beach	Yes	Yes	Yes	Yes
Orange	Yes	Yes	Yes	Yes
Placentia	Yes	Yes	Yes	Yes
Rancho Santa Margarita	Yes	Yes	Yes	Yes
San Clemente	Yes	Yes	Yes	Yes
San Juan Capistrano	Yes	Yes	Yes	Yes
Santa Ana	N/A	N/A	N/A	N/A
Seal Beach	Yes	Yes	Yes	Yes
Stanton	N/A	N/A	N/A	N/A
Tustin	Yes	Yes	Yes	Yes
Villa Park	Yes	Yes	Yes	Yes
Westminster	Yes	Yes	Yes	Yes
Yorba Linda	Yes	Yes	Yes	Yes

FY - Fiscal Year
MOE - Maintenance of Effort
N/A - Not Applicable