

**Date:** Monday, February 9, 2009

**Time:** 9:00 a.m.

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



## **BOARD AGENDA**

Orange County Transportation Authority Board Meeting  
Orange County Transportation Authority Headquarters  
First Floor - Room 154  
600 South Main Street, Orange, California  
*Monday, February 9, 2009, at 9:00 a.m.*

*ACTIONS*

### **REVISED**

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

#### **Agenda Descriptions**

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

#### **Public Comments on Agenda Items**

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

#### **Public Availability of Agenda Materials**

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



## **BOARD AGENDA**

*ACTIONS*

### **Call to Order**

### **Invocation**

Director Green

### **Pledge of Allegiance**

Director Norby

### **Special Matters**

1. **Presentation of Resolutions of Appreciation for Employees of the Year for 2009**

Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2009-006, 2009-007, 2009-008 to Tadahisa Ogawa, Coach Operator; Jose Ruiz, Maintenance; and Edwin Byrne, Administration, as Employees of the Year for 2009.

### **Consent Calendar (Items 2 through 14)**

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

### **Orange County Transportation Authority Consent Calendar Matters**

2. **Approval of Minutes**

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 26, 2009.



## BOARD AGENDA

ACTIONS

3. **Fiscal Year 2007-08 Auditor's Communication with Those Charged with Governance**  
Kathleen M. O'Connell

*Overview*

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on its Comprehensive Annual Financial Report, various fund financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, conducted the annual audit of the Orange County Transportation Authority's financial statements, schedules and agreements for fiscal year 2007-08, and has issued its reports thereon. Mayer Hoffman McCann P.C., as required by United States Generally Accepted Auditing Standards and Office of Management and Budget Circular A-133, has herewith issued its Auditor's Communication with Those Charged with Governance.

*Recommendation*

Receive and file the fiscal year 2007-08 Auditor's Communication with Those Charged with Governance.

4. **Fiscal Year 2007-08 Management Letter**  
Kathleen M. O'Connell

*Overview*

In connection with its annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2007-08, Mayer Hoffman McCann P.C. has issued a management letter, which identified certain deficiencies in internal control that are considered to be significant deficiencies as defined by the American Institute of Certified Public Accountants, Statement on Auditing Standards Number 112. None of the significant deficiencies were considered to be material weaknesses.





## BOARD AGENDA

ACTIONS

4. (Continued)

*Recommendation*

Direct the Internal Audit Department to track resolution of deficiencies identified in the fiscal year 2007-08 Management Letter.

5. **Fiscal Year 2007-08 Annual Financial Reports**

Kathleen M. O'Connell

*Overview*

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2007-08, and reports are included herewith.

*Recommendation*

Receive and file the fiscal year 2007-08 annual financial reports as information items.

6. **Reports on the Annual Transportation Development Act Audits for Fiscal Year 2007-08**

Kathleen M. O'Connell

*Overview*

Pursuant to Sections 6663 and 6751 of the California Code of Regulations, audits of Transportation Development Act Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2008, by Mayer Hoffman McCann P.C.

*Recommendation*

Receive and file as an information item.



## BOARD AGENDA

ACTIONS

7. **Federal Legislative Status Report**  
Richard J. Bacigalupo

**Overview**

This report provides an update on the progress of economic stimulus legislation in Congress and summarizes the recent House Rail Subcommittee on Rail Pipelines and Hazardous materials hearing on rail capacity issues.

**Recommendation**

Receive and file as an information item.

8. **Contract for Supplemental Federal Advocacy Services**  
Richard J. Bacigalupo

**Overview**

As the 111th Congress begins and a new administration takes office, a number of new subject matter issues will come to the forefront in Washington D.C., including federal climate legislation, rail corridor development, and rail safety. The Orange County Transportation Authority has received an unsolicited proposal for federal advocacy services which would supplement existing efforts in Washington D.C. to address these new issues.

**Committee Recommendation**

Oppose staff's recommendation to authorize the Chief Executive Officer to execute an agreement between the Orange County Transportation Authority and Kadash & Associates, LLC, in the amount of \$8,000 per month, for the period of March 1, 2009, to February 28, 2010, to supplement existing federal advocacy services.

9. **Proposition 1B State-Local Partnership Program Project Approvals**  
Adriann Cardoso/Kia Mortazavi

**Overview**

The guidelines for the Proposition 1B State-Local Partnership Program have been released and staff has developed a program of projects to submit to the California Transportation Commission. The project nominations are presented



## BOARD AGENDA

ACTIONS

### 9. (Continued)

#### *Recommendations*

- A. Authorize the Chief Executive Officer to submit project nominations to the California Transportation Commission for the Proposition 1B State-Local Partnership Program and commit local matching funds as proposed.
- B. Authorize staff to make all necessary amendments to the Regional Transportation Improvement Program and execute any necessary agreements to facilitate the actions above.
- C. Authorize the Chief Executive Officer to submit additional projects or substitute eligible projects from the Measure M streets and roads program as necessary to retain all Proposition 1B State-Local Partnership Program revenue for fiscal year 2008-09.

### **Orange County Transportation District Consent Calendar Matters**

#### 10. **Vanpool Program Update and Request to Amend Subsidy Budget** Sandy Boyle/Ellen S. Burton

##### *Overview*

The Orange County Transportation Authority vanpool program has shown steady growth since its inception in July 2007 and exceeded projections during fiscal year 2008-09. At the end of 2008, there were a total of 275 vanpools active in the program. This report provides an update on the program and requests authorization to amend the budget for vanpool subsidies.

##### *Recommendations*

- A. Amend the Orange County Transportation Authority's Fiscal Year 2008-09 Budget by \$101,342 to cover additional subsidies as a result of revised growth projections for the vanpool program.



## BOARD AGENDA

ACTIONS

### 10. (Continued)

- B. Amend the Orange County Transportation Authority's revenue budget by \$89,718 to recognize the federal funds that will cover the cost of this amended expense and increase Local Transportation Funds by \$11,624 to cover the balance.
- C. Receive and file the vanpool program update.

### Orange County Local Transportation Authority Consent Calendar Matters

- 11. **Close-Out Audit of Joint Powers Agreement No. 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors**  
Kathleen M. O'Connell

#### Overview

Under the direction of the Internal Audit Department of the Orange County Transportation Authority, a close-out audit of Joint Powers Agreement 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors, between the Orange County Transportation Authority and the California Department of Transportation has been completed. Recommendations have been offered to improve contract administration. Both the California Department of Transportation and management have provided responses.

#### **Recommendation**

Direct Orange County Transportation Authority staff to implement recommendations two through four in the close out audit of Joint Powers Agreement No. 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors, Internal Audit Report No. 08 011, except for initiating a claim to the California Department of Transportation.



## BOARD AGENDA

ACTIONS

12. **Cooperative Agreement with the California Department of Transportation for the Northbound Orange Freeway (State Route 57) Widening Project**  
Arshad Rashedi/Kia Mortazavi

### *Overview*

The Orange County Transportation Authority proposes to enter into a cooperative agreement with the California Department of Transportation for that agency to perform all right-of-way activities on the northbound Orange Freeway (State Route 57) widening project between Orangethorpe Avenue and Lambert Road.

### *Recommendation*

Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-9-0180 between the Orange County Transportation Authority and the California Department of Transportation, in an amount not to exceed \$6.5 million, to perform right-of-way services for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road.

13. **Semi-Annual Review of Grant-Funded Street Projects**  
Roger M. Lopez/Kia Mortazavi

### *Overview*

The Orange County Transportation Authority recently completed the semi-annual review of projects funded through the Combined Transportation Funding Program. This process reviews the status of grant-funded streets and roads projects and provides an opportunity for local agencies to update project information. The requested changes and recommendations are provided for review and approval.

### *Recommendation*

Approve adjustments to the Combined Transportation Funding Program project allocations as presented.



## **BOARD AGENDA**

*ACTIONS*

- 14. Maintenance Agreement for Gateway Monument as Part of the Santa Ana Freeway (Interstate 5) Gateway Project**  
Charles Guess/Kia Mortazavi

### *Overview*

The Orange County Transportation Authority proposes to enter into a maintenance agreement with the California Department of Transportation for the new gateway monument. A maintenance agreement is required to establish the roles and responsibilities for maintaining this gateway monument located along the Santa Ana Freeway (Interstate 5) at the Artesia Boulevard interchange in Buena Park.

### *Recommendation*

Authorize the Chief Executive Officer to execute the Agreement for Maintenance of Gateway Monument in the City of Buena Park between the Orange County Transportation Authority and the California Department of Transportation for annual maintenance of the gateway monument.

## **Regular Calendar**

### **Orange County Transportation Authority Regular Calendar Matters**

- 15. Adoption of Revisions to Orange County Transportation Authority's Procurement Policies and Procedures**  
Virginia Abadessa/James S. Kenan

### *Overview*

The Orange County Transportation Authority has adopted procurement policies and procedures that guide all procurement activity. Over the past several months, the Executive Committee has been discussing possible changes to the procurement process.

### *Recommendation*

Approve the revisions to the procurement policies and procedures as recommended by the Executive Committee and authorize staff to implement.



## **BOARD AGENDA**

ACTIONS

### **Orange County Local Transportation Authority Regular Calendar Matters**

16. **Anaheim Regional Transportation Intermodal Center Update and Consultant Selection for Environmental Clearance and Advanced Conceptual Design**  
Jennifer Bergener/Kia Mortazavi

#### ***Overview***

The Orange County Transportation Authority and the City of Anaheim are working collaboratively to further the development of the Anaheim Regional Transportation Intermodal Center. The Board of Directors has approved roles and responsibilities for the further development of the transportation center, designating the Orange County Transportation Authority as the lead agency for environmental clearance and associated advanced conceptual design. This report provides an overview of project status and recommends award of a sole source contract to complete the environmental clearance and associated advanced conceptual design.

#### ***Recommendation***

Authorize the Chief Executive Officer to negotiate and execute an agreement between the Orange County Transportation Authority and the firm of Jones & Stokes Associates, Inc., in an amount not to exceed \$2,900,000, contingent upon the Internal Audit Department's review of cost and price.

17. **Measure M Quarterly Progress Report**  
Norbert Lippert/Kia Mortazavi

#### ***Overview***

Staff has prepared a Measure M progress report for the fourth quarter of 2008. This is a regular report that highlights the Measure M projects and programs currently under development.

#### ***Recommendation***

Receive and file as an information item.



## **BOARD AGENDA**

ACTIONS

### **Discussion Items**

#### **18. Public Comments**

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

#### **19. Chief Executive Officer's Report**

#### **20. Directors' Reports**

#### **21. Closed Session**

Pursuant to Government Code Section 54956.9(a) to discuss:

- A. Consuelo Martinez vs. OCTA, et al; OCSC No. 07CC12402; and
- B. Jerry Raymond Frazier, II vs. OCTA, et al; OCSC No. 30-2008-00101439.

#### **22. Adjournment**

The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, February 23, 2009**, at the OCTA Headquarters.







ORANGE COUNTY  
TRANSPORTATION AUTHORITY

RESOLUTION

**TADAHISA OGAWA**

*WHEREAS, the Orange County Transportation Authority recognizes and commends Tadahisa Ogawa; and*

*WHEREAS, be it known that Tadahisa Ogawa has been a principal player at the OCTA, his teamwork and partnership is evident be being a member of the Santa Ana Base's Wellness team; and has performed his responsibilities as a Coach Operator in a professional, safe courteous and reliable manner; and*

*WHEREAS, Tadahisa Ogawa has demonstrated his integrity by maintaining perfect attendance for 25 years. His dedication exemplifies the high standards set forth for Orange County Transportation Authority employees; and*

*WHEREAS, Tadahisa Ogawa has demonstrated that safety is paramount by achieving 25 years of safe driving and that courtesy to his customers ensures continued patronage for OCTA; and*

*NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Tadahisa Ogawa as the Orange County Transportation Authority Coach Operator of the Year for 2008; and*

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

**Dated: February 9, 2009**

\_\_\_\_\_  
Peter Buffa, Chairman  
Orange County Transportation Authority

\_\_\_\_\_  
Arthur T. Leahy, Chief Executive Officer  
Orange County Transportation Authority

OCTA Resolution No. 2009-006





ORANGE COUNTY  
TRANSPORTATION AUTHORITY

RESOLUTION

**JOSE RUIZ**

*WHEREAS, the Orange County Transportation Authority recognizes and commends Jose Ruiz; and*

*WHEREAS, be it known that Jose Ruiz is a valued member of the Maintenance Department.*

*WHEREAS, Jose Ruiz is an excellent Senior Facilities Technician with outstanding attendance and safety records; he has been a Safety Captain for eight consecutive years;*

*WHEREAS, Jose Ruiz performs quality repairs and maintenance on Authority properties and equipment, and his technical expertise enables the completion of more difficult and challenging repairs*

*WHEREAS, Jose Ruiz exhibits a work ethic that motivates fellow employees to a higher level, and he has demonstrated a professional commitment to provide the highest quality of service to our customers; his desire to excel is duly noted.*

*NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare that Jose Ruiz is the Orange County Transportation Authority Maintenance Employee of the Year for 2008; and*

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

**Dated: February 9, 2009**

\_\_\_\_\_  
Peter Buffa, Chairman  
Orange County Transportation Authority

\_\_\_\_\_  
Arthur T. Leahy, Chief Executive Officer  
Orange County Transportation Authority





ORANGE COUNTY  
TRANSPORTATION AUTHORITY

RESOLUTION

**EDWIN BYRNE**

*WHEREAS, the Orange County Transportation Authority Board of Directors recognizes and commends Edwin Byrne; and*

*WHEREAS, be it known that Edwin has demonstrated his abilities as an outstanding risk management professional providing superior performance managing the Authority's Workers' Compensation program in order to reduce workplace injuries and administrative and program costs; and*

*WHEREAS, Edwin's exceptional organizational skills, communication abilities, thorough and thoughtful approach and management expertise allowed him to develop an efficient claims team, utilizing cost-saving methods, effective protocols and exceptional collaboration with internal customers and partners to develop a safer workplace; and*

*WHEREAS, Edwin's superior management of the Authority's Workers' Compensation program has resulted in a reduction of one hundred sixty one workplace injuries and a budget reduction of approximately \$14,000,000; and;*

*WHEREAS, Edwin continues to provide a high level of energy and enthusiasm to this program to further its success. Edwin continues to work with the Authority's internal partners and to lead the claims team to generate creative methods to reduce workplace injuries and costs of the program making him an ideal employee and a true professional;*

*NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Edwin Byrne as the Orange County Transportation Authority Administrative Employee of the Year for 2008; and*

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

February 9, 2009

\_\_\_\_\_  
Peter Buffa, Chairman  
Orange County Transportation Authority

\_\_\_\_\_  
Arthur T. Leahy, Chief Executive Officer  
Orange County Transportation Authority

OCTA Resolution No. 2009-008





Minutes of the Meeting of the  
Orange County Transportation Authority  
Orange County Service Authority for Freeway Emergencies  
Orange County Local Transportation Authority  
Orange County Transit District  
Board of Directors  
January 26, 2009

## Call to Order

The January 26, 2009, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Buffa at 9:03 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

## Roll Call

Directors Present: Peter Buffa, Chairman  
Jerry Amante, Vice Chairman  
Patricia Bates  
Arthur C. Brown  
Bill Campbell  
Carolyn Cavecche  
William J. Dalton  
Richard Dixon  
Paul Glaab  
Cathy Green  
Allan Mansoor  
John Moorlach  
Janet Nguyen  
Chris Norby  
Curt Pringle  
Gregory T. Winterbottom  
Cindy Quon, Governor's Ex-Officio Member

Also Present: Arthur T. Leahy, Chief Executive Officer  
Paul C. Taylor, Deputy Chief Executive Officer  
Wendy Knowles, Clerk of the Board  
Laurena Weinert, Assistant Clerk of the Board  
Kennard R. Smart, Jr., General Counsel  
Members of the Press and the General Public

Directors Absent: Miguel Pulido

## **Invocation**

Vice Chairman Amante gave the invocation.

## **Pledge of Allegiance**

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

## **Public Comments on Agenda Items**

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

## **Special Matters**

### **1. Presentation of Resolutions of Appreciation for Employees of the Month for January 2009**

Chairman Buffa presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2009-002, 2009-003, 2009-004 to Robert Cieszko, Coach Operator; Duc Tran, Maintenance; and Randy Jumper, Administration, as Employees of the Month for January 2009.

### **2. Special Recognition for Thirty Years of Safe Driving**

Chairman Buffa presented Coach Operator James Moore with a check signifying the Board's appreciation for achieving thirty years of safe driving.

## **Consent Calendar (Items 3 through 32)**

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

## **Orange County Transportation Authority Consent Calendar Matters**

### **3. Approval of Minutes**

Director Moorlach pulled this item and asked for a correction on Item 11 of the minutes, reflecting that Director Green moved the item, and Director Glaab provided the second to the motion.

**3. (Continued)**

With that correction, a motion was made by Director Moorlach, seconded by Director Pringle, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 12, 2009.

Directors Bates and Glaab were not present for this vote.

**4. Approval of Board Member Travel**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to approve a request for Chairman Buffa to travel to Washington, D.C. January 27-28, 2009, to testify before the House Transportation and Infrastructure Committee on goods movement impacts.

Directors Bates and Glaab were not present for this vote.

**5. Approval of 2009 Committee Assignments**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to approve the proposed 2009 roster of Board of Directors' Committee assignments as presented.

Directors Bates and Glaab were not present for this vote.

**6. State Legislative Status Report**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to continue to oppose any shift of transportation funding away from designated purposes to fulfill General Fund obligations disproportionate to cuts to other state funded programs.

Directors Bates and Glaab were not present for this vote.

**7. Fiscal Year 2010 Transportation Appropriations Project List**

Director Nguyen pulled this item and inquired if the State Route 22 project was entirely completed at this time, and if that is why that project does not appear on this project list.

Chief Executive Officer (CEO), Arthur T. Leahy, stated that while the project is complete, there is still a bit of landscaping work to be completed.



**7. (Continued)**

Richard Bacigalupo, Manager of Federal Relations, added that this list reflects those which staff feels would be able to move over the next year with significant funding, and are generally projects which have been federalized. He stated that this is similar to what was previously requested, and a response to that request is still not received due to appropriations not being completed for 2009.

A motion was made by Director Nguyen, seconded by Director Cavecche, and declared passed by those present, to:

- A. Review and approve the recommended list of transportation projects to be submitted for the fiscal year 2010 federal appropriations process.
- B. Establish the Riverside Freeway (State Route 91) congestion relief projects and Positive Train Control as the top two fiscal year 2010 appropriation priorities for the Orange County Transportation Authority with Senator Feinstein's (D-CA) office.
- C. Continue to advocate for all Board of Directors approved appropriations projects with all members of the Orange County Congressional Delegation.

Directors Bates and Glaab were not present for this vote.

**8. Contract for Consulting Services from Scott Baugh**

Director Norby pulled this item and stated that he is concerned with the costs for lobbyists, and pointed out that the lobbyist has agreed to report routinely to the Federal Legislative and Communications Committee as part of the contract. He feels that cannot be delegated to a committee without the permission of the Board. He stated the minutes of the committee meeting should reflect Mr. Baugh's report.

Director Cavecche stated that the Legislative and Communications Committee has put together a Legislative Strategy subcommittee that meets monthly with Mr. Baugh and a report is provided to that subcommittee at those meetings. She stated that Mr. Baugh is working to bring different legislators into the County to meet with Board Members. She proposed that Mr. Baugh report quarterly to the Legislative and Communications Committee.

Director Brown requested that the Executive Committee addresses when/if a committee has authority to change reporting requirements.

**8. (Continued)**

A motion was made by Director Cavecche, seconded by Director Pringle, and declared passed by those present, to:

- A. Authorize the Chief Executive Officer to execute an agreement between the Orange County Transportation Authority and Scott Baugh and Associates, in an amount of \$60,000 for the period of February 1, 2009, to January 31, 2010, to provide governmental collaboration strategies at the local, state, and federal levels which will assist the Orange County Transportation Authority to achieve its legislative goals.
- B. Direct Mr. Baugh, as part of this contract, to continue monthly meetings with the Legislative Strategy subcommittee, then meet on a quarterly basis with the Legislative and Communications Committee to report on his work on behalf of OCTA; that report shall be forwarded quarterly to the full Board.

Director Bates was not present to vote on this motion.

Directors Mansoor and Norby voted to oppose this motion.

**9. Orange County Transportation Authority 2009 Federal Legislative Platform**

Director Cavecche pulled this item and referred to page 7, Section IV (c) and stated that she has a philosophical issue with including transit operating costs in the request for economic stimulus money versus using the money for capital projects and new projects.

Director Pringle agreed, citing that the Board has always avoided finding one-time funding to fund operations and feels it is not a principled position to take, and it would be a bad precedent.

Public comments were provided by Jane Reifer, resident of Fullerton, who supports transit being included in the funds request and feels the bus rapid transit service is taking away core bus service.

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

- A. Adopt the Orange County Transportation Authority 2009 Federal Legislative platform, with changes shown from the public comment process, and to delete Section IV(c).
- B. Direct staff to distribute the adopted platform to legislators, advisory committees, local governments, affected agencies, the business community, and other interested parties.

9. **(Continued)**

Directors Bates, Brown, Green, Nguyen, Norby, and Winterbottom voted in opposition of this motion.

10. **Consultant Selection for Planning and Preparation of Plans, Specifications, and Estimates for Expanding Parking Capacity at Tustin Metrolink Station**

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

- A. Select Watry Design, Inc., as the top-ranked firm for planning and preparation of plans, specifications, and estimates for expanding parking at the Tustin Metrolink Station.
- B. Authorize the Chief Executive Officer to request a cost proposal from Watry Design, Inc., and negotiate and execute Agreement No. C-8-1053 for professional services.

Pursuant to Government Code 84308, Director Nguyen recused herself from the discussion and voting on this item.

11. **Amendment to Agreement for Additional Design Services for the El Camino Real Soundwall**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to approve Amendment No. 2 to Agreement No. C-7-0995 between the Orange County Transportation Authority and RMC, Inc., in an amount not to exceed \$15,000, for additional design services for the preparation and processing of a California Coastal Commission permit needed for the project, bringing the total contract value to \$897,017.

Directors Bates and Glaab were not present for this vote.

12. **Amendment to the Master Plan of Arterial Highways**

Director Moorlach pulled this item and asked if the County's input was sought on this matter.

Director Campbell responded that this is not relative to a specific route; this is merely adding a street to the Master Plan of Arterial Highways.

**12. (Continued)**

A motion was made by Director Moorlach, seconded by Director Green and declared passed by those present, to approve amendment to the Master Plan of Arterial Highways to add a new roadway known as Marine Way, between Alton Parkway and Bake Parkway, and to change the proposed alignment of Rockfield Boulevard.

**13. Approval to Release Request for Proposals for Preparation of Project Study Report/Project Development Support for the Santa Ana Freeway (Interstate 5) Widening Project from the Costa Mesa Freeway (State Route 55) to the El Toro "Y" Area**

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

- A. Approve the proposed evaluation criteria and weightings for consultant selection for the Request for Proposals No. 8-1374.
- B. Approve the release of Request for Proposals No. 8-1374 for consultant services to prepare the project study report/project development support.

Directors Bates and Glaab were not present for this vote.

**14. Selection of a Consultant for Preparation of a Feasibility Study for Improvements to the Costa Mesa Freeway (State Route 55)**

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

- A. Select Jacobs, Inc., as the top ranked firm to prepare a feasibility study for improvements to the Costa Mesa Freeway (State Route 55) between the Santa Ana Freeway (Interstate 5) and the Riverside Freeway (State Route 91).
- B. Authorize the Chief Executive Officer to request cost proposal from Jacobs, Inc.
- C. Authorize the Chief Executive Officer to execute the final agreement.

Pursuant to Government Code 84308, Director Nguyen recused herself from the discussion and voting on this item.

**15. Selection of Consultants for On-Call Freeway Retrofit Soundwall Program Support**

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

- A. Select the following firms as the top ranked firms to provide on-call services for the Freeway Retrofit Soundwall Program; LSA Associates, Inc., (Agreement No. C-8-1195), Parsons Transportation Group, Inc., (Agreement No. C-8-1367), Parsons Brinckerhoff (Agreement No. C-8-1368), URS (Agreement No. C-8-1369), and Willdan Group, Inc., (Agreement No. C-8-1370), in an aggregate amount not to exceed \$510,000.
- B. Authorize the Chief Executive Officer to request cost proposals from LSA Associates, Inc., Parsons Transportation Group, Inc., Parsons Brinckerhoff, URS, and Willdan Group, Inc.
- C. Authorize the Chief Executive Officer to execute the final agreements.

Pursuant to Government Code 84308, Chairman Buffa and Director Nguyen recused themselves from the discussion and voting on this item.

**16. Amendment to Design Services Agreement for the Orange Freeway (State Route 57) Northbound Widening Between Yorba Linda Boulevard and Lambert Road Project**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-7-1247 between the Orange County Transportation Authority and CH2M HILL, in an amount not to exceed \$430,346, for additional design services to widen the northbound Orange Freeway (State Route 57) between Yorba Linda Boulevard and Lambert Road, bringing the total contract value to \$5,759,057.

Directors Bates and Glaab were not present for this vote.

**17. 2009 Technical Steering Committee Membership**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to approve the proposed 2009 Technical Steering Committee membership roster.

Directors Bates and Glaab were not present for this vote.

**18. Proposition 116 Intercity/Commuter Rail Program of Projects Application**

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

- A. Authorize the Chief Executive Officer to submit an application for the remaining Proposition 116 funding (\$121.3 million) for commuter and intercity rail corridor improvements identified in this report.
- B. Authorize staff to submit an amendment to the 2008 State Transportation Improvement Program, contingent on approvals of the Proposition 116 application and allocations by the California Transportation Commission and bond sales by the Pooled Money Investment Board.
- C. Authorize staff to prepare and submit any necessary programming documents including amendments to the Regional Transportation Improvement Program and execute any necessary agreements to facilitate the actions above.

Directors Bates and Glaab were not present for this vote.

**19. Fourth Quarter 2009 Debt and Investment Report**

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

Directors Bates and Glaab were not present for this vote.

**Orange County Service Authority for Freeway Emergencies Consent Calendar Matters**

**20. Approval to Release Request for Proposals for Freeway Service Patrol Services and the Use of Service Trucks**

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

- A. Approve the release of Request for Proposals No. 8-1336 for Freeway Service Patrol Services.
- B. Approve the proposed evaluation criteria weights and the use of service trucks to augment the dedicated tow trucks.

Directors Bates and Glaab were not present for this vote.

**21. Fiscal Year 2008-09 Freeway Service Patrol Program Fund Transfer Agreement**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-1338 between the Orange County Transportation Authority and California Department of Transportation for fiscal year 2008-09 Freeway Service Patrol funding.

Directors Bates and Glaab were not present for this vote.

**Orange County Local Transportation Authority Consent Calendar Matters**

**22. Amendment to Agreement for Additional Construction Management Services for the Americans with Disabilities Act Bus Stop Accessibility Program**

Director Winterbottom pulled this item and addressed Item 27 at the same time, expressing his appreciation to OCTA staff for the effort put into the bus stop improvement program. He stated that OCTA is the only agency in the nation which has done such a project and feels it greatly assists customers with disabilities in accessing the fixed route service, which takes them off ACCESS service. He stated (in regard to Item 29) that working with the adult day health care agencies gives opportunities to put riders from ACCESS over to the fixed route service.

Director Campbell asked if OCTA is pursuing any action regarding the previous contractor, since OCTA has had to replace them.

Tom Bogard, Director of Highway Project Delivery, responded that the cost in the delay was in the procurement process, and relative to a series of protests. This resulted in a re-bid being necessary for one of the contracts.

Mr. Bogard stated that no delays have resulted due to action by any of the contractors.

A motion was made by Director Winterbottom, seconded by Director Campbell, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 7 to Agreement No. C-3-0798 between the Orange County Transportation Authority and Bureau Veritas North America, Inc., in an amount not to exceed \$55,000, for construction management services for the bus stop accessibility program, bringing the total contract value to \$1,095,908.

**23. Consultant Selection for Project Management Consultant Services for Development of Go Local Fixed-Guideway Transit Systems**

Director Norby pulled this item and stated he is looking forward to working with the cities of Brea and La Habra on their fixed guideway proposal, feels this is a unique opportunity for them to work with an existing rail line, and wished the cities success.

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

- A. Select Booz Allen Hamilton as the top ranked firm to provide project management consultant services for the development of the proposed Go Local fixed-guideway transit systems.
- B. Authorize the Chief Executive Officer to request a cost proposal from Booz Allen Hamilton.
- C. Authorize the Chief Executive Officer to execute Agreement No. C-8-1290 between the Orange County Transportation Authority and Booz Allen Hamilton, in an amount not to exceed \$2,000,000, for project management consultant services for the development of Go Local fixed-guideway transit systems.

Pursuant to Government Code 84308, Director Bates recused herself from the discussion and voting on this item.

Director Winterbottom was not present for this vote.

**24. Cooperative Agreement with City of Tustin for the Expansion of Parking Capacity at Tustin Metrolink Station**

Director Moorlach pulled this item and asked if there are parking structures at other stations that charge for parking.

Darrell Johnson, Director of Transit Project Delivery, responded that there are three parking structures (Santa Ana, Irvine, and San Juan Capistrano), and San Juan Capistrano is the only one with a parking charge for both Metrolink and Amtrak customers.

Director Moorlach asked if charging for parking is a disincentive, and Mr. Johnson answered that is unknown and staff is working on a scope of work (at the request of the Executive Committee) for a parking management study that deals with issues which include reserved parking, parking charges, valet parking, and this will be discussed at the Executive Committee on February 2.



**24. (Continued)**

Mr. Johnson stated that there have been comments from customers in the past requesting reserved parking availability at a cost so they would be insured of a parking space in the most crowded stations.

A motion was made by Director Moorlach, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute Cooperative Agreement No. C-7-1195 between the Orange County Transportation Authority and the City of Tustin to define each party's roles and responsibilities for the design and construction of the expansion of parking capacity at the Tustin Metrolink Station.

**25. Amendment to Agreement for Project Management Consultant Services for the Metrolink Service Expansion and Rail-Highway Grade Crossing Safety Enhancement and Quiet Zone Programs**

Public comments were heard from Jane Reifer, resident of Fullerton, who expressed her concern about expenses for project management consultant services for this project, and the tasks listed in this amendment to the contract.

CEO, Mr. Leahy, responded that the fundamental objective was to position OCTA to have these projects to be competitive for the federal economic recovery program. He stated that when work began on this effort, it was understood that timeliness was an issue; therefore, this item comes to the Board at this time.

Darrell Johnson, Director of Transit Project Delivery, added that when the Board approved the Renewed Measure (M2) Action Plan, a significant portion of that went for the Metrolink program was for the grade crossing safety enhancement program. An amendment was proposed for a period of time – at one point \$2.7 million - which was prior to the beginning of engineering design services and it was an estimate based on conceptual level of work. This is the single largest grade crossing and quiet zone program anywhere in the United States under the new federal rule.

Mr. Johnson informed Members that the design and engineering work is now complete. Staff is coming to the Board at this time as the construction period has begun.

He also stated that in terms of the hourly rates, most long-term contracts have escalations of hourly rates for the contractors, which is a standard amendment done every year prior to the beginning of the fiscal year.

**25. (Continued)**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 6 to Agreement No. C-6-0165 between the Orange County Transportation Authority and PB Americas, Inc., in an amount not to exceed \$6,850,000, for continued project management consultant services to support the Metrolink Service Expansion Program, Rail-Highway Grade Crossing Safety Enhancement and Quiet Zone Program, and commuter rail economic stimulus projects through June 30, 2011, for a total contract value of \$13,120,000.

Directors Bates and Glaab were not present for this vote.

**26. Consultant Selection for the 2009 Congestion Management Program Traffic Data Collection**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-1244 between the Orange County Transportation Authority and Fehr and Peers Associates, in an amount not to exceed \$350,000, for the collection of traffic data for the Measure M Growth Management Program and the Orange County Congestion Management Program.

Directors Bates and Glaab were not present for this vote.

**Orange County Transit District Consent Calendar Matters**

**27. Cooperative Agreement with Sultan Adult Day Healthcare**

Director Winterbottom pulled this item and addressed it along with Item 22.

A motion was made by Director Winterbottom, seconded by Director Campbell, and declared passed by those present, to authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-1377 between the Orange County Transportation Authority and Sultan Adult Day Healthcare, in an amount not to exceed \$1,779,399, to share in the cost of providing transportation services through June 30, 2011.

Director Nguyen was not present to vote on this item.

**28. ACCESS Performance Measurements Update**

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

Directors Bates and Glaab were not present for this vote.

**29. Amendment to Agreement for Orange County ARC and Lost-and-Found Services**

A motion was made by Director Campbell, seconded by Director Dalton, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 5, exercising the fourth option year, to Agreement No. C-4-0857 between the Orange County Transportation Authority and Orange County ARC, in an amount not to exceed \$70,164, bringing the total contract amount to \$332,496, for lost-and-found services through January 31, 2010.

Directors Bates and Glaab were not present for this vote.

**30. Amendment to Agreements for On-Call Architectural and Engineering Design and Construction Support Services for Capital Improvement Projects**

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

- A. Amend the Orange County Transportation Authority's Fiscal Year 2008-09 Budget by \$1,000,000 for design and construction support services for capital improvement projects.
- B. Authorize the Chief Executive Officer to execute Amendment No. 5 to Agreement No. C-5-2965 between the Orange County Transportation Authority and Jacobs Carter Burgess, in a shared cumulative not-to-exceed amount of \$2,900,000, for on-call architectural and engineering design and construction support services for capital improvement projects.
- C. Authorize the Chief Executive Officer to execute Amendment No. 5 to Agreement No. C-6-0085 between the Orange County Transportation Authority and Miralles Associates, Inc., in a shared cumulative not-to-exceed amount of \$2,900,000, for on-call architectural and engineering design and construction support services for capital improvement projects.

**30. (Continued)**

- D. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-6-0086 between the Orange County Transportation Authority and STV, Inc., in a shared cumulative not-to-exceed amount of \$2,900,000, for on-call architectural and engineering design and construction support services for capital improvement projects.

Pursuant to Government Code 84308, Director Nguyen recused herself from the discussion and voting on this item.

Directors Bates and Glaab were not present for this vote.

**31. American Public Transportation Association Bus Safety Management Program Audit**

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

Directors Bates and Glaab were not present for this vote.

**32. Customer Information Center Update**

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

- A. Approve change in weekday hours of operation making the Customer Information Center pilot program hours permanent.
- B. Direct staff to return to the Board of Directors in six months with an update on Customer Information Center, the status of the Alta Resources contract, and the status of technology enhancements that improve bus information to riders and reduce operating costs.

Directors Bates and Glaab were not present for this vote.

## **Regular Calendar**

### **Orange County Transportation Authority Regular Calendar Matters**

**33. Agreement Between the Orange County Transportation Authority and City of Irvine for Transfer of State Proposition 116 Funds**

CEO, Mr. Leahy, provided opening comments and stated this item reflects a great deal of work over the past several months between the OCTA and staff at the City of Irvine. He informed the Board that the City is discontinuing their rail project, and replacing it with a bus project.

**33. (Continued)**

OCTA is offering to do a “swap” of funds – OCTA money that goes into an account in exchange for which the Proposition 116 money would be transferred to fixed-guideway projects. This is conditional upon the California Transportation Commission (CTC) approving the swap and the bond money becoming available to the OCTA.

Abbe McClenahan, Capital Programs Manager, provided further comments on this project, and informed the Board that the City will also submit a revised Go Local Step One final report for the rubber-tire transit project, and the City’s Counsel approved this action in January 2009. In addition, Ms. McClenahan stated that OCTA will, in return, provide an equal amount of funds as a credit toward the City’s local match requirements for projects submitted and approved by future Board action under M2, Projects S, T, and V. These fund transfers are subject to CTC’s approval and also bond sales by the Pooled Money Investment Board.

The Transportation 2020 Committee approved the Cooperative Agreement with two clarifications to the language, both reflected in the transmittal documents provided at today’s meeting.

A motion was made by Director Pringle, seconded by Director Winterbottom, and declared passed by those present, to direct General Counsel to address changes to Cooperative Agreement No. C-8-1400 with the City of Irvine as suggested by the Transportation 2020 Committee.

Irvine Mayor Suhkee Kang addressed the Board and expressed his appreciation to CEO, Art Leahy, OCTA staff, and the City of Irvine, for the partnership on this agreement.

Vice Chairman Amante stated that the partnering on this issue has been meaningful and effective to keep the transportation money in the County.

Directors Campbell and Nguyen were not present to vote on this item.

**34. Economic Recovery Actions and Guiding Principles for Implementation**

Deputy CEO, Paul C. Taylor, presented an update on this issue to the Board, and explained the requirements for project consideration and how formulas for distribution of the funds would be managed.

Chairman Buffa informed the Board that last week, he and Richard Bacigalupo, Federal Relations Manager, were in Washington, D.C. and visiting several legislators’ offices regarding the economic stimulus package. Visits were paid to Representatives Oberstar and Sanchez as well as Senator Boxer. He stated that their message included that public works projects were the best way to stimulate jobs creation.

**34. (Continued)**

Chairman Buffa stated that he will provide testimony this week in Washington, D.C. to the House Transportation and Infrastructure Committee, on rail and the impacts on goods movement in this area, as well as what would be done with additional funding, should it be available.

Director Pringle thanked staff for addressing his concerns regarding local agency lists and said it appears OCTA's allocation will be well contained within the projects and probably none will go to local agencies.

He further stated that in the verbiage of the Guiding Principles on this item, he requested that language be amended to be consistent with prior action taken. He referred to the second section, under 'Federal', the bullet which says "transit funding should be allocated through the Federal Transit Administration Urbanized Area Formula Program", he asked that nothing else be included in order that money goes into that program, as a Guiding Principle, OCTA would be able to use it for whatever the program presently allows.

To be further consistent, Director Pringle referenced the last sub-bullet under 'State', stating "capital and operating costs for traffic monitoring", he asked that it says only "capital costs for traffic monitoring" in order for OCTA to be consistent with a principle to use funding for capital projects, as opposed to putting it into operating costs.

Director Glaab referenced the allocation of funds by the federal government and asked how much Caltrans would keep. Mr. Taylor responded that under the current House Appropriations proposal, that would be two-thirds.

Director Glaab asked Director Quon to explain the formula for this allocation, and she responded by explaining the formula break-down to the state and how it is split after that, per the current House bill.

Public comment was heard from Jane Reifer, who stated that she would like further information on the Irvine Bus Base parking. She further stated that she would like further analysis of how to protect transit operating funds.

A motion was made by Director Winterbottom, seconded by Director Campbell, and declared passed by those present, to adopt the Guiding Principles for Project Eligibility and Distribution of Transportation Funding within an Economic Recovery Package, with the modifications in verbiage suggested by Director Pringle.

Vice Chairman Amante and Directors Nguyen and Norby were not present to vote on this item.

## **Orange County Local Transportation Authority Regular Calendar Matters**

### **35. Renewed Measure M Project T Funding Guidelines**

Kurt Brotcke, Director, Strategic Planning, provided a presentation on these guidelines for the Board.

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

- A. Approve the Project T (Convert Metrolink Stations to Regional Gateways) funding program guidelines.
- B. Direct staff to issue a call for projects and return to the Transportation 2020 Committee with programming recommendations in March 2009.

Director Nguyen was not present to vote on this item.

### **36. Consideration of the San Diego Freeway (Interstate 405) Improvement Project for Future High-Occupancy Toll Lane and Design-Build Authority**

Rose Casey, Program Manager for Highway Project Delivery, presented this item for the Board.

Ms. Casey clarified that no decision is being requested today, but staff is asking for the ability to move forward and look at the High-Occupancy Toll (HOT) lanes alternative as part of the set of alternatives. CEO, Mr. Leahy, added that this is for permission to explore the idea of approach and project definition.

Director Cavecche emphasized her feeling that no taxpayer-paid lanes be taken away for HOT lanes. She also indicated this issue should go through the Highways Committee.

Director Dixon agreed and indicated he opposes replacing a pre-High-occupancy lane with a HOT lane.

Director Moorlach stated that this proposal should go through the Interstate 405 Committee and be presented to the stakeholders; Director Bates stated that going to the people was the logical and correct thing to do.

Chairman Buffa indicated this should go through the Transit Committee, as well.

**36. (Continued)**

A motion was made by Director Moorlach, seconded by Director Winterbottom, and declared passed by those present, to approve the consideration of the San Diego Freeway (Interstate 405) Improvement Project for the implementation of high-occupancy toll lanes utilizing the design-build and public-private partnership method of procurement and authorize staff to move forward with further evaluation of high-occupancy toll lanes and next steps in the project development process and any future project nomination process. As part of the motion, direction was given for a 405 subcommittee meeting to be called for this proposal to be discussed with stakeholders.

Directors Nguyen and Pringle were not present to vote on this item.

## **Discussion Items**

**37. Report on Public Hearing for Proposed New Bus Rapid Transit Service on Harbor Boulevard**

CEO, Mr. Leahy, provided a summary of discussions and efforts which have led to this point on this potential service increase. He also stressed the importance of implementing this service in order to meet air quality conformity.

Gordon Robinson, Project Manager-Bus Rapid Transit, reported on the outcome from the public hearing on the proposed new Bus Rapid Transit (BRT) service on Harbor Boulevard.

Discussion followed, which included advertising, bus shelters, rider's use of passes versus paying by cash, and number of stops required to meet air quality conformity.

Director Mansoor requested info on reduction of Line 43 along Harbor Boulevard when BRT Line 543 service begins, with a breakdown by city.

Director Campbell stated that consideration should be given to time being saved by riders with using the BRT system. Chairman Buffa indicated he felt at this time, the time savings being reported was disappointing.

A motion was made by Vice Chairman Amante, seconded by Director Glaab, and declared passed by those present, to receive this item as an information item.

Directors Nguyen and Pringle were not present to vote on this item.



### **38. Fourth Quarter Review of Chief Executive Officer's Goals for 2008**

CEO, Arthur T. Leahy, offered a listing of his fourth quarter goals for 2008 and highlighted accomplishments over this period.

### **39. Public Comments**

At this time, Chairman Buffa stated that members of the public may address the Board of Directors regarding any items within the subject matter jurisdiction of the Board of Directors, but no action would be taken on off-agenda items unless authorized by law.

No public comments were offered at this time.

### **40. Chief Executive Officer's Report**

CEO, Mr. Leahy, reported:

- √ Press report has been received that President Obama will today direct federal regulators to move on an application by California and 13 other states to set strict automobile emission and fuel efficiency standards, specifically ordering the Environmental Protection Agency to reconsider the Bush Administration's rejection of the California application. This confirms that the path which California has taken is likely to become a federal issue, as well.
- √ Representative Ray LaHood has been confirmed to serve as U.S. Department of Transportation Secretary.
- √ His appointment to the California Air Resources Board's Regional Targets Advisory Committee, which is established within Senate Bill 375 to establish targets throughout the State of California.
- √ He attended the American Public Transportation Association's General Managers' Conference this past week-end.
- √ Tom Bogard was honored as the Engineering of the Year.

### **41. Directors' Reports**

Director Dixon stated that he serves on a policy committee for the State League of Cities, who voted nearly unanimously to send a request to the Board of Directors of the State League which will be meeting at the end of February to send a letter to the Governor and legislators requesting that due to the economic situation, that the Governor suspend implementation of SB 375 and SB 32.

**41. (Continued)**

Director Dixon asked that the Legislative and Communications Committee develop a strategy with OCTA's advocate, Scott Baugh, on what should be done with regard to requesting the same by the Governor.

Director Norby requested a report on usage of callboxes.

Director Glaab reported that the City of Buena Park is hosting a workshop on January 27 on SB 375 and encouraged Members to attend, if possible.

Vice Chairman Amante stated that Laguna Niguel sent a letter to the Governor several weeks ago and to leaders in both houses of the Legislature asking them to suspend SB 375 and SB 32 for two years in order for the economy to get in a better position. He stated that it is important for the cities to participate in this effort.

**42. Closed Session**

A Closed Session was held pursuant to Government Code Section 54956.9(a) to discuss Pamela Avery, et. al. vs. Orange County Transportation Authority, et al., OCSC Case No. 07CC0004.

Chairman Buffa, Vice Chairman Amante, and Directors Brown, Campbell, Cavecche, Dalton, Glaab, Green, Mansoor, and Winterbottom were in attendance for this session.

**43. Adjournment**

The meeting adjourned at 11:58 a.m. The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, February 9, 2009**, at the OCTA Headquarters.

ATTEST

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Wendy Knowles  
Clerk of the Board

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Peter Buffa  
OCTA Chairman





BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
*WK*  
**From:** Wendy Knowles, Clerk of the Board  
**Subject:** Fiscal Year 2007-08 Auditor's Communication with Those Charged with Governance

Finance and Administration Committee meeting of January 28, 2009

**Present:** Directors Amante, Bates, Brown, Campbell, Green, and Moorlach  
**Absent:** Director Buffa

**Committee Vote**

This item was passed by all Committee Members present.

**Committee Recommendation**

Receive and file the fiscal year 2007-08 Auditor's Communication with Those Charged with Governance.



*January 28, 2009*

**To:** Finance and Administration Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Fiscal Year 2007-08 Auditor's Communication with Those Charged with Governance

**Overview**

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on its Comprehensive Annual Financial Report, various fund financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, conducted the annual audit of the Orange County Transportation Authority's financial statements, schedules and agreements for fiscal year 2007-08, and has issued its reports thereon. Mayer Hoffman McCann P.C., as required by United States Generally Accepted Auditing Standards and Office of Management and Budget Circular A-133, has herewith issued its Auditor's Communication with Those Charged with Governance.

**Recommendation**

Receive and file the fiscal year 2007-08 Auditor's Communication with Those Charged with Governance.

**Background**

Effective for audits of financial statements for periods beginning on or after December 15, 2006, and pursuant to United States Generally Accepted Auditing Standards and Office of Management and Budget Circular A-133, Mayer Hoffman McCann P.C. (MHM) is required to provide documented communication to those charged with governance certain matters related to its audit of the Comprehensive Annual Financial Report (CAFR), fund financial statements, schedules, and agreements of the Orange County Transportation Authority (OCTA).

***Discussion***

MHM completed its annual audit of OCTA's CAFR, fund financial statements, schedules, and agreements and has issued independent auditor opinions for such for the fiscal year ended June 30, 2008. As part of its responsibilities, MHM has also issued documented communication to those charged with governance certain matters related to its audit. The purpose of this communication is to outline the scope and responsibilities of the auditor in relation to the audit, significant findings resulting from the audit, and any difficulties or disagreements with management encountered during the audit.

***Summary***

In connection with its annual audit of OCTA's CAFR, fund financial statements, schedules and agreements for fiscal year 2007-08, MHM has issued a letter which provides required communication as to the scope, responsibilities, and observations of the auditor arising during the audit.

***Attachment***

- A. Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

**Prepared by:**



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



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Finance and Administration Committee  
Orange County Transportation Authority  
Orange, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority ("OCTA") for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards and  
OMB Circular A-133***

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. In planning and performing our audit, we considered OCTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133.

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about OCTA's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to its major federal program for the purpose of expressing an opinion on OCTA's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on OCTA's compliance with those requirements.



We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### ***Planned Scope and Timing of the Audit***

Audit fieldwork was substantially completed by October 24, 2008. We performed the audit according to the planned scope and timing previously communicated to you in our presentation on June 11, 2008. As communicated to you in our presentation, potential significant risks of material misstatement that were reviewed by our auditing procedures included:

- Risk of material fraud or misstatement associated with the OCTA's cash receipts and cash disbursements;
- Risk of improper revenue recognition;
- Risk of improper classification of expenditures;
- Risk associated with identifying capital assets additions and deletions;
- Risk of unallowable interfund transfers; and
- Risk of non-compliance with grant program requirements

### ***Significant Audit Findings***

We have separately reported to you in our letter dated October 24, 2008 control deficiencies we believe deserve your attention. We identified one significant deficiency in internal control we consider to be a material weakness.

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by OCTA are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, OCTA changed its accounting policies related to other postemployment benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2008. We noted no transactions entered into by OCTA during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive





because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Examples of significant judgments and estimates reflected in OCTA's financial statements include:

- Judgments involving the useful lives and depreciation methodology to use for capital assets, including infrastructure;
- Judgments concerning which capital project expenditures should be capitalized and depreciated versus expensed in the government-wide financial statements;
- Judgments concerning whether an accrual for incurred but not reported claims for workers' compensation and general liability should be estimated and recorded at year end;
- Estimates in the toll road violations receivable at year end.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The only adjustment identified during the audit consisted of a prior period adjustment in the amount of \$4,114,302 to record revenue not received from CalTrans for the State Transportation Improvement Program (STIP) in the proper accounting period.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 24, 2008.



Finance and Administration Committee  
Orange County Transportation Authority  
Orange, California

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### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to OCTA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as OCTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance and Administration Committee, the Board of Directors, management of the OCTA, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 24, 2008





BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** WK  
Wendy Knowles, Clerk of the Board  
**Subject:** Fiscal Year 2007-08 Management Letter

Finance and Administration Committee meeting of January 28, 2009

**Present:** Directors Amante, Bates, Brown, Campbell, Green, and Moorlach  
**Absent:** Director Buffa

**Committee Vote**

This item was passed by all Committee Members present.

**Committee Recommendation**

Direct the Internal Audit Department to track resolution of deficiencies identified in the fiscal year 2007-08 Management Letter.



**January 28, 2009**

**To:** Finance and Administration Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Fiscal Year 2007-08 Management Letter

**Overview**

In connection with its annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2007-08, Mayer Hoffman McCann P.C. has issued a management letter, which identified certain deficiencies in internal control that are considered to be significant deficiencies as defined by the American Institute of Certified Public Accountants, *Statement on Auditing Standards Number 112*. None of the significant deficiencies were considered to be material weaknesses.

**Recommendation**

Direct the Internal Audit Department to track resolution of deficiencies identified in the fiscal year 2007-08 management letter.

**Background**

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting OCTA's results of operations and financial position at year end. OCTA is required to obtain an independent auditor's opinion on the Comprehensive Annual Financial Report (CAFR) as well as various fund financial statements, schedules, and agreements. The audit was performed by Mayer Hoffman McCann P.C. (MHM), an independent accounting firm. In connection with the audit, MHM has issued a management letter, as required by the American Institute of Certified Public Accountants, *Statement on Auditing Standards Number 112* and OCTA's contract with MHM.

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***Discussion***

MHM has completed its annual audit of OCTA's CAFR and various fund financial statements, schedules, and agreements and has issued its independent auditor's opinions thereon for the fiscal year ended June 30, 2008. In connection with the audit, MHM has issued a management letter identifying certain deficiencies in internal control that are considered to be significant deficiencies as defined by the American Institute of Certified Public Accountants, *Statement on Auditing Standards Number 112*.

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

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

MHM identified significant deficiencies in the information system controls of OCTA's third party contractor operating the 91 Express Lanes. Recommendations were made to improve system password controls, to store system backup tapes at an offsite location and to remove terminated employees from the system in a more timely manner.

The auditors also identified significant deficiencies related to year-end accruals. Two disbursements related to Combined Transportation Funding Program (CTFP) agreements were not accrued as required. This occurred when payment requests from a city dated January 2008, were not processed or accrued for during the fiscal year. Revenues related to another cooperative agreement were improperly accrued in prior years and had to be reversed in the current year. This resulted from a failure to communicate changes in the agreement to the Accounting Department. The auditors recommended improvement in documentation of delayed CTFP payments and improved

communication between the Financial Planning and Analysis Department and the Accounting Department regarding changes to cooperative agreements.

The auditors included two findings from the fiscal year 2006-07 management letter that have not been resolved. MHM observed that a Policy on Misconduct (Policy) had not been implemented as recommended and that documentation of compliance with Buy America requirements remains insufficient to evidence compliance. Recommendations to prepare and implement a Policy and to improve documentation controls were repeated in the fiscal year 2007-08 management letter. The auditors also included three findings from the fiscal year 2006-07 management letter indicating these were satisfactorily resolved during the year.

The 2007-08 fiscal year management letter is included herewith as Attachment A.

***Summary***

In connection with its annual audit of OCTA's financial records for fiscal year 2007-08, MHM has issued a management letter, which identified certain deficiencies in internal control that are considered to be significant deficiencies. None of the significant deficiencies were considered to be material weaknesses.

***Attachment***

A. Management Letter For the Fiscal Year Ended June 30, 2008

**Prepared by:**



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



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**ATTACHMENT A**

Finance and Administration Committee  
Orange County Transportation Authority  
Orange, California

In planning and performing our audit of the financial statements of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered OCTA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by OCTA's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

**(1) Need to Strengthen Controls of Third-Party Contractor**

OCTA utilizes a third-party contractor (contractor) to manage and oversee the State Route 91 Toll Road (Toll Road) revenue cycle. The information systems of the contractor are significant to the financial information of OCTA. As such, we reviewed the information systems of the contractor to ensure that controls were designed and implemented to mitigate risk of loss of OCTA assets. During this review, we noted the following issues:





(1) **Need to Strengthen Controls of Third-Party Contractor (Continued)**

- Tape backups of all files, including master files, transactions files, application programs, systems software, and database software that support Toll Road operations, are currently stored on-site at the third-party contractor's office. The contractor has elected to maintain tape backups onsite based on current business concerns. Industry best practice recommends using a backup storage site that is geographically removed from the primary site. In the event of a catastrophic event at the main office location, information would be lost without a means for recovery.
- The system used to track customer account and vehicle information has password controls that are limited to a minimum of 6 characters, with no complexity requirements or user lockout after a certain number of unsuccessful log-in attempts. Effective password complexity controls were not considered during system implementation. Controls recommended by industry best practice include:
  - a. Alphanumeric passwords;
  - b. Required password change interval; and
  - c. Locking user accounts after a maximum number of incorrect password attempts.

Without effective password controls, an unauthorized user could employ various forms of password hacking tools to access the system.

- The process to remove terminated employees from systems is manual and not synchronized to a master employee database. In addition, of the 5 terminated users sampled, one user was not removed from the active directory network in a timely manner. Industry best practice suggests removing user access to systems immediately following termination. Untimely removal of users' access after termination provides employees an opportunity to sabotage or otherwise impair entity operations or assets.

The aggregate effect of these weaknesses in information systems controls increases the likelihood of theft, loss or misuse of OCTA assets.

**Recommendation**

We recommend that the third-party contractor be required to establish procedures to strengthen internal controls in the information systems associated with the OCTA contract.



Finance and Administration Committee  
Orange County Transportation Authority  
Orange, California

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**(1) Need to Strengthen Controls of Third-Party Contractor (Continued)**

**Management's Responses**

Staff agrees with the auditors' recommendation regarding backup tapes. The Authority's operator, Cofiroute USA (Cofiroute), had been maintaining backup tapes at the Anaheim Office for research purposes related to ongoing litigation against the Authority. However, all backup tapes have now been stored at a secure, offsite location with Iron Mountain.

Staff agrees with the auditors' recommendation regarding password controls. For Cofiroute employees to access the system used to track customer account and vehicle information, TollPro, requires the user to first login to the domain. Cofiroute controls access to the domain. The password complexity for the domain is as follows:

- a. The password cannot contain all or part of the user's account name
- b. The password must be at least seven characters in length
- c. The password must contain characters from three of the following four categories:
  - English uppercase characters (A through Z)
  - English lowercase characters ( a through z)
  - Base 10 digits (0 through 9)
  - Non-alphanumeric characters (&, \$, #, %, etc.)
- d. The user is automatically logged off if the domain is not accessed for 10 minutes
- e. After five invalid logon attempts, the account will be locked out.

Once the domain is accessed, the user must then enter a TollPro password. The TollPro system currently does not have the password complexity requirements identified above with the Cofiroute login procedures. The system developer of TollPro, Northern Lakes Data Corporation, will be modifying the password complexity to match industry best practices.

Staff agrees with the auditors' recommendation of removing user access to systems immediately following termination. Cofiroute's practice is to remove employees by the end of the following business day for terminated employees. In the example cited in the finding, an employee was terminated on the Friday prior to the Thanksgiving week of 2007. The Human Resources employee responsible for removing terminated employees was on vacation during that week. Therefore, the terminated employee was not removed from the system until the following Monday, ten days after the day of termination. Cofiroute will implement a policy to ensure all terminated employees are removed by the close of the following business day.



**(1) Need to Strengthen Controls of Third-Party Contractor (Continued)**

Cofiroute is an independent contractor responsible for managing 91 Express Lanes operations for the Authority. The TollPro system that is used to track customer account and vehicle information is a proprietary system developed and maintained by Northern Lakes Data Corporation and is not connected to the Cofiroute management system or Human Resources records. Cofiroute maintains Human Resources data at its corporate office in Irvine. TollPro and Cofiroute systems are completely independent and not technically compatible. Cofiroute does not permit access of the TollPro system from computers other than those owned by the 91 Express Lanes. Cofiroute employees can only access TollPro through a Cofiroute controlled computer and domain.

**(2) Internal Controls over the Combined Transportation Funding Program**

During our search for unrecorded liabilities, we noted two cash disbursements related to Combined Transportation Funding Program (CTFP) Agreements between OCTA and the City of Anaheim (City) that should have been accrued as of June 30, 2008.

According to Project Delivery Department personnel, the cash disbursements were not issued to the City during fiscal year 2007-08 as the required documentation was furnished to OCTA subsequent to year-end. However, all of the supporting documentation submitted to OCTA was dated January 2008. As a result, the Accounting Department posted an adjustment for \$6,375,355 to accrue this liability as of June 30, 2008.

**Recommendation**

We recommend that the Project Delivery Department ensure proper documentation is maintained regarding any withholding or delay of payments resulting from lack of documentation provided by the entity awarded CTFP funds.

**Management's Response**

Staff is currently developing an electronic tracking system that will facilitate the audit recommendation. This effort was in process prior to the audit report. Once completed, the system will provide an electronic log of invoice issues, missing documentation, correspondence with the cities, and track the dates missing documentation is both requested and received.



**(3) Communication of Financial Information to the Appropriate Department**

During our review of fund balances, we noted one instance where revenues related to cooperative agreements entered into by OCTA were improperly accrued in prior years and had to be adjusted in the current year. The amount of the prior year adjustment was \$4,114,302. The primary cause of this was lack of communication of changes in cooperative agreements by Project Managers to the Financial Planning and Analysis Department (FP&A) or the Accounting Department. The cooperative agreement changes and amendments appear to involve OCTA's Planning Department, which does not always communicate amendments to agreements to FP&A and Accounting.

**Recommendation**

We recommend OCTA establish procedures or protocols to ensure that all information of a financial nature is communicated to the FP&A Department or Accounting Department, as appropriate.

**Management's Response**

This was a unique situation that is unlikely to be repeated. The original cooperative agreement with Caltrans referred to the "latest revision" of a standard funding agreement as the appropriate documentation for the subject funding amount. This funding agreement was revised a couple of times, but a change to the document did not require the original cooperative agreement to be amended. If an amendment were to be made to the agreement, it would have been transmitted to FP&A by the Contracts Administration and Material Management (CAMM) Department. This was an unusual structure for a cooperative agreement that is unlikely to be repeated. The normal processing and transmittal of agreements and amendments by CAMM should provide the required financial information needed by FP&A.

**(4) Need to Establish a Policy on Misconduct**

OCTA does not currently have a written policy on misconduct. An effective method of communicating and reinforcing an antifraud culture within an organization is through the development of a policy on misconduct. A misconduct policy communicates to all employees the organizational position and policy on matters such as the following:

- Risks that the organization faces from fraud, abuse and other forms of misconduct;
- Effect of the Code of Conduct;
- Definitions of misconduct, including fraud and abuse;



**(4) Need to Establish a Policy on Misconduct (Continued)**

- Employee's responsibility to report suspected misconduct (including an established reporting mechanism, such as a member of the Board of Directors, a consultant or advisor, hotline service, etc.);
- Organizational responsibility to investigate; and
- Disciplinary action for violations

Best practice suggests that a misconduct policy and its annual reaffirmation by employees will greatly strengthen internal controls to prevent the occurrence of fraud and abuse. The policy should be acknowledged and signed by each employee upon hire and on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions. This condition was also reported for the year ended June 30, 2007 in our communication dated October 31, 2007.

**Recommendation**

OCTA should develop and implement a policy on misconduct. Once developed, the policy should be acknowledged and signed by each employee on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions.

**Management's Response**

Management will develop and implement a policy on misconduct; each new hire will be asked to acknowledge and sign the policy upon starting work at OCTA.

**(5) Need to Adhere to Buy America Requirements**

OCTA's rolling stock procurement documentation did not meet the Post-Delivery Procurement Audit requirements per the Federal Transit Administration (FTA) Buy America Handbook. According to Section 3 of the Buy America Handbook, purchases of 10 buses or more must have the resident inspector complete a final manufacturing report, which should include any information that supports or refutes claims made by the manufacturer concerning its capabilities or the bus specifications. For buses manufactured in multiple stages (such as body-on-chassis buses), the resident inspector is required to visit the final-stage manufacturer's final assembly location only. Once completed, the Post-Delivery Purchaser's Requirement Certification is made and filed.



Finance and Administration Committee  
Orange County Transportation Authority  
Orange, California

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**(5) Need to Adhere to Buy America Requirements, (Continued)**

OCTA provided the sign-off of contract completion as proof of the post-delivery review for the rolling stock purchases reviewed. However, the documentation does not provide sufficient evidence that OCTA verified that the Buy America information had not materially changed from the pre-award stage to the completed manufacturing stage. This condition was also reported for the year ended June 30, 2007 in our communication dated October 31, 2007.

**Recommendation**

We recommend that OCTA adhere to the Buy America requirements and ensure that all documentation is contained in the procurement files to support OCTA's compliance.

**Management Response**

The OCTA Transit Division Maintenance Department inspectors will follow the Buy America guideline as done last year. OCTA will insure that contract administration has the necessary paperwork on file for the closing of contracts for the post filings.

In addition, we observed the following other matters, which were not deemed to be significant deficiencies or material weaknesses, and offer these comments and suggestions:

**(6) Segregation of Duties in the Payroll Process**

Two individuals who have the ability to prepare and transmit the positive pay file to the bank for payroll are System Administrators in the Information Technology Department. These individuals were identified in the Lawson payroll system as "ADMIN" security class and had access to all Lawson forms and programs. As a result, there is an increased risk that these individuals could make unauthorized pay rate changes to the system without it being detected by management.

**Recommendation**

No recommendation is warranted. In May 2008, OCTA upgraded its Lawson application. As a result, the security plan was changed from the initial implementation package and the access for the two individuals was limited to specific functions based on job duties.



**(7) Setting up New Vendors in Accounts Payable Module**

The Accounts Payable Supervisor and two Accounts Payable Technicians have access to create and edit vendors in the Integrated Financial and Administrative Solution (IFAS) accounts payable module. To mitigate the risk of unauthorized payments being issued, individuals responsible for processing cash disbursements should not be able to create and edit vendor information.

**Recommendation**

No recommendation is warranted. In June 2008, the Accounting Department reassigned the responsibility of creating and editing vendor information to an individual who is not responsible for processing cash disbursements and restricted the access for the Accounts Payable Technicians so they are not able to create or edit vendors in the system. In addition, the Accounts Payable Supervisor currently reviews a report generated by IFAS that identifies all new vendors created during each accounts payable check run.

**(8) Need to Establish a Formal Change Management Process**

There was no documented change management process in place for most of the year ended June 30, 2008. Change management is the process of documenting changes to computer applications, from the time a request for a change is made through the time in which the change is placed into the production environment. The following specific conditions were noted during our review of the informal change management process:

- All changes are generally initiated in the Information Systems (IS) Help Desk System through the creation of a ticket, but are not tracked through completion. Eventually all tickets are closed. Additionally, the Help Desk System is not always utilized for all changes.
- Significant changes are handled within a project and assigned to an OCTA project manager. The OCTA project manager may or may not create a project plan or other tracking mechanism for IS changes.
- Changes to various systems are maintained by the various system administrators, but the change documentation is not standardized or centralized in one location.

A documented change management process will mitigate the risk of unauthorized changes to hardware, applications, and systems.



Finance and Administration Committee  
Orange County Transportation Authority  
Orange, California

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**(8) Need to Establish a Formal Change Management Process (Continued)**

**Recommendation**

OCTA developed and implemented a formal change management process. The process documents the system development cycle of changes to hardware, applications, and systems effective June 2008. As such, this condition has been resolved.

OCTA's written responses to the significant deficiencies identified in our audit are described above. We did not audit OCTA's responses, and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Directors, the Finance and Administration Committee, others within the organization, and federal and pass-through awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Irvine, California  
October 24, 2008







BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** Fiscal Year 2007-08 Annual Financial Reports

Finance and Administration Committee meeting of January 28, 2009

**Present:** Directors Amante, Bates, Brown, Campbell, Green, and Moorlach  
**Absent:** Director Buffa

***Committee Vote***

This item was passed by all Committee Members present.

***Committee Recommendation***

Receive and file the fiscal year 2007-08 annual financial reports as information items.



*January 28, 2009*

**To:** Finance and Administration Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Fiscal Year 2007-08 Annual Financial Reports

**Overview**

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements, schedules, and agreements. Mayer Hoffman McCann P.C., an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's financial statements, schedules, and agreements for fiscal year 2007-08, and reports are included herewith.

**Recommendation**

Receive and file the fiscal year 2007-08 annual financial reports as information items.

**Background**

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting results of operations during the preceding fiscal year and OCTA's financial position at year end. These financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR), which was presented to the Board of Directors on November 24, 2008. In connection with the preparation of the CAFR, the independent accounting firm of Mayer Hoffman McCann P.C. (MHM) provides opinions on other financial reports of OCTA.

The audit was performed using current standards and guidelines, and in accordance with generally accepted auditing standards, the standards set forth for financial audits in the Government Accountability Office's *Government Auditing Standards* (as amended), the provisions of the federal Single Audit Act of 1984 (as amended) and United States (U.S.) Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit*

*Organizations*, as well as the following additional requirements, where applicable:

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

### ***Discussion***

MHM, an independent accounting firm, has completed its annual audit of OCTA's fund financial statements, schedules, and agreements and has issued its independent auditor's opinion on OCTA's financial statements for the fiscal year ended June 30, 2008. The related reports are included as Attachments A through K.

The following reports include findings and recommendations.

The Single Audit Report on Federal Awards was audited as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Attachment A). The auditors identified five significant deficiencies that are included in this report (pages 8 through 14) as well as the management letter.

Agreed-upon procedures were performed with respect to the National Transit Database Report for the year ended June 30, 2008, to assist OCTA in ensuring compliance with the regulations of *National Transit Database Reporting* and 49 CFR Part 630 of the *Federal Register*, dated January 15, 1993 (Attachment E). MHM identified variances between data captured by the system and data on related tripsheets. MHM recommended that data captured and reported be periodically reviewed and compared to supporting documents to ensure accuracy.

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

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**Summary**

MHM, an independent accounting firm, has audited OCTA's CAFR and has issued an unqualified opinion. The auditor has also issued its unqualified opinions on various other fund financial statements, schedules, and agreements, as requested by OCTA, which are attached hereto. Recommendations were made in the Single Audit Report on Federal Awards and the National Transit Database Report.

**Attachments**

- A. Orange County Transportation Authority Orange, California Single Audit Report on Federal Awards, Year Ended June 30, 2008
- B. Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) Annual Financial And Compliance Report, Year Ended June 30, 2008
- C. Orange County Local Transportation Authority Debt Service Coverage Tests Year Ended June 30, 2008
- D. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Measure M Status Report Year Ended June 30, 2008
- E. Orange County Transportation Authority Agreed-Upon Procedures Performed with Respect to the National Transit Database Report For the Period July 1, 2007 through June 30, 2008
- F. Orange County Transportation Authority Independent Accountants' Report on Agreed-Upon Procedures Performed with Respect to the Treasury Department Year Ended June 30, 2008
- G. Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Governmental Auditing Standards* and the Transportation Development Act
- H. Independent Accountants' Report on Agreed-Upon Procedures Applied to the Orange County Transportation Authority's Appropriations Limit Worksheets
- I. Independent Accountants' Report on Agreed-Upon Procedures Applied to the Orange County Local Transportation Authority's Appropriations Limit Worksheets

- J. Orange County Transportation Authority Local Transportation Fund  
Financial Statements Year Ended June 30, 2008
- K. Orange County Transportation Authority State Transit Assistance  
Fund Financial Statements Year Ended June 30, 2008

**Prepared by:**



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

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY  
Orange, California**

Single Audit Report on  
Federal Awards

Year Ended June 30, 2008

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

Single Audit Report on Federal Awards

Year Ended June 30, 2008

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Board of Directors  
Orange County Transportation Authority  
Orange, California

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2008, which collectively comprise OCTA's basic financial statements and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects OCTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of OCTA's financial statements that is more than inconsequential will not be prevented or detected by OCTA's internal control. We consider items 08-01 through 08-04 as



Board of Directors  
Orange County Transportation Authority  
Orange, California

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described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control.

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

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

#### Compliance and Other Matters

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

We noted other certain matters we reported to the management of OCTA in a separate letter dated October 24, 2008.

OCTA's written responses to the significant deficiencies identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit OCTA's responses, and accordingly, we express no opinion on them.

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 24, 2008



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Board of Directors  
Orange County Transportation Authority  
Orange, California

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

Compliance

We have audited the compliance of the Orange County Transportation Authority (OCTA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. OCTA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of OCTA's management. Our responsibility is to express an opinion on OCTA's compliance based on our audit.

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

In our opinion, OCTA complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-05.



Board of Directors  
Orange County Transportation Authority  
Orange, California

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### Internal Control Over Compliance

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

A control deficiency in OCTA's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects OCTA's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by OCTA's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-05 to be a significant deficiency.

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

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise OCTA's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic



Board of Directors  
Orange County Transportation Authority  
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financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OCTA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit OCTA's responses, and accordingly, we express no opinion on them.

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 12, 2008, except for the Schedule of Expenditures of Federal Awards, as to which  
the date is October 24, 2008

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Domestic Assistance Number	Program Identification Number	Federal Financial Assistance Expenditures	Amount Provided to Subrecipients
<b><u>U.S. Department of Transportation</u></b>				
Direct Assistance:				
Federal Transit Cluster:				
Federal Transit - Capital Investment Grants	20.500		\$ 3,284,001 *	3,094,739
Federal Transit - Formula Grants	20.507		96,759,533 *	3,625,272
Total Federal Transit Cluster			<u>100,043,534</u>	<u>6,720,011</u>
State Planning and Research	20.515		28,234	-
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	CMLN-6071(023)	<u>15,225,358</u>	<u>-</u>
Total U.S. Department of Transportation			<u>115,297,126</u>	<u>-</u>
<b><u>U.S. Department of Homeland Security</u></b>				
Passed through State of California				
Office of Emergency Services:				
Rail and Transit Security Grant Program	97.075		1,324,263	-
Office of Emergency Services	97.036		<u>16,169</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,340,432</u>	<u>-</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
Passed through County of Orange				
Community Services Agency:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	22-0203	<u>337,270</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>337,270</u>	<u>-</u>
Total federal expenditures			<u>\$ 116,974,828</u>	<u>\$ 6,720,011</u>

\* Major Programs

See Notes to Schedule of Expenditures of Federal Awards

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

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

(a) Scope of Presentation

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

(b) Basis of Accounting

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

(c) Subrecipients

OCTA made payments to subrecipients totaling \$6,720,011 during the fiscal year ended June 30, 2008.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

### **(A) Summary of Auditor's Results**

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. The audit disclosed four significant deficiencies in internal control over financial reporting.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There was one significant deficiency and no material weaknesses in internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were CFDA No. 20.500, U.S. Department of Transportation – Federal Transit – Capital Investment Grants and CFDA No. 20.507, U.S. Department of Transportation – Federal Transit – Formula Grants.
8. The dollar threshold used to distinguish Type A and Type B programs was \$3,509,245.
9. The auditee did not meet the criteria to be considered a low risk auditee for major program determination for the year ended June 30, 2008.

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

#### **(08-01) Need to Strengthen Controls of Third-Party Contractor**

OCTA utilizes a third-party contractor (contractor) to manage and oversee the State Route 91 Toll Road (Toll Road) revenue cycle. The information systems of the contractor are significant to the financial information of OCTA. As such, we reviewed the information systems of the contractor to ensure that controls were designed and implemented to mitigate risk of loss of OCTA assets. During this review, we noted the following issues:



# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

(Continued)

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

**(08-01) Need to Strengthen Controls of Third-Party Contractor (Continued)**

- Tape backups of all files, including master files, transaction files, application programs, systems software, and database software that support Toll Road operations, are currently stored on-site at the third-party contractor's office. The contractor has elected to maintain tape backups onsite based on current business concerns. Industry best practice recommends using a backup storage site that is geographically removed from the primary site. In the event of a catastrophic event at the main office location, information would be lost without a means for recovery.
- The system used to track customer account and vehicle information has password controls that are limited to a minimum of 6 characters, with no complexity requirements or user lockout after a certain number of unsuccessful log-in attempts. Effective password complexity controls were not considered during system implementation. Controls recommended by industry best practice include:
  - a. Alphanumeric passwords;
  - b. Required password change interval; and
  - c. Locking user accounts after a maximum number of incorrect password attempts.

Without effective password controls, an unauthorized user could employ various forms of password hacking tools to access the system.

- The process to remove terminated employees from systems is manual and not synchronized to a master employee database. In addition, of the 5 terminated users sampled, one user was not removed from the active directory network in a timely manner. Industry best practice suggests removing user access to systems immediately following termination. Untimely removal of users' access after termination provides employees an opportunity to sabotage or otherwise impair entity operations or assets.

The aggregate effect of these weaknesses in information systems controls increases the likelihood of theft, loss or misuse of OCTA assets.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

(Continued)

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

**(08-01) Need to Strengthen Controls of Third-Party Contractor (Continued)**

**Recommendation**

We recommend that the third-party contractor be required to establish procedures to strengthen internal controls in the information systems associated with the OCTA contract.

**Management's Responses**

Staff agrees with the auditors' recommendation regarding backup tapes. The Authority's operator, Cofiroute USA (Cofiroute), had been maintaining backup tapes at the Anaheim Office for research purposes related to ongoing litigation against the Authority. However, all backup tapes have now been stored at a secure, offsite location with Iron Mountain.

Staff agrees with the auditors' recommendation regarding password controls. For Cofiroute employees to access the system used to track customer account and vehicle information, TollPro, requires the user to first login to the domain. Cofiroute controls access to the domain. The password complexity for the domain is as follows:

- a. The password cannot contain all or part of the user's account name
- b. The password must be at least seven characters in length
- c. The password must contain characters from three of the following four categories:
  - English uppercase characters (A through Z)
  - English lowercase characters ( a through z)
  - Base 10 digits (0 through 9)
  - Non-alphanumeric characters (&, \$, #, %, etc.)
- d. The user is automatically logged off if the domain is not accessed for 10 minutes
- e. After five invalid logon attempts, the account will be locked out.

Once the domain is accessed, the user must then enter a TollPro password. The TollPro system currently does not have the password complexity requirements identified above with the Cofiroute login procedures. The system developer of TollPro, Northern Lakes Data Corporation, will be modifying the password complexity to match industry best practices.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

(Continued)

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

**(08-01) Need to Strengthen Controls of Third-Party Contractor (Continued)**

Staff agrees with the auditors' recommendation of removing user access to systems immediately following termination. Cofiroute's practice is to remove employees by the end of the following business day for terminated employees. In the example cited in the finding, an employee was terminated on the Friday prior to the Thanksgiving week of 2007. The Human Resources employee responsible for removing terminated employees was on vacation during that week. Therefore, the terminated employee was not removed from the system until the following Monday, ten days after the day of termination. Cofiroute will implement a policy to ensure all terminated employees are removed by the close of the following business day.

Cofiroute is an independent contractor responsible for managing 91 Express Lanes operations for the Authority. The TollPro system that is used to track customer account and vehicle information is a proprietary system developed and maintained by Northern Lakes Data Corporation and is not connected to the Cofiroute management system or Human Resources records. Cofiroute maintains Human Resources data at its corporate office in Irvine. TollPro and Cofiroute systems are completely independent and not technically compatible. Cofiroute does not permit access of the TollPro system from computers other than those owned by the 91 Express Lanes. Cofiroute employees can only access TollPro through a Cofiroute controlled computer and domain.

**(08-02) Internal Controls over the Combined Transportation Funding Program**

During our search for unrecorded liabilities, we noted two cash disbursements related to Combined Transportation Funding Program (CTFP) Agreements between OCTA and the City of Anaheim (City) that should have been accrued at June 30, 2008.

According to Project Delivery Department personnel, the cash disbursements were not issued to the City during fiscal year 2007-08 as the required documentation was furnished to OCTA subsequent to year-end. However, all of the supporting documentation submitted to OCTA was dated January 2008. As a result, the Accounting Department posted an adjustment for \$6,375,355 to accrue this liability as of June 30, 2008.

**Recommendation**

We recommend that the Project Delivery Department ensure proper documentation is maintained regarding any withholding or delay of payments resulting from lack of documentation provided by the entity awarded CTFP funds.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

(Continued)

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

**(08-02) Internal Controls over the Combined Transportation Funding Program (Continued)**

**Management's Response**

Staff is currently developing an electronic tracking system that will facilitate the audit recommendation. This effort was in process prior to the audit report. Once completed, the system will provide an electronic log of invoice issues, missing documentation, correspondence with the cities, and track the dates missing documentation is both requested and received.

**(08-03) Communication of Financial Information to the Appropriate Department**

During our review of fund balances, we noted one instance where revenues related to cooperative agreements entered into by OCTA were improperly accrued in prior years and had to be adjusted in the current year. The amount of the prior year adjustment was \$4,114,302. The primary cause of this was a lack of communication of changes in cooperative agreements by project managers to the Financial Planning and Analysis Department (FP&A) or the Accounting Department. The cooperative agreement changes and amendments appear to involve OCTA's Planning Department, which does not always communicate amendments to agreements to FP&A and Accounting.

**Recommendation**

We recommend OCTA establish procedures or protocols to ensure that all information of a financial nature is communicated to the FP&A Department or Accounting Department, as appropriate.

**Management Response**

This was a unique situation that is unlikely to be repeated. The original cooperative agreement with Caltrans referred to the "latest revision" of a standard funding agreement as the appropriate documentation for the subject funding amount. This funding agreement was revised a couple of times, but a change to the document did not require the original cooperative agreement to be amended. If an amendment were to be made to the agreement, it would have been transmitted to FP&A by the Contracts Administration and Material Management (CAMM) Department. This was an unusual structure for a cooperative agreement that is unlikely to be repeated. The normal processing and transmittal of agreements and amendments by CAMM should provide the required financial information needed by FP&A.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

(Continued)

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

**(08-04) Need to Establish a Policy on Misconduct**

OCTA does not currently have a written policy on misconduct. An effective method of communicating and reinforcing an antifraud culture within an organization is through the development of a policy on misconduct. A misconduct policy communicates to all employees the organizational position and policy on matters such as the following:

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

Best practice suggests that a misconduct policy and its annual reaffirmation by employees will greatly strengthen internal controls to prevent the occurrence of fraud and abuse. The policy should be acknowledged and signed by each employee upon hire and on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions. This condition was also reported for the year ended June 30, 2007 in our communication dated October 31, 2007.

**Recommendation**

OCTA should develop and implement a policy on misconduct. Once developed, the policy should be acknowledged and signed by each employee on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions.

**Management Response**

Management will develop and implement a policy on misconduct; each new hire will be asked to acknowledge and sign the policy upon starting work at OCTA.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

(Continued)

**(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133**

**(08-05) Need to Adhere to Buy America Requirements**

OCTA's rolling stock procurement documentation did not meet the Post-Delivery Procurement Audit requirements per the Federal Transit Administration (FTA) Buy America Handbook. According to Section 3 of the Buy America Handbook, purchases of 10 buses or more must have the resident inspector complete a final manufacturing report, which should include any information that supports or refutes claims made by the manufacturer concerning its capabilities or the bus specifications. For buses manufactured in multiple stages (such as body-on-chassis buses), the resident inspector is required to visit the final-stage manufacturer's final assembly location only. Once completed, the Post-Delivery Purchaser's Requirement Certification is made and filed.

OCTA provided the sign-off of contract completion as proof of the post-delivery review for the rolling stock purchases reviewed. However, the documentation does not provide sufficient evidence that OCTA verified that the Buy America information had not materially changed from the pre-award stage to the completed manufacturing stage. This condition was also reported for the year ended June 30, 2007 in our communication dated October 31, 2007.

**Recommendation**

We recommend that OCTA adhere to the Buy America requirements and ensure that all documentation is contained in the procurement files to support OCTA's compliance.

**Management Response**

The OCTA Transit Division Maintenance Department inspectors will follow the Buy America guideline as done last year. OCTA will insure that contract administration has the necessary paperwork on file for the closing of contracts for the post filings.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2008

**Status of Prior Year Audit Findings:**

- (07-01) Need to Establish a Policy on Misconduct - See current year finding 08-04
- (07-02) Need to Strengthen Procurement Procedures over On-Call Contracts - Resolved
- (07-03) Internal Controls over Bus Pass Inventory – Resolved
- (07-04) Need to Establish a Formal Change Management Process - Resolved
- (07-05) Lack of Segregation of Duties Over Assignment of Permissions within IFAS – Resolved
- (07-06) Accounts Payable Cutoff Needs to be Adhered to – Resolved
- (07-07) Need to Improve Subrecipient Monitoring Procedures – Resolved
- (07-08) Need to Adhere to Buy America Requirements – See current year finding 08-05

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

ANNUAL FINANCIAL AND  
COMPLIANCE REPORT

Year Ended June 30, 2008



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

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Board of Directors  
Orange County Local Transportation Authority  
Orange, California

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2008, which collectively comprise the OCLTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCLTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the OCLTA as of June 30, 2008, and the respective changes in financial position of the OCLTA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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



Board of Directors  
Orange County Local Transportation Authority  
Orange, California

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2008 on our consideration of the OCLTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California  
October 24, 2008

## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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JUNE 30, 2008  
(in thousands)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information on financial performance presented here in conjunction with the financial statements that begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

#### FINANCIAL HIGHLIGHTS

- Total net assets of the OCLTA were \$439,672 and consisted of net assets invested in capital assets, net of related debt, of \$147,998; restricted net assets of \$518,329; and unrestricted (deficit) of (\$226,655).
- The unrestricted net assets (deficit) from governmental activities of (\$226,655) represents liabilities in excess of assets. This results primarily from the recording of debt issued for Measure M projects, the assets for which title vests with the California Department of Transportation (Caltrans). Accordingly, the OCLTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when due.
- Net assets decreased \$419,535 during fiscal 2008. This decrease was primarily attributable to the transfer of the completed SR-22 freeway project.
- Total capital assets, net of accumulated depreciation, were \$147,998 at June 30, 2008.
- Beginning fund balance was restated \$7,239 (see note 10). The OCLTA's governmental funds reported combined ending fund balances of \$523,360 an increase of \$5,799 from the prior year.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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JUNE 30, 2008  
(in thousands)

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

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

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

### FUND FINANCIAL STATEMENTS

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-31 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 32 and the LTA debt service fund as other supplementary information on page 34 to demonstrate compliance with the annual appropriated budget.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2008  
(in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2008, the OCLTA's assets exceeded liabilities by \$439,672, a \$419,535 decrease from June 30, 2007. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the OCLTA's governmental activities.

Approximately 34% of OCLTA's net assets reflect its investment in capital assets. The majority of which is land purchased for right-of-way.

Restricted net assets, which are resources subjected to external restrictions on how they may be used, decreased \$115 from June 30, 2007. This decrease is primarily due to a decrease in capital outlay due to the completion of the SR-22 freeway project and an offsetting increase in professional services due to the beginning of the SR-22 phase II project and I-405/SR-22 project.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day Measure M operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets was a \$226,655 deficit at June 30, 2008. This deficit results primarily from the recording of debt issued for Measure M projects, the assets for which title vests with Caltrans. Accordingly, OCLTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when due.

Table 1  
Orange County Local Transportation Authority  
Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 553,421	\$ 523,563
Restricted assets	75,402	70,405
Capital assets, net	147,998	645,454
<b>TOTAL ASSETS</b>	<b><u>776,821</u></b>	<b><u>1,239,422</u></b>
Current liabilities	100,550	65,072
Long-term liabilities	236,599	307,904
<b>TOTAL LIABILITIES</b>	<b><u>337,149</u></b>	<b><u>372,976</u></b>
Net assets:		
Invested in capital assets, net of related debt	147,998	645,454
Restricted	518,329	518,444
Unrestricted (deficit), as restated	(226,655)	(304,691)
<b>TOTAL NET ASSETS, AS RESTATED</b>	<b><u>\$ 439,672</u></b>	<b><u>\$ 859,207</u></b>

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

JUNE 30, 2008  
(in thousands)

Governmental activities decreased the OCLTA's net assets by \$419,535. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, decreased by \$6,528, or 2%, from the prior year as a result of a slowing economy. Capital grants and contributions increased \$2,288, or 11%, from the prior year primarily due to the increase in receipt of federal grant monies for the SR-22 phase II project offset by a decrease in federal grant monies for the SR-22 freeway project and the Buena Park Metrolink Station received in the prior fiscal year.

OCLTA expenses of \$749,963 shown on the statement of activities consist of:

Supplies and services	\$ 45,321
Contributions to other local agencies	108,239
Infrastructure	18,783
Transfer of completed SR-22 project to Caltrans	559,356
Depreciation expense	54
Interest expense	17,210
Transfer to other OCTA funds	1,000
<b>TOTAL EXPENSES</b>	<b>\$749,963</b>

Total expenses increased \$547,454, or 270% from the prior year primarily due to the transfer of the completed SR-22 freeway project to Caltrans.

Table 2  
Orange County Local Transportation Authority  
Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 584	\$ 258
Capital grants and contributions, as restated	22,844	20,556
General revenues:		
Taxes	269,118	275,646
Unrestricted investment earnings	37,882	29,137
Total revenues, as restated	330,428	325,597
Expenses:		
Measure M program	749,963	202,509
Decrease in net assets, as restated	(419,535)	123,088
Net assets - beginning, as restated	859,207	736,119
<b>NET ASSETS—END OF YEAR, AS RESTATED</b>	<b>\$ 439,672</b>	<b>\$ 859,207</b>

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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JUNE 30, 2008  
(in thousands)

FINANCIAL ANALYSIS OF THE OCLTA'S FUNDS

As of June 30, 2008, the OCLTA's governmental funds reported combined ending fund balances of \$523,360, an increase of \$5,799 compared to 2007. The total amount constitutes reserved fund balance to indicate that it is not available for new spending because of the following commitments:

- \$1,390 deposited with the State for condemnation deposits;
- \$1,418 other non current assets
- \$95,813 to liquidate contracts and purchase orders of the current and prior periods;
- \$117,322 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects; and
- \$307,417 for transportation programs related to Measure M projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2008, the OCLTA had \$147,998, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings, and machinery and equipment. A summary of the OCLTA's Measure M capital assets, net of depreciation, follows:

Land	\$ 146,055
Construction in progress held for Department of Transportation Improvements	583
	<u>1,621</u>
<b>TOTAL CAPITAL ASSETS</b>	<b>148,259</b>
Less accumulated depreciation	<u>(261)</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b><u><u>\$ 147,998</u></u></b>

Total capital assets decreased \$497,456 or 77%, from the prior year primarily due to the transfer of the SR-22 freeway project to Caltrans. More detailed information about the OCLTA's capital assets is presented in Note 6 to the financial statements.

OCLTA has outstanding construction contracts, the most significant of which are: \$145,140 for the I-5 far north project and \$16,920 for the I-405/SR-55 transitway project.

DEBT ADMINISTRATION

As of June 30, 2008, the OCLTA had \$284,155 in sales tax revenue bonds and commercial paper notes outstanding. All sales tax revenue bonds mature by 2011 when the OCLTA authority to collect the local sales tax expires. In February 2008, the OCLTA made \$71,290 in principal payments. The OCLTA issued \$25,000 in commercial paper notes in February 2008 and retired \$6,500 in August 2007.

The OCLTA maintains a "AAA" rating from Standard & Poor's, a "AA" rating from Fitch and a "Aa2" rating from Moody's for its Measure M 1<sup>st</sup> Senior Sales Tax Revenue Bonds; a "AA" rating from Standard &



## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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JUNE 30, 2008

*(in thousands)*

Poor's, an "AA-" rating from Fitch and a "Aa3" rating from Moody's for its Measure M 2<sup>nd</sup> Senior Sales Tax Revenue Bonds.

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

### **ECONOMIC AND OTHER FACTORS**

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

The OCLTA adopted the 2009 Annual Budget on June 9, 2008. This \$543.7 million balanced budget includes both the original Measure M program (M1) and the Renewed Measure M program (M2). The M1 budget totals \$463.7 million and includes payments to cities and the County of Orange for the turnback and competitive programs, investment in the Metrolink Service Expansion Program, Measure M debt service payments, and rights-of-way acquisition and construction costs for the I-5 Gateway project. The M2 budget totals \$80 million and includes funds for the Grade Separation projects and pre-construction work related to several freeway projects that have been identified in the Board-approved Early Action Plan (EAP).

### **CONTACTING THE OCLTA'S MANAGEMENT**

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

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

<i>(thousands)</i>	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 508,517
Receivables:	
Interest	4,189
Capital grants	3,455
Other	14
Due from other OCTA funds	38
Due from other governments	24,554
Condemnation deposits	1,390
Note receivable	4,830
Restricted cash and investments	75,402
Other assets	1,595
Land held for resale	4,839
Capital assets:	
Nondepreciable	146,638
Depreciable, net	<u>1,360</u>
<b>TOTAL ASSETS</b>	<u><u>776,821</u></u>
<b>LIABILITIES</b>	
Accounts payable	22,157
Accrued interest payable	5,031
Due to other governments	23,793
Unearned revenue	64
Other liabilities	21
Advance from other OCTA funds	1,884
Commercial paper notes	47,600
Noncurrent liabilities:	
Due within one year	75,355
Due in more than one year	<u>161,244</u>
<b>TOTAL LIABILITIES</b>	<u><u>337,149</u></u>
<b>NET ASSETS</b>	
Invested in capital assets	147,998
Restricted for:	
Measure M program	406,038
Debt service	112,291
Unrestricted (deficit)	<u>(226,655)</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 439,672</u></u>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
 (A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

<i>(thousands)</i>	Program Revenues			Net Revenue and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities
<b>PROGRAM GOVERNMENTAL ACTIVITIES:</b>				
Measure M program	\$ 749,963	\$ 584	\$ 22,844	\$ (726,535)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 749,963</b>	<b>\$ 584</b>	<b>\$ 22,844</b>	<b>\$ (726,535)</b>
 <b>GENERAL REVENUES:</b>				
Sales taxes				269,118
Unrestricted investment earnings				37,882
<b>TOTAL GENERAL REVENUES</b>				<b>307,000</b>
Change in net assets				(419,535)
Net assets - beginning, a restated				859,207
<b>NET ASSETS - ENDING</b>				<b>\$ 439,672</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

<i>(thousands)</i>	LTA	LTA Debt Service	Total OCLTA
<b>ASSETS</b>			
Cash and investments	\$ 467,415	\$ 41,102	\$ 508,517
Receivables:			
Interest	3,371	818	4,189
Capital grants	3,455	-	3,455
Other	14	-	14
Due from other OCTA funds	38	-	38
Due from other governments	24,554	-	24,554
Condemnation deposits	1,390	-	1,390
Note receivable	4,830	-	4,830
Restricted cash and investments:			
Cash equivalents	-	5,611	5,611
Investments	-	69,791	69,791
Other assets	1,418	-	1,418
<b>TOTAL ASSETS</b>	<b>\$ 506,485</b>	<b>\$ 117,322</b>	<b>\$ 623,807</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 22,157	\$ -	\$ 22,157
Due to other governments	23,793	-	23,793
Deferred revenue	4,894	-	4,894
Other liabilities	21	-	21
Advance from other funds	1,884	-	1,884
Commercial paper notes	47,600	-	47,600
Interest payable	98	-	98
<b>TOTAL LIABILITIES</b>	<b>100,447</b>	<b>-</b>	<b>100,447</b>
<b>FUND BALANCES</b>			
Reserved for:			
Condemnation deposits	1,390	-	1,390
Other assets	1,418	-	1,418
Encumbrances	95,813	-	95,813
Debt service	-	117,322	117,322
Transportation programs	307,417	-	307,417
<b>TOTAL FUND BALANCES</b>	<b>406,038</b>	<b>117,322</b>	<b>523,360</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 506,485</b>	<b>\$ 117,322</b>	<b>\$ 623,807</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

*(thousands)*

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

<b>TOTAL FUND BALANCES (PAGE 11)</b>	<b>\$</b>	<b>523,360</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		147,998
Land held for resale is not a financial resource and therefore is not reported in the funds.		4,839
Other long-term assets related to cost of issuance are not financial resources and therefore, is not reported in the funds.		177
Earned but unavailable revenue is not available to liquidate current liabilities and therefore is deferred in the funds.		4,830
Interest payable on bonds outstanding is not due and payable in the current period and therefore is not reported in the funds.		(4,933)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(236,599)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 9)</b>	<b>\$</b>	<b><u><u>439,672</u></u></b>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

<i>(thousands)</i>	LTA	LTA Debt Service	Total OCLTA
<b>REVENUES</b>			
Sales taxes	\$ 269,118	\$ -	\$ 269,118
Contributions from other agencies	5,586	-	5,586
Interest	30,608	7,274	37,882
Federal capital assistance grants	15,496	-	15,496
Miscellaneous	585	-	585
<b>TOTAL REVENUES</b>	<b>321,393</b>	<b>7,274</b>	<b>328,667</b>
<b>EXPENDITURES</b>			
Current:			
General government:			
Supplies and services	45,110	152	45,262
Transportation:			
Contributions to other local agencies	108,239	-	108,239
Capital outlay	80,737	-	80,737
Debt service:			
Principal payments on long-term debt	-	71,290	71,290
Interest on long-term debt and commercial paper	1,480	17,168	18,648
<b>TOTAL EXPENDITURES</b>	<b>235,566</b>	<b>88,610</b>	<b>324,176</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	85,827	(81,336)	4,491
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	88,426	88,426
Transfers from OCTA	161	-	161
Transfers out	(88,426)	-	(88,426)
Transfers to OCTA	(1,000)	-	(1,000)
Proceeds from sale of land held for resale	2,147	-	2,147
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(87,118)</b>	<b>88,426</b>	<b>1,308</b>
Net change in fund balances	(1,291)	7,090	5,799
Fund balances-beginning, as restated	407,329	110,232	517,561
<b>FUND BALANCES-ENDING</b>	<b>\$ 406,038</b>	<b>\$ 117,322</b>	<b>\$ 523,360</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

(thousands)

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

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (PAGE 13)</b>	<b>\$</b>	<b>5,799</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		61,900
Transfer of the completion of the SR-22 HOV project to Caltrans		(559,356)
The net effect of various miscellaneous transactions involving the sale of land held for resale is to decrease net assets.		(2,147)
Donations of land held for resale are not reported as revenues in governmental funds. However, they are included in the Statement of Activities.		1,600
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		72,669
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 10)</b>	<b>\$</b>	<b>(419,535)</b>

See accompanying notes to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008  
(IN THOUSANDS)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

On November 7, 2005, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M allocates funds to freeway, street and road, transit and environmental improvements.

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

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

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

BASIS OF PRESENTATION

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

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

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



ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008  
(IN THOUSANDS)

considered essential to the creation or continuing existence of the Measure M program. For the year ended June 30, 2008, interest expense of \$16,631 was included as Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

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

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

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008  
(IN THOUSANDS)

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

**CASH AND INVESTMENTS**

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with an investment policy adopted initially by the Board on May 8, 1995, and most recently amended May 23, 2008. The investment policy complies with, or is more restrictive than, applicable state statutes. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

The Annual Investment Policy (AIP) requires the assets in the portfolio to consist of the following: investments and maximum permissible concentrations based on book value and are more restrictive than applicable state statutes for the following cases: OCTA notes and bonds (25%); commercial paper of a high rating of A-1 or P-1 as provided by one of the nationally recognized rating agencies, Standard & Poor's Corporation (S & P) or Moody's Investor Service (Moody's), and must be issued by corporations rated A3 or better by Moody's, A- or better by S & P and A- or better by Fitch Ratings (Fitch) with further restrictions to issuer size and maximum maturity of 180 days (25%); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or be a state licensed branch of a foreign bank, which have been rated by at least two of the nationally recognized rating services with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch, with maximum maturity of 180 days (30%); bankers acceptances which have been rated by at least two of the nationally recognized rating services with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch and may not exceed the 5% limit by any one commercial bank (30%); mortgage or asset-backed securities rated AAA by S & P, Aaa by Moody's, or AAA by Fitch and issued by an issuer; Repurchase Agreements collateralized at 102% (75%), reverse repurchase agreements or securities lending are not permitted; medium-term notes (MTN) are rated A- or better by S & P, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three nationally recognized rating services. MTN's may not represent more than ten percent (10%) of the issue in the case of a specific public offering. Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Other allowable investment categories include money market funds, mutual funds, and the state-managed Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. Investment is also allowed in the Orange County Investment Pool (OCIP), but is limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008  
(IN THOUSANDS)

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

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

Issuer/Counter-Party Diversification Guidelines for all securities except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements - any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities (5%).

Issuer/Counter-Party Diversification Guidelines for Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements; any one Federal Agency or Government Sponsored Enterprise (35%) - any one Repurchase Agreement counter-party name if maturity/term is < 7 days (50%), if maturity/term is > 7 days (35%).

**INTERFUND TRANSACTIONS**

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

OCTA allocates costs related to administrative services from certain funds to benefiting funds. For fiscal year 2008, \$8,632 of administrative services were charged to the OCLTA and are reported as general government expenditures in the governmental funds.

**RESTRICTED CASH AND INVESTMENTS**

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

**CAPITAL ASSETS**

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

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (Caltrans), are included in capital outlay. Infrastructure

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consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where the OCLTA does not have title to such assets or rights-of-way.

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

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

**LAND HELD FOR RESALE**

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

**LONG-TERM DEBT**

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

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

**CONTRIBUTIONS TO OTHER AGENCIES**

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

**NET ASSETS**

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

- *INVESTED IN CAPITAL ASSETS* - This reflects the net assets of the OCLTA that are invested in capital assets. This indicates that these net assets are not accessible for other purposes.

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- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports \$524,646 of restricted net assets, of which all is restricted by enabling legislation.
- *UNRESTRICTED NET ASSETS* - This represents those net assets that are available for general use.

**FUND BALANCES**

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

**USE OF ESTIMATES**

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

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$147,998 difference are as follows:

Capital assets	\$148,259
Less accumulated depreciation	(261)
<b>NET ADJUSTMENT TO INCREASE FUND BALANCES - TOTAL</b>	
<b>GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL</b>	
<b>ACTIVITIES</b>	<b>\$147,998</b>

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Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$236,599) difference are as follows:

Bonds payable	\$ (236,555)
Less deferred loss on refunding (to be amortized as interest expense)	1,009
Plus unamortized bond issuance premium (to be amortized as interest expense)	<u>(1,053)</u>
<b>NET ADJUSTMENT TO DECREASE FUND BALANCES - TOTAL</b>	
<b>GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL</b>	<b><u><u>\$ (236,599)</u></u></b>

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

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

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this \$61,900 difference are as follows:

Capital outlay	\$61,954
Depreciation expense	<u>(54)</u>
<b>NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES -</b>	
<b>TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS</b>	
<b>- GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 61,900</u></u></b>

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$72,669 difference are as follows:

Principal repayments - sales tax revenue bonds	\$ 71,290
Change in accrued interest	1,423
Amortization of deferred loss on refunding	(337)
Amortization of premium	351
Amortization of issuance costs	<u>(58)</u>
<b>NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES -</b>	
<b>TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS</b>	
<b>-GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$72,669</u></u></b>

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3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2008:

With Commingled Investment Pool	\$ 421,798
With Trustee	162,121
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 583,919</b>

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

Unrestricted Cash and Investments	\$ 508,517
Restricted Cash and Investments	75,402
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 583,919</b>

As of June 30, 2008, OCLTA had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	\$421,798	\$418,605	1.50%- 7.50%	7/1/08- 6/19/13	1.97
Money Market Mutual Funds	73,867	73,867	Variable	7/1/08	1 Day
U.S. Agency Notes	29,165	29,165	Discount	8/8/08 - 2/13/09	0.46
Investment Agreements	59,089	45,569	Discount, 3.877%-	8/15/08 - 2/15/11	2.55
<b>TOTAL INVESTMENTS</b>	<b>\$583,919</b>	<b>\$567,206</b>			

**INTEREST RATE RISK**

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

As of June 30, 2008, OCLTA was a participant in OCTA's commingled investment pool which had asset-backed securities totaling \$61,809. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services.

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As of June 30, 2008, OCTA's commingled investment pool had the following variable rate notes:

INVESTMENT	FAIR VALUE	COUPON MULTIPLIER	COUPON RESET DATE
Allstate Life Global	988	LIBOR + 60 basis points	Quarterly
American Express Credit Corp	924	LIBOR + 170 basis points	Monthly
American Honda Financial Corp	1,228	LIBOR + 40 basis points	Quarterly
Bank New York Inc	500	LIBOR + 40 basis points	Quarterly
Caterpillar Financial Services	999	LIBOR + 45 basis points	Quarterly
Hewlett Packard Co	1,320	LIBOR + 40 basis points	Quarterly
John Deere Capital Corp	1,185	LIBOR + 45 basis points	Quarterly
JP Morgan Chase & Co	1,750	LIBOR + 3 basis points	Quarterly
PNC Bank NA Pittsburgh	1,498	LIBOR + 40 basis points	Quarterly
PNC Bank NA Pittsburgh	575	LIBOR + 22 basis points	Quarterly
USB AG Stamford	1,977	LIBOR - 1 basis point	Quarterly
VTB Capital SA LN Partnership	506	LIBOR + 170 basis points	Quarterly
Wachovia Bank NA	1,426	LIBOR + 7 basis points	Quarterly
Western Union	496	LIBOR + 15 basis points	Quarterly
<b>TOTAL INVESTMENTS</b>	<u>15,372</u>		

**CUSTODIAL CREDIT RISK**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. At June 30, 2008, OCTA did not have any securities exposed to custodial credit risk and there was no securities lending.

**CREDIT RISK**

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



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The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2008. (NR means Not Rated):

<u>INVESTMENTS</u>	<u>S &amp; P</u>	<u>MOODY'S</u>	<u>FITCH</u>	<u>% OF</u>
OCTA Commingled Investment Pool	NR	NR	NR	75%
Money Market Mutual Funds	AAA	Aaa	NR	9%
U.S. Agency Notes	AAA	Aaa	AAA	5%
Investment Agreements	NR	NR	NR	11%
<b>TOTAL</b>				<u><u>100%</u></u>

As of June 30, 2008, OCTA held two investments in Lehman Brothers Holding Inc. Medium Term Notes. The par amount of the bonds totaled \$3,000. One of the investments had a \$2,000 par maturing on July 26, 2010. The second had a \$1,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of September 30, 2008, the market value of the securities were 15.000% of par for the July 26, 2010 Notes and 13.125% for the January 24, 2013 Notes.

**CONCENTRATION OF CREDIT RISK**

At June 30, 2008, OCTA did not exceed the AIP limitation that states that no more than:

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

The Policy limitation excludes investment agreements pursuant to the bond indenture. OCLTA had the following investment agreements outstanding as of June 30, 2008:

<u>INVESTMENT AGREEMENTS</u>	<u>AMOUNT</u>
AIG - MF Investment Agreement	\$ 28,793
FSA Capital Management Services LLC Investment Agreement	10,248
U.S. Treasury Notes Coupons Components	20,048
<b>TOTAL</b>	<u><u>\$59,089</u></u>

On September 15, 2008, AIG Matched Funding Corporation (AIG) was downgraded to A- by Standard and Poor's and A2 by Moody's Investors Service. Additionally, AIG was placed under review for possible further downgrades. On September 29 and 30, 2008, OCTA terminated and liquidated both investment agreements with AIG. The full balance of the agreements were received with no penalty assessed for early termination.

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4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2008 are \$24,554 and are comprised of \$10,663 related to sales taxes, \$13,188 for project reimbursements and \$703 related to other miscellaneous transactions.

5. RELATED PARTY TRANSACTIONS AND INTERFUND TRANSFERS

RELATED PARTY TRANSACTIONS:

During fiscal year 2008, transfers of \$1,000 from the OCLTA to OCTA were made for the fare stabilizations and ACCESS programs. Additionally, \$161 was transferred from other OCTA funds to OCLTA as contributions for program expenses/expenditures.

INTERFUND TRANSFERS:

During fiscal year 2008, the LTA Fund transferred \$88,426 to the LTA Debt Service Fund for debt service payments.

6. CAPITAL ASSETS

Capital assets activity for the OCLTA Measure M governmental activities for the year ended June 30, 2008 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Land	\$ 146,055	\$ -	\$ -	\$ 146,055
Construction in progress held for Department of Transportation	497,985	61,954	559,356	583
<b>TOTAL MEASURE M CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<b>\$644,040</b>	<b>\$61,954</b>	<b>\$559,356</b>	<b>\$146,638</b>
Capital assets, being depreciated:				
Right-of-way Improvements	\$ 1,621	-	-	\$ 1,621
Total capital assets, being depreciated	1,621	-	-	1,621
Less accumulated depreciation for:				
Right-of-way Improvements	(207)	(54)	-	(261)
Total accumulated depreciation	(207)	(54)	-	(261)
<b>TOTAL MEASURE M CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<b>\$1,414</b>	<b>(54)</b>	<b>-</b>	<b>\$ 1,360</b>

Depreciation expense charged to the Measure M program was \$54.

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7. SHORT-TERM DEBT

On March 13, 1995, the OCLTA was authorized to issue up to \$115,000 in Tax-Exempt Commercial Paper Notes (Notes). As a requirement for the issuance of the Notes, the OCLTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement with a financial institution as liquidity support for the Notes. On August 30, 1999, the OCLTA transferred the Letter of Credit to Dexia Bank. The authorized amount was reduced to \$74,200 with the available amount totaling \$80,787. The OCLTA did not draw on this Letter of Credit authorization during the year ended June 30, 2008, nor were there any amounts outstanding under this Letter of Credit agreement at June 30, 2008.

As of June 30, 2008, the OCLTA had outstanding Notes in the amount of \$22,600. There were no additional Notes issued; \$6,500 in Notes was retired in August 2007. On September 8, 2008, the OCLTA retired \$6,600 in Notes, which reduced the outstanding principal balance to \$16,000. The source of revenue to repay the Notes is the Measure M sales taxes. Interest is payable on the respective maturity dates of the Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Notes is 12.0%, with issuance rates at June 30, 2008 at 1.47%.

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

As of June 30, 2008, LTA had outstanding Renewed Measure M Notes in the amount of \$25,000. Interest is payable on the respective maturity dates of the Renewed Measure M Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Renewed Measure M Notes is 12.0%, with an interest rate at June 30, 2008 of 1.00%.

**CHANGES IN SHORT-TERM DEBT**

Short-term debt activity for the year ended June 30, 2008, was as follows:

	<b>BEGINNING</b>			<b>ENDING</b>
	<b>BALANCE</b>	<b>ISSUED</b>	<b>REDEEMED</b>	<b>BALANCE</b>
Tax exempt commercial paper	\$ 29,100	\$ -	\$ 6,500	\$ 22,600
Tax exempt commercial paper - Renewed Measure M	-	25,000	-	25,000
<b>TOTAL</b>	<b>\$ 29,100</b>	<b>\$ 25,000</b>	<b>\$ 6,500</b>	<b>\$ 47,600</b>

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8. LONG-TERM DEBT

**SALES TAX REVENUE BONDS**

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

On August 26, 1997, the OCLTA issued \$57,730 in Measure M Sales Tax Revenue Refunding Bonds to advance refund \$57,600 of outstanding 1992 Second Senior Bonds (1992 Second Senior Series). The net proceeds plus additional 1992 Second Senior Series sinking fund moneys and release of funds from the Bond Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Second Senior Series. In February 2002, the advance refunded 1992 Second Senior Bonds, which have been eliminated in the financial statements, were paid.

On March 24, 1998, the OCLTA issued \$20,270 (1998 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund \$19,885 of outstanding 1992 First Senior Bonds (1992 First Senior Series). In addition to the refunding, OCLTA also issued \$213,985 in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 First Senior Series. In February 2002, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In February 2005, the 1998 First Senior Series Bonds, which have also been eliminated in the financial statements, were paid.

On October 10, 2001, the OCLTA issued \$67,335 (2001 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund \$18,805 of the 1992 First Senior Bonds and \$48,400 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. In February 2004, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In February 2004, the 2001 First Senior Series bonds, which have also been eliminated in the financial statements, were paid.

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A summary of the bonds outstanding is as follows:

	1992 1ST SENIOR BOND	1992 2ND SENIOR BOND	1994 2ND SENIOR BOND	1997 2ND SENIOR BOND	1998 2ND SENIOR BOND	2001 2ND SENIOR BOND
Issuance date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	\$ 350,000	\$ 190,000	\$ 200,000	\$ 57,730	\$ 213,985	\$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
<b>NET BOND PROCEEDS</b>	<b>\$ 347,388</b>	<b>\$ 189,273</b>	<b>\$ 199,835</b>	<b>\$ 61,530</b>	<b>\$ 225,672</b>	<b>\$ 51,940</b>
Issuance costs	\$ 3,508	\$ 2,323	\$ 2,535	\$ 780	\$ 2,194	\$ 590
Reserve requirements	\$ -	\$ 14,465	\$ 11,535	\$ 2,009	\$ 22,567	\$ 6,334
Cash reserve balance	\$ -	\$ 15,010	\$ 12,813	\$ 2,639	\$ 24,596	\$ 6,823
Interest rate	2.8%- 12.23%	2.9%- 12.03%	2.8%- 12.55%	3.8%-5.7%	3.9%-5.5%	4.0%-5.0%
Annual principal payment	\$25,000- 27,200	\$ -	\$ -	\$13,960- 15,445	\$20,935- 23,300	\$15,460- 16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	\$ 77,700	\$ -		\$ 44,105	\$ 66,320	\$ 48,430
Less deferred loss on refunding	-	-	-	-	-	\$ (1,009)
Plus unamortized premium	-	-	-	-	-	\$ 1,053
<b>TOTAL</b>	<b>\$ 77,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,105</b>	<b>\$ 66,320</b>	<b>\$ 48,474</b>

The sales tax revenue bonds contain certain financial covenants, and management believes OCLTA is in compliance with such covenants as of June 30, 2008.

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2008, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST
2009	75,355	13,201
2010	78,405	9,000
2011	82,795	4,627
<b>TOTAL</b>	<b>\$ 236,555</b>	<b>\$ 26,828</b>

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CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2008, was as follows:

	BEGINNING			ENDING	DUE
	BALANCE	ADDITIONS	REDUCTIONS	BALANCE	WITHIN
					ONE
					YEAR
Measure M program activities:					
Sales tax revenue bonds	\$ 307,845	\$ -	\$ 71,290	\$ 236,555	\$ 75,355
Unamortized deferred loss on refunding	(1,346)	-	(337)	(1,009)	
Unamortized premium	1,404	-	351	1,053	
<b>TOTAL MEASURE M PROGRAM ACTIVITIES LONG-TERM</b>	<b>\$307,903</b>	<b>\$ -</b>	<b>\$ 71,304</b>	<b>\$236,599</b>	<b>\$75,355</b>

ARBITRAGE REBATE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in all interest paid to bondholders retroactively rendered taxable. In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, OCTA performed calculations of excess investment earnings on various bonds issues. \$579 was determined due; \$1 was paid in October 2007 and \$578 was paid in April 2008.

9. COMMITMENTS AND CONTINGENCIES

PURCHASE COMMITMENTS

OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2008, were \$525,060, the majority of which relate to the expansion of Orange County's freeway and road systems.

FEDERAL GRANTS

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

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10. PRIOR PERIOD ADJUSTMENT

In the prior fiscal year, revenues of \$7,600 for the construction of the SR-22 freeway project were reversed in the current fiscal year due to an over billing to Caltrans for their share of project expenditures. Additionally, OCLTA was awarded State Transit Improvement (STIP) monies. Although the grants were awarded in a prior fiscal year, they were not approved by Caltrans until fiscal year 2008. The expenditures related to these grants were recorded in previous fiscal years.

The following is a summary for the effect of this adjustment:

	GOVERNMENTAL ACTIVITIES NET ASSETS	LOCAL TRANSPORTATION AUTHORITY FUND BALANCE
Beginning balance, as previously reported	\$ 866,446	\$ 414,568
Adjustment (SR-22 freeway project)	(7,600)	(7,600)
Adjustment (STIP)	361	361
<b>BEGINNING BALANCE, AS RESTATED</b>	<b>\$ 859,207</b>	<b>\$ 407,329</b>

11. SUBSEQUENT EVENTS

As previously mentioned in note 3, OCTA held investments in Lehman Brothers Holding Inc. Medium Term Notes (MTN). As of September 30, 2008, the market value of the securities were 15.000% of par for the July 27, 2010 MTN and 13.125% for the January 24, 2013 MTN. Additionally, OCTA held investments in AIG. On September 29 and 30, OCTA terminated and liquidated all investment agreements with AIG with no penalty.

On August 11, 2008, the OCTA investment policy was amended to reflect investments in the 91 Express Lanes debt. Specifically, Issuer/Counter-Party Diversification Guidelines for OCTA's 91 Express Lanes Debt - OCTA can purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the maximum portfolio.

12. EFFECT OF NEW PRONOUNCEMENTS

**GASB STATEMENT NO. 49**

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement address accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is effective for OCLTA's fiscal year ending June 30, 2009.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008  
(IN THOUSANDS)

**GASB STATEMENT NO. 50**

In May 2007, GASB issued Statement No. 50, Pension Disclosures – an amendment to GASB Statements No. 25 and No. 27. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhance information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. OCLTA does not have Pension benefits, therefore this statement is not applicable to OCLTA.

**GASB STATEMENT NO. 51**

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

**GASB STATEMENT NO. 52**

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

**GASB STATEMENT NO. 53**

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



**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - LTA SPECIAL REVENUE FUND (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2008**

<i>(thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Sales taxes	\$ 300,299	\$ 300,299	\$ 269,118	\$ (31,181)
Contributions from other agencies	-	200	5,586	5,386
Interest	22,636	22,636	30,608	7,972
Federal capital assistance grants	27,134	27,134	15,496	(11,638)
Miscellaneous	260	260	585	325
<b>TOTAL REVENUES</b>	<b>350,329</b>	<b>350,529</b>	<b>321,393</b>	<b>(29,136)</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Supplies and services	73,508	86,001	45,110	40,891
Transportation:				
Contributions to other local agencies	163,154	163,648	108,239	55,409
Capital outlay	170,260	206,961	80,737	126,224
Debt service:				
Interest on long-term debt and commercial paper	844	844	1,480	(636)
<b>TOTAL EXPENDITURES</b>	<b>407,766</b>	<b>457,454</b>	<b>235,566</b>	<b>221,888</b>
Excess (deficiency) of revenues over (under) expenditures	(57,437)	(106,925)	85,827	192,752
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from OCTA	15,801	15,801	161	(15,640)
Transfers out	(88,458)	(88,458)	(88,426)	32
Transfers to OCTA	(14,571)	(14,571)	(1,000)	13,571
Proceeds from sale of land held for resale	2,147	2,147	2,147	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(85,081)</b>	<b>(85,081)</b>	<b>(87,118)</b>	<b>(2,037)</b>
Net change in fund balances	\$ (142,518)	\$ (192,006)	\$ (1,291)	\$ 190,715

See accompanying notes to the required supplementary information.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2008  
(IN THOUSANDS)

**1. BUDGETARY DATA**

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA special revenue and the debt service governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2008 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)**  
**OTHER SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - LTA DEBT SERVICE FUND (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2008**

<i>(thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Interest	\$ 5,118	\$ 5,118	\$ 7,274	2,156
<b>TOTAL REVENUES</b>	5,118	5,118	7,274	2,156
<b>EXPENDITURES:</b>				
Current:				
General government:				
Supplies and services	152	152	152	-
Debt service:				
Principal payments on long-term debt	71,290	71,290	71,290	-
Interest on long-term debt and commercial paper	17,168	17,168	17,168	-
<b>TOTAL EXPENDITURES</b>	88,610	88,610	88,610	-
Excess (deficiency) of revenues over (under) expenditures	(83,492)	(83,492)	(81,336)	2,156
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	88,458	88,458	88,426	(32)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	88,458	88,458	88,426	(32)
Net change in fund balances	\$ 4,966	\$ 4,966	\$ 7,090	2,124



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Board of Directors  
Orange County Local Transportation Authority  
Orange, California

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

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2008, which collectively comprise the OCLTA's basic financial statements and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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



Board of Directors  
Orange County Local Transportation Authority  
Orange, California  
Page Two

Compliance and Other Matters

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

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 24, 2008

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

Debt Service Coverage Tests

Year Ended June 30, 2008

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

Debt Service Coverage Tests

Year Ended June 30, 2008

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Board of Directors of the  
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Orange, California

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

We have audited the accompanying Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2008. This Schedule is the responsibility of the OCLTA's management. Our responsibility is to express an opinion on this Schedule based on our audit.

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

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

In our opinion, the Schedule referred to above presents fairly, in all material respects, the net Measure M sales tax revenue compared to the maximum annual debt service of the OCLTA for the year ended June 30, 2008 on the basis of the requirement described in Note 1.





Board of Directors of the  
Orange County Local Transportation Authority  
and Taxpayer's Oversight Committee  
Orange, California

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 24, 2008

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

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

Year Ended June 30, 2008

Measure M sales tax revenue:	
Measure M sales tax revenue received	\$ 266,443,126
Less: Local revenues	<u>(38,900,696)</u>
Net Measure M sales tax revenues (Note 2) (A)	<u>227,542,430</u>
Senior maximum annual debt service (Note 3)	88,556,533
Multiplied by the debt factor (Note 4)	<u>1.30</u>
130% coverage required (B)	<u>115,123,493</u>
Excess of net Measure M sales tax revenue over 130% coverage requirement [(A) - (B)]	<u>\$ 112,418,937</u>

See accompanying notes.

## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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

Year Ended June 30, 2008

(1) **Organization and Schedule Presentation**

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

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

The Schedule does not purport to, and does not, present fairly the financial position of the OCLTA as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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

(Continued)

**(3) Maximum Annual Debt Service**

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

**(4) Debt Factor**

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



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Board of Directors of the  
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And Taxpayer's Oversight Committee  
Orange, California

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

We have audited the accompanying Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2008. This Schedule is the responsibility of the OCLTA's management. Our responsibility is to express an opinion on this Schedule based on our audit.

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

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

In our opinion, the Schedule referred to above presents fairly, in all material respects, the sales tax revenue compared to the projected maximum annual debt service of the OCLTA for the year ended June 30, 2008 on the basis of the requirement described in Note 1.



Board of Directors of the  
Orange County Local Transportation Authority  
and Taxpayer's Oversight Committee  
Orange, California

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 24, 2008

## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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

Year Ended June 30, 2008

(1) **Organization and Schedule Presentation**

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

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

The Schedule does not purport to, and does not present fairly the financial position of the OCLTA as of June 30, 2008 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

(3) **Maximum Annual Debt Service**

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and

## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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

(Continued)

(3) **Maximum Annual Debt Service (Continued)**

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

(4) **Maximum Commercial Paper Debt Service**

Maximum Commercial Paper Debt Service represents the maximum annual debt service related to the outstanding commercial paper amount of \$22,600,000 at June 30, 2008, at an interest rate equal to the maximum interest rate of 12% through March 31, 2011.

(5) **Letter of Credit Fees**

Letter of Credit Fees are calculated on outstanding balances multiplied by a rate of 0.0023, as described in Section 2.2a of the Agreement, and the drawing fees for the period. For the year ended June 30, 2008, fees were calculated on outstanding balances of \$31,683,123 for 63 days and \$24,606,137 for 303 days.

(6) **Debt Factor**

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



**Orange County Local Transportation Authority**

**REPORT ON AGREED-UPON PROCEDURES  
APPLIED TO MEASURE M STATUS REPORT**

**Year Ended June 30, 2008**

Orange County Local Transportation Authority

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

Year Ended June 30, 2008

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Board of Directors of the  
Orange County Local Transportation Authority  
and the Taxpayer's Oversight Committee  
Orange, California

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayer's Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published, Board of Director approved documents or internal documents, for the year ended June 30, 2008. The Measure M Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

- A. We obtained Schedule 1 and performed the following procedures:
1. Compared Year to Date June 30, 2008 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund 10 and the OCLTA Debt Service Fund 70 and additional detailed information from the underlying accounting records and noted a difference of \$3 in payments to other agencies.
  2. Recalculated Period From Inception Through June 30, 2008 amounts (Column B) by adding the prior year's Period From Inception through June 30, 2007 amounts with Year to Date June 30, 2008 amounts (Column A).
  3. Recomputed totals and subtotals.



- B. We obtained Schedule 2 and performed the following procedures:
1. Compared Year Ended June 30, 2008 (Columns C.1 and C.2) to Schedule 1, column A. For Professional services, non-project related amounts, we compared the sum of this caption allocated to Tax Revenues and to Bond Revenues at June 30, 2008 (C.1 and C.2) to Schedule 1, Column A.
  2. Compared Period From Inception Through June 30, 2008 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For the Orange County bankruptcy recovery, professional services, non-project related, Orange County bankruptcy loss and other non-project related amounts, we compared the total of the amounts allocated to Tax Revenues and to Bond Revenues at June 30, 2008 (Columns D.1 and D.2) to Schedule 1, Column B. For the payment to refunded bond escrow, we compared the Period From Inception Through June 30, 2008 amount (Column D.2) to the total of the advance refunding escrow and payment to refunded bond escrow agent amounts at Schedule 1, Column B.
  3. Compared forecast amounts (Columns E.1 and E.2) to Measure M Forecast Schedule.
  4. Recomputed totals and subtotals.
- C. We obtained Schedule 3 and performed the following procedures:
1. Compared Total Measure M Program Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Tax Revenues (Totals), respectively.
  2. Recalculated Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).
  3. Compared the Total Project Budget (column J) for Freeways to the Measure M Project Funding Responsibility 1996 Strategic Plan in June 2008 dollars. Regional streets and road projects, local streets and road projects, and certain transit projects are not budgeted due to the fact that these projects are funded on a "pay as you go" basis. Therefore, funds are budgeted as they are allocated to projects.
  4. Compared the Total Estimate at Completion (Column K) to supporting budget documents.
  5. Recalculated the Variance Total Net Tax Revenues to Estimate at Completion (Column L) by subtracting Column K from Column I and the Variance Project Budget to Estimate at Completion (Column M) by subtracting Column K from Column J.



6. Reconciled Expenditures through June 30, 2008 (Column N) to Schedule 1, Column B noting a \$24 difference. Agreed column N, by project description to the project job ledger by fiscal year.
7. We judgmentally selected a sample of 25 expenditures from Column N and compared them to invoices and supporting documentation. We concluded that the sampled expenditures were properly accrued and classified.
8. Agreed Reimbursements through June 30, 2008 (Column O) to Schedule 1, Column B, the combined total of other agencies' share of Measure M costs, capital grants, right-of-way leases, proceeds from sale of capital assets, interest, transfers in, and current year miscellaneous revenues, noting a \$19 difference.
9. Agreed Column O to supporting revenue summary by project and fiscal year. We judgmentally selected a sample of 5 reimbursements from Column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.
10. Recalculated the Net Project Cost (Column P) by subtracting Column O from Column N.
11. Recalculated the Percent of Budget Expended (Column Q) by dividing Column P by Column J.
12. Recomputed totals and subtotals.

Except as noted in procedures A.1, C.6, and C.8, the above procedures were performed without exception.

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

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
November 14, 2008

**Measure M**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**as of June 30, 2008**  
**(Unaudited)**

(\$ in thousands)	Year to Date June 30, 2008 (A)	Period from Inception to June 30, 2008 (B)
<b>Revenues:</b>		
Sales taxes	\$ 269,118	\$ 3,341,793
Other agencies share of Measure M costs		
Project related	5,225	380,172
Non-project related	518	614
Interest:		
Operating:		
Project related	311	923
Non-project related	29,933	223,890
Bond proceeds	-	136,067
Debt service	7,274	77,813
Commercial paper	135	6,046
Orange County bankruptcy recovery	-	42,268
Capital grants	15,339	145,012
Right-of-way leases	584	4,359
Miscellaneous	2,147	20,545
<b>Total revenues</b>	<b>330,584</b>	<b>4,379,502</b>
<b>Expenditures:</b>		
Supplies and services:		
State Board of Equalization (SBOE) fees	2,673	48,971
Professional services:		
Project related	25,326	161,414
Non-project related	2,423	27,398
Administration costs:		
Project related	1,914	15,713
Non-project related	5,401	72,559
Orange County bankruptcy loss	-	78,618
Other:		
Project related	62	1,139
Non-project related	231	15,278
Payments to local agencies:		
Turnback	41,061	494,395
Competitive projects	63,883	492,521
Capital outlay	79,813	1,895,376
Debt service:		
Principal payments on long-term debt	71,290	767,400
Interest on long-term debt and commercial paper	18,502	534,542
<b>Total expenditures</b>	<b>312,579</b>	<b>4,605,324</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>18,005</b>	<b>(225,822)</b>
<b>Other financing sources (uses):</b>		
Transfers out:		
Project related	(1,000)	(251,369)
Non-project related	-	(5,116)
Transfers in- project related	161	1,829
Bond proceeds	-	1,169,999
Advance refunding escrow	-	(931)
Payment to refunded bond escrow agent	-	(152,930)
<b>Total other financing sources</b>	<b>(839)</b>	<b>761,482</b>
<b>Excess of revenues over expenditures and other sources</b>	<b>\$ 17,166</b>	<b>\$ 535,660</b>

See Notes to Measure M Status Report (Unaudited)

**Measure M**  
**Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)**  
**as of June 30, 2008**  
**(Unaudited)**

(\$ in thousands)	Year Ended June 30, 2008 (actual) (C.1)	Period from Inception through June 30, 2008 (actual) (D.1)	Period from July 1, 2008 through March 31, 2011 (forecast) (E.1)	Total (F.1)
<b>Tax revenues:</b>				
Sales taxes	\$ 269,118	\$ 3,341,793	\$ 766,481	\$ 4,108,274
Other agencies' share of Measure M costs	518	614	-	614
Operating interest	29,933	223,890	23,546	247,436
Orange County bankruptcy recovery	-	20,683	-	20,683
Miscellaneous	-	801	-	801
Total tax revenues	<u>299,569</u>	<u>3,587,781</u>	<u>790,027</u>	<u>4,377,808</u>
<b>Administrative expenditures:</b>				
SBOE fees	2,673	48,971	7,342	56,313
Professional services, non-project related	2,310	18,593	4,876	23,469
Administration costs, non-project related	5,401	72,559	16,172	88,731
Operating transfer out, non-project related	-	5,116	-	5,116
Orange County bankruptcy loss	-	29,792	-	29,792
Other, non-project related	231	6,179	3,812	9,991
	<u>10,615</u>	<u>181,210</u>	<u>32,202</u>	<u>213,412</u>
<b>Net tax revenues</b>	<u>\$ 288,954</u>	<u>\$ 3,406,571</u>	<u>\$ 757,825</u>	<u>\$ 4,164,396</u>
<b>Bond revenues:</b>				
Proceeds from issuance of bonds	\$ -	\$ 1,169,999	\$ -	\$ 1,169,999
Interest revenue from bond proceeds	-	136,067	-	136,067
Interest revenue from debt service funds	7,274	77,813	10,779	88,592
Interest revenue from commercial paper	135	6,046	-	6,046
Orange County bankruptcy recovery	-	21,585	-	21,585
Total bond revenues	<u>7,409</u>	<u>1,411,510</u>	<u>10,779</u>	<u>1,422,289</u>
<b>Financing expenditures and uses:</b>				
Professional services, non-project related	113	8,805	-	8,805
Payment to refunded bond escrow	-	153,861	-	153,861
Bond debt principal	71,290	767,400	236,555	1,003,955
Bond debt interest expense	18,502	534,542	28,407	562,949
Orange County bankruptcy loss	-	48,826	-	48,826
Other, non-project related	-	9,099	-	9,099
Total financing expenditures and uses	<u>89,905</u>	<u>1,522,533</u>	<u>264,962</u>	<u>1,787,495</u>
<b>Net bond revenues (debt service)</b>	<u>\$ (82,496)</u>	<u>\$ (111,023)</u>	<u>\$ (254,183)</u>	<u>\$ (365,206)</u>

See Notes to Measure M Status Report (Unaudited)

**Measure M**  
**Schedule of Revenues and Expenditures Summary**  
**as of June 30, 2008**  
(Unaudited)

Project Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2008	Reimbursements through June 30, 2008	Net Project Cost	Percent of Budget Expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
<i>(\$ in thousands)</i>										
<b>Freeways (43%)</b>										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	\$ 803,721	\$ 982,515	\$ 810,010	\$ 804,897	\$ 177,618	\$ 5,113	\$ 776,334	\$ 80,427	\$ 695,907	85.9%
I-5 between I-5/I-405 Interchange and San Clemente	57,487	70,276	57,836	59,935	10,341	(2,099)	70,294	10,358	59,936	103.6%
I-5/I-405 Interchange	72,965	89,197	72,802	73,075	16,122	(273)	98,157	25,082	73,075	100.4%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	48,643	59,464	44,511	50,196	9,268	(5,685)	55,511	6,172	49,339	110.8%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	42,010	51,356	46,128	44,596	6,760	1,532	25,617	2,859	22,758	49.3%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	105,025	128,389	116,136	105,666	22,723	10,470	123,995	18,606	105,389	90.7%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	334,975	409,494	295,050	299,490	110,004	(4,440)	588,763	297,428	291,335	98.7%
Subtotal Projects	1,464,826	1,790,691	1,442,473	1,437,855	352,836	4,618	1,738,671	440,932	1,297,739	
Net (Bond Revenue)/Debt Service			307,321	307,321	(307,321)	-	302,739		302,739	
<b>Total Freeways</b>	<b>\$ 1,464,826</b>	<b>\$ 1,790,691</b>	<b>\$ 1,749,794</b>	<b>\$ 1,745,176</b>	<b>\$ 45,515</b>	<b>\$ 4,618</b>	<b>\$ 2,041,410</b>	<b>\$ 440,932</b>	<b>\$ 1,600,478</b>	
<b>%</b>				42.4%					51.3%	
<b>Regional Street and Road Projects (11%)</b>										
Smart Streets	\$ 128,476	\$ 157,057	\$ 154,683	\$ 154,683	\$ 2,374	\$ -	\$ 145,205	\$ 3,489	\$ 141,716	91.6%
Regionally Significant Interchanges	74,945	91,617	91,617	91,617	-	-	58,453	146	58,307	63.6%
Intersection Improvement Program	107,064	130,881	130,881	130,881	-	-	69,490	214	69,276	52.9%
Traffic Signal Coordination	53,532	65,441	65,441	65,441	-	-	42,780	132	42,648	65.2%
Transportation Systems Management and Transportation Demand Management	10,706	13,088	13,088	13,088	-	-	7,461	149	7,312	55.9%
Subtotal Projects	374,723	458,084	455,710	455,710	2,374	-	323,389	4,130	319,259	
Net (Bond Revenue)/Debt Service			2,374	2,374	(2,374)	-	2,338		2,338	
<b>Total Regional Street and Road Projects</b>	<b>\$ 374,723</b>	<b>\$ 458,084</b>	<b>\$ 458,084</b>	<b>\$ 458,084</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 325,727</b>	<b>\$ 4,130</b>	<b>\$ 321,597</b>	
<b>%</b>				11.1%					10.3%	

(continued)

See Notes to Measure M Status Report (Unaudited)



**Measure M**  
**Schedule of Revenues and Expenditures Summary**  
**as of June 30, 2008**  
(Unaudited)

Project Description (G)	Net Tax Revenues Program to Date Actual (H)	Total Net Tax Revenues (I)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through June 30, 2008 (N)	Reimbursements through June 30, 2008 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
<b>Local Street and Road Projects (21%)</b>										
Master Plan of Arterial Highway Improvements	\$ 120,116	\$ 169,084	\$ 169,084	\$ 169,084	\$ -	\$ -	\$ 75,342	\$ 99	\$ 75,243	44.5%
Streets and Roads Maintenance and Road Improvements	495,263	605,439	605,439	605,439	-	-	494,411	-	494,411	81.7%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	68,174	431	67,743	67.7%
Subtotal Projects	715,379	874,523	874,523	874,523	-	-	637,927	530	637,397	
Net (Bond Revenue)/Debt Service							-		-	
<b>Total Local Street and Road Projects</b>	<b>\$ 715,379</b>	<b>\$ 874,523</b>	<b>\$ 874,523</b>	<b>\$ 874,523</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 637,927</b>	<b>\$ 530</b>	<b>\$ 637,397</b>	
%				21.2%					20.4%	
<b>Transit Projects (25%)</b>										
Pacific Electric Right-of-Way	\$ 16,483	\$ 20,150	\$ 15,000	\$ 14,000	\$ 6,150	\$ 1,000	\$ 16,359	\$ 2,512	\$ 13,847	92.3%
Commuter Rail	304,174	376,289	363,266	360,659	15,630	2,607	351,409	60,874	290,535	80.0%
High-Technology Advanced Rail Transit	373,624	456,740	440,940	464,580	(7,840)	(23,640)	65,629	6,355	59,274	13.4%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	16,010	-	16,010	80.1%
Transitways	137,362	167,919	146,381	126,348	41,571	20,033	162,509	36,687	125,822	86.0%
Subtotal Projects	851,643	1,041,098	985,587	985,587	55,511	-	611,916	106,428	505,488	
Net (Bond Revenue)/Debt Service			55,511	55,511	(55,511)	-	54,684		54,684	
<b>Total Transit Projects</b>	<b>\$ 851,643</b>	<b>\$ 1,041,098</b>	<b>\$ 1,041,098</b>	<b>\$ 1,041,098</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 666,600</b>	<b>\$ 106,428</b>	<b>\$ 560,172</b>	
%				25.3%					18.0%	
<b>Total Measure M Program</b>	<b>\$ 3,406,571</b>	<b>\$ 4,164,396</b>	<b>\$ 4,123,499</b>	<b>\$ 4,118,881</b>	<b>\$ 45,515</b>	<b>\$ 4,618</b>	<b>\$ 3,671,664</b>	<b>\$ 552,020</b>	<b>\$ 3,119,644</b>	

See Notes to Measure M Status Report (Unaudited)

Orange County Local Transportation Authority

Notes to Measure M Status Report (Unaudited)

Year Ended June 30, 2008

**Measure M Summary**

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

Demonstrating accountability for the receipt and expenditure of Measure M funds has been accomplished by the issuance of quarterly reports on Measure M activities. The reports for Measure M activities through June 30, 2008 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

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

Year to Date June 30, 2008 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined OCLTA special revenue and debt service funds for the fiscal year ended June 30, 2008. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained from the general ledger.

The net change in fund balance of \$17,166 agrees with the combined change in fund balances of \$10,076 in the OCLTA special revenue fund and \$7,090 in the OCLTA debt service fund, in the trial balance for the year ended June 30, 2008.

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

Period from Inception to June 30, 2008 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined OCLTA special revenue and debt service funds for the period from inception through June 30, 2008. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts

Year Ended June 30, 2008

for certain revenue sources and expenditures by major object have been obtained and summarized from the general ledger.

The net fund balance of \$535,660 agrees with the combined ending fund balances of \$418,338 in the OCLTA special revenue fund and \$117,322 in the OCLTA debt service fund, as presented in the audited trial balance for the year ended June 30, 2008.

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

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

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

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

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

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

Year Ended June 30, 2008

Calculation of Net Tax Revenues

Year Ended June 30, 2008 (actual) (Column C.1)

Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the year ended June 30, 2008 were obtained from Column A in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the Orange County Investment Pool (OCIP) at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total tax revenues less total administrative expenditures for year ended June 30, 2008.

Period from Inception through June 30, 2008 (actual) (Column D.1)

Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the period from inception through June 30, 2008 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net tax revenues represent total cumulative tax revenues less total cumulative administrative expenditures.

Period from July 1, 2008 through March 31, 2011 (forecast) (Column E.1)

Tax revenues consisting of projected sales taxes and operating interest and administrative expenditures which are non-project and non-financing related for subsequent years from July 1, 2008 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model which is updated quarterly. Net tax revenues represent total projected tax revenues less total projected administrative expenditures.

Total Measure M Program (Column F.1)

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

Year Ended June 30, 2008

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2008 (actual) (Column C.2)

Bond revenues consisting of interest revenue from bond proceeds, debt service funds, and commercial paper (financing interest revenue) and financing expenditures and uses consisting of debt principal payments, interest expenditures, and other non-project and non-operating related expenditures for the year ended June 30, 2008 were obtained from Column A in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total bond revenues less financing expenditures and uses for the year ended June 30, 2008.

Period from Inception through June 30, 2008 (actual) (Column D.2)

Bond revenues consisting of proceeds from the bond issuances, financing interest revenue, and Orange County bankruptcy recovery and financing expenditures and uses which are non-project and non-operating related for the period from inception through June 30, 2008 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net bond revenues (debt service) represent total cumulative bond revenues less total cumulative financing expenditures and uses.

Period from July 1, 2008 through March 31, 2011 (forecast) (Column E.2)

Bond revenues consisting of financing interest revenue and financing expenditures and uses primarily related to principal payments and interest expenditures on long-term debt for subsequent years from July 1, 2008 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model. Net bond revenues (debt service) represent total projected bond revenues less total projected financing expenditures and other uses.

Total Measure M Program (Column F.2)

Total amounts related to the net bond revenues (debt service) calculation are determined as the sum of columns D.2 and E.2. The total net bond revenues (debt service) is used in Schedule 3 as a component of "total cost estimate project budget."

Year Ended June 30, 2008

### **Schedule 3—Schedule of Revenues and Expenditures Summary**

This schedule presents a summary of actual and projected revenues and expenditures by mode and project description as specified in the Traffic Improvement and Growth Management Plan, as amended (Expenditure Plan). Total Measure M program amounts materially agree with amounts on Schedules 1 and 2; however, amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

#### Project Description (Column G)

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

#### Net Tax Revenues Program to Date Actual (Column H)

The total Measure M Program net tax revenues for the period from inception through June 30, 2008 agree with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues have been allocated to each of the four modes based on the allocation percentages specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

#### Total Net Tax Revenues (Column I)

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

#### Project Budget (Column J)

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

Total cost estimates for each "pay as you go" project are based on the total net tax revenues presented in Column I, except for Growth Management Area (GMA) Improvements in the local street and road projects mode and Fare Stabilization in the transitway projects mode. GMA Improvements and Fare Stabilization are subject to a maximum funding of \$100 million and \$20 million, respectively, per Measure M. Total cost estimates for the freeway mode and transitway projects included in the transit mode are based on amounts obtained from the 1996 Freeway Strategic Plan, adjusted to 2008 dollars. Smart street cost estimates and net (bond revenue)/debt service costs for regional street and road mode projects comprise the total smart

Year Ended June 30, 2008

street cost estimates, as such projects have been accelerated using bond financing. Pacific Electric Right-of-Way cost estimates are in accordance with the Expenditure Plan. The total net (bond revenue)/debt service cost estimates agree with the total amount from Column F.2 in Schedule 2, and such amounts were allocated based on the projects subject to bond financing.

Estimate at Completion (Column K)

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

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

This is a calculation of Column I minus Column K.

Variance Project Budget to Estimate at Completion (Column M)

This is a calculation of Column J minus Column K.

Expenditures through June 30, 2008 (Column N)

Total expenditures less net (bond revenue)/debt service materially agree with the sum of project related expenditures and net operating transfers out from Column B in Schedule 1. Project related expenditures are comprised of professional services, administrative costs, payments to local agencies for turnback and competitive projects, capital outlay, and other, noting a \$24 difference. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger. The total net (bond revenue)/debt service expenditures through June 30, 2008 from Column N in Schedule 3 agree with the sum of non-project related expenditures from Column D.2 in Schedule 2. Non-project related expenditures are comprised of all financing interest revenue, Orange County bankruptcy recovery (loss) amounts, non-project related professional services, bond debt interest expense and other non-project related financing expenditures.

Reimbursements through June 30, 2008 (Column O)

Total reimbursements materially agree with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies share of Measure M project costs, capital grants, right-of-way leases, proceeds on sale of capital assets, interest, transfers in, and current year miscellaneous revenues, noting a \$19 difference. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

Net Project Cost (Column P)

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

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

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Year Ended June 30, 2008

Percent of Budget Expended (Column Q)

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



**ORANGE COUNTY  
TRANSPORTATION AUTHORITY**

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

For the Period  
July 1, 2007 through June 30, 2008



**Mayer Hoffman McCann P.C.**

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Board of Directors  
Orange County Transportation Authority  
Orange, California

**Independent Accountants' Report**  
**On Applying Agreed-Upon Procedures**

We have performed the procedures enumerated below on the data contained in the Federal Funding Allocation Statistics Form for the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2008, solely to assist the management of OCTA in the evaluation of whether OCTA complied with the standards described below, and that the information included in the Federal Funding Allocation Statistics (Form FFA-10) of OCTA's National Transit Database (NTD) Report is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting System, Final Rule, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2008 Reporting Manual (Reporting Manual). OCTA management is responsible for the data presented in Form FFA-10.

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

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

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



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

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

The procedures described below were applied separately to the information systems used to develop the reported vehicle revenue miles, passenger miles and operating expenses of OCTA for the fiscal year ended June 30, 2008, for the following transportation modes:

<u>Mode</u>	<u>Type of Service</u>
Motor bus	Directly operated
Motor bus	Purchased transportation
Demand response	Purchased transportation
Vanpool	Purchased transportation

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on OCTA's Form FFA-10 for the fiscal year ended June 30, 2008, which is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting Systems, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2008 Reporting Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above and does not extend to OCTA's financial statements, or the forms in OCTA's NTD Report, other than Form FFA-10.

The procedures performed and associated results were as follows:

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

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



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- b. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
- The extent to which OCTA followed the procedures on a continuous basis; and
  - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the 2008 Reporting Manual.

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

- Main Preparer: JP Gonzalez, Associate Operations Analyst for Transit Operations Analysis
- Supervisor: Jorge Duran, Project Manager - Analysis for Transit Operations Analysis
  - Vehicles: Randy Jumper, Senior Fleet Analyst for Maintenance Resource Management
  - Vehicle Miles/Hours/Trips (HASTUS Line Summaries by Service Change) Data: Gail Cherry, Schedule Analyst III for Service Planning
  - Lost Service Hours MBDO Data: Richard Oakes, Section Supervisor - Central Communications for Bus Operations Support
  - Lost Service Hours/Miles MBPT Data: Sharon Long, Community Transportation Coordinator for Community Transportation Services (CTS)
  - Unlinked Passenger Trips, UZA Allocations, Fixed Guideways Data: Phyllis Trudel, Transportation Analyst for Service Planning
  - Passenger Miles (Random Sampling Tripsheets) Data: Bob Calli, Senior Schedule Checker for Service Planning

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

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

Results: OCTA has a formal retention policy in place and source documents supporting the NTD data reported on Form FFA-10 are maintained for a period of three years.



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- d. Based on a description of OCTA's procedures obtained in procedures a. and b. above, identify all the source documents which are to be retained by OCTA for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Results: We judgmentally selected the months of September 2007, April 2008 and June 2008 for directly operated and purchased transportation services and validated that the documents were retained as required. The following is a listing of the source documents and other records that are to be retained:

Motor Bus Directly Operated (MBDO) and Motor Bus Purchased Transportation (MBPT) – Passenger Mile Data Documents

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

MBDO – VRM Data Documents

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

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

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

All documents were retained as required.

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



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

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

Results: We randomly selected a sample of 55 bus tripsheets for directly operated motorbus services for the fiscal year ended June 30, 2008. For one of the tripsheets, the passenger count listed was transposed with the Passenger count from a different bus run on the same bus line on the same day. Due to the extraction process, data for the two bus runs were switched; however, since both of these runs use the same mode and are on the same day, this does not result in a variance for the total passenger count reported for NTD purposes. For these variances noted, we agreed the sampled trip sheet data to the data reported in the switched bus run without material exception.

Of the 55 tripsheets reviewed, we noted that 24 tripsheets had variances in the number of passengers between the tripsheets and the data from the system due to an error in the reporting process. The report query did not properly capture passengers in the column or field called "Bike". This resulted in an under-reporting of passengers, which has a direct effect on passenger miles. Subsequent to this discovery, OCTA personnel rewrote the query to include this field. Once the report was revised, we retested the 24 tripsheets against the revised passenger count without material exception.

Also, in one instance, the summary page of the tripsheet was missing. Due to the missing sheet, we were unable to verify the end time. In addition, we were unable to confirm the number of passengers. However, the listed passenger count at the bottom of page 3 was 78, which is consistent with the reported passenger count on the Random Check Assignment Sheet and the electronic information extracted from the PCR system.

We randomly selected a sample of 55 bus tripsheets for purchased transportation motorbus services for the fiscal year ended June 30, 2008. Eight variances were noted. For 6 of the 8 variances, the passenger counts listed were transposed with the passenger counts from a different bus run on the same bus line on the same day. Due to an error in the extraction process, data for bus runs that run on the exact same bus line have been transposed or switched; however, since both of these runs use the same mode and are on the same day, this does not result in a variance for the total passenger count reported for NTD purposes. For each of these variances noted, we agreed the sampled trip sheet data to the data reported in the switched bus run without material exception.



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We also noted that 2 tripsheets had variances in the number of passengers between the tripsheets and the data from the system due to an error in the reporting process. The report query did not properly capture passengers in the column or field called "Bike". This resulted in an under-reporting of passengers, which has a direct effect on passenger miles. Subsequent to this discovery, OCTA personnel rewrote the query to include this field. Once the report was revised, we retested the 2 tripsheets against the revised passenger count without material exception.

Recommendation: We recommend that OCTA ensures that the data being captured is properly reviewed and periodically compared to the tripsheets to ensure the system is adequately capturing all sampled information.

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

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

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

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



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- i. Discuss with OCTA staff, OCTA's ability to conduct statistical sampling for PM data every third year. Determine whether OCTA meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating PM data every third year rather than annually. Specifically:
- According to the 2000 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population;
  - The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any size UZA).
  - The service is purchased from a seller operating fewer than 100 revenue vehicles in an annual maximum revenue service, and is included in the transit agency's NTD report.

For agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2005) and determine that statistical sampling was conducted and meets the 95% confidence and  $\pm 10\%$  precision requirements. Determine how OCTA estimated annual PM for the current report year.

Results: OCTA did not meet the criteria established by the FTA to conduct statistical sampling for passenger mile data every third year.

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

Results: We discussed with OCTA management the statistical sampling procedure used for the estimation of PM data. OCTA obtains an estimate of passenger boardings based upon a statistical sampling method in accordance with FTA Circular 2710.1A, which meets the FTA's 95% confidence level and 10% precision requirements. We obtained a copy of OCTA's working papers to estimate passenger miles and noted that every other day, a sample of three trips each is selected for both MBDO and MBPT. A total sample of 549 trips each for both MBDO and MBPT trips was selected for the fiscal year ended June 30, 2008. This is consistent with FTA Circular 2710.1A sampling procedures.





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

Results: We reviewed the accumulation of PM data by judgmentally selecting a sample of data from the months of July 2007, September 2007, January 2008 and April 2008. We verified the mathematical accuracy of the accumulation of the PM data on the MBDO and MBPT Statistics Sheets for the items selected. We noted no exceptions as a result of these procedures. PMs included on source documents agreed to PM per monthly ridership summary reports for all trips sampled.

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

Results: We noted that OCTA does not provide charter or school bus services and, therefore, does not have charter or school bus mileage to review. We also noted that OCTA contracts with Acacia Transportation Services and Alzheimer's Family Services to provide transportation for senior citizens to an adult daycare facility. OCTA also provides demand response services for OCTA's Senior Nutrition Program through California Yellow Cab. Per our review and conversation with Community Transportation Services personnel, a new designation of "Sponsored Service" was added this year to specifically allow the reporting of such service and identify how much of the overall service is "sponsored" in some way.

- m. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation.
  - If actual VRM are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and recompute the daily total of missed trips and missed VRM. Test the arithmetical accuracy of the summarization.



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- If actual VRM are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations.

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

Results: For MBDO, scheduled vehicle service hours (VSH) are compared to actual VSH and a percentage of scheduled to actual is calculated. This percentage is applied to the scheduled VRM in order to calculate actual VRM. Lost VSHs are calculated by obtaining detailed time information from the bases. The VRMs are calculated at the end of the fiscal year only. As such, we randomly selected 55 routes and reviewed the tripsheets and traced them without exception to the data used to prepare the calculation and ensured that lost VSH were properly supported and excluded. No exceptions were noted.

For MBPT, the contractor reports actual VRM each month to OCTA. The VRM for MBPT consists of the scheduled trips less the missed trips, which are reported on a Missed Service Form. We randomly selected 55 routes and reviewed the tripsheets to ensure the missed trips were properly excluded. No exceptions were noted.

For Demand Response Purchased Transportation (DRPT) and Vanpool Purchased Transportation (VPPT), actual VRM are recorded on the daily tripsheets. Deadhead miles are excluded from the calculation of VRM. We randomly selected 46 DRPT tripsheets and 25 VPPT tripsheets and agreed them to the database used to report actual VRM to ensure that deadhead miles were excluded. No exceptions were noted.

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

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

- o. If fixed guideway (FG) directional route miles (DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet FTA's definition of FG in that the service is:
- Rail, trolleybus (TB), ferryboat (FB) or aerial tramway (TR); or



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- Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW) and:
  - access is restricted;
  - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway;
  - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e. vanpools (VP), carpools) must demonstrate safe operation; and
  - High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the U.S. Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

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

- p. Discuss the measurement of FG DRM with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG and DRM. Inquire whether there were service changes during the year that resulted in an increase or decrease in DRM. If a service change resulted in a change in overall DRM, recompute the average monthly DRM, and reconcile the total to the FG DRM reported on Form FFA-10. Inquire if any temporary interruptions in transit service occurred during the report year that were due to maintenance or rehabilitation improvements to an FG segment.

Results: OCTA's definition of FG is MB service that operates over controlled access rights-of-way (HOV and HO/T lanes). OCTA's definition of DRMs is the length of route segments traveled within a FG. We recomputed the average monthly DRM and reconciled the total to the FG DRM reported on Form FFA-10. No exceptions were noted for DR or MBDO. However, for MBPT, we noted that there were no DRMs charged to UZA-25, even though there were 24.4 DRMs in OCTA's fixed guideways related to this UZA. This UZA relates to FGs in Riverside County reported by OCTA, proposed in fiscal year 2006-07 and approved by the Caltrans in fiscal year 2007-08. However, when the FGs were in the "proposed" stage, they were categorized with an OC UZA (UZA 2), instead of the UZA for Riverside County, UZA 25. Since this is how it was initially proposed to CalTrans in the prior fiscal year, this is how it was set up in the NTD. Currently, OCTA is unable to allocate any DRMs to UZA 25 until it is reviewed and approved by the NTD. In total, 24.4 miles within UZA 25 are currently being reported in UZA 2.



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

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

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

Results: According to OCTA personnel, the Riverside Transit Agency operates one MB route over the same segment as a route operated by OCTA. According to the agreement between the two entities, OCTA is responsible for reporting this segment's information on Form FFA-10.

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

Results: Per our review of the NTD report, we noted that there were no DRMs charged to UZA-25. This UZA relates to FGs in Riverside County reported by OCTA, proposed in Fiscal Year 2006-07 and approved by Caltrans in FY 2007-08. However, when the FGs were in the "proposed" stage, they were assigned to an existing UZA (UZA 2), instead of the UZA for Riverside County; UZA 25. Per OCTA's Operations Analysis Department personnel, the NTD database does not allow the processor to add or change UZA's, and it is currently not possible to properly allocate miles to this UZA.



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

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

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

Results: OCTA purchased transportation services from South County Senior Services, North Orange County Yellow Cab, OCARC Western Transit, VPSI, Inc., Enterprise Rideshare, Midway Rideshare, American Logistics, Acacia Adult Day Services, Alzheimers Family Services and Veolia Transportation Services for the period July 1, 2007 through June 30, 2008 PT fare revenues, as reported on Form B-30, agreed to amounts reported in the audited financial statements of OCTA.

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

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

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

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



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

Results: OCTA provides service in more than one UZA. OCTA also provides services between UZA and non-UZA areas. Statistics are allocated in accordance with the Reporting Manual guidelines.

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

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

- An 11.00% increase in VRM was noted, as well as a 10.67% increase in operating expenses for DRPT. Per management, in addition to service growth, OCTA is reporting what is now termed as "supported service" during fiscal year 2007-08. This data was excluded last year based on interpretation and instructions provided by OCTA's NTD analyst. However, it was added back this year based on changes in reporting that allow the reporting of "supported service" in the 2008 NTD Reporting Manual.
- An 11.04% increase was noted in VRM for MBDO. Per management, this increase is attributed to a weekday-only express route which began operations on September 11, 2006, 48 days after the start of the 2007 fiscal year. This year's increase partly represents the first full-year of VRM related to this route.
- A 20.37% increase in PM for MBPT. Per management, inter-county express routes are increasing in ridership (up 12.5% since last fiscal year). The increase in ridership combined with the longer trip lengths of inter-county express routes results in an increase of average trip lengths. The higher productivity (more riders and longer trip distances) of these routes has a direct effect on the total passenger miles.



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

*Mayer Hoffman McCann P.C.*

Irvine, California  
November 14, 2008

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY**

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

Year Ended June 30, 2008





**Mayer Hoffman McCann P.C.**

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

We have performed the procedures enumerated below which were agreed to by the Orange County Transportation Authority (OCTA) solely to assist you with respect to your evaluation of selected internal controls within the Treasury Department for the year ended June 30, 2008. OCTA management is responsible for the internal controls within the Treasury Department. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of OCTA. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

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

Results: We noted that Internal Audit identified one issue during their review of the Treasury Function for the period July 1 through December 31, 2007. This was documented in Internal Audit Report No. 08-012. The book value of investments for Fidelity Funds Treasury I and Milestone Funds Treasury Obligations were understated



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in the Portfolio Listing of the Fourth Quarter Debt and Investment Report by \$102,836 and \$76,318 respectively. The differences arose due to interest balances in these accounts and represent 0.017% of the portfolio.

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

Results: No exceptions were noted.

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

Results: No exceptions were noted.

4. We documented an understanding of Treasury Department operations, including policies and procedures, personnel performing procedures and documentation produced and maintained.

Results: No exceptions were noted.

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

Results: There were no changes in Treasury policies and procedures, organization or function during the fiscal year ended June 30, 2008. No exceptions were noted.

6. We documented an understanding of the established internal control procedures over the Treasury Department and determined whether these procedures provided for:
  - a. Transactions that are clearly documented and the documentation is readily available for examination;
  - b. Transactions that are promptly recorded and properly classified;



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- c. Transactions that are authorized and executed only by persons acting within the scope of their authority;
- d. Key duties and responsibilities in authorizing, processing, recording and reviewing transactions are segregated;
- e. Qualified and continuous supervision is provided to ensure that internal control objectives are achieved;
- f. Access to resources and records is limited to authorized individuals and accountability for custody of resources is assigned and maintained; and
- g. Periodic reconciliation of investments between the custodian statements and the general ledger.

Results: No exceptions were noted.

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

Results: No exceptions were noted.

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

Results: No exceptions were noted.

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

Results: No exceptions were noted.



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

Results: No exceptions were noted.

11. We determined whether authorization letters (and changes to them) to investment managers, brokers, banks and custodians were jointly authorized in writing by the Treasurer and another individual authorized per the Debt and Investment Management Manual. In addition, we ensured the letters included the following:

- a. OCTA staff authorized to make investments;
- b. Custody instructions; and
- c. Instructions for money and security transfers.

Results: Our procedures revealed that there was a change in the Deputy CEO position effective March 2007. As such, investment manager authorization letters should have been sent at that time. Revised letters reflecting the change in this position were sent on September 17, 2008, eighteen months after the change occurred.

12. We randomly selected a sample of five days during the fiscal year ended June 30, 2008 and reviewed the investments purchased on those days to determine that:

- a. The investments were in compliance with the Investment Policy;
- b. The Treasury Department's policies and procedures were followed;
- c. The investments were properly recorded; and
- d. Any investment earnings on matured investments were calculated and recorded correctly.

Results: No exceptions were noted.

13. We randomly selected a sample of five days during the fiscal year ended June 30, 2008 and reviewed the investment holdings by the external investment managers to determine whether they were monitored by Treasury Department personnel and were in compliance with the Investment Policy. Specifically:

- a. We obtained the holdings list for each external manager for each day selected;



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- b. We verified that the holdings list showed evidence of review by the Treasury Department;
- c. We reviewed the holdings list to determine whether the external investment manager complied with Investment Policy limits and diversification guidelines; and
- d. We determined whether any instances of noncompliance were identified and corrected by the Treasury Department and that probationary procedures were followed.

Results: No exceptions or instances of noncompliance were noted.

14. We randomly selected three monthly bank reconciliations during the fiscal year ended June 30, 2008 and performed the following:

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

Results: The February 2008 bank reconciliations for the Bank of the West payroll account identified unreconciled variances totaling \$1,124.18. Per the Accounting Department's policy regarding bank reconciliation variances, individual differences that are the lesser of 0.5% of the account balance, or \$10,000, are not considered material and therefore are not reconciled. According to the policy, many of these variances are timing differences between the various bank accounts used by OCTA and generally clear themselves the following month. If the variance remains for three consecutive months, it is written off.

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



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

Results: No exceptions were noted.

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

Results: No exceptions were noted.

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

Results: No exceptions were noted.

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

- a. The Finance and Administration Committee reviewed investments on a monthly basis;
- b. The Board of Directors reviewed investments on a quarterly basis;
- c. The Board of Directors reviewed and approved the Investment Policy and amendments made during the fiscal year ended June 30, 2008;
- d. The Internal Audit Department performed system and performance reviews to evaluate debt and investment activity and management; and
- e. The funds management team met on a weekly basis.



Board of Directors  
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Results: We selected four weeks during the period July 1 2007 through June 30, 2008, and requested the weekly Treasury Meeting Review Minutes. The Treasury Department was not able to locate the weekly reports for the week of April 7, 2008. Other than this instance, no exceptions were noted.

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

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
November 14, 2008



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Finance and Administration Committee  
Orange County Transportation Authority  
Orange, California

In planning and performing our audit of the financial statements of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered OCTA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by OCTA's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

**(1) Need to Strengthen Controls of Third-Party Contractor**

OCTA utilizes a third-party contractor (contractor) to manage and oversee the State Route 91 Toll Road (Toll Road) revenue cycle. The information systems of the contractor are significant to the financial information of OCTA. As such, we reviewed the information systems of the contractor to ensure that controls were designed and implemented to mitigate risk of loss of OCTA assets. During this review, we noted the following issues:





**(1) Need to Strengthen Controls of Third-Party Contractor (Continued)**

- Tape backups of all files, including master files, transactions files, application programs, systems software, and database software that support Toll Road operations, are currently stored on-site at the third-party contractor's office. The contractor has elected to maintain tape backups onsite based on current business concerns. Industry best practice recommends using a backup storage site that is geographically removed from the primary site. In the event of a catastrophic event at the main office location, information would be lost without a means for recovery.
- The system used to track customer account and vehicle information has password controls that are limited to a minimum of 6 characters, with no complexity requirements or user lockout after a certain number of unsuccessful log-in attempts. Effective password complexity controls were not considered during system implementation. Controls recommended by industry best practice include:
  - a. Alphanumeric passwords;
  - b. Required password change interval; and
  - c. Locking user accounts after a maximum number of incorrect password attempts.

Without effective password controls, an unauthorized user could employ various forms of password hacking tools to access the system.

- The process to remove terminated employees from systems is manual and not synchronized to a master employee database. In addition, of the 5 terminated users sampled, one user was not removed from the active directory network in a timely manner. Industry best practice suggests removing user access to systems immediately following termination. Untimely removal of users' access after termination provides employees an opportunity to sabotage or otherwise impair entity operations or assets.

The aggregate effect of these weaknesses in information systems controls increases the likelihood of theft, loss or misuse of OCTA assets.

**Recommendation**

We recommend that the third-party contractor be required to establish procedures to strengthen internal controls in the information systems associated with the OCTA contract.



(1) **Need to Strengthen Controls of Third-Party Contractor (Continued)**

**Management's Responses**

Staff agrees with the auditors' recommendation regarding backup tapes. The Authority's operator, Cofiroute USA (Cofiroute), had been maintaining backup tapes at the Anaheim Office for research purposes related to ongoing litigation against the Authority. However, all backup tapes have now been stored at a secure, offsite location with Iron Mountain.

Staff agrees with the auditors' recommendation regarding password controls. For Cofiroute employees to access the system used to track customer account and vehicle information, TollPro, requires the user to first login to the domain. Cofiroute controls access to the domain. The password complexity for the domain is as follows:

- a. The password cannot contain all or part of the user's account name
- b. The password must be at least seven characters in length
- c. The password must contain characters from three of the following four categories:
  - English uppercase characters (A through Z)
  - English lowercase characters ( a through z)
  - Base 10 digits (0 through 9)
  - Non-alphanumeric characters (&, \$, #, %, etc.)
- d. The user is automatically logged off if the domain is not accessed for 10 minutes
- e. After five invalid logon attempts, the account will be locked out.

Once the domain is accessed, the user must then enter a TollPro password. The TollPro system currently does not have the password complexity requirements identified above with the Cofiroute login procedures. The system developer of TollPro, Northern Lakes Data Corporation, will be modifying the password complexity to match industry best practices.

Staff agrees with the auditors' recommendation of removing user access to systems immediately following termination. Cofiroute's practice is to remove employees by the end of the following business day for terminated employees. In the example cited in the finding, an employee was terminated on the Friday prior to the Thanksgiving week of 2007. The Human Resources employee responsible for removing terminated employees was on vacation during that week. Therefore, the terminated employee was not removed from the system until the following Monday, ten days after the day of termination. Cofiroute will implement a policy to ensure all terminated employees are removed by the close of the following business day.



**(1) Need to Strengthen Controls of Third-Party Contractor (Continued)**

Cofiroute is an independent contractor responsible for managing 91 Express Lanes operations for the Authority. The TollPro system that is used to track customer account and vehicle information is a proprietary system developed and maintained by Northern Lakes Data Corporation and is not connected to the Cofiroute management system or Human Resources records. Cofiroute maintains Human Resources data at its corporate office in Irvine. TollPro and Cofiroute systems are completely independent and not technically compatible. Cofiroute does not permit access of the TollPro system from computers other than those owned by the 91 Express Lanes. Cofiroute employees can only access TollPro through a Cofiroute controlled computer and domain.

**(2) Internal Controls over the Combined Transportation Funding Program**

During our search for unrecorded liabilities, we noted two cash disbursements related to Combined Transportation Funding Program (CTFP) Agreements between OCTA and the City of Anaheim (City) that should have been accrued as of June 30, 2008.

According to Project Delivery Department personnel, the cash disbursements were not issued to the City during fiscal year 2007-08 as the required documentation was furnished to OCTA subsequent to year-end. However, all of the supporting documentation submitted to OCTA was dated January 2008. As a result, the Accounting Department posted an adjustment for \$6,375,355 to accrue this liability as of June 30, 2008.

**Recommendation**

We recommend that the Project Delivery Department ensure proper documentation is maintained regarding any withholding or delay of payments resulting from lack of documentation provided by the entity awarded CTFP funds.

**Management's Response**

Staff is currently developing an electronic tracking system that will facilitate the audit recommendation. This effort was in process prior to the audit report. Once completed, the system will provide an electronic log of invoice issues, missing documentation, correspondence with the cities, and track the dates missing documentation is both requested and received.



**(3) Communication of Financial Information to the Appropriate Department**

During our review of fund balances, we noted one instance where revenues related to cooperative agreements entered into by OCTA were improperly accrued in prior years and had to be adjusted in the current year. The amount of the prior year adjustment was \$4,114,302. The primary cause of this was lack of communication of changes in cooperative agreements by Project Managers to the Financial Planning and Analysis Department (FP&A) or the Accounting Department. The cooperative agreement changes and amendments appear to involve OCTA's Planning Department, which does not always communicate amendments to agreements to FP&A and Accounting.

**Recommendation**

We recommend OCTA establish procedures or protocols to ensure that all information of a financial nature is communicated to the FP&A Department or Accounting Department, as appropriate.

**Management's Response**

This was a unique situation that is unlikely to be repeated. The original cooperative agreement with Caltrans referred to the "latest revision" of a standard funding agreement as the appropriate documentation for the subject funding amount. This funding agreement was revised a couple of times, but a change to the document did not require the original cooperative agreement to be amended. If an amendment were to be made to the agreement, it would have been transmitted to FP&A by the Contracts Administration and Material Management (CAMM) Department. This was an unusual structure for a cooperative agreement that is unlikely to be repeated. The normal processing and transmittal of agreements and amendments by CAMM should provide the required financial information needed by FP&A.

**(4) Need to Establish a Policy on Misconduct**

OCTA does not currently have a written policy on misconduct. An effective method of communicating and reinforcing an antifraud culture within an organization is through the development of a policy on misconduct. A misconduct policy communicates to all employees the organizational position and policy on matters such as the following:

- Risks that the organization faces from fraud, abuse and other forms of misconduct;
- Effect of the Code of Conduct;
- Definitions of misconduct, including fraud and abuse;



**(4) Need to Establish a Policy on Misconduct (Continued)**

- Employee's responsibility to report suspected misconduct (including an established reporting mechanism, such as a member of the Board of Directors, a consultant or advisor, hotline service, etc.);
- Organizational responsibility to investigate; and
- Disciplinary action for violations

Best practice suggests that a misconduct policy and its annual reaffirmation by employees will greatly strengthen internal controls to prevent the occurrence of fraud and abuse. The policy should be acknowledged and signed by each employee upon hire and on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions. This condition was also reported for the year ended June 30, 2007 in our communication dated October 31, 2007.

**Recommendation**

OCTA should develop and implement a policy on misconduct. Once developed, the policy should be acknowledged and signed by each employee on an annual basis as evidence of their affirmation that they understand the policy and have complied with its provisions.

**Management's Response**

Management will develop and implement a policy on misconduct; each new hire will be asked to acknowledge and sign the policy upon starting work at OCTA.

**(5) Need to Adhere to Buy America Requirements**

OCTA's rolling stock procurement documentation did not meet the Post-Delivery Procurement Audit requirements per the Federal Transit Administration (FTA) Buy America Handbook. According to Section 3 of the Buy America Handbook, purchases of 10 buses or more must have the resident inspector complete a final manufacturing report, which should include any information that supports or refutes claims made by the manufacturer concerning its capabilities or the bus specifications. For buses manufactured in multiple stages (such as body-on-chassis buses), the resident inspector is required to visit the final-stage manufacturer's final assembly location only. Once completed, the Post-Delivery Purchaser's Requirement Certification is made and filed.



Finance and Administration Committee  
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Orange, California

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**(5) Need to Adhere to Buy America Requirements, (Continued)**

OCTA provided the sign-off of contract completion as proof of the post-delivery review for the rolling stock purchases reviewed. However, the documentation does not provide sufficient evidence that OCTA verified that the Buy America information had not materially changed from the pre-award stage to the completed manufacturing stage. This condition was also reported for the year ended June 30, 2007 in our communication dated October 31, 2007.

**Recommendation**

We recommend that OCTA adhere to the Buy America requirements and ensure that all documentation is contained in the procurement files to support OCTA's compliance.

**Management Response**

The OCTA Transit Division Maintenance Department inspectors will follow the Buy America guideline as done last year. OCTA will insure that contract administration has the necessary paperwork on file for the closing of contracts for the post filings.

In addition, we observed the following other matters, which were not deemed to be significant deficiencies or material weaknesses, and offer these comments and suggestions:

**(6) Segregation of Duties in the Payroll Process**

Two individuals who have the ability to prepare and transmit the positive pay file to the bank for payroll are System Administrators in the Information Technology Department. These individuals were identified in the Lawson payroll system as "ADMIN" security class and had access to all Lawson forms and programs. As a result, there is an increased risk that these individuals could make unauthorized pay rate changes to the system without it being detected by management.

**Recommendation**

No recommendation is warranted. In May 2008, OCTA upgraded its Lawson application. As a result, the security plan was changed from the initial implementation package and the access for the two individuals was limited to specific functions based on job duties.



**(7) Setting up New Vendors in Accounts Payable Module**

The Accounts Payable Supervisor and two Accounts Payable Technicians have access to create and edit vendors in the Integrated Financial and Administrative Solution (IFAS) accounts payable module. To mitigate the risk of unauthorized payments being issued, individuals responsible for processing cash disbursements should not be able to create and edit vendor information.

**Recommendation**

No recommendation is warranted. In June 2008, the Accounting Department reassigned the responsibility of creating and editing vendor information to an individual who is not responsible for processing cash disbursements and restricted the access for the Accounts Payable Technicians so they are not able to create or edit vendors in the system. In addition, the Accounts Payable Supervisor currently reviews a report generated by IFAS that identifies all new vendors created during each accounts payable check run.

**(8) Need to Establish a Formal Change Management Process**

There was no documented change management process in place for most of the year ended June 30, 2008. Change management is the process of documenting changes to computer applications, from the time a request for a change is made through the time in which the change is placed into the production environment. The following specific conditions were noted during our review of the informal change management process:

- All changes are generally initiated in the Information Systems (IS) Help Desk System through the creation of a ticket, but are not tracked through completion. Eventually all tickets are closed. Additionally, the Help Desk System is not always utilized for all changes.
- Significant changes are handled within a project and assigned to an OCTA project manager. The OCTA project manager may or may not create a project plan or other tracking mechanism for IS changes.
- Changes to various systems are maintained by the various system administrators, but the change documentation is not standardized or centralized in one location.

A documented change management process will mitigate the risk of unauthorized changes to hardware, applications, and systems.



Finance and Administration Committee  
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Orange, California

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**(8) Need to Establish a Formal Change Management Process (Continued)**

**Recommendation**

OCTA developed and implemented a formal change management process. The process documents the system development cycle of changes to hardware, applications, and systems effective June 2008. As such, this condition has been resolved.

OCTA's written responses to the significant deficiencies identified in our audit are described above. We did not audit OCTA's responses, and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Directors, the Finance and Administration Committee, others within the organization, and federal and pass-through awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Irvine, California  
October 24, 2008





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Board of Directors  
Orange County Transportation Authority  
Orange, California

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2008, which collectively comprise OCTA's basic financial statements and have issued our report thereon dated October 24, 2008. Included in OCTA's basic financial statements is the Orange County Transit District (OCTD), which is responsible for bus services in Orange County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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



Board of Directors  
Orange County Transportation Authority  
Page Two

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

#### Compliance and Other Matters

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

We noted certain other matters we reported to the management of OCTA in a separate letter dated October 24, 2008.

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 24, 2008



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The Board of Directors  
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Orange, California

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

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the Orange County Transportation Authority (OCTA) for the year ended June 30, 2008. These procedures, which were agreed to by OCTA and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*), were performed solely to assist OCTA in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. OCTA's management is responsible for maintaining the appropriations limit records and its calculation.

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

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

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

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

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

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



Board of Directors  
Orange County Transportation Authority  
Orange, California  
Page Two

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

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

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

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

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

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 31, 2008



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The Board of Directors  
Orange County Local Transportation Authority  
Orange, California

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

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2008. These procedures, which were agreed to by OCLTA and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*), were performed solely to assist OCLTA in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. OCLTA's management is responsible for maintaining the appropriations limit records and its calculation.

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

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

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

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

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

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



Board of Directors  
Orange County Local Transportation Authority  
Orange, California  
Page Two

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

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

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

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

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

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 31, 2008

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY  
Local Transportation Fund**

Financial Statements

Year Ended June 30, 2008

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
Local Transportation Fund**

Financial Statements

Year Ended June 30, 2008

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Orange, California

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the Local Transportation Fund, a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the financial statements present only the Local Transportation Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2008, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of OCTA as of June 30, 2008, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of OCTA's internal control over financial reporting for the Local Transportation Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial



Board of Directors  
Orange County Transportation Authority  
Orange, California

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

Mayer Hoffman McCann P.C.

Irvine, California  
October 24, 2008

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Local Transportation Fund**

Balance Sheet

June 30, 2008

Assets

Cash and investments	\$ 2,535,012
Interest receivable	17,734
Due from other governments (note 4)	<u>3,872,100</u>
 Total assets	 <u>\$ 6,424,846</u>

Liabilities and Fund Balance

Liabilities:

Due to other governments	\$ 296
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Fund Balance:

Reserved for:	
Transportation programs	<u>6,424,550</u>

Total liabilities and fund balance	<u>\$ 6,424,846</u>
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See Notes to Financial Statements

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

Local Transportation Fund

Statement of Revenues, Expenditures and Change in Fund Balance

Year Ended June 30, 2008

Revenues:	
Local transportation sales tax allocations	\$ 106,890,691
Investment income	<u>165,537</u>
Total revenues	<u>107,056,228</u>
Expenditures:	
Supplies and services	1,683,609
Contributions to other agencies	<u>3,333,497</u>
Total expenditures	<u>5,017,106</u>
Excess of revenues over expenditures	102,039,122
Other financing uses:	
Transfers out (note 5)	<u>(103,302,541)</u>
Net change in fund balance	(1,263,419)
Fund balance at beginning of year	<u>7,687,969</u>
Fund balance at end of year	<u>\$ 6,424,550</u>

See Notes to Financial Statements

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Local Transportation Fund**

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

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Local transportation sales tax allocations	\$ 120,741,248	120,741,248	106,890,691	(13,850,557)
Investment income	431,000	431,000	165,537	(265,463)
Total revenues	121,172,248	121,172,248	107,056,228	(14,116,020)
Expenditures:				
Supplies and services	1,514,404	1,514,404	1,683,609	(169,205)
Contributions to other agencies	2,869,295	2,869,295	3,333,497	(464,202)
Total expenditures	4,383,699	4,383,699	5,017,106	(633,407)
Excess (deficiency) of revenues over (under) expenditures	116,788,549	116,788,549	102,039,122	(14,749,427)
Other financing uses:				
Transfers out (note 5)	(116,551,958)	(116,551,958)	(103,302,541)	13,249,417
Net change in fund balance	236,591	236,591	(1,263,419)	(1,500,010)
Fund balance at beginning of year	7,687,969	7,687,969	7,687,969	-
Fund balance (deficit) at end of year	\$ 7,924,560	7,924,560	6,424,550	(1,500,010)

See Notes to Financial Statements

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Local Transportation Fund**

Notes to Financial Statements

Year Ended June 30, 2008

**(1) General Information**

Reporting Entity

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

The LTF was created by the Transportation Development Act (TDA) for specific transportation purposes. Revenues to the LTF are derived from the ¼ cent of the 7 ¼ cent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization (SBOE) to each county according to the amount of tax collected in that county.

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

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

Diversion of TDA Funding

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Local Transportation Fund**

Notes to Financial Statements

(Continued)

**(2) Summary of Significant Accounting Policies**

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

Fund Accounting

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

Basis of Accounting

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

Cash and Investments

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

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Local Transportation Fund**

Notes to Financial Statements

(Continued)

**(2) Summary of Significant Accounting Policies (Continued)**

Use of Estimates

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

**(3) Budgetary Data**

The LTF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States. The adopted budget may be amended by the OCTA Board of Directors (Board) to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as: Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services include Contributions to Other Local Agencies and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end. There were no expenditures exceeding appropriations at the major object level for the year ended June 30, 2008.

**(4) Due From Other Governments**

Due from other governments of \$3,872,100 represents a TDA receivable due from the State of California.

**(5) Interfund Transfers**

During the fiscal year ended June 30, 2008, the LTF transferred \$96,144,003 to OCTD for transit operations, \$4,841,889 to OCTA planning and administration, and \$2,316,649 to Americans with Disabilities Act (ADA) bus stops.



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

Financial Statements

Year Ended June 30, 2008

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

Financial Statements

Year Ended June 30, 2008

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**Mayer Hoffman McCann P.C.**

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Board of Directors  
Orange County Transportation Authority  
Orange, California

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the State Transit Assistance Fund, a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the financial statements present only the State Transit Assistance Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2008, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Transit Assistance Fund of OCTA as of June 30, 2008, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of OCTA's internal control over financial reporting for the State Transit Assistance Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial



Board of Directors  
Orange County Transportation Authority  
Orange, California

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

Mayer Hoffman McCann P.C.

Irvine, California  
October 24, 2008

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

Balance Sheet

June 30, 2008

Assets

Cash and investments	\$ 433,649
Interest receivable	2,102
Due from other governments (note 4)	<u>5,566,849</u>
 Total assets	 <u>\$ 6,002,600</u>

Liabilities and Fund Balance

Liabilities:

Due to other OCTA funds (note 5)	\$ 5,566,849
Due to other governments	<u>37</u>

Total liabilities 5,566,886

Fund Balance:

Reserved for:	
Transportation programs	<u>435,714</u>

Total liabilities and fund balance \$ 6,002,600

See Notes to Financial Statements

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

Statement of Revenues, Expenditures and Change in Fund Balance

Year Ended June 30, 2008

Revenues:	
State transit assistance sales tax allocations	\$ 17,340,595
Investment income	<u>60,325</u>
Total revenues	<u>17,400,920</u>
Expenditures:	
Supplies and services	1,259
Contributions to other agencies	<u>239</u>
Total expenditures	<u>1,498</u>
Excess of revenues over expenditures	17,399,422
Other financing uses:	
Transfers out (note 5)	<u>(17,339,838)</u>
Net change in fund balance	59,584
Fund balance at beginning of year	<u>376,130</u>
Fund balance at end of year	<u>\$ 435,714</u>

See Notes to Financial Statements

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

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

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State transit assistance sales tax allocations	\$ 10,822,852	10,822,852	17,340,595	6,517,743
Investment income	23,713	23,713	60,325	36,612
Total revenues	10,846,565	10,846,565	17,400,920	6,554,355
<b>Expenditures:</b>				
Supplies and services	-	-	1,259	(1,259)
Contributions to other agencies	-	-	239	(239)
Total expenditures	-	-	1,498	(1,498)
Excess of revenues over expenditures	10,846,565	10,846,565	17,399,422	6,552,857
<b>Other financing uses:</b>				
Transfers out (note 5)	(10,846,565)	(10,846,565)	(17,339,838)	(6,493,273)
Net change in fund balance	-	-	59,584	59,584
Fund balance at beginning of year	376,130	376,130	376,130	-
Fund balance at end of year	\$ 376,130	376,130	435,714	59,584

See Notes to Financial Statements

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

Notes to Financial Statements

Year Ended June 30, 2008

**(1) Reporting Entity**

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

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

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

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

**(2) Summary of Significant Accounting Policies**

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

**Fund Accounting**

The STAF activities and transactions are recorded and accounted for in a special revenue fund within OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds. A fund is defined as an independent fiscal and



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

Notes to Financial Statements

(Continued)

**(2) Summary of Significant Accounting Policies (Continued)**

Fund Accounting (Continued)

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

Basis of Accounting

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

Cash and Investments

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

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

Use of Estimates

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

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

Notes to Financial Statements

(Continued)

**(3) Budgetary Data**

The STAF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States. The adopted budget may be amended by the OCTA Board of Directors (Board) to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as: Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies and Transfers. Appropriation transfers between major objects require approval of the Board of Directors. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations for budgeted funds, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations for the following major objects for the year ended June 30, 2008:

<u>Major Object</u>	<u>Amount Over Budget</u>	<u>Explanation</u>
Contributions to other agencies	\$ (239)	Unbudgeted County-wide cost allocation charges
Supplies and services	(1,259)	Higher than anticipated investment expenses
Transfers out	(6,493,273)	STAF received additional revenues due to \$6.5 million in excess gas tax spillover distribution

**(4) Due From Other Governments**

Due from other governments of \$5,566,849 represents a TDA receivable due from the State of California.

ORANGE COUNTY TRANSPORTATION AUTHORITY  
State Transit Assistance Fund

Notes to Financial Statements

(Continued)

(5) **Interfund Payables and Transfers**

Due to other OCTA funds of \$5,566,849 represents amounts payable to the Orange County Transit District (OCTD) Enterprise Fund of OCTA for transit operations and fare assistance for seniors and disabled persons. During the fiscal year ended June 30, 2008, the STAF transferred \$17,339,838 to OCTD for transit operations and fare assistance for seniors and disabled persons.





*BOARD COMMITTEE TRANSMITTAL*

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** Wendy Knowles, Clerk of the Board  
**Subject:** Reports on the Annual Transportation Development Act Audits for Fiscal Year 2007-08

Finance and Administration Committee meeting of January 28, 2009

**Present:** Directors Amante, Bates, Brown, Campbell, Green, and Moorlach  
**Absent:** Director Buffa

***Committee Vote***

This item was passed by all Committee Members present.

***Committee Recommendation***

Receive and file as an information item.



*January 28, 2009*

**To:** Finance and Administration Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Reports on the Annual Transportation Development Act Audits for Fiscal Year 2007-08

**Overview**

Pursuant to Sections 6663 and 6751 of the California Code of Regulations, audits of Transportation Development Act Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2008, by Mayer Hoffman McCann P.C.

**Recommendations**

Receive and file as an information item.

**Background**

The Transportation Development Act (TDA) provides, as a source of funding for public transportation, the Local Transportation Fund (LTF), which came into existence in 1972. LTF revenues are derived from a quarter-cent of retail sales taxes. The quarter-cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county.

On July 1, 1988, a predecessor agency to the Orange County Transportation Authority (OCTA) assumed responsibility for administering the TDA's various components under the LTF, which include Article 3 Funds for the Pedestrian and Bicycle Facilities Program and Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs. An important aspect of this responsibility is to ensure that the allocated and dispersed LTF funds were used in accordance with applicable TDA rules and regulations and OCTA policies and procedures.

---

***Discussion***

A total of 24 entities in Orange County, including the County of Orange and OCTA, received a TDA audit under one or more of the articles referenced above. The attached Listing of Transportation Development Act Audits Performed for FY 2007-08 (Attachment A) reflects these audits. Fourteen of the 34 cities in Orange County did not receive any TDA funding and did not have any activity related to TDA funding in fiscal year 2007-08; therefore, audits of programs for these cities were not conducted.

The audits found that the entities used the LTF funds allocated and disbursed to them in accordance with applicable TDA rules and regulations and OCTA policies and procedures. There were no instances of non-compliance with contract specifications and funding allocation instructions. Mayer Hoffman McCann, P.C., OCTA's independent auditor, issued no recommendations related to internal controls. Audit results are detailed in the individual audit reports on file with OCTA's Clerk of the Board.

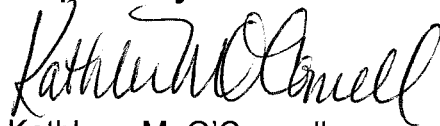
***Summary***

Audits of TDA Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2008, by Mayer Hoffman McCann P.C. The individual audit reports for fiscal year 2007-08 are on file with OCTA's Clerk of the Board.

***Attachment***

- A. Listing of Transportation Development Act Audits Performed for FY 2007-08

**Prepared by:**



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

**Listing of Transportation Development Act Audits Performed for FY 2007-08**

**Article 3 Audits**

1. County of Orange
2. Orange County Transportation Authority

**Article 4 Audit**

3. Laguna Beach Municipal Transit Lines

**Article 4.5 Audits**

4. City of Anaheim
5. City of Brea
6. City of Buena Park
7. City of Costa Mesa
8. City of Huntington Beach
9. City of Irvine
10. City of La Habra
11. City of Laguna Niguel
12. City of Laguna Woods
13. City of Lake Forest
14. City of Newport Beach
15. City of Placentia
16. City of Rancho Santa Margarita
17. City of San Clemente
18. City of Santa Ana
19. City of Seal Beach
20. City of Westminster
21. City of Yorba Linda
22. Abrazar Inc. (passed through the City of Westminster)
23. Korean-American Senior Association (passed through the City of Garden Grove)
24. Vietnamese Community Center of Orange County (passed through the City of Santa Ana)

**Cities that did not Receive TDA Funding in FY 2007-08**

- |                    |                         |
|--------------------|-------------------------|
| 1. Aliso Viejo     | 8. Los Alamitos         |
| 2. Cypress         | 9. Misión Viejo         |
| 3. Dana Point      | 10. Orange              |
| 4. Fountain Valley | 11. San Juan Capistrano |
| 5. Fullerton       | 12. Stanton             |
| 6. La Palma        | 13. Tustin              |
| 7. Laguna Hills    | 14. Villa Park          |







MEMO

**February 4, 2009**

To: Members of the Board of Directors  
From: <sup>WK</sup> Wendy Knowles, Clerk of the Board  
Subject: **Board Committee Transmittal for Agenda Item**

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

Thank you.



**February 5, 2009**

**To:** Legislative and Communications Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Federal Legislative Status Report

**Overview**

This report provides an update on the progress of economic stimulus legislation in Congress and summarizes the recent House Rail Subcommittee on Rail Pipelines and Hazardous materials hearing on rail capacity issues.

**Recommendation**

Receive and file as an information item.

**Discussion**

As we have previously discussed with the Legislative and Communications Committee (Committee) and Board of Directors, Congress is considering H.R 1 and S.1 and S.336, the House and Senate versions of economic recovery legislation.

The introduced House version contained approximately \$825 billion in economic stimulus spending with \$275 billion in tax cuts and \$550 billion in direct spending. Before floor consideration the bill only contained \$30 billion for highway and \$9 billion for transit in stimulus funding. Attempts to increase those numbers are currently being considered during the floor debate of the bill. As a result of an amendment in committee, the floor version increases the dates for having funds initially obligated by 60 days, giving Orange County Transportation Authority (OCTA) 150 days from federal apportionment to obligate the first 50 percent of appropriated funding. This timeline will also likely be debated on the floor.

On the Senate side the initial transportation numbers are similar. The Senate Appropriations Committee passed the \$356 billion spending component of the chamber's economic recovery package. The measure would include \$27 billion for highway improvements and \$8.4 billion for public transportation.

While the Senate core highway and transit investment levels are slightly below the amounts proposed by the House, the Senate bill also includes \$5.5 billion for a new competitive discretionary grant program for surface transportation projects. The funds would be eligible for all types of surface transportation projects, ranging from highways to transit, to rail and port infrastructure, that have a regional or national significance. Eligible project size would be between \$20 million and \$500 million. We believe that this new program introduced in the Senate could provide funding for goods movement projects to the extent they can meet an accelerated obligation timeframe.

The Senate is expected to debate the bill next week. Staff will update the Committee on the status of the legislation in both houses at the February 5<sup>th</sup> meeting.

Meanwhile, the House Transportation and Infrastructure Committee (T&I) has begun to look into rail issues in the context of transportation reauthorization. On January 28, Chairman Buffa testified before T&I Subcommittee on Railroads, Pipelines, and Hazardous Materials. This Subcommittee is chaired by Representative Corrine Brown (D-FL) who visited Orange County last summer to tour OCTA and Metrolink facilities. The purpose of the hearing was to receive testimony on the roles of freight and passenger railroads in the United States economy and the benefits of freight and passenger rail investments. A copy of Chairman Buffa's testimony is included as Attachment A.

Chairman Buffa was on a panel with several other rail experts, including California Department of Transportation's Director Will Kempton, Amtrak Chief Executive Officer Joseph Boardman, and Union Pacific Corporation Chief Executive Officer James Young. In addition to his oral presentation focusing on grade crossing and rail improvements needed in the two major rail corridors in Orange County, the Chairman responded to questions regarding the benefits of constructing the Anaheim Regional Transportation Center (ARTIC), OCTA's Go Local program, and the challenges of creating a culture of passenger rail usage in California.

### ***Summary***

Economic stimulus legislation is being considered by both houses of Congress, and the Chairman has testified on behalf of OCTA rail needs before the T&I Rail Subcommittee in the House. The November and December monthly reports for Smith, Dawson and Andrews and Potomac Partners are included as Attachments B,C,D and E.

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***Attachments***

- A. The Orange County Transportation Authority-Written Testimony of Peter Buffa, Chairman of the Board of Directors, Wednesday, January 28, 2009
- B. Report to the Orange County Transportation Authority from Potomac Partners, November 2008
- C. Report to the Orange County Transportation Authority from Potomac Partners, December 2008
- D. Report to the Orange County Transportation Authority from Smith Dawson & Andrews, November 2008
- E. Report to the Orange County Transportation Authority from Smith Dawson & Andrews, December 2008

**Prepared by:**



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**The Orange County Transportation Authority**

**Written Testimony of Peter Buffa, Chairman of the Board of Directors  
Wednesday, January 28, 2009**

550 S. Main Street  
P.O. Box 14184  
Orange, CA 92863-1584  
(714) 560-6282

**United States House of Representatives**  
**Subcommittee on Railroads, Pipelines, and Hazardous Materials**  
**Of**  
**Committee on Transportation and Infrastructure**

**Written Testimony of Peter Buffa**  
**Wednesday, January 28, 2009**

Madam Chair and Members of the Subcommittee:

My name is Peter Buffa, and I am Chairman of the Orange County Transportation Authority (OCTA). It is an honor to have the opportunity to testify before you Madam Chair, and before this Subcommittee, which plays such a major role in determining national transportation rail policy and will be involved in writing the next transportation authorization legislation.

**The Orange County Transportation Authority**

OCTA was established as a multimodal transportation authority in 1991, in order to bring about a more efficient and comprehensive approach to transportation by consolidating seven separate transportation agencies. Since that time, Orange County has grown to be the fifth most populous county in the nation with over 3.2 million residents. OCTA has kept pace of that growth, and now operates a multimodal transportation system which includes the twelfth busiest bus system in the nation and the 91 Express lanes, a highly successful ten mile toll road connecting Orange and Riverside Counties.

In order to meet our growing mobility needs, we also provide regional commuter rail service, operated by Metrolink under the direction of OCTA and Los Angeles, Riverside, San Bernardino and Ventura counties. Metrolink is now providing over 4 million rail passenger trips annually in the three commuter rail lines which serve Orange County. This is the highest annual ridership since inception of service in 1994.

Rail service in Orange County is provided along two major corridors. The first major rail corridor in Orange County is the Burlington Northern Santa Fe (BNSF) corridor from the ports of Los Angeles and Long Beach through Orange County and east to San Bernardino and Riverside Counties, and ultimately to the remainder of the United States. While there is a large and growing commuter ridership on this corridor, the major use of the corridor is national freight movement into and out of the ports.

The second major Orange County rail corridor is between Los Angeles, Orange County and San Diego. This corridor, often referred to as the LOSSAN corridor, is the second busiest passenger rail corridor in the nation, surpassed only by the Northeast Corridor. Ridership on the LOSSAN Corridor has grown from 1.6 million annual trips in the 1990's to 8.5 million annual trips today.

I would like to focus my remarks today on an in-depth description of the rail capacity opportunities and challenges presented by these two nationally significant rail corridors. As we seek to implement the Passenger Rail Investment and Improvement Act of 2008 and draft new transportation authorization legislation, I hope that OCTA will be able to rely on the Federal government as a financial partner in addressing these challenges.

### The BNSF Corridor and the Ports of Los Angeles and Long Beach.

Running across the northern part of Orange County, the BNSF corridor is one of the nation's major goods movement distribution corridors serving the ports of Los Angeles and Long Beach. This port complex is the largest in the United States and the fifth largest in the world. In 2007 nearly 16 million cargo containers traveled through these ports to or from the rest of the country. This container traffic represents more than the total container traffic in Seattle, Portland, Oakland Ventura and San Diego, combined.

The accompanying map illustrates commodity flows between Southern California and its local, regional and national markets. The map demonstrates the importance of both domestic and international trade shipments between Southern California and the rest of the nation and the need for effective transportation networks to link the region's economy to the rest of the country.

There is little doubt that goods movement is an important source of good jobs. In Southern California alone, goods movement has fueled the creation of 700,000 jobs, including 107,000 goods movement related jobs in Orange County. In turn, these jobs have generated a payroll of more than \$6 billion. Regionally, ports have delivered over \$256 billion in international trade to the rest of the country.

However, goods movement also presents a number of challenges for those areas impacted by goods movement activity. Even the present levels of trade volumes are challenging our rail system capacity and providing heavy congestion impacts. The future can only be expected to bring greater challenges. In 20 years the number of containers moving through southern California is expected to triple to an estimated 48 million. In 2025 daily freight trains moving through Orange County on the BNSF are expected to increase 123% from 112 to 250. By 2010 freight train traffic will increase street and road traffic delays from about 30 minutes to up to 206 minutes.

The result from this goods movement today in Orange County is persistent grade crossing congestion. In addition, this increased goods movement activity in southern California negatively impacts air quality and promises greater health-related and productivity impacts, including increased respiratory diseases and lost work days.

The southern California region has come together to recognize the challenges regarding goods movement and is working to identify those rail improvement projects which help to mitigate the adverse local impacts of goods movement. A Multi-County Goods



Movement Action Plan has identified \$50B in needed projects to address capacity improvements and mitigation projects related to goods movement.

Critical to the capacity needs on both the BNSF and LOSSAN corridors are nineteen new railroad grade separation projects in Orange County (shown on the attached map). The cost to complete these grade separations exceeds \$1.1 billion. Yet only a little more than \$400 million is available for these projects from existing state and local funding sources.

No one in the region doubts the need for new revenue sources to address the dual objectives of keeping these ports competitive and mitigating the congestion and air quality impacts of a viable rail distribution corridor. Several bills on this subject have been introduced in Congress, but none have yet been enacted. State legislation passed last year would have assessed a \$15 per container fee for mitigation and infrastructure projects in the region. Unfortunately, the Governor vetoed this legislation. The ports themselves adopted an infrastructure cargo fee in January of 2008. Beginning this summer, a \$6 dollar per container fee will be placed on cargo containers entering or leaving any terminal by truck or train and will be used for goods movement-related projects along the entire corridor, including projects such as grade separation in Los Angeles, Orange, Riverside and San Bernardino Counties. Even if this local fee can be successfully implemented, more needs to be done, and should be done at the federal level to address this issue of national significance.

### The LOSSAN Corridor.

Currently, three passenger rail services, Amtrak, Coaster, and Metrolink and one freight carrier, Burlington Northern Santa Fe Railway, operate along this corridor. Amtrak, with state financial assistance, operates the Pacific Surfliner intercity rail and bus service between San Luis Obispo and San Diego. The Southern California Regional Rail Authority (SCRRA), a joint powers authority created by the OCTA and the four other southern California counties, operates Metrolink commuter rail service between Los Angeles and Oceanside, and Los Angeles and Oxnard. The North County Transit District (NCTD) operates Coaster commuter rail service between Oceanside and San Diego. The OCTA owns one-third of the 126 miles of railroad right-of-way between Los Angeles and San Diego.

First opened in 1994, Metrolink's Orange County line currently offers 19 trains per weekday and serves 11 stations along the LOSSAN corridor in Orange County. Approximately 10% of Amtrak's total national trips take place in this corridor. Aside from its proven capacity to carry passengers from Orange County to Los Angeles or San Diego, if managed efficiently, we believe the LOSSAN Corridor offers great opportunities to increase mobility within Orange County and throughout the entire San Diego to Los Angeles corridor.

Two thirds of the population in Orange County, and two thirds of the jobs in Orange County, are located within a four-mile radius of the LOSSAN corridor. By increasing the

frequency of service, there is an opportunity to use this rail corridor for traveling within and through Orange County and relieve congestion on the adjacent I-5 freeway. In fact, the peak hour ridership on Metrolink is so successful, that without it we would have to build 2 more lanes on I-5 from south Orange County to downtown Los Angeles just to ensure that traffic congestion would not get any worse. We think that Metrolink has been an excellent financial investment for Orange County and southern California and is an increasingly important component of the southern California economy.

With that purpose in mind, the OCTA Board approved a Metrolink service expansion plan in October 2005. This plan will implement high frequency Metrolink service between north and south Orange County. Engineering design is now complete for track improvements, signal system upgrades, and station and parking enhancements necessary to support this new service. Construction is anticipated to start in May of 2009. New locomotives and rail cars have also been ordered to support the expansion of the rail service.

While we have planned to largely fund this expansion program with local sales tax and state transportation funds, the recent severe downturn in economic activity has resulted in an inability to fund key components of this program. In order to keep this important program on track, we are seeking federal assistance for key project components, including \$50 million for double track capacity expansion (Laguna Niguel to San Juan Capistrano), \$30 million for station parking improvements (Laguna Niguel) and \$50 million for the Anaheim Regional Transportation Intermodal Center (ARTIC)

These key components of expanding service in the LOSSAN Corridor are planned and are ready to become reality. In addition, these rail improvements can be accomplished without the delay of a Federal new start process or the expense and displacement of acquiring major new right-of-way.

A critical component of this corridor is the Anaheim Regional Transportation Intermodal Center (ARTIC) which will be a rail gateway to Orange County and provide a convenient transfer station from the LOSSAN corridor to future California high speed rail and the planned California to Nevada super speed or maglev system. ARTIC will combine a transportation gateway and a mixed-use activity center on a 16 acre site owned by the City of Anaheim and OCTA, a short walk from Angel Stadium and Honda Center professional sports venues, and a short shuttle to Disneyland and the Anaheim Resort. Although private participation will be sought for this project, public funding is needed now to build the foundational transportation elements of the project.

Recently, the OCTA conducted market research with focus groups to determine how we can provide better service in this essential corridor. That research has shown us that customers who ride on the LOSSAN Corridor, and more importantly, those who do not ride, experience confusion in navigating the complex set of logos, timetables, and administrative rules that come with Amtrak, Metrolink and the Coaster all providing service along the same corridor. We believe it would be far more efficient and customer friendly for there to be one service seen by the public, even if that service were to be jointly provided behind the scenes.

To that end, we have initiated efforts to work with the three current service providers to look at service integration and coordination opportunities. Some of these are as simple

as integrated timetables or shared ticket offices. However, the full realization of this effort may lead to an entirely new manner in which to plan and manage the LOSSAN corridor as one coordinated and integrated passenger rail service. This may take the form of a joint powers authority or some other form of regional governance to fully realize the opportunities before us. We believe that this type of coordinated and integrated approach will lead to more service for the public, more efficient use of tax payer funds, and ensure that the LOSSAN Corridor lives up to its full potential.

We are excited about opportunities to partner with Amtrak on making key capital investments and provide integrated, coordinated and expanded operations in this highly successful corridor. If planned and implemented correctly, we have the opportunity to create a southern California version of the highly successful Northeast Corridor.

### Conclusion.

In summary, as significant as the benefits of the BNSF and LOSSAN rail corridors are to the OCTA and Orange County, the challenges they present cannot be fully addressed without the federal government as a strong and financially involved partner. We certainly hope to receive additional federal funding for these projects from the Passenger Rail Investment and Improvement Act of 2008 and the next reauthorization bill. That funding will match the significant local funding already committed for these projects. Just as important, we need the federal recognition in the next reauthorization legislation that assistance with these projects will further the nation's mobility goals and expand our national strategic rail infrastructure.

In the upcoming 111<sup>th</sup> Congress, we stand ready to work with you, and hope that your subcommittee will commit the federal government to work in active partnership with us, to increase capacity on these two corridors of national significance which serve riders in southern California and consumers nationwide.

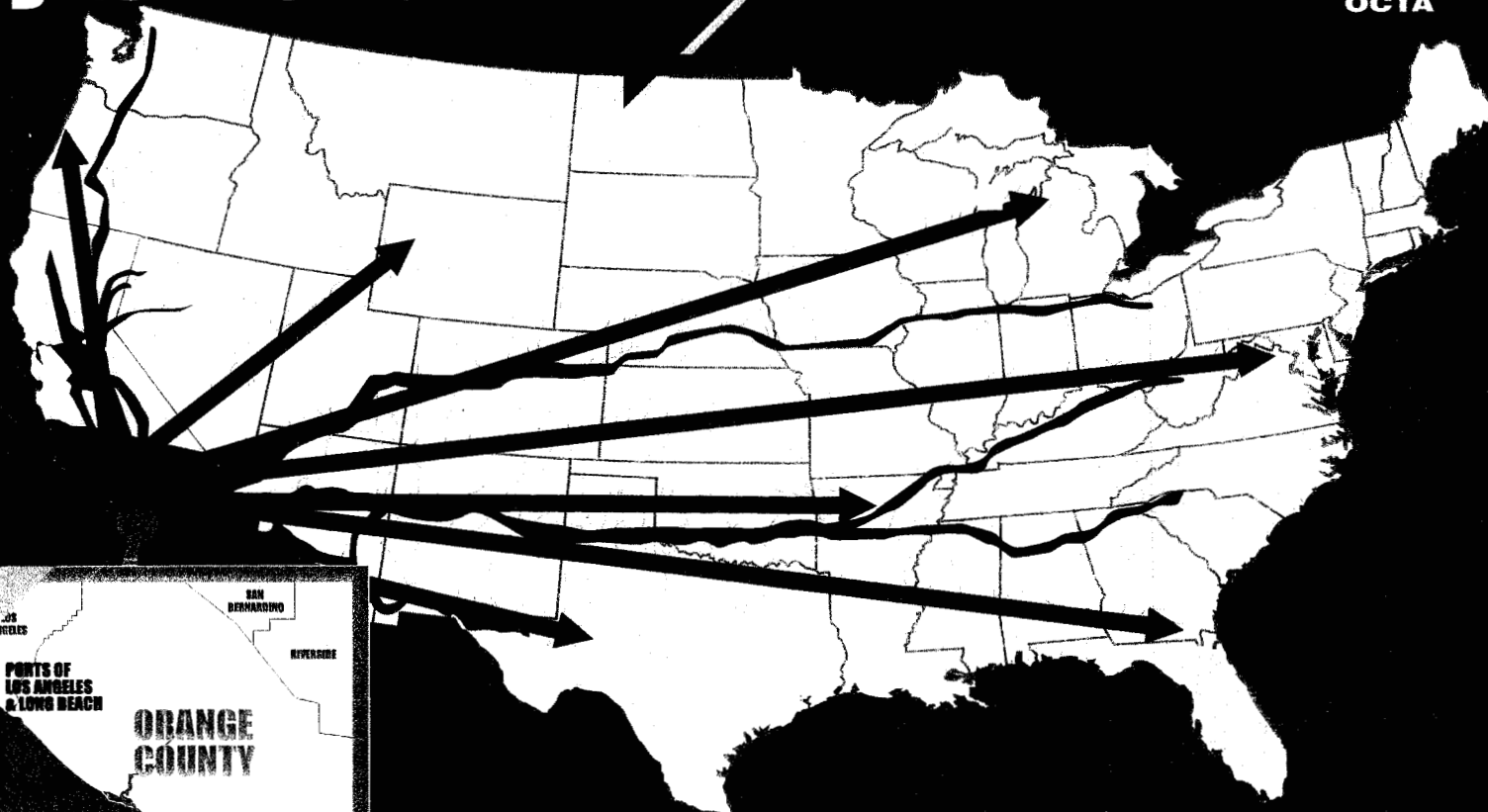
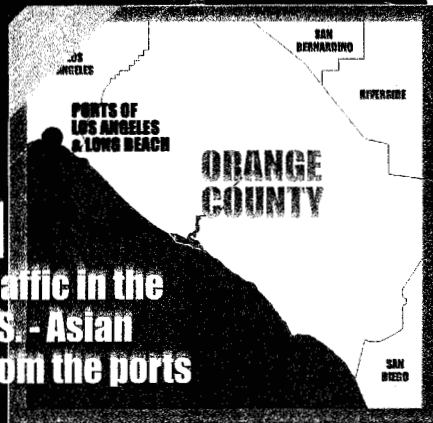
# Orange County, CA

## A Gateway to the Nation



**70%**  
of imports through  
Southern California's  
ports are delivered  
to the nation

**One-third**  
of all container traffic in the  
U.S. and 54% of U.S. - Asian  
trade originate from the ports



# Rail-highway crossings

Propelling economic growth  
& protecting our quality of life

PORTS OF  
LOS ANGELES &  
LONG BEACH

**No. 1**  
largest port in the U.S.  
**No. 5**  
largest port in the world

LOS ANGELES

SAN BERNARDINO

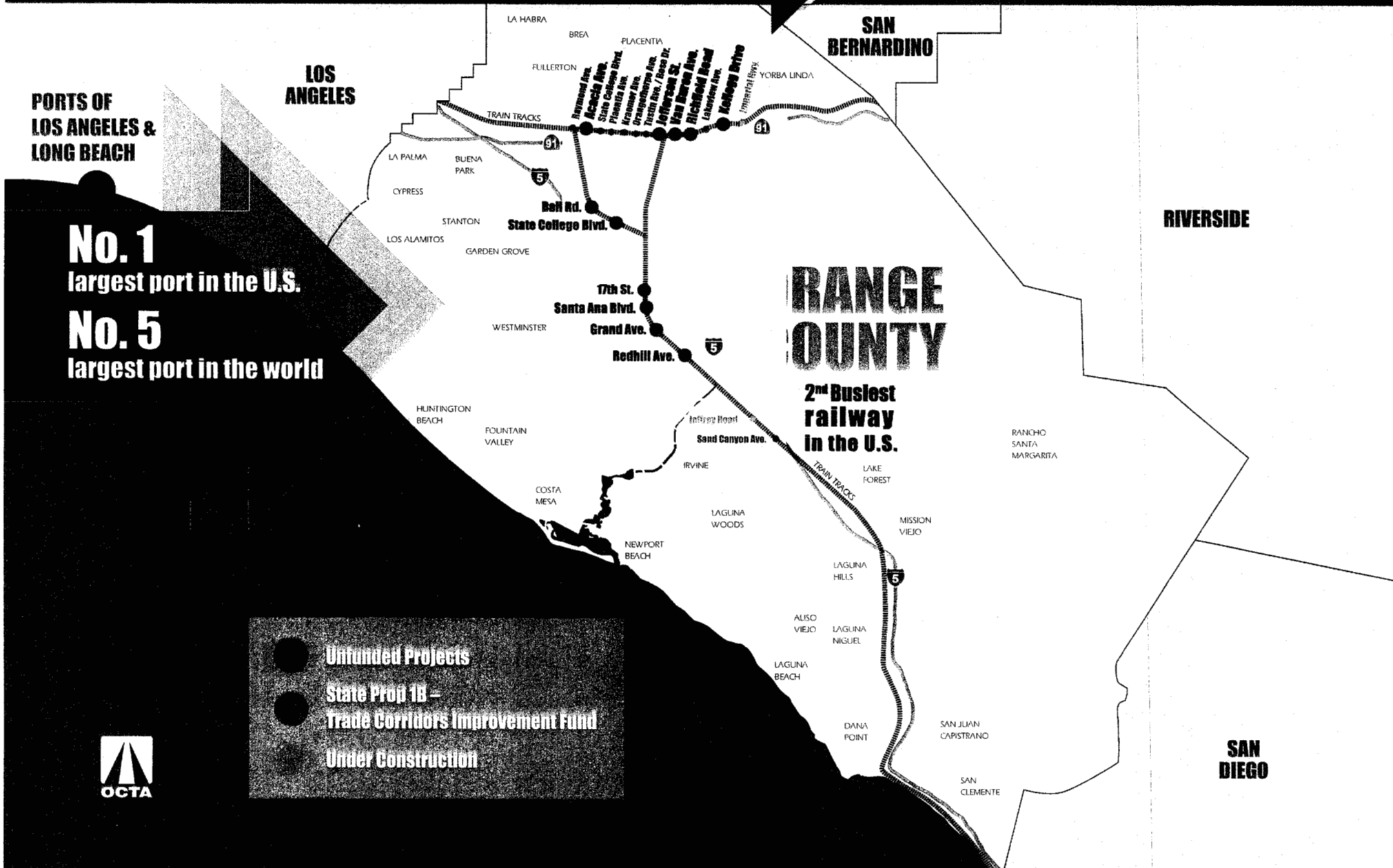
RIVERSIDE

**RANGE COUNTY**

**2nd Busiest railway in the U.S.**

SAN DIEGO

● Unfunded Projects  
● State Prop 1B - Trade Corridors Improvement Fund  
● Under Construction



**Report to Orange County Transportation Authority from  
Potomac Partners DC  
November 2008**

Partners contributing to the work in this report include: Rick Alcalde, Dr. Lesli McCollum Gooch, and Dan Feliz.

**Background and Legislative Overview for November**

The post-election political landscape continues to reveal new opportunities for the OCTA to impact transportation policy and secure federal funding. We anticipate an increased focus on federal transportation needs by the incoming Administration and Congress. With a stronger Democrat majority in the House and Senate, we expect that the anti-earmark forces like the Republican Study Committee (RSC) will be hampered in future attempts to block appropriations legislation containing earmarked projects. This changing dynamic, coupled with increasing momentum for another economic stimulus package, has guided our focus for advocacy for OCTA during the month of November. We are concentrating on near term funding opportunities within the economic stimulus legislation and also within the final FY2009 Transportation/HUD appropriations bill. Both of these bills are anticipated to be finalized early in the session. In addition to these near term opportunities, we have also been discussing the upcoming transportation reauthorization with key EPW and T&I Committee members and staff in order to highlight the infrastructure needs in Orange County, which is heavily impacted by goods movement. We believe this ongoing dialogue about federal transportation funding shortfalls in Orange County will better position OCTA's future project requests to be included in the reauthorization legislation, particularly with respect to creating augmented funding streams outside of the formula funding allocations. We have also continued to engage key Congressional allies on behalf of OCTA to resolve the issue of the SILO/LILO transactions potentially unraveling and creating new liabilities for the Authority during these already tough economic times.

**1. Economic Stimulus and Transportation Funding**

After the November election, Congress returned to work the week of the 17th to address the economic crisis and enact potential stimulus spending legislation that would include transportation funding for ready-to-go projects critical to improving our deteriorating infrastructure and providing out-of-work Americans with jobs. The lame duck agenda changed dramatically, however, as the Congress focused on rescuing the faltering U.S. auto industry. With no clear consensus on the size and the terms of the aid package to U.S.

automakers, Congress was not able to finish a combined relief package and stimulus bill. Leaders of the House and Senate agreed to reconvene during the month of the December to continue its work. The chance for including transportation funding in a stimulus/aid package during this continuing lame duck session is in question given Speaker Pelosi's comments on December 1, that the inclusion of transportation projects into a stimulus package is an issue of continuing disagreement with the White House. Such comments came following a meeting with leaders of the National Governor's Association, where transportation funding was among the top priorities of the NGA to stimulate the economy. The Speaker indicated that such funding would be a critical component of the economic stimulus package being prepared for passage and enactment in January. Any transportation funding contemplated in this stimulus bill will likely be allocated according to formula funding as was done in previous stimulus legislation efforts.

## **2. Omnibus Appropriations and Transportation Funding**

Congress was unable to complete action on the nine remaining FY 2009 Appropriation bills prior to adjourning for the November elections. Congress did approve a continuing resolution (CR) to fund the federal government at the FY 2008 level through March 6, 2009, which President Bush signed into law on September 30, 2008. The CR included the Defense, Homeland Security and Military Construction & Veterans Affairs appropriations bills. Aside from the sections providing FY2009 funding for these security and defense related appropriations, there were no earmarks included in the measure. Congress plans to finalize the remaining nine FY 2009 appropriations bills in December and then pass an Omnibus package combining the outstanding bills in early January. Congressional leaders want to enact this federal spending as soon as possible, rather than waiting for the March expiration of the CR. This Omnibus bill could potentially be sent to President Obama's desk the day he takes office.

The Omnibus legislation would increase funding levels to the FY2009 allocations and potentially include lists of earmarked projects for the nine remaining appropriations bills. Much of the work of assembling this bill is planned to be done by the current committee membership of the 110<sup>th</sup> Congress. As a result, the bill would likely reflect the input of outgoing appropriations committee leadership, like Ranking Member of the T-HUD subcommittee, Congressman Joe Knollenberg. Once a consensus bill is assembled it will likely be presented to the next Congress with little to no opportunity to amend the bill. This dynamic would enhance the effort to secure funding for SR-91, which we believe was well-positioned in the T-HUD bill, particularly with the support of Ranking Member Knollenberg who is cognizant of this project for OCTA.

### 3. Lease In/Lease Out and Sale In/Lease Out (LILO/SILO) Update

We have checked a number of GOP members' position on the SILO/LILO issue and we have helped secure Congressman Mica's signature on letter to Treasury. We worked with Gary Miller, who sits on both the Financial Services and T&I committees, and his office, which has cautiously approached this issue, and brought the Member's position to support the on-going efforts to resolve the issue. There was initial concern from some members that the well-intentioned efforts to protect the public transportation agencies may inadvertently inure benefit to investors outside of the US, which would be politically hazardous given the recent financial hardship faced by US investors. We are also working with the other Orange County delegation members to keep them apprised of the near term threat of the SILO/LILO deals unwinding.

### 4. Transportation Reauthorization Update

As the OCTA Board develops its positions for the 2009 legislative year and in particular its positions for the Highway bill reauthorization, we would recommend a focus on four key issues areas that we believe will enhance OCTA's federal funding allocation:

***Goods Movement Program.*** This effort has become an important issue for reauthorization and was the subject of many committee hearings over the summer and this fall. The improvement of infrastructure to facilitate good movements continues to stay at the forefront of the policy discussion as Congress attempts to keep the economy from stagnating during the current economic crisis. A recurring theme from those recent Transportation and Infrastructure hearings is that facilitating goods movement with improved infrastructure is strong medicine for this ailing economy.

***"Donor" State Issue.*** A renewed effort to address the donor state issue and create an equitable split of the highway trust fund will return. One mechanism that is gaining traction is creating programs that would inject funds to large donor states under the auspices of a National Transportation Program.

***Support for More Funding Choices for Increased Highway Money.*** With a budget-constrained Congress, it is likely that many members who have opposed alternative funding choices, like Public Private Partnerships, and variable pricing for tolling, will need to compromise in order to meet the growing demand for increased infrastructure spending. Some of the initial proposals for federalized infrastructure banks will also likely return as policy initiatives for transportation reauthorization.



**Support for Funding Proposals that Direct Funding to Impacted Regions.** Legislative proposals like the Calvert-Jackson *On-time Act* that creates additional funding mechanisms for impacted region stands a strong chance to be included in this transportation reauthorization. The challenge for these proposals will be to prevent others outside of the truly impacted region from staking claim to a portion of this new pool of money.

In addition to other meetings with key Transportation leaders in the House and Senate and the OC delegation, we also recommend meeting with early in the year to discuss these re-authorization issues the following list of members and their senior staff:

**House**

- Oberstar, Mica (T&I Chairman and Ranking Member)
- Defazio, Duncan (Hwy Subcommittee Chairman and Ranking Member)
- Brown, Shuster (Railroads Subcommittee Chairwoman and Ranking Member)

**Senate**

- Boxer, Inhofe (Senate EPW Chairwoman and Ranking Member)
- Dodd, Shelby (Senate Banking Chairman and Ranking Member)

**Report to Orange County Transportation Authority from  
Potomac Partners DC  
December 2008**

Partners contributing to the work in this report include: Rick Alcalde, Dr. Lesli McCollum Gooch, and Dan Feliz.

**1. Economic Stimulus and Transportation Funding**

During the month of December Congress worked to finalize economic stimulus legislation that would provide for additional federal spending to include infrastructure spending. We have been told by key House members that the basis of the legislation is the stimulus bill that the House passed early in September. However, with a deepening recession Congress has begun to increase the projected spending as high as \$755B. The allocation for transportation spending has not yet been determined, but various proposals have ranged from \$25-85B. The process for the bill is controlled by the Democrat leadership and being managed primarily through the appropriations committee. Speaker Pelosi has also assigned several key Democrat leaders to help craft the legislation to include Chairman Jim Oberstar for the transportation and infrastructure section of the bill. The hope is to have a final bill for the House to bring directly to the floor with out having to go through a full committee markup.

With regard to infrastructure spending, the bill will direct funding through formula. There has been debate at the committee level whether it should be an existing formula or a formula based on the ability of the state to obligate the money for "ready to go projects." The earlier House stimulus bill (H.R. 7110) apportioned money to states based on a ratio of overall highway obligation limitation distribution. The Senate version (S.3689) used the surface transportation program (STP) statue formula. The STP formula was also recently endorsed by the Conference of Mayors in their recent "Main Street Economic Recovery" December report. The primary concern for Congress is to quickly get the stimulus money circulating in the economy and create jobs. Potomac Partners DC has been discussing with key members an alternative approach to distributing the funds that would include large regional transportation entities from being included as recipients of the funds and potentially help the OCTA garner a larger share of such formula funds. This approach would also increase the efficiency of the funds being put to spent on shovel ready projects and help reduce the administration costs of the managing the funds through state transportation departments. We have spoken with Chairman Oberstar's committee staff designee for the stimulus legislation and she has indicated that they are open to such policy options.

The challenge for including any new policy language is the timing of the legislation and the volume of requests and proposals being submitted by interest groups across the Country. The House hopes to have draft legislation prepared for review in January despite the delays from President-elect Obama to release his stimulus package principles. With time permitting, key committees like Appropriations, Ways and Means and Transportation & Infrastructure may hold hearings. Congress remains concerned that opening the bill to new policy considerations will attract a myriad of potential interest groups who want to include other more controversial provisions and use their House champions to also delay passage of a final bill. The Congress will also have to negotiate and reconcile any new policy with President-elect Obama. A final bill will mostly likely be passed by the Congress in mid-February.

## **2. Omnibus Appropriations and Transportation Funding**

Congress hopes to augment the effort to provide stimulus spending by finalizing the remaining FY09 appropriations bills. Appropriations committee leadership has been meeting during the month December to have a final bill worked out and unveil it after Congress reconvenes in January. The timing of stimulus legislation could affect the forthcoming omnibus appropriations bill, since it would be the House leadership's preference to have a stimulus bill finalized before the appropriations bill. The Senate also seems more inclined to take up the Stimulus legislation before an omnibus bill that will not need to be passed until the Continuing Resolution (CR) expires on March 6<sup>th</sup>.

## **3. Other Activities on Behalf of OCTA**

In December, Rick Alcalde traveled to Orange County to brief to the legislative committee. Discussion items included the following:

1. Discussion of legislative platform and 2009 priorities
2. Discussion of highway bill re-authorization strategy
  - Regional funding approach
  - National priority approach
3. Discussion of FY 2010 appropriations process
4. Discussion of Congressional visits to Orange County

Chairman Oberstar had planned to visit Orange County during the month of December, but unfortunately had to cancel his trip to the West Coast to work with House leadership on putting together the economic stimulus legislation. Mr. Oberstar does plan to reschedule his trip to Orange County at the beginning of 2009. We are working with his senior staff to finalize the schedule for his trip. This trip would be an excellent opportunity to showcase key projects that we would like to include in the next transportation re-authorization bill.

**Report to the Orange County Transportation Authority from  
Smith Dawson & Andrews  
November 2008**

Focus: Presidential Transition & Stimulus Activity  
November 2008

**Highlights**

President-elect Barack Obama introduced his economic team on November 24 as the ones who will spearhead his stimulus approach to include jobs, unemployment insurance extensions, tax cuts for the middle class, possible extensions of current tax cuts, foreclosure reductions, infrastructure project funding and other measures aimed at stabilizing and infusing a sense of action-oriented urgency into the country's faltering economic stability. The team includes: Treasury Secretary-designate Timothy Geithner, National Economic Council director Lawrence Summers, Council on Economic Advisors director Christina Romer and Domestic Policy Council director Melody Barnes. Their charge is to act quickly to stimulate the economy with 2.5 million jobs by 2010. His proposal will approach \$700 billion in spending, if not more. On the following day, November 25, the President-elect named Peter Orszag for his director of the Office of Management & Budget

As the Transition team for President-elect Obama took hold in Washington and in Chicago, the elements of this significant stimulus package are the back drop for legislation to be enacted soon after the President's inauguration on January 20, 2009.

The Washington-based transition team is focused on federal department analysis, especially regarding the next federal budget. Officially the teams do not recommend policy or personnel. The team members are located in each of the federal department buildings of their focus, and their work does not include recommending policies, regulations or personnel.

DOT Presidential Transition team members are lead by Mort Downey, chairman emeritus of PB Consult (and former Deputy Secretary), and he is coordinating the information about intercity rail. He is supported by many former DOT colleagues—Michael Huerta, EVP of ACS Government Solutions (former chief of staff), whose focus is transit and Jane Garvey of JP Morgan Chase (former FAA Administrator), whose focus is aviation. The team is expected to complete its official report by December 8 in order to brief the Secretary-designate before the December holidays. They are interviewing DOT staff as well as reaching out to Washington-based organizations to meet with groups of constituencies as quickly as possible, because of transition deadlines and time constraints.

A complete listing of the Members of the Presidential Transition can be found at [http://www.change.gov/learn/obama\\_biden\\_transition\\_agency\\_review\\_teams](http://www.change.gov/learn/obama_biden_transition_agency_review_teams)

All major policy decisions and actions are emanating from the Chicago transition operation. All official announcements about nominations for Cabinet members and immediate Presidential action post inauguration are ongoing in both cities, but are directed from Chicago. A November 25 article in the Washington Post listed four possible contenders for DOT Secretary-designate: Transition DOT lead Mort Downey, transition team member Jane Garvey, San Francisco MTC member Steve Heminger and House Transportation and Infrastructure Committee Chair James Oberstar (MN).

On Capitol Hill, hearings continued on aspects of the economy that dominate the daily news, such as the Big 3 automakers, Citigroup, hedge fund managers, etc. All discussions encompass specific request for new bailouts as well as the contents of the forthcoming stimulus bill. Congress came back in session on November 3 for three weeks and then disbanded for the Thanksgiving holiday. They are expected to return and resume a lame duck session in December. Both House and Senate leadership and members continue discussion and negotiations to formulate the contents of what all agree is needed to infuse the American economy with support. All believe a measure is needed to rebuild confidence in the American public across a broader spectrum than the financial, insurance and mortgage banking sectors. President-elect Obama seeks jobs assistance in addition to arresting foreclosure rates as key to this goal.

### **SDA Outreach**

#### **Contact on Capitol Hill on behalf of OCTA**

- Gaines with *Rep. Loretta Sanchez* to connect her with new OCTA Chairman
- Smith with *Sen. Patty Murray* and *Chairman Pete DiFazio* staff on potential site visits to Orange County
- Andrews with *Sen. Barbara Boxer* staff on climate change legislation

#### **Contact with relevant organizations on behalf of OCTA**

- Andrews, Burrell and Warner meeting with DOT Transition lead Mort Downey
- Burrell meeting with Ed Rosado, Legislative Director for NACo
- Garson--weekly updates from US Conference of Mayors transportation and environment legislative staff
- Lopez—USCM November 25 meeting on Main Street Stimulus
- SDA group--outreach to Republican and Democratic leadership regarding activities related to Presidential transition, stimulus plans, appropriations preparations and reauthorization discussions
- SDA group--review of important Congressional hearings and press conferences related to OCTA goals

**Report to the Orange County Transportation Authority From  
Smith, Dawson & Andrews  
December 2008**

Focus: Presidential Transition & Stimulus Activity  
December 2008

**Highlights**

On January 4, President-elect Barack Obama arrived in Washington D.C. to continue the final transition to the White House. He headed to Capitol Hill on the first business day in the nation's capital to garner expediency for his stimulus package. Both House and Senate leaders indicate that the package may take six weeks because of its complexity and fiscal size. Numbers as high as one trillion dollars are a focal point of the discussions. The configuration being discussed includes: infrastructure "shovel ready" funds, but not earmarks; possible funding for already authorized but never fully funded infrastructure projects; extension of unemployment benefits; food stamps; health coverage extension for unemployed workers; Medicaid relief to states; some corporate and individual tax breaks; workforce expansion, alternative energy and health-technology advancement initiatives. Bipartisan discussions are paramount as the President-elect begins his journey to steer the country's economic future to improved conditions.

With a pending federal deficit report due that could show the nation reaching a trillion dollar debt level, the President-elect has also called for significant and serious budget reform to be a top order of business. More details about his budget reform plans, which are expected to unfold after the January 20 inauguration, will be announced soon.

The President-elect named all of his Cabinet members—including Rep. Ray LaHood of Illinois as Secretary-designate for Transportation-- before Christmas, but controversy and a corruption investigation caused Commerce Secretary-designate Bill Richardson to withdraw from the process. Confirmation hearings for the Cabinet are beginning, as the Attorney General designate Eric Holder heads to the Senate Judiciary Committee during the first week of January. No timing has been released for the DOT Secretary's confirmation hearings to date.

Before the DOT Presidential Transition agency team members closed up shop in mid-December, OCTA sent a white paper to their attention that discussed congestion pricing, design-build construction processes, and moving people and goods by rail. This was followed by a December 11 meeting with transition team leader Mort Downey and team members Jeff Morales (former CALTRANS Director), Victor Mendez (Arizona DOT Director) and Victor Rifkin (CTA General Counsel). The meeting was coordinated as a regional discussion and attended by Rick Bacigalupo and Judith Burrell, representatives from LA METRO—David Kim-- and the City of Los Angeles—Jim Seeley in person with his counterpart

Diego Alvarez, Councilmember Wendy Grueuel and her deputy Jennifer Cohen by phone.

### **SDA Outreach**

#### **Contact on Capitol Hill on behalf of OCTA**

- Smith, Andrews and Bailey with *Rep. Peter DeFazio* on schedule for reauthorization
- Gaines with *Rep. Loretta Sanchez* regarding stimulus language and to connect her with new OCTA Chairman
- Smith with *Sen. Patty Murray* staff on status of continuing resolution and pending and next appropriations process
- Andrews with *Rep. John Olver* staff on status on continuing resolution and pending and next appropriations process

#### **Contact with relevant organizations on behalf of OCTA**

- Burrell and Newman-December 9 Congressional briefing on carbon tax and cap and trade scenarios
- Burrell-December 10 meeting with Leslie Wollack of the National League of Cities
- Burrell-December 10 DOT Transition meeting preparation with City of LA and LA METRO Washington staff: Jim Seeley, Deborah Wood and David Kim
- Burrell-December 12 APTA Legislative Committee meeting
- Gaines, Andrews & Burrell-December 17 reception for Cecilia Munoz, incoming White Intergovernmental director
- Garson-December 18 US Conference of Mayors Main Street coalition meeting and weekly updates from USCM transportation and environment legislative staff
- SDA group--outreach to Republican and Democratic leadership regarding activities related to Presidential transition, stimulus plans, appropriations preparations and reauthorization discussions
- SDA group--review of important Congressional hearings and press conferences related to OCTA goals

### **Miscellaneous**

- Andrews and Gaines at OCTA Legislative Committee meeting on December 4.







MEMO

**February 4, 2009**

To: Members of the Board of Directors  
From: <sup>WK</sup> Wendy Knowles, Clerk of the Board  
Subject: **Board Committee Transmittal for Agenda Item**

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

Thank you.



**February 5, 2009**

**To:** Legislative and Communications Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Contract for Supplemental Federal Advocacy Services

**Overview**

As the 111<sup>th</sup> Congress begins and a new administration takes office, a number of new subject matter issues will come to the forefront in Washington D.C., including federal climate legislation, rail corridor development, and rail safety. The Orange County Transportation Authority has received an unsolicited proposal for federal advocacy services which would supplement existing efforts in Washington D.C. to address these new issues.

**Recommendation**

Authorize the Chief Executive Officer to execute an agreement between the Orange County Transportation Authority and Kadash & Associates, LLC, in the amount of \$8,000 per month, for the period of March 1, 2009 to February 28, 2010, to supplement existing federal advocacy services.

**Background**

In 2007, the Orange County Transportation Authority (OCTA) undertook an extensive procurement of federal legislative consulting services in which the Board of Directors (Board) were directly involved. At the conclusion of that procurement, the Board chose two firms to represent OCTA in Washington, D.C. The first firm, Smith Dawson and Andrews (SDA), was chosen as the lead firm to represent OCTA primarily to the majority party in Congress and to the United States Department of Transportation. The second firm, Potomac Partners (PP) was chosen to represent the OCTA primarily to the minority party in Congress. Both firms were jointly assigned to represent OCTA to the committee staff and key members of the House Transportation and Infrastructure Committee, which is the prime authorizing committee for transportation legislation.

In November 2007, the Board directed staff to negotiate contracts with SDA, in an amount of \$18,000 per month and PP, in the amount of \$10,000 per month for the period of January 1, 2008 through December 31, 2010, to carry out these duties.

As indicated in the monthly reports provided to the Board, the two selected firms have been performing well. In addition to their regular information gathering and contacts with our own delegation, during the past year the firms have brought key members of Congress and staff to visit Orange County. OCTA has also testified at a Senate Committee field hearing regarding reauthorization, and OCTA was invited to provide direct input to the incoming President Obama transition team regarding transportation issues in Orange County. As a result of their efforts, technical corrections language was passed which clarified Anaheim as the terminus of the California to Nevada maglev corridor and language was added to rail authorization legislation which will require consideration of intermodal centers in high-speed rail corridor funding determinations.

Nevertheless, a number of issues have arisen during the final months of the 110<sup>th</sup> Congress which will present new subject matter challenges to the OCTA in 2009. On October 17, 2008, the President signed Public Law 110-432, the Rail Safety Improvement Act of 2008 and the Passenger Rail and Investment and Improvement Act of 2008. Regarding rail safety, this act adds significant new safety regulations to commuter rail operations such as Metrolink, including the implementation of positive train control systems in all railroads nationwide by December 31, 2015. Only \$250 million is authorized nationwide for this effort. As a result of the September Metrolink incident in Chatsworth, Senator Dianne Feinstein (D-CA) became a key proponent of this requirement and has been aggressively pursuing greater safety measures at Metrolink.

Regarding passenger rail improvement, over the next five years Public Law 110-432 authorizes \$1.9 billion in capital assistance for intercity rail corridors such as the Los Angeles – San Diego – San Luis Obispo (LOSSAN) corridor, and an additional \$1.5 billion for high-speed rail projects, including the California high-speed rail corridor. Appropriations will need to be sought for these funds in conjunction with other rail advocacy groups and individual projects approved by the Federal Rail Administration.

In addition to new rail legislation, it is expected that Senator Barbara Boxer (D-CA) will introduce major legislation to address climate change in the next Congress which will likely be linked to federal transportation reauthorization. This legislation will create the need to recognize and complement the state and local efforts undertaken in California and the

South Coast Air Basin in order to provide a rational and productive legislative result for OCTA.

These developments will unfold in an unprecedented economic climate where the federal government is expected to take a larger role in funding transportation infrastructure and also in setting transportation policy, particularly in the area of air quality.

### ***Discussion***

Faced with these recent developments, the OCTA has an opportunity to supplement its existing federal advocacy services in order to meet the new challenges of the 111<sup>th</sup> Congress and incoming Obama administration. Staff has received the attached unsolicited proposal for services from Mark Kadesh of Kadesh and Associates, LLC (Attachment A). Mr. Kadesh served for seven years as the chief of staff to Senator Feinstein. Prior to that he was Senator Feinstein's legislative director. Also in Mr. Kadesh's firm is Chris Kierig, who worked for Senator Feinstein as her legislative assistant responsible for the Senator's appropriations committee work.

Mr. Kadesh's proposal outlines his experience representing other public sector clients in California, including the South Coast Air Quality Management District and the California High Speed Rail Authority. Both of these entities will likely be allies of OCTA in pursuit of legislation in the upcoming Congress. Mr. Kadesh has also recently been retained by Los Angeles County Metropolitan Transportation Authority (Metro). Through Mobility 21, OCTA and Metro have been coordinating a regional approach to transportation authorization in Washington, D.C.

Mr. Kadesh's strong prior working relationship with Senator Feinstein's office would well serve OCTA interests in assisting implementation of Metrolink safety improvements and greater visibility of OCTA appropriation requests. In addition, his California-based experience with other public-sector clients having interests similar to OCTA, provides an opportunity for OCTA to enhance its federal advocacy team and successfully addresses the new challenges recently presented in Washington.

In addition to OCTA's federal advocates on the ground in Washington, D.C. staff is proposing a contract with terms and conditions similar to existing contracts with SDA and PP (Attachment B) including the same objectives and evaluation criteria as are contained in the contracts (Attachment C). Finally, Attachment D contains the scope of work for the contract, which will highlight the expertise which Mr. Kadesh's firm brings to the team.

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**Summary**

Staff is requesting approval to execute an agreement for supplemental federal advocacy services with Kadesh and Associates, LLC for a period of one year, from March 1, 2009 to February 28, 2010, at the amount of \$8,000 per month.

**Attachments**

- A. Proposal from Kadesh & Associates, LLC
- B. Draft Agreement No. C-9-0202 Between OCTA and Kadesh & Associates, LLC
- C. Proposed Objectives and Evaluation Criteria
- D. Proposed Scope of Work for Contract with Kadesh & Associates, LLC

**Prepared by:**



Richard J. Bacigalupo  
Federal Relations Manager  
(714) 560-5901

# **Proposal from Kadesh & Associates, LLC**

## **Background**

Kadesh & Associates, LLC was founded by Mark Kadesh in 2007. We are a limited liability corporation that provides a wide range of consultation and representation services at the Federal level for a variety of California-based clients. We have clients outside of the state, but the majority are based in California or have a significant presence there.

As a key part of our focus on providing individualized and specialized services, we work with our clients very closely to understand their objectives and develop appropriate strategies to realize their goals. Based on our experience, we know when and how to assert our clients' interests by leveraging our issue expertise, policy experience, relationships with the Congressional delegation, members of the House and Senate leadership, and committee staff.

We have been very successful in representing public agencies at the Federal level. The public agencies Kadesh & Associates represent include the Metropolitan Water District of Southern California, the South Coast Air Quality Management District, and the California High Speed Rail Authority. Our private clients include: Northrop Grumman, Tejon Ranch, Southern California Edison, and SEMPRRA Energy.

## **Outlook and Proposal**

The turnover in the Administration and the further consolidation of the democratic majorities in Congress could result in dramatic changes in Washington during the next two years. Additionally, the current fiscal crisis and the Federal government's response will likely be the main driver of the Congressional agenda for the 111<sup>th</sup> Congress.

Despite the economic outlook, there will be opportunities to address OCTA's needs in the next session. Legislation impacting the Agency's highest priorities will be addressed next year through the Surface Transportation bill. Additionally, the annual appropriations process provides another opportunity to address the OCTA's needs for both funding and policy changes. Other potential funding and policy opportunities include a stimulus package currently being discussed and some form of climate change legislation along the lines of what was considered in the 110<sup>th</sup> Congress.

It is highly likely that a stimulus package will move early in the next session; this could represent the best chance for addressing some of the Agency's most pressing transportation priorities. Funding requests for infrastructure projects are already being considered and, while we do not expect any project to be identified by name, this represents the largest opportunity for new transportation funding since the last reauthorization bill. OCTA's delegation should have a clear understanding of the projects currently in process and OCTA's ability to move on those projects quickly.

In the Senate, the Surface Transportation Bill reauthorization legislation will be put together and managed by Senator Boxer, Chair of the Environment and Public Works Committee (EPW). Senator Boxer has already indicated that one of her key priorities to address in this legislation will be air quality. While this may present a challenge to OCTA, we believe it also could prove to be a significant opportunity. As a federal non-attainment area, we believe that future legislation could provide additional resources to those regions in greatest need and willing to take the greatest action to achieve emissions reductions through transportation policy. Creating a cooperative arrangement with other Southern California transportation agencies and with the South Coast AQMD could advantage OCTA in the Surface Transportation Bill Reauthorization in the 111<sup>th</sup> Congress.

In addition, Mr. Kadash currently serves as the Washington D.C. representative of the California High Speed Rail Authority. This is another area of significant overlap of interests. A key segment of the High Speed Rail is the Anaheim to Los Angeles segment. Consequently, Kadash & Associates would be in a strong position to facilitate key investments by the federal government on this segment.

We believe that Kadash & Associates can greatly assist in OCTA's efforts in the Senate both in EPW and the Senate Appropriations Committee because of our Senate experience and the key roles the California Senators will play in the transportation debate. With many of our clients, we work as part of a team. As a small firm, we like to function as part of a team and find that no difficulty in working on pieces of an overall strategy and sharing information with all members of the team. We would welcome the opportunity to be part of the OCTA team.

### **Recent Examples of Past Success for Public Sector Clients**

In the limited time since our inception, Kadash & Associates has been successful in both the appropriations and policy areas for our public agencies.

The South Coast AQMD has received \$5 million in Congressional funding for a clean trucks program that is currently being implemented. Almost all of these FY08 funds are expected to be obligated by the end of the calendar year. Funding to continue the program is expected to be included in the FY09 budget.

Additionally, AQMD sought introduction and Congressional action on legislation to regulate the emissions of foreign-flagged cargo ships using the ports of Long Beach and Los Angeles. Emissions from these vessels are responsible for polluting the air not just near the ports but across the District. The goal of this legislation was to spur action on the part of the EPA to issue regulations relating to maritime vessel emissions and to join the international community in regulating these ships. In September – after Congressional hearings and a Senate markup – the Administration joined the international community in setting emissions standards for these vessels. Kadash & Associates will be pursuing legislation next year to expedite the timetable for emissions reductions and will also be seeking to include locomotive emissions in that legislation.

The Metropolitan Water District continues to play a pivotal role in water conservation in Southern California. Kadesh & Associates has been working with them to obtain Federal funding for water-related issues relating to uranium tailings, the quagga mussel infestation, the CALFED Levee Restoration program, and perchlorate clean up.

## **References**

### ***Marc Carrel***

Program Supervisor, Public Affairs  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, California 91765  
(909) 396-3213

### ***Tom Mullen***

Executive Director  
Western Riverside County Regional Conservation Authority  
Riverside Centre Building  
3403 10th Street, Suite 320  
Riverside, California 92501  
(951) 955-9700

### ***Linda Waade***

Deputy General Manager  
Metropolitan Water District of Southern California  
700 North Alameda Street  
Los Angeles, California 90012-2944  
(213) 217-6139

### ***Mehdi Morshed***

Executive Director  
California High-Speed Rail Authority  
925 L Street, Suite 1425.  
Sacramento, CA 95814  
(916) 324-1541

### ***Jane Carney***

Governing Board Member  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, California 91765  
(951) 682-6500

## **Cost Proposal and Contracting Options**

Kadesh & Associates, LLC 316 Pennsylvania Ave, SE, Suite 403 Washington, DC 20003  
Ph 202.547.8801



Kadesh & Associates, LLC work on a monthly retainer basis. Our general fee for public agencies and non-profits is \$8,000 per month.

### **Firm Bios**

#### **Mark Kadesh**

Mark Kadesh has extensive experience and insights gained from his sixteen years working on Capitol Hill. For seven years he served as Chief of Staff to Senator Dianne Feinstein (D-CA). He previously served as Legislative Director for Senator Feinstein, handling and gaining in-depth familiarity of issues ranging from tax, commerce, environmental regulations, water, energy, finance, trade and appropriations. Prior to that Kadesh served as Chief of Staff to Representative Jane Harman (D-CA) and as a Legislative Assistant for Senator Daniel Patrick Moynihan(D-NY).

From San Francisco, Kadesh is a Summa Cum Laude and Phi Beta Kappa graduate of Brandeis University and received a Master's degree in public policy from Harvard University's Kennedy School of Government.

#### **Chris Kierig**

Chris Kierig is highly knowledgeable of the internal workings of the appropriations process and with issues unique to California and Western States. For eight years, he served as Legislative Assistant for Senator Dianne Feinstein (D-CA) where he was responsible for handling the Senator's membership on the Senate Appropriations Committee. As the Senator's key appropriations advisor, he was responsible for coordinating funding requests for infrastructure projects and programs. This position included working directly with California counties and cities to advance their local agendas through Federal funding. Chris was also heavily involved in shaping transportation policy and coordinating Federal responses to California natural disasters. He brings valuable skill and institutional knowledge to the firm. Chris holds a Bachelors degree in Political Science from Occidental College and a MBA from Pepperdine University.

**DRAFT AGREEMENT NO. C-9-0202**

**BETWEEN**

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**AND**

**KADESH & ASSOCIATES, LLC**

**THIS AGREEMENT** is effective this \_\_\_\_ day of \_\_\_\_\_, 2009, by and between the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584, a public corporation of the state of California (hereinafter referred to as "AUTHORITY"), and Kadesh & Associates, LLC, 316 Pennsylvania Avenue SE Suite 403, Washington, DC 20003 (hereinafter referred to as "CONSULTANT").

**WITNESSETH:**

**WHEREAS**, AUTHORITY requires assistance from CONSULTANT to provide supplemental federal advocacy services; and

**WHEREAS**, said work cannot be performed by the regular employees of AUTHORITY; and

**WHEREAS**, CONSULTANT has represented that it has the requisite personnel and experience, and is capable of performing such services; and

**WHEREAS**, CONSULTANT wishes to perform these services; and

**WHEREAS**, the AUTHORITY's Board of Directors approved this Agreement on February 9, 2009;

**NOW, THEREFORE**, it is mutually understood and agreed by AUTHORITY and CONSULTANT as follows:

**ARTICLE 1. COMPLETE AGREEMENT**

A. This Agreement, including all exhibits and documents incorporated herein and made applicable by reference, constitutes the complete and exclusive statement of the terms and conditions of this Agreement between AUTHORITY and CONSULTANT and it supersedes all prior representations, understandings and communications. The invalidity in whole or in part of any term or

1 condition of this Agreement shall not affect the validity of other terms or conditions.

2 B. AUTHORITY's failure to insist in any one or more instances upon CONSULTANT's  
 3 performance of any terms or conditions of this Agreement shall not be construed as a waiver or  
 4 relinquishment of AUTHORITY's right to such performance or to future performance of such terms or  
 5 conditions and CONSULTANT's obligation in respect thereto shall continue in full force and effect.  
 6 Changes to any portion of this Agreement shall not be binding upon AUTHORITY except when  
 7 specifically confirmed in writing by an authorized representative of AUTHORITY by way of a written  
 8 amendment to this Agreement and issued in accordance with the provisions of this Agreement.

9 **ARTICLE 2. AUTHORITY DESIGNEE**

10 The Chief Executive Officer of AUTHORITY, or designee, shall have the authority to act for and  
 11 exercise any of the rights of AUTHORITY as set forth in this Agreement.

12 **ARTICLE 3. SCOPE OF WORK**

13 A. CONSULTANT shall perform the work necessary to complete in a manner satisfactory to  
 14 AUTHORITY the services set forth in Exhibit A, entitled "Scope of Work," attached to and, by this  
 15 reference, incorporated in and made a part of this Agreement. All services shall be provided at the  
 16 times and places designated by AUTHORITY.

17 B. CONSULTANT shall provide the personnel listed below to perform the above-specified  
 18 services, which persons are hereby designated as key personnel under this Agreement.

<b><u>Names</u></b>	<b><u>Functions</u></b>
Mark Kadesh	Project Manager
Chris Kierig	Appropriations Process

22 C. No person named in paragraph B of this Article, or his/her successor approved by  
 23 AUTHORITY, shall be removed or replaced by CONSULTANT, nor shall his/her agreed-upon function  
 24 or level of commitment hereunder be changed, without the prior written consent of AUTHORITY.  
 25 Should the services of any key person become no longer available to CONSULTANT, the resume and  
 26 qualifications of the proposed replacement shall be submitted to AUTHORITY for approval as soon as

1 possible, but in no event later than seven (7) calendar days prior to the departure of the incumbent key  
2 person, unless CONSULTANT is not provided with such notice by the departing employee.  
3 AUTHORITY shall respond to CONSULTANT within seven (7) calendar days following receipt of these  
4 qualifications concerning acceptance of the candidate for replacement.

5 **ARTICLE 4. TERM OF AGREEMENT**

6 This Agreement shall commence on March 1, 2009, and shall continue in full force and effect  
7 through February 28, 2010, unless earlier terminated or extended as provided in this Agreement.

8 **ARTICLE 5. PAYMENT**

9 A. For CONSULTANT's full and complete performance of its obligations under this Agreement  
10 and subject to the maximum cumulative payment obligation provisions set forth in Article 6,  
11 AUTHORITY shall pay CONSULTANT on a firm fixed monthly rate in accordance with the following  
12 provisions.

13 B. On a monthly basis, over the term of this Agreement, or until terminated as provided  
14 elsewhere in this Agreement, AUTHORITY shall pay CONSULTANT thirty (30) days in arrears for  
15 services performed the previous month. For services rendered, CONSULTANT shall be paid \$8,000.00  
16 per month for work performed as set forth in the Scope of Work.

17 C. Work completed shall be documented in a monthly report prepared by CONSULTANT in  
18 sufficient detail to satisfy AUTHORITY, which shall accompany each invoice submitted by  
19 CONSULTANT. CONSULTANT shall also furnish such other information as may be requested by  
20 AUTHORITY to substantiate the validity of an invoice.

21 D. Invoices shall be submitted by CONSULTANT on a monthly basis and shall be submitted in  
22 duplicate to AUTHORITY's Accounts Payable office. Each invoice shall be accompanied by the  
23 monthly report specified in paragraph C of this Article. AUTHORITY shall remit payment within thirty  
24 (30) calendar days of the receipt and approval of each invoice. Each invoice shall include the following  
25 information:

26 /

- 1           1. Agreement No. C-9-0202;
- 2           2. The time period covered by the invoice;
- 3           3. Total monthly invoice (including year-to-date cumulative invoice amount);
- 4           4. Monthly Report;
- 5           5. Certification signed by the CONSULTANT or his/her designated alternate that a)
- 6           The invoice is a true, complete and correct statement of reimbursable costs and progress; b) The
- 7           backup information included with the invoice is true, complete and correct in all material respects; c) All
- 8           payments due and owing to subcontractors and suppliers have been made; d) Timely payments will
- 9           be made to subcontractors and suppliers from the proceeds of the payments covered by the
- 10          certification and; e) The invoice does not include any amount which CONSULTANT intends to withhold
- 11          or retain from a subcontractor or supplier unless so identified on the invoice.
- 12          6. Any other information as agreed or requested by AUTHORITY to substantiate the
- 13          validity of an invoice.

14           **ARTICLE 6. MAXIMUM OBLIGATION**

15           Notwithstanding any provisions of this Agreement to the contrary, AUTHORITY and

16           CONSULTANT mutually agree that AUTHORITY's maximum cumulative payment obligation (including

17           obligation for CONSULTANT's profit) shall be Ninety-Six Thousand Dollars (\$96,000.00) which shall

18           include all amounts payable to CONSULTANT for its subcontracts, leases, materials and costs arising

19           from, or due to termination of, this Agreement.

20           **ARTICLE 7. NOTICES**

21           All notices hereunder and communications regarding the interpretation of the terms of this

22           Agreement, or changes thereto, shall be effected by delivery of said notices in person or by depositing

23           said notices in the U.S. mail, registered or certified mail, returned receipt requested, postage prepaid

24           and addressed as follows:

25           /

26           /

1 To CONSULTANT:

2 Kadesh & Associates, LLC

3 316 Pennsylvania Avenue SE

4 Suite 403

5 Washington, DC 20003

6 ATTENTION: Mark Kadesh

7 (202) 547-8801

To AUTHORITY:

Orange County Transportation Authority

550 South Main Street

P.O. Box 14184

Orange, CA 92863-1584

ATTENTION: Carolina Coppolo

(714) 560 - 5615

8 **ARTICLE 8. INDEPENDENT CONTRACTOR**

9 CONSULTANT's relationship to AUTHORITY in the performance of this Agreement is that of an  
10 independent contractor. CONSULTANT's personnel performing services under this Agreement shall at  
11 all times be under CONSULTANT's exclusive direction and control and shall be employees of  
12 CONSULTANT and not employees of AUTHORITY. CONSULTANT shall pay all wages, salaries and  
13 other amounts due its employees in connection with this Agreement and shall be responsible for all  
14 reports and obligations respecting them, such as social security, income tax withholding, unemployment  
15 compensation, workers' compensation and similar matters.

16 **ARTICLE 9. INSURANCE**

17 A. CONSULTANT shall procure and maintain insurance coverage during the entire term of this  
18 Agreement. Coverage shall be full coverage and not subject to self-insurance provisions.  
19 CONSULTANT shall provide the following insurance coverage:

20 1. Commercial General Liability, to include Products/Completed Operations,  
21 Independent Contractors', Contractual Liability, and Personal Injury Liability with a minimum limit of  
22 \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

23 2. Automobile Liability Insurance to include owned, hired and non-owned autos  
24 with a combined single limit of \$1,000,000.00 each accident;

25 3. Workers' Compensation with limits as required by the State of California including a  
26 waiver of subrogation in favor of AUTHORITY, its officers, directors, employees or agents;

1 4. Employers' Liability with minimum limits of \$1,000,000.00; and

2 5. Professional Liability with minimum limits of \$1,000,000.00 per claim.

3 B. Proof of such coverage, in the form of an insurance company issued policy endorsement  
4 and a broker-issued insurance certificate, must be received by AUTHORITY prior to commencement of  
5 any work. Proof of insurance coverage must be received by AUTHORITY within ten (10) calendar days  
6 from the effective date of this Agreement with the AUTHORITY, its officers, directors, employees and  
7 agents designated as additional insured on the general and automobile liability. Such insurance shall  
8 be primary and non-contributive to any insurance or self-insurance maintained by the AUTHORITY.

9 C. CONSULTANT shall include on the face of the Certificate of Insurance the Agreement  
10 Number C-9-0202; and, the Contract Administrator's Name, Carolina Coppolo.

11 D. CONSULTANT shall also include in each subcontract the stipulation that subcontractors  
12 shall maintain insurance coverage in the amounts required from CONSULTANT as provided in this  
13 Agreement.

14 **ARTICLE 10. ORDER OF PRECEDENCE**

15 Conflicting provisions hereof, if any, shall prevail in the following descending order of  
16 precedence: (1) the provisions of this Agreement, including all exhibits; (2) CONSULTANT's proposal  
17 dated January 5, 2009; (3) all other documents, if any, cited herein or incorporated by reference.

18 **ARTICLE 11. CHANGES**

19 By written notice or order, AUTHORITY may, from time to time, order work suspension and/or  
20 make changes in the general scope of this Agreement, including, but not limited to, the services  
21 furnished to AUTHORITY by CONSULTANT as described in the Scope of Work. If any such work  
22 suspension or change causes an increase or decrease in the price of this Agreement, or in the time  
23 required for its performance, CONSULTANT shall promptly notify AUTHORITY thereof and assert its  
24 claim for adjustment within ten (10) calendar days after the change or work suspension is ordered, and  
25 an equitable adjustment shall be negotiated. However, nothing in this clause shall excuse  
26 CONSULTANT from proceeding immediately with the agreement as changed.

1           **ARTICLE 12. DISPUTES**

2           A. Except as otherwise provided in this Agreement, any dispute concerning a question of fact  
3 arising under this Agreement which is not disposed of by supplemental agreement shall be decided by  
4 AUTHORITY's Director, Contracts Administration and Materials Management (CAMM), who shall  
5 reduce the decision to writing and mail or otherwise furnish a copy thereof to CONSULTANT. The  
6 decision of the Director, CAMM, shall be final and conclusive.

7           B. The provisions of this Article shall not be pleaded in any suit involving a question of fact  
8 arising under this Agreement as limiting judicial review of any such decision to cases where fraud by  
9 such official or his representative or board is alleged, provided, however, that any such decision shall  
10 be final and conclusive unless the same is fraudulent or capricious or arbitrary or so grossly erroneous  
11 as necessarily to imply bad faith or is not supported by substantial evidence. In connection with any  
12 appeal proceeding under this Article, CONSULTANT shall be afforded an opportunity to be heard and  
13 to offer evidence in support of its appeal.

14           C. Pending final decision of a dispute hereunder, CONSULTANT shall proceed diligently with  
15 the performance of this Agreement and in accordance with the decision of AUTHORITY's Director,  
16 CAMM. This Disputes clause does not preclude consideration of questions of law in connection with  
17 decisions provided for above. Nothing in this Agreement, however, shall be construed as making final  
18 the decision of any AUTHORITY official or representative on a question of law, which questions shall be  
19 settled in accordance with the laws of the state of California.

20           **ARTICLE 13. TERMINATION**

21           A. AUTHORITY may terminate this Agreement for its convenience at any time, in whole or  
22 part, by giving CONSULTANT written notice thereof. Upon said notice, AUTHORITY shall pay  
23 CONSULTANT its allowable costs incurred to date of termination and those allowable costs determined  
24 by AUTHORITY to be reasonably necessary to effect such termination. Thereafter, CONSULTANT  
25 shall have no further claims against AUTHORITY under this Agreement.

26 /



1 B. AUTHORITY may terminate this Agreement for CONSULTANT's default if a federal or state  
2 proceeding for the relief of debtors is undertaken by or against CONSULTANT, or if CONSULTANT  
3 makes an assignment for the benefit of creditors, or if CONSULTANT breaches any term(s) or violates  
4 any provision(s) of this Agreement and does not cure such breach or violation within ten (10) calendar  
5 days after written notice thereof by AUTHORITY. CONSULTANT shall be liable for all reasonable costs  
6 incurred by AUTHORITY as a result of such default including, but not limited to, reprourement costs of  
7 the same or similar services defaulted by CONSULTANT under this Agreement.

8 **ARTICLE 14. INDEMNIFICATION**

9 CONSULTANT shall indemnify, defend and hold harmless AUTHORITY, its officers, directors,  
10 employees and agents from and against any and all claims (including attorneys' fees and reasonable  
11 expenses for litigation or settlement) for any loss or damages, bodily injuries, including death, damage  
12 to or loss of use of property caused by the negligent acts, omissions or willful misconduct by  
13 CONSULTANT, its officers, directors, employees, agents, subcontractors or suppliers in connection  
14 with or arising out of the performance of this Agreement.

15 **ARTICLE 15. ASSIGNMENTS AND SUBCONTRACTS**

16 Neither this Agreement nor any interest herein nor claim hereunder may be assigned by  
17 CONSULTANT either voluntarily or by operation of law, nor may all or any part of this Agreement be  
18 subcontracted by CONSULTANT, without the prior written consent of AUTHORITY. Consent by  
19 AUTHORITY shall not be deemed to relieve CONSULTANT of its obligations to comply fully with all  
20 terms and conditions of this Agreement.

21 **ARTICLE 16. AUDIT AND INSPECTION OF RECORDS**

22 CONSULTANT shall provide AUTHORITY, or other agents of AUTHORITY, such access to  
23 CONSULTANT's accounting books, records, payroll documents and facilities, as AUTHORITY deems  
24 necessary. CONSULTANT shall maintain such books, records, data and documents in accordance  
25 with generally accepted accounting principles and shall clearly identify and make such items readily  
26 accessible to such parties during CONSULTANT's performance hereunder and for a period of four (4)

1 years from the date of final payment by AUTHORITY. AUTHORITY's right to audit books and records  
2 directly related to this Agreement shall also extend to all first-tier subcontractors identified in Article 15  
3 of this Agreement. Consultant shall permit any of the foregoing parties to reproduce documents by any  
4 means whatsoever or to copy excerpts and transcriptions as reasonably necessary.

5 **ARTICLE 17. FEDERAL, STATE AND LOCAL LAWS**

6 CONSULTANT warrants that in the performance of this Agreement, it shall comply with all  
7 applicable federal, state and local laws, statutes and ordinances and all lawful orders, rules and  
8 regulations promulgated thereunder.

9 **ARTICLE 18. EQUAL EMPLOYMENT OPPORTUNITY**

10 In connection with its performance under this Agreement, CONSULTANT shall not discriminate  
11 against any employee or applicant for employment because of race, religion, color, sex, age or national  
12 origin. CONSULTANT shall take affirmative action to ensure that applicants are employed, and that  
13 employees are treated during their employment, without regard to their race, religion, color, sex, age or  
14 national origin. Such actions shall include, but not be limited to, the following: employment, upgrading,  
15 demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other  
16 forms of compensation; and selection for training, including apprenticeship.

17 **ARTICLE 19. PROHIBITED INTERESTS**

18 CONSULTANT covenants that, for the term of this Agreement, no director, member, officer or  
19 employee of AUTHORITY during his/her tenure in office or for one (1) year thereafter shall have any  
20 interest, direct or indirect, in this Agreement or the proceeds thereof.

21 **ARTICLE 20. PROFESSIONAL CONFLICT OF INTEREST/PROHIBITION**

22 A. If either CONSULTANT or AUTHORITY determines that a matter of professional conflict or  
23 potential conflict of interest has arisen during CONSULTANT's representation, which should not or  
24 could not be postponed until the conclusion of the representation, CONSULTANT or AUTHORITY shall  
25 immediately provide written notice detailing said conflict. A professional conflict of interest shall be  
26 deemed to have arisen when CONSULTANT is representing more than one client and CONSULTANT

1 has taken or will take a position on behalf of another client that is contrary to AUTHORITY's policy  
2 position or direction. In that event, CONSULTANT shall immediately resolve the conflict by recusing  
3 itself from representation of AUTHORITY or other client on that matter.

4 B. CONSULTANT shall be prohibited from representing or lobbying for any party competing for  
5 a contract with AUTHORITY (either as a prime or a subcontractor).

6 **ARTICLE 21. OWNERSHIP OF REPORTS AND DOCUMENTS**

7 A. The originals of all letters, documents, reports and other products and data produced under  
8 this Agreement shall be delivered to, and become the property of AUTHORITY. Copies may be made  
9 for CONSULTANT's records but shall not be furnished to others without written authorization from  
10 AUTHORITY. Such deliverables shall be deemed works made for hire and all rights in copyright therein  
11 shall be retained by AUTHORITY.

12 B. All ideas, memoranda, specifications, plans, manufacturing, procedures, drawings,  
13 descriptions, and all other written information submitted to CONSULTANT in connection with the  
14 performance of this Agreement shall not, without prior written approval of AUTHORITY, be used for any  
15 purposes other than the performance under this Agreement, nor be disclosed to an entity not connected  
16 with the performance of the project. CONSULTANT shall comply with AUTHORITY's policies regarding  
17 such material. Nothing furnished to CONSULTANT which is otherwise known to CONSULTANT or is or  
18 becomes generally known to the related industry shall be deemed confidential. CONSULTANT shall not  
19 use AUTHORITY's name, photographs of the project, or any other publicity pertaining to the project in  
20 any professional publication, magazine, trade paper, newspaper, seminar or other medium without the  
21 express written consent of AUTHORITY.

22 C. No copies, sketches, computer graphics or graphs, including graphic artwork, are to be  
23 released by CONSULTANT to any other person or agency except after prior written approval by  
24 AUTHORITY, except as necessary for the performance of services under this Agreement. All press  
25 releases, including graphic display information to be published in newspapers, magazines, etc., are to  
26 be handled only by AUTHORITY unless otherwise agreed to by CONSULTANT and AUTHORITY.

**ARTICLE 22. PATENT AND COPYRIGHT INFRINGEMENT**

A. In lieu of any other warranty by AUTHORITY or CONSULTANT against patent or copyright infringement, statutory or otherwise, it is agreed that CONSULTANT shall defend at its expense any claim or suit against AUTHORITY on account of any allegation that any item furnished under this Agreement or the normal use or sale thereof arising out of the performance of this Agreement, infringes upon any presently existing U. S. letters patent or copyright and CONSULTANT shall pay all costs and damages finally awarded in any such suit or claim, provided that CONSULTANT is promptly notified in writing of the suit or claim and given authority, information and assistance at CONSULTANT's expense for the defense of same. However, CONSULTANT will not indemnify AUTHORITY if the suit or claim results from: (1) AUTHORITY's alteration of a deliverable, such that said deliverable in its altered form infringes upon any presently existing U.S. letters patent or copyright; or (2) the use of a deliverable in combination with other material not provided by CONSULTANT when such use in combination infringes upon an existing U.S. letters patent or copyright.

B. CONSULTANT shall have sole control of the defense of any such claim or suit and all negotiations for settlement thereof. CONSULTANT shall not be obligated to indemnify AUTHORITY under any settlement made without CONSULTANT's consent or in the event AUTHORITY fails to cooperate fully in the defense of any suit or claim, provided, however, that said defense shall be at CONSULTANT's expense. If the use or sale of said item is enjoined as a result of such suit or claim, CONSULTANT, at no expense to AUTHORITY, shall obtain for AUTHORITY the right to use and sell said item, or shall substitute an equivalent item acceptable to AUTHORITY and extend this patent and copyright indemnity thereto.

**ARTICLE 23. FINISHED AND PRELIMINARY DATA**

A. All of CONSULTANT's finished technical data, including but not limited to illustrations, photographs, tapes, software, software design documents, including without limitation source code, binary code, all media, technical documentation and user documentation, photoprints and other graphic information required to be furnished under this Agreement, shall be AUTHORITY's property upon

1 payment and shall be furnished with unlimited rights and, as such, shall be free from proprietary  
2 restriction except as elsewhere authorized in this Agreement. CONSULTANT further agrees that it  
3 shall have no interest or claim to such finished, AUTHORITY-owned, technical data; furthermore, said  
4 data is subject to the provisions of the Freedom of Information Act, 5 USC 552.

5 B. It is expressly understood that any title to preliminary technical data is not passed to  
6 AUTHORITY but is retained by CONSULTANT. Preliminary data includes roughs, visualizations,  
7 software design documents, layouts and comprehensives prepared by CONSULTANT solely for the  
8 purpose of demonstrating an idea or message for AUTHORITY's acceptance before approval is given  
9 for preparation of finished artwork. Preliminary data title and right thereto shall be made available to  
10 AUTHORITY if CONSULTANT causes AUTHORITY to exercise Article 11, and a price shall be  
11 negotiated for all preliminary data.

12 **ARTICLE 24. ALCOHOL AND DRUG POLICY**

13 AUTHORITY and CONSULTANT shall provide under this Agreement, a safe and healthy work  
14 environment free from the influence of alcohol and drugs. Failure to comply with this Article may result  
15 in nonpayment or termination of this Agreement.

16 **ARTICLE 25. FORCE MAJEURE**

17 Either party shall be excused from performing its obligations under this Agreement during the  
18 time and to the extent that it is prevented from performing by an unforeseeable cause beyond its  
19 control, including but not limited to: any incidence of fire, flood; acts of God; commandeering of material,  
20 products, plants or facilities by the federal, state or local government; national fuel shortage; or a  
21 material act or omission by the other party; when satisfactory evidence of such cause is presented to  
22 the other party, and provided further that such nonperformance is unforeseeable, beyond the control  
23 and is not due to the fault or negligence of the party not performing.

24 /

25 /

26 /

This Agreement shall be made effective upon execution by both parties.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement No. C-9-0202 to be executed on the date first above written.

**KADESH & ASSOCIATES, LLC**

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

By \_\_\_\_\_

By \_\_\_\_\_

Mark Kadesh  
President

Arthur T. Leahy  
Chief Executive Officer

APPROVED AS TO FORM:

By \_\_\_\_\_

Kennard R. Smart, Jr.  
General Counsel

APPROVED:

By \_\_\_\_\_

Richard Bacigalupo  
Manager, Federal Relations

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## **Proposed Objectives and Evaluation Criteria**

### **Reporting Relationship**

The Manager of Federal Relations and/or his/her designee will be the key contact and will direct the work of the consultant.

### **Role of the Consultant**

Under the direction of the Manager of Federal Relations and/or his/her designee, the consultant shall be responsible for implementing the objectives described below:

### **Objectives**

**Objective 1:** Maintain regular contact with the Executive Branch, members of Congress and committee staff, and relevant departments, agencies, boards, commissions, committees, and staff to determine impending changes in laws, regulations, and funding priorities that relate to the Orange County Transportation Authority (OCTA).

- Meet with members of the Executive Branch and Congress to discuss policy issues affecting OCTA.
- Attend hearings of the relevant congressional committees and report issues that could affect funding or programming of OCTA projects.
- Attend meetings and be aware of the activities of major transportation trade associations and public interest groups and report issues learned at these meetings which impact OCTA.
- Participate in transportation related meetings with various federal departments, including, but not limited to, the Department of Transportation, Department of Health and Human Services, Department of Labor, and Environmental Protection Agency.

#### **Evaluation Factors Objective 1:**

1. Content and timeliness of electronic reports of issues that could affect OCTA projects or funding.
2. Extent to which issues are resolved based on consultant's advice.

**Objective 2:** Notify OCTA in a timely manner of anticipated, newly introduced, or amended federal legislation and proposed regulations which could impact OCTA.

- Provide bill number and brief summary of introduced or amended federal legislation via e-mail.
- Provide information relative to legislative hearings.
- Advise OCTA of proposed transportation, environmental, employment, health and human services, and safety related legislation and regulations which could impact OCTA and provide copies as requested.

Evaluation Factors Objective 2:

1. Timeliness of notice of legislation, committee analyses, and proposed regulations provided.
2. Timeliness and accuracy of electronic notification of introduced bills and amendments, with summaries.
3. Extent of participation of OCTA at relevant legislative hearings.
4. Effectiveness of advice on which actions should be taken and the timing of such actions.

**Objective 3** Advocate OCTA's legislative program, projects, and positions on legislation, proposed regulations, and funding priorities as adopted by the Board of Directors.

- Participate in the preparation of OCTA's legislative program by informing staff of upcoming legislative proposals, budget forecasts, and potential policy issues.
- Assist in drafting proposed amendments to legislation and regulations.
- Testify on behalf of OCTA or prepare Board Members or staff to testify regarding Board-adopted positions on legislation at committee hearings, as appropriate.
- Assist in the preparation of specific appropriation funding requests.
- Assist in the drafting of all written correspondence, testimony, and position papers given on behalf of OCTA.
- Schedule meetings with congressional members, administrative offices, and departments for OCTA Board Members and staff to advocate legislative and funding priorities.
- Participate in transit and transportation lobbying coalitions.
- Analyze and prepare advice on the proposed federal budget as it relates to transportation, including, but not limited to, identifying decreases/increases in existing programs, new funding sources, and strategies to enhance transportation funding for OCTA.

Evaluation Factors Objective 3:

1. Completeness and accuracy of all written correspondence, testimony, and position papers given on behalf of OCTA.
2. Effectiveness of furthering OCTA goals in meetings with legislators and administration officials.
3. Effectiveness in obtaining appropriations of specific project funding requests.
4. Extent to which advocacy resulted in the achievement or furtherance of OCTA's legislative program.

**Objective 4:** Provide written and oral reports.

- Prepare monthly written reports highlighting transportation and related developments in Washington, D.C. of importance to OCTA.
- Submit an annual written report of advocacy activities and accomplishments.
- As determined by OCTA, present oral reports to the Board of Directors during regular meetings.



- Meet with OCTA staff and Board Members to establish a strategy for presenting OCTA's program in Washington, D.C.
- As determined by OCTA, participate via telephone in the Legislative and Government Affairs Committee meeting or other designated committee of the Board of Directors.
- Maintain close contact with the Manager of Federal Relations on day to day issues of importance to the OCTA .
- Provide electronic updates via e-mail to designated recipients on meetings of Congress, transportation issues of importance, press releases, and other issues of importance to OCTA.

**Evaluation Factors Objective 4:**

1. Clarity and correctness of monthly written reports highlighting transportation and related developments in Washington, D.C.
2. Clarity and correctness of oral reports giving advocacy advice.
3. Correctness and effectiveness of advice to OCTA.
4. Based upon knowledge of OCTA, ability to quickly determine relevant federal issues for action and reporting.
5. Timeliness and accuracy of electronic updates on issues of importance.

**Objective 5: Availability and participation during visits to Washington, D.C.**

- Assist in the preparation of meeting materials and message for visits.
- Provide briefings in Washington, D.C. in conjunction with meetings on the Hill.
- When requested, accompany OCTA at relevant meetings.
- Provide follow-up information and materials to persons visited.

**Evaluation Factors Objective 5:**

1. Extent to which visits to Washington, D.C. are coordinated and materials are available for efficient and effective meetings.
2. Timeliness and accuracy of follow-up actions based on meetings.

**Objective 6: Provide monthly invoices of services provided.**

- Provide a written summary of activities undertaken on behalf of OCTA.
- Provide a list of issues advocated during the month and status.

**Evaluation Factors Objective 6:**

1. Clarity and completeness of monthly invoice that includes a written summary of meetings attended on behalf of OCTA, and list and status of issues advocated during the month.

## **Proposed Scope of Work for Contract with Kadesh & Associates, LLC**

Consultant shall perform the following tasks as required by the Orange County Transportation Authority (OCTA):

### **Legislation, Regulation, and Policy Tasks**

1. In furtherance of the policies and goals of the OCTA Federal Legislative Platform, recommend appropriate roles for OCTA Board Members and local elected officials at key stages of the legislative process.
2. Advise staff and prepare follow up actions to support appropriations requests.
3. Coordinate the overall schedule and message for OCTA Board Members and staff during trips to Washington, D.C.
4. Assist in the drafting of letters, statutory or report language, and other written materials necessary to ensure that the goals and objectives of the OCTA legislative program are fulfilled.

### **Client Coordination and Communication**

5. Coordinate all activities with OCTA's Manager of Federal Relations.
6. Participate in a biweekly conference call with OCTA staff, lobbyists, and other Orange County entities as appropriate.
7. Provide on-site oral reports to Board at OCTA Headquarters (not to exceed six/year).
8. Provide monthly activity and status reports.
9. File all necessary forms with federal offices regarding representation of OCTA.

## **Contact Assignments**

10. Jointly coordinate all communications with the members of the Orange County Congressional Delegation through the Manager of Federal Relations focusing on the California senators.
11. Represent OCTA to the offices of the California senators.
12. Jointly with other OCTA federal legislative consultants represent OCTA to the Majority Leader of the Senate.
13. Primarily, and in conjunction with OCTA's other federal legislation consultants, represent OCTA regarding the following subject matter areas:
  - a. Passenger rail safety
  - b. Passenger rail capacity improvement
  - c. LOSSAN Corridor service integration
  - d. California to Nevada Maglev high-speed rail
  - e. California High-Speed Rail
  - f. Federal environmental and climate change legislation relating to transportation





*BOARD COMMITTEE TRANSMITTAL*

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** Wendy Knowles, Clerk of the Board <sup>WK</sup>  
**Subject:** Proposition 1B State-Local Partnership Program Project Approvals

Highways Committee Meeting of February 2, 2009

**Present:** Directors Amante, Cavecche, Glaab, Green, Mansoor, Nguyen, Norby, and Pringle  
**Absent:** Director Dixon

**Committee Vote**

This item was passed by all Committee Members present.

**Committee Recommendations**

- A. Authorize the Chief Executive Officer to submit project nominations to the California Transportation Commission for the Proposition 1B State-Local Partnership Program and commit local matching funds as proposed.
- B. Authorize staff to make all necessary amendments to the Regional Transportation Improvement Program and execute any necessary agreements to facilitate the actions above.
- C. Authorize the Chief Executive Officer to submit additional projects or substitute eligible projects from the Measure M streets and roads program as necessary to retain all Proposition 1B State-Local Partnership Program revenue for fiscal year 2008-09.



**February 2, 2009**

**To:** Highways Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Proposition 1B State-Local Partnership Program Project Approvals

### **Overview**

The guidelines for the Proposition 1B State-Local Partnership Program have been released and staff has developed a program of projects to submit to the California Transportation Commission. The project nominations are presented for approval.

### **Recommendations**

- A. Authorize the Chief Executive Officer to submit project nominations to the California Transportation Commission for the Proposition 1B State-Local Partnership Program and commit local matching funds as proposed.
- B. Authorize staff to make all necessary amendments to the Regional Transportation Improvement Program and execute any necessary agreements to facilitate the actions above.
- C. Authorize the Chief Executive Officer to submit additional projects or substitute eligible projects from the Measure M streets and roads program as necessary to retain all Proposition 1B State-Local Partnership Program revenue for fiscal year 2008-09.

### **Background**

Proposition 1B, passed by the voters in November 2006, included the State-Local Partnership Program (SLPP); however, implementing legislation was still needed to determine the funding methodology. On September 20, 2008, the Governor signed AB 268 (Chapter 756, Statutes of 2008), establishing the distribution of funds primarily on a formula basis to match local voter-approved taxes. In the fall, guidelines for the SLPP were distributed

statewide for comments, and the California Transportation Commission (CTC) adopted the final draft at its December 11, 2008, meeting.

***Discussion***

The SLPP is a five-year program which intends to reward entities with a voter-approved local transportation sales tax measure by offering a dollar-for-dollar match to fund project construction or equipment acquisition for transportation projects funded by local transportation sales tax funds. Orange County's estimated annual available funding share is \$16.4 million for fiscal years (FY) 2009-13. Pre-construction phase activities may not be funded with SLPP funds and initial project allocations may be made as early as April 2009. The SLPP funds not used in one FY roll forward into the next FY.

The CTC guidelines include the following major requirements:

- A dollar-for-dollar local match
- Match funds must be provided from the transportation tax that qualifies the applicant for SLPP funding
- SLPP will fund project construction or equipment acquisition.
- CTC policy requires that SLPP allocations are valid for encumbrance for six months from the date of approval

Projects that are already funded through other Proposition 1B programs which use Measure M funds for the required local match are not eligible for these funds.

The Orange County Transportation Authority (OCTA) Measure M funds are used to deliver freeway, rail transit, and street and road projects. The Measure M freeway projects are either complete or well underway and thus not eligible. The Metrolink Major Expansion Program is the outstanding element of the Measure M transit program; however, OCTA is pursuing a shift of Proposition 116 funds to this project. Renewed Measure M freeway and transit projects were also reviewed; however, the near-term delivery requirements and use of other Proposition 1B funds for those projects also limits the ability to add SLPP.

Therefore, the Measure M streets and roads projects were considered for SLPP nominations. The Combined Funding Transportation Program (CTFP) dedicates the Measure M revenue available to local jurisdictions for streets and roads improvement projects. The CTFP is further divided into sub-programs

including the Smart Streets Program (SSP), Regional Interchange Program, Intersection Improvement Program, Signal Improvement Program, and the Master Plan of Arterial Highways. These sub-programs provide potential projects eligible to use SLPP funds (Attachment A).

The SSP projects are proposed to be nominated in this submittal along with other projects included in the CTFP. The SSP is a regional program that is sponsored by OCTA and 100 percent funded with Measure M dollars. Recent changes in project costs, and loss of forecasted Measure M funds due to economic downturn, combined with the readiness state of the projects makes these ideal candidates for SLPP funding.

The project nominations to the state propose four SSP projects valued at \$24 million, which will result in approximately \$12 million in new SLPP revenue for this program. OCTA staff recommends allocation of the SLPP to following four projects:

Sponsoring Agency	Project	Total Eligible Construction Cost	Measure M*	New Proposition 1B SLPP Revenue
La Habra	Imperial Highway	\$11,930,087	\$5,965,044	\$5,965,043
Brea	Imperial Highway	\$400,000	\$200,000	\$200,000
Anaheim	Katella Avenue – Humor Drive to Jean Street	\$4,800,000	\$2,400,000	\$2,400,000
County	Katella Avenue – Stanton Channel to Jean Street	\$6,727,872	\$3,363,936	\$3,363,936
Recommended SLPP Program	All Projects/Totals	\$23,857,959	\$11,928,980	\$11,928,979

\* Eligible Measure M contribution 1:1 match to SLPP revenue.

This will allow OCTA to fully fund the remaining segments of the SSP program and capture most of the SLPP funds for FY 2008-09. In addition, staff will continue with its efforts to identify other eligible projects within the CTFP sub-programs to nominate for the remaining SLPP funds. This effort requires further coordination with the Technical Steering Committee and the Technical Advisory Committee (TAC) to ensure all of the capacity available to Orange County within the SLPP is programmed as early as possible.



The additional projects will be selected based on the SLPP guideline criteria, the implementing agency's willingness to become an SLPP recipient (requires an audit and semi-annual/final reporting), project readiness (bringing revenue into the sub-programs as quickly as possible), and the overall dollar value of the project. This issue will be discussed at the January 28, 2009, TAC meeting where OCTA will be soliciting further nominations from local agencies. Staff will report back to the Board of Directors (Board) in March 2009 with the final FY 2008-09 SLPP list of nominated projects and will return with project nominations for approval for future FY distributions. Any unused portion of OCTA's SLPP formula share will remain available in future funding cycles and until OCTA programs the funds.

Measure M revenues made available by the infusion of SLPP funds to projects previously programmed with Measure M funds will flow back to the program of project origin. These funds will be used initially to offset any shortfalls in that specific program. Staff will evaluate whether there are sufficient revenues to warrant an additional call for projects before the current Measure M expires in 2011.

Project nominations are due to the CTC on February 17, 2009, and staff is preparing the nomination package. The guidelines require the implementing agency to sign the nomination package; therefore, coordination with local jurisdictions is critical to the success of OCTA's submission.

#### **State Budget Crisis and Bond Sales**

Proposition 1B funds, including the SLPP, are general obligation bonds secured by the state general fund. The current state budget crisis is impacting all bond-funded activities in the state and may impact this proposed program. Proposition 1B funds are approved in a multi-step process that includes approval by the CTC for the application/allocation of funds, the approval of the bond sales by the state Pooled Money Investment Board (PMIB), and the deposit of the bond proceeds into the state Pooled Money Investment Account (PMIA). The State Treasurer chairs the PMIB and other members include the State Controller and the State Director of Finance. In an effort to preserve the state's cash resources during the current budget crisis, on December 17, 2008, the PMIB voted to freeze disbursements from PMIA funds for all bond-funded programs. At the January 16, 2009, meeting the PMIB eased the freeze by approving \$650 million in expenditures which will be prioritized for expenditure by the Department of Finance. It is unclear whether or not the SLPP funds will be considered a priority, and OCTA will continue to monitor and advocate for SLPP bond sales.

***Summary***

Staff seeks Board authorization to submit a program of projects to the CTC to secure SLPP funding up to Orange County's share of \$16.451 million for FY 2008-09, including the submittal of projects that meet the SSLP guidelines, amending the Regional Transportation Improvement Program and any agreements necessary to facilitate the required actions, adding in selected projects from the Measure M streets and roads program, and the transfer of Measure M revenue within the SSP to provide the required dollar-for-dollar match in each of the individual projects.

***Attachment***

- A. Measure M Proposition 1B State-Local Partnership Program - Eligible Projects

**Prepared by:**



Adriann Cardoso  
Section Manager, Capital Programs  
(714) 560-5915

**Approved by:**



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

**Measure M Proposition 1B State-Local Partnership Program - Eligible Projects**

**Regional Street and Road Projects**

**Super Streets/Smart Streets Program**

See detail and table in staff report

**Regional Interchange Program**

Anaheim	Gene Autry high-occupancy vehicle @ Santa Ana Freeway (Interstate 5)
Anaheim	East Street at Riverside Freeway (State Route 91)
Buena Park	Beach Boulevard/State Route 91 (SR-91) eastbound ramps widening
Santa Ana	MacArthur Boulevard widening
Santa Ana	MacArthur Boulevard widening @ Costa Mesa Freeway (State Route 55) southbound on-ramp

**Intersection Improvement Program**

Aliso Viejo	Aliso Creek and Pacific Park intersection widening
Anaheim	Kraemer Boulevard/La Palma Avenue intersection
Brea	Birch Street and Kraemer Boulevard
County of Orange	Ortega Highway @ Antonio Parkway intersection
Garden Grove	Euclid Street/Hazard Avenue
Garden Grove	Euclid Street/Trask Avenue intersection improvement project
Irvine	Culver Drive/Walnut Avenue intersection
Laguna Woods	Moulton Parkway and El Toro Road
Mission Viejo	Crown Valley Parkway/Marguerite Parkway intersection improvements
Orange	Katella Avenue/Wanda Road intersection improvements
Orange	Tustin Street and Meats Avenue
Placentia	Alta Vista Street/Rose Drive
Placentia	Kraemer Boulevard/Bastanchury Road
San Clemente	El Camino Real/Avenida Pico intersection improvements

**Signal Improvement Program**

Anaheim	Anaheim Boulevard intelligent transportation system - northern city limits to southern city limits
Anaheim	Broadway Street east intelligent transportation system - Loara Street east
Anaheim	Brookhurst Street intelligent transportation system - Falmouth Avenue to Ball Road
Anaheim	Knott Street intelligent transportation system - Ball Road to Crescent Avenue
Anaheim	Kramer Boulevard intelligent transportation system - La Jolla Street to Frontera Street
Buena Park	Knott Avenue signal timing
Buena Park	La Palma Avenue signal timing
Buena Park	Valley View Street signal timing
Cypress	Closed circuit television installation (Phase 4)
Fullerton	Euclid Street signal improvement
Fullerton	Orangethorpe Avenue traffic signal coordination
Mission Viejo	Alicia Parkway and Jeronimo Road signal upgrades
Mission Viejo	Crown Valley Parkway and Marguerite Parkway business area
Mission Viejo	Marguerite Parkway and Los Alisos Boulevard
Mission Viejo	Oso Parkway and Felipe Road signal coordination and closed circuit television
Newport Beach	Jamboree Road corridor traffic signal modernization
Orange	Northwest Orange area wide signal coordination
Placentia	Bastanchury Road/Valencia Avenue signal extension
Santa Ana	Fairview Road/Harbor Boulevard interchange and intertie with Fountain Valley
Santa Ana	System detection and transportation information system
Seal Beach	Signal interconnect along Los Alamitos Boulevard
Westminster	City of Westminster intelligent transportation system (Phase 3)
Westminster	City of Westminster intelligent transportation system (Phase 4)

**Master Plan of Arterial Highways Improvements**

La Palma	La Palma Avenue/Del Amo Boulevard over Coyote Creek
La Palma	Walker Street/Marquardt Avenue over Coyote Creek
Laguna Hills	La Paz Road (Cabot Drive to Interstate 5)
Los Alamitos	Los Alamitos Boulevard improvements (Phase 2)
Orange	Main Street Widening (260 feet north of Palmyra Avenue to 300 feet south of Chapman Avenue)
Santa Ana	First Street Widening: Susan Street to Fairview Road





BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** Wendy Knowles, Clerk of the Board  
**Subject:** Vanpool Program Update and Request to Amend Subsidy Budget

Finance and Administration Committee meeting of January 28, 2009

**Present:** Directors Amante, Bates, Brown, Campbell, Green, and Moorlach  
**Absent:** Director Buffa

**Committee Vote**

This item was passed by all Committee Members present.

Director Bates was not present to vote on this item.

**Committee Recommendations**

- A. Amend the Orange County Transportation Authority's Fiscal Year 2008-09 Budget by \$101,342 to cover additional subsidies as a result of revised growth projections for the vanpool program.
- B. Amend the Orange County Transportation Authority's revenue budget by \$89,718 to recognize the federal funds that will cover the cost of this amended expense and increase Local Transportation Funds by \$11,624 to cover the balance.
- C. Receive and file the vanpool program update.



**January 28, 2009**

**To:** Finance and Administration Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Vanpool Program Update and Request to Amend Subsidy Budget

### **Overview**

The Orange County Transportation Authority vanpool program has shown steady growth since its inception in July 2007 and exceeded projections during fiscal year 2008-09. At the end of 2008, there were a total of 275 vanpools active in the program. This report provides an update on the program and requests authorization to amend the budget for vanpool subsidies.

### **Recommendations**

- A. Amend the Orange County Transportation Authority's Fiscal Year 2008-09 Budget by \$101,342 to cover additional subsidies as a result of revised growth projections for the vanpool program.
- B. Amend the Orange County Transportation Authority's revenue budget by \$89,718 to recognize the federal funds that will cover the cost of this amended expense and increase Local Transportation Fund by \$11,624 to cover the balance.
- C. Receive and file the vanpool program update.

### **Background**

In July 2007, the Orange County Transportation Authority (OCTA) launched the vanpool program to offer commuters a transportation option for their daily home-to-work trips. Since the launch, the program has grown steadily with 275 active vans serving 48 unique worksites at the end of December 2008. Serving as one of the region's transportation control measures, the vanpool program helps OCTA achieve Regional Transportation Plan emission reduction targets.

The vanpool service is delivered through private vanpool providers. OCTA offers a \$400 monthly subsidy per van for qualified vanpools with seed funding provided

primarily through the Congestion Mitigation and Air Quality (CMAQ) improvement program. In fiscal year (FY) 2007-08, the total subsidy paid for the vanpools was \$670,519.

In addition to the vanpool program's many benefits, OCTA includes vanpool statistics in the National Transit Database (NTD). NTD transit data forms the basis for generating federal Section 5307 grant funding. Based on federal apportionments rates, OCTA is expected to receive Section 5307 funding at a rate of slightly more than two dollars for every one expended on the vanpool program. These funds will be received approximately 18 months following the completion of the first fiscal year of operation and will be available for future transit services, including the vanpool program.

***Discussion***

The vanpool program is one component of OCTA's Commuter Solutions program that encompasses a variety of rideshare options and support services for Orange County employers and their employees. Furthermore, the vanpool program provides these specific benefits:

- Utilizes a public-private partnership model where riders pay a greater share of costs than traditional bus and rail transit (riders pay on average more than 70 percent of vanpool total costs)
- Expands the service area and complements existing bus and rail transit
- Increases mobility and provides air quality benefits by reducing vehicle miles of travel and emissions. The average car emits a quarter-pound of pollutants each mile it is driven. On a 100-mile commute, a single car can release 25 pounds of pollutants into the air
- Assists employers with meeting air quality mandates by increasing their average vehicle ridership (AVR) numbers
- Increases the federal apportionment for transit

The vanpool program was launched July 1, 2007 and by June 30, 2008, grew to 205 active vanpools serving 42 unique worksites in Orange County. Within the first year, the OCTA vanpool program is credited with reducing vehicle miles traveled by more than 13 million and eliminating an average of 1,450 cars from Orange County roadways on an average weekday.

Between July and December 2008, the program growth surpassed projections by 12 vans on average per month. Based on the growth rate experienced to date this fiscal year, it is anticipated there will be 351 vanpools operating by the fiscal year end. The current budget for vanpool subsidies for FY 2008-09 is

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\$1,262,168. Attachment A shows the revised projection for program growth and subsidy requirements through the end of the current fiscal year.

Vanpooling in Southern California is a growing commute alternative. Los Angeles and San Diego counties claim to have more than 1,300 vanpools receiving subsidies provided by Los Angeles County Metropolitan Transportation Authority (LACMTA) and San Diego Association of Governments (SANDAG). Many vanpools receiving subsidies from LACMTA or SANDAG originate in Orange County. Most park-and-ride facilities in Orange County are currently at or near capacity. OCTA is looking for ways to add new or expanded park-and-ride facilities to accommodate users. For example, a plan to expand the Golden West Transportation Center is included in the OCTA's economic stimulus proposal.

#### **Fiscal Impact**

Amend the Orange County Transportation Authority's Fiscal Year 2008-09 Budget, Account 1842-7313-D4621-L77, by \$101,342 as a result of revised growth projections for the vanpool program.

In addition, amend revenue Account 0030-6037-D4621-L77 by \$89,718 to recognize the federal funds that will cover the cost of this amended expense. The remaining portion, \$11,624, will be covered via Local Transportation Fund.

#### **Summary**

It is requested the Board of Directors receive and file the vanpool program update and authorize the transfer of funds to ensure that vanpool subsidies can be paid through the end of the current fiscal year.

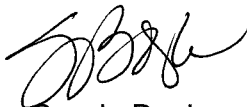


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***Attachment***

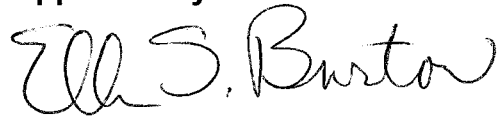
- A. Vanpool Subsidies – Original & Revised Budget Assumptions  
Fiscal Year 2008-09

**Prepared by:**



Sandy Boyle  
Section Manager, Marketing  
714-560-5893

**Approved by:**



Ellen S. Burton  
Executive Director, External Affairs  
714-560-5923

**Vanpool Subsidies - Original & Revised Vanpool Assumptions  
Fiscal Year 2008-09**

Month	Budget Assumption *		Actual		Vans Added
	No. Vans	Subsidy (\$)	No. Vans	Subsidy (\$)	(Over Prior Month)
June			205		
July	220	\$ 84,000	213	\$ 85,181	8
August	229	\$ 87,360	224	\$ 89,573	11
September	238	\$ 90,854	230	\$ 92,000	6
October	247	\$ 94,489	255	\$ 102,574	25
November	257	\$ 98,268	270	\$ 107,600	15
December	268	\$ 102,199	275	\$ 110,000	5
			Projected Actual (average 12 vans/month added)		
January	278	\$ 106,287	290	\$ 116,148	12
February	290	\$ 110,538	302	\$ 120,602	12
March	301	\$ 114,960	313	\$ 125,234	12
April	313	\$ 119,558	325	\$ 130,051	12
May	326	\$ 124,341	338	\$ 135,061	12
June	339	\$ 129,314	351	\$ 140,272	12
Total		\$ 1,262,168		\$ 1,354,297	
			Difference	\$ 92,129	
			Contingency (10%)	\$ 9,213	
			Total Budget Request	\$ 101,342	

\* Budget assumed 4% growth rate each month





BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** Close-Out Audit of Joint Powers Agreement No. 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors

Finance and Administration Committee meeting of January 28, 2009

**Present:** Directors Amante, Bates, Brown, Campbell, Green, and Moorlach  
**Absent:** Director Buffa

**Committee Vote**

This item was passed by all Committee Members present.

**Committee Recommendation**

Direct Orange County Transportation Authority staff to implement recommendations two through four in the close out audit of Joint Powers Agreement No. 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors, Internal Audit Report No. 08 011, except for initiating a claim to the California Department of Transportation.



**January 28, 2009**

**To:** Finance and Administration Committee

**From:** Arthur T. Leahy, Chief Executive Officer

**Subject:** Close-Out Audit of Joint Powers Agreement No. 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors

### **Overview**

Under the direction of the Internal Audit Department of the Orange County Transportation Authority, a close-out audit of Joint Powers Agreement 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors, between the Orange County Transportation Authority and the California Department of Transportation has been completed. Recommendations have been offered to improve contract administration. Both the California Department of Transportation and management have provided responses.

### **Recommendation**

Direct Orange County Transportation Authority staff to implement recommendations two through four in the close-out audit of Joint Powers Agreement No. 12-281, San Diego Freeway (Interstate 405)/Costa Mesa Freeway (State Route 55) Interchange High-Occupancy Vehicle Connectors, Internal Audit Report No. 08-011, except for initiating a claim to the California Department of Transportation.

### **Background**

The Orange County Transportation Authority (OCTA) entered into Joint Powers Agreement No. 12-281 (Agreement) with the California Department of Transportation (Caltrans) in February 1999 for high-occupancy vehicle (HOV) lane connections between the San Diego Freeway (Interstate 405) and the Costa Mesa Freeway (State Route 55). The Agreement, which also incorporated the widening of the MacArthur Boulevard undercrossing, specified that OCTA would provide construction funding and Caltrans would construct the project.

Project costs totaled approximately \$40.4 million. As of September 2008, the project has not been fully closed out.

Following construction of the project, certain defects were identified. OCTA, Caltrans, and the private firm that conducted the design work for the project (Parties) entered into a settlement agreement (Settlement Agreement) whereby the Parties agreed to withdraw claims against one another. The settlement agreement stipulates that its terms constitute a complete resolution of all claims or actions of any kind arising out of the project whether known or unknown.

### ***Discussion***

At the direction of the Internal Audit Department (Internal Audit) of OCTA, a contract compliance review was performed by the professional audit firm of Mayer Hoffman McCann P.C. (Mayer). The objective of the close-out audit was to determine that Agreement provisions were followed and evaluate internal controls over OCTA's management of the Agreement.

The audit identified four findings and recommendations which are included in the audit report in Attachment A. Caltrans has provided responses to these findings and recommendations in Attachment B, including responses from its District 12 office, the Division of Accounting, and the Audits and Investigations Division. Furthermore, OCTA's Development Division management has provided its response to two of the findings which relate to OCTA's administration of the Agreement.

Finding 1 relates to the review and approval of worksheets that summarize the use of construction materials. The auditors noted that there was no evidence of review and approval of the worksheets by the Caltrans field supervisor and resident engineer, as required by Caltrans policy. Caltrans District 12 and the Caltrans Division of Audits and Investigations disagreed with the finding, indicating that such review and approval was not required, not necessary, or not performed due to lack of funding. Internal Audit has read the policy and concurs with Mayer's finding and recommendation.

Finding 2 relates to the retention of documentation to support charges invoiced to OCTA as well as contractually required progress reports. The Agreement requires retention of all documentation for a period of three years following the final detailed statement of the project. The auditors questioned \$200,079 of office, administrative, and miscellaneous charges which were unsupported by documentation.

Caltrans Division of Accounting disagrees with the finding as it relates to the retention of payroll records and office and administrative invoices to support costs invoiced to OCTA. Caltrans Division of Accounting indicated that its five-year retention schedule makes it impossible to provide such documentation. Caltrans District 12 indicated that the monthly progress reports required by the Agreement were substituted with weekly reports and agreed that future changes to original agreement terms be approved in writing.

OCTA's Development Division has proposed that future cooperative agreements require records retention in alignment with the retention schedules of both agencies and that Caltrans provide evidence that its accounting system is operating satisfactorily. With regard to the questioned costs, Caltrans disagrees with the suggestion that Caltrans should reimburse OCTA for these costs. OCTA's Development Division indicates that the amount cannot be recovered, citing the Settlement Agreement. Internal Audit and OCTA's General Counsel concur that recovery of any questioned amount is unlikely given the broad waiver of claims provided in the Settlement Agreement, but maintains that, under ordinary circumstances, contract provisions can and should be strictly enforced, unless amended. Future agreements should include both reasonable and enforceable provisions related to records retention.

Finding 3 relates to Caltrans submission of quarterly expenditure reports. The auditors noted that these reports were not provided as required by the Agreement. Caltrans agreed with the finding and recommendation and indicated that reporting requirements in future agreements will be more specifically defined. OCTA's Development Division indicated that this reporting requirement was intended to account for payment advances to Caltrans and that the provision became unnecessary because advances were used on a very limited basis for this project. Internal Audit concludes that while advances represented only about 1 percent of total project costs, this reporting requirement should have been enforced or the contract amended to reflect OCTA requirements. Future agreements should include reasonable and enforceable provisions related to funding advances and expenditure reporting.

Finding 4 relates to Davis-Bacon Act compliance. The auditors found that there was no evidence documenting the review of labor rates to ensure compliance with prevailing wage requirements. Caltrans disagreed, indicating that documentation of such a review was not required by Caltrans for the payroll periods tested by the auditors. However, Caltrans did indicate that written procedures in its labor compliance manual are now being followed.

***Summary***

Based on the close-out audit, Internal Audit's contract auditors Mayer Hoffman McCann P.C. have offered recommendations for improvement in cooperative agreements with Caltrans and OCTA's administration of the provisions.

***Attachment***

- A. Orange County Transportation Authority Report on Agreed-Upon Procedures Applied to Joint Powers Agreement No. 12-281 with the State of California, Department of Transportation For the Period February 10, 1999 through December 31, 2007
- B. Department of Transportation's responses to the Orange County Transportation Authority's draft audit report on the Agreed-Upon Procedures performed on the Joint Powers Agreement No. 12-281 dated October 10, 2008
- C. Management Response for Internal Audit Report for MOS-1 Agreement No. 12-281

**Prepared by:**



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**ORANGE COUNTY TRANSPORTATION AUTHORITY**

Report on Agreed-Upon Procedures  
Applied to Joint Powers Agreement No. 12-281  
With the State of California, Department of Transportation

For the Period  
February 10, 1999 through December 31, 2007



**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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Board of Directors  
Orange County Transportation Authority  
Orange, California

### **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the Orange County Transportation Authority (OCTA), solely to assist OCTA with respect to the compliance and financial review of Joint Powers Agreement No. 12-281 between OCTA and the State of California, Department of Transportation (Caltrans) for the period February 10, 1999 through December 31, 2007. This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the use of the OCTA and Caltrans and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this limitation is not meant to limit the distribution of this report which is a matter of public record.

Our procedures and findings are as follows:

1. We obtained and reviewed Joint Powers Agreement No. 12-281 and all amendments (collectively referred to as the Agreement) in order to gain an understanding of the requirements governing fiscal management and other project responsibilities, as well as to document matters of audit significance.

***Results:*** Matters of audit significance noted during our review of the Agreement are as follows. According to the Agreement, the scope of services covers improvements consisting of a south transitway high occupancy vehicle (HOV) connector structure, which provides connections from the northbound I-405 HOV lane to the northbound SR-55 HOV lane and from the southbound SR-55 HOV lane to the southbound I-405 HOV lane, widening of the Main Street undercrossing and MacArthur Boulevard undercrossing, widening of MacArthur Boulevard roadway at SR-55 and replacement of the Redhill Avenue overcrossing. Collectively, these structural improvements are referred to as the Project. According to the Agreement:

- Caltrans' maximum obligation for the capital cost of construction shall be the total actual construction cost relating to widening the MacArthur Boulevard undercrossing, is estimated to be \$250,000, and shall not exceed this amount unless approved in writing by Caltrans.
- Caltrans' initial total obligation for the cost of construction for the MacArthur Boulevard undercrossing is \$250,000. This amount is subject to increase to cover the cost of utility protection, relocation or removal. The total obligation may also increase to cover cost in excess of the initial estimated total cost of construction. Such an increase in total obligation will be at the sole discretion of Caltrans and will be authorized in writing by Caltrans.
- Caltrans agrees to transmit monthly to OCTA by fax a summary listing of charges for OCTA's share of Project construction-related costs and costs for services, and within 7 working days submit a detailed billing for such charges with supporting documentation.
- Caltrans agrees to notify OCTA within 7 working days of any disputed invoice items. Caltrans shall credit all undisputed claims to OCTA. Upon resolution of any disputed claims, Caltrans shall make the appropriate adjustment to the OCTA project account.
- During the course of construction, Caltrans agrees to submit a monthly summary of charges and detailed statements of actual expenditures for construction and services to OCTA.
- Caltrans agrees to submit a monthly construction progress report to OCTA that details work performed and completed during the reporting period, including change orders, progress payments made and percentage progress achieved to date.
- Caltrans agrees to submit a quarterly report to OCTA of actual expenditure vs. monthly advances made by OCTA and updated planned reimbursement schedules. Caltrans is to monitor actual vs. planned expenditures to ensure sufficiency of OCTA funding.
- Caltrans agrees to consult with OCTA on all change orders for improvements estimated in excess of \$50,000 before implementation, except when necessary for the safety of motorists and/or pedestrians or protection of property.
- All records and accounts related to the Project are to be retained for a period of 3 years from the date of processing the final detailed statement of the Project. Additionally, all records and accounts related to the Project are to be made available to OCTA, if requested, at the Caltrans District Office.
- Caltrans agrees to provide a monthly listing of potential claims and the status of outstanding claims against the Project to OCTA.
- Caltrans agrees to incorporate requirements of the Federal Transportation Administration into the project.

- The State's Disadvantaged Business Enterprise (DBE) goal will be included in the construction contract. The goal will be based upon the technical analysis of the contract terms and certified DBE subcontractors in the area.
2. We interviewed Caltrans' personnel and documented the invoicing process and controls in place to ensure that invoices submitted to OCTA are accurate, complete and properly reviewed and authorized.  
  
*Results:* No exceptions were noted as a result of the procedure performed.
  3. We interviewed the responsible individuals at OCTA and documented the level and nature of review performed by OCTA staff to ensure that invoices received from Caltrans are complete and accurate.  
  
*Results:* No exceptions were noted as a result of the procedure performed.
  4. We obtained a summary of all invoice payments made by OCTA to Caltrans and reviewed supporting documentation in order to gain an understanding of the type of Project expenditures claimed.  
  
*Results:* We noted that the nature of project expenditures claimed included construction costs, office and other miscellaneous costs, payroll costs and other administrative costs.
  5. We judgmentally selected a sample of invoices totaling approximately 50% of the total costs incurred for the Project. For the sample selected, we reviewed construction materials costs claimed to ensure the expenditures were properly supported, reasonable and allowable according to the Agreement.  
  
*Results:* All construction materials costs reviewed were properly supported and allowable according to the Agreement. However, Caltrans was not consistent in applying its practice of verification and approval of costs. See Finding Number 1 in the Findings and Recommendations section of this report.
  6. We judgmentally selected a sample of invoices totaling approximately 50% of the total costs incurred for the Project. For the sample selected, we reviewed Caltrans payroll costs claimed to ensure the expenditures were properly supported, reasonable and allowable according to the Agreement.  
  
*Results:* We noted that Caltrans payroll costs were supported by a Labor Distribution Report, which is automatically generated by the Caltrans payroll system. However, Caltrans was unable to provide timesheets to support hours actually worked on the Project. See Finding Number 2 in the Findings and Recommendations section of this report.

7. We judgmentally selected a sample of invoices totaling approximately 50% of the total cost incurred for the Project. For the sample selected, we reviewed office, miscellaneous and other administrative expenses claimed to ensure the expenditures were properly supported, reasonable, and allowable according to the Agreement.

*Results:* Caltrans was unable to provide source documentation to support office, miscellaneous and other administrative expenses. This resulted in questioned costs of \$200,079. See Finding Number 2 in the Findings and Recommendations section of this report.

8. We obtained and reviewed the support for the MacArthur Boulevard undercrossing project to ensure that Caltrans was in compliance with the terms of the Agreement with regard to financial contributions.

*Results:* Caltrans completed the MacArthur Boulevard undercrossing project and satisfied the cost obligation in accordance with the terms of the Agreement.

9. We obtained and reviewed progress report folders maintained by Caltrans to ensure progress reports were prepared, contained required content and submitted to OCTA in accordance with the terms of the Agreement.

*Results:* Several progress reports were not provided for our review. All available progress reports were prepared in accordance with the terms of the Agreement. See Finding Number 2 in the Findings and Recommendations section of this report.

10. We reviewed the submission dates of the monthly invoices to determine whether they were submitted timely in accordance with the Agreement.

*Results:* Invoices dated within five years of the date of our audit fieldwork were submitted timely in accordance with the agreement. For invoices that were over five years, we were unable to verify if they were submitted timely, because according to Caltrans' internal policy, documentation is not maintained after 5 years from the documentation's transaction date. As an alternate procedure, we interviewed the Project Manager at OCTA, who indicated that Caltrans usually submits its invoices in a timely manner. No additional testing was performed.

11. We requested copies of the quarterly reports of actual expenditures that must be submitted by Caltrans in order to determine whether the reports were accurate and submitted in a timely manner.

*Results:* Caltrans was unaware of the requirement to submit quarterly reports of actual expenditures. See Finding Number 3 in the Findings and Recommendations section of this report.

12. We requested a copy of the detailed statement of total actual costs of construction and service, required to be completed at the end of the Project, in order to determine if the statement was accurate and submitted in a timely manner.
- Results:* According to Caltrans, the Project has not yet been completed. Therefore, the detailed statement of total actual cost of construction and service has not yet been submitted. No further testing was performed.
13. We interviewed Caltrans personnel and documented the bidding process surrounding the selection of the prime contractor. Additionally, we determined whether this process was in compliance with the terms of the Agreement.
- Results:* The prime contractor was selected on a competitive bid basis. There were five companies that bid on the Project. Caltrans awarded the contract to the lowest responsible bidder. This process was in accordance with the terms of the Agreement.
14. We interviewed Caltrans personnel and reviewed relevant documentation to ensure Caltrans and its prime contractor were in compliance with DBE requirements.
- Results:* The DBE requirement for this agreement was 3.0% of the total costs of the Project. The agreement further stipulated that Caltrans could award a contract to the lowest responsible bidder who meets the DBE goals or who made, in the sole judgment of Caltrans a good faith effort to do so. The prime contractor submitted evidence indicating that they subcontracted 2.0% of the total cost of the project to DBE firms. In addition, evidence was submitted to support the prime contractor's good faith efforts in attempting to retain DBE firms. No exceptions were noted as a result of the procedure performed.
15. We interviewed Caltrans personnel and documented the process for compliance with the Davis-Bacon Act (General Prevailing Wage Rates requirements).
- Results:* Caltrans performed procedures to monitor and ensure that the prime contractor and subcontractors were in compliance with the Davis-Bacon Act. However, Caltrans did not have a policy in place to certify that a review was performed. See Finding Number 4 in the Findings and Recommendations section of this report.
16. We judgmentally selected six pay periods and requested certified payrolls submitted by the prime and subcontractors to Caltrans under the Davis-Bacon Act monitoring procedures. We reviewed each worker's wage rate to the General Prevailing Wage Rate set forth by the State of California to ensure that the prevailing wage was paid.
- Results:* No exceptions noted as a result of the procedure performed.
17. We compared total costs claimed to the approved budget in the Agreement to ensure that total costs did not exceed the approved budget as of December 31, 2007.

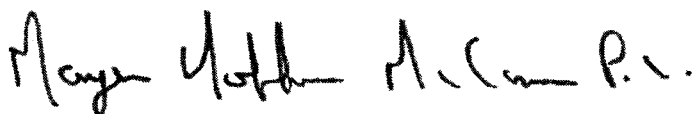
Board of Directors  
Orange County Transportation Authority  
Orange, California

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Results: As of December 31, 2007, total expenditures incurred were \$40,365,820 and the approved budget was 40,537,555. No exceptions noted as a result of the procedure performed.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the costs incurred by Caltrans in connection with the Project. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Orange County Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California  
October 31, 2008

**STATE OF CALIFORNIA  
DEPARTMENT OF TRANSPORTATION**

Report on Agreed-Upon Procedures  
Applied to Joint Powers Agreement No. 12-281  
With the Orange County Transportation Authority

Findings and Recommendations

For the period February 10, 1999 through December 31, 2007

(1) **Quantity Calculation Worksheets were not Consistently Signed**

Caltrans did not consistently follow its internal policy to certify the Quantity Calculation Worksheet (Worksheet) which is used for the verification of actual construction costs incurred. The Field Supervisor performed regular inspections at the Project site to monitor the progress of the Project and track actual construction materials used. At the end of the month, the Field Supervisor completed the monthly Worksheets for the actual quantity of construction materials purchased and used during the month. The Worksheet is verified and approved by the Caltrans Resident Engineer. Caltrans' policy requires that both the Field Supervisor and the Resident Engineer to sign the Worksheet evidencing review and approval. During our testing of this review process, we noted numerous instances of the Worksheets not being signed by the Field Supervisor, the Resident Engineer or both. Since the Worksheets report cumulative totals, by reviewing subsequent Worksheets, we were able to substantiate that the units were actually used on the Project.

Failure to verify and approve the construction material quantities may result in over billing of costs.

**Recommendation**

As the construction portion of the Project has been completed, we recommend that for future projects, Caltrans follows its internal policy of properly certifying the Quantity Calculation Worksheets.

(2) **Need to Retain Records as Required by the Agreement**

Several records and other documentation required to support the costs incurred for the Project were not provided by Caltrans for purposes of our performing these agreed-upon-procedures. Specifically, for the items sampled, the following records were not provided.

- *Employee Timesheets* – In lieu of timesheets, Caltrans was able to provide Labor Distribution Reports that support payroll costs claimed. However, the timesheets represent the actual source documentation supporting hours charged to the Project.



**STATE OF CALIFORNIA  
DEPARTMENT OF TRANSPORTATION**

Report on Agreed-Upon Procedures  
Applied to Joint Powers Agreement No. 12-281  
With the Orange County Transportation Authority

Findings and Recommendations (Continued)

For the period February 10, 1999 through December 31, 2007

**(2) Need to Retain Records as Required by the Agreement (Continued)**

- *Invoices* – Invoices or other documentation to support sampled office, miscellaneous and other administrative costs were not provided. As such, we were unable to determine whether the following costs were reasonable, allowable and allocable to the Project. The total questioned costs due to a lack of documentation is as follows. These questioned costs are from our sample only and may not represent total questioned costs had all costs been reviewed.

<u>Description</u>	<u>Questioned Costs</u>
Resident Engineer's office charges	\$ 1,677
Miscellaneous costs	70,287
Other administrative costs	<u>128,115</u>
Total questioned costs	\$ <u>200,079</u>

- *Progress Reports* – Progress reports for the months of March 2000, April 2002, March 2003 and January 2004 through September 2004 were not provided. Beginning in January 2004, Caltrans stated that Caltrans and OCTA verbally agreed to substitute weekly newsletters for written monthly progress reports. There was no amendment to the Agreement documenting such a change.

In each of these instances, Caltrans stated that it is their policy to only retain records for a period of 5 years. After 5 years, the records are destroyed. The majority of these sampled items originated longer than 5 years ago, thus the records were in all likelihood destroyed by Caltrans.

Joint Powers Agreement 12-281, Section I, Article 20 states:

“To retain, or cause to be retained for audit by Authority auditors, for a period of three (3) years from the date of processing the final detailed statement of Project, all records and accounts relating to construction of Project, and make such materials available at State's District 12 Office, and copies thereof shall be furnished to Authority, if requested by Authority.”

Failure to retain records as required by the terms of the Agreement can result in a disallowance of costs claimed.

**STATE OF CALIFORNIA  
DEPARTMENT OF TRANSPORTATION**

Report on Agreed-Upon Procedures  
Applied to Joint Powers Agreement No. 12-281  
With the Orange County Transportation Authority

Findings and Recommendations (Continued)

For the period February 10, 1999 through December 31, 2007

(2) **Need to Retain Records as Required by the Agreement (Continued)**

**Recommendation**

We recommend that OCTA recover \$200,079 from Caltrans for costs claimed that were not supported. As the construction portion of the Project has been completed, we recommend that for future projects, Caltrans retain records as required by the Agreement. We further recommend that should any terms of an agreement be modified, modifications be in writing and signed by both parties evidencing their mutual understanding.

(3) **Need to Submit Quarterly Actual Expenditures Reports**

Quarterly actual expenditures reports were not prepared and submitted for construction management costs that were advanced to Caltrans. Joint Powers Agreement No. 12-281, Section I, Article 15, states:

"To provide Authority quarterly reports of actual expenditures compared to the monthly advances made by Authority and to provide updated planned reimbursement schedules. State will monitor the actual versus the planned expenditures monthly to assure that Authority payments pursuant to Section II, Articles (3), (4), and (5) will always be sufficient."

Caltrans was unaware of the requirement to submit quarterly reports of actual expenditures. Additionally, OCTA did not request that the quarterly reports of actual expenditures be submitted.

**Recommendation**

As the construction portion of the Project has been completed, we recommend that for future projects, Caltrans submit quarterly actual expenditures reports as may be required. We further recommend that OCTA monitor future agreements to ensure Caltrans is adhering to the terms of the agreement.

**STATE OF CALIFORNIA  
DEPARTMENT OF TRANSPORTATION**

Report on Agreed-Upon Procedures  
Applied to Joint Powers Agreement No. 12-281  
With the Orange County Transportation Authority

Findings and Recommendations (Continued)

For the period February 10, 1999 through December 31, 2007

**(4) Need to Document Review of Compliance with Davis-Bacon Act**

Caltrans did not have procedures in place for documenting the review of labor rates to ensure compliance with prevailing wage requirements in accordance with the Davis-Bacon Act. Caltrans indicated this review was performed, but there was no evidence of the results. Based upon our review of labor rates, no exceptions to prevailing wages were noted. Failure to document compliance with the Davis-Bacon Act may result in disallowable costs.

**Recommendation**

As the construction portion of the Project has been completed, we recommend that for future projects, Caltrans develop procedures to ensure the review of labor rates for compliance with the Davis-Bacon Act is documented.

## DEPARTMENT OF TRANSPORTATION

## AUDITS AND INVESTIGATIONS

1304 O STREET, SUITE 200  
P. O. BOX 942874 – MS 2  
SACRAMENTO, CA 94274-0001  
PHONE (916) 323-7111  
FAX (916) 323-7123  
TTY: 711



*Flex your power!  
Be energy efficient!*

October 10, 2008

Kathleen M. O'Connell  
Manager, Internal Audit Department  
Orange County Transportation Authority  
550 South Main Street  
P. O. Box 14184  
Orange, California 92863-1584

Dear Ms. O'Connell:

The attached memorandum represents the California Department of Transportation's (Caltrans) response to the Orange County Transportation Authority (OCTA) draft audit report on the Agreed-Upon Procedures performed on the Joint Powers Agreement (JPA) No. 12-281. The scope of the JPA covers improvements consisting of a south transitway High Occupancy Vehicle connector structure, widening of the Main Street undercrossing and MacArthur Boulevard undercrossing, widening of MacArthur Boulevard roadway at State Route 55 and replacement of the Redhill Avenue overcrossing.

The purpose of the procedures was solely to assist OCTA with respect to the compliance and financial review of the JPA No. 12-281 between OCTA and Caltrans for the period February 10, 1999, through December 31, 2007.

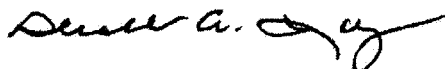
OCTA concluded that as of December 31, 2007, the total expenditures incurred are \$40,365,820 and is questioning \$200,079 of costs reimbursed to Caltrans due to a lack of supporting invoices or other documentation. As a result of the questioned costs, OCTA is recommending that Caltrans reimburse OCTA the amount of \$200,079. OCTA also identified other records that needed to be retained per the JPA, but did not question any other costs. In addition, OCTA noted three other findings relating to incidents of weak internal control and noncompliance of the JPA.

Caltrans disagrees with the questioned costs identified by OCTA. In addition, Caltrans agrees with some of the findings and disagrees with others as outlined in the chart on page two.

Finding #:	Amount Questioned:		Caltrans Response:
1	None	Quantity Calculation Worksheets were not Consistently Signed.	Caltrans Disagrees – See Attachment 1 (Finding 1)
2	None \$200,079 None	Need to Retain Records as Required by the Agreement. <ul style="list-style-type: none"><li>• Employee Timesheets</li><li>• Invoices</li><li>• Progress Reports</li></ul>	Caltrans Disagrees – see Attachment 2 for response to Employee Timesheets and Invoices (Finding 2). Caltrans Agrees – See Attachment 1 for response to Progress Reports (Finding 2).
3	None	Need to Submit Quarterly Actual Expenditures Reports.	Caltrans Agrees – see Attachment 1 (Finding 3)
4	None	Need to Document Review of Compliance with Davis-Bacon Act.	Caltrans Disagrees – see Attachment 1 (Finding 4).

Caltrans appreciates the opportunity to respond to the draft report. If you have any questions, or require additional information, please contact Laurine Bohamera, Chief, Internal Audits, Audits and Investigations, at (916) 323-7107, or Zilan Chen, Audit Supervisor, Audits and Investigations, at (916) 323-7877.

Sincerely,



GERALD A. LONG  
Deputy Director  
Audits and Investigations

Attachments

- c: Jim Beil, Deputy District Director, Capital Outlay Program, District 12  
Clark Paulsen, Chief, Division of Accounting  
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations  
Zilan Chen, Audit Supervisor, Audits and Investigations

State of California  
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

## Memorandum

*Flex your power!  
Be energy efficient!*

To: **GERALD LONG**  
**DEPUTY DIRECTOR**  
**Audits and Investigations**

Date: September 29, 2008

From: **JIM BEIL**  
Deputy District Director  
Capital Outlay Program

Subject: **Joint Powers Agreement 12-281 Audit Response**

As agreed to in a teleconference with your staff on September 9, 2008, District 12 is providing the following responses and action items to the findings listed in the Orange County Transportation Authority (OCTA) Report on the Agreed-Upon Procedures for Joint Powers Agreement 12-281.

(1) **Quantity Calculations Worksheets were not Consistently Signed**

**Management Response:**

The Department disagrees with this finding.

The statement in the audit findings, that the quantity calculations worksheets were not certified or signed by the resident engineer is incorrect. Certification of monthly construction payment estimates are done by the Resident Engineer preparing, signing, and submitting the "Estimate Pre-Verification Memo," "Project Record - Estimate Request" and the "Contract Transaction Input" forms to the Estimate Desk, in accordance with Section 5-103F, "Generating Estimate," of the Department's Construction Manual. These estimate certification forms were prepared, signed and submitted monthly to the Estimate Desk by the Resident Engineer for contract payments to be processed.

The Department's procedure requires the assigned inspector to prepare the "Quantity Calculation Worksheets." If any calculation/conversions were involved in deriving the quantity, a second inspector will verify the calculations for any math error and initial the appropriate block in the worksheet.

- A) The instances referred to, no initials on the worksheets, were due to one of the following reasons: There were no calculations/conversions involved to derive the quantity, therefore, no checking of calculations/initial required.
- B) There were only one or no inspectors (only the Resident Engineer) on the job due to lack of funding.

GERALD LONG  
DEPUTY DIRECTOR  
AUDITS AND INVESTIGATIONS  
September 29, 2008  
Page 2

**Action:**

Caltrans will ensure that on future projects a second person check the calculations, if any, and initial the "Calculations Checked By" block of the Quantity Calculation Worksheet. Certification of monthly progress pay estimate will be performed in accordance with existing procedure.

(2) **Need to Retain Records as Required by the Agreement (Progress Reports)**

**Management Response:**

The Department agrees with this finding.

The District is unsure as to why certain early reports were missing from project files. Starting in 2004, during a period of studies and discussions over the appropriate repair of the car pool lane connector bridge, Caltrans and the OCTA verbally agreed to submit weekly reports in lieu of the Monthly Progress reports. These reports superseded the monthly reports and contained detailed information. In addition, weekly meetings were held with OCTA staff as well as the OCTA consulting engineer working with Caltrans staff on the project.

**Action:**

Caltrans will ensure that any changes to terms of the original agreement will be in writing and approved by both parties per terms specified in such agreement.

(3) **Need to submit Quarterly Actual Expenditure Reports**

**Management Response:**

The Department agrees with this finding.

Monthly reports of actual expenditure authorization phase 4 construction contract capital expenditures were provided to the assigned OCTA project staff for review monthly. Caltrans was unaware this required monthly reporting of actual expenditure authorization phase 3 construction support cost. Actual expenditure authorization phase 3 construction support costs were periodically reviewed with the assigned OCTA project staff.

GERALD LONG  
DEPUTY DIRECTOR  
AUDITS AND INVESTIGATIONS  
September 29, 2008  
Page 3

**Action:**

In future agreements with the OCTA, Caltrans will identify specific elements of cost to be reported, and possibly include reporting formats acceptable to both parties as attachments to the agreement so that both parties have a mutual understanding of the reporting requirements.

(4) **Need to Document Review of Compliance with Davis-Bacon Act**

**Management Response:**

The Department disagrees with this finding.

The Labor Compliance Payrolls reviewed by Mayer, Hoffman, Mcann, were payrolls from fiscal year 2002/2003. Documenting the review of a Certified Payroll was not a Caltrans requirement at the time. Documenting Reviews of Certified Payroll does not fall under requirement of the Davis Bacon Act, Labor Code nor is there any other statutory requirement.

The Labor Compliance Manual (revised in 2004), requires that the Labor Compliance Officer initial and date the Certified Payroll, indicating it has been reviewed and meets State and/or Federal requirements. Since the 2004 manual revision, Caltrans has instituted the practice of documenting the review of Certified Payrolls.

Please note: Payrolls reviewed were found to be in compliance.

**Action:**

Caltrans is in compliance with written procedures to ensure that the review of labor rates for compliance with the Davis Bacon Act is documented.

If you have any questions or need further clarification, please contact Saeid Asgari, the District 12 Office Chief of Construction, at (949) 724-2277.

C: Saeid Asgari  
Maria Espinoza-Yepez  
Zilan Chen



State of California  
DEPARTMENT OF TRANSPORTATION


Business, Transportation and Housing Agency

## Memorandum

*Flex your power!  
Be energy efficient!*

To: GERALD A. LONG  
Deputy Director  
Audits and Investigations

Date: September 26, 2008

From: CLARK PAULSEN   
Chief  
Division of Accounting

Subject: Audit Response to Joint Powers Agreement No. 12-281 – Orange County Transportation Authority (OCTA)/EA 12-069514

The following is our response to the findings in the Draft Audit Report, Joint Powers Agreement No. 12-281 – OCTA/EA 12-069514, dated September 3, 2008:

### **Finding 2 – Need to retain records as required by the agreement.**

- **Employee Timesheets were not provided, instead Caltrans provided Labor Distribution Reports which support payroll costs claimed.**

The Department of Transportation (Caltrans) disagrees with the audit finding. Caltrans' "Record Retention Policy" states, "the employee timesheets are only retained for a period of 5 years and then purged from the system." The timesheets sampled were older than 5 years and had been purged in accordance with the retention schedule. Caltrans did supply the Labor Distribution Reports to document the original entries that were input into the Caltrans' Accounting System. These reports reflect the same payroll cost information as shown on the employee timesheets and therefore support the expenditures tested.

- **Invoices or other documentation to support sampled office, miscellaneous and other administrative costs were not provided.**

Caltrans disagrees with the audit finding. Claim Schedules with original invoices are also retained for a period of 5 years due to Caltrans' "Record Retention Policy". The claim schedules selected for review were older than 5 years and therefore had been purged. To support these costs the auditor was provided the detailed expenditure reports documenting original entries input into the Caltrans' Accounting System.

If you have any questions in regards to this response, please contact Judy Armstrong at (916) 227-4283 or Frank Garcia at (916) 227-9187.

GERALD A. LONG  
September 25, 2008  
Page 2 of 2

- c: William Lewis, Chief, Office of Receivables Systems and Administration, DofA
- Frank Garcia, Chief, Accounts Receivable Branch, DofA
- Judy Armstrong, Chief, Reimbursement Section, DofA
- Cindy Wu, District 7 Reimbursement Accountant, DofA
- Charmaine Jenner, Audit Coordinator, DofA
- Roger Takao, Audit Coordinator, A&I



INTEROFFICE MEMO

September 25, 2008

To: Kathleen O'Connell  
From: Charlie Guess  
Subject: Management Response for Internal Audit Report for MOS-1 Agreement No. 12-281

The following draft responses to the Internal Audit Report for the MOS-1 Project are submitted for your review:

Finding (2): Need to Retain Records:

The auditors claim \$200,079 could not be verified because the Caltrans supporting documents have not been retained past Caltrans 5 year retention date and the Audit Report recommends collection of this amount.

**Response** - OCTA management responds that this amount will not be collected for the following reason:

- There is a settlement agreement dated May 18, 2006, Agreement Section, Article 4 that waived the collection of any claims or actions by both parties, with the key excerpt as follows:

“Each party to this Settlement Agreement hereby acknowledges that this Settlement Agreement constitutes a complete resolution of all claims and actions of any kind arising out of the Project whether known or unknown, by either party against the other. ...”

I met with OCTA's audit manager and found that the audit consulting firm had not considered this settlement agreement before issuing Finding 2.

Also included in Finding 2 is a records retention issue of Section I, Article 20. Caltrans had addressed this issue before the 1999 cooperative agreement in a March 1995 letter to OCTA's Project Controls group. This letter supported Caltrans records retention policy and it appears to have been intended to modify the agreement. A key excerpt from this letter stated is as follows:

“The Caltrans Accounting System has been audited by many private and governmental agencies from local levels through State and Federal levels. It has been ascertained that we provide an accounting system that accurately captures and records project costs.”

Therefore, we recommend Caltrans provide documented support that audit findings of their Accounting System have been satisfactory since 1995.

In conclusion, OCTA will meet with Caltrans to modify future cooperative agreements that are in alignment with policies and procedures of both agencies.

Finding (3) Need to Submit Quarterly Actual Expenditures Reports:

The cooperative agreement called for Expenditures reports related to Section I, Article 15.

**Response:** Article 15 was not necessary because the Electronic Fund Transfer (EFT) method detailed in Articles 8, 9, and 10 precluded the need for using Articles 12, 13, and 15. Several attempts have been made to explain the cooperative agreement regarding the nuances of these pay articles, but discussions with the audit managers did not result in removing this incorrect finding.

In conclusion, future cooperative agreements will exclude the advanced payment provisions when it is known the EFT payment method will be used.

Cc: Kia Mortazavi  
Tom Bogard  
Norbert Lippert





BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** Cooperative Agreement with the California Department of Transportation for the Northbound Orange Freeway State Route 57) Widening Project

Highways Committee Meeting of February 2, 2009

**Present:** Directors Amante, Cavecche, Glaab, Green, Mansoor, Nguyen, Norby, and Pringle  
**Absent:** Director Dixon

***Committee Vote***

This item was passed by all Committee Members present.

***Committee Recommendation***

Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-9-0180 between the Orange County Transportation Authority and the California Department of Transportation, in an amount not to exceed \$6.5 million, to perform right-of-way services for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road.



**February 2, 2009**

**To:** Highways Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Cooperative Agreement with the California Department of Transportation for the Northbound Orange Freeway (State Route 57) Widening Project

**Overview**

The Orange County Transportation Authority proposes to enter into a cooperative agreement with the California Department of Transportation for that agency to perform all right-of-way activities on the northbound Orange Freeway (State Route 57) widening project between Orangethorpe Avenue and Lambert Road.

**Recommendation**

Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-9-0180 between the Orange County Transportation Authority and the California Department of Transportation, in an amount not to exceed \$6.5 million, to perform right-of-way services for the northbound Orange Freeway (State Route 57) widening between Orangethorpe Avenue and Lambert Road.

**Background**

Proposition 1B, approved by voters on November 7, 2006, established the Corridor Mobility Improvement Account (CMIA) to provide congestion relief, enhanced mobility, improved safety, and stronger connectivity to benefit traveling Californians. In May 2007, the California Transportation Commission approved CMIA funding for the construction of the Orange Freeway (State Route 57) widening project between Orangethorpe Avenue and Lambert Road.

The Orange County Transportation Authority (OCTA) is the implementing agency for the preparation of the plans, specifications, and estimates for the northbound State Route 57 widening project between Orangethorpe Avenue

**Cooperative Agreement with the California Department of Page 2  
Transportation for the Northbound Orange Freeway (State Route 57)  
Widening Project**

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and Lambert Road. The project will add one northbound mixed-flow lane and auxiliary lanes at various locations, as well as widen the existing lanes and shoulders to standard widths where feasible.

The total cost of the project is estimated to be \$143 million. The CMIA has allocated approximately \$70 million toward construction. The balance cost of the project, construction, right-of-way, and support costs will be funded by Measure M funds.

***Discussion***

OCTA legally cannot acquire right-of-way for highway capital improvement projects. Cooperative Agreement No. C-9-0180 (Attachment A) has been developed with the California Department of Transportation (Caltrans) to provide support services for right-of-way certification of the project. The cost of the Caltrans right-of-way support services and capital is estimated at \$6.5 million of which \$1.5 million is for right-of-way support services. These support services include appraisals, acquiring a significant number of easements, and utilities relocations. The balance of \$5 million is for right-of-way capital cost.

OCTA's design consultants will prepare the right-of-way impact maps as part of the right-of-way engineering effort and will assist Caltrans with appraisals in an effort to meet the project schedule. In addition, the agreements with the affected railroads will be prepared by OCTA.

Caltrans will be responsible for completing the appraisals, acquiring the right-of-way, and certifying the right-of-way for the project.

**Fiscal Impact**

The cost of right-of-way support was not included in the original fiscal year 2008-09 budget. Funds have been transferred from Account No. 0017-7519-FG102-HGU, State Route 57 Northbound, Orangethorpe Avenue to Yorba Linda Boulevard, Design Amendments to Account No. 0017-7514-FG102-HGU, State Route 57 Northbound, Orangethorpe Avenue to Yorba Linda Boulevard, Right-of-Way Support.

***Summary***

Staff recommends the Board of Directors approval for the Chief Executive Officer to execute Cooperative Agreement No. C-9-0180, in the amount of \$6.5 million, with Caltrans for right-of-way, capital, and support services for the



**Cooperative Agreement with the California Department of Page 3  
Transportation for the Northbound Orange Freeway (State Route 57)  
Widening Project**

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northbound State Route 57 widening project between Orangethorpe Avenue and Lambert Road.

***Attachment***

- A. Cooperative Agreement No. C-9-0180 Between the Orange County Transportation Authority and the California Department of Transportation

**Prepared by:**

  
Arshad Rashedi, P.E.  
Project Manager  
(714) 560-5874

**Approved by:**

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

**COOPERATIVE AGREEMENT NO. C-9-0180**  
**BETWEEN THE ORANGE COUNTY**  
**TRANSPORTATION AUTHORITY**  
**AND THE**  
**CALIFORNIA DEPARTMENT OF**  
**TRANSPORTATION**

**ATTACHMENT A**

**12-ORA-57, PM 15.16/21.12**  
**Orange Freeway State Route 57 Northbound Widening Project**  
**EA 12-0F0301**  
**District Agreement No. 12-585**

**RIGHT OF WAY**  
**COOPERATIVE AGREEMENT**

This AGREEMENT, entered into effective on \_\_\_\_\_, 2009, is between the STATE OF CALIFORNIA, acting by and through its Department of Transportation, referred to herein as STATE, and the

ORANGE COUNTY TRANSPORTATION AUTHORITY, a public corporation of the State of California, referred to herein as AUTHORITY.

**RECITALS**

1. STATE and AUTHORITY, pursuant to Streets and Highways Code sections 114 and 130, are authorized to enter into a Cooperative Agreement for improvements to State Highways System (SHS) within the County of Orange.
2. STATE and AUTHORITY mutually desire to widen, reconstruct and add improvements on Northbound State Route 57 (SR-57) from just south from Orangethorpe Avenue to just north of Lambert Road for a total length of 4.9 miles, referred to herein as "PROJECT".
3. STATE and AUTHORITY now intend to define herein the terms and conditions under which capital and support cost for PROJECT is financed and right of way activities are performed.
4. STATE is authorized to do all acts necessary, convenient or proper for the construction or improvement of all highways under its jurisdiction, possession or control.

**SECTION I**

**STATE AGREES:**

1. To perform all right of way activities required for the PROJECT.
2. To perform all right of way support for acquisition activities of properties, and Independent Quality Assurance (IQA) of Right of Way Engineering as defined in Attachment 1. The criteria set by the AUTHORITY does not cover capital costs or support for condemning any parcel needed for the project, inverse condemnation actions, obtaining the railroad Construction and Maintenance (C&M) or railroad PUC Application. It was determined by AUTHORITY that AUTHORITY will perform all railroad Construction and Maintenance (C&M) and PUC Application activities. However, if STATE determines that in order to secure the construction of PROJECT, it becomes necessary to start condemnation action or defend inverse condemnation actions, the AUTHORITY herein gives the STATE authorization to start the activities with the understanding that an amendment will be forthcoming for additional capital and support costs.
3. To certify legal and physical control of right of way acquired in accordance with applicable State and Federal laws and regulations, prior to advertisement for bids for construction of PROJECT.
4. If any existing public and/or private utility facilities conflict with the construction of PROJECT or violate STATE's encroachment policy, STATE shall make all necessary

arrangements with the owners of such facilities for their protection, relocation, or removal in accordance with STATE's policy and procedure for those facilities located within the limits of work included in the improvement to the State Highway and in accordance with applicable local jurisdiction's policy for those facilities which are or will be located outside of the limits of the State Highway. The total PROJECT costs of such protection, relocation, or removal within the present or future State Highway right of way shall be determined in accordance with STATE's policies and procedures.

5. To establish separate PROJECT accounts to accumulate charges for all costs to be paid by AUTHORITY pursuant to this Agreement.
6. To submit an initial billing in the amount of \$80,000 to AUTHORITY within thirty (30) days upon execution of this Agreement and prior to commencement of any work performed by STATE. Said initial billing represents AUTHORITY share of for one month estimated right of way support cost for PROJECT.
7. Thereafter, to prepare and submit to AUTHORITY monthly billing statements for estimated expenditure for right of way support cost one month in advance to AUTHORITY as development of PROJECT proceeds.
8. To submit billings to AUTHORITY for right of way capital costs as they occur, but not more frequently than monthly.
9. To provide AUTHORITY quarterly reports of expenditures compared to the monthly advances made by AUTHORITY and to provide updated planned reimbursement schedules. The payment amounts may be revised based on updated planned expenditure schedules. STATE will monitor the actual versus the planned expenditures monthly to assure that AUTHORITY payments pursuant to Section II, Article 2 will always be sufficient.
10. Upon completion of PROJECT and all work incidental thereto, to furnish AUTHORITY with a detailed statement of the total actual right of way acquisition capital and support costs for PROJECT. STATE thereafter shall refund to AUTHORITY, promptly after completion of STATE's final accounting of PROJECT costs, any amount of AUTHORITY's deposits required in this Agreement remaining after actual costs to be borne by AUTHORITY have been deducted, or to bill AUTHORITY for any additional amount required to complete AUTHORITY's financial obligations pursuant to this Agreement.
11. To retain, or cause to be retained for audit by AUTHORITY's auditors, for a period of 3 years from date of processing the final payment under this Agreement, all records and accounts relating to right of way activities of PROJECT, and make such materials available at STATE's District 12 Office. Copies thereof shall be furnished to AUTHORITY if requested by AUTHORITY.
12. To inform AUTHORITY of any issues that could have the potential to increase the actual right of way cost for PROJECT beyond the authorized cost.

13. To acquire all necessary rights of way as may be required for construction of PROJECT and AUTHORITY hereby authorized STATE to acquire all such necessary right of way required for PROJECT.
14. To inform AUTHORITY of any negotiated purchase price over the approved fair market value appraisal prior to STATE's acceptance of purchase documents, to notify AUTHORITY prior to instituting any action in eminent domain and prior to entering into any stipulated judgment that exceeds approved fair market value appraisal, and to make available to AUTHORITY all appraisals, records, and documents pertinent to acquisition of rights of way pursuant to this Agreement.
15. The cost of right of way acquired by STATE, which is funded by the AUTHORITY, shall include the actual cost of the right of way, including overhead charged on reimbursed projects.

## SECTION II

### AUTHORITY AGREES:

1. Within ten (10) days of receipt of request for payment from STATE, AUTHORITY will use either direct pay or any other methods deemed acceptable by both parties to pay to STATE for AUTHORITY'S obligation of right of way capital and support costs as required for right of way activities as described in Articles 1 and 2 of Section I.
2. To pay one hundred percent (100%) of the total actual right of way support cost for PROJECT, up to a maximum of \$ 1,500,000. If it becomes apparent that the total maximum cost for right of way support for PROJECT will exceed the maximum amount programmed for expenditure, AUTHORITY shall work promptly and in cooperation with STATE to determine necessary additional costs and the source of the additional funds.
3. To pay one hundred percent (100%) of the total actual right of way capital cost for PROJECT, up to a maximum of \$5,000,000. If it becomes apparent that the total maximum cost for right of way capital for PROJECT will exceed the maximum amount programmed for expenditure, AUTHORITY shall work promptly and in cooperation with STATE to determine necessary additional costs and the source of the additional funds.
4. All PROJECT work performed by AUTHORITY, or performed on AUTHORITY's behalf, shall be performed in accordance with all State and Federal laws, regulations, policies, procedures, and standards that STATE would normally follow. All such PROJECT work shall be submitted to STATE for STATE's review, comment, and concurrence at appropriate stages of development.

5. To identify and locate all utility facilities within the PROJECT area as part of its PROJECT design responsibility. All utility facilities not relocated or removed in advance of construction shall be identified on the PROJECT plans and specifications.
6. To identify and locate all high and low risk underground facilities within the PROJECT area and to protect or otherwise provide for such facilities, all in accordance with STATE's "Manual on High and Low Risk Underground Facilities Within Highway Rights of Way."
7. To prepare Right of Way Engineering hard copy plans, Right of Way Appraisal Maps, Record of surveys, and Right of Way Record Maps in accordance with the "State of California Drafting Manual and Plans Manual", and the State of California Surveys Manual, Chapter 10, and other pertinent reference material and examples as provide by STATE
8. To have all necessary right of way maps and documents used to acquire right of way by AUTHORITY prepared by or under the direction of a person authorized to practice land surveying in the State of California. Each right of way map and document shall bear the appropriate professional seal, certificate number, expiration date of registration certification and signature of the licensed person in Responsible Charge of Work.
9. To submit to STATE for review and concurrence all Right of Way Engineering Land-Net Maps and Right of Way Appraisal Maps, Records of Survey, and Right of Way Record Maps in accordance with STATE's Right of Way Manual, Chapter 6, Right of Way Engineering, STATE's Plans Preparation Manual, STATE's Surveys Manual, applicable State laws, and other pertinent reference materials and examples as provided by STATE.
10. Personnel who prepare right of way maps, documents, and related materials shall be made available to STATE, at no cost to STATE, during and after construction of PROJECT until completion and acceptance by STATE of Right of Way Record Maps, Records of Survey, and title to any property intended to be transferred to STATE.
11. All aerial photography and photogrammetric mapping shall conform to STATE's current standards.
12. A copy of all original survey documents resulting from surveys performed for PROJECT, including original field notes, adjustment calculations, final results, and appropriate intermediate documents, shall be delivered to STATE and shall become property of STATE. For aerial mapping, all information and materials listed in the document "Materials Needed to Review Consultant Photogrammetric Mapping" shall be delivered to STATE and shall become property of STATE.
13. All original recorded land title documents created by PROJECT shall be delivered to STATE and become property of STATE.

14. To submit to STATE a list of STATE horizontal and vertical control monuments, which will be used to control surveying activities for PROJECT?
15. To deposit into an escrow account, mutually agreeable to the STATE, within ten (10) working days of receipt of request for payment, the capital cost of right of way to be paid by AUTHORITY as required for right of way activities as described in Section 1, Articles 1 and 2 as PROJECT proceeds
16. To provide STATE with a certificate of funding which shall be attached hereto (Attachment 2) and made a part of this Agreement. This certificate shall indicate that funds are available and budgeted for payment to STATE and shall be executed by the designated responsible fiscal officer of AUTHORITY.
17. Submit approved railroad construction and maintenance agreement prior to R/W certification.
18. To assist STATE in performing R/W activities if requested by STATE. AUTHORITY will perform the activities with AUTHORITY staff or through consultant services.

### SECTION III

#### IT IS MUTUALLY AGREED:

1. All obligations of STATE under the terms of this Agreement are subject to the appropriation of resources by the Legislature, State Budget Act authority and the allocation of funds by the California Transportation Commission (CTC).
2. The parties to this Agreement understand and agree that STATE's Independent Quality Assurance is defined as providing STATE policy and procedural guidance through to completion of the PROJECT PS&E and right of way phases administered by AUTHORITY. This guidance includes prompt reviews by STATE to assure that all work and products delivered or incorporated into the PROJECT by AUTHORITY conform to then existing STATE standards. IQA does not include any PROJECT related work deemed necessary to actually develop and deliver the PROJECT, nor does it involve any validation to verify and recheck any work performed by AUTHORITY and/or its consultants and no liability will be assignable to STATE its officers and employees by AUTHORITY under the terms of this Agreement or by third parties by reason of STATE's IQA activities. All work performed by STATE pursuant to an amendment to this agreement that is not direct IQA shall be chargeable against PROJECT funds as a service for which STATE will invoice its actual costs and AUTHORITY will pay or authorize STATE to reimburse itself from then available PROJECT funds.

3. The Project Report (PR) for PROJECT, approved on November 30, 2007 is by this reference, made an express part of this Agreement.
4. The basic design features shall comply with those addressed in the approved PR, unless modified as required for completion of the PROJECT's environmental documentation and/or if applicable, requested by the Federal Highway Administration (FHWA)
5. The design, right of way acquisition, and preparation of environmental documentation and related investigative studies and technical environmental reports for PROJECT shall be performed in accordance with all applicable Federal and STATE standards and practices current as of the date of performance. Any exceptions to applicable design standards shall first be considered by STATE for approval via the processes outlined in STATE's Highway Design Manual and appropriate memoranda and design bulletins published by STATE. In the event that STATE proposes and/or requires a change in design standards, implementation of new or revised design standards shall be done as part of the work on PROJECT in accordance with STATE's current Highway Design Manual Section 82.5, "Effective Date for Implementing Revisions to Design Standards." STATE shall consult with AUTHORITY in a timely manner regarding the effect of proposed and/or required changes on PROJECT.
6. If, during preparation of the PS&E, performance of right of way activities, or performance of PROJECT construction, new information is obtained which requires the preparation of additional environmental documentation to comply with CEQA and/or NEPA if applicable, this Agreement will be amended to include completion of these additional tasks.
7. All administrative reports, studies, materials, and documents, including, but not limited to, all administrative drafts and administrative finals, relied upon, produced, created or utilized for PROJECT will be held in confidence pursuant to Government Code section 6254.5(e). The parties agree that said material will not be distributed, released or shared with any other organization, person or group other than the parties' employees, agents and consultants whose work requires that access without the prior written approval of the party with the authority to authorize said release and except as required or authorized by statute or pursuant to the terms of this Agreement.
8. AUTHORITY agrees to obtain, as a PROJECT cost, all necessary PROJECT permits, agreements and/or approvals from appropriate regulatory agencies, unless the parties agree otherwise in writing. If STATE agrees in writing to obtain said PROJECT permits, agreements, and/or approvals, those said costs shall be paid for by AUTHORITY, as a PROJECT cost.
9. AUTHORITY shall be fully responsible for complying with and implementing any and all environmental commitments set forth in the environmental documentation, permit(s), agreement(s), and/or approvals for PROJECT. The costs of said compliance and implementation shall be a PROJECT cost.



10. If there is a legal challenge to the environmental documentation, including supporting investigative studies and/or technical environmental report(s), permit(s), agreement(s), and/or approvals for PROJECT, all legal costs associated with those said legal challenges shall be a PROJECT cost.
11. Nothing in the provisions of this Agreement is intended to create duties or obligations to or rights in third parties not parties to this Agreement or affects the legal liability of either party to the Agreement by imposing any standard of care with respect to the construction of State Highways different from the standard of care imposed by law.
12. The party that discovers HM will immediately notify the other party(ies) to this Agreement.
13. HM-1 is defined as hazardous material(including but not limited to hazardous waste) that requires removal and disposal pursuant to federal or state law, whether it is disturbed by PROJECT or not.
14. HM-2 is defined as hazardous material (including but not limited to hazardous waste) that may require removal and disposal pursuant to federal or state law, only if disturbed by PROJECT.
15. STATE, independent of PROJECT, is responsible for any HM-1 found within existing SHS right of way. STATE will undertake HM-1 management activities with a minimum impact to PROJECT schedule and will pay all costs for HM-1 management activities.
16. AUTHORITY, independent of PROJECT, is responsible for any HM-1 found outside existing SHS right of way. AUTHORITY will undertake HM-1 management activities with minimum impact to PROJECT schedule and will pay all costs for HM-1 management activities.
17. If HM-2 is found within the limits of PROJECT, the public agency responsible for advertisement, award, and administration (AAA) of the PROJECT construction contract will be responsible for HM-2 management activities.
18. Any management activity cost related to HM-2 is a PROJECT construction cost.
19. Management activities related to either HM-1 or HM-2 include, without limitation, any necessary manifest requirements and designation of disposal facility.
20. STATE's acquisition or acceptance of title to any property on which any hazardous material is found will proceed in accordance with STATE's policy on such acquisition.

21. Neither STATE nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction conferred upon AUTHORITY or arising under this Agreement. It is understood and agreed that, AUTHORITY will fully defend, indemnify and save harmless STATE and all its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation, or other theories or assertions of liability occurring by reason of anything done or omitted to be done by AUTHORITY under this Agreement.
22. Neither AUTHORITY nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by STATE under or in connection with any work, authority or jurisdiction conferred upon STATE or arising under this Agreement. It is understood and agreed that, STATE will fully defend, indemnify and save harmless AUTHORITY and all its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation, or other theories or assertions of liability occurring by reason of anything done or omitted to be done by STATE under this Agreement.
23. The parties hereto will carry out PROJECT in accordance with the Scope of Work, attached and made apart of this Agreement, which outlines the specific responsibilities of the parties hereto. The attached Scope of Work may in the future be modified in writing to reflect changes in the responsibilities of the respective parties
24. Prior to the commencement of any work pursuant to this Agreement, either STATE or AUTHORITY may terminate this Agreement by written notice to the other party.
25. No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.
26. This Agreement shall terminate upon the satisfactory completion of all post-PROJECT construction obligations of AUTHORITY and the delivery of required PROJECT construction documents, with concurrence of STATE, or on July 1, 2015 whichever is later in time, except that the ownership, operation, maintenance, indemnification, environmental commitments, legal challenges, and claims articles shall remain in effect until terminated or modified, in writing, by mutual agreement. Should any construction related or other claims arising out of PROJECT be asserted against one of the parties, the parties agree to extend the fixed termination date of this Agreement, until such time as the construction related or other claims are settled, dismissed or paid.

STATE OF CALIFORNIA

ORANGE COUNTY TRANSPORTATION AUTHORITY

Department of Transportation  
WILL KEMPTON  
Director of Transportation

By \_\_\_\_\_  
ARTHUR T. LEAHY  
Chief Executive Officer, OCTA

By \_\_\_\_\_  
JIM BEIL  
Deputy District Director  
Capital Outlay

APPROVED AS TO FORM AND PROCEDURE

By: \_\_\_\_\_  
Attorney  
Department of Transportation

By \_\_\_\_\_  
KENNARD R. SMART  
General Counsel, OCTA

CERTIFIED AS TO FINANCIAL TERMS AND CONDITIONS

Approved:

Date:

By: \_\_\_\_\_  
Accounting Administrator

\_\_\_\_\_  
KIA MORTAZAVI  
Executive Director

CERTIFIED AS TO FUNDS

By: \_\_\_\_\_  
NEDA SABER  
District Budget Manager

This Scope of Work outlines the specific areas of responsibility for various right of way activities for the proposed Orange Freeway State Route 57 Northbound Widening Project.

ATTACHMENT 1

RESPONSIBILITY  
STATE AUTHORITY

PROJECT ACTIVITY		
<b>1. R/W ACQUISITION &amp; UTILITIES</b>		
Right of Way Capital & support (EA Phases 9 & 2)	X	
Request Utility Verification		X
Request Preliminary Utility Relocation Plans from Utilities	X	
Prepare R/W Requirements		X
Prepare R/W Data Sheet	X	
Submit R/W Requirements		X
Review and Comment on R/W Requirements	X	
Longitudinal Encroachment Review	X	
Longitudinal Encroachment Application to District		X
Approve Longitudinal Encroachment Application	X	
Request Final Utility Relocation Plans	X	
Submit Utility Relocation Plans for Approval & Review	X	
Check Utility Relocation Plans for permit compliance		X
Approve Utility Relocation Plans	X	
Submit Final R/W Requirements for Review & Approval		X
Fence and Excess Land Review	X	X
Prepare & Submit Railroad Design Plans within the PROJECT area per Caltrans and Railroad Standards		X
Review, Approve & Process Railroad Design Plans within the PROJECT area per Caltrans and Railroad Standards	X	
Prepare & Submit Railroad PUC Application		X
Review, Approve & Process Railroad PUC Application	X	

District Agreement No. 12-585

Prepare & Submit Railroad Construction and Maintenance Agreement		X
Review, Approve & Process Railroad Construction and Maintenance Agreement	X	
R/W Layout Review	X	
Approve R/W Requirements	X	
Obtain Title Reports, Updated Title Reports and Policies of Title		X
Complete Appraisals	X	X
Review and Approve Appraisals for Setting Just Compensation	X	
Prepare Acquisition Contracts	X	
Acquire R/W	X	
Open escrows and Make Payments	X	
Provide Displacee Relocation Services	X	
Prepare Relocation Payment Valuations	X	
Prepare Displacee Relocation Payments	X	
Perform Property Management Activities		X
Perform R/W Clearance Activities	X	
Prepare and Submit Certification of R/W	X	
Review and Approve Certification of R/W	X	
Approve & Record Title Transfer Documents	X	
Prepare R/W Record Maps		X

**EXHIBIT A**

**COST ESTIMATE**

<b>Item</b>	<b>STATE</b>	<b>AUTHORITY</b>
Construction Capital	\$70,000,000*	\$36,188,000* (34%)
Construction Support	\$0	\$18,360,000*(100%)
Right of Way Capital	\$0	\$5,000,000* + (100%)
Right of Way Support	\$0	\$1,500,000* + (100%)
State-Furnished Materials	\$0	\$0(0%)
Source Inspection	\$0	\$0(0%)
<b>Total</b>	<b>\$70,000,000</b>	<b>\$61,048,000(46.58%)</b>

\*Corridor Mobility Improvement Account \* Local Funds-Measure M + Revised per Project Change Request Amendment to Fact Sheet

ATTACHMENT 2

Certificate of Funding:

CORRIDOR MOBILITY IMPROVEMENT ACCOUNT  
PROJECT SCOPE, COST, SCHEDULE, AND BENEFIT BASELINE DATA

County: Orange	Route: 57	PPNO: 3788
Project Title: Widen NB from 0.4 mile north of SR-91 to 0.1 mile north of Lambert Road.		

We acknowledge the scope, cost, schedule, and benefits as identified on the attached project fact and funding sheets are the baseline for project monitoring by the California Transportation Commission and its Corridor Mobility Improvement Account Project Delivery Council. We certify that funding sources cited are committed and expected to be available; the estimated costs represent full project funding, and the description of benefits is the best estimate possible.

*Arthur T. Leashy*

5-14-07

Arthur T. Leashy  
Chief Executive Officer  
Orange County Transportation Authority

*Will Kempton*

*Will Kempton*

5/17/07

Will Kempton  
Director  
California Department of Transportation

*John F. Barnes, Jr.*

6-14-07

John F. Barnes, Jr.  
Executive Director  
California Transportation Commission

CORRIDOR MOBILITY IMPROVEMENT ACCOUNT							
Project Fact Sheet							
Lead Agency: OCTA				Fact Sheet Date: 05/10/07			
Contact Person	Arshad Rashedi						
Phone Number	714-560-5874		Fax Number	714-560-5734			
Email Address	Arshadi@octa.net						
<b>Project Information:</b>							
County	Caltrans District	PPNO *	EA *	Region/MPO/TIP ID*	Route / Corridor *	Post Mile Back *	Post Mile Ahead *
Orange	12	3783	0F0300	SCAG	57	16.4	21.1
* NOTE: PPNO & EA assigned by Caltrans. Region/MPO/TIP ID assigned by RTP/MPO. Route/Corridor & Post Mile Back/Ahead used for State Highway System.							
Legislative Districts		Senate: 33		Congressional: 39, 47			
		Assembly: 71, 72					
Implementing Agency (by component)		ESP (PA&ED): OCTA		FS&E: OCTA			
		RAW: CALTRANS		CON: CALTRANS			
Project Title		Widen NB from 0.4 mile north of SR-91 to 0.1 mile north of Lambert Road					
Location - Project Limits - Description and Scope of Work (Provide a project location map on a separate sheet and attach to this form) Widen NB from 0.4 mile north of SR-91 to 0.1 mile north of Lambert Road with total length of 4.7 miles to add lane. The replacement planting will be split from the project at the time of vote.							
Description of Major Project Benefits							
Daily Vehicle Hours of Delay Saved		16,280		Hrs.			
Daily Peak Hour Person-Minutes Saved		485,061		Min.			
Other:							
Corridor System Management Plan							Month/Year
Lead Agency							Caltrans
Plan Adoption Date							May-06
Plan Implementation Date							Jan-08
Expected Source(s) of Additional Funding if the Current Funding Plan Proves Insufficient Additional Measure funds would be used.							
Project Delivery Baseline (Milestones)							Month/Year
Begin Environmental Phase (PA&ED)							Apr-05
Draft Environmental Document Milestone			Document Type: NDFONSI		Aug-07		
Draft Project Report Milestone							Dec-07
End Environmental Phase (PA&ED) Milestone							Dec-07
Begin Design Phase							Apr-07
End Design Phase (Plans, Specifications, and Estimates Milestone)					RTL		
Begin Right-of-Way							Dec-07
End Right-of-Way (Right-of-way Certification Milestone)							Nov-08
Begin Construction Phase							Jun-09
End Construction Phase (Construction Contract Acceptance Milestone)							Jul-14
Begin Closeout Phase							Jul-14
End Closeout Phase (Closeout Report Milestone)							Jul-15

NOTE: The CTC Corridor Mobility Improvement Account (CMIA) Program Guidelines should have been read and understood prior to preparation of the CMIA Fact Sheet. The CTC CMIA Guidelines and a template of the Project Fact Sheet are available at: <http://www.dot.ca.gov/ctc/cmia/program> and at: <http://www.ctc.ca.gov>



**CORRIDOR MOBILITY IMPROVEMENT ACCOUNT**  
**Project Fact Sheet - Project Cost and Funding Plan**  
 (Dollars in thousands and escalated)

Shaded fields are automatically calculated. Please do not fill these fields.

				Date:	10-May-07
County	CT District	PPNO *	EA*	Region/MPO/TIP ID	
Oranges	12	2788	0F0300	SCAG	
Project Title: Widen NB from 0.4 mile north of SR-91 to 0.1 mile north of Lambert Road					

\* NOTE: PPNO and EA assigned by Caltrans. Region/MPO/TIP ID assigned by RTPAMPO

Proposed Total Project Cost								Project Total
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	
E&P (PA&ED)	1,662	0	0	0	0	0	0	1,662
PS&E	0	12,240	0	0	0	0	0	12,240
RAW SUP (CT) *	0	200	0	0	0	0	0	200
CON SUP (CT) *	0	0	0	18,360	0	0	0	18,360
RAW	0	1,350	0	0	0	0	0	1,350
CON	0	0	0	166,188	0	0	0	166,188
<b>TOTAL</b>	<b>1,662</b>	<b>13,790</b>	<b>0</b>	<b>184,548</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>188,000</b>

Corridor Management Improvement Account (CMIA) Program								Total
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	
E&P (PA&ED)								0
PS&E								0
RAW SUP (CT) *								0
CON SUP (CT) *								0
RAW								0
CON				70,000				70,000
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,000</b>

\* NOTE: RAW SUP and CON SUP to be used only for projects implemented by Caltrans

Funding Source: Local Funds - Measure M								Total
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	
E&P (PA&ED)	1,662							1,662
PS&E		12,240						12,240
RAW SUP (CT) *		200						200
CON SUP (CT) *				18,360				18,360
RAW		1,350						1,350
CON				36,148				36,148
<b>TOTAL</b>	<b>1,662</b>	<b>13,790</b>	<b>0</b>	<b>54,548</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,000</b>

Funding Source: Local Funds - Toll Revenues								Total
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	
E&P (PA&ED)								0
PS&E								0
RAW SUP (CT) *								0
CON SUP (CT) *								0
RAW								0
CON								0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Source:								Total
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	
E&P (PA&ED)								0
PS&E								0
RAW SUP (CT) *								0
CON SUP (CT) *								0
RAW								0
CON								0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Shaded fields are automatically calculated. Please do not fill these fields.

**CORRIDOR MOBILITY IMPROVEMENT ACCOUNT**  
**Project Fact Sheet - Project Cost and Funding Plan**  
 (dollars in thousands and escalated)

Shaded fields are automatically calculated. Please do not fill these fields.

County	CT District	PPNO *	EA *	Date:	10-May-07
Orange	12	3788	DP0300	Region/MPO/OTIP ID *	SCAG
Project Title: Widen NE from 0.4 mile north of SR-91 to 0.1 mile north of Lambert Road					
*NOTE: PPNO and EA assigned by Caltrans. Region/MPO/OTIP ID assigned by RTF/MPO					

Funding Source:								
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	Total
E&P (PA&E)								0
PS&E								0
RAW SUP (CT) *								0
CON SUP (CT) *								0
RAW								0
CON								0
TOTAL	0	0	0	0	0	0	0	0

Funding Source:								
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	Total
E&P (PA&E)								0
PS&E								0
RAW SUP (CT) *								0
CON SUP (CT) *								0
RAW								0
CON								0
TOTAL	0	0	0	0	0	0	0	0

Funding Source:								
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	Total
E&P (PA&E)								0
PS&E								0
RAW SUP (CT) *								0
CON SUP (CT) *								0
RAW								0
CON								0
TOTAL	0	0	0	0	0	0	0	0

Funding Source:								
Component	Prior	07/08	08/09	09/10	10/11	11/12	12/13	Total
E&P (PA&E)								0
PS&E								0
RAW SUP (CT) *								0
CON SUP (CT) *								0
RAW								0
CON								0
TOTAL	0	0	0	0	0	0	0	0

Shaded fields are automatically calculated. Please do not fill these fields.





BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** Semi-Annual Review of Grant-Funded Street Projects

Highways Committee Meeting of February 2, 2009

**Present:** Directors Amante, Cavecche, Glaab, Green, Mansoor, Nguyen, Norby, and Pringle  
**Absent:** Director Dixon

**Committee Vote**

This item was passed by all Committee Members present.

**Committee Recommendation**

Approve adjustments to the Combined Transportation Funding Program project allocations as presented.



*February 2, 2009*

**To:** Highways Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Semi-Annual Review of Grant-Funded Street Projects

***Overview***

The Orange County Transportation Authority recently completed the semi-annual review of projects funded through the Combined Transportation Funding Program. This process reviews the status of grant-funded streets and roads projects and provides an opportunity for local agencies to update project information. The requested changes and recommendations are provided for review and approval.

***Recommendation***

Approve adjustments to the Combined Transportation Funding Program project allocations as presented.

***Background***

The Combined Transportation Funding Program (CTFP) is the mechanism the Orange County Transportation Authority (OCTA) uses to administer funding for streets and roads projects throughout the County. The CTFP contains a variety of funding programs and sources including Measure M local and regional streets and roads revenues, as well as federal Regional Surface Transportation Program (RSTP) funds. The CTFP provides local agencies with a comprehensive set of guidelines for administration and delivery of various transportation funding grants.

Consistent with the CTFP guidelines, OCTA staff meets with representatives from all local agencies twice each year to review the status of projects and proposed changes. This process is commonly referred to as the semi-annual review (SAR). The goals of the SAR process are to review project status, determine the continued viability of projects, and address local agency issues.

In an effort to improve timely delivery of Measure M project allocations, the OCTA Board of Directors (Board) adopted a time extension policy in November 2004. Since federal RSTP funds are programmed by OCTA and administered through the state, projects funded with RSTP funds are governed by state and federal timely use provisions requiring funds to be obligated within the programmed year. Therefore, OCTA has very limited flexibility in accommodating delay or advancement requests for these projects.

Since 1991, OCTA has competitively awarded more than \$710.1 million in Measure M funds and approximately \$339.3 million of federal RSTP funds to local agencies through the CTFP. These projects are programmed for fiscal years 1992-93 through 2009-10.

### ***Discussion***

During the September 2008 SAR, 13 agencies requested 35 various adjustments to Measure M-funded and RSTP-funded projects. Detailed information for requested changes, justifications, and project details are shown in Attachment A. These changes were reviewed and recommended for approval by the Technical Advisory Committee on December 10, 2008; staff recommends Board approval as described in Attachment A.

In summary, requested adjustments to Measure M-funded projects include the following:

- One project allocation, totaling \$90,000, requested project advancement.
- Six project allocations, totaling \$798,000, requested cancellation.
- Fourteen miscellaneous project allocation adjustments were requested. These included transferring funds between project phases, changes in lead agency status, and minor revisions to project scope.
- Thirteen project allocations, totaling \$8.4 million, requested a project delay.

During the review process, the City of Stanton (City) requested \$300,000 additional funding for the Katella Avenue Smart Street Project. The funding was requested to cover previous City expenditures in excess of the approved allocation amounts. As noted in Attachment A, staff is recommending that this request be denied since it was made after the funds were expended.

The frequent project delay requests that occur during the SAR have been recognized as a concern. With less than three years until the CTFP contract award deadline of March 31, 2011, an intensive effort was made to work with the local agencies on realistically assessing the continued viability of projects on which delay requests were being made. Additionally, much discussion went into the specific issues that caused the delay requests and how these could be mitigated. All this was done in an effort to minimize the delay requests received as part of the SAR. During the previous SARs conducted in March 2008 and September 2007, delays were requested for 45 projects totaling \$36.2 million and 38 projects totaling \$38.2 million respectively.

The 13 project delay requests that were made as part of the current SAR are a significant decrease over previous years. The following provides a breakdown of these requests by cause of delay as reported by the agencies.

- Five delay requests for additional time to execute right-of-way acquisition.
- One delay request for additional time to address all public outreach comments.
- One delay request to allow the local agency to reconfigure the project site.
- One delay request to allow the local agency to finalize design.
- Four delay requests to allow local agencies to coordinate the project with utility company and other agencies.
- One delay request to allow the local agency to refine the scope of work.

Staff performed a detailed review of each of these requests with the respective local agencies and recommends the approval of all changes as noted in Attachment A. The requested changes are consistent with CTFP guidelines and the Board-approved time extension policy. A summary of delay requests for projects is also included in Attachment B. All delay requests are subject to approval by the Board of Supervisors or city council and the OCTA Board.

Requested adjustments to federally funded projects include:

- One RSTP-funded Master Plan of Arterial Highways (MPAH) project requested a fund transfer from right-of-way to construction.
- Four RSTP-funded MPAH projects requested miscellaneous adjustments to combine three existing projects into one new project.

Adjustments for federal RSTP-funded projects are governed by state and federal timely use requirements. As previously stated, OCTA has limited ability

to grant time extensions to these projects due to the significant "use it or lose it" provisions associated with these programs. As such, time extension requests for RSTP-funded projects are typically not accommodated to ensure no loss of funding.

Between March and September of 2008, \$26.5 million of CTFP projects were completed and closed out. The table below provides the overall status of the CTFP projects since program inception:

Status	Definition	Measure M Allocations (millions)	RSTP Allocations (millions)
Completed	Project work is complete, final report is filed, approved, and the final payment has been made.	\$ 347.1	\$ 239.9
Pending	Project work has been completed and only the final report submittal/approval is pending.	\$ 41.8	\$ 31.9
Started	Project is progressing on schedule and within the funding allocation.	\$ 161.9	\$ 38.2
Planned	Project is planned but has not entered the program year.	\$ 159.2	\$ 29.3
TOTAL PROJECT ALLOCATIONS		\$ 710.0	\$ 339.3

### **Summary**

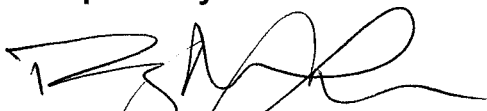
OCTA has recently reviewed the status of grant-funded street and road projects funded through the CTFP. In total, 35 project allocation adjustments from 13 agencies are recommended for approval. The next SAR is scheduled for March 2009.



**Attachments**

- A. Combined Transportation Funding Program - September 2008 Semi-Annual Review Adjustment Requests
- B. Combined Transportation Funding Program - Delay Report - September 2008

**Prepared by:**



Roger M. Lopez  
Section Manager, Project Delivery  
714-560-5438

**Approved by:**



Kia Mortazavi  
Executive Director, Development  
714-560-5741

# Combined Transportation Funding Program September 2008 Semi-Annual Review Adjustment Requests

Agency	Project #	Program	Project Title	Phase	Current FY	Months	Proposed FY	Amount	Action Request	Proposed Amount	Reason
<b>Request For Advance</b>											
BUENA PARK	03-BPRK-GMA-3050	GMA	BEACH BLVD/SR-91 EASTBOUND RAMP WIDENING	C	10/11	12	09/10	\$90,000.00	ADVANCE	\$90,000.00	CITY WOULD LIKE TO MATCH PROJECT ALLOCATION 03-BPRK-GMA-3050 WITH 05-BPRK-RIP-2656. REFER TO GMA-TAC/E.O FOR APPROVAL.
<b>Sub-Total GMA Program Advance (1)</b>								<b>\$90,000.00</b>		<b>\$90,000.00</b>	
<b>Advance - Total All Measure M Programs (1)</b>								<b>\$90,000.00</b>		<b>\$90,000.00</b>	
<b>Request For Delay</b>											
STANTON	00-STAN-GMA-3187	GMA	BEACH/STANFORD INTERSECTION IMPROVEMENTS	C	07/08	24	09/10	\$60,000.00	DELAY	\$60,000.00	ADDITIONAL TIME IS NEEDED TO COORDINATE MULTIPLE PROJECTS WITH CALTRANS. REFER TO GMA-TAC/E.O FOR APPROVAL. (2ND DELAY)
MISSION VIEJO	05-MVJO-GMA-2784	GMA	OSO/MARGUERITE INTERSECTION IMPROVEMENTS	C	07/08	12	08/09	\$516,165.00	DELAY	\$516,165.00	ADDITIONAL TIME IS NEEDED TO EXECUTE RIGHT-OF-WAY FINAL APPROVAL. CITY STILL NEEDS TWO SIGNATURES FROM 2 PARCELS. THE CITY HAS SECURED SIGNATURES FROM 6 OUT OF 8 PARCELS. REFER TO GMA-TAC/E.O FOR APPROVAL.
DANA POINT	00-DPNT-GMA-3058	GMA	PACIFIC COAST HIGHWAY IMPROVEMENTS (TOWN CENTER)	C	08/09	12	09/10	\$125,000.00	DELAY	\$125,000.00	ADDITIONAL TIME IS REQUIRED TO OBTAIN AND ADDRESS ALL PUBLIC OUTREACH COMMENTS ON THE TOWN CENTER DESIGN. CURRENTLY THE CITY HAS FINALIZED THE TOWN CENTER SPECIFIC PLAN AND SECURED COASTAL COMMISSION APPROVAL. REFER TO GMA-TAC/E.O FOR APPROVAL.
COUNTY OF ORANGE	00-LHLL-GMA-3116	GMA	MOULTON PKWY, SEGMENT 2, N (SANTA MARIA TO EL PACIFICO)	C	08/09	12	09/10	\$458,000.00	DELAY	\$458,000.00	ADDITIONAL TIME IS NEEDED TO FINALIZE THE PS&E.
<b>Sub-Total GMA Program Delays (4)</b>								<b>\$1,159,165.00</b>		<b>\$1,159,165.00</b>	
BUENA PARK	03-BPRK-IIP-1039	IIP	BEACH BLVD/MALVERN AVE IMPROVEMENT	C	07/08	12	08/09	\$134,479.64	DELAY	\$134,479.64	ADDITIONAL TIME IS NEEDED TO OBTAIN CALTRANS PERMIT.
STANTON	03-STAN-IIP-1219	IIP	BEACH/STANFORD INTERSECTION IMPROVEMENT PROJECT	C	07/08	24	09/10	\$124,080.00	DELAY	\$124,080.00	ADDITIONAL TIME IS NEEDED TO COORDINATE MULTIPLE PROJECTS WITH CALTRANS. (2ND DELAY)
GARDEN GROVE	05-GGRV-IIP-2159	IIP	EUCLID/TRASK INTERSECTION IMPROVEMENT PROJECT	C	08/09	24	10/11	\$410,359.59	DELAY	\$410,359.59	ADDITIONAL TIME IS NEEDED TO RECONFIGURE THE SITE. THE CURRENT FUELING POSITIONS WILL BE IMPACTED BY THE PROJECT. THE COST TO RECONFIGURE THE SITE HAS BEEN ESTIMATED AT \$2.1 MILLION AND WILL TAKE APPROXIMATELY A YEAR. CITY IS SEEKING THE FINANCIAL RESOURCES TO ACQUIRE.
MISSION VIEJO	05-MVJO-IIP-2668	IIP	OSO/MARGUERITE INTERSECTION WIDENING	C	07/08	12	08/09	\$1,944,075.00	DELAY	\$1,944,075.00	ADDITIONAL TIME IS NEEDED TO EXECUTIVE RIGHT-OF-WAY FINAL APPROVAL. CITY STILL NEEDS TWO SIGNATURES FROM 2 PARCELS. THE CITY HAS SECURED SIGNATURES FROM 6 OUT OF 8 PARCELS. REFER TO GMA-TAC/E.O FOR APPROVAL.
ORANGE	00-ORNG-IIP-3142	IIP	TUSTIN AVE & CHAPMAN AVE	R	08/09	12	09/10	\$1,904,635.00	DELAY	\$1,904,635.00	ADDITIONAL TIME IS NEEDED TO COMPLETE RIGHT-OF-WAY ACQUISITION.
ORANGE	03-ORNG-IIP-1186	IIP	TUSTIN STREET & MEATS AVE	C	08/09	12	09/10	\$664,264.00	DELAY	\$664,264.00	ADDITIONAL TIME IS NEEDED DUE TO UTILITY RELOCATION. THE CITY MUST COORDINATE THE RELOCATION AND UPGRADE OF A SOUTHERN CALIFORNIA EDISON TRANSMISSION POLES AND CONSIDER THE FEASIBILITY OF UNDERGROUNDING OVERHEAD LINES.
<b>Sub-Total IIP Program Delays (6)</b>								<b>\$5,181,893.23</b>		<b>\$5,181,893.23</b>	

# Combined Transportation Funding Program

## September 2008 Semi-Annual Review Adjustment Requests

Agency	Project #	Program	Project Title	Phase	Current FY	Months	Proposed FY	Amount	Action Request	Proposed Amount	Reason
MISSION VIEJO	99-MVJO-MPAH-1140	MPAH	LA PAZ BRIDGE WIDENING (MURLANDS TO CHRISANTA)	E	07/08	24	09/10	\$1,521,053.00	DELAY	\$1,521,053.00	ADDITIONAL TIME IS NEEDED FOR APPROVAL OF THE DESIGN BY THE RAILROAD. SOME MINOR RIGHT-OF-WAY ISSUES CONTINUE. THE CITY HAVE SECURED SIGNATURES FOR 3 OUT OF 8 PARCELS.
ORANGE	00-ORNG-MPAH-3144	MPAH	MAIN STREET WIDENING (260' N/O PALMYRA TO 300 S/O CHAPMAN)	C	08/09	12	09/10	\$351,508.00	DELAY	\$351,508.00	ADDITIONAL TIME IS NEEDED TO COMPLETE RIGHT-OF-WAY ACQUISITION.
<b>Sub-Total MPAH Program Delays (2)</b>								<b>\$1,872,561.00</b>		<b>\$1,872,561.00</b>	
IRVINE	05-IRVN-TDM-2031	TDM	IRVINE BUSINESS COMPLEX (IBC) RESIDENTIAL RIDESHARE PROGRAM DEVELOPMENT	E	07/08	24	08/09	\$200,000.00	DELAY	\$200,000.00	THIS PROJECT IS A COMPONENT OF A MUCH LARGER PROJECT (TRANSPORTATION MANAGEMENT ASSOCIATION) WHICH IS STILL BEING FINALIZED; THEREFORE, ADDITIONAL TIME IS NEEDED TO REFINE THE SCOPE OF WORK FOR THE IBC RESIDENTIAL RIDESHARE PROGRAM.
<b>Sub-Total TDM Program Delays (1)</b>								<b>\$200,000.00</b>		<b>\$200,000.00</b>	
<b>Delays - Total All Measure M Programs (13)</b>								<b>\$8,413,619.23</b>		<b>\$8,413,619.23</b>	
<b>Cancellation</b>											
IRVINE	00-IRVN-GMA-3094	GMA	PARK AND RIDE ASSESSMENT	E	05/06	N/A	N/A	\$25,000.00	CANCEL	\$0.00	CITY WOULD LIKE TO CANCEL THE PROJECT. WITH THE COMPLETION OF THE IRVINE STATION PARKING STRUCTURE, THE ENGINEERING FUNDS ARE NO LONGER NEEDED. REFER TO GMA-TAC/E.O FOR APPROVAL.
<b>Sub-Total GMA Program Cancel (1)</b>								<b>\$25,000.00</b>		<b>\$0.00</b>	
LOS ALAMITOS	05-LSAL-TDM-2445	TDM	CERRITOS AVE BICYCLE LANES	E	08/09	N/A	N/A	\$8,109.00	CANCEL	\$0.00	CITY WOULD LIKE TO CANCEL THE PROJECT. THE STREETS ARE TOO NARROW TO ACCOMMODATE THE BICYCLE LANES. ADDITIONALLY THE RESIDENTS IN THE ARE DO NOT SUPPORT THIS PROJECT.
LOS ALAMITOS	05-LSAL-TDM-2445	TDM	CERRITOS AVE BICYCLE LANES	C	08/09	N/A	N/A	\$32,437.00	CANCEL	\$0.00	CITY WOULD LIKE TO CANCEL THE PROJECT. THE STREETS ARE TOO NARROW TO ACCOMMODATE THE BICYCLE LANES. ADDITIONALLY THE RESIDENTS IN THE ARE DOES NOT SUPPORT THIS PROJECT.
LOS ALAMITOS	05-LSAL-TDM-2570	TDM	FARQUHAR BICYCLE LANES	E	08/09	N/A	N/A	\$27,956.00	CANCEL	\$0.00	CITY WOULD LIKE TO CANCEL THE PROJECT. THE STREETS ARE TOO NARROW TO ACCOMMODATE THE BICYCLE LANES. ADDITIONALLY THE RESIDENTS IN THE ARE DOES NOT SUPPORT THIS PROJECT.
LOS ALAMITOS	05-LSAL-TDM-2570	TDM	FARQUHAR BICYCLE LANES	C	08/09	N/A	N/A	\$117,975.37	CANCEL	\$0.00	CITY WOULD LIKE TO CANCEL THE PROJECT. THE STREETS ARE TOO NARROW TO ACCOMMODATE THE BICYCLE LANES. ADDITIONALLY THE RESIDENTS IN THE ARE DOES NOT SUPPORT THIS PROJECT.
IRVINE	05-IRVN-TDM-2075	TDM	SPECTRUM PARK AND RIDE FACILITY	E	08/09	N/A	N/A	\$22,400.00	CANCEL	\$0.00	CITY WOULD LIKE TO CANCEL THE PROJECT. WITH THE COMPLETION OF THE IRVINE STATION PARKING STRUCTURE, THE ENGINEERING AND CONSTRUCTION FUNDS ARE NO LONGER NEEDED.
IRVINE	05-IRVN-TDM-2075	TDM	SPECTRUM PARK AND RIDE FACILITY	C	08/09	N/A	N/A	\$177,600.00	CANCEL	\$0.00	CITY WOULD LIKE TO CANCEL THE PROJECT. WITH THE COMPLETION OF THE IRVINE STATION PARKING STRUCTURE, THE ENGINEERING AND CONSTRUCTION FUNDS ARE NO LONGER NEEDED.
<b>Sub-Total TDM Program Cancel (3)</b>								<b>\$386,477.37</b>		<b>\$0.00</b>	

# Combined Transportation Funding Program

## September 2008 Semi-Annual Review Adjustment Requests

Agency	Project #	Program	Project Title	Phase	Current FY	Months	Proposed FY	Amount	Action Request	Proposed Amount	Reason
IRVINE	05-IRVN-SIP-2007	SIP	JAMBOREE ROAD (MACARTHUR TO I-405)	E	06/07	N/A	N/A	\$22,214.00	CANCEL	\$0.00	THIS PROJECT WAS COMPLETED THROUGH A DEVELOPER OBLIGATED PROJECT; THEREFORE, THE CITY REQUESTS CANCELLATION.
IRVINE	05-IRVN-SIP-2007	SIP	JAMBOREE ROAD (MACARTHUR TO I-405)	C	06/07	N/A	N/A	\$169,384.80	CANCEL	\$0.00	THIS PROJECT WAS COMPLETED THROUGH A DEVELOPER OBLIGATED PROJECT; THEREFORE, THE CITY REQUESTS CANCELLATION.
IRVINE	05-IRVN-SIP-2006	SIP	JAMBOREE ROAD (BARRANCA TO I-405)	E	06/07	N/A	N/A	\$22,655.00	CANCEL	\$0.00	THIS PROJECT WAS COMPLETED THROUGH A DEVELOPER OBLIGATED PROJECT; THEREFORE, THE CITY REQUESTS CANCELLATION.
IRVINE	05-IRVN-SIP-2006	SIP	JAMBOREE ROAD (BARRANCA TO I-405)	C	06/07	N/A	N/A	\$172,745.91	CANCEL	\$0.00	THIS PROJECT WAS COMPLETED THROUGH A DEVELOPER OBLIGATED PROJECT; THEREFORE, THE CITY REQUESTS CANCELLATION.
<b>Sub-Total SIP Program Cancel (2)</b>								<b>\$386,999.71</b>		<b>\$0.00</b>	
<b>Cancellation - Total All Measure M Programs (6)</b>								<b>\$798,477.08</b>		<b>\$0.00</b>	

### Misc. Adjustments

COUNTY OF ORANGE	05-ORCO-GMA-2086	GMA	ALTON PARKWAY	E	0708	N/A	N/A	\$500,000.00	TRANSFER	\$950,000.00	COUNTY OF ORANGE WOULD LIKE TO CANCEL THIS PROJECT AND REALLOCATE THE FUNDS TO ALTON PARKWAY (05-ORCO-GMA-2086). GMA 9-TAC/E.O. APPROVED THE CANCELLATION AND REALLOCATION IN JUNE 2006.
COUNTY OF ORANGE	99-ORCO-GMA-1040	GMA	CROWN VALLEY PARKWAY BRIDGE PHASE I-II	C	03/04	N/A	N/A	\$450,000.00	TRANSFER	\$0.00	COUNTY OF ORANGE WOULD LIKE TO CANCEL THIS PROJECT AND REALLOCATE THE FUNDS TO ALTON PARKWAY (05-ORCO-GMA-2086). GMA 9-TAC/E.O. APPROVED THE CANCELLATION AND REALLOCATION IN JUNE 2006.
COSTA MESA	08-CMSA-GMA-2920	GMA	17TH/IRVINE INTERSECTION IMPROVEMENT	E	08/09	N/A	N/A	\$40,000.00	TRANSFER	\$0.00	CITY WOULD LIKE TO TRANSFER THIS ALLOCATION TO A NEW GMA PROJECT: HARBOR BLVD - ADAMS AVE INTERSECTION. CURRENT GMA FUNDING DID NOT RECEIVE AN IIP ALLOCATION. REFER TO GMA-TAC/E.O FOR APPROVAL.
COSTA MESA	08-CMSA-GMA-2912	GMA	HYLAND I-405 NB RAMP/SOUTH COAST DRIVE	E	08/09	N/A	N/A	\$25,000.00	TRANSFER	\$0.00	CITY WOULD LIKE TO TRANSFER THIS ALLOCATION TO A NEW GMA PROJECT: HARBOR BLVD - ADAMS AVE INTERSECTION. CURRENT GMA FUNDING DID NOT RECEIVE AN IIP ALLOCATION. REFER TO GMA-TAC/E.O FOR APPROVAL.
COSTA MESA	TBD	GMA	HARBOR BLVD - ADAMS AVE INTERSECTION	E	08/09	N/A	N/A	\$0.00	TRANSFER	\$65,000.00	CITY WOULD LIKE TO TRANSFER THIS ALLOCATION TO A NEW GMA PROJECT: HARBOR BLVD - ADAMS AVE INTERSECTION. CURRENT GMA FUNDING DID NOT RECEIVE AN IIP ALLOCATION. REFER TO GMA-TAC/E.O FOR APPROVAL.
ANAHEIM	08-ANAH-GMA-3016	GMA	BALL/SUNKIST INTERSECTION WIDENING	E	08/09	N/A	N/A	\$50,000.00	TRANSFER	\$0.00	CITY WOULD LIKE TO CANCEL THIS PROJECT AND REALLOCATE THE FUNDS TO RAIL CROSSING SAFETY IMPROVEMENTS 08-ANAH-GMA-3022. GMA TAC/E.O. APPROVED THE CANCELLATION AND REALLOCATION IN JUNE 2006.
ANAHEIM	05-ANAH-GMA-2704	GMA	BROADWAY WEST ITS- DALE TO LOARA	C	08/09	N/A	N/A	\$40,000.00	TRANSFER	\$0.00	CITY WOULD LIKE TO CANCEL THIS PROJECT AND REALLOCATE THE FUNDS TO RAIL CROSSING SAFETY IMPROVEMENTS 08-ANAH-GMA-3022. GMA TAC/E.O. APPROVED THE CANCELLATION AND REALLOCATION IN JUNE 2006.
ANAHEIM	08-ANAH-GMA-3020	GMA	LAKEVIEW AVE/ORANGETHORPE INT. IMP.	E	08/09	N/A	N/A	\$158,811.00	TRANSFER	\$0.00	CITY WOULD LIKE TO CANCEL THIS PROJECT AND REALLOCATE THE FUNDS TO RAIL CROSSING SAFETY IMPROVEMENTS 08-ANAH-GMA-3022. GMA TAC/E.O. APPROVED THE CANCELLATION AND REALLOCATION IN JUNE 2006.

# Combined Transportation Funding Program September 2008 Semi-Annual Review Adjustment Requests

Agency	Project #	Program	Project Title	Phase	Current FY	Months	Proposed FY	Amount	Action Request	Proposed Amount	Reason
ANAHEIM	08-ANAH-GMA-3020	GMA	LAKEVIEW AVE/ORANGETHORPE INT. IMP.	C	08/09	N/A	N/A	\$62,800.00	TRANSFER	\$0.00	CITY WOULD LIKE TO CANCEL THIS PROJECT AND REALLOCATE THE FUNDS TO RAIL CROSSING SAFETY IMPROVEMENTS 08-ANAH-GMA-3022. GMA TAC/E.O. APPROVED THE CANCELLATION AND REALLOCATION IN JUNE 2006.
ANAHEIM	08-ANAH-GMA-3022	GMA	RAILROAD CROSSINGS SAFETY IMPROVEMENTS	E	08/09	N/A	N/A	\$200,000.00	TRANSFER	\$511,611.00	CITY WOULD LIKE TO CANCEL THIS PROJECT AND REALLOCATE THE FUNDS TO RAIL CROSSING SAFETY IMPROVEMENTS 08-ANAH-GMA-3022. GMA TAC/E.O. APPROVED THE CANCELLATION AND REALLOCATION IN JUNE 2006.
FOUNTAIN VALLEY	05-FVLY-GMA-2544	GMA	SLATER/NEWHOPE INTERSECTION IMPROVEMENT	R	06/07	N/A	N/A	\$100,000.00	TRANSFER	\$0.00	CITY WOULD LIKE TO TRANSFER THIS ALLOCATION FROM RIGHT-OF-WAY TO CONSTRUCTION. REFER TO GMA-TAC/E.O. FOR APPROVAL.
FOUNTAIN VALLEY	05-FVLY-GMA-2544	GMA	SLATER/NEWHOPE INTERSECTION IMPROVEMENT	C	06/07	N/A	N/A	\$0.00	TRANSFER	\$100,000.00	CITY WOULD LIKE TO TRANSFER THIS ALLOCATION FROM RIGHT-OF-WAY TO CONSTRUCTION. REFER TO GMA-TAC/E.O. FOR APPROVAL.
STANTON	97-STAN-SSP-2020	SSP	KATELLA AVE (MAGNOLIA TO BEACH)	R	02/03	N/A	N/A	\$1,729,970.88	TRANSFER	\$1,329,970.88	CITY WOULD LIKE TO TRANSFER \$400,000 FROM 97-STAN-SSP-2020 TO 97-STAN-SSP-2019 TO COVER PART OF THE BUDGET SHORTFALL.
STANTON	97-STAN-SSP-2019	SSP	KATELLA AVE (MAGNOLIA TO BEACH)	R	02/03	N/A	N/A	\$383,000.00	TRANSFER	\$783,000.00	CITY WOULD LIKE TO TRANSFER \$400,000 FROM 97-STAN-SSP-2020 TO 97-STAN-SSP-2019 TO COVER PART OF THE BUDGET SHORTFALL.
<b>Sub-Total GMA Program Misc. Adjustments (14)</b>								<b>\$3,739,581.88</b>		<b>\$3,739,581.88</b>	
<b>Misc. Adjustments - Total All Measure M Programs (14)</b>								<b>\$3,739,581.88</b>		<b>\$3,739,581.88</b>	
<b>Misc. Adjustments - Federally Funded Projects</b>											
SAN JUAN CAPISTRANO	05-SJCP-MPAH-2396	RSTP	Del Obispo Street Widening	R	07/08	N/A	N/A	\$16,500.00	TRANSFER	\$0.00	CITY WOULD LIKE TO TRANSFER \$16,500 FROM RIGHT-OF-WAY TO CONSTRUCTION. TO STREAMLINE FUNDING PROCESS.
SAN JUAN CAPISTRANO	05-SJCP-MPAH-2396	RSTP	Del Obispo Street Widening	C	08/09	N/A	N/A	\$2,722,954.50	TRANSFER	\$2,739,454.50	CITY WOULD LIKE TO TRANSFER \$16,500 FROM RIGHT-OF-WAY TO CONSTRUCTION. TO STREAMLINE FUNDING PROCESS.
ORANGE	TBD	AHRP	CAMBRIDGE STREET REHABILITATION FROM KATELLA TO TAFT	C	08/09	N/A	N/A	\$250,076.50	TRANSFER	\$0.00	CITY WOULD LIKE TO COMBINE 3 PROJECTS INTO 1 PROJECT.
ORANGE	TBD	AHRP	CAMBRIDGE STREET REHABILITATION FROM TAFT TO MEATS	C	08/09	N/A	N/A	\$384,050.50	TRANSFER	\$0.00	CITY WOULD LIKE TO COMBINE 3 PROJECTS INTO 1 PROJECT.
ORANGE	TBD	AHRP	CAMBRIDGE STREET REHABILITATION FROM WALNUT TO COLINS	C	08/09	N/A	N/A	\$229,664.00	TRANSFER	\$0.00	CITY WOULD LIKE TO COMBINE 3 PROJECTS INTO 1 PROJECT.
ORANGE	TBD	AHRP	CAMBRIDGE STREET REHABILITATION (KATELLA TO TAFT & WALNUT TO COLINS)	C	08/09	N/A	N/A	\$0.00	TRANSFER	\$863,791.00	CITY WOULD LIKE TO COMBINE 3 PROJECTS INTO 1 PROJECT.
<b>Total Misc. Adjustments (5)</b>								<b>\$3,603,245.50</b>		<b>\$3,603,245.50</b>	
<b>Misc. Adjustments - Total All Federally Funded Programs (5)</b>								<b>\$3,603,245.50</b>		<b>\$3,603,245.50</b>	
<b>Adjustments NOT Recommended for Approval</b>											
STANTON	97-STAN-SSP-2020	SSP	KATELLA AVE (BEACH to KNOTT)	E	97/98	N/A	N/A	\$78,000.00	ADDITIONAL FUNDS	\$378,000.00	CITY WOULD LIKE TO REQUEST AN ADDITIONAL \$300,000 IN FUNDING TO COVER PART OF EXPENDITURES IN EXCESS OF APPROVED ALLOCATIONS.
<b>Total Adjustments (1)</b>								<b>\$78,000.00</b>		<b>\$378,000.00</b>	
<b>Adjustments - Total NOT Recommended for Approval (1)</b>								<b>\$78,000.00</b>		<b>\$378,000.00</b>	

**Combined Transportation Funding Program  
September 2008 Semi-Annual Review Adjustment Requests  
Glossary of Acronyms**

<b>Acronym</b>	<b>Description</b>
AHRP	Arterial Highway Rehabilitation Program
C	Project Construction Phase
E	Project Engineering Phase
E.O	Elected Official
GMA	Growth Management Areas Program
IIP	Intersection Improvement Program
IMP	Improvement
INT	Intersection
ITS	Intelligent Transportation System
MPAH	Master Plan of Arterial Highways
N/O	North of
PS&E	Certification of Plans, Specifications, and Estimate
R	Project Right-of-Way Phase
RSTP	Regional Surface Transportation Program
S/O	South of
SIP	Signal Improvement Program
SSP	Smart Street Program
TAC	Technical Advisory Committee
TDM	Transportation Demand Management Program

## Combined Transportation Funding Program Delay Report - September 2008

Agency	Project #	Project Title	Phase	Fiscal Year	Months	Original FY	Proposed FY	Amount	1st Delay	2nd Delay	3rd Delay
<b>September 2008 Delay Requests</b>											
BUENA PARK	03-BPRK-IIP-1039	BEACH BLVD/MALVERN AVE IMPROVEMENT	C	07/08	12	07/08	08/09	\$ 134,480	Sept-08		
COUNTY OF ORANGE	00-LHLL-GMA-3116	MOULTON PKWY, SEGMENT 2, N (SANTA MARIA TO EL PACIFICO)	C	08/09	12	08/09	09/10	\$ 458,000	Sept-08		
DANA POINT	00-DPNT-GMA-3058	PACIFIC COAST HIGHWAY IMPROVEMENTS	C	08/09	24	02/03	09/10	\$ 125,000	Sept-06	Sept-08	
GARDEN GROVE	05-GGRV-IIP-2159	EUCLID/TRASK INTERSECTION IMPROVEMENT PROJECT	C	08/09	24	08/09	10/11	\$ 410,360	Sept-08		
IRVINE	05-IRVN-TDM-2031	IRVINE BUSINESS COMPLEX (IBC) RESIDENTIAL RIDESHARE PROGRAM DEVELOPMENT	E	07/08	12	07/08	08/09	\$ 200,000	Sept-08		
MISSION VIEJO	05-MVJO-GMA-2784	OSO/MARGUERITE INTERSECTION IMPROVEMENTS	C	07/08	12	07/08	08/09	\$ 516,165	Sept-08		
MISSION VIEJO	05-MVJO-IIP-2668	OSO/MARGUERITE INTERSECTION WIDENING	C	07/08	12	07/08	08/09	\$ 1,944,075	Sept-08		
MISSION VIEJO	99-MVJO-MPAH-1140	LA PAZ BRIDGE WIDENING (MURLANDS TO CHRISANTA)	E	07/08	24	07/08	09/10	\$ 1,521,053	Sept-08		
ORANGE	00-ORNG-IIP-3142	TUSTIN AVE & CHAPMAN AVE	R	08/09	12	08/09	09/10	\$ 1,904,635	Sept-08		
ORANGE	03-ORNG-IIP-1186	TUSTIN AVE & MEATS AVE	R	08/09	12	06/07	09/10	\$ 1,327,818	Sept-07	Sept-08	
ORANGE	00-ORNG-MPAH-3144	MAIN STREET WIDENING (260' N/O PALMYRA TO 300 S/O CHAPMAN)	C	08/09	12	08/09	09/10	\$ 351,508	March-07	Sept-08	
STANTON	00-STAN-GMA-3187	BEACH/STANFORD INTERSECTION IMPROVEMENTS	C	07/08	24	07/08	09/10	\$ 60,000	Sept-06	Sept-08	
STANTON	03-STAN-IIP-1219	BEACH/STANFORD INTERSECTION IMPROVEMENT PROJECT	C	07/08	24	07/08	09/10	\$ 124,080	Sept-06	Sept-08	

<b>Prior Delay Requests</b>											
Aliso Viejo	05-ALSO-TDM-2330	Bike Trail in SCE ROW	C	07/08	12	07/08	08/09	\$ 196,914	March-08		
Anaheim	00-ANAH-GMA-3002	East Street/SR-91 Interchange	C	06/07	24	04/05	08/09	\$ 100,000	Sept-06	March-07	
Anaheim	00-ANAH-RIP-3008	East Street at SR-91 Freeway	C	06/07	24	04/05	08/09	\$ 817,036	Sept-06		
Anaheim	03-ANAH-IIP-1016	Kraemer Blvd./ La Palma Ave Intersection	C	07/08	12	04/05	08/09	\$ 598,181	Sept-07		
Anaheim	03-ANAH-MPAH-1019	Brookhurst St. - S/P Ball Rd. to N/O Katella Ave	E	07/08	24	06/07	09/10	\$ 114,400	Sept-07		
Anaheim	03-ANAH-MPAH-1019	Brookhurst St. - S/P Ball Rd. to N/O Katella Ave	R	08/09	12	06/07	09/10	\$ 6,722,425	Sept-07		
Anaheim	03-ANAH-RIP-1242	Gene Autry Way (West) / I-5 Fwy Interchange	C	06/07	24	03/04	08/09	\$ 4,270,500	Sept-06		
Anaheim	97-ANAH-SSP-2004	Katella Ave (Humor to Jean)	C	07/08	12	06/07	08/09	\$ 4,400,000	Sept-07		
Anaheim	99-ORCO-GMA-1038	Brookhurst/ Katella - Ball	E	07/08	24	04/05	09/10	\$ 250,000	Sept-07		
Brea	03-BREA-IIP-1032	Birch & Kraemer	C	06/07	24	06/07	08/09	\$ 932,320	Sept-07		
Buena Park	05-BPRK-SIP-2338	Lincoln Ave (Valley View to Knott) Interconnect	C	05/06	24	05/06	09/10	\$ 65,000	March-06	March-08	
Buena Park	05-BPRK-GMA-2661	Signal Coordination Malvern/Chapman/LaMirada	C	07/08	24	05/06	09/10	\$ 80,000	March-06	March-08	
Buena Park	05-BPRK-GMA-2750	Bus Bays on Beach Blvd (I-5 to Rosecrans)	C	06/07	12	06/07	08/09	\$ 58,000	March-07		
Buena Park	05-BPRK-RIP-2656	Beach Blvd/SR 91 Eastbound Ramps Widening	C	06/07	24	06/07	08/09	\$ 530,613	March-07		
Buena Park	97-BPRK-GMA-1033	Artesia Blvd Improvement @ I-5 FWY	C	06/07	24	04/05	08/09	\$ 240,000	Sept-07		
Costa Mesa	05-CMSA-IIP-2093	Newport/19th St Intersection Improvement	C	06/07	24	06/07	08/09	\$ 2,500,000	Sept-07		
Costa Mesa	05-CMSA-IIP-2254	Newport/17th St Intersection Improvement	C	06/07	24	06/07	08/09	\$ 1,477,000	Sept-07		
Costa Mesa	99-CMSA-GMA-1028	Newport Boulevard 19th to 17th St.	C	06/07	24	07/08	08/09	\$ 920,290	Sept-07		
Costa Mesa	05-CMSA-GMA-2627	Fairview Road/ Adams Avenue GMA	E	07/08	12	07/08	08/09	\$ 60,000	March-08		
County	03-ORCO-MPAH-1071	Alton Parkway	R	07/08	12	07/08	08/09	\$ 654,005	March-08		
County	05-ORCO-GMA-2084	Red Hill Avenue	C	08/09	12	08/09	09/10	\$ 240,000	March-08		
County	05-ORCO-GMA-2084	Red Hill Avenue	R	08/09	12	08/09	09/10	\$ 50,000	March-08		
County	07-ORCO-GMA-2834	Oso/Antonio Parkway	E	07/08	12	07/08	08/09	\$ 350,000	March-08		
County	97-ORCO-SSP-2009	Katella Ave (100' e/o Jean to Magnolia)	C	07/08	12	07/08	08/09	\$ 2,992,000	March-08		
Cypress	03-CYPR-MPAH-1079	Replacement of Del Amo Bridge	C	05/06	24	05/06	09/10	\$ 105,012	March-06	March-08	
Dana Point	00-DPNT-GMA-3058	Pacific Coast Highway Improvements	C	06/07	24	02/03	08/09	\$ 125,000	Sept-06		
Garden Grove	03-GGRV-IIP-1103	Harbor/Lampson	C	07/08	24	07/08	09/10	\$ 326,930	March-08		
Garden Grove	03-GGRV-IIP-1104	Gairview/Trask	C	07/08	24	06/07	09/10	\$ 512,789	Sept-06		
Garden Grove	03-GGRV-IIP-1105	Euclid/SR-22 EB On-Ramp	C	07/08	24	07/08	09/10	\$ 353,288	Sept-07		
Garden Grove	03-GGRV-IIP-1106	Brookhurst/Garden Grove Blvd	C	07/08	24	06/07	09/10	\$ 537,910	Sept-06		
Garden Grove	03-GGRV-IIP-1107	Euclid/Hazard	C	06/07	24	05/06	08/09	\$ 301,663	March-07		
Huntington Beach	03-HBCH-TDM-1114	Pacific Coast Highway Transit Center	C	05/06	12	05/06	08/09	\$ 150,000	March-06	Sept-07	
Irvine	03-IRVN-GMA-1116	Barranca Parkway/Redhill Ave Intersection	C	07/08	12	07/08	08/09	\$ 200,000	March-08		
Irvine	05-IRVN-IIP-2032	Barranca at Redhill	C	07/08	24	07/08	09/10	\$ 2,500,000	March-08		
Irvine	99-IRVN-GMA-1100	Barranca Pkwy/Dyer Intersection & Redhill	C	07/08	12	07/08	08/09	\$ 125,000	March-08		
Irvine	00-IRVN-GMA-3095	San Diego Creek & Culverdale Bicycle Trail Lighting	C	05/06	12	05/06	08/09	\$ 150,000	Sept-06	Sept-07	
Irvine	00-IRVN-TDM-3108	San Diego Creek & Culverdale Bicycle Trail Lighting	C	05/06	12	05/06	08/09	\$ 67,003	Sept-06	Sept-07	
Irvine	03-IRVN-IIP-1124	Culver/Walnut Intersection	C	06/07	24	06/07	09/10	\$ 644,144	March-07		
Irvine	03-IRVN-IIP-1124	Culver/Walnut Intersection	R	05/06	12	06/07	08/09	\$ 733,702	March-06	Sept-07	
La Habra	05-LHAB-IIP-2431	Whittier Blvd/Beach Blvd Intersection Improvements	C	08/09	24	08/09	10/11	\$ 765,731	March-08		
La Habra	05-LHAB-IIP-2431	Whittier Blvd/Beach Blvd Intersection Improvements	E	07/08	24	07/08	09/10	\$ 78,873	March-08		
La Habra	05-LHAB-IIP-2431	Whittier Blvd/Beach Blvd Intersection Improvements	R	07/08	24	07/08	09/10	\$ 295,954	March-08		
La Habra	05-LHAB-MPAH-2608	Imperial Hwy. Smart Street from LA County to Rose	C	06/07	24	06/07	08/09	\$ 1,769,037	March-08		
La Habra	97-LHAB-SSP-2012	Imperial (LAC to Harbor)	C	05/06	12	00/01	08/09	\$ 6,908,000	March-06	March-08	
La Habra	00-LHAB-TDM-3115	Coyote Creek Bikeway	C	06/07	24	02/03	08/09	\$ 81,320	Sept-07		
La Habra	03-LHAB-IIP-1141	Euclid St and Lambert Rd Intersection Improvements	C	07/08	24	07/08	09/10	\$ 126,396	March-07		
La Habra	03-LHAB-IIP-1141	Euclid St and Lambert Rd Intersection Improvements	E	07/08	24	07/08	09/10	\$ 10,266	March-07		
La Habra	05-LHAB-GMA-2632	Harbor Blvd at Lambert Rd Intersection Improvement	C	08/09	12	08/09	09/10	\$ 284,000	March-07		

## Combined Transportation Funding Program Delay Report - September 2008

Agency	Project #	Project Title	Phase	Fiscal Year	Months	Original FY	Proposed FY	Amount	1st Delay	2nd Delay	3rd Delay
La Habra	05-LHAB-IIP-2416	Whittier Blvd/Idaho St. Intersection Improvements	C	08/09	12	08/09	09/10	\$ 329,110	March-07		
La Habra	05-LHAB-IIP-2416	Whittier Blvd/Idaho St. Intersection Improvements	E	07/08	24	07/08	09/10	\$ 33,899	March-07		
La Habra	05-LHAB-IIP-2416	Whittier Blvd/Idaho St. Intersection Improvements	R	08/09	12	08/09	09/10	\$ 32,212	March-07		
La Habra	05-LHAB-IIP-2597	Harbor Blvd at Lambert Rd Intersection Improvement	R	07/08	24	07/08	09/10	\$ 2,022,906	March-07		
La Habra	05-LHAB-MPAH-2568	Lambert Rd. Widen (West of Harbor)	C	07/08	12	07/08	09/10	\$ 351,103	March-06	March-07	
La Habra	05-LHAB-MPAH-2568	Lambert Rd. Widen (West of Harbor)	R	06/07	24	06/07	09/10	\$ 4,913,663	March-06	March-07	
La Palma	03-LPMA-MPAH-1149	La Palma Ave/Del Arno Blvd	C	05/06	24	05/06	08/09	\$ 667,959	March-06		
La Palma	03-LPMA-MPAH-1149	La Palma Ave/Del Arno Blvd	E	05/06	12	05/06	08/09	\$ 131,350	March-06		
La Palma	03-LPMA-MPH-1148	Walker St. / Marquardt Ave. over Coyote Creek	C	09/240	24	06/07	08/09	\$ 469,486	March-07		
Laguna Hills	03-LHLL-MPAH-1156	La Paz (Cabot Drive to I-5)	C	06/07	24	06/07	08/09	\$ 1,051,647	March-07		
Laguna Niguel	97-LNIG-GMA-1104	Avery Parkway Widening	C	04/05	24	00/01	08/09	\$ 522,000	March-06	March-08	
Laguna Woods	00-LWDS-GMA-3125	Moulton Parkway @ El Toro Road	C	06/07	24	01/02	08/09	\$ 500,000	Sept-06		
Laguna Woods	03-LWDS-GMA-1165	El Toro Road / Moulton Parkway	C	06/07	24	04/05	08/09	\$ 158,000	Sept-06		
Laguna Woods	05-LWDS-IIP-2810	Moulton Parkway and El Toro Road	C	06/07	24	06/07	08/09	\$ 1,839,775	March-07		
Los Alamitos	03-LSAL-MPAH-1176	Los Alamitos Bid Improvements Phase 2	C	05/06	12	05/06	08/09	\$ 287,432	March-06	March-07	
Newport Beach	03-NBCH-MPAH-1182	Jamboree Road Widening Project	C	07/08	24	07/08	09/10	\$ 951,478	March-08		
Orange	00-ORNG-IIP-3142	Tustin Avenue & Chapman Avenue	R	07/08	12	07/08	08/09	\$ 595,365	March-08		
Orange	03-ORNG-IIP-1188	Katella Avenue Wanda Road Intersection Improvement	C	07/08	12	07/08	08/09	\$ 51,002	March-08		
Orange	05-ORNG-GMA-2566	East Orange Signal Coordination	C	07/08	24	07/08	09/10	\$ 156,000	March-08		
Orange	05-ORNG-GMA-2730	Orange Rail Safety Improvements	C	06/07	36	06/07	09/10	\$ 248,000	March-08		
Orange	05-ORNG-SIP-2023	East Chapman Avenue Signal Coordination	C	07/08	24	07/08	09/10	\$ 167,365	March-08		
Orange	05-ORNG-SIP-2023	East Chapman Avenue Signal Coordination	E	07/08	12	07/08	08/09	\$ 61,949	March-08		
Orange	00-ORNG-TDM-3148	Tustin Branch Trail	C	06/07	24	02/03	08/09	\$ 400,000	March-07		
Orange	03-ORNG-IIP-1186	Tustin Street and Meats Ave	C	07/08	12	06/07	08/09	\$ 732,247	Sept-07		
Placentia	00-PLAC-GMA-3149	Bastanchury Road @ Kraemer Blvd	C	05/06	24	05/06	08/09	\$ 50,000	March-06	March-08	
Placentia	03-PLAC-IIP-1193	Alta Vista Street/Rose Drive	C	05/06	24	05/06	08/09	\$ 291,651	March-06	March-08	
Placentia	03-PLAC-IIP-1194	Kraemer Blvd/Bastanchury Road	C	07/08	12	07/08	08/09	\$ 205,109	March-08		
Placentia	05-PLAC-GMA-2551	Rose/Alta Vista Intersection Improvement	C	07/08	12	07/08	08/09	\$ 32,000	March-08		
Placentia	05-PLAC-SIP-2546	Bastanchury/Valencia Signal Extension	C	07/08	12	07/08	08/09	\$ 250,000	March-08		
Placentia	03-PLAC-IIP-1194	Kraemer Blvd/Bastanchury Rd	C	05/06	24	05/06	08/09	\$ 205,109	March-06		
Santa Ana	00-IRVN-RIP-3099	Alton/SR-55 Overcrossing and HOV	E	06/07	12	02/03	08/09	\$ 3,360,000	Sept-07	March-08	
Santa Ana	02-IRVN-GMA-1004	Alton/SR-55 Overcrossing	E	06/07	12	05/06	08/09	\$ 200,000	Sept-07	March-08	
Santa Ana	03-SNTA-SIP-1208	Bristol Street Traffic Management	C	07/08	24	07/08	09/10	\$ 234,000	March-08		
Santa Ana	05-IRVN-GMA-2569	Alton Parkway/ SR-55	E	06/07	24	06/07	08/09	\$ 255,000	March-08		
Santa Ana	05-SNTA-GMA-2542	Alton/SR-55 Overcrossing and HOV Ramp	E	07/08	12	07/08	08/09	\$ 255,000	March-08		
Santa Ana	05-SNTA-GMA-2797	First Street Bridge Widening	C	07/08	12	07/08	08/09	\$ 400,000	March-08		
Santa Ana	05-SNTA-MPAH-2204	First Street Widening: Susan to Fairview	C	07/08	12	07/08	08/09	\$ 4,496,166	March-08		
Seal Beach	97-SBCH-MPAH-1154	Seal Beach Blvd Overcrossing Widening at I-405	C	05/06	24	00/01	09/10	\$ 1,680,000	March-06	Sept-07	
Seal Beach	05-SBCH-GMA-2800	Lampson Avenue Controller Upgrade	C	05/06	48	05/06	09/10	\$ 33,500	Sept-06		
Seal Beach	95-SBCH-GMA-1188	Seal Beach Blvd Bridge at I-405	C	05/06	24	96/97	09/10	\$ 382,250	March-06	Sept-07	
Stanton	03-STAN-MPAH-1221	Garden Grove Blvd. Street Improvement Project	C	05/06	24	03/04	09/10	\$ 310,200	March-06	March-08	
Tustin	05-TUST-GMA-2525	Tustin Commuter Rail Station Parking Structure	C	08/09	12	08/09	09/10	\$ 200,000	March-08		
Westminster	05-WEST-RIP-2738	Beach/Edinger Ramp, I-405 Improvements	C	07/08	24	07/08	09/10	\$ 888,000	March-07		
Westminster	05-WEST-RIP-2738	Beach/Edinger Ramp, I-405 Improvements	E	06/07	24	06/07	08/09	\$ 200,000	March-07		
Yorba Linda	05-YLND-GMA-2735	Esperanza Road Bike Lanes	C	06/07	24	06/07	08/09	\$ 35,000	Sept-06		

Phase C - Construction
Phase E - Engineering
Phase R - Right-of-way







*BOARD COMMITTEE TRANSMITTAL*

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** Maintenance Agreement for Gateway Monument as Part of the Santa Ana Freeway (Interstate 5) Gateway Project

Highways Committee Meeting of February 2, 2009

**Present:** Directors Amante, Cavecche, Glaab, Green, Mansoor, Nguyen, Norby, and Pringle  
**Absent:** Director Dixon

***Committee Vote***

This item was passed by all Committee Members present.

***Committee Recommendation***

Authorize the Chief Executive Officer to execute the Agreement for Maintenance of Gateway Monument in the City of Buena Park between the Orange County Transportation Authority and the California Department of Transportation for annual maintenance of the gateway monument.



**February 2, 2009**

**To:** Highways Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Maintenance Agreement for Gateway Monument as Part of the Santa Ana Freeway (Interstate 5) Gateway Project

**Overview**

The Orange County Transportation Authority proposes to enter into a maintenance agreement with the California Department of Transportation for the new gateway monument. A maintenance agreement is required to establish the roles and responsibilities for maintaining this gateway monument located along the Santa Ana Freeway (Interstate 5) at the Artesia Boulevard interchange in Buena Park.

**Recommendation**

Authorize the Chief Executive Officer to execute the Agreement for Maintenance of Gateway Monument in the City of Buena Park between the Orange County Transportation Authority and the California Department of Transportation for annual maintenance of the gateway monument.

**Background**

On November 27, 2006, the Orange County Transportation Authority (Authority) approved the conceptual design of a gateway monument at the Orange–Los Angeles County line and directed staff to submit the monument under the California Department of Transportation (Caltrans) Gateway Monument Demonstration Program. At that time, the Board of Directors authorized staff to include the gateway monument work as a change order to the Santa Ana Freeway (Interstate 5) Gateway Project. On July 14, 2008, the Authority Board of Directors selected the final design for the gateway monument.

***Discussion***

According to Caltrans' Guidelines for Gateway Monument Demonstration Program, the Authority is responsible for the installation of the sign as well as the funding and coordination of the monument maintenance. Staff has worked with Caltrans to develop an agreement for maintenance of the gateway monument that is located on Caltrans right-of-way in the City of Buena Park (Attachment A). This document outlines the roles and responsibilities for the Authority to maintain the monument that is near the southbound off-ramp for Artesia Boulevard. There will be no costs exchanged with Caltrans in this maintenance agreement.

The Authority will have ownership and full responsibility for maintenance of the monument that includes the following key elements:

- Remove debris
- Remove dirt or graffiti
- Provide electrical service; repair or replace lighting fixtures
- Maintain structural integrity of the sign
- Remove the sign if it creates a safety or operational concern due to inadequate maintenance

The Interstate 5 Gateway Project general contractor, FCI/Balfour Beatty Construction, Inc. (FCI/BBCI), is installing the monument as a change order within the existing Caltrans freeway-widening contract. Maintenance of the monument will be performed by FCI/BBCI on a time and materials basis until the overall freeway construction work is completed in 2010. The Authority will be required to assume responsibility for performing monument maintenance after FCI/BBCI completes construction of the Interstate 5 Gateway Project. Caltrans' Guidelines for Gateway Monument Demonstration Program preclude the Caltrans maintenance group from performing this work.

There are three options to continue maintenance of the gateway monument once FCI/BCCI completes its construction work:

1. Utilize in-house staff resources to perform the maintenance services.
2. Contract for maintenance services with an outside vendor.
3. Contract with the City of Buena Park to maintain the monument.

The estimated annual cost for the gateway monument maintenance work is \$17,000 in 2009 dollars. Staff will evaluate the options and associated costs and will submit a recommendation to the Board of Directors prior to completion of the FCI/BCCI contract.



# DRAFT

## AGREEMENT FOR MAINTENANCE OF GATEWAY MONUMENT SIGN IN THE CITY OF BUENA PARK

THIS AGREEMENT is made and entered into in duplicate, effective this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_, by and between the State of California, acting by and through its Department of Transportation, hereinafter referred to as "STATE" and the Orange County Transportation Authority, hereinafter referred to as the "AUTHORITY", and collectively referred to as "PARTIES."

WITNESSETH:

- A. WHEREAS, on Cooperative Agreements No.12-493 and No.12-493A-1 were executed between AUTHORITY and STATE to construct a Gateway Monument Sign on State Route 5, hereinafter referred to as "PROJECT", and
- B. WHEREAS, in accordance with the said Agreement it was agreed by PARTIES that prior to or upon PROJECT completion, AUTHORITY and STATE will enter into a maintenance agreement.
- C. WHEREAS, this Agreement is necessitated as the result of AUTHORITY's proposal to build the "PROJECT" at AUTHORITY's expense within STATE right of way. The purpose of this Agreement is to document that AUTHORITY will resume ownership, maintenance and full operational responsibilities of this PROJECT under conditions set by STATE since AUTHORITY will be fully benefiting from this PROJECT.
- D. WHEREAS, this Agreement is not meant to replace or supersede the earlier agreement/agreements.

NOW THEREFORE, IT IS AGREED:

- 1. Exhibit A consists of plan drawings that delineated the PROJECT within STATE right of way, which are the responsibility of the AUTHORITY to maintain in accordance with this Maintenance Agreement.
- 2. MONUMENT SIGN (PROJECT)

AUTHORITY will have ownership and full maintenance responsibilities for this PROJECT, which are included but not limited to the followings:

- a) AUTHORITY will maintain, at AUTHORITY's expense, the structural integrity of this PROJECT. AUTHORITY will be fully responsible to remove the PROJECT if it creates a safety or operational concern due to deterioration or inadequate maintenance. The STATE will notify the

AUTHORITY if it has determined the PROJECT requires special attention. Failure of notification does not absolve AUTHORITY of its duty to maintain, PROJECT at safe and satisfactory condition.

- b) AUTHORITY will maintain, the PROJECT at AUTHORITY's expense. Work will include but is not limited to: removal of debris and cleaning and/or painting for removal of dirt or graffiti.
  - c) AUTHORITY will be fully responsible for all the electrical services including but not limited to energy bill, replacement/repair of any lighting fixture, which are used in the letters.
  - d) AUTHORITY will be fully responsible for the structural integrity of this PROJECT.
3. AUTHORITY must obtain the necessary Encroachment Permits from STATE's District 12 Encroachment Permit Office prior to entering STATE right of way to perform AUTHORITY maintenance responsibilities. This permit will be issued at no cost to AUTHORITY.
4. AUTHORITY agrees that the STATE can inspect the PROJECT with or without giving notice to AUTHORITY. STATE will notify the AUTHORITY in writing of any deficiency, giving 30 days time frame to AUTHORITY to rectify the defect and upon AUTHORITY failing to do so can ask AUTHORITY to remove the PROJECT or STATE can perform the work at AUTHORITY's expense.

#### 5. LEGAL RELATIONS AND RESPONSIBILITIES:

- A. Nothing within the provisions of this Agreement is intended to create duties or obligations to or rights in third parties not parties to this Agreement or to affect the legal liability of a PARTY to the Agreement by imposing any standard of care with respect to the operation and maintenance of STATE highways and local facilities different from the standard of care imposed by law.
- B. Neither AUTHORITY nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by, under or in connection with any work, authority or jurisdiction conferred upon STATE or arising under this Agreement. It is understood and agreed that STATE shall fully defend, indemnify and save harmless AUTHORITY and all of their officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation or other theories or

assertions of liability occurring by reason of anything done or omitted to be done by STATE under this Agreement.

- C. Neither STATE nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction conferred upon AUTHORITY or arising under this Agreement. It is understood and agreed that AUTHORITY shall fully defend, indemnify and save harmless STATE and all of its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation or other theories or assertions of liability occurring by reason of anything done or omitted to be done by AUTHORITY under this Agreement.

## 6. EFFECTIVE DATE

This Agreement shall be effective upon the date appearing on its face, it being understood and agreed, however, that the execution of this Maintenance Agreement shall not affect any pre-existing obligations of AUTHORITY to maintain other designated areas until a written notice from STATE has been issued that work in such areas, which AUTHORITY has agreed to maintain pursuant to the terms of a Agreement, has been completed.



IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

ORANGE COUNTY TRANSPORTATION  
AUTHORITY

STATE OF CALIFORNIA  
DEPARTMENT OF TRANSPORTATION

By: \_\_\_\_\_  
Arthur T. Leahy  
Chief Executive Officer

WILL KEMPTON  
Director of Transportation

APPROVED AS TO FORM:

By \_\_\_\_\_ Date \_\_\_\_\_  
Deputy District Director  
Maintenance

\_\_\_\_\_  
Kennard R. Smart, Jr.  
General Counsel

Approved as to form:

APPROVAL RECOMMENDED:

\_\_\_\_\_  
Attorney\*

\_\_\_\_\_  
Kia Mortazavi  
Executive Director  
Development

\* If the template is followed there is no need for an approval or signature of the STATE attorney.





BOARD COMMITTEE TRANSMITTAL

**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** **Adoption of Revisions to Orange County Transportation Authority's Procurement Policies and Procedures**

Executive Committee meeting of February 2, 2009

**Present:** Chairman Buffa, Vice Chairman Amante, Directors Cavecche, Glaab, Nguyen, Norby, and Pringle  
**Absent:** Director Campbell

**Committee Vote**

This item was passed by all Committee Members present.

**Committee Recommendation**

Approve the revisions to the procurement policies and procedures as recommended by the Executive Committee and authorize staff to implement.

**Note:** Transmittal Attachment A is provided herewith. This document was provided to Committee Members at the meeting, and reflects a revised format for procurement-related staff reports.



**[Committee Meeting Date OR Board Meeting Date]**

**To:** [Committee Name OR Members of the Board of Directors]

**From:** Arthur T. Leahy, Chief Executive Officer

**Subject:** [Subject Title]

**Overview**

**[Begin Overview Here]**

**Recommendation(s)**

**[Begin Recommendation Here]**

**Discussion**

**[Begin Discussion Here]**

**Procurement Approach**

**[Begin Discussion Here]**

**Fiscal Impact**

**(Choose this paragraph if budgeted, otherwise delete this paragraph)**

The project was approved in the [choose either Authority's or OCTA's] Fiscal Year [Year] Budget, [Division/Department], Account [Account Number], and is funded through [Grant #, Local Transportation Fund whatever is correct].

**(Choose this paragraph if unbudgeted, otherwise delete this paragraph)**

The project was not included in the fiscal year [Year] budget. Funds have been transferred from Account(s) [Account Number], [description] to Account [Account Number], [description].

---

**Summary**

Based on the information provided, staff recommends award of Agreement [Agreement number] to [Firm's name], in the amount of [dollar amount], for [service to be provided].

**Attachment(s)**

- A. [Exact title of Attachment A]
- B. [Exact title of Attachment B]

If there is no attachment, type:  
None.

Signature block goes at the very bottom of the page. Delete this prompt before printing.

Prepared by:

Approved by:

---

[Author's Name]  
[Author's Title]  
[Author's Phone Number]

---

[Executive Director's Name]  
Executive Director,  
[Department Name]  
[Executive Director's Phone Number]

---

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

## STAFF REPORT QUESTIONS FOR OVERVIEW SECTION

1. What are you asking the Board to approve – agreement, amendment, give direction etc.
2. Indicate topic of the agreement. Include the background or circumstance surrounding the topic.

### Examples

1. Consultant Selection- In 2004, the Orange County Transportation Authority developed a comprehensive emergency management plan in accordance with Standardized Emergency Management System protocol. Public transit agencies are required to comply with national Incident Management Systems protocol and provide employees with training on the emergency response plan. To address both an update to the 2004 plan and to develop the expertise in-house for a comprehensive on-going training program, staff initiated a competitive procurement for consulting assistance to achieve these goals.
2. Amendment - On June 12, 2006, the Board of Directors approved a two year agreement with (firm's name), in the amount of \$235,335, to provide mobility planning services. The mobility planning service is training that teaches senior citizens and persons with disabilities to use the fixed route bus service. An amendment is necessary to exercise first year option term of the agreement.
3. IFB – The Orange County Transportation Authority needs to re-stripe a portion of the Santa Ana Base to provide additional bus parking spaces. In addition, repairs to joint sealant are needed. The project is ready for construction and Board of Directors' authorization is requested.
4. Architectural/Engineering - The Orange County Transportation Authority intends to prepare construction plans for a soundwall along the San Diego Freeway (Interstate 5) near El Camino Real. Proposals were solicited from architectural and engineering firms and consultant selection is required.

## STAFF REPORT QUESTIONS FOR RECOMMENDATION SECTION

1. Indicate what action the Board needs to take.
2. Indicate total dollar amount of agreement; if an amendment indicate what the revised agreement amount, including this amendment, will be.
3. If budget authority is needed, include the request as a separate recommendation.

### Examples

1. Consultant selection: Authorize the Chief Executive Officer to execute Agreement No C-8-0119 between the Orange county Transportation Authority and (firm's name), in the amount of \$199,850, to provide an emergency management plan training program from July 1, 2008 through September 30, 2010.
2. Amendment - Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-5-3038 between the Orange County Transportation Authority and (firm's name), in the amount of \$247,645, for mobility planning services through June 30, 2010, for a total contract amount of \$482,980.
3. IFB - Authorize the Chief Executive Officer to execute Agreement No. C-7-1488 between the Orange County Transportation Authority and (firm's name), the lowest responsive, responsible bidder, in the amount of \$109,000, for the construction of pavement striping and joint sealant at the Santa Ana Base.
4. Architectural/Engineering –
  - A. Select (firm's name) as the highest qualified firm to provide design services for the preparation of plans, specifications, and estimates for El Camino Real soundwall.
  - B. Authorize the Chief Executive Officer to request a cost proposal from (firm's name), and negotiate an agreement for their services.
  - C. Authorize the Chief Executive Officer to execute the final agreement.

## **STAFF REPORT QUESTIONS FOR DISCUSSION SECTION**

**Use as many points as necessary listed below to tell your story**

1. What products or services are we buying?
2. Why are we purchasing them?
3. Is this purchase part of a Board approved project or plan? (i.e. supports projects in approved Early Action Plan, Long-Range Plan, CBP?)
4. Who is the incumbent?
5. Why is it important to do this work now?
6. What is the business reason for this work?
7. Have alternatives been considered?
8. Is there a sense of urgency with this project?
9. What would be the consequences if we did not do this project/buy this good?
10. Are there past Board actions that relate to this project or to the direction you are now taking?
11. What is the historical perspective on project, if any?
12. Discuss roles and responsibilities of each party?
13. What is the benefit of this arrangement to OCTA?
14. What do we get for our investment?



# STAFF REPORT QUESTIONS FOR PROCUREMENT APPROACH

1. What type of procurement process did we use (A&E, professional & tech., public works)?
2. What type of contract is this? Firm Fixed Price? Time &Expense? Architectural & Engineering?
3. Are there any special rules governing the type of contract?
4. Was this competitively bid or is this a sole source?
  - o If sole source, why?
  - o If competitively bid, describe process – Board approved scope required? Posted on CAMM NET? Advertised? How many firms: a) received RFP, b) attended the pre-proposal/pre-bid conference? What were the evaluation criteria details/percentage weights? If the evaluation criteria are not the standard 25% for each criterion, add a paragraph that explains why the standard was not used. What was the composition of the evaluation committee? How many proposals/bids were received? Were all proposals evaluated If not, why not? Was there a short-list? How was the short list decided, were all firms in the competitive range? How many firms were interviewed? Who were the finalists?

## Proposal Information

1. Qualifications of Firm – add weight percentage to each criterion
  - o Which firm ranked highest? Why? Compare and contrast top firms, especially if close in scores.
  - o Were the top firms' qualifications close or not, and why?
  - o What was the top ranked firm's background? (Summarize experience and provide information about other clients.)
  - o Where there any distinguishing characteristics about the qualifications of the recommended firm?
2. Staffing and Project Organization
  - o Which firm ranked highest in this area?
  - o What is the experience of the recommended firm's project manager?
  - o Is the team local or not? Does it matter?
  - o What is the organizational structure of the project team? Is this a rationale or optimal approach for delivering the product/service?
  - o Compare and contrast the recommended firm's staffing plan with other short listed firm's staffing plan.
3. Work Plan
  - o Which firm ranked highest in this area? Why?
  - o Was the work plan clear or are deliverables open to interpretation?
    - Are all tasks addressed? If not, what are exceptions and deviations

## STAFF REPORT QUESTIONS FOR PROCUREMENT APPROACH

4. Pricing (non-A&E)
  - Which firm provided best value? Why? What was the difference in cost between recommended firm and lowest responsive/responsible bidder or lowest proposed price firm (if not same)?
  - If not awarding to the lowest priced firm, why not?
  - Is pricing information clear or open to interpretation i.e. are we clear what we are getting or open to change orders or scope modifications?
  - Is this a one-time purchase? Are there reoccurring costs or ongoing operating expenses (maintenance agreements licenses)?
  - If yes, how much and how will they be paid for?
  
5. Synopsis
  - Why overall the firm/team is better

## STAFF REPORT QUESTIONS FOR FUNDING / FISCAL IMPACT

1. How are we paying for these products or services? (funding source)
2. Was this included in the approved budget? If no, why not?
  - If no, is a budget amendment required?
  - If yes, which account will money come from?
3. Is this a one-time purchase? Are there reoccurring costs or ongoing operating expenses (maintenance agreements licenses)?
  - If yes, how much and how will they be paid for?
4. Is the account code the same as the account code used in the requisition?

## STAFF REPORT QUESTIONS FOR SUMMARY

1. Summarize why top firm is recommended.
2. What action is required – what is the specific recommendation?
3. What are the next steps after this approval?

# COST & PRICE ANALYSIS – Example



## Step 1: Apply Formula to Cost/Price

$$\text{Price Submittal Score} = \frac{\text{Lowest Price Submittal}}{\text{Price Submittal}}$$

- Numerator is always the lowest price proposal submitted
- Denominator is the price proposal you are evaluating.
- Example: P1=\$1,000; P2=1,150; P3=1,200; P4=1,300

$$\frac{\$1,000}{\$1,150} = 87\%$$

$$\begin{aligned} P1 &= 100\% \\ P2 &= 87\% \\ P3 &= 83\% \\ P4 &= 77\% \end{aligned}$$

# **COST & PRICE ANALYSIS – Example**



**Step 2: Convert percentage from formula to current 1 to 5 grading criteria.**

- $P1 = 100\% \times 5 = 5.0$
- $P2 = 87\% \times 5 = 4.4$
- $P3 = 83\% \times 5 = 4.2$
- $P4 = 77\% \times 5 = 3.9$



**February 2, 2009**

**To:** Executive Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Adoption of Revisions to Orange County Transportation Authority's Procurement Policies and Procedures

### **Overview**

The Orange County Transportation Authority has adopted procurement policies and procedures that guide all procurement activity. Over the past several months, the Executive Committee has been discussing possible changes to the procurement process.

### **Recommendation**

Approve the revisions to the procurement policies and procedures as recommended by the Executive Committee and authorize staff to implement.

### **Background**

The Orange County Transportation Authority (OCTA) has an extensive set of policies and procedures that govern the procurement of all goods and services. From time to time, the OCTA Board of Directors (Board) makes changes to the procurement process. During this fiscal year, recommendations to change certain aspects of the procurement process surfaced from Board Members, OCTA staff, outside agencies, and as part of organizational assessments. These recommendations have been classified into four general procurement themes: fairness, transparency, oversight, and timeliness. In 2008, the Executive Committee agreed to review and provide direction for future changes to the procurement process. Contracts Administration and Materials Management (CAMM) staff has been working with the Executive Committee to help determine and refine the issues raised.

### **Discussion**

One of the fundamental changes resulting from the discussions with the Executive Committee is development of a quarterly procurement report. This

report will provide the Board with an opportunity to review the procurement activity that occurred over the past three months as well as give the Board a preview of what procurements and solicitations are being planned for the next quarter. The quarterly report will provide the Board with a clear picture of all of OCTA's procurement activity.

With the quarterly report serving as the foundation for discussing changes to the procurement process, the Executive Committee reviewed 14 recommendations. These recommendations focused on ensuring that OCTA has an open and transparent procurement process, on streamlining the procurement process and on providing full disclosure to the Board on procurement activity. The Executive Committee conceptually agreed to several of the 14 recommended changes. Staff is recommending the following changes be adopted:

- Provide budget information to bidders
- Allow for early notification of recommended firm
- Encourage the use of small businesses without the establishment of a formal small local business program
- Include contract history of short-listed firms in staff reports
- Strengthen the "Disclosure of Impartiality and Confidentiality" form signed by proposal evaluation committee members
- Allow more flexibility by issuing a request for proposals (RFP) with multiple awards for similar projects
- Adopt recommendations from Internal Auditor to streamline price reviews
- Increase the dollar threshold for taking options to the Board from \$100,000 to \$250,000
- Revise the procedure for the Board to approve draft RFPs and invitation for bids over \$1,000,000 by foregoing Board committee review and scheduling the draft solicitation for discussion only at the Board meeting
- Increase the dollar threshold for Board approved procurements to \$250,000; with annual increases based on the Consumer Price Index in increments of \$25,000
- Increase the dollar cap on Board-approved amendments from \$100,000 to \$250,000
- Adopt a formal procedure for making changes to the Board-approved procurement process

Attachment A provides a description of each issue and the recommendations made by the Executive Committee.



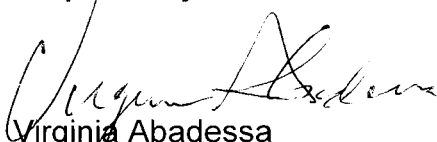
**Summary**

A review of Orange County Transportation Authority's procurement policies and procedures has been conducted. The Board of Directors is requested to approve the revisions to procurement policies and procedures identified in Attachment A as recommended by the Executive Committee.

**Attachments**

- A. Procurement Issues
- B. Small Business and Local Preference Programs
- C. Orange County Transportation Authority Declaration of Impartiality and Confidentiality Form
- D. Internal Audit Department Interoffice Memo dated October 27, 2008, Price Reviews

**Prepared by:**



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

**Approved by:**



James S. Kenan  
Executive Director,  
Finance and Administration  
(714) 560-5678

## Procurement Issues

TYPE	ISSUE	DESCRIPTION	PROS	CONS	COMMENTS	EXECUTIVE COMMITTEE RESPONSE
A. Transparency	1. Project budgets made available to bidders	<p>Request for proposals usually do not contain information on the project budget but staff does provide the budget amount if asked by a bidder. Invitation for bids always include an engineer's estimate. Some staff reports contain budget amounts.</p> <p>Issue raised by Board Members and Orange County Business Council report.</p>	<ul style="list-style-type: none"> <li>• Helps firms determine size and duration of the project.</li> <li>• Helps firms decide if they want to submit a proposal.</li> <li>• Helps firms determine if the work can be performed in house or with subcontractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Firms submit proposals that fit the budget amount and not the true value of the work.</li> <li>• Firms can low-ball the price then request additional funds after the contract is executed.</li> <li>• Without budgetary guidance, proposals are submitted with a wide range of pricing.</li> </ul>	<p>For professional services, pricing is evaluated; therefore, a comparison can be made among bidders.</p> <p>For architectural &amp; engineering services, pricing is not part of the proposals.</p>	Agreed to provide budget information to bidders.
A. Transparency	2. Early disclosure of recommended firm	<p>Notify consultants of recommendation by the evaluation committee prior to going to the Committee/Board meeting.</p> <p>Issue raised by Orange County Business Council report.</p>	<ul style="list-style-type: none"> <li>• Early notification would create more transparency in the process.</li> <li>• Winning firm could commit team to Orange County Transportation Authority's project.</li> <li>• Losing firm could free up team for other projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Early notification does not allow for review time by management.</li> <li>• May result in less firms meeting with the Board to discuss their proposals.</li> </ul>	Current practice is that the evaluation committee's recommendation is revealed when the staff report becomes a public document.	Agreed to allow for early notification of recommended firm before staff report becomes a public document.

## Procurement Issues

TYPE	ISSUE	DESCRIPTION	PROS	CONS	COMMENTS	EXECUTIVE COMMITTEE RESPONSE
B. Fairness	1. Small and local business participation in procurement process.	<p>Encourage small business/local participation.</p> <p>Issue raised by Orange County Business Council report.</p>	<ul style="list-style-type: none"> <li>• Small/local firms know the community and understand the needs of the different cities.</li> <li>• Firms pay local and county taxes that go toward funding the various transportation projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing a small, local set aside may prevent Orange County Transportation Authority from hiring the best firm for the job.</li> <li>• Federal requirements disallow the use of geographic restrictions.</li> </ul>	<p>Board policy is for open competition regardless of size or location of the firm.</p> <p>In 2003, the Orange County Transportation Authority Board declined to adopt a small business program.</p>	<p>Agreed to encourage the use of small businesses but did not agree to establish a formal program for local preference or small businesses.</p> <p>Attachment B describes the local preference programs in Los Angeles and Long Beach.</p>
B. Fairness	2. Consideration of contract award history as part of evaluation.	<p>Provide Orange County Transportation Authority contract award history for short-listed firms to the evaluation committee to consider in their recommendation.</p> <p>Issue raised by Board Members.</p>	<ul style="list-style-type: none"> <li>• Increase potential for new firms winning contracts.</li> <li>• More work is spread around to more firms.</li> </ul>	<ul style="list-style-type: none"> <li>• Best firm may not be recommended because of the number of contracts received in the past.</li> </ul>	<p>Board policy is to give equal weighting to all firms that have similar experience regardless if worked for Orange County Transportation Authority or not.</p>	<p>Agreed to have contract award history for short-listed firms included in the information presented to Board Members as part of the staff report.</p>



## Procurement Issues

TYPE	ISSUE	DESCRIPTION	PROS	CONS	COMMENTS	EXECUTIVE COMMITTEE RESPONSE
B. Fairness	3. Scoring method used by evaluation committee.	<p>Eliminate the highest and lowest evaluation scores.</p> <p>Issue raised by Board Members.</p>	<ul style="list-style-type: none"> <li>• Provides a greater degree of objectivity and impartiality.</li> <li>• Reduce the instances of possible bias by evaluators.</li> <li>• Reduce favoritism.</li> </ul>	<ul style="list-style-type: none"> <li>• Size of evaluation committees may need to be larger.</li> <li>• Sample size is too small to apply this statistical method.</li> <li>• Creates incentive for equal scoring by evaluation committee.</li> </ul>		<p>Did not agree to eliminate the highest and lowest evaluation scores.</p>
B. Fairness	4. Composition of the evaluation committee.	<p>Use more third party/independent evaluators.</p> <p>Issue raised by Board Members.</p>	<ul style="list-style-type: none"> <li>• Reduces the impact of possible internal bias on the evaluation committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased potential for external bias.</li> <li>• External evaluators do not have ultimate responsibility for project delivery.</li> </ul>	<p>Board policy requires the evaluation committee to have external members when a city or agency is a significant partner with Orange County Transportation Authority in the project.</p>	<p>Did not agree to use more third party or independent evaluators.</p> <p>Agreed to require more disclosure by potential evaluators and to provide training for potential evaluators. Attachment C shows revised "Declaration of Impartiality and Confidentiality" form.</p>

## Procurement Issues

TYPE	ISSUE	DESCRIPTION	PROS	CONS	COMMENTS	EXECUTIVE COMMITTEE RESPONSE
C. Timeliness	1. Group similar projects into one procurement.	Provide flexibility in procuring similar services by issuing one request for proposals with multiple awards. Issue raised by staff and Orange County Business Council report.	<ul style="list-style-type: none"> <li>• Increases competition.</li> <li>• Saves the firms money in developing and submitting multiple proposals.</li> <li>• Reduces staff time.</li> <li>• Used by other agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires a sufficient number of qualified firms submitting proposals.</li> <li>• Requires determination that the projects are similar.</li> <li>• Requires a clear definition on how individual projects are assigned to selected firms.</li> </ul>		Agreed to allow for more flexibility by issuing one request for proposals with multiple awards for similar projects.
C. Timeliness	2. Pre-award price reviews are conducted for all architectural and engineering contracts regardless of funding source.	<p>Refocus pre-award price reviews by adopting the recommendations outlined in the Internal Audit Memo included as Attachment D.</p> <p>Issue raised by staff and Orange County Business Council report.</p>	<ul style="list-style-type: none"> <li>• Firms indicate that price audits are costly for them.</li> <li>• Firms could be audited several times during the course of a year.</li> <li>• The price audit takes several weeks to finalize which results in a delay in issuing the notice to proceed.</li> </ul>	<ul style="list-style-type: none"> <li>• Less thorough verification that costs are reasonable and that firms have the capacity to collect and report on financial data.</li> <li>• Without a pre-award price audit, the fair and reasonable determination is left up to the project manager.</li> </ul>	<p>Board policy is that all architectural and engineering contracts over \$50,000 and non-competitive contracts have price audits.</p> <p>Price audits are required by the Federal Transit Administration and Federal Highway Administration when using these funds.</p>	Agreed to adopt recommendations outlined in the Internal Audit Memo dated October 27, 2008, included as Attachment D.



## Procurement Issues

TYPE	ISSUE	DESCRIPTION	PROS	CONS	COMMENTS	EXECUTIVE COMMITTEE RESPONSE
C. Timeliness	3. Streamline procurement process by changing Board approval thresholds.	<p>Allow option terms to be approved by the Chief Executive Officer in lieu of requesting Board approval.</p> <p>Issue raised by staff.</p>	<ul style="list-style-type: none"> <li>• Board preparation for amendments requires on average four (4) weeks.</li> <li>• Most small dollar routine procurements contain option terms.</li> <li>• Allowing the Chief Executive Officer to approve exercising the option terms would free up staff and Board time.</li> </ul>	<ul style="list-style-type: none"> <li>• Board is responsible for all contract activity at Orange County Transportation Authority.</li> <li>• Places greater discretion with staff.</li> </ul>	<p>Board policy requires Board approval for the initial term and each option term for contracts, which if the option terms were exercised, would result in a contract value greater than \$100,000.</p> <p>The quarterly report will identify option terms exercised during the period.</p>	<p>Did not agree to allow option terms to be exercised by the Chief Executive Officer in lieu of Board approval.</p> <p>Agreed to increase the threshold for taking option terms to the Board from \$100,000 to \$250,000.</p>
C. Timeliness	4. Streamline procurement process by eliminating Board approval requirement.	<p>Board approves all request for proposals/invitation for bids over \$1 million including the criteria and weighting.</p> <p>Issue raised by staff.</p>	<ul style="list-style-type: none"> <li>• Allows Board to give input into the criteria, weighting and the scope of work before document is issued</li> <li>• Board is aware of large procurements before they are asked to make a decision</li> </ul>	<ul style="list-style-type: none"> <li>• Step adds one month to the procurement process.</li> <li>• Board has made changes to the criteria weights in only a few instances but has not made any changes to the scope of work.</li> </ul>	<p>Provide a quarterly report that identifies upcoming request for proposals and invitation for bids to be issued in the next quarter. The Board approval of the request for proposals and invitation for bids can occur at the same time the report is received.</p>	<p>Did not agree to forego pre-approval of request for proposals and invitation for bids over \$1 million.</p> <p>Agreed to allow the documents to go straight to the Board meetings without first going to the appropriate Committee.</p>

## Procurement Issues

TYPE	ISSUE	DESCRIPTION	PROS	CONS	COMMENTS	EXECUTIVE COMMITTEE RESPONSE
C. Timeliness	5. Streamline procurement process by changing Board approval thresholds.	<p>Increase dollar threshold for requiring Board approval of contracts from \$100,000 to \$200,000.</p> <p>Issue raised by staff.</p>	<ul style="list-style-type: none"> <li>• A saving of four weeks from the evaluation committee's recommendation to Board action.</li> <li>• Raising the dollar limit allows the Board to focus on the higher dollar contract awards.</li> </ul>	<ul style="list-style-type: none"> <li>• Board is responsible for all contract activity at Orange County Transportation Authority.</li> <li>• Places greater discretion with staff.</li> </ul>	Current policy requires the Board to approve all contracts over \$100,000.	Agreed to increase the dollar threshold to \$250,000, with annual increases based on the Consumer Price Index in increments of \$25,000. If the Consumer Price Index decreased, no change would be made to the threshold.
C. Timeliness	6. Streamline procurement process by changing Board approval thresholds.	<p>Increase the \$100,000 cap on amendments for professional services and Architectural and Engineering contracts to \$200,000. Board approval needed for amendments over 15 percent of the original contract amount or \$200,000.</p> <p>Issue raised by staff.</p>	<ul style="list-style-type: none"> <li>• Board preparation for amendments requires on average four (4) weeks.</li> <li>• On large dollar procurements, all amendments require Board action due to the low cap threshold.</li> </ul>	<ul style="list-style-type: none"> <li>• Board is responsible for all contract activity at Orange County Transportation Authority.</li> <li>• Places greater discretion with staff.</li> </ul>	<p>Board policy requires Board approval for all amendments that are over 15 percent of the original contract amount or over \$100,000.</p> <p>The quarterly report will identify amendments awarded during the period.</p>	Agreed to increase the thresholds on amendments to 15 percent of the original contract amount or \$250,000, whichever is less.



## Procurement Issues

TYPE	ISSUE	DESCRIPTION	PROS	CONS	COMMENTS	EXECUTIVE COMMITTEE RESPONSE
C. Timeliness	7. Streamline procurement process by changing Board approval thresholds.	<p>Increase the micro-purchase limit from \$2,500 to \$5,000.</p> <p>Issue raised by staff.</p>	<ul style="list-style-type: none"> <li>• Make small dollar threshold consistent with thresholds for purchasing fixed assets and the monthly limit set for the purchasing card. Items purchased are generally commercial products available to the public.</li> </ul>	<ul style="list-style-type: none"> <li>• Raising the small dollar limit to \$5,000 allows staff to purchase goods at a higher value without any competition.</li> </ul>	<p>Board policy allow staff to purchase an item without competitive quotes for items \$2,500 or less. Goods greater than \$2,500, up to \$5,000 require the buyer to obtain three (3) quotes.</p>	<p>Did not agree to increase the micro-purchase limit to \$5,000.</p>
D. Oversight	1. Establish a prescribed process for changes to the Board approved procurement policies.	<p>Board Member may raise an issue or express an interest in changing the procurement process, and staff is uncertain if that discussion is tantamount to adopting a new policy.</p> <p>Issue raised by staff.</p>	<ul style="list-style-type: none"> <li>• A prescribed process provides Board members with an avenue for raising issues or concerns.</li> <li>• Provide clear guidance and direction to the staff, and eliminate the confusion that currently takes place.</li> </ul>	<ul style="list-style-type: none"> <li>• Process prevents changes to the procurement policies being made at the Committee level.</li> </ul>	<p>All proposed changes from Board members would be heard by the Executive Committee. If the Committee agreed to make the change to the policy, their recommendation would then go to the full Board for adoption.</p> <p>Recent examples:                      -Board approval of RFPs/IFBs and criteria weights                      -Approval of individual contract task orders by the Board Committee.</p>	<p>Agreed to adopt the proposed process for making changes to the Board-adopted procurement policies and procedures.</p>



## Small Business and Local Preference Programs

In response to a request from the Executive Committee, staff investigated area cities that may have programs geared toward helping small and/or local businesses. Both the City and County of Los Angeles and the City of Long Beach have programs in place to assist small and local businesses win government contracts.

### City of Los Angeles

Small local businesses certified with the City of Los Angeles are given a preference applied to contracts of \$100,000 or less. The contracts must be competitively bid. A 10 percent preference (discount) is given to the bids of a company who is certified as a small local business. The preference is determined by taking 10 percent of the lowest bid that is proposed by a non-certified company and subtracting that amount from the bid of the certified small local business. If after the preference the small local business' bid is less than or equal to the lowest non-certified bid, the small local business will be awarded the contract.

To qualify as a small local business, the company must have a City of Los Angeles business tax registration certificate and have gross business receipts less than \$3 million for the previous year. Certification is good for a one year period.

### County of Los Angeles

Qualified small local businesses may be entitled to a 5 percent reduction in the cost/price component of their bid or proposal when bidding for goods and services in response to a solicitation. The reduction is for bid/proposal evaluation scoring only and does not impact the amount of the contract award. The actual preference is calculated based on the cost/price section for the lowest most responsive and responsible bid amount. For solicitations in which the award is based on the lowest responsive and responsible bid, the small local business preference is equal to five percent of the lowest bid amount. For solicitations based on other factors than just the lowest cost/price, the 5 percent preference is calculated on the cost/price portion of the lowest responsive proposal. For the small local business, the cost/price component is scored based on their original price minus the "preference" amount.

To qualify as a small local business, the company must have their principal office located within the County of Los Angeles for at least the previous 12 months and be certified as a small business enterprise with the State of California.

## City of Long Beach

The City of Long Beach does not have a small business program but does have a program for awarding contracts to local firms. In an effort to expand business opportunities for Long Beach-based businesses, a 5 percent local preference is applied on bids for materials, equipment, supplies and non-professional services. If a Long Beach business is within 5 percent of the lowest bid, then, the Long Beach business will receive the award. This program applies to contracts and purchase orders up to \$100,000.

To qualify for this program, the business must have a current valid business license from the City of Long Beach showing a place of business within the city limits.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**DECLARATION OF IMPARTIALITY AND CONFIDENTIALITY**

I, \_\_\_\_\_, have been named as an Evaluation Committee member for Request For Proposals (RFP) \_\_\_\_\_, or have otherwise been authorized to be a party to confidential information concerning this procurement based on a "need to know" basis.

I, and each member of my immediate family, have no known conflict of interest, whether contractual, ownership (including but not limited to any ownership interest in any corporation, partnership, association or other legal entity, or any stock option or other rights pertaining to any such entity) involving the firms who submitted a proposal for this procurement.

**I, and each member of my immediate family, are not presently employed, do not have a pending employment offer, and for the past twelve months have not received any compensation from any of the entities or individuals who submitted a proposal for this procurement.**

If any such conflict of interest comes to my knowledge at any time during the solicitation period, a full and complete disclosure shall be made in writing immediately to the Director, Contracts Administration and Materials Management.

I acknowledge the importance of confidentiality and professionalism in the procurement process, and affirm that I will not divulge any confidential information concerning this procurement to any person, except to other committee members and others specifically authorized to know such information, until after conclusion of the award process, provided, however, I shall not at any time divulge, other than to authorized persons, information designated by the Orange County Transportation Authority as remaining privileged or confidential after contract award. Confidential information shall include contents of proposals and pre-negotiation positions.

Name: \_\_\_\_\_  
Signature

Date: \_\_\_\_\_

Title: \_\_\_\_\_



INTEROFFICE MEMO

October 27, 2008

To: Virginia Abadessa, Director  
Contracts and Materials Management Department

From: Kathleen O'Connell, Manager  
Internal Audit Department

A handwritten signature in black ink, appearing to read "K. O'Connell", is written over the printed name of the sender.

Subject: **Price Reviews**

**Summary**

The Orange County Transportation Authority (OCTA) has accelerated its Measure M2 program through the Early Action Plan and is seeking to continue this momentum with a more stream-lined process for procurements, including required pre-award cost and price analysis (price reviews). Recently, the Internal Audit Department (Internal Audit), which conducts the reviews at the request of the Contracts Administration and Materials Management (CAMM) Department, has been asked to provide information concerning pre-award price reviews for Architectural and Engineering (A&E) procurements and, more specifically, for fixed price A&E contracts. Internal Audit has researched the requirements and is providing herein some recommendations for improving this process.

**Background**

Internal Audit has historically provided assistance to the CAMM Department during their negotiation of A&E contracts. Because California law requires that the selection of A&E contract services be on the basis of demonstrated competence and professional qualifications and that cost not be included as criteria for rating such consultants<sup>1</sup>, OCTA does not request a cost proposal until after the final evaluation team ranking has been determined and approved by the Board of Directors. Following contractor submission of a cost proposal, CAMM requests Internal Audit's assistance in performing a pre-award price review of the proposal.

Internal Audit's procedures, discussed more specifically below, are generally designed to ensure that the contractor's cost proposal was developed using accurate direct labor rates, overhead rates and a reasonable profit. The price

<sup>1</sup> California Government Code, Chapter 10, Sections 4525 through 4529.5

review also considers the reliability of the contractor's accounting system in recording project costs and the contractor's financial stability.

The price review generally does not consider the hours or composition of staffing (level of effort) required for the work, as these are technical specifications and estimates that are independently reviewed and evaluated by OCTA's project manager, generally in the Development Division.

Staff from the Development Division has questioned the level of detailed work performed by internal auditors where fixed price contracts will be negotiated with the contractor. Development has argued, not unreasonably, that Internal Audit's procedures often ignore the level of effort requirements of the work and instead focus on hourly rates. The results of the price reviews are generally minor rate adjustments which do not affect a material change in the final negotiated fixed priced A&E contract.

As a result of these discussions, Internal Audit has evaluated what we do, what is required, and what might enhance the efficiency and effectiveness of price reviews for fixed price A&E contracts.

### **Internal Audit Procedures**

Under current policies within OCTA's Procurement Manual, CAMM requests that Internal Audit conduct cost and price reviews of all A&E procurements over \$50,000. While this threshold is defined, specific procedures are not. Internal Audit has traditionally employed a program of very thorough and detailed audit procedures. Internal Audit has also developed, but not yet finalized, specific policies and procedures for conducting price reviews.

Internal Audit reviews the prime contractor's (and all subcontractor) Cost and Price Analysis form, an OCTA form provided to the prime contractor. The Cost and Price Analysis Form includes direct labor rates by name and function, hours and total cost. Indirect costs are also included on the Cost and Price Analysis Form by percentage, base and cost. The contractors' fixed fee or profit is also included, as are Other Direct Costs (ODC).

Internal Audit's standard price review procedures include:

- Proposed hourly direct labor rates are compared to the pay rates in the contractors' payroll records for 100 percent of proposed contractor and subcontractor employees;

- The proposed indirect rate is compared to the audited (or independently reviewed) indirect rate from a current audit or review report. If a current audit report is not available, the indirect rate calculation is reviewed by Internal Audit, with amounts in the calculation traced to the financial records (general ledger, trial balance, income statement, etc.). The line items on the indirect rate calculation are also reviewed to determine if there are unallowable amounts under Federal Acquisition Regulation (FAR) Part 31. Internal Audit generally considers an audited indirect rate "current" if it is less than six to seven months old (from the fiscal year end.)
- Financial ratios are calculated from the financial statements to determine financial stability.
- An Accounting System and Payroll Expenses Questionnaire is circulated to determine if the accounting systems appear to adequately identify, account for, record, and accumulate costs in the proper cost pools.

Previously, these standard price review procedures were performed for the prime contractor and all subcontractors. Recently, Internal Audit, with CAMM's concurrence and consistent with CAMM's existing policy on prime contractors, began to exclude from these reviews subcontractors whose total proposed costs are less than \$50,000.

### **Price Review Requirements**

In an effort to determine if OCTA's price review procedures are consistent with regulatory requirements, Internal Audit researched the hierarchy of institutional guidance related to cost and price analysis.

Funding sources dictate the specific pre-award review requirements. As discussed more fully below, contracts with Federal Highway Administration (FHWA) funding or state funding are subject to the California Department of Transportation (Caltrans) pre-award audit requirements while contracts with Federal Transit Administration (FTA) funding are subject to FTA requirements for cost or price analysis. If the local entity decides to fully fund the contract (e.g. with Measure M funds), the entity may use its own procedures.

#### *Caltrans/Federal Highway Administration Requirements*

The Local Assistance Procedures Manual (LAPM) has been prepared to aid California local agencies scope, organize, design, construct and maintain their public transportation facilities when they seek FHWA funded federal-aid or state funding. Under Chapter 10 of the LAPM, a pre-award audit is required for

consultant contracts in excess of \$250,000 with state or federal-aid highway funds in the contract. A pre-award audit is also required under the following situations:

- Accumulative amendments that increase the total amount of the contract by over \$250,000, regardless of the number of amendments;
- Any single amendment over \$250,000; and
- Any subcontract over \$250,000.

Chapter 10 of the LAPM includes Standard Audit Program Procedures (see attached Exhibit).

Because the above guidance does not specifically address all of our questions regarding requirements for pre-award price reviews of fixed price A&E contracts, we made inquiries of Caltrans Audits and Investigations. The main questions and answers are detailed below:

*Does Caltrans require pre-award reviews/audits for fixed price A&E contracts?*

The LPP 06-02, Chapter 10 identifies the types of contracts that are permitted depending on the scope of the services to be performed (page 10-9), one of which is Lump Sum<sup>2</sup>. The Pre-Award requirement pertains to all four types of contracts.

*If pre-award reviews/audits are done on these fixed-price A&E contracts, what is the scope of the review/audit? Does Caltrans require a breakdown of cost elements (direct labor, overhead, fixed fee, etc.)? Are payroll registers and overhead rate calculations reviewed to assess the reasonableness and allowability of direct labor and overhead rates?*

It is important to verify that the costs used to come up with the Lump Sum amount are reasonable, allowable, and supported. In other words, if the consultant included a 25 percent profit (fee) to calculate the Lump Sum amount, we would say that the fee percentage is not reasonable and that the Lump Sum amount is overstated. If the consultant used an overhead (indirect cost rate) of 210 percent to calculate the Lump Sum amount, yet their most recent completed fiscal year indirect rate is only 168 percent, we would say that the overhead is not supported and the Lump Sum amount is overstated.

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<sup>2</sup> Under a lump sum contract, the consultant performs the services stated in the agreement for an agreed amount as compensation.

*When is an overhead rate audit considered not current?*

A consultant should use its most recent completed fiscal year indirect cost rate.

*If a project is funded with Prop. 1B, is the project subject to Caltrans selection and criteria requirement including pre-award audit requirements?*

If a contract is funded with Prop. 1B, the pre-award requirement applies.

Internal Audit should also point out that, effective January 1, 2009, local agencies entering into engineering contracts funded in part or in whole with federal-aid highway funds must ensure the prime consultant indirect cost rate is a cognizant-agency approved rate.<sup>4</sup> For California, the establishment of the cognizant rate will be the responsibility of the Department of Transportation, Audits and Investigations.

#### *MTA Practices*

Internal Audit also made inquiries of the Los Angeles Metropolitan Transportation Authority's (MTA) Contract Audits. MTA uses Caltrans' local procedures for Caltrans-funded contracts greater than \$250,000.

#### *Federal Transit Administration Requirements*

FTA Circular 4220.1E, Third Party Contracting Requirements, applies to all FTA grantees and subgrantees that contract with outside sources under FTA assistance programs. Paragraph 10 requires a cost or price analysis for every procurement action. A cost analysis must be performed when the offeror is required to submit the elements (i.e. labor hours, overhead, materials, etc.) of the estimated cost; e.g. under professional consulting and A&E services contract. A cost analysis entails the review and evaluation of the separate cost elements and the proposed profit of an offeror's cost or pricing data and the judgmental factors applied in estimating the costs. A cost analysis is generally conducted to form an opinion on the degree to which the proposed cost, including profit, represents what the performance of the contract should cost, assuming reasonable economy and efficiency. FTA Circular 4220.1E requirements do not apply to procurements undertaken in support of capital projects completely accomplished without FTA funds or to those operating and planning contracts awarded by grantees that do not receive FTA operating and planning assistance.

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<sup>4</sup> 23 Code of Federal Regulations (CFR) 172.7



The applicable subparts of FAR Part 31 are used in the pricing of fixed-price contracts whenever a) cost analysis is performed, or b) a fixed-price contract clause requires the determination or negotiation of costs. However, application of cost principles to fixed-price contracts shall not be construed as a requirement to negotiate agreements on individual elements of cost in arriving at agreement on the total price. Further, notwithstanding the mandatory use of cost principles, the objective is to negotiate prices that are fair and reasonable, cost and other factors considered.<sup>5</sup>

### **Internal Audit Conclusions and Recommendations**

Based on our review of the federal and state requirements and practices for conducting cost and price analysis, it appears that Internal Audit's current procedures for performing cost and price analysis meet and exceed those employed by the transportation agencies.

In an effort to streamline the process for conducting A&E price reviews, Internal Audit offers several recommendations which we believe to be consistent with both the letter and spirit of the requirements:

- CAMM should consider increasing the threshold requirement for A&E price reviews from \$50,000 to \$250,000 consistent with Caltrans requirements. CAMM should also consider formally requiring adoption of these guidelines for Measure M funded contracts.
- CAMM should consider adopting a policy whereby subcontracts under A&E contracts are subject to a price review only when those subcontracts are in excess of \$250,000.
- CAMM should work with the Internal Audit Department to develop specific price review procedures which will both improve the efficiency of the process and provide the greatest level of cost protection. Procedural enhancements might include:
  - Policies and procedures that include CAMM's evaluation of OCTA's level of effort estimates to those estimated by the contractor(s). This should be completed prior to an evaluation of the cost components.
  - Establishing thresholds for the evaluation of the components of the indirect rate. Internal Audit's evaluation of the indirect rate is, by far, the most time consuming aspect of price reviews. By establishing a

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<sup>5</sup> Federal Acquisition Regulation Section 31.102, Fixed-price contracts

materiality threshold, Internal Audit could ignore the immaterial elements or amounts included in this calculation.

- Sample testing of direct labor rates rather than the 100 percent testing now conducted. This, too, would reduce audit time while still inspiring contractors to be accurate in their proposals. Adoption of this policy would necessarily require expanded audit coverage where errors or misstatements are found in sampled rates.
- Establishing a specific age at which audited overhead rates are acceptable to OCTA. Establishing a longer, but reasonable, cutoff could eliminate the need for Internal Audit's independent audit of these rates.
- Allowing provisional indirect rates in fixed price contracts, subject to contractors providing an audited rate. This, too, could eliminate Internal Audit's need to audit the rate. Contract language would be required to allow for adjustment of the fixed price and a legal opinion on this recommendation should be sought.





**February 9, 2009**

**To:** Members of the Board of Directors

**From:** Arthur T. Leahy, Chief Executive Officer *ATL by feg*

**Subject:** Anaheim Regional Transportation Intermodal Center Update and Consultant Selection for Environmental Clearance and Associated Advanced Conceptual Design

### **Overview**

The Orange County Transportation Authority and the City of Anaheim are working collaboratively to further the development of the Anaheim Regional Transportation Intermodal Center. The Board of Directors has approved roles and responsibilities for the further development of the transportation center, designating the Orange County Transportation Authority as the lead agency for environmental clearance and associated advanced conceptual design. This report provides an overview of project status and recommends award of a sole source contract to complete the environmental clearance and associated advanced conceptual design.

### **Recommendation**

Authorize the Chief Executive Officer to negotiate and execute an agreement between the Orange County Transportation Authority and the firm of Jones & Stokes Associates, Inc., in an amount not to exceed \$2,900,000, contingent upon the Internal Audit Department's review of cost and price.

### **Background**

In 2005, the Orange County Transportation Authority (OCTA) Board of Directors (Board) approved \$60 million of Measure M transit funds for Gateways to Regional Rail, which included relocation of the existing Anaheim Metrolink Station to accommodate the Metrolink Service Expansion Program. That same year, the Board authorized the purchase of 13.5 acres of land, utilizing a portion of this funding, to relocate the existing Anaheim Metrolink Station and directed staff to work with the City of Anaheim (City) to pursue the development of the Anaheim Regional Transportation Intermodal Center (ARTIC). In May 2007, the Board approved the project concept report for ARTIC. Subsequent to that, the

City and OCTA held an interest conference to share the vision of ARTIC with potential developers. In November 2008, the OCTA Board approved the ARTIC project description, which outlined the three phases of implementation of ARTIC and assigned roles and responsibilities for the implementation. OCTA has utilized consultant services to support these prior efforts, including the project concept report, project description, and various white papers on specific project components.

The next step in this development process is the environmental clearance and the associated advanced conceptual design. OCTA is the lead agency designated to deliver the environmental clearance of the transit facility and integrated mixed use development and advanced conceptual design.

On January 26, 2009, the Board took action to include the ARTIC project as one of the program of projects identified for Proposition 116 (P116) funds. This program of projects is subject to approval by the California Transportation Commission and has a deadline of 2010 to encumber funds for construction. Staff, working in coordination with the City, has developed a delivery strategy to complete environmental clearance and design in the most expeditious manner possible to help meet the 2010 deadline.

### ***Discussion***

Consistent with Board action in November 2008, OCTA is the lead agency responsible for delivering the environmental clearance and associated advanced conceptual design for ARTIC. In an effort to meet the 2010 deadline for the proposed P116 funds, staff has explored several options for delivery of ARTIC Phase 1 (transit facility and supportive mixed use). These options included various scenarios of OCTA leading phases, the City leading phases, and each agency leading the entire project. Through this effort, it was determined that the most expeditious and cost effective strategy is to have OCTA remain the lead for the environmental clearance and associated advanced conceptual design and utilize existing consultant services. The City will then be responsible for final design and construction of ARTIC Phase 1. The lead agency for each phase and the associated timeline is included as Attachment A.

Utilizing the services of existing consultants will save time and reduce cost. The timeline for a competitive procurement for these services is approximately six months. This procurement period could be reduced to one month by utilizing existing consultant services who have been actively engaged in the

ARTIC project to date and have in depth knowledge of the project evolution and current status. This time savings is vital to meet the 2010 deadline. This reduction in time will also reduce costs in hours saved.

In order to move forward with this strategy, staff recommends the award of a sole source contract to Jones & Stokes Associates, Inc., (Jones & Stokes) to complete the environmental clearance and associated advanced conceptual design. Jones & Stokes has been actively engaged in the ARTIC project from the onset. The firm has extensive environmental experience and knowledge and is uniquely qualified to deliver the ARTIC environmental clearance in a very compressed timeframe which is necessary to meet the 2010 deadline.

A cost proposal has been solicited from Jones & Stokes for the work proposed. The cost estimate appears to be fair and reasonable and is well within the range of the independent cost estimate developed by staff. The estimate submitted by Jones & Stokes is estimated to be at least \$300,000 less than the cost estimate solicited from an existing project management consultant currently under contract to OCTA. This contract award will be contingent upon the Internal Audit Department's review of the cost and price submitted by Jones & Stokes.

#### **Fiscal Impact**

This project was included in OCTA's Fiscal Year 2008-09 Budget and will require a budget transfer from Account 0010-7831-T5420-P3Y to Account 0010-7519-T5420-P3H.


#### **Summary**

OCTA and the City are working in close coordination to continue the development of ARTIC. In an effort to ensure timely use of the proposed P116 funds for ARTIC, staff has developed an aggressive delivery strategy. This strategy includes utilizing existing consultant services for the environmental and associated advanced conceptual design, and recommends the award of a sole source contract to Jones & Stokes to facilitate the expedited delivery of these efforts.

***Attachments***

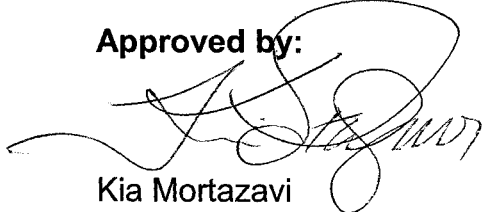
- A. ARTIC Phase 1 – Transit Facility Preliminary Schedule for Design and Construction
- B. Scope of Work, Section 1, Description of Project and Standards

**Prepared by:**



Jennifer Bergener  
Program Manager, Local Initiatives &  
Metrolink Operations  
(714) 560-5462

**Approved by:**

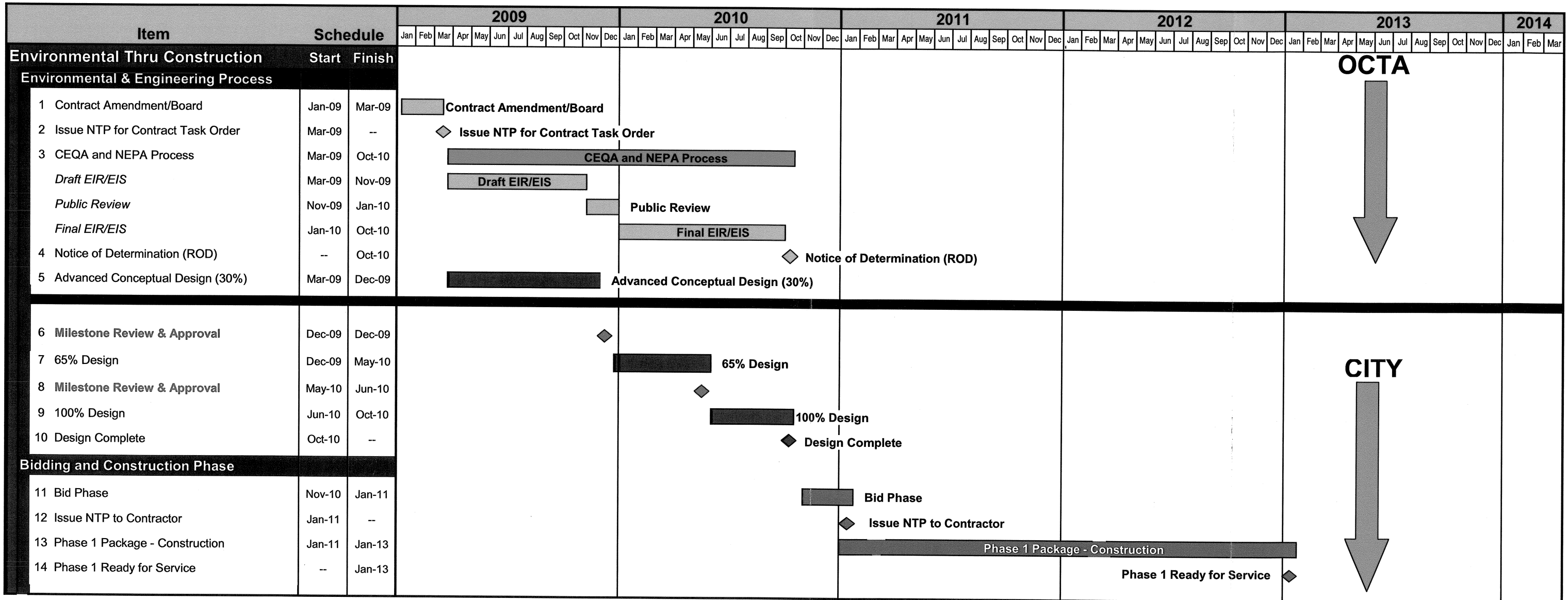


Kia Mortazavi  
Executive Director, Development  
(714) 560-5471



ARTIC Phase 1 - Transit Facility Preliminary Schedule for Design and Construction

**Delivery Scenario: Amend an Existing OCTA Contract for Environmental & Advanced Conceptual Design; City to Deliver Final Design and Construction**



NTP - Notice to Proceed  
 CEQA - California Environmental Quality Act  
 NEPA - National Environmental Policy Act  
 EIR - Environmental Impact Report  
 EIS - Environmental Impact Statement  
 ROD - Record of Decision



# SCOPE OF WORK

## SECTION 1

### DESCRIPTION OF PROJECT AND STANDARDS

#### 1.0 SCOPE OF WORK GENERAL CONDITIONS AND REQUIREMENTS

#### 1.1 Project Description

##### 1.1.1 Background

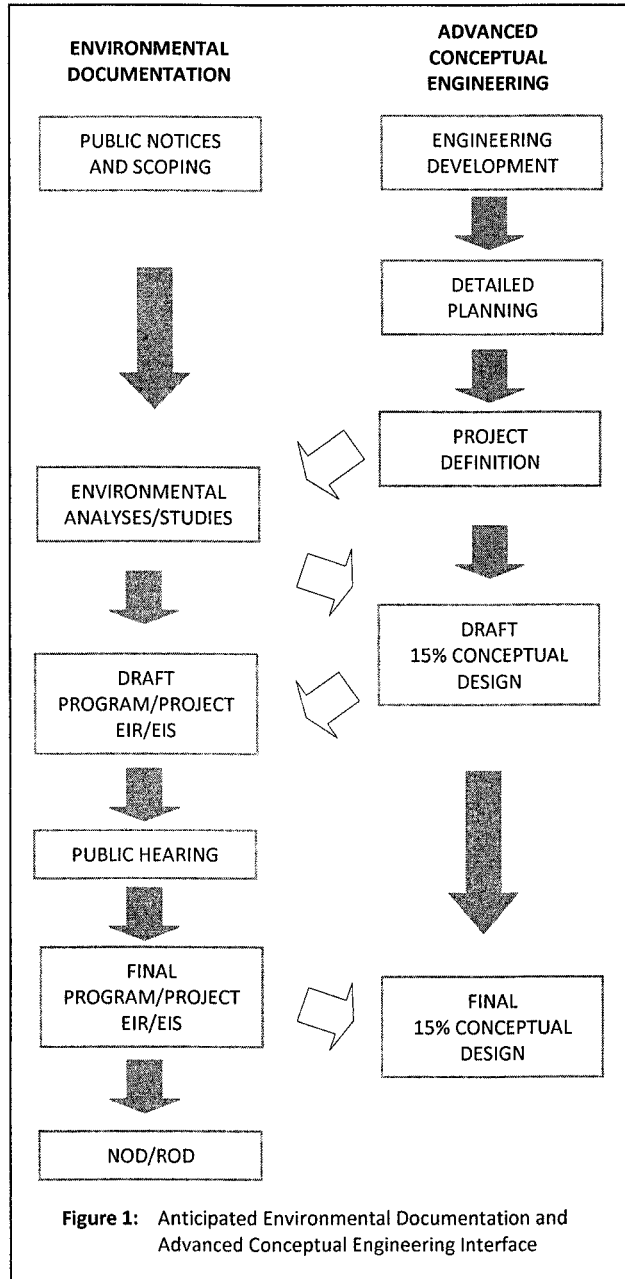
Development of the Anaheim Regional Transportation Intermodal Center (ARTIC) is necessary in the near future due to increasing rail passenger demand, lack of ability to expand the existing Metrolink station parking, limited access to the existing Metrolink site, and the need for connections enabling travelers to transfer from one mode of transit service to another at a regional hub.

In 2005 the Orange County Transportation Authority (OCTA) Board of Directors (Board) approved the purchase of 13.5 acres located adjacent to the LOSSAN corridor for the relocation of the existing Anaheim Metrolink Station. In May 2007, the Board approved the project concept report for ARTIC. Subsequent to that, the City of Anaheim (City) and OCTA held an interest conference in October of 2007 to share the vision of ARTIC with potential developers. Since that time, OCTA and the City have been working collaboratively towards development of this site as major transit center serving Metrolink, Amtrak, and fixed route bus and to serve as a regional gateway for the future California High Speed Train.

On November 10, 2008 the Board approved the ARTIC Project description which refined a three-phase approach for the development of ARTIC. The three-phase approach will provide the basis for logical development and implementation of the project elements and serve as a baseline for the future developer to understand the project and implementation strategy.

##### 1.1.2 Statement of Intent

It is the intent of the OCTA to award a professional services contract to provide Advanced Conceptual Engineering and Environmental Documentation (CONSULTANT) for Phase 1 of the



ARTIC facility as defined in the attached Project Description (see Attachment A). These services will generally include detailed planning, project definition, 30% Advanced Conceptual Engineering, preparation of cost estimates, and Environmental Documentation. The preparation of the environmental documentation will include the necessary related program- and project-level California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) documentation. Close coordination and interface between the Advanced Conceptual Engineering and Environmental Documentation will be essential throughout the project as shown in Figure 1.

### **1.1.3 General Project Description**

ARTIC's development is an integral element of OCTA's gateway to regional rail program. ARTIC also fits well in the Renewed Measure M Project "T" program that will provide funding to convert Metrolink stations to Regional Gateways that will connect Orange County with high speed rail systems. The proposed site is bounded by Katella Avenue, the Orange Freeway State Route 57 (SR-57), the Santa Ana River, the Los Angeles to San Diego (LOSSAN) rail corridor, and Douglass Road.

. This scope is intended to develop 15% engineering drawings for Phase 1 Transit Facility at the ARTIC site. The Phase 1 Transit Facility includes the following key elements:

- new station to replace the existing Anaheim Station; this design should include accommodations of an integrated civic/public space;
- new Douglass Road Railroad Bridge to replace the existing bridge to accommodate new platforms;
- trackwork for operations at the new station, as well as for operations during construction;
- surface parking lot to accommodate at least 850 spaces;
- Douglass Road to accommodate the new railroad bridge and access to the ARTIC site, understanding that the roadway will need to be lowered to accommodate the new railroad bridge; and
- modification of existing crash walls to the support columns for SR-57.

All design efforts shall result in a fully functioning transit facility that does not preclude the ability to expand and enhance the facility to accommodate other services in the future.

### **1.1.4 Project Stakeholders**

As necessary, OCTA will direct documents for distribution to project stakeholders for review and comment. These stakeholders will comprise the project development team and include representatives from the City of Anaheim, Caltrans, California High Speed Rail, and other local agencies. Their primary role will be to review impacts to their facilities and provide input on future plans. OCTA will review any comments provided by stakeholders and finalize prior to turning over to CONSULTANT for incorporation.

### **1.1.5 Roles and Responsibilities**

The work outlined within this scope is being funded and managed by OCTA. As such, project stakeholders will be given the opportunity to participate and comment at different stages of the project. However, OCTA will have final review and approval of all documents and plans.

## **1.2 Standards**

### **1.2.1 Latest Editions**

CONSULTANT shall perform Advanced Conceptual Engineering services under the Agreement in conformance and in compliance with the latest City of Anaheim Standard Drawings and Specifications, American Railway Engineers Association (AREMA), BNSF Railway standards, the Standard Specifications for Public Works construction (SSPWC), and other applicable OCTA Standards. Similarly, the Environmental Documentation shall be prepared in conformance and in compliance with CEQA and NEPA and other applicable local, state, and federal environmental regulations and OCTA processes and procedures.

### **1.2.2 Conflicts**

In case of conflict, ambiguities, discrepancies, errors, or omissions among the reference materials obtained by CONSULTANT from other agencies, CONSULTANT shall submit the matter to OCTA for clarification. Any work affected by such conflicts, ambiguities, discrepancies, errors or omissions which is performed by CONSULTANT prior to clarification by OCTA shall be at CONSULTANT's risk and expense.

### **1.2.3 Plans and Estimates**

Plans and estimates shall be prepared in English units and in conformance with the latest editions of applicable standards. Sufficient information shall be prepared to support the CEQA/NEPA environmental documentation process and for OCTA decision purposes.

### **1.2.4 Reference Materials**

CONSULTANT shall utilize the documents identified below. It is not OCTA's intent to provide a comprehensive list of resources; therefore, CONSULTANT shall make use of additional reference material as appropriate. CONSULTANT shall also be responsible for ensuring the use of the most recent version of all reference material, including any addenda and errata.

- A Policy on Geometric Design of Highways and Streets (AASHTO 2004)
- California Public Utilities Commission (CPUC) General Orders Requirements
- California Regional Water Quality Control Board Requirements
- Manual of Uniform Traffic Control Devices (MUTCD 2003)
- MUTCD California Supplement (2003)
- Standard Specifications for Public Works Construction (SSPWC)
- OCTA Right of Way Manual
- Southern California Regional Authority (Metrolink) Design Guidelines/Standards for Track and Stations
- City Standard Drawings and Specifications
- Applicable Local Codes and Manuals
- Construction Best Management Practices (BMP's)
- BNSF Design Guidelines
- BNSF Utility Accommodation Policy
- American Railway Engineers Association (AREA) Standards
- American Rail Engineers Maintenance Association (AREMA) Standards
- ARTIC Project Concept Report (Adopted by Board on May 29, 2007)

- Design Basis Report for Station Configuration of Anaheim Regional Transportation Intermodal Center (April 20, 2007)
- Anaheim Regional Transportation Intermodal Center Transit and Parking Facility Description Report (October 22, 2007)
- Anaheim Regional Transportation Intermodal Center – Project Description (adopted by Board on November 10, 2008)
- ALTA Survey – October 2008
- Platinum Triangle Subsequent Environmental Impact Report 334, City of Anaheim
- CEQA and NEPA Handbooks

### **1.3 Design Criteria**

The following sections generally list the specific design criteria, which shall be adhered to. This list is by no means comprehensive and other standards may apply.

#### **1.3.1 Drafting**

Roadway and related plans shall be prepared on standard plan and profile sheets acceptable to OCTA. The size and clarity of lettering on plan sheets requires special attention, as half-size shall be clear. Plans, which are illegible or otherwise difficult to read, are unacceptable.

#### **1.3.2 Sitework, Access, Street Improvements, and Surface Parking**

CONSULTANT shall adhere to design standards as specified by the City.

#### **1.3.3 Metrolink Station/Platforms and Trackwork**

The Metrolink station, Trackwork, and platforms shall be designed in accordance with Southern California Regional Rail Authority (Metrolink) design standards.

#### **1.3.4 Facilities (Buildings) and Public Space**

CONSULTANT shall adhere to design standards as specified by building codes and the City.

#### **1.3.5 Railroad Bridges**

CONSULTANT shall adhere to design standards as specified by the local jurisdiction where the roadway bridge is located. Railroad bridges will be designed in accordance with American Railway Engineers Association (AREA) Standards, American Rail Engineers Maintenance Association (AREMA), latest edition, and BNSF Design Standards.

#### **1.3.6 Design Surveys**

Even though an Advanced Conceptual Engineering level of design will be achieved, OCTA desires that CONSULTANT perform design surveys including mapping at a level of detail necessary for final design. This includes horizontal and vertical control, drainage surveys, topographical surveys, cross sections, grid grades, open-ended traverses, profile data sheets, three line profiles and required documentation. CONSULTANT shall designate a Survey Manager who will coordinate the CONSULTANT's surveying operations. The Survey Manager shall be responsible for all matters related to the CONSULTANT's surveying operations.

### **1.3.7 Right of Way**

CONSULTANT shall conduct necessary right-of-way coordination with OCTA's right-of-way department; identify preliminary ROW impacts including easement requirements and utility facility replacement easements; and prepare applicable ROW engineering plans and letter report.

### **1.3.8 Utilities**

CONSULTANT shall identify all public and private utility conflicts with the proposed roadway (Douglass) and proposed structures. CONSULTANT shall be responsible to provide subsurface utility location services to determine horizontal and vertical underground utility positions of all potential conflicts. CONSULTANT shall have the ability to obtain necessary pothole information including exploration for such information. Additional utility relocation design may be requested to advance or expedite project staging.

### **1.3.9 Drainage**

CONSULTANT shall develop drainage plans in accordance with City and Railway Design Standards as applicable.

## SECTION 2

### **GENERAL CONDITIONS AND REQUIREMENTS**

#### **2.0 SCOPE OF WORK GENERAL CONDITIONS AND REQUIREMENTS**

- 2.1.1** CONSULTANT shall carry out the instructions as received from OCTA Project Manager and shall cooperate with City and other agencies, and other consultants working on the project.
- 2.1.2** It is not the intent of the foregoing paragraph to relieve CONSULTANT of professional responsibility during the performance of this contract. In those instances where CONSULTANT believes a better design or solution to a problem is possible, CONSULTANT shall promptly notify the OCTA Project Manager of these concerns, together with the reasons therefore.
- 2.1.3** CONSULTANT shall be responsible for the accuracy and completeness of the reports, plans, specifications, estimates, and related material prepared by CONSULTANT for the project. CONSULTANT shall independently check and identify the engineer and checker for all such material prior to any submittal. The plans, concepts, reports, and documentation will be reviewed by OCTA, and/or OCTA's designee for conformity to constructability and overall project consistency. Reviews by OCTA, and/or OCTA's designee, will include detailed review or check of design of major components and related details, or the accuracy with which such designs are depicted on the plans.
- 2.1.4** Neither CONSULTANT nor its subcontractors shall incorporate materials, or equipment of single or sole source origin without prior written approval of OCTA.
- 2.1.5** The plans, estimates, calculations, reports, and other documents furnished under this Scope of Work shall be of a quality acceptable to OCTA, and in conformance with SCRRRA, BNSF, and City requirements. The minimum criteria for acceptance shall be a product of neat appearance that is well organized, technically and grammatically correct, and thoroughly checked. The appearance, organization and content of the drawings shall be to applicable standards.
- 2.1.6** The page identifying preparers of engineering reports, the title for specifications and each sheet of plans, shall bear the professional seal, certificate number and expiration date, registration classification, and the signature of the professional engineer(s) responsible for their preparation.
- 2.1.7** CONSULTANT shall maintain a set of project files that are indexed in accordance with filing system provided by the OCTA.
- 2.1.8** At the completion of this Scope of Work for this contract, all files and correspondence relating to the Project shall be turned over to OCTA. This includes all working data, field data, and background information used in creating the deliverables identified in the Scope of Work.
- 2.1.9** Where this Scope of Work requires CONSULTANT to prepare and submit studies, reports, plans, etc., to OCTA, these materials shall be submitted in draft as scheduled, and the opportunity provided for project stakeholders to direct revisions, prior to final submission.

- 2.1.10** CONSULTANT shall submit all final Advanced Conceptual Engineering plans on CD ROM using Microstation file format in accordance with specified standards or in ACAD file format. In addition, CONSULTANT shall also submit all Environmental Documentation and other reports on CD ROM using Microsoft Word, Excel and PDF file formats.
- 2.1.11** To assist in understanding contract objectives and requirements, CONSULTANT shall hold regular meetings with OCTA. If the original established schedule included in the Project Management Plan is determined insufficient, CONSULTANT shall hold additional meetings directed by OCTA as necessary. The primary purpose of these meetings is to discuss work objectives, CONSULTANT'S work schedule, review work product, discuss key issues and concerns, and review the terms of the contract and other related issues. In addition, the meetings will serve as a forum for resolving any issues related to the Advanced Conceptual Engineering and Environmental Documentation development.
- 2.1.12** CONSULTANT may establish direct contact with governmental regulatory and resource agencies and others in order to obtain information, expertise, and assistance in developing baseline data and resource inventories. CONSULTANT shall include OCTA in all such contacts. CONSULTANT shall maintain a record of such contacts and shall transmit copies of those records to OCTA and City on a regular basis. At a minimum, these records shall be transmitted monthly or more frequently, when the content or extent of the records so warrants.
- 2.1.13** OCTA will retain responsibility for final consultation, both informal and formal, with state and federal agencies regarding project mitigation and compensation proposals.
- 2.1.14** CONSULTANT shall comply with OSHA regulations regarding safety equipment and procedures. While working on the job site, CONSULTANT'S personnel shall wear white hard hats, rubber soled shoes, and appropriate safety vests.
- 2.1.15** CONSULTANT shall designate a Survey Manager who will coordinate CONSULTANT'S surveying operations. The Survey Manager shall be responsible for all matters related to CONSULTANT'S surveying operations, but shall coordinate with CONSULTANT'S Project Manager.
- 2.1.16** Surveys performed by CONSULTANT shall conform to the requirements of the Land Surveyors Act and per OCTA's direction. In accordance with the Act, "responsible charge" for the work shall reside with a pre-January 1, 1982, Registered Civil Engineer or a Licensed Land Surveyor in the State of California.
- 2.1.17** Throughout the design of this project, CONSULTANT shall consider least cost alternatives analysis for major project components, where appropriate.
- 2.1.18** OCTA Project Manager will administer the CONSULTANT's contract and provide direction to CONSULTANT. CONSULTANT is responsible for providing Quality Assurance Program. OCTA and project stakeholders will provide Independent Quality Assurance as well as final approval of the PS&E, required reports, and work product.
- 2.1.19** OCTA shall provide an independent third party plan and document review of the project for all disciplines, including but limited to, roadway, structures, drainage, electrical, staging construction, striping, landscape, technical specifications, and administration. The Environmental Documentation will also undergo third party review.

## SECTION 3

### SCOPE OF WORK

#### 3.0 SCOPE OF WORK

#### 3.1 Task 1 – Project Management/Coordination/Administration

##### 3.1.1 Project Management Plan

CONSULTANT shall prepare a comprehensive Project Management Plan (PMP) within 14 days of notice to proceed (NTP) to communicate the scope of work, constraints, and technical requirements to all project participants. The PMP shall identify the procedures and technical requirements that are to be followed in developing the Advanced Conceptual Engineering and Environmental Documentation deliverables. The PMP shall also describe the responsibilities of each participant in the project. A copy of the PMP shall be given to OCTA at the beginning of the project and a meeting will be held with project stakeholders as appropriate to explain all project requirements.

The following items should be included in the PMP:

- Project Description
- Project Map
- Scope of work and task listing
- Project organization
- Key project staff names and responsibilities
- Project schedule
- Applicable design standards and codes listing
- Applicable computer software programs
- Project Communications procedures and electronic document filing index
- Quality management procedures
- Risk assessment register
- List of key stakeholders, including but not limited to, local, state, and federal agencies and others that are critical to the expeditious completion of the environmental documentation
- List of Project Development Team (PDT) members that are to attend biweekly project meetings

##### 3.1.2 Coordination/Administration

###### Coordination and Meetings

Meetings with affected parties shall be held to discuss issues pertinent to analysis, design, and effects of the Project. During these meetings, OCTA, City, Federal Transit Administration (FTA), SCRRA, and BNSF (and other invited agencies) may provide direction for development of the Advanced Conceptual Engineering and Environmental Documentation. CONSULTANT shall conduct and participate in the following meetings:

*Project Development Team (PDT) Meetings* with OCTA and City shall be held biweekly during the duration of the Advanced Conceptual Engineering and Environmental Documentation process. CONSULTANT shall bring in-progress visuals, plans, and documents as appropriate to these meetings.

*Agency Coordination/Technical Workshop Meetings* shall be held to discuss technical issues with specific agencies as needed. CONSULTANT shall coordinate the review and approval of



the preliminary bridge type, bridge appearance, and details with OCTA and directed project stakeholders. CONSULTANT shall bring progress plans as appropriate. No special presentation materials shall be required.

CONSULTANT shall prepare all the materials for the meeting (notices, agendas, handouts, reports, and meeting notes) and progress plans as applicable.

### **Administration**

Following are administrative duties, which shall be performed by CONSULTANT:

- Supervise subconsultants, coordinate, and monitor work for conformance with set standards and policies.
- Apply for and obtain City and railroad encroachment permits necessary for CONSULTANT to be on the jobsite.
- Apply for and obtain City approvals and permits as required for field explorations (i.e., geotechnical borings).
- Prepare, circulate, and file correspondence and memoranda as appropriate.
- Maintain Project files using the OCTA specified filing system.
- Prepare and maintain the Project Master Schedule as described in Section 3.1.3.

### **3.1.3 Schedules**

CONSULTANT shall submit an initial Project Master Schedule 14 days following the NTP. Upon approval by OCTA, this schedule shall become the Project Baseline Schedule. The approved Project Baseline Schedule shall be shown on the Project Master Schedule updates. The following elements must be included by CONSULTANT in the Schedule:

- Work items and deliverables identified in accordance with a Work Breakdown Structure (WBS) as developed by CONSULTANT and approved by OCTA
- Work items of agencies and other third parties that may affect or be affected by CONSULTANT'S activities
- Resource loading of work items in work hours to show the effort required to perform the work. Resource loading shall be used to develop plan and actual progress curves.
- The Project Master Schedule shall include all data necessary to represent the total Project and the critical path shall be clearly identified
- The order, sequence, and interdependence of significant work items shall be reflected on the Project Master Schedule
- The following list of major tasks shall be used to develop the Project Master Schedule:

**Task 1:** Project Management/Coordination/Administration

**Task 2:** Engineering Development

**Task 3:** Detailed Planning

**Task 4:** Advanced Conceptual Engineering

**Task 5:** Environmental Documentation

### **3.1.4 Progress Reports**

CONSULTANT shall report the progress of the work on a monthly basis and this report shall accompany the monthly invoice. Progress shall be based on physical percent complete such as number of drawings or deliverables completed or estimated progress toward completion. CONSULTANT shall submit one copy of a monthly Progress Report to the OCTA Project Manager no later than the tenth (10th) calendar day of the month following the report month, consisting of a written narrative and an updated bar-chart format of the Project Master Schedule. The narrative portion of the monthly Progress Report shall describe overall progress of the work, discuss significant problems and present proposed corrective action, show the status of major changes, and identify next month's activities.

All schedule tasks shall be updated to reflect current percent complete. If the latest completion time for a significant work item does not fall within the time allowed by the original Project Master Schedule, the sequence of work and or duration, with the concurrence of OCTA Project Manager, may be revised by CONSULTANT through concurrent operations, additional staffing or overtime, until the resultant schedule indicates that all significant milestone dates will be met.

Should, during the course of the work, CONSULTANT fall behind in overall performance in accordance with the current schedule; a project management meeting will be called to determine the cause. If cause is found to be due to CONSULTANT performance, payment to CONSULTANT may be withheld pending the submittal of an action plan outlining the steps, which will be taken to correct the identified delay(s).

The initial Project Master Schedule referenced in Section 3.1.3, as agreed to by OCTA shall become the project target. The baseline schedule shall be displayed on the updated Project Master Schedule. Changes to the baseline schedule shall be approved by OCTA Project Manager.

### **3.1.5 Quality Assurance/ Quality Control (QA/QC) Plan**

CONSULTANT shall maintain a Quality Assurance/Quality Control Plan throughout performance of the services under this Agreement. The QA/QC Plan is intended to ensure that reports, plans, studies, estimates, and other documents submitted under the Agreement are complete, accurate, checked, conform to standards, and proofread to meet professional engineering and environmental practices in effect at the time of execution of the Agreement, and of a quality acceptable to OCTA and FTA.

#### **Project Management/Coordination/Administration Deliverables:**

##### **Project Management Plan**

- Draft PMP
- Final PMP

##### **Coordination/Administration**

- Meeting Notices
- Meeting Agendas
- Meeting Materials/Handouts
- Progress plans
- Meeting Reports/Notes

##### **Schedules**

- Initial Project Master Schedule
- Project Baseline Schedule
- Project Master Schedule updates (with monthly progress report)

##### **Progress Reports**

- Monthly progress reports and invoices

##### **Quality Assurance/ Quality Control (QA/QC) Plan**

- Draft QA/QC Plan
- Final QA/QC Plan

## **3.2 Task 2 – Engineering Development**

Activities consist of the preparation of conceptual plans to support the ARTIC Transit Facility and Draft Program/Project Environmental Impact Report/Environmental Impact Statement (EIR/EIS), or whichever type of environmental document is deemed appropriate.

### **3.2.1 Field Exploration**

CONSULTANT shall conduct a thorough independent field investigation of the project site to identify pre-existing site conditions and physical constraints of the project areas. Existing October 2008 ALTA survey should be reviewed as part of this process and any overlapping work should be discussed with OCTA. CONSULTANT shall obtain applicable encroachment permits prior to beginning any field investigation. The field reconnaissance shall be documented in a technical memorandum.

### **3.2.2 Mapping**

CONSULTANT will provide aerial photography and topographic mapping. OCTA shall be provided a copy of the aerial photographs and digital map compilation in an electronic format.

### **3.2.3 Design Surveys**

CONSULTANT will perform design surveys during this phase. CONSULTANT will provide photogrammetric mapping in English units. Any additional survey work or mapping performed prior to receiving the required approval will be at CONSULTANT's risk and expense.

CONSULTANT shall designate a Survey Manager who will coordinate the surveying operations.

CONSULTANT shall obtain all survey record information, including benchmarks and monuments from the City. All surveys shall be performed in accordance with accepted professional standards.

CONSULTANT shall identify CONSULTANT-established monuments with the license or registration number of the Engineer's surveyor who is in "responsible charge" of the work. The monument shall be in accordance with City Standards.

CONSULTANT shall prepare Right-of-Way base mapping for the existing right-of-way conditions.

CONSULTANT shall establish centerline control of existing streets.

CONSULTANT shall obtain applicable encroachment permits prior to beginning any field investigation. Additionally, if a traffic control plan is required, CONSULTANT shall prepare the plan. Such documents shall be forwarded to OCTA, for OCTA and City review and concurrence prior to beginning any field investigation.

CONSULTANT shall obtain necessary training including applicable rail safety program prior to performing field investigations.

The final results of all surveys, as required, shall be delivered to OCTA in the format specified below:

1. Horizontal Control Alphanumeric hard copy point listing with adjusted California Coordination System northern and eastern and appropriate descriptions based on NAD '83 datum.

## 2. Vertical Control

### 3.2.4 Right-of-Way and Utility Identification

CONSULTANT shall conduct necessary right-of-way coordination with OCTA right-of-way department. Identify preliminary ROW impacts including easement requirements and utility facility replacement easements; prepare applicable ROW engineering plans and letter report.

### Geotechnical Exploration Plan

CONSULTANT will conduct a site visit to observe the topography and visualize the proposed improvements at the project location. CONSULTANT will review available subsurface data from nearby structures or published geologic maps, to determine general subsurface conditions at the project site.

### Engineering Development Deliverables:

#### Field Exploration

- Field Reconnaissance Technical Memorandum

shall be delivered to OCTA who will forward to the City. The original survey documents shall be retained by CONSULTANT for future reference.

#### Mapping

- Base Mapping
- Aerial Photograph

- When survey is performed with a Total Station Survey System, the original field notes shall be a legible hard copy listing of the data (observations) as originally collected and submitted by the survey party. CONSULTANT'S party chief shall sign the listing, with monthly progress report).

#### Design Surveys

- Survey points, lines, and monuments shall be established, marked, identified and referenced, as required to complete this work and in accordance with the requirement herein.
- Survey notes, drawings, calculations, and other survey documents and materials shall be completed as required to complete the work in accordance with the requirements herein.
- A copy of all original survey documents resulting from this Scope of Work (including original field notes, adjustment calculations, final results and appropriate intermediate documents)

#### ROW and Utility Identification

- Right-of-Way Exhibits
- Right-of-Way Delineation on Plans and ROW Data Sheets
- Legal Descriptions

#### Geotechnical Exploration Plan

- Draft and Final Geotechnical Exploration Plan

## 3.3 Task 3 – Detailed Planning

The objective of this task is to review, validate and update, as necessary, the future patronage activity at ARTIC and the attendant Needs Assessment Summary (dated July 16, 2007) in order to more fully define project assumptions, anticipated facility and parking requirements, and the opportunities and constraints presented by alternative concepts and/or sites to address those requirements.

### 3.3.1 Data Collection and Review

This task involves the collection and assembly of existing information including previous studies, plans, and planning documents for ARTIC and the study area surrounding ARTIC. A list of pertinent documents will be identified by OCTA. CONSULTANT shall review and synthesize the information contained in the documents in order to develop a thorough understanding of adopted and proposed plans for the study area including the most current assumptions, planning and design concepts, and development phasing for ARTIC, as well as the area surrounding ARTIC, including but not limited to the Platinum Triangle and the Anaheim Stadium site within the Platinum Triangle.

### 3.3.2 Needs Assessment Validation

A technical memorandum documenting Estimates of Future Patronage Activity and Parking Requirements at ARTIC (July 13, 2007) was prepared. The information contained in this technical memorandum was the basis for the Needs Assessment Summary (ARTIC) Space Program), dated July 16, 2007. CONSULTANT shall validate the estimates provided in the Technical Memorandum, including the planned services at ARTIC, the estimates of patronage activity (see table below), including daily riders at ARTIC and originating passengers at ARTIC, and the parking projections. Based on the results of the patronage activity and parking requirements validation, the CONSULTANT shall review, and as necessary, update the Needs Assessment Summary. The review and validation shall also take into account any changes in ARTIC planning assumptions (including square footage requirements for ticketing, waiting, storage, baggage, etc.), or assumptions affecting the surrounding area that have occurred since the preparation of the Needs Assessment Summary. Previous modes that have been studied include:

- Regional Rail
- Commuter Rail
- Local Bus
- Anaheim Resort Transit
- Anaheim Transit Projects
- Private Carriers
- Airport Shuttle
- High Speed Rail Projects

Changes to previous assumptions shall be documented in a technical memorandum.

### 3.3.3 Opportunities and Constraints Analysis

CONSULTANT shall identify operational, policy and physical opportunities and constraints to accommodating estimated patronage activity and parking demand, and facilities requirements as a foundation for identifying alternative concepts for the ARTIC project. Opportunities and constraints to be addressed should include, but are not limited to: transportation, community, and known environmental characteristics; local, state and federal regulatory policies; and major physical (natural and manmade) features, or facilities' features and operations. Opportunities and constraints will be identified based on comments from, project stakeholders, and from field investigations, parcel maps, aerial photographs, and land use maps. Opportunities and constraints shall be documented by the CONSULTANT on maps and in a technical memorandum.

### 3.3.4 Define Project Alternatives

Based on the updated Needs Assessment Summary, and the Opportunities and Constraints Analysis, CONSULTANT shall identify reasonable alternatives to address estimated patronage demand for ARTIC, and facility and parking requirements. Alternatives may include, but are not limited to, providing for all facility and parking requirements on the currently proposed ARTIC

site or providing for some functions at off-site locations. The CONSULTANT shall define 2-3 viable and distinct alternatives capable of accommodating defined project needs, and describe the alternatives at a sufficient level of detail to demonstrate their viability.

With the concurrence of the OCTA Project Manager, CONSULTANT shall prepare a draft conceptual alternatives report including written descriptions and supporting graphics. Once finalized, the Conceptual Alternatives Report will provide a starting point for the Project Definition described in Task 4.

### **3.3.5 Traffic Study**

The CONSULTANT shall prepare a comprehensive traffic study addressing the potential traffic related impacts, and access, parking and circulation (vehicular and pedestrian) requirements of each of the conceptual alternatives. The study area to be addressed in the analysis should be defined based on the conceptual alternatives and in coordination with OCTA and the City of Anaheim. The analysis should include peak hour intersection analyses at key intersections surrounding the project site, as well as potential impacts to the SR-57 mainline and ramps. The analysis should address opening year and 2035 conditions, and should assume levels of development and improvements associated with the Platinum Triangle and other approved developments within each timeframe. The study should provide sufficient detail to support the traffic and transportation section of the environmental document, and should recommend mitigation as appropriate. The traffic study shall meet the requirements for the Environmental Documentation effort (see Section 3.5.3.9.).

#### **Detailed Planning Deliverables:**

- Draft and Final Needs Assessment Validation Technical Memorandum
- Draft and Final Opportunities and Constraints Analysis Technical Memorandum
- Draft and Final Conceptual Alternatives Report
- Draft and Final Comprehensive Traffic Study

## **3.4 Task 4 – Advanced Conceptual Engineering**

### **3.4.1 Project Definition**

CONSULTANT shall use results of the Conceptual Alternatives Report to develop the Project Definition report for site work and preparation, facilities, trackwork and platforms, parking, and access and street improvements.

#### **3.4.1.1 Alternatives Workshop**

CONSULTANT shall conduct a pre-Project Definition workshop with OCTA to review various alternative designs for the Transit Facility and obtain direction for preferred alternative.

#### **3.4.1.2 Site Work & Preparation**

CONSULTANT shall develop conceptual design on site work and preparation which encompasses the entire 15.7-acre property owned by OCTA (13.5 acres) and the City (2.2 acres) and includes demolition of existing structures and facilities, clearing and grubbing, grading, utility relocations and undergrounding of electrical overhead lines on the northerly side of the LOSSAN right-of-way and west side of Douglass Road. Hardscape and landscaping improvements are also included under site work and preparation. Project Definition plans and narrative for this category shall include:

- Preliminary limits of demolitions & removals/clearing & grubbing activities
- Preliminary limits of grading activities
- Preliminary location of landscaping and hardscape areas
- Identification of Existing Utilities

#### **3.4.1.3 Facilities**

CONSULTANT shall develop conceptual design for Transit Center and Supporting Facilities associated with the first phase of ARTIC. The anticipated facilities include the construction of a single-story terminal building to allow for Amtrak ticketing and waiting area, a civic/public space for the passengers' and the community's use, and a single-story retail space to allow for approved level of transit supportive commercial for the initial transportation facility. The terminal, public space and retail space shall be located adjacent to the railroad corridor and provide ease of access to the parking provided by this phase. The location of these initial facilities will need to consider the future footprint of other potential transportation services such as high-speed rail. Project Definition plans and narrative for this category shall include:

- Preliminary locations of terminal building, civic/public space, and retail space
- Preliminary footprints of terminal building, civic/public space, and retail space

#### **3.4.1.4 Trackwork & Platforms**

CONSULTANT shall develop conceptual design on trackwork and platforms which includes at a minimum the relocation of the existing Anaheim Metrolink/Amtrak station from its current location adjacent to Angel Stadium to the ARTIC site and may include 4 full tracks if it is feasible to utilize the shoo-fly tracks post construction. The new 2-track Metrolink/Amtrak station will be located on the LOSSAN corridor generally in the area between SR-57 and the Santa Ana River. The new station shall have 1,000-foot long side or center platforms and a total nominal platform width of 28 to 32 feet. In order to accommodate the new station, the platforms are anticipated to be located along the LOSSAN corridor from the west side of the County of Orange bike path undercrossing to approximately 120 feet west of the SR-57 overpass, with part of the platforms under SR-57. The area under SR-57 will require a review of existing conditions and constraints for the proper placement of proposed design elements. Proposed improvements under this scope of work shall not preclude the opportunity to further develop/expand through future phases.

Track improvements associated with the new station shall be required to allow for a fully functioning station. The platform height (8-inches above top of rail) will allow Metrolink and Amtrak to share platforms. Platform amenities consistent with the existing Metrolink/Amtrak station; such as ticketing, communication systems, benches, canopies, information kiosks, will be provided. Passenger/pedestrian access between platforms or to a center platform configuration will be provided via a pedestrian under- or over-crossing. Project Definition plans and narrative for this category shall include:

- Conceptual design for relocation of trackwork and platforms
- Conceptual design for ticketing, communication systems, benches, canopies, and information kiosks

#### **3.4.1.5 Parking**

CONSULTANT shall develop conceptual design for surface parking to be provided in Phase 1 for a minimum of 850 parking spaces for the initial transportation services. This category also

provides curbside drop-off access to the rubber-tire transportation service providers. Project Definition plans and narrative for this category shall include:

- Conceptual design for surface parking
- Conceptual design for bus/curbside access

#### **3.4.1.6 Access and Street Improvements**

CONSULTANT shall develop conceptual design for street improvements which includes the replacement of the Douglass Road railroad bridge to accommodate the passenger side or center platforms. In addition, the profile of Douglass Road will need to be modified (lowered) to accommodate the new bridge over Douglass Road.

Location of pedestrian access to Douglass Road and into the Angel Stadium shall be determined through work effort. Currently, portions of Douglass Road under the railroad bridge do not have sidewalks. Vehicular access to the Metrolink/Amtrak station will primarily be from Douglass Road, with a potential access point on Katella Avenue. As such, the project shall include the necessary street capacity while maintaining access for Angel Stadium and Honda Center. Project Definition plans and narrative for this category shall include:

- Conceptual design for reconstruction of Douglass Road railroad bridge
- Conceptual design for modifications to Douglass Road
- Conceptual design for modification of SR-57 crash walls
- Conceptual design for pedestrian access to Douglass Road and Angel Stadium

In addition, current use of Douglass Road as an exit road for events at Angels Stadium, while providing necessary ingress and egress capacity for ARTIC patrons shall be investigated and potentially incorporated into the new design of Douglass Road. Coordination will be required between CONSULTANT, OCTA, and stadium management.

#### **Project Definition Deliverables:**

Five (5) sets of draft and final Project Definition Report, including a narrative project description and conceptual design half-size (11"x17") plans for:

- Site Work & Preparation
- Facilities
- Trackwork & Platforms
- Parking
- Access and Street Improvements

#### **3.4.2 Prepare Draft 30% Conceptual Design Drawings**

CONSULTANT shall use the Project Definition Report and Environmental Analyses/Studies (see Section 3.5.3) as a basis to develop the Draft (15% level of design) Conceptual Design drawings for the facility elements described in the following sections.

##### **3.4.2.1 Pre-Design Workshop**

CONSULTANT shall conduct a pre-design workshop with OCTA to review Project Definition comments and responses prior to moving forward with Draft 15% Conceptual Design Drawings.





#### **3.4.2.2 Site Work and Preparation**

CONSULTANT shall prepare draft 15% level of design set of plans for the site work and preparation of the Transit Facility. Draft plans shall include:

- Site Preparation and Staging
- Removals/ Demolition
- Grading
- Utilities

#### **3.4.2.3 Facilities**

CONSULTANT shall prepare draft 15% level of design set of plans for Facilities at the Transit Facility. Draft plans shall include:

- Schematic of terminal building, civic/public space, and retail space
- Preliminary architectural plans for terminal building, civic/public space, and retail space
- Preliminary concepts for public art within the facilities

#### **3.4.2.4 Trackwork & Platforms**

CONSULTANT shall prepare draft 30% level of design set of plans for trackwork and platforms at the Transit Facility. Draft plans shall include:

- Grading
- Signal Design
- Communication Systems
- Bridge over Douglass Road
- Trackwork
- Platforms
- Canopies at Platforms
- Platform Access Ramps/ Stairs
- Pedestrian over/under pass

#### **3.4.2.5 Parking**

CONSULTANT shall prepare draft 15% level of design set of plans for parking at the Transit Facility. Draft plans shall include:

- Surface parking layout
- Drainage
- Bus/Curbside/Access Layout
- Public Art

#### **3.4.2.6 Access and Street Improvements**

CONSULTANT shall prepare draft 15% level of design set of plans for access and street improvements at the Transit Facility. Draft plans shall include:

- Douglass Road Modifications (Plan)
- Douglass Road Driveway(s) Modifications (Plan)
- Retaining Wall Design along Douglass Road
- Retaining Wall Design to protect SR-57 Bridge Foundations
- Pedestrian Access/ Walkways
- Right-of-Way
- Drainage
- Utilities

#### **3.4.2.7 Public Art**

CONSULTANT shall prepare draft 15% level of design set of plans for public art elements. Draft plans shall include:

- Proposed Locations
- Layouts
- Schematics
- Preliminary Details

#### **3.4.2.8 Draft 15% Cost Estimate**

CONSULTANT shall prepare a preliminary cost estimate to accompany the 15% Draft Conceptual Design. This estimate shall be refined at the Final 15% Conceptual Design stage coinciding with the design development.

#### **Draft 15% Conceptual Design Deliverables:**

- Five (5) sets of half-size (11"x17") engineering plans for:
  - Site Work and Preparation
  - Facilities
  - Trackwork and Platforms
  - Parking
  - Access and Street Improvements
- Two (2) copies of preliminary quantities and estimates

#### **3.4.3 Prepare Final 15% Conceptual Design Drawings**

CONSULTANT shall use the Draft (15% level of design) Conceptual Design drawings, Final Program/Project EIR/EIS (see Section 3.5.6), and comments received from OCTA, City, and other stakeholders as the basis to develop the Final (15% level of design) Conceptual Design drawings for the facility elements described in the following sections.

##### **3.4.3.1 Site Work and Preparation**

CONSULTANT shall prepare final 15% level of design set of plans for the site work and preparation of the Transit Facility. Final plans shall include:

- Site Preparation and Staging
- Grading
- Removals/ Demolition
- Utilities

##### **3.4.3.2 Facilities**

CONSULTANT shall prepare final 15% level of design set of plans for Facilities at the Transit Facility. Final plans shall include:

- Layout of terminal building, civic/public space, and retail space
- Architectural plans for terminal building, civic/public space, and retail space
- Concepts for public art within the facilities

##### **3.4.3.3 Trackwork & Platforms**

CONSULTANT shall prepare final 15% level of design set of plans for trackwork and platforms at the Transit Facility. Final plans shall include:

- Grading
- Shoo-fly tracks
- Signal Design
- Platforms
- Communication Systems
- Canopies at Platforms
- Bridge over Douglass Road
- Platform Access Ramps/ Stairs
- Trackwork
- Pedestrian over/under pass

##### **3.4.3.4 Parking**

CONSULTANT shall prepare final 15% level of design set of plans for parking at the Transit Facility. Final plans shall include:

- Surface parking layout
- Drainage

- Bus/Curbside/Access Layout

#### **3.4.3.5 Access and Street Improvements**

CONSULTANT shall prepare final 15% level of design set of plans for access and street improvements at the Transit Facility. Final plans shall include:

- Douglass Road Modifications (Plan and Profile)
- Douglass Road Driveway(s) Modifications (Plan and Profile)
- Retaining Wall Design along Douglass Road
- Retaining Wall Design to protect SR-57 Bridge Foundations
- Pedestrian Access/ Walkways
- Right of Way
- Drainage
- Utilities

#### **3.4.3.6 Public Art**

CONSULTANT shall prepare final 15% level of design set of plans for public art elements. Final plans shall include:

- Proposed Locations
- Layouts
- Schematics
- Preliminary Details

#### **3.4.3.7 Final 15% Cost Estimate**

CONSULTANT shall prepare a preliminary cost estimate to accompany the 15% Final Conceptual Design.

#### **Final 15% Conceptual Design Deliverables:**

- Five (5) sets of half-size (11"x17") engineering plans for:
  - Site Work and Preparation
  - Facilities
  - Trackwork and Platforms
  - Parking
  - Access and Street Improvements
- Two (2) copies of preliminary quantities and estimates

### **3.5 Task 5 – Environmental Documentation**

The following environmental analysis and documentation activities consist of the procedures required by the CEQA and the NEPA to support the evaluation of the ARTIC project, including the preparation of the Draft and Final Program/Project EIR/EIS and supporting documentation, or whichever environmental document is deemed appropriate. The proposed ARTIC is a three-phased development to be integrated into a mixed-use development in the City of Anaheim: Phase 1 - Initial Transit Facility (2009-2015); Phase 2 - 2020 Build-Out (2016-2020); and Phase 3 - Ultimate Build-Out (2021-2030). All three phases will be analyzed in environmental document at the program level (per CEQA Guidelines Section 15168 and 40 CFR 1502.02 for NEPA), to the extent reasonably foreseeable based on the project description and other information provided by OCTA and its consultants. The Initial Transit Facility (Phase 1) will also be addressed in the environmental document at the project level, which will allow OCTA to progress with the construction and operation of the first phase without further environmental documentation required under CEQA and NEPA. This program/project approach will allow the

first phase of project to progress to construction quickly, while streamlining the subsequent environmental documentation for future phases using this EIR/EIS and any other applicable previous or future environmental documentation.

### **3.5.1 Early Coordination**

CONSULTANT shall conduct early coordination efforts including review of previous environmental documents and coordination with Responsible/Cooperating Agencies and other stakeholders.

#### **3.5.1.1 Review of Previous Environmental Documents**

CONSULTANT shall obtain and review all previous environmental documents applicable to the project, including the *Platinum Triangle EIR*, *ARTIC Project Concept Report* (May 9, 2007), *Design Basis Report for Station Configuration of Anaheim Regional Transportation Intermodal Center* (April 20, 2007), *Anaheim Regional Transportation Intermodal Center Transit and Parking Facility Description Report* (October 22, 2007). As previously mentioned, a detailed ARTIC Project Description approved by the OCTA Board on November 10, 2008 is included as Attachment A. OCTA will also provide any additional pertinent information and reports associated with the proposed project, including technical studies, planning documents, maps, aerial photos, and other documentation and necessary data. The lead agencies for the project will be OCTA (CEQA) and FTA (NEPA). CONSULTANT shall prepare a technical memorandum summarizing the review of pertinent documents.

It is understood that the City is currently preparing a supplement to their approved Platinum Triangle EIR, and that this document, as well as the technical studies prepared for this EIR, will be reviewed to determine what information, if any, can be used for the ARTIC environmental documentation.

#### **3.5.1.2 Coordination with Responsible/Cooperating Agencies and Other Stakeholders**

Coordination/cooperation and/or consultation will be required at various levels and times throughout the environmental process including, but not limited to the following:

- City of Anaheim
- City of Orange
- Angel Stadium
- Honda Center
- Southern California Regional Rail Authority (SCRRA)
- Southern California Air Quality Management District (SCAQMD)
- California Department of Fish and Game (CDFG)
- Santa Ana Regional Water Quality Control Board (SARWQCB)
- Metrolink
- Burlington Northern Santa Fe Railway (BNSF)
- California Public Utilities Commission (CPUC)
- California High Speed Rail Authority
- California Department of Transportation, District 12

- Amtrak
- Federal Railroad Administration (FRA)
- U.S. Army Corps of Engineers (Corps)
- U.S. Fish and Wildlife Service (USFWS)
- U.S. Environmental Protection Agency (EPA)
- State Historic Preservation Officer (SHPO)

**Early Coordination Deliverables:**

- Draft Technical memorandum summarizing the review of pertinent documents
- Draft Technical memorandum summarizing the review of pertinent documents
- Meeting Notes (1 copy and one electronic copy per meeting)

**3.5.2 Public Notices and Scoping**

CONSULTANT shall issue public notices and conduct scoping activities.

**3.5.2.1 Initial Study (IS) and Notice of Preparation (NOP) (CEQA)**

CONSULTANT shall prepare an Initial Study (IS) to support a Notice of Preparation (NOP) that describes the program and project, potential impact areas, and indicates that the appropriate environmental analyses for the project have been initiated and requesting comments from stakeholders and interested parties. The NOP shall be accompanied by an IS using the environmental checklist per Appendix G of the CEQA Guidelines. CONSULTANT shall submit a draft IS/NOP to OCTA for review. After the review, CONSULTANT shall incorporate the revision and submit the final IS/NOP. The NOP shall be sent to any local residents, elected officials, affected agencies, and other special interest groups on the project mailing list. CONSULTANT shall develop the mailing list with input from OCTA and the City; this mailing list shall be augmented throughout the documentation process for subsequent notices. CONSULTANT shall coordinate this effort with OCTA to ensure that the notice is properly posted with the State Clearinghouse. OCTA shall designate an individual as the main point of contact with interested parties during the NOP process.

**3.5.2.2 Notice of Intent (NOI) (NEPA)**

CONSULTANT shall prepare and circulate a Notice of Intent (NOI) pursuant to NEPA requirements. The NOI shall describe the program and project and indicate that the appropriate environmental analyses for the project have been initiated and requesting comments from stakeholders and interested parties. CONSULTANT shall submit a draft NOI to FTA and OCTA for review. After the review, CONSULTANT shall incorporate the revision and submit the final NOI. FTA shall make the arrangements with EPA for publication of the NOI in the Federal Register. FTA shall designate an individual as the main point of contact with interested parties during the NOI process.

**3.5.2.3 Scoping Meeting**

CONSULTANT shall coordinate with FTA and OCTA to provide up to two scoping meetings and the appropriate public notices. CONSULTANT shall lead the scoping meeting and prepare a PowerPoint presentation that describes the project phases and provides an overview of the anticipated environmental analyses. CONSULTANT shall also provide any necessary visual

aids and comment cards for the scoping meetings. The public notice for the scoping meetings shall be advertised in a widely circulated newspaper (e.g., Los Angeles Times Orange County Edition and Orange County Register) and in a local Spanish newspaper. CONSULTANT shall coordinate with FTA and OCTA to ensure that the notices are properly posted (e.g., newspaper and mass mailers). FTA and OCTA shall designate an individual as the main point of contact with interested parties during the scoping meeting process.

### **Public Notices and Scoping Deliverables:**

- Draft IS/NOP (Unbound original and 10 copies each and electronic copy)
- Final IS/NOP (Unbound original and 10 copies each and electronic copy)
- Mailing list (electronic copy)
- IS/NOP Distribution
- Record of Distribution
- Draft NOI (10 copies each and electronic copy)
- Final NOI (electronic copy provided to FTA)
- Notification (e.g., newspapers advertisements) for the Scoping Meetings, including developing a mailing list and mailing the notification
- Scoping meeting materials including handouts, visual displays, and other materials

### **3.5.3 Environmental Analyses/Studies**

CONSULTANT shall conduct the environmental analyses to meet CEQA and NEPA requirements. CONSULTANT shall use results included in the Project Definition Report (see Section 3.4.1) for development of technical studies. CONSULTANT shall coordinate with FTA and OCTA in determining the specific content and format requirements for the studies. Technical studies/analyses shall include, but are not limited to the following.

To the extent possible, and if determined appropriate through review and examination of the City's Platinum Triangle EIR technical studies, technical information from these studies will be used to prepare the environmental analyses/studies for the ARTIC EIR.

#### **3.5.3.1 Aesthetics/Visual Analysis**

CONSULTANT shall consider the potential aesthetic impacts of the proposed project and its alternatives, including changes in scale, visual character, and light, shadow, and glare. This analysis shall identify the viewshed for the project, the viewer types within the viewshed, the viewer sensitivity to proposed changes in views, and the aesthetic impacts resulting from the project. A minimum of three key viewpoints shall be used in the analysis, with existing and proposed conditions analyzed using various tools, including photosimulations, massing studies, comparable photos, etc.

#### **3.5.3.2 Air Quality Impact Analysis**

CONSULTANT shall prepare an Air Quality Report to satisfy state (CEQA) and federal (NEPA) environmental requirements. In evaluating construction impacts, CONSULTANT shall consider the following: 1) regional impacts related to criteria pollutant emissions, 2) localized impacts related to criteria pollutant and toxic air contaminant (TAC) emissions, and 3) climate change impacts related to greenhouse gas (GHG) emissions. With respect to impacts during long-term project operations, CONSULTANT shall consider the following: 1) regional impacts related to new mobile-, area- and stationary emissions sources, 2) local impacts at congested intersection locations related to project trip generation and project-related changes to existing local traffic circulation patterns, 3) potential health risk impacts associated with transit station activity (i.e.,

train movements and idling activity, bus [transit, commuter and tour] idle and local circulation activity), and 4) climate change impacts related to GHG emissions.

CONSULTANT shall rely on ambient air monitoring data, evaluation methodology, analysis tools, and significance criteria developed by the California Air Resources Board (CARB) and/or the South Coast Air Quality Management District (SCAQMD). CONSULTANT shall characterize existing air quality conditions, and explain how such conditions are influenced by local climate and topography. A summary of existing federal, state, and local air quality regulations shall be required, as well as a discussion of how such regulations would affect the proposed project. And finally, CONSULTANT shall provide a description of sensitive land uses (i.e., sensitive receptor locations) present in the project vicinity, along with discussions of how such uses would be affected by project construction and long-term operations.

A detailed description of the methodology shall be developed by CONSULTANT to evaluate impacts related to criteria pollutant, TAC, and GHG emissions. CONSULTANT shall determine if the proposed project (or portions thereof) are subject to General Conformity Rule and/or Transportation Conformity Rule requirements, and evaluate as required under applicable Rule. Impacts related to localized carbon monoxide (CO) and particulate matter (PM10 and PM2.5) emissions will be evaluated. Localized CO impacts shall be evaluated using the methodology prescribed in the Caltrans Transportation Project Level Carbon Monoxide Protocol (December, 1997). Localized PM10 and PM2.5 impacts shall be evaluated using the methodology prescribed in the Transportation Conformity Guidance for Qualitative Hot-Spot Analyses in PM2.5 and PM10 Nonattainment and Maintenance Areas (March 2006, EPA). The potential for impacts related to the localized emissions of mobile-source air toxics (MSAT) shall also be evaluated based on guidance provided by the FHWA in their February 2006 guidance memorandum titled Interim Guidance on Air Toxic Analysis in NEPA Documents. Health risk impacts shall be evaluated consistent with SCAQMD recommended methodology. And finally, the quantification of GHG emissions shall be performed using the methodologies prescribed in the Local Government Operations Protocol for the Quantification and Reporting of Greenhouse Gas Emissions Inventories (CARB 2008).

For CEQA, CONSULTANT shall analyze long-term air quality impacts as identified under the joint NEPA/CEQA approach. CONSULTANT shall analyze the construction period in accordance with provisions outlined in CEQA, and consistent with the technical requirements and methodologies recommended by SCAQMD. CONSULTANT shall prepare a construction emission inventory that includes combustion emissions related to the operation of construction equipment and on-road vehicles; fugitive dust emissions related to structure demolition and site disturbance activity; and off-gassing emissions of reactive organic compounds (ROC) related to asphalt paving the application of architectural coatings. The emission inventory shall be compiled using the URBEMIS 2007 (version 9.2.4) and/or the Road Construction Emissions Model (version 6.3) and will be compared to applicable SCAQMD regional and localized daily emissions thresholds to determine significance. If significant impacts are identified, mitigation measures shall be developed to address impacts.

### **3.5.3.3 Biological Analysis**

CONSULTANT shall conduct a survey and prepare a Biology Report. The report shall include a review of applicable literature as well as field investigations to provide a careful examination of the plants, vertebrate animals, and natural communities present and/or expected to occur within the project footprint. The study shall include a description of existing physical and biological conditions, including natural communities; an analysis of special-interest and/or special-status biological resources; and an analysis of potential direct, indirect, and cumulative impacts to biological resources along with mitigation measures. Wetlands or surface water shall be



considered in the report. The report shall also describe any necessary agency coordination or permitting as a result of the project (e.g., 1602 permit from California Department of Fish & Game).

#### **3.5.3.4 Cultural Resources Analysis**

CONSULTANT shall conduct a survey of the site and prepare a separate report to be incorporated into the EIR/EIS. The survey shall include review of archival research and a review of historic maps to identify any resources that may have been present on the subject property in the historic past. The California Native American Heritage Commission shall also be notified, per the requirements of Assembly Bill 18, in an effort to identify any ethnohistoric or culturally sensitive resources of interest to the local Native American community, and local Native American groups shall be consulted. The archaeological field work shall be accomplished by qualified archaeologists, who will have performed a survey of the project area and have recorded all archaeological and/or historical resources on California Department of Parks and Recreation (DPR) standard forms. Paleontology of the area shall also be evaluated to determine the sensitivity of the area to contain fossils or other paleontological resources.

#### **3.5.3.5 Geologic Hazards Analysis**

CONSULTANT shall prepare a Geologic Hazards Report that analyzes the projects potential to expose people or structures earthquake fault rupture, strong seismic ground shaking, seismic related ground failure, and landslides. The analysis shall also examine the project's potential to cause erosion, and whether the project is located on geologically unstable soils.

#### **3.5.3.6 Environmental Site Assessment**

A Phase I Environmental Site Assessment (ESA), in accordance with the American Society of Testing and Materials and the U.S. Environmental Protection Agency's All Appropriate Inquiries rule, is necessary for project documentation. CONSULTANT shall prepare a Phase I ESA that identifies environmental concerns and Recognized Environmental Conditions (RECs), and to provide conclusions. If the current occupant at the site, Orange County, has prepared a Phase I ESA at the time of the analysis, then the Orange County document and resulting remediation actions shall be identified and discussed in the environmental document.

#### **3.5.3.7 Hydrology and Water Quality Analysis**

CONSULTANT shall prepare a Hydrology and Water Quality Report that describes existing federal, state, and local rules and regulations regarding water resources and collect existing data for the study area, including topography, climate conditions, local and regional hydrology, geology and soils, and erosion potential. The analysis shall document the existing hydrologic conditions, groundwater conditions, and surface water quality. An analysis of potential impacts to water resources that could occur from construction and operation of the project shall be provided, such as erosion potential, increases in sedimentation, increases in storm water runoff and urban pollutants, and effects on groundwater recharge and withdrawal. The project impacts on surface water and groundwater will be described, and practices that would minimize water quality impacts shall be identified. Any required permits from state or federal agencies will also be described (e.g., Clean Water Act Section 401 or 404 permits).

#### **3.5.3.8 Noise Analysis**

CONSULTANT shall prepare a Noise Report that analyzes the project's noise impacts during the construction and operational periods by project phase. The local noise ordinance shall be the threshold for significance. The analysis shall include representative noise monitoring of ambient conditions as well as modeling of anticipated future noise levels from construction and operation of the project. The report shall make recommendations to mitigate project-related noise, if found to be in violation of the local noise ordinance.

### **3.5.3.9 Traffic/Transportation Analysis**

CONSULTANT will utilize the Traffic Study prepared as part of the Detailed Planning Task (see section 3.3.5).

#### **Environmental Analyses/Studies Deliverables:**

- Draft and Final Aesthetics Report (10 copies, plus electronic files for the report)
- Draft and Final Air Quality Report and supporting documentation including, but not limited to field surveys, backup data/documentation for the air quality modeling runs and GHG emissions calculations (10 copies, plus electronic files for the report)
- Draft and Final Biological Report and supporting documentation including, but not limited to field surveys, and documentation of coordination efforts with state and federal resources agencies (10 copies, plus electronic files for the report)
- Draft and Final Cultural Resources Report and supporting documentation including, but not limited to, evidence of Native American Consultation and completed California DPR standard forms (10 copies, plus electronic files for the report)
- Draft and Final Geologic Hazards Report (10 copies, plus electronic files for the report)
- Draft and Final Phase I Environmental Site Assessment (10 copies, plus electronic files for the report)
- Draft and Final Hydrology and Water Quality Report (10 copies, plus electronic files for the report)
- Draft and Final Noise Report (10 copies, plus electronic files for the report)
- Draft and Final Traffic Study (see Section 3.3.5)

### **3.5.4 Draft Program/Project EIR/EIS**

CONSULTANT shall disclose the purpose, need, and objectives of the project and its alternatives; describe the project and its alternatives; provide information about the existing (baseline) conditions; determine if the project would have environmental impacts, either individually or in combination with other projects; provide mitigation, if necessary and available; compare the relative impacts for each alternative; and disclose the impacts that would remain after mitigation. CONSULTANT shall use the Draft 15% Conceptual Design Drawings (see Section 3.4.2) as a basis for development of this document.

#### **3.5.4.1 Administrative Draft Program/Project EIR/EIS**

CONSULTANT shall prepare an Administrative Draft Program/Project EIR/EIS in accordance with CEQA, NEPA, the CEQA Guidelines, and Council on Environmental Quality (CEQ) guidance. Concurrent with the aforementioned technical analyses, CONSULTANT shall conduct other analyses such as Land Use and Planning, Public Services, Population and Housing, Recreation, and Utilities and Service Systems as part of the EIR/EIS. CONSULTANT shall prepare the Administrative Draft EIR/EIS incorporating the environmental checklist, technical analyses, a discussion of critical environmental issues identified, an analysis of the cumulative and indirect effects of the project, proposed mitigation measures, and a listing of environmental (and related) permits required for implementation of the project.

The Administrative Draft EIR/EIS shall fully utilize and update as appropriate the previous environmental analyses described above, and will address other issues not requiring separate technical analyses, including land use, community impacts, public services, and utilities. This document will be provided to FTA and OCTA for the appropriate reviews. Once FTA and OCTA provide comments on the document, CONSULTANT shall revise the document appropriately. The revised Administrative Draft EIR/EIS shall then be resubmitted to FTA and OCTA for

approval. CONSULTANT shall prepare a response-to-comments matrix demonstrating how and where the comments have been addressed in the Administrative Draft EIR/EIS. Coordination with FTA and OCTA shall be critical to the timely completion of this document.

#### **3.5.4.2 Draft Program/Project EIR/EIS**

Once FTA and OCTA have approved the document for publication, the Draft EIR/EIS shall be distributed to agencies and the public for review and comment. CONSULTANT shall be responsible for updating the distribution list. CONSULTANT shall also be responsible for ensuring that copies of the Draft EIR/EIS are available for review/comment at nearby libraries. FTA and OCTA will designate an individual as the main point of contact with interested parties during CEQA/NEPA public review process.

#### **Draft Program/Project EIR/EIS Deliverables:**

- Administrative Draft EIR/EIS (2 versions) (15 copies each, electronic copies)
- Draft Technical Studies (5 copies)
- Response-to-comments matrix (10 electronic copies)
- Draft EIR/EIS (75 copies)
- Technical Studies (10 copies)
- Electronic Draft EIR/EIS and 15 copies of the Executive Summary for State Clearinghouse

#### **3.5.5 Public Hearing**

CONSULTANT shall distribute notices and conduct a public hearing on the Draft Program/Project EIR/EIS.

##### **3.5.5.1 Notices**

CONSULTANT shall be responsible for preparing and providing the Notice of Completion (NOC) to the State Clearinghouse, the Notice of Availability (NOA) to the County Clerk, and the Notice of Availability to FTA for publication in the Federal Register.

CONSULTANT shall also be responsible for providing the public notice by mailing out the notice of a public hearing to nearby residences and businesses as well as agencies and interested parties on the mailing list. CONSULTANT shall be responsible for posting newspapers advertisement of the project's public hearings in accordance with CEQA/NEPA (e.g., Los Angeles Times Orange County Edition, Orange County Register, as well as Spanish newspapers).

##### **3.5.5.2 Notices**

CONSULTANT shall take the lead in presenting the Draft EIR/EIS in the Public Hearing to occur within the Draft EIR/EIS public review period, following procedures as required by CEQA/NEPA. CONSULTANT shall be responsible for coordinating the public hearings, including developing any handouts, materials, presentation boards, etc. CONSULTANT shall also provide a court reporter to record any verbal comments made about the Draft EIR/EIS. FTA and OCTA will designate an individual as the main point of contact with interested parties during CEQA/NEPA public review process.

#### **Public Hearing Deliverables:**

- NOC for State Clearinghouse
- NOA for County Clerk

- Notice of Availability for FTA to have posted in Federal Register
- Newspapers advertisements
- Public hearing materials including handouts, visual displays and other materials, as well as the presence of a court reporter
- Documentation and gathering of public comments for the project records (10 copies and electronic copy)

### **3.5.6 Final Program/Project EIR/EIS**

CONSULTANT shall prepare a Final Program/Project EIR/EIS following the public hearing process.

#### **3.5.6.1 Response to Comments**

Following the 45-day public review of the Draft EIR/EIS, CONSULTANT shall evaluate comments received and prepare a Draft Response to Comments to be incorporated into the Final EIR/EIS. Following review by FTA and OCTA, CONSULTANT shall finalize the Response to Comments for incorporation into the Final EIR/EIS.

#### **3.5.6.2 Administrative Draft Final Program/Project EIR/EIS**

CONSULTANT shall prepare the Administrative Draft Final EIR/EIS incorporating the public comments, technical analyses, a discussion of critical environmental issues identified, an analysis of the cumulative and indirect effects of the project, proposed mitigation measures, and a listing of environmental (and related) permits required for implementation of the project. The Administrative Draft Final EIR/EIS shall be provided to FTA and OCTA for the appropriate reviews. The revised Final EIR/EIS shall then be resubmitted to FTA and OCTA for approval.

#### **3.5.6.3 Final Program/Project EIR/EIS**

Following review and approval by FTA and OCTA, CONSULTANT shall revise and prepare the Final EIR/EIS. The Final EIR/EIS shall be made available to the public upon request. CONSULTANT shall be responsible for updating the distribution list.

#### **3.5.6.4 Mitigation Monitoring and Reporting Program (MMRP)**

CONSULTANT shall prepare an MMRP that outlines all mitigation, steps for compliance, and responsible parties to ensure compliance. CONSULTANT shall submit an Administrative Draft MMRP to OCTA for review. After the review, CONSULTANT will incorporate the revision and submit the Final MMRP.

#### **Final Program/Project EIR/EIS Deliverables:**

- Draft Response to Comments (10 copies and electronic copy)
- Administrative Draft Final EIR/EIS for the project (2 versions) (15 copies each, electronic copies)
- Final Technical Studies (5 copies)
- Response-to-comments matrix (1 electronic copy)
- Approved Final EIR/EIS for the Project (20 copies, electronic copies)
- Final Technical Studies (5 copies)
- Administrative Draft MMRP (10 copies and electronic copy)
- Final MMRP (10 copies and electronic copy)

### **3.5.7 Notice of Determination (NOD) / Record of Decision (ROD)**

CONSULTANT shall prepare the final CEQA and NEPA processing documentation.

**3.5.7.1 Findings, Statement of Overriding Considerations (CEQA)**

CONSULTANT shall prepare the Findings of Fact in accordance with Sections 15091 and 15093 of the CEQA Guidelines, and, if necessary, a Statement of Overriding Considerations for the Final EIR/EIS. CONSULTANT shall submit an Administrative Draft Findings of Fact/Statement of Overriding Considerations to OCTA for review. After the review, CONSULTANT shall incorporate the revision and submit the Final Findings of Fact/Statement of Overriding Considerations.

**3.5.7.2 NOD (CEQA)**

CONSULTANT shall prepare the Notice of Determination (NOD) and submit it to the State Clearinghouse per CEQA. The NOD shall indicate OCTA's decision to proceed with the Preferred Alternative. CONSULTANT shall submit an Administrative Draft NOD to OCTA for review. After the review, CONSULTANT shall incorporate the revision and submit the Final NOD.

**3.5.7.3 ROD (NEPA)**

CONSULTANT shall prepare the Record of Decision (ROD) and submit it to FTA for publication in the Federal Register per NEPA. The ROD shall indicate FTA's decision to proceed with the Preferred Alternative. CONSULTANT shall submit an Administrative Draft ROD to FTA for review. After the review, CONSULTANT shall incorporate the revision and submit the Final ROD.

**NOD / ROD Deliverables:**

- Administrative Draft Findings of Fact/Statement of Overriding Considerations (10 copies and electronic copy)
- Final Findings of Fact/Statement of Overriding Considerations (10 copies and electronic copy)
- Administrative Draft NOD (10 copies and electronic copy)
- Submittal of Final NOD to the State Clearinghouse
- Administrative Draft ROD (10 copies and electronic copy)
- Submittal of Final ROD to FTA





**February 9, 2009**

**To:** Members of the Board of Directors  
**From:** Arthur T. Leahy<sup>AL</sup>, Chief Executive Officer  
**Subject:** Measure M Quarterly Progress Report

**Overview**

Staff has prepared a Measure M progress report for the fourth quarter of 2008. This is a regular report that highlights the Measure M projects and programs currently under development.

**Recommendation**

Receive and file as an information item.

**Background**

Measure M Ordinance No. 2 requires quarterly reports to the Orange County Transportation Authority's (OCTA) Board of Directors (Board), which present the progress of implementing the Measure M Expenditure Plan. Quarterly reports highlight accomplishments for the freeway, streets and roads, and transit programs within Measure M. Reports also include summary financial information for the period and total program to date.

**Discussion**

This quarterly report updates progress in implementing the Measure M Expenditure Plan during the fourth quarter of 2008 (October through December). Highlights and accomplishments of work-in-progress for freeway, streets and roads, and transit programs, along with expenditure information are presented for Board review.

**Freeway Program**

Prior Measure M construction projects along the Santa Ana Freeway (Interstate 5), Costa Mesa Freeway (State Route 55), Orange Freeway (State Route 57), and

the Riverside Freeway (State Route 91) are complete. The following are highlights and major accomplishments along each of the freeway corridors:

#### Interstate 5 (I-5), Gateway Project

The two-mile stretch of the I-5, from just north of the I-5/State Route 91 (SR-91) interchange to the Los Angeles County line, is the last phase of the I-5 in Orange County to be improved. On April 18, 2006, the freeway widening construction package was awarded to FCI Constructors/Balfour Beatty Construction, Inc. Various construction activities continued during the report period, with the project currently 61 percent complete.

During the quarter, concrete paving was placed for I-5 southbound traffic lanes from Artesia Boulevard to Beach Boulevard. Foundation work for the southbound I-5 bridge over Artesia Boulevard was completed and falsework for the bridge deck was started. The Beach Boulevard bridge deck was poured and the railroad track/AT&T area to the south of the bridge was prepared for the upcoming three-week closure of Beach Boulevard to raise the Union Pacific Railroad tracks up three feet for the longer bridge. Retaining wall construction continues in the area of Beach Boulevard and to the south of the Beach Boulevard bridge.

The public outreach team continues to attend community meetings and is making presentations to the city council, local organizations, and business associations concerning the Beach Boulevard closure and freeway detours.

#### State Route 57 (SR-57)

In November 1992, OCTA completed the Measure M carpool lane project on the SR-57, between the I-5 and Lambert Road. In September 2007, the Board approved amending the Measure M Expenditure Plan to include additional projects along the SR-57 that are currently included in Project J in the Renewed Measure M. The amendment allocated \$22 million in Measure M freeway program savings to pay for design and right-of-way pre-construction costs to add a new northbound lane along the SR-57 from Orangewood Avenue to Lambert Road.

Three projects to provide the additional freeway capacity are currently underway. The design notice to proceed for the Orangethorpe Avenue to Yorba Linda Boulevard project was issued on February 18, 2008. The project's design schedule is very aggressive at 22 months. The design phase is currently 53 percent complete.



The design notice to proceed for the Yorba Linda Boulevard to Lambert Road project was also issued on February 18, 2008. This project also has a compressed design duration of only 22 months. Design is currently 65 percent complete.

Work is also underway on the SR-57 project between Katella Avenue and Lincoln Avenue. To expedite project delivery, OCTA awarded a consultant contract combining both environmental and design services. The combined effort is scheduled to be completed in an accelerated 31 month schedule. The notice to proceed was issued on April 10, 2008. The environmental phase is currently 92 percent complete with the draft environmental document scheduled to be completed and issued for public review and comment in February 2009.

#### Streets and Roads Programs

Substantial additional funding to cities and the County is provided by the various programs within the Measure M Local and Regional Streets and Roads Programs through OCTA's Combined Transportation Funding Program (CTFP). The CTFP encompasses Measure M streets and roads competitive programs, as well as federal sources such as the Regional Surface Transportation Program. Funds are awarded on a competitive basis within the guidelines of each program and are used to fund a wide range of transportation projects.

During the fourth quarter of 2008, the CTFP provided \$4.7 million towards streets and roads projects throughout the County. This included the commencement of \$4.5 million in projects and the closeout of an additional \$200,000. Some of the projects of significance include: the City of Stanton's Katella Avenue Smart Street project was issued \$2.8 million toward the construction phase, the City of Brea's project at Birch Street and Kraemer Boulevard was issued \$600,000 for construction, and the City of Santa Ana was issued \$500,000 for efforts in improving the Bristol Street and First Street intersection.

#### Transit Programs

##### Rail Program

The OCTA rail program is comprised mainly of the Metrolink Commuter Rail Program and the associated capital improvements intended to support existing service as well as future service expansion.

**Metrolink Service Expansion Program (Expansion)**

On November 14, 2005, the Board authorized the implementation of the Expansion. The Expansion includes all of the capital and operational improvements necessary to accomplish 30- to 60-minute service between the stations located in Fullerton and Laguna Niguel/Mission Viejo. When feasible and appropriate, local, state, and federal funds are used to fund program elements. Only those elements supported by Measure M funding are discussed here.

On September 26, 2008, the Southern California Regional Rail Authority (SCRRA) issued an invitation for bids (IFB) for the civil package to support the Expansion. Bids were received by SCRRA in mid-December. The SCRRA Board of Directors is expected to award the contract in the first quarter of 2009, with construction projected to start within 60 days after award of contract. The bid package includes civil construction work for both the Expansion and the Grade Crossing Safety Enhancements and Quiet Zone Program, which are part of the Early Action Plan for Renewed Measure M.

In addition to the current IFB, there are four other procurement packages associated with the Expansion, including packages for long lead-time materials such as special track work and signal materials. Signal construction and signal maintenance bids are also being solicited by SCRRA to support the Expansion. All contracts associated with the Expansion are expected to be awarded during the first quarter of 2009.

Staff continues to meet with individual station cities in order to develop conceptual plans for expansion of parking facilities necessary to support the Expansion. The City of Orange completed a parking study that will be utilized for site selection of a parking facility. In January 2009, the Board approved a cooperative agreement with the City of Tustin for the design of a 825 space parking structure to be built on the existing parking lot site. The selection process for the design consultant is complete and the design contract will be awarded in the first quarter of 2009.

**City-Initiated Transit Extensions to Metrolink**

On October 27, 2008, the OCTA Board approved 25 mixed-flow bus/shuttle proposals submitted under Go Local Step One to be advanced to Step Two. As part of Step Two, each of the proposals will undergo detailed service planning in order for the Board to assess, at the completion of Step Two, if the concept has significant merit to advance to Step Three for implementation. Each of the approved bus/shuttle services proposes to provide a connection between a Metrolink station and major destination centers within the respective

communities. The concepts generally provided regional benefits, offering a link from the nearest Metrolink station to the cities' major population centers, and demonstrated preliminary financial commitment on behalf of the proposing cities and surrounding businesses and activity centers.

In December 2008, agreements were executed with several professional services firms who will assist OCTA staff in assessing the feasibility of the proposals by evaluating areas such as potential demand and customer needs, route segment and system performance, potential impacts to existing OCTA fixed-route bus and paratransit service, boardings/revenue vehicle hours, resources, budgets, policies, and technical aspects of the proposed service.

Project development continues with the fixed-guideway proposals previously approved by the Board in May 2008 to complete an alternatives analysis as part of Step Two. In January 2009, the Board authorized award of a consultant contract that will serve as an extension of OCTA staff in providing project management oversight and technical support to ensure that the fixed-guideway projects undergo detailed planning and obtain the necessary environmental clearances as required in Step Two of the Go Local Program.

All planning work done as part of Steps One and Two of the Go Local Program is funded by Measure M in preparation for the implementation of Step Three through Project S, Transit Extensions to Metrolink, under Renewed Measure M.

#### Financial Status

As required in Measure M, all Orange County eligible jurisdictions receive 14.6 percent of the sales tax revenue based on population ratio, Master Plan of Arterial Highways miles, and total taxable sales. There are no competitive criteria to meet, but there are administrative requirements such as having a growth management plan. This money can be used for local transportation projects as well as ongoing maintenance of local streets and roads. The total amount of Measure M turnback funds distributed since program implementation is \$506.9 million. Distributions to individual agencies, from inception-to-date and for the report period, are detailed in Attachment A.

Net Measure M expenditures through December 31, 2008, total \$3.183 billion. Net expenditures include project specific reimbursements to Measure M from cities, local agencies, and the California Department of Transportation on jointly funded projects. Total net tax revenues consist primarily of Measure M sales tax revenues and non-bond interest minus estimated non-project related administrative expenses through 2011. Net revenues, expenditures, estimates at completion, and summary project budgets, per the Measure M Expenditure Plan,

are presented in Attachment B. The basis for project budgets within each of the Measure M Expenditure Plan programs is identified in the notes section of Attachment B. Additional details and supporting information to the Measure M Revenue and Expenditure Summary are provided under Attachment C.

#### **Budget Variances**

Project budget versus estimate at completion variances relate to freeway and transitway elements as these programs have defined projects. Other programs, such as regional and local streets and roads, assume all net tax revenues will be spent on existing or yet to be defined future projects.

The Garden Grove Freeway (State Route 22) project budget was increased during the report period by approximately \$4.9 million. The increase accounts for final legal costs, additional scope for the Thunderbird sewer lift station project, and the addition of environmental mitigation measures with the Garden Grove Unified School District.

#### **Revenue Projections**

The December 2008 report includes an updated revenue forecast that reflects the continuing downturn in the economy and reduction in local sales tax revenues. Fiscal year (FY) 2009 sales tax revenues are forecasted to decline by 5.4 percent as compared to FY 2008, and FY 2010 sales tax revenues are forecasted to decline by 2 percent as compared to the FY 2009 forecast. This results in an overall reduction of \$70.5 million in net tax revenues available for projects. The following revenue reductions are anticipated within the various Measure M programs: freeways \$30.3 million, turnback funding \$10.3 million, competitive grant program \$12.3 million, and transit \$17.6 million.

#### **Summary**

As required in Measure M Ordinance No. 2, a quarterly report is provided to update progress in implementing the Measure M Expenditure Plan. This report covers freeways, streets and roads, transit program highlights, and accomplishments from October through December 2008.

**Attachments**

- A. Measure M Local Turnback Payments
- B. Measure M Revenue and Expenditure Summary as of December 31, 2008
- C. Supporting Information to Measure M Revenue and Expenditure Summary

**Prepared by:**



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**Approved by:**



Kia Mortazavi  
Executive Director, Development  
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**MEASURE M LOCAL TURNBACK PAYMENTS**

<b>Agency</b>	<b>Fourth Quarter 2008</b>	<b>Total Apportionment as of 12/31/08</b>
Aliso Viejo	\$ 72,009	\$ 3,181,550
Anaheim	670,440	55,576,162
Brea	106,993	9,042,716
Buena Park	180,858	13,611,786
Costa Mesa	279,169	23,885,688
Cypress	109,526	8,917,250
Dana Point	66,450	5,669,500
Fountain Valley	125,846	10,906,304
Fullerton	251,737	21,764,852
Garden Grove	293,068	24,806,706
Huntington Beach	376,700	32,505,379
Irvine	491,068	35,546,554
Laguna Beach	51,351	4,252,633
Laguna Hills	71,684	5,980,204
Laguna Niguel	133,069	10,783,753
Laguna Woods	27,500	1,527,841
La Habra	106,166	8,506,845
Lake Forest	156,657	11,155,565
La Palma	35,942	2,846,495
Los Alamitos	26,741	2,379,641
Mission Viejo	189,036	15,756,540
Newport Beach	210,672	15,664,098
Orange	322,159	26,318,467
Placentia	93,124	7,854,790
Rancho Santa Margarita	85,983	4,128,604
San Clemente	111,226	8,009,482
San Juan Capistrano	77,699	6,263,077
Santa Ana	574,851	49,734,742
Seal Beach	50,423	4,000,075
Stanton	59,730	4,992,445
Tustin	161,130	13,643,086
Villa Park	10,605	910,832
Westminster	172,879	14,927,038
Yorba Linda	115,497	9,397,075
County Unincorporated	348,621	32,498,033
<b>Total County:</b>	<b>\$ 6,216,605</b>	<b>\$ 506,945,807</b>

**Measure M Revenue and Expenditure Summary  
as of December 31, 2008**

<u>Project Description</u> <i>(\$ in thousands, escalated to year of expenditure/revenue)</i>	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	To Date Net Project Cost	Percent Budget Expended	Notes
	A	B	C	(A - C)	(B - C)	D	(D / B)	
<b>Freeways (43%)</b>								
I-5 between I-405 and I-605	\$ 966,182	\$ 810,010	\$ 804,897	\$ 161,285	\$ 5,113	\$ 696,992	86.0%	1
I-5 between I-5/I-405 Interchange and San Clemente	69,108	57,836	59,935	9,173	(2,099)	59,936	103.6%	1
I-5/I-405 Interchange	87,714	72,802	73,075	14,639	(273)	73,075	100.4%	1
SR-55 between I-5 and SR-91	58,476	44,511	50,196	8,280	(5,685)	49,339	110.8%	1
SR-57 between I-5 and Lambert Road	50,502	46,128	44,596	5,906	1,532	22,758	49.3%	1
SR-91 between Riverside Co. line & Los Angeles Co. line	126,255	116,136	105,666	20,589	10,470	105,389	90.7%	1
SR-22 between SR-55 and Valley View Street	402,687	299,963	299,490	103,197	473	296,281	98.8%	1,4
Subtotal Projects	\$ 1,760,924	\$ 1,447,386	\$ 1,437,855	\$ 323,069	\$ 9,531	\$ 1,303,770	90.1%	
Net (Bond Revenue)/Debt Service		307,899	307,899	(307,899)	-	307,440		
<b>Total Freeways</b>	<b>\$ 1,760,924</b>	<b>\$ 1,755,285</b>	<b>\$ 1,745,754</b>	<b>\$ 15,170</b>	<b>\$ 9,531</b>	<b>\$ 1,611,210</b>	<b>91.8%</b>	<b>3</b>
<b>Expenditures as a Percent of Total Program</b>							<b>50.6%</b>	
<b>Regional Street and Road Projects (11%)</b>								
Smart Streets	\$ 154,447	\$ 152,069	\$ 152,069	\$ 2,378	\$ -	\$ 147,190	96.8%	2
Regionally Significant Interchagnes	90,094	90,094	90,094	-	-	59,438	66.0%	2
Intersection Improvement Program	128,706	128,706	128,706	-	-	70,598	54.9%	2
Traffic Signal Coordination	64,353	64,353	64,353	-	-	44,874	69.7%	2
Transportation Systems and Transporation Demand Mgmt	12,871	12,871	12,871	-	-	7,312	56.8%	2
Subtotal Projects	\$ 450,471	\$ 448,093	\$ 448,093	\$ 2,378	\$ -	\$ 329,412	73.5%	
Net (Bond Revenue)/Debt Service		2,378	2,378	(2,378)	-	2,375		
<b>Total Regional Street and Road Projects</b>	<b>\$ 450,471</b>	<b>\$ 450,471</b>	<b>\$ 450,471</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 331,787</b>	<b>73.7%</b>	<b>2</b>
<b>Expenditures as a Percent of Total Program</b>							<b>10.4%</b>	

**ATTACHMENT B**

**Measure M Revenue and Expenditure Summary  
as of December 31, 2008**

<u>Project Description</u> <i>(\$ in thousands, escalated to year of expenditure/revenue)</i>	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	To Date Net Project Cost	Percent Budget Expended	Notes
	A	B	C	(A - C)	(B - C)	D	(D / B)	
<b>Local Street and Road Projects (21%)</b>								
Master Plan of Arterial Highway Improvements	\$ 164,612	\$ 164,612	\$ 164,612	\$ -	\$ -	\$ 77,391	47.0%	2
Streets and Roads Maintenance and Road Improvements	595,376	595,376	595,376	-	-	507,010	85.2%	2
Growth Management Area Improvements	100,000	100,000	100,000	-	-	69,150	69.2%	2
Subtotal Projects	\$ 859,988	\$ 859,988	\$ 859,988	\$ -	\$ -	\$ 653,551	76.0%	
Net (Bond Revenue)/Debt Service						-		
<b>Total Local Street and Road Projects Expenditures as a Percent of Total Program</b>	<b>\$ 859,988</b>	<b>\$ 859,988</b>	<b>\$ 859,988</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 653,551</b>	<b>76.0%</b>	<b>20.5%</b>
<b>Transit Projects (25%)</b>								
Pacific Electric Right-of-Way	\$ 19,815	\$ 15,000	\$ 14,000	\$ 5,815	\$ 1,000	\$ 13,834	92.2%	
Commuter Rail	369,703	355,223	343,251	26,452	11,972	290,535	81.8%	
High-Technology Advanced Rail Transit	449,149	431,575	464,580	(15,431)	(33,005)	83,867	19.4%	
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	-	-	17,010	85.1%	
Transitways	165,128	146,381	126,348	38,780	20,033	125,833	86.0%	1
Subtotal Projects	\$ 1,023,795	\$ 968,179	\$ 968,179	\$ 55,616	\$ -	\$ 531,079	54.9%	
Net (Bond Revenue)/Debt Service		55,616	55,616	(55,616)	-	55,533		
<b>Total Transit Projects Expenditures as a Percent of Total Program</b>	<b>\$ 1,023,795</b>	<b>\$ 1,023,795</b>	<b>\$ 1,023,795</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 586,612</b>	<b>57.3%</b>	<b>18.4%</b>
<b>Total Measure M Program</b>	<b>\$ 4,095,178</b>	<b>\$ 4,089,539</b>	<b>\$ 4,080,008</b>	<b>\$ 15,170</b>	<b>\$ 9,531</b>	<b>\$ 3,183,160</b>	<b>77.8%</b>	

Notes:

1. Project Budget based on escalated value of 1996 Freeway Strategic Plan plus subsequent Board approved amendments.
2. Project Budget and Estimate at Completion equal to Total Net Tax Revenues as all funds collected will be expended on future projects.
3. Due to a change in reporting practices, Estimates at Completion now include approximately \$10 million of OCTA direct project labor not included in Project Budgets.
4. SR-22 Budget increased by \$4.9 million for legal costs, Garden Grove School District environmental mitigation, and added scope for Thunderbird Sewer Lift Station Project.



**ATTACHMENT C**

Schedule 1

**Supporting Information to Measure M Revenue and Expenditure Summary**

<i>(\$ in thousands)</i>	Quarter Ended Dec 31, 2008	Year to Date Dec 31, 2008	Period from Inception to Dec 31, 2008
		(A)	(B)
<b>Revenues:</b>			
Sales taxes	\$ 64,982	\$ 119,409	\$ 3,461,202
Other agencies share of Measure M costs			
Project related	484	484	380,655
Non-project related	-	-	614
Interest:			
Operating:			
Project related	-	-	923
Non-project related	6,503	12,270	236,160
Bond proceeds	-	-	136,067
Debt service	311	1,115	78,928
Commercial paper	4	26	6,071
Orange County bankruptcy recovery	-	-	42,268
Capital grants	2,141	3,074	148,085
Right-of-way leases	66	163	4,521
Proceeds on sale of assets held for resale	537	1,073	20,818
Miscellaneous	-	-	801
Total revenues	<u>75,028</u>	<u>137,614</u>	<u>4,517,113</u>
<b>Expenditures:</b>			
Supplies and services:			
State Board of Equalization (SBOE) fees	735	1,469	50,440
Professional services:			
Project related	1,282	3,060	164,475
Non-project related	324	381	27,778
Administration costs:			
Project related	537	1,117	16,830
Non-project related	1,292	2,540	75,100
Orange County bankruptcy loss	-	-	78,618
Other:			
Project related	8	29	1,168
Non-project related	11	80	15,357
Payments to local agencies:			
Turnback	6,217	12,599	506,994
Competitive projects	17,807	19,396	511,917
Capital outlay	24,980	25,601	1,920,977
Debt service:			
Principal payments on long-term debt	-	-	767,400
Interest on long-term debt and commercial paper	14	6,695	541,238
Total expenditures	<u>53,207</u>	<u>72,967</u>	<u>4,678,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,821</u>	<u>64,647</u>	<u>(161,179)</u>
<b>Other financing sources (uses):</b>			
Transfers out:			
Project related	-	(1,000)	(252,369)
Non-project related	-	-	(5,116)
Transfers in project related	52	86	1,915
Bond proceeds	-	-	1,169,999
Advance refunding escrow	-	-	(931)
Payment to refunded bond escrow agent	-	-	(152,930)
Total other financing sources (uses)	<u>52</u>	<u>(914)</u>	<u>760,568</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ 21,873</u>	<u>\$ 63,733</u>	<u>\$ 599,389</u>

**Measure M**  
**Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)**  
**as of December 31, 2008**

<i>(\$ in thousands)</i>	Quarter Ended Dec 31, 2008 (actual)	Year Ended Dec 31, 2008 (actual)	Period from Inception through Dec 31, 2008 (actual)	Period from January 1, 2009 through March 31, 2011 (forecast)	Total
	(C.1)	(C.1)	(D.1)	(E.1)	(F.1)
<b>Tax revenues:</b>					
Sales taxes	\$ 64,982	\$ 119,409	\$ 3,461,202	\$ 565,025	\$ 4,026,227
Other agencies share of Measure M costs	-	-	614	-	614
Operating interest	6,503	12,270	236,160	20,927	257,087
Orange County bankruptcy recovery	-	-	20,683	-	20,683
Miscellaneous	-	-	801	-	801
Total tax revenues	<u>71,485</u>	<u>131,679</u>	<u>3,719,460</u>	<u>585,952</u>	<u>4,305,412</u>
<b>Administrative expenditures:</b>					
SBOE fees	735	1,469	50,440	5,255	55,695
Professional services, non-project related	295	352	18,943	3,791	22,734
Administration costs, non-project related	1,292	2,540	75,100	12,575	87,675
Operating transfer out, non-project related	-	-	5,116	-	5,116
Orange County bankruptcy loss	-	-	29,792	-	29,792
Other, non-project related	11	80	6,258	2,964	9,222
	<u>2,333</u>	<u>4,441</u>	<u>185,649</u>	<u>24,585</u>	<u>210,234</u>
<b>Net tax revenues</b>	<u><u>\$ 69,152</u></u>	<u><u>\$ 127,238</u></u>	<u><u>\$ 3,533,811</u></u>	<u><u>\$ 561,367</u></u>	<u><u>\$ 4,095,178</u></u>
<b>Bond revenues:</b>					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 1,169,999	\$ -	\$ 1,169,999
Interest revenue from bond proceeds	-	-	136,067	-	136,067
Interest revenue from debt service funds	311	1,115	78,928	8,983	87,911
Interest revenue from commercial paper	4	26	6,071	-	6,071
Orange County bankruptcy recovery	-	-	21,585	-	21,585
Total bond revenues	<u>315</u>	<u>1,141</u>	<u>1,412,650</u>	<u>8,983</u>	<u>1,421,633</u>
<b>Financing expenditures and uses:</b>					
Professional services, non-project related	29	29	8,835	-	8,835
Payment to refunded bond escrow	-	-	153,861	-	153,861
Bond debt principal	-	-	767,400	236,555	1,003,955
Bond debt interest expense	14	6,695	541,238	21,712	562,950
Orange County bankruptcy loss	-	-	48,826	-	48,826
Other, non-project related	-	-	9,099	-	9,099
Total financing expenditures and uses	<u>43</u>	<u>6,724</u>	<u>1,529,259</u>	<u>258,267</u>	<u>1,787,526</u>
<b>Net bond revenues (debt service)</b>	<u><u>\$ 272</u></u>	<u><u>\$ (5,583)</u></u>	<u><u>\$ (116,609)</u></u>	<u><u>\$ (249,285)</u></u>	<u><u>\$ (365,894)</u></u>

**Measure M**  
**Schedule of Revenues and Expenditures Summary**  
**as of December 31, 2008**

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through Dec 31, 2008	Reimbursements through Dec 31, 2008	Net Project Cost	Percent of Budget Expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
<i>(\$ in thousands)</i>										
<b>Freeways (43%)</b>										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	\$ 833,741	\$ 966,182	\$ 810,010	\$ 804,897	\$ 161,285	\$ 5,113	\$ 778,531	\$ 81,539	\$ 696,992	86.0%
I-5 between I-5/I-405 Interchange and San Clemente	59,635	69,108	57,836	59,935	9,173	(2,099)	70,294	10,358	59,936	103.6%
I-5/I-405 Interchange	75,690	87,714	72,802	73,075	14,639	(273)	98,157	25,082	73,075	100.4%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	50,460	58,476	44,511	50,196	8,280	(5,685)	55,511	6,172	49,339	110.8%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	43,579	50,502	46,128	44,596	5,906	1,532	25,617	2,859	22,758	49.3%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	108,948	126,255	116,136	105,666	20,589	10,470	123,995	18,606	105,389	90.7%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	347,487	402,687	299,963	299,490	103,197	473	597,306	301,025	296,281	98.8%
Subtotal Projects	1,519,540	1,760,924	1,447,386	1,437,855	323,069	9,531	1,749,411	445,641	1,303,770	
Net (Bond Revenue)/Debt Service			307,899	307,899	(307,899)	-	307,440		307,440	
<b>Total Freeways</b>	<b>\$ 1,519,540</b>	<b>\$ 1,760,924</b>	<b>\$ 1,755,285</b>	<b>\$ 1,745,754</b>	<b>\$ 15,170</b>	<b>\$ 9,531</b>	<b>\$ 2,056,851</b>	<b>\$ 445,641</b>	<b>\$ 1,611,210</b>	
<b>%</b>				<b>42.8%</b>					<b>50.6%</b>	
<b>Regional Street and Road Projects (11%)</b>										
Smart Streets	\$ 133,275	\$ 154,447	\$ 152,069	\$ 152,069	\$ 2,378	\$ -	\$ 150,679	\$ 3,489	\$ 147,190	96.8%
Regionally Significant Interchanges	77,744	90,094	90,094	90,094	-	-	59,584	146	59,438	66.0%
Intersection Improvement Program	111,063	128,706	128,706	128,706	-	-	70,812	214	70,598	54.9%
Traffic Signal Coordination	55,531	64,353	64,353	64,353	-	-	45,006	132	44,874	69.7%
Transportation Systems Management and Transportation Demand Management	11,106	12,871	12,871	12,871	-	-	7,461	149	7,312	56.8%
Subtotal Projects	388,719	450,471	448,093	448,093	2,378	-	333,542	4,130	329,412	
Net (Bond Revenue)/Debt Service			2,378	2,378	(2,378)	-	2,375		2,375	
<b>Total Regional Street and Road Projects</b>	<b>\$ 388,719</b>	<b>\$ 450,471</b>	<b>\$ 450,471</b>	<b>\$ 450,471</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 335,917</b>	<b>\$ 4,130</b>	<b>\$ 331,787</b>	
<b>%</b>				<b>11.0%</b>					<b>10.4%</b>	

**Measure M**  
**Schedule of Revenues and Expenditures Summary**  
**as of December 31, 2008**

Project Description (G) (\$ in thousands)	Net Tax Revenues Program to date Actual (H)	Total Net Tax Revenues (I)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through Dec 31, 2008 (N)	Reimbursements through Dec 31, 2008 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
<b>Local Street and Road Projects (21%)</b>										
Master Plan of Arterial Highway Improvements	\$ 128,338	\$ 164,612	\$ 164,612	\$ 164,612	\$ -	\$ -	\$ 77,490	\$ 99	\$ 77,391	47.0%
Streets and Roads Maintenance and Road Improvements	513,762	595,376	595,376	595,376	-	-	507,010	-	507,010	85.2%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	69,581	431	69,150	69.2%
Subtotal Projects	742,100	859,988	859,988	859,988	-	-	654,081	530	653,551	
Net (Bond Revenue)/Debt Service							-		-	
<b>Total Local Street and Road Projects</b>	<b>\$ 742,100</b>	<b>\$ 859,988</b>	<b>\$ 859,988</b>	<b>\$ 859,988</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 654,081</b>	<b>\$ 530</b>	<b>\$ 653,551</b>	
%				21.1%					20.5%	
<b>Transit Projects (25%)</b>										
Pacific Electric Right-of-Way	\$ 17,099	\$ 19,815	\$ 15,000	\$ 14,000	\$ 5,815	\$ 1,000	\$ 16,438	\$ 2,604	\$ 13,834	92.2%
Commuter Rail	316,282	369,703	355,223	343,251	26,452	11,972	351,409	60,874	290,535	81.8%
High-Technology Advanced Rail Transit	387,579	449,149	431,575	464,580	(15,431)	(33,005)	90,297	6,430	83,867	19.4%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	17,010	-	17,010	85.1%
Transitways	142,492	165,128	146,381	126,348	38,780	20,033	162,520	36,687	125,833	86.0%
Subtotal Projects	883,452	1,023,795	968,179	968,179	55,616	-	637,674	106,595	531,079	
Net (Bond Revenue)/Debt Service			55,616	55,616	(55,616)	-	55,533		55,533	
<b>Total Transit Projects</b>	<b>\$ 883,452</b>	<b>\$ 1,023,795</b>	<b>\$ 1,023,795</b>	<b>\$ 1,023,795</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 693,207</b>	<b>\$ 106,595</b>	<b>\$ 586,612</b>	
%				25.1%					18.4%	
<b>Total Measure M Program</b>	<b>\$ 3,533,811</b>	<b>\$ 4,095,178</b>	<b>\$ 4,089,539</b>	<b>\$ 4,080,008</b>	<b>\$ 15,170</b>	<b>\$ 9,531</b>	<b>\$ 3,740,056</b>	<b>\$ 556,896</b>	<b>\$ 3,183,160</b>	