

Date: Monday, February 28, 2005

Time: 9:00 a.m.

Where: Orange County Transportation Authority Headquarters
600 South Main Street, First Floor - Conference Room 154
Orange, California 92863-1584



AGENDA

Orange County Transportation Authority Board Meeting
OCTA Headquarters
600 South Main Street, First Floor - Room 154,
Orange, California
February 28, 2005 at 9:00 a.m.

ACTIONS

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.

Invocation

Director Silva

Pledge of Allegiance

Director Winterbottom

Agenda Descriptions

The agenda descriptions are intended to give notice to members of the public of 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.

Special Matters

1. Presentation of Resolutions of Appreciation for Employees of the Month for February 2005

Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-04, 2005-05, 2005-06 to Philip Lattuca, Coach Operator; Robert Bergels, Maintenance; and Farizet Finona, Administration, as Employees of the Month for February 2005.



AGENDA

ACTIONS

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 February 14, 2005.

3. Approval of Resolutions of Appreciation for Employees of the Month for February 2005

Approval of Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-04, 2005-05, 2005-06, respectively, to Philip Lattuca, Coach Operator; Robert Bergels of Maintenance; and Farizet Finona of Administration, as Employees of the Month for February 2005.

4. Annual Internal Audit Plan for Fiscal Year 2004-05, Second Quarter Update

Robert A. Duffy/Richard J. Bacigalupo

Overview

The Orange County Transportation Authority Board of Directors adopted the Annual Internal Audit Plan for Fiscal Year 2004-05. This is the quarterly update for the second quarter of the fiscal year. Revisions to the plan are needed to incorporate changes to the original plan.

Recommendation

Approve the revised Annual Internal Audit Plan for Fiscal Year 2004-05.



AGENDA

ACTIONS

5. **Audit Report on Parts Inventory Cycle Count, Second Quarter**
Robert A. Duffy/Richard J. Bacigalupo

Overview

The Internal Audit Department has completed a quarterly parts inventory cycle count for the second quarter. No recommendations were made requiring a management response.

Recommendation

Receive and file the Parts Inventory Cycle Count, 2nd Quarter , Internal Audit Report No. 05-019.

6. **June 30, 2004 Single Audit Reports**
Tom Wulf/James S. Kenan

Overview

The Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 require that all organizations receiving federal awards have an annual audit performed by an independent accounting firm to ensure internal control and compliance with laws, regulations, contracts and grants related to the financial statements and to the federal awards. The Single Audit Reports contain the results of the audit and, if appropriate, any related findings and recommendations, as well as staff's responses.

Recommendation

Receive and file these Single Audit Reports as an information item.

7. **Second Quarter Fiscal Year 2004-05 Procurement Report**
Linda L. Hunter/James S. Kenan

Overview

The Second Quarter Procurement Report provides an update of the procurement activities for the fiscal year 2004-05, from July 1 through December 31, 2004. This report focuses on total dollars procured by each Orange County Transportation Authority division.



AGENDA

ACTIONS

7. (Continued)

Recommendation

Receive and file as an information item.

8. **Annual Investment Policy Update**

Kirk Avila/James S. Kenan

Overview

The Treasurer has revised the Orange County Transportation Authority's Annual Investment Policy for 2005. The Annual Investment Policy sets forth the investment guidelines for all funds invested on and after March 1, 2005. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Annual Investment Policy to be reviewed at a public meeting.

Recommendation

Adopt the 2005 Annual Investment Policy.

9. **91 Express Lanes December 2004 Status Report**

Ellen Lee/Paul C. Taylor

Overview

The 91 Express Lanes Status Report for the period ending December 31, 2004, is provided for Orange County Transportation Authority Board of Directors' review. The report provides toll road traffic volume, revenue, financial performance, operations, maintenance, and communications information.

Recommendation

Receive and file the 91 Express Lanes Status Report for the period ending December 31, 2004.



AGENDA

ACTIONS

10. **Customer Relations Service Quality Report for Second Quarter Fiscal Year 2004-05**

Adam Raley/Ellen S. Burton

Overview

The Customer Relations Service Quality Report is presented to the Orange County Transportation Authority Board of Directors on a quarterly basis. The report provides a statistical analysis of customer communications received during the quarter, as well as details proactive activities undertaken by staff to improve service to customers.

Recommendation

Receive information for discussion and possible action as deemed appropriate by the Board.

11. **Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 4)**

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2004-05 Budget, the Board approved construction of Americans with Disabilities Act improvements at the Orange County Transportation Authority's bus stops countywide. Bids were received in accordance with the Orange County Transportation Authority's public works procurement procedures. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-4-1205, between the Orange County Transportation Authority and CJ Construction, Inc., the lowest responsive, responsible bidder, in an amount not to exceed \$587,200, for Americans with Disabilities Act Bus Stop Modifications in the Cities of Fountain Valley, Garden Grove, and Westminster.



AGENDA

ACTIONS

Orange County Transit District Consent Calendar Matters

12. **Agreement for Major Bus Body Repairs**
Al Pierce/William L. Foster

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2004-05 Budget, the Board approved the contracting of major bus body repairs. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-4-0970 between the Orange County Transportation Authority and Complete Coach Works, in an amount not to exceed \$115,000, for a one year period with two one-year options for major bus body repairs.

13. **Amendment to Agreement to Jointly Fund Intercounty Express Bus Route 149**
Beth McCormick/William L. Foster

Overview

On June 28, 2004, the Board of Directors approved an agreement with Riverside Transit Agency, to jointly fund Route 149, an intercounty express service operating daily between Riverside County and Orange County. The current agreement expires on June 30, 2005.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-4-0601 between the Orange County Transportation Authority and the Riverside Transit Agency, in an amount not to exceed \$168,000, to jointly fund the operation of Route 149 and extend the term for one year.



AGENDA

ACTIONS

14. **Amendment to Cooperative Agreement with the Office on Aging**
Dana Wiemiller/William L. Foster

Overview

The Orange County Transportation Authority and the Orange County Office on Aging currently have a cooperative agreement in the amount of \$250,000, to match Tobacco Settlement Revenue funds for use on specific senior non-emergency medical transportation projects.

Recommendations

- A. Authorize the Chief Executive Officer to execute Amendment No. 2 to Cooperative Agreement C-2-0617 with the Office on Aging, in an amount not to exceed \$5,000, as part of the local match for a California Department of Transportation Environmental Justice Planning Grant.
- B. Authorize reallocation of \$245,000, to support two new Orange County Transportation Authority volunteer-based programs as part of the Paratransit Growth Management Plan which will provide alternative transportation, training and education for seniors and persons with disabilities.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

15. **Transportation 2020 Committee Report and Recommendations**
Monte Ward

Overview

The new Transportation 2020 Board Committee held its first meeting on February 14, 2005. The Committee unanimously affirmed a December 2004 Board of Directors recommendation that the Orange County Transportation Authority prepare a spending plan to support the potential extension of the Measure M one-half cent transportation sales tax. The Committee also unanimously recommends to the Board of Directors a series of actions to enable the spending plan and a sales tax extension to be presented to Orange County voters as early as November 2006.



AGENDA

ACTIONS

15. (Continued)

Recommendations

- A. Direct the Chief Executive Officer, working with the Transportation 2020 Committee and the Board of Directors, to develop an Expenditure Plan for a potential extension of the Measure M one-half cent transportation sales tax as early as November 2006.
- B. Direct the Chief Executive Officer to prepare a program-level Environmental Impact Report on the Orange County Long Range Transportation Plan, inclusive of projects and programs included in an Expenditure Plan for the extension of Measure M.
- C. Direct the Chief Executive Officer to extend Agreement No. C-4-0224 between the Authority and California Strategies to provide strategic advice and stakeholder outreach for a period not-to-exceed 15 months, beginning March 1, 2005, at a cost not-to-exceed \$150,000.
- D. Direct the Chief Executive Officer to negotiate an agreement with the firm of Smith, Watts & Company to provide program management, expenditure plan strategy and development, and messaging services for a period not-to-exceed 20 months, beginning March 1, 2005, at a cost not-to-exceed \$7,500 per month.
- E. Direct the Chief Executive Officer to negotiate an agreement with the firm of Townsend, Raimundo, Bessler & Usher to provide messaging, communications and expenditure plan organization, and packaging services for a period not-to-exceed 15 months, beginning March 1, 2005, at a cost not-to-exceed \$6,000 per month.
- F. Direct the Chief Executive Officer to issue a Request for Proposals for polling and focus group research services to gather input into the development of an Expenditure Plan for the extension of Measure M.



AGENDA

ACTIONS

Orange County Transit District Regular Calendar Matters

16. **Amendment to Agreement for Janitorial Services**

William L. Foster and James S. Kenan

Overview

On February 6, 2003, the Board of Directors approved an agreement with Diamond Contract Services, Inc., to provide janitorial services at all Orange County Transportation Authority owned facilities for a one-year period with two one-year options.

Recommendations

- A. In order to provide the Board of Directors information associated with providing health care coverage for contractor employees, three available options are presented below for your consideration:
 - 1. Exercise the second option year with no additional medical coverage - \$700,000.
 - 2. Exercise the second option year with medical coverage provided to the employee only - \$772,000.
 - 3. Exercise the second option year with medical coverage provided to the employee and family - \$865,600.
- B. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement C-2-1189 between the Orange County Transportation Authority and Diamond Contract Services, Inc., in an amount associated with one of the three options identified above for janitorial services at all Orange County Transportation Authority owned facilities.
- C. The additional amount of \$72,000 or \$165,600 identified in options two and three above for health care coverage for contractor employees are not included in the current budget and would therefore require an amendment.



AGENDA

ACTIONS

Other Matters

17. **Chief Executive Officer's Report**
18. **Directors' Reports**
19. **Public Comments**

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

20. **Closed Session**

There is no Closed Session scheduled.

21. **Adjournment**

The next regularly scheduled meeting of the OCTA/OCTD/OCLTA/OCSAFE/OCSAAV Committee will be held at 9:00 a.m. on March 14, 2005, at OCTA Headquarters at 600 South Main Street, First Floor - Room 154, Orange, California.

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
February 14, 2005

Call to Order

The February 14, 2005, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order at 9:03 a.m. at the Orange County Transportation Authority Headquarters, Orange, California; Vice Chairman Campbell presided.

Roll Call

Directors Present: Bill Campbell, Chairman
Marilyn Brewer
Carolyn Cavecche
Lou Correa
Richard Dixon
Michael Duvall
Cathy Green
Gary Monahan
Chris Norby
Curt Pringle
Miguel Pulido
Susan Ritschel
Mark Rosen
James W. Silva
Thomas W. Wilson
Gregory T. Winterbottom
Jim Beil for Cindy Quon, Governor's Ex Officio Member

Also Present: Arthur T. Leahy, Chief Executive Officer
Richard J. Bacigalupo, Deputy Chief Executive Officer
Kennard R. Smart, Jr., General Counsel
Wendy Knowles, Clerk of the Board
Members of the Press and the General Public

Directors Absent: Arthur C. Brown, Vice Chairman

Invocation

Director Correa gave the invocation.

Pledge of Allegiance

Director Duvall led the Board and audience in the Pledge of Allegiance to the Flag of the United States of America.

Public Comments on Agenda Items

Chairman Campbell announced that 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 would be recognized at the time the agenda item was to be considered and comments would be limited to three (3) minutes.

Special Matters

1. Presentation of Resolutions of Appreciation for Employees of the Year for 2004

The Chairman presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-07, 2005-08, 2005-09 to Jeffrey Mellinger, Coach Operator; Quy Nguyen, Maintenance; and Edmund Buckley, Administration, as Employees of the Year for 2004.

2. Retiree Recognition

The Chairman presented a certificate of appreciation to Charles Harber, who retired after nearly 30 years of service.

3. Retiree Resolution for Sergeant Kenny Chism, Transit Police Services

The Chairman presented a resolution of appreciation to Sergeant Kenny Chism, who is retiring with the Orange County Sheriff's Department, and has made considerable contributions to the OCTA Transit Police Services over the past several years.

Consent Calendar (Items 4 through 22)

Chairman Campbell announced that all matters on the consent calendar were to be approved in one motion unless a Board Member or a member of the public requested separate action on a specific item. The Chairman asked if there were any requests to pull any of the Consent Calendar items for consideration.

The Chairman announced that Item 14 would be continued to a future meeting.

Chairman Campbell pulled Item 19, and Director Correa pulled Item 21 for discussion.

Orange County Transportation Authority Consent Calendar Matters

4. Approval of Minutes

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 24, 2005.

5. Approval of Resolutions of Appreciation for Employees of the Year for 2004

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-07, 2005-08, 2005-09 to Jeffrey Mellinger, Coach Operator; Quy Nguyen, Maintenance; and Edmund Buckley, Administration, as Employees of the Year for 2004.

6. Approval of Travel for Vice Chairman Art Brown

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to approve travel for Vice Chairman Art Brown to Washington D.C., for February 14-18, 2005.

7. State Legislative Status Report

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to:

- A. Adopt the following recommended position on the Governor's Proposition 42 budget proposal:
Support a constitutional amendment to protect future Proposition 42 revenues from being suspended and work cooperatively with the Governor to protect transportation projects programmed in the State Transportation Improvement Program from being delayed.

7. **(Continued)**

- B. Adopt a support position on the proposed meal and rest period regulations and request an amendment be added identifying that public agencies are exempt from these requirements.

8. **Orange County Transportation Authority 2005 State and Federal Legislative Platforms**

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to review the Orange County Transportation Authority 2005 State and Federal Legislative Platforms and amend as appropriate.

9. **Direction Regarding Possible Sponsor Legislation to Address Technical Amendments Related to the Orange County Transportation Authority Board of Directors**

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to accept the Committee's recommendation that no legislation be introduced this year.

10. **Mission Statement and Values**

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to accept the recommendation for the order in which the values appear to be: Integrity, Customer Focus, Teamwork/Partnership, Communication, and Can-Do Spirit, and approve staff's recommendation for the Mission Statement.

11. **Bay Bridge Cost Overruns**

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to oppose the use of statewide transportation funding to pay for San Francisco Oakland Bay Bridge cost overruns and support efforts to require that these cost overruns to be paid through local revenues.

12. **Review of Investment Activities for July through September 2004**

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to receive and file the Review of Investment Activities for July through September 2004, Internal Audit Report No. 05.017.

13. Buy America Review

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to receive and file the Creative Bus Sales, Inc./El Dorado National Co. Buy America Review, Internal Audit Report No. 05-018.

14. Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 4)

Chairman Campbell announced that this item would be continued to a later date.

15. Measure M Quarterly Report

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to receive and file as an information item.

16. Selection of Consultant for the Riverside Freeway (State Route 91) Eastbound Auxiliary Lane Project Management Services

Authorize the Chief Executive Officer to execute Agreement C-4-1124 between the Orange County Transportation Authority and IBI Group, in an amount not to exceed \$192,300, for project management consultant services in support of the Riverside Freeway (State Route 91) Eastbound Auxiliary Lane Chokepoint Project. This is an eighteen month agreement.

17. Selection of Consultant for Chokepoint Program Project Management Services

Public comment was taken from Darrell Nolta regarding this issue, citing the importance of the freeway chokepoint program.

Motion was made by Director Wilson, seconded by Director Cavecche, and declared passed by those Members present, to authorize the Chief Executive Officer to execute Agreement C-4-1146 between the Orange County Transportation Authority and APA Engineering, Inc., in an amount not to exceed \$145,000, for project management services in support of the Freeway Chokepoint Program. This is a one-year agreement.

Directors Pulido and Dixon were not present for the vote on this item.

18. Congestion Mitigation and Air Quality Funds for Fiscal Year 2004-05

Public comment was taken from Darrell Nolta regarding this issue, and he expressed his concern for transportation and infrastructure.

Motion was made by Director Silva, seconded by Director Cavecche, and declared passed by those Members present, to:

- A. Approve the use of \$35 million of fiscal year 2004-05 Congestion Mitigation and Air Quality funds for the purchase of Metrolink rolling stock needed for the intracounty service, the design and construction of Keller Yard Storage Facility, and the Los Angeles Union Station Mail Dock Demolition and Restoration Project.
- B. Authorize staff to process necessary Regional Transportation Improvement Program and State Transportation Improvement Program amendments as required by the above actions.
- C. Authorize staff to process necessary cooperative agreements with the California Department of Transportation, the Southern California Regional Rail Authority and its member agencies as required by the above actions.

Director Pulido was not present for the vote on this item.

19. Citizens' Advisory Committee

Chairman Campbell pulled this item for presentation, and invited Leonard Lahtinen, who has presided as Chairman of this committee, to the podium to present a resolution of appreciation to him. Resolutions will also be sent to all Committee Members expressing the Authority's appreciation for their service, and those attending this meeting were asked to stand and be recognized.

Motion was made by Director Winterbottom, seconded by Director Duvall, and declared passed by all Members present, to:

- A. Approve the recommended Orange County Transportation Authority Citizens' Advisory Committee structure and direct staff to initiate recruitment of participants.
- B. Recommend the Board of Directors adopt resolutions of appreciation 2005-11 through 2005-52 for members of the 2004 Citizens' Advisory Committee.

Director Pulido was not present for the vote on this item.

20. Purchase Order for 91 Express Lanes Property Insurance

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to authorize the Chief Executive Officer to issue Purchase Order C-4-1187 between the Orange County Transportation Authority and Marsh Risk and Insurance Services, in an amount not to exceed \$450,000, to purchase property insurance for the period of March 1, 2005, to February 28, 2006.

Orange County Transit District Consent Calendar Matters

21. Amendment to Agreement for Janitorial Services

Director Correa pulled this item for discussion, inquiring if health care coverage was to be included as part of this contract.

Chief Executive Officer (CEO), Arthur T. Leahy, responded that there are no benefits being offered with this contract.

Director Correa stated that the issue of health care benefits should be looked at by this Board and discussion followed, and certain motions considered.

Motion was made by Director Wilson, seconded by Director Brewer, to extend the existing contract and health care benefits be investigated. Motion failed by a vote of 8-8, with Chairman Campbell and Directors Rosen, Correa, Green, Silva, Winterbottom, Pulido, and Norby opposing the motion.

Following further discussion, motion was made by Director Correa, seconded by Director Winterbottom, and declared passed by those present to allow a two-weeks extension of the contract and examine the inclusion of health care benefits.

Directors Ritschel, Brewer, Duvall, Dixon, Pringle, Wilson, and Monahan voted to oppose.

Director Pringle expressed his concern for good faith negotiations if ground rules are changed after those negotiations have taken place.

Director Monahan stated he was concerned if ground rules are, in fact, being changed with what could be seen as a policy shift.

21. (Continued)

Director Cavecche stated that policy discussions for issues as this need to take place, and that appropriate action should then be taken on upcoming contracts in relation to the outcome of those discussions.

This item will come back to the Board at its February 28 meeting.

22. Cooperative Agreement with Regional Center of Orange County

Motion was made by Director Wilson, seconded by Director Silva, and declared passed by those Members present, to authorize the Chief Executive Officer to execute Cooperative Agreement C-5-0056 between the Orange County Transportation Authority and the Regional Center of Orange County, in an amount not to exceed \$564,000, to share in the cost of providing transportation services to consumers of the Regional Center through June 30, 2006.

Regular Calendar

23. Orange County Grade Crossing Safety Enhancement Program Update

CEO, Arthur T. Leahy, presented opening comments on this subject, then introduced Paul Taylor, Executive Director, who briefed the Board on the history of this issue.

Public comments were heard from in support of OCTA giving this money to the City of Placentia:

Scott Brady, Mayor of Placentia
Russ Rice, Mayor Pro Tem, Placentia
Norm Eckenrode, Placentia
Connie Underhill, Councilmember, Placentia
Craig Green, Placentia
Darrell Nolta, Westminster
Leonard Lahtinen, Anaheim

Director Norby indicated he supported this measure at the Regional Planning and Highways Committee and distributed a listing of priorities for grade crossing improvements.

Motion was made by Director Ritschel and seconded to modify the existing policy so that the City of Placentia would be eligible to compete for these funds and deduct the previous amount given to the City of Placentia from the monies they are now requesting. Motion failed by a vote of 14-2, with Chairman Campbell and Director Ritschel voting "yes".

23. (Continued)

Further discussion and consideration of modified motions followed. A motion was ultimately made by Director Norby, seconded by Director Correa, and declared passed 12-4, to approve giving \$3 million to the City of Placentia for grade crossing improvements. Votes of opposition were made by Chairman Campbell, Directors Ritschel, Brewer, and Cavecche.

24. Options Regarding Rapid Transit

Paul Taylor, Executive Director, presented this item to the Board and addressed conformity issues in regard to the Regional Transportation Plan.

Public comments were heard from:

- Bill Ward, Costa Mesa
- David Mootchnik, Costa Mesa
- Hamid Bahadori, Costa Mesa
- Ken Ruben, Los Angeles
- Patrick Kelly, Costa Mesa
- Larry Laven, Anaheim
- Greg Smith, Irvine
- Jack Mallinckrodt, Santa Ana
- Wayne King, Roads Work Best
- Darrell Nolta, Westminster

Director Dixon requested that staff look at other routes for rapid transit and look at light and heavy forms of rapid transit systems.

Director Brewer stated she feels it is important to preserve the Pacific Electric Right-of-Way as routes are considered.

Director Rosen requested a copy of the Environmental Impact Report for the route being considered.

Discussion continued, and it was the Chairman's desire that the recommendations be voted upon individually. The results of those votes are listed below:

Motion was made by Director Wilson, seconded by Director Dixon, and declared passed, to:

- A. Authorize the Chief Executive Officer to develop a process for further study of rapid transit options selected by the Board, including discussions with the Citizens' Oversight Committee for use of Measure M Transit funds for bus rapid transit and/or other selected options, and return with recommendations of resources required.

24. (Continued)

Motion was made by Director Norby, seconded by Director Pulido, and declared passed, to:

- B. Authorize the Chief Executive Officer to explore conversion of the current light rail transit project to another mode, including consideration of a bus rapid transit project beginning on the Bristol Street portion of the current light rail project and return with recommendations of resources required, including amending current consultant contracts for project management, preliminary engineering and environmental impact documentation.

Director Silva voted to oppose this recommendation.

Motion was made by Director Brewer, seconded by Director Pulido, and declared passed, to:

- C. Authorize the Chief Executive Officer to develop a process for the Board of Directors to revisit and revise the rapid transit master plan in concert with recently-begun efforts to revise the Authority's Long Range Transportation Plan.

25. 91 Express Lanes Operating Contract

Paul Taylor, Executive Director, presented opening comments on this item.

Motion was made by Director Norby, seconded by Director Cavecche, and declared passed by those present, to:

- A. Review and comment on the refinements to the 91 Express Lanes approach to operations.
- B. Approve exploring refinement in the release of a Request for Proposals for 91 Express Lanes contracted operations.

Other Matters

26. Chief Executive Officer's Report

CEO, Arthur T. Leahy, referenced an item that was placed at each Member's place at the dais giving information and promoting ridership.

27. Directors' Reports

Chairman Campbell stated the subject of committee meeting frequency had been raised, and it is important to recognize that meetings will be held when necessary to prepare the material for the Board to get in a timely fashion.

Chairman Campbell offered anyone interested to let him know if they are interested in accepting the position of OCTA alternate for OCCOG.

28. Public Comments

At this time, the Chairman advised 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 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.

Public comments were heard from:

Ken Ruben, Los Angeles
Darrell Nolta, Westminster
Larry Laven, Placentia

29. Closed Session

Kennard R. Smart, Jr., General Counsel, stated that there was need for a Closed Session pursuant to Government Code 54956.9(c).

There was no report out of this Session.

30. Adjournment

The meeting adjourned at 12:50 p.m., and the Chairman announced that the next regularly scheduled meeting of the OCTA/OCTD/OCLTA/OCSAFE/OCSAAV Board would be held at 9:00 a.m. on February 28, 2005, at OCTA Headquarters at 600 South Main Street, First Floor - Room 154, Orange, California.

ATTEST

Wendy Knowles
Clerk of the Board

Bill Campbell
OCTA Chairman



ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

PHILIP LATTUCA

WHEREAS, the Orange County Transportation Authority recognizes and commends Philip Lattuca; and

WHEREAS, Philip has earned the respect and admiration of patrons, peers and supervisors with his easy going personality and strong work ethic. Philip joined the Authority in March 1981 and has acquired numerous customer compliments and a twenty two year Safe Driving Award; and

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

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

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Philip Lattuca as the Orange County Transportation Authority Coach Operator Employee of the Month for February 2005; and

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

Dated: February 28, 2005

Bill Campbell, Chairman
Orange County Transportation Authority

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

OCTA Resolution No. 2005-04





ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

ROBERT BERGELS

WHEREAS, the Orange County Transportation Authority recognizes and commends Robert Bergels; and

WHEREAS, be it known that Robert Bergels is a valued member of the Maintenance Department. His diligence, industriousness and conscientiousness in performing all tasks are recognized. Robert consistently demonstrates a high level of achievement in assisting the Garden Grove Base meet mission goals; and

WHEREAS, Robert's expertise in the maintenance and repair of all bus systems is exceptional. His skills and superb attitude in performing all facets of vehicle maintenance have earned him the respect of all that work with him; and

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

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Robert Bergels as the Orange County Transportation Authority Maintenance Employee of the Month for February 2005; and

BE IT FURTHER RESOLVED that the Orange County Transportation Authority Board of Directors recognizes Robert Bergels' valued service to the Authority.

Dated: February 28, 2005

Bill Campbell, Chairman
Orange County Transportation Authority

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

OCTA Resolution No. 2005-05





ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

FARIZET FINONA

WHEREAS, the Orange County Transportation Authority recognizes and commends Farizet Finona; and

WHEREAS, be it known that Farizet has performed her duties as a Help Desk Technician for the Information Systems Department consistently and reliably, demonstrating the highest level of integrity and professionalism in all her dealings with Orange County Transportation Authority staff; and

WHEREAS, Farizet's unique knowledge and understanding of the various software supported by the IS department has been instrumental in delivering swift service to the customers of the IS department; and

WHEREAS, Farizet is especially known for her light and cheerful attitude while taking phone calls from staff and outside contractors contacting the IS Help Desk; and

WHEREAS, Farizet's technical knowledge and administrative skills of the Heat call logging system and phone system used to track all service requests submitted by IS customers have enabled her to provide the highest level of service to the customers of the IS Help Desk; and

WHEREAS, be it known that Farizet is a model OCTA employee who is dedicated to her customers and their needs.

NOW, THEREFORE, BE IT RESOLVED that the Authority does hereby declare Farizet Finona as the Orange County Transportation Authority Administrative Employee of the Month for February 2005; and

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

Dated: February 28, 2005

Bill Campbell, Chairman
Orange County Transportation Authority

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

OCTA Resolution No. 2005-06



BOARD COMMITTEE TRANSMITTAL



February 28, 2005

To: Members of the Board of Directors
From: Wendy Knowles, ^{W.K. Knowles} Clerk of the Board
Subject: Annual Internal Audit Plan for Fiscal Year 2004-05, Second Quarter Update

This item will be considered by the Finance and Administration Committee on February 23, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

Please call me if you have any comments or questions concerning this correspondence. I can be reached at (714) 560-5676.



February 23, 2005

To: Finance and Administration Committee
From: Arthur T. Leahy, Chief Executive Officer
Subject: Annual Internal Audit Plan for Fiscal Year 2004-05
Second Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Annual Internal Audit Plan for Fiscal Year 2004-05. This is the quarterly update for the second quarter of the fiscal year. Revisions to the plan are needed to incorporate changes to the original plan.

Recommendation

Approve the revised Annual Internal Audit Plan for Fiscal Year 2004-05.

Background

The Internal Audit Department is an independent appraisal function whose purpose is to examine and evaluate the Orange County Transportation Authority's (OCTA's) operations and activities as a tool for management and to assist management in the discharge of their duties and responsibilities.

Discussion

The Internal Audit Department performs a wide range of auditing services that includes overseeing the annual financial audit, operational reviews, contract compliance reviews, internal control assessments, investigations, pre-award Buy America Award reviews, and pre-award price reviews. Internal Audit also monitors and provides guidance in computer software system implementation to help ensure that proper controls are built into systems prior to implementation. All audits initiated by entities outside of OCTA are coordinated through the Internal Audit Department.

The revised Internal Audit Plan for Fiscal Year 2004-05 (Attachment A) reflects the status of each of the projects. Two projects (Santa Ana Base and the SR-91 Express Lanes Accounting Reviews) have been delayed. The Santa Ana Base Review was delayed to be closer to the completion of the project. The SR-91 Express Lanes Accounting Review was delayed to allow for the planned interfaces with the OCTA's accounting systems to be implemented and become operational.

During the second quarter, eight audit reports (Attachment B) and five price reviews were completed. Of the eight audit reports, six have been presented to the Committee, and one will be presented at this meeting.

Summary

The Internal Audit Department will continue to implement the Annual Internal Audit Plan for Fiscal Year 2004-05, and report on a quarterly basis the status of the plan to the Board of Directors.

Attachments

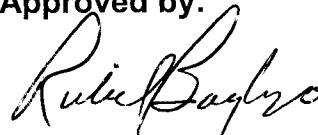
- A. Revised Internal Audit Plan for Fiscal Year 2004-05
- B. Listing of Audit Reports Issued

Prepared by:



Robert A. Duffy
Manager, Internal Audit
(714) 560-5669

Approved by:



Richard J. Bacigalupo
Deputy Chief Executive Officer
(714) 560-5901

Audits	Description	Minimum Frequency	Reason	Quarter Work Starts	Status	Planned Hours	Hours to Date	Under (over)
OCTA								
Annual Financial Audit	Annual Financial Audit contracted to CPA firm with oversight and assistance provided by Internal Audit	Annually	Mandatory	1st	In-Process	480	320	160
COC	Time allowed to coordinate audit activities with the Audit Committee of the Measure M Citizen's Oversight Committee	Continually	Monitoring	All	In-Process	80	22	58
Contract Audits	Compliance reviews of various contracts selected based on staff input during the year.	Annually	Compliance, Cost Recovery	2nd, 3rd & 4th	N/A	720	35	685
Follow-up Reviews	Reviews to ensure recommendations as agreed to, are implemented.	As needed	Compliance	All	N/A	96	1	95
LTF City Audits (Article 3.5, 4.0, 4.5)	Legally required annual audits of the recipients of LTF Funds, primarily Senior Mobility participating cities.	Annually	Mandatory	1st	In-Process	760	743	17
Payroll Distributions	Unannounced payroll distributions to ensure the accuracy of the payroll files	Random During the Year	Internal Control (I/C)	All	2nd Qtr. Cancelled	120	111	9
Price Reviews	Cost and Price analysis as required per Board Policy	As needed	Cost avoidance	All	5 Completed	1800	363	1437
Projects - Carryover	Projects started in FY04 to be completed in FY05	N/A		1st	4 Reports Issued 1 In-Process	200	291	(91)
Projects - Unallocated	Time allowed for requests from management	Annually		All		240	264	(24)
Finance, Administration and Human Resources								
Accounts Payable/Receiving	Compliance and operational review to ensure policies and practices are being followed and to evaluate opportunities make the process more efficient	Every Three Years	I/C	3rd	N/A	200	0	200
Cycle Counts	Unannounced inventory cycle counts to ensure the accuracy of the inventory balances	Once per Quarter	I/C	All	2nd Qtr. In-Process	320	330	(10)
Family Medical Leave Act (FMLA)	Review of the internal controls and operating practices over the Family Medical Leave Act (FMLA).	As needed	I/C and Operational Improvement (O/P)	2nd	Report Issued	280	287	(7)
Fixed Asset Inventory Observation	Observation of the annual physical inventory of fixed assets to ensure assets are physically present, properly recorded and are in working condition.	Annually	I/C	4th	N/A	200	0	200
General Accounting	Review of internal controls and an evaluation of operational efficiencies.	Every Three Years	I/C and O/P	3rd	N/A	160	0	160
HRIS	Review of internal controls during the first year of implementation to ensure the proper procedures and practices are established and implemented.	During Implementation	I/C	3rd	N/A	240	28	212

Audits	Description	Minimum Frequency	Reason	Quarter Work Starts	Status	Planned Hours	Hours to Date	Under (over)
Information Systems	Review of internal controls and an evaluation of operational efficiencies.	Every Three Years	I/C	1st	Report Issued	160	216	(56)
MAPS	Participation during the implementation of the new inventory, maintenance and procurement system to help ensure proper internal controls are established prior to implementation.	During Implementation	Monitoring	All	In-Process	160	97	63
Pass Sales	Review of the pass sales activities including the various programs, outside sales outlets, pass usage and front end program evaluation process.	Every Three Years	O/P, I/C, Cost Control	2nd	In-Process	240	249	(9)
Procurement	Compliance and operational review of the procurement process to ensure that Board adopted policies and procedures are being followed, and to identify opportunities to improve operational efficiencies.	Every Three Years	Compliance, O/P	2nd	N/A	240	2	238
Systems Development Reviews	Review of internal controls and an evaluation of operational efficiencies in regards to system development.	As needed	I/C	2nd	N/A	80	0	80
Third Party Administrator - Health	Compliance, internal control and operational review to identify opportunities for improved processes and reductions to costs.	Every Three Years	Compliance, I/C, O/P and cost recovery	2nd	In-Process	320	18	302
Third Party Administrator - Workers Compensation	Compliance, internal control and operational review to identify opportunities for improved processes and reductions to costs.	Every Three Years	Compliance, I/C, O/P and cost recovery	2nd	In-Process	240	139	101
Treasury Reviews - Quarterly	Financial and compliance reviews of the OCTA treasury function.	Minimum Quarterly	I/C	All	2nd Qtr. Report Issued	120	82	38
Transit Operations								
Bus Observations	Coach Operator observations to ensure compliance with the operating practices of OCTA.	As needed	I/C	All	In-Process	360	32	328
Buy America Pre-award Review	Pre-award review to ensure the vendor meets the 60% US cost content requirements.	As needed	Mandatory	2nd	Report Issued	120	55	65
Farebox Testing/GFI Analysis	Random testing of the accuracy of the GFI fareboxes and analysis of data contained in the database.	Continually	I/C	1st	In-Process	280	124	156
Laidlaw Contract Audit	Contract compliance review of the ACCESS provider	Biennially	Compliance, Cost Recovery	3rd	N/A	680	0	680
Maintenance	Operational review of the maintenance process to improve operational efficiencies.	Annually	O/P	1st	Report Issued	320	398	(78)
Operations	Operational review of bus operations to improve efficiencies and to ensure compliance with established practices.	Annually	O/P	2nd	N/A	320	0	320

Audits	Description	Minimum Frequency	Reason	Quarter Work Starts	Status	Planned Hours	Hours to Date	Under (over)
Planning, Development and Communications								
CTFP	Review of project costs at time of closeout by the cities.	Annually	Compliance, Cost Recovery	1st	In-Process	400	251	149
SCRRRA	Time to monitor and to assist SCRRRA operations	Continually	Monitoring	All	In-Process	60	13	47
Construction and Engineering								
Centerline	Coordinating with staff to ensure Internal Audit is informed about this project.	During Final Design and Construction (if needed)	Monitoring	All	In-Process	160	1	159
Centerline Audits	Compliance review of the consultants	During Final Design and Construction (if needed)	Compliance, Cost Recovery	3rd	N/A	1000	12	988
Real Estate Administration	Compliance and operational review to ensure policies and practices are being followed and to evaluate opportunities make the process more efficient. This includes contract compliance and management of the process.	Every Three Years	Compliance, O/P	2nd	In-Process	200	147	53
Santa Ana Base	Compliance review of the contractors during construction.	During Construction	Compliance, Cost Recovery	2nd	Delay to 3rd Qrt.	440	0	440
SR22	Coordinating with staff to ensure Internal Audit is informed about this project.	During Construction	Monitoring	All	In-Process	120	5	115
SR22 Contract Audits	Compliance review of the consultants	During Construction	Compliance, Cost Recovery	4th	N/A	900	0	900
Labor Relations and Civil Rights								
Toll Road and Motorist Services								
SR91 Express Lanes	Coordinating with staff to ensure Internal Audit is informed about this project.	Continually	Monitoring	All	In-Process	80	31	49
SR91 Express Lanes - Accounting	Compliance review of contracted operations, determine cost recovery opportunities and evaluate operational efficiencies.	Every Three Years	Compliance, Cost Recovery, O/P	1st	Delay to 3rd Qrt.	280	6	274
Total Audit Hours						13176	4673	8503

LISTING OF AUDIT REPORTS ISSUED***Completed Internal Audit Reports***

<i>Issue Date</i>	<i>Report No.</i>	<i>Name of Report</i>	<i>Date to Finance and Administration Committee</i>
10/12/04	05-007	Parts Inventory Cycle Count, 1st Quarter	11/10/04
10/20/04	05-006	Payroll Distribution Review	11/10/04
10/22/04	05-015	Measure M Project Delivery Guideline Review	10/27/04
11/10/04	05-014	Limited Scope Review of the OCTA Information Systems Control Environment	12/08/04
11/15/04	05.001	Limited Scope Review of Stops and Zones Maintenance	02/23/05
12/21/04	05-019	Parts Inventory Cycle Count, 2 nd Quarter	02/23/05
12/22/04	05.017	Review of Investment Activities for July through September 2004	02/09/05
12/30/04	05-018	Creative Bus Sales, Inc./EIDorado National Co. Buy America Review	02/09/05

BOARD COMMITTEE TRANSMITTAL



February 28, 2005

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board *Wx by RW*
Subject: Audit Report on Parts Inventory Cycle County, Second Quarter

This item will be considered by the Finance and Administration Committee on February 23, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

Please call me if you have any comments or questions concerning this correspondence. I can be reached at (714) 560-5676.



February 23, 2005

To: Finance and Administration Committee
From: Arthur T. Leahy, Chief Executive Officer
Subject: Audit Report on Parts Inventory Cycle Count, Second Quarter

Overview

The Internal Audit Department has completed a quarterly parts inventory cycle count for the second quarter. No recommendations were made requiring a management response.

Recommendation

Receive and file the Parts Inventory Cycle Count, 2nd Quarter , Internal Audit Report No. 05-019.

Background

Results from quarterly cycle counts conducted by the Internal Audit Department to assist the Contracts Administration and Materials Management Department monitor the accuracy of the parts inventory.

Discussion

The Internal Audit staff conducted an unannounced parts inventory cycle count at the three operating bases on December 3, 2004. A statistically valid sample of 445 part numbers were selected for this review from the 23,427 part numbers comprising the \$3,882,266 inventory. In the samples from the three bases, the error rate was 3.4 percent. The resulting 3.4 percent sample error rate indicated with a 95 percent confidence level that the error rate in the total part number population on that day fell between 2.5 percent and 6.0 percent. The Orange County Transportation Authority's performance measure goal for inventory accuracy is 95 percent.

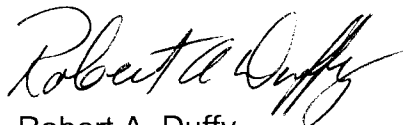
Summary

The unannounced cycle count of the parts inventory had a sampling error of 3.4 percent.

Attachments

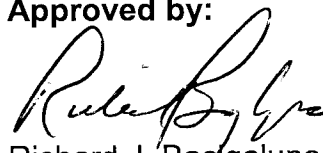
- A. Parts Inventory Cycle Count, 2nd Quarter, Internal Audit Report No. 05-019

Prepared by:



Robert A. Duffy
Manager, Internal Audit
(714) 560-5669

Approved by:



Richard J. Badgalupo
Deputy Chief Executive Officer
(714) 560-5901



INTEROFFICE MEMO

December 21, 2004

To: James S. Kenan, Executive Director
Finance, Administration and Human Resources

From: Boyd T. Davis, Internal Auditor *BTD*
Internal Audit

Subject: **Parts Inventory Cycle Count, 2nd Quarter**
Internal Audit Report No. 05-019

Conclusion

Internal Audit conducted a Parts Inventory Cycle Count on December 3, 2004. In the sample of 445 part numbers, fifteen errors were noted. The resulting 3.4% sample error rate indicated with a 95% confidence level that the error rate in the total part number population on that day fell between 2.5% and 6.0%.¹

Purpose and Scope

The purpose of the cycle count was to determine if the parts inventory records per the Maintenance, Accounting and Procurement System (MAPS) reflected the actual inventory quantities on hand. Internal Audit's objective was to make a determination of the differences in counts and bin locations between the actual physical inventory population and the inventory as recorded in MAPS. Statistical sampling tables were used in evaluating the results. Due to the narrowly focused purpose, Internal Audit did not test the overall inventory process.

Discussion

Unannounced cycle counts were conducted at all three bases on December 3, 2004, by the staff of the Internal Audit Department. A total sample of 475 inventory part numbers was tested. Statistical sampling tables were used to evaluate the count results for the 445 part numbers randomly chosen by the computer. Based on this statistical method, Internal Audit drew the conclusion shown

¹ In determining the sample size, the confidence level was 95% with an expected rate of occurrence not over 5%. From the appropriate statistical sampling table it was determined that the sample size to be drawn and evaluated was 445 part numbers.

above. Detailed differences by individual base for this random selection are shown in Exhibit A.

The other 30 part numbers tested were judgmentally selected by the auditors while on the storeroom floor. Without a random selection, the differences noted in this test could not be combined with the others to yield a statistically valid conclusion. However, the differences noted might otherwise be useful, so the detailed differences by individual base are shown for this judgment sample in Exhibit B.

On December 3, 2004, the MAPS customized report identified a total of 23,427 part numbers with a total inventory value of \$3,882,266.

Of the 445 part numbers selected randomly, twelve part number counts deviated from the quantities reported on MAPS, while there were three instances where the parts were located in bins other than those shown on MAPS. The following table shows the number of errors for the randomly selected samples found in the December 2004 cycle count compared to those found in the previous cycle count in August.

BASE	Parts Sampled Randomly		Errors Found	
	Dec '04	Aug '04	Dec '04	Aug '04
Garden Grove	116	51	1	3
Anaheim	134	55	7	0
Irvine	195	80	7	3
TOTALS	445	186	15	6

Based on the random sample of 445 inventory parts counted, Internal Audit is 95% confident that the true error rate in the total parts inventory population on December 3, 2004, fell between 2.5% and 6.0%.²

For a breakout of the detail differences noted by individual base, refer to Exhibits A and B.

² The fifteen errors in the 445 inventory part numbers counted (with a total valuation of \$82,843) resulted in a sample error rate of 3.4%, which is within the range of 2.5% - 6.0% (i.e., the tolerable rate). Stated in another way, there is a 5% sampling risk that the actual total parts inventory error rate will vary outside of a range from 2.5% - 6.0%.

Summary

The random sample parts inventory error rate on December 3, 2004, was 3.4%.

Please contact Boyd Davis at extension 5384 if you have any questions.

Audit Performed By: Boyd Davis, In-charge Auditor
Gerry Dunning
Teri Lepe
Lisa Monteiro
Serena Ng
Maria Robledo

Attachments: Exhibit A
Exhibit B

c: Richard Bacigalupo
Robert Duffy
Virginia Abadessa
Wendy Hebein

Detail Differences by Individual Bus Base
For Part Numbers Randomly Selected by Computer Prior to Count
As Of December 3, 2004

EXHIBIT A

Part #	Description	Bin Location	Quantity			Average	Absolute	Comment
			Counted	MAPS	Difference	Unit Cost	Cost Difference	
<u>Garden Grove Base</u>								
1901	Transmission O-Ring	4E01AA	3	5	-2	\$1.21	\$2.41	Count difference
<i>Subtotal of Results — Garden Grove (1 error + 116 part numbers in sample = 0.9% error)</i>							\$2.41	1 count difference
<u>Anaheim Base</u>								
9735	Oil Cooler Gasket	6A02CAB	3	5	-2	\$8.61	\$17.22	Count difference
3122	Wheel Bearing	6F21C	0	1	-1	\$66.14	\$66.14	Count difference
2499	Interlock Valve	6H06D	7	1	6	\$53.86	⊗	Bin (location) difference. ‡
11260	Door Bumper	6I03C	19	22	-3	\$0.43	\$1.29	Count difference
11448	Run Sign	6J12CA	0	1	-1	\$189.10	⊗	Bin (location) difference. ⊗
17537	Valve O-Ring	6N08D	2	1	1	\$5.78	\$5.78	Count difference
16493	Bellows Floor	6UPS7B	2	4	-2	\$935.61	⊗	Bin (location) difference. ↔
<i>Subtotal of Results — Anaheim (7 errors + 134 part numbers in sample = 5.2% errors)</i>							\$90.43	4 count differences & 3 instances of parts misplaced to different bins.
<u>Irvine Base</u>								
3789	Steering Fitting	7Counter2DC	7	8	-1	\$0.82	\$0.82	Count difference. ¶
201	S-Cam Seal	7D18D	30	36	-6	\$0.49	\$2.92	Count difference
15240	Reservoir Gauge	7H05EB	7	8	-1	\$12.18	\$12.18	Count difference
2630	Anchor Pin	7RR11C	4	8	-4	\$1.30	\$5.18	Count difference
14035	Fuel Injector	7TT26F	15	16	-1	\$333.13	\$333.13	Count difference
2991	Muffler Strap	7UU08A	6	4	2	\$51.51	\$103.01	Count difference
19696	Window Sheet	7VV03F	9	7	2	\$36.31	\$72.62	Count difference
<i>Subtotal of Results — Irvine (7 errors + 195 part numbers in sample = 3.6% errors)</i>							\$529.86	7 count differences
Total Results — All Bases (15 errors + 445 items in sample = 3.4% error)							\$622.71	12 count differences & 3 instances of parts misplaced to different bins.

Tickmark (TM) Legend:

- ⊗ — Dollar difference not shown since part was located in an adjacent bin. However, bin quantity difference is included since the part was in a different location than MAPS reflects.
- ‡ — Six Interlock Valves (part # 2498) were found along with one Interlock Valve (part # 2499) in the blue container marked for part # 2499. These six parts should have been in the blue container marked for # 2498 on the same shelf. Valve # 2498 is used on 4100 series buses, while Valve # 2499 is used on 4200 series buses.
- ⊗ — One rebuilt Run Sign # 11448 was located in drawer row B (6J12CB), instead of in drawer row A (6J12CA) as shown in MAPS.
- ↔ — Two parts were located in bin location 6UPS7B as shown in MAPS, while the other two parts were located in bin 6UPS7C.
- ¶ — One Straight Fitting (part # 3794) was included in the drawer bin marked for the Steering Fitting (part # 3789). It should have been in the drawer bin immediately behind part # 3789.

Detail Differences by Individual Bus Base
For Part Numbers Judgmentally Selected by Auditor While on Storeroom Floor
As Of December 3, 2004

EXHIBIT B

Note: Since these samples were selected on a judgment basis, the results shown below are not statistically valid, nor are they included in the main report.

Part#	Description	Bin Location	Quantity			Average Unit Cost	Absolute Cost Difference	Comment
			Counted	MAPS	Difference			
<u>Garden Grove Base</u>								
<i>Subtotal of Results — Garden Grove (0 errors ÷ 10 part numbers in sample = no errors)</i>						\$0.00	No exceptions noted.	No exceptions noted in the judgment selected sample
<u>Anaheim Base</u>								
<i>Subtotal of Results — Anaheim (0 errors ÷ 10 part numbers in sample = no errors)</i>						\$0.00	No exceptions noted.	No exceptions noted in the judgment selected sample
<u>Irvine Base</u>								
3174	Tape Switch	7E14E	10	9	1	\$42.70	\$42.70	1 count difference
<i>Subtotal of Results — Irvine (1 error ÷ 10 part numbers in sample = 10% error)</i>						\$42.70	\$42.70	1 count difference
Total Results — All Bases (1 error ÷ 30 part numbers in sample = 3.3% errors)						\$42.70	\$42.70	1 count difference



BOARD COMMITTEE TRANSMITTAL

February 28, 2005

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board
Subject: June 30, 2004 Single Audit Reports

Finance and Administration Committee

February 9, 2005

Present: Directors Wilson, Duvall, Campbell and Correa
Absent: Directors Ritschel, Silva

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file these Single Audit Reports as an information item.



February 9, 2005

To: Finance and Administration Committee
From: Arthur T. Leahy, Chief Executive Officer
Subject: June 30, 2004 Single Audit Reports

Overview

The Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 require that all organizations receiving federal awards have an annual audit performed by an independent accounting firm to ensure internal control and compliance with laws, regulations, contracts and grants related to the financial statements and to the federal awards. The Single Audit Reports contain the results of the audit and, if appropriate, any related findings and recommendations, as well as staff's responses.

Recommendation

Receive and file these Single Audit Reports as an information item.

Background

The Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 (Single Audit Act) require that all organizations receiving federal awards have an annual audit performed by an independent accounting firm to ensure internal control and compliance with laws, regulations, contracts and grants related to the financial statements and to the federal awards.

Discussion

Macias, Gini and Company LLP (Macias), an independent accounting firm, performed the annual audit of the Orange County Transportation Authority's (OCTA) basic financial statements for the year ended June 30, 2004. In conjunction with its work, Macias, also performed the necessary procedures to issue separate reports in accordance with the Single Audit Act.

The agreements under which OCTA accepted federal awards for the fiscal year 2003-04, requires copies of these reports to be provided to the California Department of Transportation, the Federal Transit Administration, and various other agencies.

Included in the Single Audit Reports is Macias' report on internal control and compliance over the basic financial statements and its opinion on internal control and compliance over federal awards. The Single Audit Reports reported no material weaknesses in internal control and did not contain any compliance findings and recommendations.

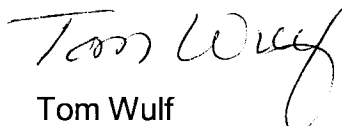
Summary

In conjunction with Macias, Gini and Company LLP's audit of the Orange County Transportation Authority's financial statements and the federal awards for the fiscal year 2003-04, necessary procedures were performed to prepare required Single Audit Reports for the same period in accordance with the Single Audit Act. The reports now need to be forwarded to appropriate state and federal agencies.

Attachment

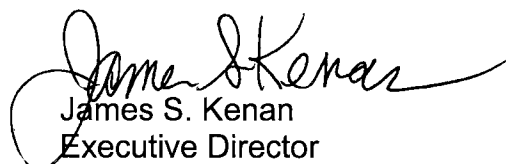
- A. Orange County Transportation Authority June 30, 2004 Single Audit Reports for the Year Ended June 30, 2004.

Prepared by:



Tom Wulf
Manager, Accounting and
Financial Reporting
(714) 560-5659

Approved by:



James S. Kenan
Executive Director
Finance, Administration and
Human Resources
(714) 560-5678

ORANGE COUNTY TRANSPORTATION AUTHORITY

Single Audit Reports

For the Year Ended June 30, 2004



MACIAS GINI & COMPANY_{LLP}

ORANGE COUNTY TRANSPORTATION AUTHORITY

For the Year Ended June 30, 2004

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Schedule of Findings and Questioned Costs	7



MACIAS GINI & COMPANY^{LLP}

515 S. Figueroa Street, Ste. 325
Los Angeles, California 90071

213.612.0200 PHONE
213.286.6426 FAX

**INDEPENDENT AUDITOR'S 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***

Board of Directors
Orange County Transportation Authority

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (Authority) as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 15, 2004. 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 Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 management, the Board of Directors, 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.

Maurer Fine & Company LLP

Certified Public Accountants

Los Angeles, California
December 16, 2004



MACIAS GINI & COMPANY^{LLP}

515 S. Figueroa Street, Ste. 325
Los Angeles, California 90071

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

Board of Directors
Orange County Transportation Authority

Compliance

We have audited the compliance of the Orange County Transportation Authority (Authority) 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 each of its major federal programs for the year ended June 30, 2004. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority management. Our responsibility is to express an opinion on the Authority'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 the Authority'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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority'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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud, that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Maecan Fine & Company LLP

Certified Public Accountants

Los Angeles, California
December 16, 2004

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2004

<u>Federal Grantor</u>	<u>Pass Through Grantor</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant/Pass Through Number</u>	<u>Expenditures</u>
Department of Transportation (DOT)- Federal Highway Administration	State of California- Department of Transportation	Highway Planning and Construction	20.205	IVH-9406(310)	\$ 483,255
DOT - Federal Transit Administration	Direct	Federal Transit- Capital Investment Grants (Cluster with CFDA No. 20.507)	20.500	None	1,782,206
DOT - Federal Transit Administration	Direct	Federal Transit- Formula Grants (Cluster with CFDA No. 20.500)	20.507	None	61,173,990
DOT - Federal Transit Administration	Direct	Federal Transit- Emergency Drills	20.CA40X008	None	50,000
Department of Health and Human Services	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	399,478
Total expenditures of federal awards					<u>\$ 63,888,929</u>

See Notes to Schedule of Expenditures of Federal Awards

ORANGE COUNTY TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2004

1. GENERAL

The Orange County Transportation Authority (Authority) 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 Authority's financial position or changes in financial position.

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards. The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards reports expenditures on the accrual basis of accounting. Accordingly, expenditures represent amounts incurred during the fiscal year, which meet federal grant eligibility requirements.

3. DEFINITION OF MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM

The Single Audit Act Amendments of 1996 defines major federal award programs based upon total federal expenditures of the grantee during the period reported and inherent risk of the programs audited. The Federal Transit – Capital Investment Grants (CFDA #20.500) and the Federal Transit – Formula Grants (CFDA #20.507) are considered to be major federal financial assistance programs for the year ended June 30, 2004. (See summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.)

4. RELATION TO FEDERAL FINANCIAL REPORTS

The accompanying amounts identified in the Schedule of Expenditures of Federal Awards agree to amounts reported in the respective federal financial reports.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2004

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Reportable condition identified that is not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Reportable conditions identified that is not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Continued

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2004

Section I-Summary of Auditor's Results (Continued)

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program</i>
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish
between type A and type B programs: \$1,916,668

Auditee qualified as low-risk auditee? X yes _____ no

Section II- Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

Section IV – Prior Year Findings

No matters were reported



BOARD COMMITTEE TRANSMITTAL

February 28, 2005

To: Members of the Board of Directors
WK by KW
From: Wendy Knowles, Clerk of the Board
Subject Second Quarter Fiscal Year 2004-05 Procurement Report

Finance and Administration Committee

February 9, 2005

Present: Directors Wilson, Duvall, Campbell and Correa
Absent: Directors Ritschel, Silva

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file as an information item.



February 9, 2005

To: Finance and Administration Committee
From: Arthur T. Leahy, Chief Executive Officer
Subject: Second Quarter Fiscal Year 2004-05 Procurement Report

Overview

The Second Quarter Procurement Report provides an update of the procurement activities for the fiscal year 2004-05, from July 1 through December 31, 2004. This report focuses on total dollars procured by each Orange County Transportation Authority division.

Recommendation

Receive and file as an information item.

Background

Staff has prepared a cumulative summary of all signed contracts and purchase orders completed July 1, 2004 through December 31, 2004 (Attachment A and Attachment B). The report represents both fixed assets and professional services that the Orange County Transportation Authority (OCTA) executed against authorized line items approved in the fiscal year (FY) 2004-05 budget.

Discussion

Through the second quarter of FY 2004-05, the OCTA Board of Directors (Board) approved \$396,085,214, in budget increases leading to a new FY 2004-05 fixed asset budget valued at \$467,069,214. The most significant increase of \$395,000,000, was for the Garden Grove Freeway (State Route 22) High Occupancy Vehicle (HOV) Lane Design-Build Project. OCTA has procured 26 fixed assets valued at \$410,280,515. The assets represent 88 percent of the total fixed asset budget.

The largest procurements during this quarter were for the State Route 22 HOV Lane Design-Build Project at \$391,129,000, and the Santa Ana Freeway (I-5) Far North right-of-way acquisition and utilities, at a cost of \$16,000,000. The

I-5 Far North project will widen, reconstruct and add HOV lanes from Riverside Freeway (SR-91) through Artesia Boulevard.

During this same period, the Board approved an increase in the professional services budget by \$800,000. This increase was for \$500,000, to market a general OCTA public awareness campaign for information dissemination regarding recent fare changes and ACCESS service delivery and \$300,000, was added to Project Management Consultant services for design oversight and Federal Transit Administration process support related to CenterLine. The new professional services budget for FY 2004-05 is valued at \$121,925,186. OCTA has procured 138 professional services valued at \$14,064,002, which represents 12 percent of the total professional services budget.

There were three large professional services procured during the second quarter. One was for right-of-way support services for the I-5 Far North, at a cost of \$1,500,000. Another was \$500,000, for right-of-way environmental services for the Bristol Street widening project. The third was a cost of \$1,300,000, to exercise the option year on the contract with Alta Resources to operate the Customer Information Center which provides call-taking services for OCTA's range of transportation services and options for Orange County commuters.

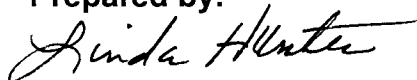
Summary

This report provides an update of the procurement activities for the fiscal year 2004-05, from July 1 through December 31, 2004. Staff recommends this report be received and filed as an information item.

Attachments

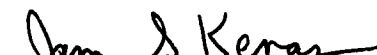
- A. Second Quarter Fixed Assets, Purchased by Line Item, July 1, 2004 through December 31, 2004.
- B. Second Quarter Professional Services, Purchased by Line Item, July 1, 2004 through December 31, 2004.

Prepared by:



Linda Hunter
Senior Financial Analyst
(714) 560-5625

Approved by:



James S. Kenan
Executive Director,
Finance, Administration
and Human Resources
(714) 560-5678

ATTACHMENT A

**SECOND QUARTER FIXED ASSETS
Purchased by Line Item
July 1, 2004 through December 31, 2004**

	Description of Line Item	Line Item Total	Amount Purchased
FINANCE, ADMINISTRATION, AND HUMAN RESOURCE DIVISION			
INFORMATION SYSTEMS TECHNICAL SERVICES	TELECOMMUNICATIONS SYSTEMS UPGRADE	\$70,000	\$45,196
INFORMATION SYSTEMS TECHNICAL SERVICES	DATA CENTER HARDWARE/SOFTWARE	60,000	27,840
INFORMATION SYSTEMS TECHNICAL SERVICES	HEWLETT PACKARD PROLIANT SERVERS	60,000	26,416
INFORMATION SYSTEMS TRANSIT ASSETS	TELECOMMUNICATIONS SYSTEM - SANTA ANA BASE	174,963	174,963
ACCOUNTING TRANSIT ASSETS	PAYROLL SOFTWARE-POST IMPLEMENTATION SUPPORT	400,000	250,000
	DIVISION TOTAL	\$764,963	\$524,415
TRANSPORTATION SYSTEMS DEVELOPMENT DIVISION			
LOCAL TRANSPORTATION AUTHORITY	FREEWAY SERVICE PATROL TOW SERVICES FOR THE GARDEN GROVE FREEWAY	\$500,000	\$500,000
LOCAL TRANSPORTATION AUTHORITY	GARDEN GROVE FREEWAY DESIGN/BUILD PROJECT POLICE & TRAFFIC ENGINEERING	250,000	100,000
LOCAL TRANSPORTATION AUTHORITY	PACIFIC ELECTRIC RIGHT-OF-WAY LANDSCAPE - CONSTRUCTION	75,000	25,812
LOCAL TRANSPORTATION AUTHORITY	SANTA ANA FREEWAY FAR NORTH RIGHT-OF-WAY ACQUISITION	20,000,000	15,000,000
LOCAL TRANSPORTATION AUTHORITY	SANTA ANA FREEWAY FAR NORTH RIGHT-OF-WAY UTILITIES	1,500,000	1,000,000
LOCAL TRANSPORTATION AUTHORITY	SANTA ANA FREEWAY FAR NORTH CONSTRUCTION MGMT	200,000	200,000
LOCAL TRANSPORTATION AUTHORITY	GARDEN GROVE FREEWAY HIGH OCCUPANCY VEHICLE LANE DESIGN-BUILD PROJECT	395,081,000	391,129,000
ENGINEERING	CONSTRUCTION MANAGEMENT - SANTA ANA BASE	550,000	5,000
ENGINEERING	SANTA ANA BASE CONSTRUCTION - CHANGE ORDERS	2,000,000	224,104
ENGINEERING	AMERICANS DISABILITIES ACT MODIFICATIONS - ALL BASES-CHANGE ORDERS	125,000	50,647
ENGINEERING	AMERICANS DISABILITIES ACT BUS STOP MODIFICATIONS - CONSTRUCTION	3,850,000	282,765
	DIVISION TOTAL	\$424,131,000	\$408,517,329
OPERATIONS DIVISION			
CONTRACT TRANSPORTATION SERVICES ADMINISTRATION	FIRE DETECTORS ON NATURAL GAS BUSES	\$579,251	\$579,251
CENTRAL COMMUNICATIONS	CONSULTING INTEGRATED TRANSPORTATION COMMUNICATION SYSTEM PROJECT	200,000	50,000
TRANSIT OPERATIONS-TRANSIT TECH SERVICE	TEST ALTERNATIVE NATURAL GAS SYSTEMS	100,000	87,500
TRANSIT OPERATIONS-TRANSIT TECH SERVICE	TRAVEL FOR 96 PARATRANSIT BUSES	75,000	75,000
TRANSIT SECURITY	FULL SIZED SHERIFF SEDANS	70,000	52,430
FACILITIES MAINTENANCE	VACUUM PUMP AND MASPECTROMETER	150,000	149,126
FACILITIES MAINTENANCE	PAN AND TILT CAMERA ISSUES	1,500	1,500
MAINTENANCE RESOURCE MANAGEMENT	FIELD OPERATIONS SEDANS	140,000	103,964
SAN DIEGO FREEWAY/COSTA MESA FREEWAY TRANSITWAY CAPITAL PROJECT	SAN DIEGO FREEWAY/COSTA MESA FREEWAY MINIMUM OPERATING SEGMENT-1 INSPECTIONS	140,000	140,000
	DIVISION TOTAL	\$1,455,751	\$1,238,772
	GRAND TOTAL	\$426,351,714	\$410,280,515
	TOTAL FIXED ASSET BUDGET FOR FISCAL YEAR 2004-05	\$467,069,214	
	BUDGET REMAINING:	\$56,788,699	
	PERCENT OF ANNUAL BUDGET SPENT TO DATE:	88%	

SECOND QUARTER PROFESSIONAL SERVICES

Purchased by Line Item

July 1, 2004 through December 31, 2004

		Purchased Line Item Total	Amount Purchased
EXECUTIVE DIRECTOR DIVISION			
CLERK OF THE BOARD	COURT REPORTING SERVICES	\$5,000	\$4,405
ORANGE COUNTY TRANSIT DISTRICT - SAFETY	BUS WASH CLARIFIER REGULATORY UPDATE	40,000	4,965
ORANGE COUNTY TRANSIT DISTRICT - SAFETY	COACH OPERATOR HEALTH PROMOTIONS	20,000	16,400
ORANGE COUNTY TRANSIT DISTRICT - SAFETY	FITNESS CENTER STAFFING	80,000	44,000
SAFETY AND ENVIRONMENTAL COMPLIANCE	HEALTH AND WELLNESS	10,000	6,000
SAFETY AND ENVIRONMENTAL COMPLIANCE	OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION		
SAFETY AND ENVIRONMENTAL COMPLIANCE	COMPLIANCE	32,500	10,355
SAFETY AND ENVIRONMENTAL COMPLIANCE	WELLNESS PROGRAM	20,000	2,764
SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	ADMINISTRATIVE AND SAFE SUPPORT CONSULTANT	100,000	75,000
SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	FREEWAY SERVICE PATROL TOW TRUCK SERVICES	3,300,000	2,767,438
SERVICE AUTHORITY FOR ABANDONED VEHICLES	SUPPORT CONSULTANT	50,000	25,000
RIVERSIDE FREEWAY	GENERAL AUDITING SERVICES	50,000	15,000
RIVERSIDE FREEWAY	CONSULTANT FOR FINANCIAL ADVISORY SVCS	24,000	24,000
RIVERSIDE FREEWAY	CONSULTANT FOR OPERATIONAL AND TECHNICAL SUPPORT	150,000	150,000
RIVERSIDE FREEWAY	CONSULTANT FOR TRAFFIC AND REVENUE STUDY/ANALYSIS	200,000	200,000
RIVERSIDE FREEWAY	ENGINEERING TECH SUPPORT AND PROJECT MANAGEMENT	100,000	99,995
RIVERSIDE FREEWAY	PAVEMENT MANAGEMENT REPORT	40,000	22,798
RIVERSIDE FREEWAY	GRAPHIC DESIGN AND COPYWRITING	30,000	15,000
	DIVISION TOTAL	\$4,251,500	\$3,483,120
FINANCE, ADMINISTRATION, AND HUMAN RESOURCES DIVISION			
EXECUTIVE DIRECTOR FINANCE, ADMINISTRATION AND HUMAN RESOURCES	MANAGEMENT STUDIES	\$25,000	\$2,000
CENTRAL COUNTING FACILITY	ARMORED CAR SERVICE	265,000	4,350
CENTRAL COUNTING FACILITY	COIN PROCESSING/COUNTING	275,000	75,000
FINANCIAL PLANNING AND ANALYSIS	ECONOMIC ADVISORY SERVICES	15,000	580
CONTRACTS ADMINISTRATION AND MATERIALS MANAGEMENT	PUBLIC WORKS, LABOR COMPLIANCE CONSULTANT	85,000	85,000
CONTRACTS ADMINISTRATION AND MATERIALS MANAGEMENT	ONLINE PUBLIC WORKS BIDDING SERVICE	7,500	7,500
CONTRACTS ADMINISTRATION AND MATERIALS MANAGEMENT	SMALL BUSINESS CONFERENCE & VENDOR FAIR	103,000	67,060
MATERIALS MANAGEMENT ADMINISTRATION	FREIGHT TRANSPORT SERVICES	40,250	40,000
INFORMATION SYSTEMS ADMINISTRATION	MAINTENANCE, ACCOUNTING AND PURCHASING SYSTEM REPLACEMENT ASSISTANCE	140,000	140,000
INFORMATION SYSTEMS ADMINISTRATION	TECHNOLOGY ADVISORY SERVICES	20,000	8,100
INFORMATION SYSTEMS APPLICATION DEVELOPMENT	ORACLE/SPECIALIZED CONSULTING	185,000	50,000
INFORMATION SYSTEMS APPLICATION DEVELOPMENT	OUTSOURCED DEVELOPMENT SERVICES	445,000	100,000
INFORMATION SYSTEMS APPLICATION DEVELOPMENT	TECHNICAL CONSULTING SUPPORT	30,000	30,000
INFORMATION SYSTEMS TECHNICAL SERVICES	DISASTER RECOVERY "HOT SITE" SERVICES	50,000	50,000
BUSINESS SUPPORT SERVICES	END USER COMPUTER SOFTWARE TRAINING	42,000	6,447
BUSINESS SUPPORT SERVICES	OPERATIONAL PROJECT MGMT SERVICES	50,000	2,600
BUSINESS SUPPORT SERVICES	TECHNICAL RESOURCE SUPPORT FOR PROJECTS	110,000	27,485
GENERAL SERVICES	OFFICE EQUIPMENT/RELOCATION SERVICES	12,000	12,000

		Purchased Line Item Total	Amount Purchased
Description of Line Item			
INTERNAL SERVICE FUND - PUBLIC LIABILITY AND PROPERTY DAMAGE	INSURANCE BROKER FEE	50,000	45,000
INTERNAL SERVICE FUND - WORKERS COMP	THIRD PARTY ADMINISTRATION - SELF-INSURED WORKER'S COMPENSATION	242,500	122,000
INTERNAL SERVICE FUND - HEALTH (COACH)	ADMINISTRATION FEE FOR VISION SERVICE PLAN	31,000	30,000
TRAINING AND DEVELOPMENT - ADMINISTRATION	CONFLICT RESOLUTION AND COMMUNICATION SKILLS	16,000	10,018
TRAINING AND DEVELOPMENT - ADMINISTRATION	LEADERSHIP TRAINING - OPERATIONS	18,000	7,800
TRAINING AND DEVELOPMENT - ADMINISTRATION	TIME MANAGEMENT AND EFFICIENCY TRAINING	6,000	5,708
TRAINING AND DEVELOPMENT - ADMINISTRATION	CONSULTANT SERVICES	9,000	3,000
TRAINING AND DEVELOPMENT - RIDESHARE	ANNUAL VEHICLE RIDERSHIP SURVEYS	6,000	6,000
TRAINING AND DEVELOPMENT - RIDESHARE	COMMUTER CLUB SYSTEM SUPPORT AND MAINTENANCE	2,000	600
COMPENSATION AND EMPLOYMENT	COMPENSATION CONSULTING SERVICES	25,000	3,818
EMPLOYMENT	PRE-EMPLOYMENT BACKGROUND CHECKS	60,000	60,000
BENEFITS	DEPARTMENT OF MOTOR VEHICLES MEDICAL RECERTIFICATIONS / ALCOHOL/DRUG TESTING/ PHYSICALS	105,000	105,000
RISK MANAGEMENT	INVESTIGATIVE SERVICES	5,500	5,500
RISK MANAGEMENT	PROPERTY DAMAGE APPRAISERS	3,000	2,500
	DIVISION TOTAL	\$2,478,750	\$1,115,065
LABOR RELATIONS / CIVIL RIGHTS DIVISION			
EXECUTIVE DIRECTOR LABOR RELATIONS AND CIVIL RIGHTS	DISADVANTAGED BUSINESS ENTERPRISE VENDOR CERTIFICATION AND COMPLIANCE	\$100,000	\$99,069
	DIVISION TOTAL	\$100,000	\$99,069
TRANSPORTATION SYSTEMS DEVELOPMENT DIVISION			
LOCAL TRANSPORTATION AUTHORITY	ENVIRONMENTAL SERVICES	\$425,000	\$310,714
LOCAL TRANSPORTATION AUTHORITY	SANTA ANA FREEWAY FAR NORTH RIGHT-OF-WAY SUPPORT SERVICES	1,655,000	1,500,000
LOCAL TRANSPORTATION AUTHORITY	COMBINED TRANSPORTATION FUNDING PROGRAMS		
	PAYMENT REQUEST REVIEWS	75,000	35,000
LOCAL TRANSPORTATION AUTHORITY	GEOGRAPHIC INFORMATION SYSTEMS TECHNICAL STAFF SUPPORT	115,000	115,000
LOCAL TRANSPORTATION AUTHORITY	HEAVY DUTY TRUCK	50,000	49,980
LOCAL TRANSPORTATION AUTHORITY	ADVISORY SERVICES TO SECURE FULL FUNDING		
	CONTRACTS	150,000	80,000
LOCAL TRANSPORTATION AUTHORITY	TRANSPORTATION MODELING SUPPORT	430,000	428,836
LOCAL TRANSPORTATION AUTHORITY	COLOR COPIES	10,000	10,000
LOCAL TRANSPORTATION AUTHORITY	GRAPHIC DESIGN	80,000	34,000
LOCAL TRANSPORTATION AUTHORITY	PHOTOGRAPHERS	20,000	10,000
LOCAL TRANSPORTATION AUTHORITY	TRANSLATION	2,000	2,000
LOCAL TRANSPORTATION AUTHORITY	TRANSLATION	2,500	2,500
LOCAL TRANSPORTATION AUTHORITY	MAINTENANCE OF OCTA-OWNED EXCESS LAND - ANAHEIM / ORANGE/ BUENA PARK	95,000	95,000
CENTERLINE	RIGHT-OF-WAY ENVIRONMENTAL SERVICES	1,250,000	500,000
CENTERLINE	FEDERAL TRANSIT ADMINISTRATION COMPLIANCE	30,000	29,820
CENTERLINE	PROJECT MANAGEMENT	1,400,000	1,400,000
CENTERLINE	FINAL ENVIRONMENTAL IMPACT STUDY	300,000	100,000
CENTERLINE	GEOGRAPHIC INFORMATION SYSTEMS TECHNICAL STAFF SUPPORT	50,000	50,000
CENTERLINE	VIDEOGRAPHY	50,000	33,333
CENTERLINE	COLOR COPIES	5,000	5,000
CENTERLINE	COLOR COPIES AND MOUNTING	10,000	2,000
CENTERLINE	GRAPHIC DESIGN	60,000	50,000
CENTERLINE	PHOTOGRAPHERS	40,000	5,000
CENTERLINE	TRANSLATION	3,000	3,000
CURE ORANGE CTY//INLND EMP	RIGHT OF WAY FILE AUDIT REVIEW SERVICE	150,000	2,500
CURE ORANGE CTY//INLND EMP	COMMUTER RAIL SUPPORT	300,000	300,000
CAPITAL PLANNING AND GRANT MANAGEMENT	REGIONAL FUNDING PROGRAM MANAGEMENT SUPPORT	50,000	7,015

		Purchased Line Item Total	Amount Purchased
LONG RANGE PLANNING	LONG RANGE TRANSPORTATION MASTER PLAN	165,000	100,000
LONG RANGE PLANNING	TECHNICAL AND COORDINATION SUPPORT	165,000	154,800
LONG RANGE PLANNING	TOLL ROAD CAPACITY EVALUATION	200,000	100,000
PROJECT PLANNING	NORTH ORANGE COUNTY PROJECT DEFINITION STUDY	100,000	14,700
ENGINEERING	PACIFIC ELECTRIC RIGHT-OF-WAY MAINTENANCE	100,000	29,800
ENGINEERING	CONTAMINATED SOIL REMEDIATION	60,000	300
TRANSIT PLAN/TRANSIT ASST	GEOGRAPHIC INFORMATION SYSTEM TECHNICAL STAFF SUPPORT	185,000	115,000
SAN DIEGO FRWY / COSTA MESA FRWY TRANSITWAY CAPITAL PROJECT	BRIDGE REPAIR SERVICES	60,000	60,000
	DIVISION TOTAL	\$7,842,500	\$5,735,299
PUBLIC COMMUNICATIONS & MARKETING DIVISION			
MEDIA RELATIONS	AUDIO VISUAL REPORTING SERVICES	\$7,500	\$7,500
MEDIA RELATIONS	CLIPPING SERVICE	6,000	6,000
MEDIA RELATIONS	TV REPORTING SERVICE	50,000	23,000
MARKETING AND CUSTOMER RELATIONS	DESIGN ORANGE COUNTY TRANSPORTATION AUTHORITY ANNUAL REPORT	25,000	24,990
MARKETING AND CUSTOMER RELATIONS	NEW RESIDENT PROGRAM	75,000	4,000
MARKETING AND CUSTOMER RELATIONS	VIDEOGRAPHY	5,000	250
MARKETING AND CUSTOMER RELATIONS	COLOR COPIES AND MOUNTING	8,000	8,000
MARKETING AND CUSTOMER RELATIONS	GRAPHIC DESIGN SERVICE	79,000	30,000
MARKETING AND CUSTOMER RELATIONS	PHOTOGRAPHERS	8,000	8,000
MARKETING AND CUSTOMER RELATIONS	TRANSLATION SERVICE	4,000	4,000
MARKETING & CUSTOMER RELATIONS	TRANSIT MARKETING PROGRAM	425,000	425,000
MARKETING & CUSTOMER RELATIONS	BUS BOOK GRAPHIC DESIGN SERVICE	300,000	300,000
MARKETING & CUSTOMER RELATIONS	COLOR COPYING & MOUNTING	50,000	20,478
MARKETING & CUSTOMER RELATIONS	FILM AND TYPESETTING	5,000	275
MARKETING & CUSTOMER RELATIONS	GRAPHIC DESIGN SERVICE	34,500	30,000
MARKETING & CUSTOMER RELATIONS	PHOTOGRAPHERS	20,000	10,000
MARKETING & CUSTOMER RELATIONS	TAPE DUPLICATION	10,500	7,000
MARKETING & CUSTOMER RELATIONS	TRANSLATION	4,000	4,000
STATE GOVERNMENT RELATIONS	STATE LOBBYIST CONTRACT	339,984	339,984
CUSTOMER RELATIONS	MAILHOUSE - BETWEEN THE LINES NEWSLETTER	5,000	5,000
OCTD CUSTOMER RELATIONS	CUSTOMER INFORMATION CENTER	1,300,000	1,300,000
RIDESHARE	DATABASE MANAGEMENT BY RIVERSIDE COUNTY TRANSPORTATION COMMISSION	70,000	70,000
RIDESHARE	DATA ENTRY SERVICE	9,000	8,430
RIDESHARE	GRAPHIC DESIGN	10,000	10,000
RIDESHARE	MOUNTING AND COLOR COPIES	2,000	905
RIDESHARE	PHOTOGRAPHY	1,000	1,000
PUBLIC COMMUNICATIONS	PUBLIC OPINION POLL	50,000	40,000
PUBLIC COMMUNICATIONS	VIDEO SERVICE	25,000	16,667
PUBLIC COMMUNICATIONS	COLOR COPIES	8,500	5,123
PUBLIC COMMUNICATIONS	GRAPHIC DESIGN	61,000	45,000
PUBLIC COMMUNICATIONS	PHOTOGRAPHY	7,500	7,500
PUBLIC COMMUNICATIONS	TRANSLATION	10,000	10,000
	DIVISION TOTAL	\$3,015,484	\$2,772,102
OPERATIONS DIVISION			
TRANSIT OPERATIONS - ALTERNATE FUEL	PROFESSIONAL FLEET TECHNICAL SUPPORT	\$25,000	\$2,995
BUS OPERATIONS ADMINISTRATION	UNDERCOVER INVESTIGATORS / EVALUATORS	50,000	35,600
COMMUNITY TRANSPORTATION SERVICES	ACCESS - AMERICANS DISABILITIES ACT CERTIFICATIONS	510,000	510,000
COMMUNITY TRANSPORTATION SERVICES	ACCESS - PERFORMANCE MONITORING	112,000	50,767
COMMUNITY TRANSPORTATION SERVICES	ACCESS - TRAPEZE MAP UPGRADE	15,000	15,000
COMMUNITY TRANSPORTATION SERVICES	WORKPLAN DEVELOPMENT & IMPLEMENTATION	15,000	15,000
COMMUNITY TRANSPORTATION SERVICES	MAIL HOUSE - POSTAGE AND STUFFING	50,000	60

	Description of Line Item	Purchased Line Item Total	Amount Purchased
FACILITIES MAINTENANCE	HAZARDOUS WASTE DISPOSAL SERVICES	161,000	96,700
FACILITIES MAINTENANCE	LAMINATING SERVICES	5,000	5,000
FACILITIES MAINTENANCE	PEST CONTROL SERVICES	10,000	10,000
FACILITIES MAINTENANCE	RUBBISH COLLECTION SERVICES	65,000	41,500
FACILITIES MAINTENANCE	TREE PRUNING SERVICES	25,000	25,000
FACILITIES MAINTENANCE	UNDERGROUND TANK TESTING	50,000	50,000
FACILITIES MAINTENANCE	WASTE OIL REMOVAL SERVICES	1,725	1,725
	DIVISION TOTAL	\$1,094,725	\$859,348
	GRAND TOTAL	\$18,782,959	\$14,064,002
TOTAL PROFESSIONAL SERVICES BUDGET FOR FISCAL YEAR 2004/05		\$121,925,186	
	BUDGET REMAINING:	\$107,861,184	
	PERCENT OF ANNUAL BUDGET SPENT TO DATE:	12%	



BOARD COMMITTEE TRANSMITTAL

February 28, 2005

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board *W.K. by RW*
Subject: Annual Investment Policy Update

Finance and Administration Committee

February 9, 2005

Present: Directors Wilson, Duvall, Campbell and Correa
Absent: Directors Ritschel, Silva

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Adopt the 2005 Annual Investment Policy.



February 9, 2005

To: Finance and Administration Committee
From: Arthur T. Leahy, ^{AL} Chief Executive Officer
Subject: Annual Investment Policy Update

Overview

The Treasurer has revised the Orange County Transportation Authority's Annual Investment Policy for 2005. The Annual Investment Policy sets forth the investment guidelines for all funds invested on and after March 1, 2005. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Annual Investment Policy to be reviewed at a public meeting.

Recommendation

Adopt the 2005 Annual Investment Policy.

Background

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

The Policy is reviewed and approved by the Board of Directors (Board) at least annually. However, relevant changes to the California Government Code may warrant amendments to the Policy throughout the year.

Discussion

The 2005 Policy is being submitted for review and adoption by the Board. Treasury department staff met with representatives from the Authority's financial advisory firm and investment management firms to evaluate the effectiveness of the Policy and address any potential changes for 2005. There

were no legislative changes to Section 53601 of the Government Code during the past year requiring updates or amendments to the Policy.

Some of the investment managers proposed procedural changes to the Policy. This included lowering the minimum credit rating on Corporate Medium Term Notes, to match the Government Code, from a generic "AA" rating to "A" in an effort to increase the number of corporations that qualify as permitted investments. An additional recommendation supported by each of the investment managers was to allow the Authority to purchase securities issued by companies on Negative Credit Watch. After carefully assessing the additional risk associated with a less restrictive policy, the Treasurer has elected to maintain a conservative position and continue enforcing the policy in its current form.

There was, however, language clarification that neither conflicts with the Government Code, nor affects the conservative position of the Authority. On page 9, Section 17 Variable and Floating Rate Securities, language was removed that specified particular types of securities. This change is more reflective of the Government Code. By permitting the Authority to invest in all fixed income sectors that issue variable and floating rate securities, greater diversification can be achieved. Purchases of variable and floating rate securities shall be permitted if, and only if, each security meets the appropriate credit rating and maturity restrictions currently detailed in the Policy.

Summary

California Government Code Section 53646(a)(2) recommends that local agencies annually review their Annual Investment Policy at a public meeting. The Treasurer is submitting an update to the Orange County Transportation Authority's Annual Investment Policy for approval by the Board of Directors.

Attachments

- A. Orange County Transportation Authority 2005 Annual Investment Policy February 28, 2005
- B. Black-line Copy of Orange County Transportation Authority 2005 Annual Investment Policy February 28, 2005

Prepared by:



Kirk Avila
Treasurer
Treasury/Public Finance
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Approved by:



James S. Kenan
Executive Director,
Finance, Administration
and Human Resources
(714) 560-5678

Orange County Transportation Authority
2005 Annual Investment Policy
February 28, 2005

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after March 1, 2005. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

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

II. OBJECTIVES

1. **Safety of Principal** -- Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.
2. **Liquidity** -- Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
3. **Total Return** -- The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and

Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

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

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

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

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's Director of Finance as Treasurer on August 11, 1997. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

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

are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting pursuant to Section 53646 (2) of the Code.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code.

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

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses a nationally recognized fixed income security performance benchmark to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

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

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

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

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. Securities which are currently under "Negative

Credit Watch” by any of the three nationally recognized rating services (Standard and Poor’s Corporation, Moody’s Investor Service, and Fitch Ratings) are not eligible securities under this Policy. If an eligible security already contained in the Authority’s portfolio is subsequently placed on “Negative Credit Watch” by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

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

2) U.S. Treasuries

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

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

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

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

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board,

agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

- A. are eligible for purchase by the Federal Reserve System, and
- B. are rated by at least two of the nationally recognized rating services with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and
- C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

- A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and
- B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the nationally recognized rating services with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

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

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

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted.

9) Medium Term Maturity Corporate Securities

Corporate securities which:

- A. are rated AA- or better by Standard & Poor's, Aa3 or better by Moody's or AA- by Fitch or an equivalent rating by a nationally recognized rating service.
- B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

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

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

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

- A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.
- B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

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

- A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.
- B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

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

- A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and
- B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a nationally recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

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

- A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or
- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or
- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

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

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

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code.

15) Orange County Treasury Investment Pool (OCIP)

Investments in the OCIP shall be limited to only those funds which are legally mandated to be deposited in the County Treasury and shall be transferred to the OCTA Treasury as soon as legally authorized. OCTA has no control over how the funds in OCIP are invested.

16) California Arbitrage Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest nationally recognized rating services.

17) Variable and Floating Rate Securities

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

18) Bank Deposits

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

19) Derivatives

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

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

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

Rating Downgrades

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

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

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

<u>Instruments</u>	<u>At All Times Maximum % Portfolio</u>
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury coupon and principal STRIPS)....	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total).....	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	\$40mm maximum per entity
14) OCIP	legally mandated limit
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

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

XI. SECURITIES SAFE KEEPING

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

XII. BROKER DEALERS

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

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

XIII. DEFINITION OF TERMS

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

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

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

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

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

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

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

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to

payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

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

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

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

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

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

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

MARKET VALUE: The current market price of a security.

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

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

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

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

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

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

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

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

NEGOTIABLE CD: (See Certificates of Deposit)

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

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

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

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

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

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

PORTFOLIO: A group of securities held by an investor.

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

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

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

PURCHASE DATE: See (Trade Date)

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

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

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

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

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

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

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

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Orange County Transportation Authority

20045 Annual Investment Policy

February ~~23~~ February 28, 2004~~2005~~

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after ~~February-March 124, 2004~~2005. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

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

II. OBJECTIVES

1. **Safety of Principal** -- Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.
2. **Liquidity** -- Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
3. **Total Return** -- The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and

Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

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

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

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

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's Director of Finance as Treasurer on August 11, 1997. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

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

are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting pursuant to Section 53646 (2) of the Code.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code.

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

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses a nationally recognized fixed income security performance benchmark to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

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

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

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

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. Securities which are currently under "Negative

Credit Watch” by any of the three nationally recognized rating services (Standard and Poor’s Corporation, Moody’s Investor Service, and Fitch Ratings) are not eligible securities under this Policy. If an eligible security already contained in the Authority’s portfolio is subsequently placed on “Negative Credit Watch” by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

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

2) U.S. Treasuries

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

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

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

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

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board,

agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

- A. are eligible for purchase by the Federal Reserve System, and
- B. are rated by at least two of the nationally recognized rating services with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and
- C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

- A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and
- B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the nationally recognized rating services with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

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

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

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted.

9) Medium Term Maturity Corporate Securities

Corporate securities which:

- A. are rated AA- or better by Standard & Poor's, Aa3 or better by Moody's or AA- by Fitch or an equivalent rating by a nationally recognized rating service.
- B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

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

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

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

- A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.
- B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

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

- A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.
- B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

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

- A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and
- B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a nationally recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

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

- A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or
- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or
- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

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

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

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code.

15) Orange County Treasury Investment Pool (OCIP)

Investments in the OCIP shall be limited to only those funds which are legally mandated to be deposited in the County Treasury and shall be transferred to the OCTA Treasury as soon as legally authorized. OCTA has no control over how the funds in OCIP are invested.

16) California Arbitrage Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest nationally recognized rating services.

17) Variable and Floating Rate Securities

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

18) Bank Deposits

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

19) Derivatives

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

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

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

Rating Downgrades

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

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

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

<u>Instruments</u>	<u>At All Times Maximum % Portfolio</u>
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury coupon and principal STRIPS)....	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total).....	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	\$40mm maximum per entity
14) OCIP	legally mandated limit
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

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

XI. SECURITIES SAFE KEEPING

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

XII. BROKER DEALERS

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

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

XIII. DEFINITION OF TERMS

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

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

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

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

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

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

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

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to

payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

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

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

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

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

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

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

MARKET VALUE: The current market price of a security.

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

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

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

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

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

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

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

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

NEGOTIABLE CD: (See Certificates of Deposit)

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

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

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

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

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

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

PORTFOLIO: A group of securities held by an investor.

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

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

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

PURCHASE DATE: See (Trade Date)

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

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

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

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

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

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

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

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



February 28, 2005

To: Members of the Board of Directors
From: Arthur T. Leahy, ^{AL} Chief Executive Officer
Subject: 91 Express Lanes December 2004 Status Report

Overview

The 91 Express Lanes Status Report for the period ending December 31, 2004, is provided for Orange County Transportation Authority Board of Directors' review. The report provides toll road traffic volume, revenue, financial performance, operations, maintenance, and communications information.

Recommendation

Receive and file the 91 Express Lanes Status Report for the period ending December 31, 2004.

Background

The December 2004 Status Report for the 91 Express Lanes is provided in Attachment A. The report has sections highlighting operations, financial data, and external communications. Total traffic volume and gross potential revenue for December continue to outperform the 2003 figures. Monthly trips were up 11.1 percent over the same period in 2003 with gross potential toll revenue increasing 17.3 percent as compared to the prior year.

Summary

The 91 Express Lanes December 2004 Status Report is submitted for Orange County Transportation Authority Board of Directors' review. The report includes Express Lanes' traffic, revenue, financial performance, operations, maintenance, and external communications data.

Attachment

A. 91 Express Lanes Status Report – As of December 31, 2004.

Prepared by:



Ellen Lee
Senior Transportation Analyst
(714) 560-5644

Approved by:



Paul C. Taylor, P.E.
Executive Director, Planning
Development and Commuter Services
(714) 560-5431



Orange County Transportation Authority

The logo for the 9 Express Lanes program features a large, bold, black number "9" with a white outline. To the right of the "9", the words "Express" and "Lanes" are stacked vertically in a bold, black, sans-serif font.

**9 Express
Lanes**
Status Report
December 2004

As of December 31, 2004

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Operations Overview

Traffic and Revenue Statistics, Maintenance, and Customer Service

Traffic and Revenue Statistics

Month of December 2004

1. Traffic volume on the 91 Express Lanes increased 11.1 percent over the same period in 2003.
2. Potential toll revenue increased 17.3 percent from the same period last year.
3. Potential toll revenue per trip improved 5.5 percent over the same period last year.

Traffic & Revenue – December 2004

Trips	Dec-04 Month To Date Actual	Volmer Month To Date Projected	# Variance	% Variance	Dec-03 Month To Date Actual	Yr-to-Yr % Variance
Full Toll Lanes	831,517	760,229	71,288	9.4%	754,311	10.2%
3+ Lanes	219,553	209,757	9,796	4.7%	191,944	14.4%
Total	1,051,070	969,986	81,084	8.4%	946,255	11.1%
Revenue						
Full Toll Lanes	\$2,596,995	\$2,360,400	\$236,595	10.0%	\$2,209,527	17.5%
3+ Lanes	\$45,006	\$45,129	(\$123)	(0.3%)	\$42,417	6.1%
Total	\$2,642,001	\$2,405,529	\$236,472	9.8%	\$2,251,944	17.3%
Revenue Per Trip						
Full Toll Lanes	\$3.12	\$3.10	\$0.02	0.6%	\$2.93	6.5%
3+ Lanes	\$0.20	\$0.22	(\$0.02)	(9.1%)	\$0.22	(9.1%)
Total	\$2.51	\$2.48	\$0.03	1.2%	\$2.38	5.5%

Fiscal Year-to-Date (YTD) – As of December 31, 2004

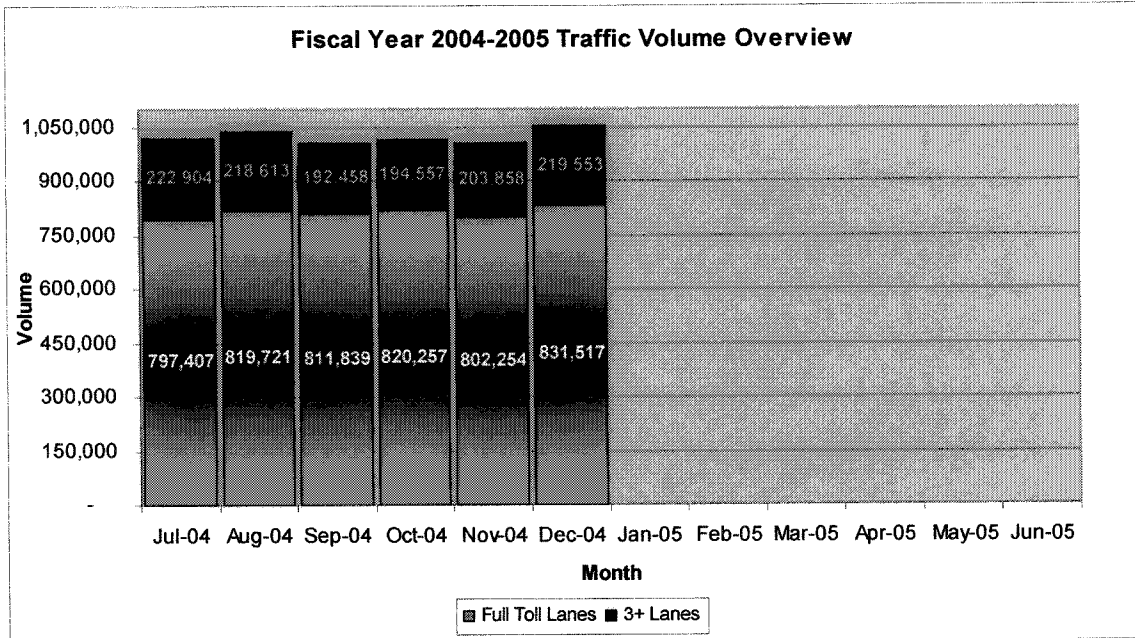
1. Total fiscal YTD toll lane trips were up 10.7 percent over the same period as last year.
2. Fiscal YTD potential toll revenue was up 16.5 percent from 2003.
3. Overall, fiscal YTD potential toll revenue per trip improved 5.4 percent over the same period last year.

Fiscal 2004-2005 Year-To-Date Traffic & Revenue as of December 31, 2004

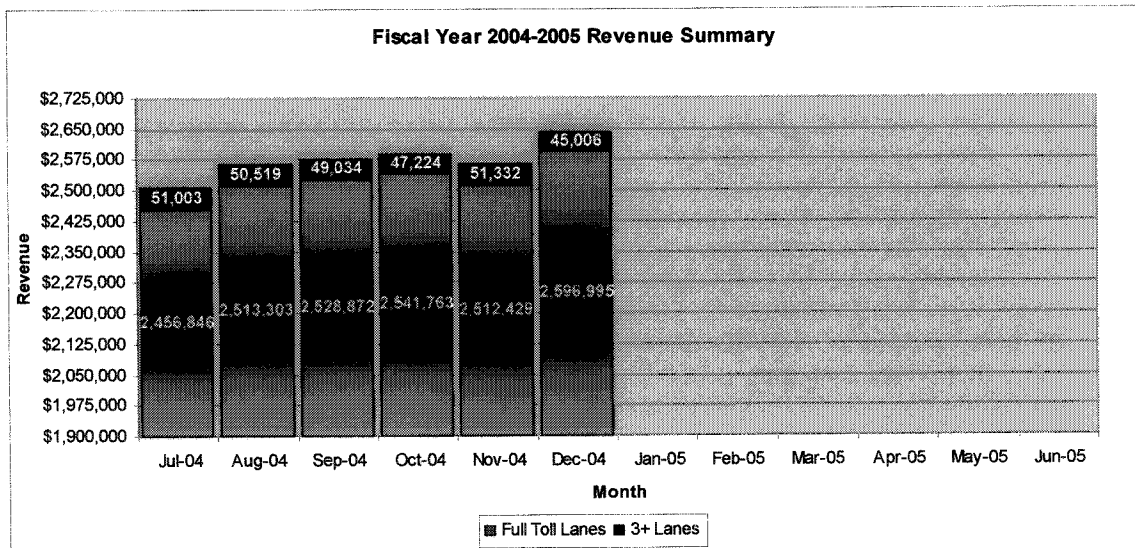
Trips	2004/2005 Actual YTD	Vollmer 2004/2005 Projected YTD	# Variance	% Variance	2003/2004 Actual YTD	Yr-to-Yr % Variance
Full Toll Lanes	4,882,995	4,702,386	180,609	3.8%	4,457,684	9.5%
3+ Lanes	1,251,943	1,163,943	88,000	7.6%	1,085,392	15.3%
Total	6,134,938	5,866,329	268,609	4.6%	5,543,076	10.7%
Revenue						
Full Toll Lanes	\$15,150,208	\$14,274,115	\$876,093	6.1%	\$13,007,587	16.5%
3+ Lanes	\$294,118	\$266,929	\$27,189	10.2%	\$245,045	20.0%
Total	\$15,444,326	\$14,541,044	\$903,282	6.2%	\$13,252,632	16.5%
Revenue Per Trip						
Full Toll Lanes	\$3.10	\$3.04	\$0.06	2.0%	\$2.92	6.2%
3+ Lanes	\$0.23	\$0.23	\$0.00	0.0%	\$0.23	0.0%
Total	\$2.52	\$2.48	\$0.04	1.6%	\$2.39	5.4%

Traffic and Revenue Summary Fiscal Year 2004-2005

The chart below reflects the total trips breakdown between Full Toll trips and HOV3+ trips for Fiscal Year 2004/2005 on a monthly basis.



The chart below reflects the gross potential revenue breakdown between Full Toll trips and HOV3+ trips for Fiscal Year 2004/2005 on a monthly basis.



Maintenance / Capital Projects

An important component of 91 Express Lanes operations is maintaining the toll lanes and the technology that supports the toll road operation. Routine maintenance, consisting of sweeping, replacement of channelizers and other repairs which can only be performed while the lanes are closed, is scheduled for every third Sunday (weather permitting) and performed by Caltrans. This routine maintenance is performed while the lanes are closed to ensure crew safety. Closures are kept to a minimum and scheduled for non-peak traffic hours. On December 19th, Caltrans performed routine maintenance on the Express Lanes and replaced 975 channelizers. In addition, Modern Alloys replaced the center median guard rail located at the toll plaza with a concrete barrier as an additional safety measure.

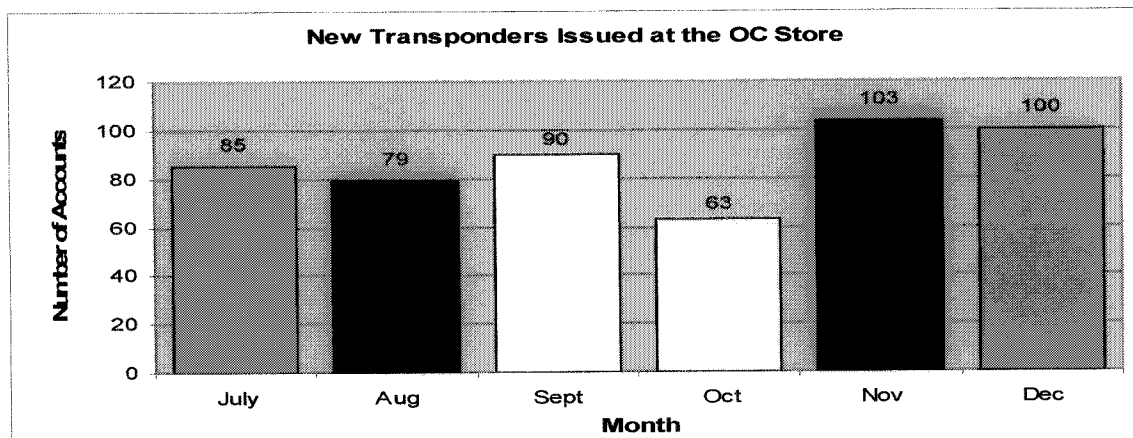
Customer Relations – Orange Office

OCTA staff responds directly to questions received from 91 Express Lane customers that are policy related and escalated situations involving toll violations. Questions about transponders, payments, address changes, etc., are referred to the 91 Express Lanes Customer Service Center in Corona unless a customer specifically requests assistance from OCTA.

Twenty-one communications relating to toll policy and toll violations were documented from December 1st through the 31st. OCTA is working closely with the Customer Service Manager and the Operations Manager at Cofiroute USA to resolve these issues.

Transactions at the OCTA store continue to increase as customers become aware of an Orange County 91 Express Lanes facility. The OCTA store provides 91 Express Lanes customers with all the services that are offered at the Corona Customer Service Center plus additional services which include the sale of bus passes and merchandise. The goal is to provide a convenient alternative for existing and new 91 Express Lanes and other OCTA customers.

For the month of December 2004, 147 91 Express Lanes transactions occurred at the Orange County sales office. Of these transactions, 100 new transponders were issued, 14 new transponders were replaced, and 33 customers picked up their transponders at the Orange County sales office.



OCTA Customer Relations staff and 91 Express Lanes Customer Center implemented a Customer Comment System in June 2004. This system enables staff to record any comment or complaint from an account holder. Most importantly, requests for congestion related refunds can now be tracked. In December, 404 requests were documented by staff. Of those requests, 325 credits were issued in the amount of \$1,565.68.

Corona Customer Service Center Activities

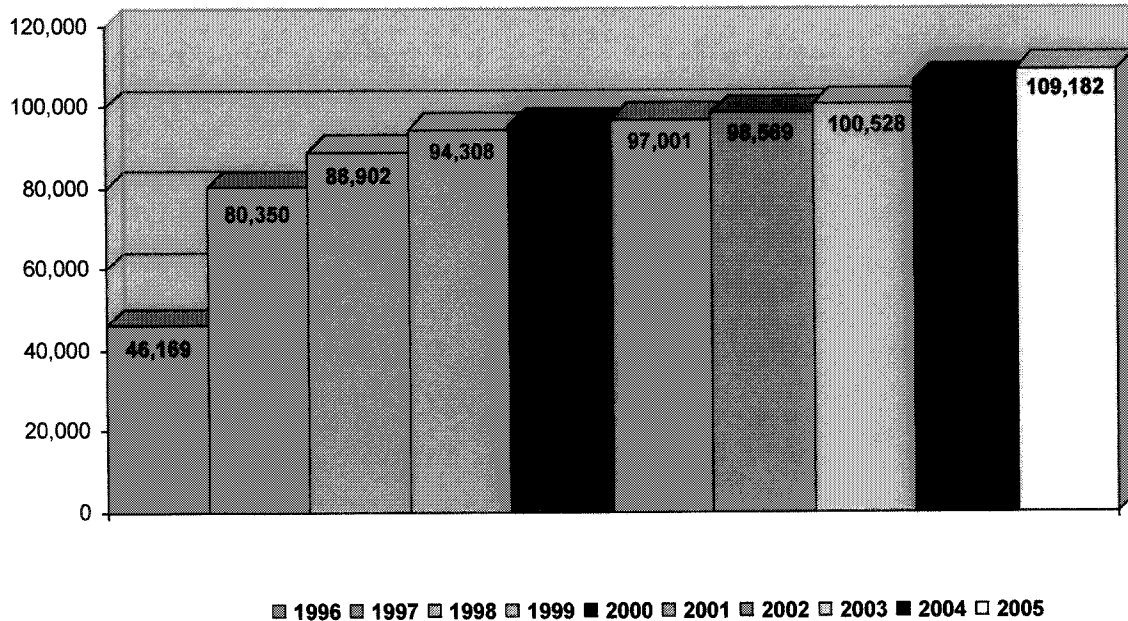
Call Volume

Customer service activities at OCTA's operating contractor, Cofiroute USA, continued at a very busy and productive rate. During the month of December, the Customer Service Center received 35,152 calls. All customer service performance levels, i.e. call-wait time, call duration, etc., were well within established standards.

Transponder Account Status

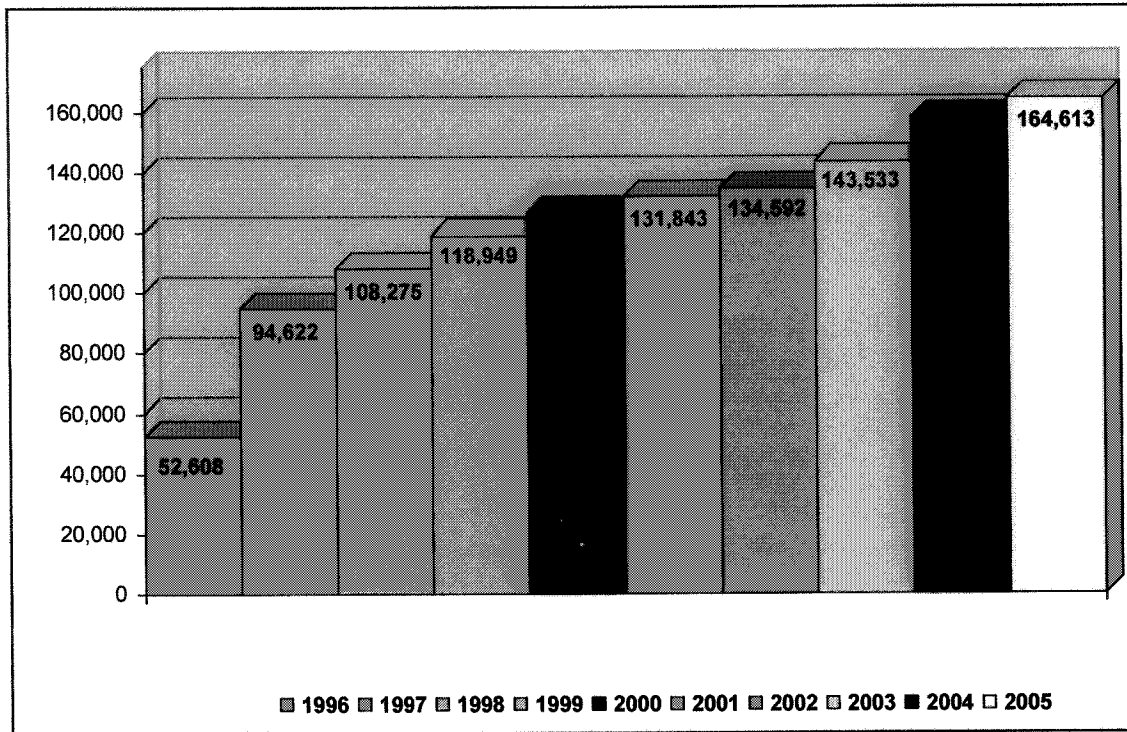
The 91 Express Lanes has experienced continued growth in the number of drivers using the facility since its inception. The steady growth can be measured by the number of transponders in circulation each year. The following chart shows the pattern of transponder growth the operation has experienced.

History of Growing Number of Accounts by Fiscal Year



As of December 31, 2004

History of Growing Number of Transponders in Circulation by Fiscal Year



As of December 31, 2004

At the end of October, the 91 Express Lanes had 109,182 transponder accounts, with 164,613 transponders in circulation.

Financial Highlights

Summary of Revenues, Expenses, Capital Asset Activity, Debt Service and Operating Statement

Revenues

1. Collected toll revenue for the six months ended December 31, 2004 was \$14,354,425. This was an increase of 21 percent over the same period last year.
2. Non-toll revenues include account fees, pay-by-plate fees, and violation processing fees. Non-toll revenue for the six months ended December 31, 2004 was \$2,473,698.

Expenses

1. Total operating expenses before depreciation and amortization expense for the six months ended December 31, 2004 were \$6,129,274.
2. Depreciation of capital assets and amortization of the toll road franchise cost totaled \$4,495,069 for the six months ended December 31, 2004. Depreciation and amortization expense are not budgeted items; however, these expenses are included in calculating net income.
3. Interest income for the six months ended December 31, 2004 was \$659,522.
4. Interest expense related to subordinated debt for the six months ended December 31, 2004 was \$750,058.
5. Interest expense related to the Tax Exempt Refunding Bonds was \$4,530,929 for the period ended December 31, 2004.

Capital Asset Activity

During the six months ended December 31, 2004, capital asset activities included approximately \$453,708 related to the purchase of transponders.

Debt Service

The next debt service payment for the 91 Express Lanes Refunding Bonds (Bonds) is scheduled for February 2005, in the amount of \$4.14 million and will be comprised solely of interest expense. Currently, there remains \$191.6 million outstanding on the Bonds. In addition to the amounts due on the Bonds, the Authority has subordinated debt outstanding related to the acquisition of the 91 Express Lanes. The remaining outstanding principal balance (which will be repaid on an annual basis with 91 Express Lanes net revenues) totals approximately \$56.4 million.

Although no cash debt service payment was made during the month of December 2004 for the Bonds, the 91 Express lanes Operating Statement reflects one-half (July through December) of the total interest portion budgeted for the entire fiscal year. This amount is being expensed in the actual and budgeted columns of the Operating Statement. The principal payment will decrease the liabilities in the Statement of Assets which is in accordance with generally accepted accounting practices.

Operating Statement

Description	YTD As of December 31, 2004 ¹		YTD Variance	
	Actual	Budget	Dollar \$	Percent (%)
Operating Revenues				
Toll Revenue	\$14,354,425	\$13,095,006	\$1,259,419	9.6
Non-Toll and Other Revenue ²	2,473,698	2,061,247	412,451	20.0
Total Operating Revenues	16,828,123	15,156,253	1,671,870	11.0
Operating Expenses				
Contracted Services	2,587,892	2,743,958	156,066	5.7
Other Professional Services/Refinancing Costs	434,111	2,058,710	1,624,599	78.9
Credit Card Processing	468,187	425,000	(43,187)	(10.2)
Toll Road Account Servicing	315,653	157,486	(158,167)	(100.4)
Toll Road Maintenance and Materials	219,817	2,714,440	2,494,623	91.9
Patrol Services	211,732	171,736	(39,996)	(23.3)
System Maintenance	161,353	281,121	119,768	42.6
Miscellaneous ³	128,810	197,967	69,157	34.9
Advertising/Customer Communication	37,561	134,535	96,974	72.1
Utilities	123,373	136,824	13,451	9.8
Office Supplies	290,438	470,345	179,907	38.3
Leases	186,505	199,624	13,119	6.6
Property Insurance ⁴	200,547	4,577	(195,970)	(4281.6)
Administrative Services	763,295	399,349	(363,946)	(91.1)
Depreciation and Amortization ⁵	4,495,069	0	(4,495,069)	N/A
Total Operating Expenses	10,624,343	10,095,672	(528,671)	N/A
Operating Income	6,203,780	5,060,581	1,143,198	N/A
Non-Operating Revenues (Expenses):				
Interest Income	659,522	321,813	337,709	104.9
Interest Expense	(5,280,987)	(5,292,160)	11,173	0.2
Total Non-Operating Revenues (Expenses)	(4,621,465)	(4,970,347)	348,882	N/A
Net Income (Loss)	1,582,315	90,234	1,492,080	N/A

¹ Actual amounts are accounted for on the accrual basis of accounting in an enterprise fund. Budget amounts are accounted for on a modified accrual basis of accounting.

² The collectability of backlogged violations attributed to realizing more non-toll revenue than was budgeted.

³ Miscellaneous expenses include: Statement Preparation Services, Bank Service Charge, Transponder Materials and Other Miscellaneous Fees and Services.

⁴ Property insurance is paid on an annual basis. Actual amount includes the amortization of annual charges.

⁵ Depreciation and amortization are not budgeted items.

External Communications

Advisory Committee and OCTA Board Actions

Advisory Committee

The December 3rd meeting of the State Route 91 Advisory Committee took place at the Eagle Glen Golf Club Meeting Facilities in Corona. A summary of the two presentations made at the December meeting follows.

- Staff presented the 91 Express Lanes Violations and Enforcement Ordinance for Advisory Committee review. The Ordinance documents the process of enforcing violations of the toll requirements and confirms the administrative review process.
- An overview of the Performance Monitoring and Pricing Pilot Project (PMAP³) was presented to the Advisory Committee. PMAP³ is a progressive systems and dynamic pricing assessment effort. The PMAP³ effort will review speed and travel time sensor technology options, approaches to dynamic pricing, and dynamic pricing policy impacts.

OCTA Board Actions

On December 13, 2004, the OCTA Board of Directors:

- Adopted the Violations and Enforcement Ordinance No. 2004-01 relating to the administration of tolls and the enforcement of toll violations for the Orange County Transportation Authority.
- Adopted Resolution No. 2004-77 that established the Orange County Transportation Authority policy and procedures regarding the administration of tolls and the enforcement of toll violations.
- Approved the Orange County Transportation Authority policy to write-off uncollectible receivables for the 91 Express Lanes. The policy is intended to enable the 91 Express Lanes to accurately reflect the value of toll receivables and ensure that resources are used efficiently.
- Authorized the Chief Executive Officer to execute the final agreement with Kimley-Horn and Associates to develop preliminary engineering and environmental documentation for the Riverside Freeway (State Route 91) Eastbound Auxiliary Lane Project.

Next Steps

Upcoming Events and Activities

January 2005

- North Carolina Chamber of Commerce Tour

March 2005

- SR-91 Advisory Committee Meeting



BOARD COMMITTEE TRANSMITTAL

February 28, 2005

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board *Wk by file*
Subject: Customer Relations Service Quality Report for Second Quarter Fiscal Year 2004-05

Transit Planning and Operations Committee

February 10, 2005

Present: Directors Winterbottom, Brown, Dixon, and Duvall
Absent: Directors Silva, Pulido, and Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive information for discussion and possible action as deemed appropriate by the Board.



February 10, 2005

To: Transit Planning and Operations Committee
From: Arthur T. Leahy, Chief Executive Officer
Subject: Customer Relations Service Quality Report for Second Quarter Fiscal Year 2004-05

Overview

The Customer Relations Service Quality Report is presented to the Orange County Transportation Authority Board of Directors on a quarterly basis. The report provides a statistical analysis of customer communications received during the quarter, as well as details proactive activities undertaken by staff to improve service to customers.

Recommendation

Receive information for discussion and possible action as deemed appropriate by the Board.

Background

The Customer Relations Department is responsible for identifying and resolving service quality issues through the use of proactive and responsive methods. Customer Relations staff disseminates information to customers concerning Orange County Transportation Authority (OCTA) services and policies and serves as the channel through which customers' opinions about those services and policies are transmitted to OCTA.

Discussion

Responsibilities within the Customer Relations Department are varied. Communications from customers are input into a database, and staff interacts closely with numerous departments to obtain resolution to customers' concerns. Customer Relations staff participates in monthly meetings with both Fixed Route Operations and Community Transportation Services (CTS), as well as with the contractor responsible for providing ACCESS service, to ensure customers' concerns are heard and problems are resolved. Staff also interacts closely with Scheduling and Logistics to accommodate the needs of

riders. Other functions of the Department include: oversight of the Customer Information Center (CIC); sale of bus passes and ACCESS coupons to the public via mail, phone, online, and at the OCTA Store; attending 91 Express Lanes team meetings, as well as resolving complaints from customers about toll violations received on the 91 Express Lanes; oversight of the OCTA Store; production of Riders' Alerts to notify customers of changes to bus routes and schedules; production of the Between the Lines newsletter; updating the internal Information Boards; visiting new vendors selling OCTA fare media; oversight of the Special Needs in Transit Advisory Committee; oversight of the Citizens' Advisory Committee Transit Subcommittee; and the issuance of Reduced Fare Identification Cards to seniors and disabled persons. Below is an outline of Customer Relations activity during the period October 1 through December 31, 2004.

- **Fare Change**

Customer Relations staff participated in numerous meetings during the quarter to discuss implementation of the new fares and outreach to customers. Customer Relations was very involved in preparing for the fare change and, as part of the Fare Committee, provided a lot of input in terms of youth and college passes. Comment cards for use by customers regarding the fare changes and changes to ACCESS paratransit service were attached to brochures explaining the changes. These brochures were placed on all fixed route buses as well as mailed to individual ACCESS users. The cards were returned to Customer Relations; staff tabulated the responses and prepared reports on the results for Executive Management and the Board.

- **Public Hearings**

Customer Relations staff participated in the October 15 Public Hearing on the Paratransit Growth Management Study recommendations, as well as the October 25 Board of Directors meeting. Throughout the quarter, Customer Relations also received significant input from customers regarding proposed fare changes and the Paratransit Growth Management Study recommendations.

- **Citizens' Advisory Committee (CAC)**

During the quarter, Customer Relations staff met with Community and Local Government Relations staff to discuss how the CAC would be structured when the Board of Directors was enlarged per Assembly Bill 710. Discussion included how many individuals should be appointed by Board Members to the CAC as well as to other citizens' committees. A

staff report with recommendations is scheduled to be presented in February 2005.

- **Special Needs in Transit Advisory Committee**

Customer Relations staff facilitated a wheelchair securement ad hoc committee formed by the larger committee to identify problems with restraints on specific vehicle models and make recommendations for coach operator training.

- **Customer Information Center (CIC) Contract with Alta Resources**

The next option year of the contract with Alta Resources for the administration of the CIC was reviewed and approved by the Board of Directors during this quarter. The contract option term value is \$1.3 million annually. Customer Relations staff was able to negotiate terms that should actually result in the cost per call decreasing during the year based on call volume.

- **OCTA Store**

The Board approved two permanent positions for the OCTA Store and Customer Relations began interviewing applicants for these positions. Also during this quarter, the OCTA Store had sales totaling \$83,924, versus the \$64,900 in sales during the previous quarter.

- **Pass Sales**

During the quarter, the Pass Sales section of the Customer Relations Department sold \$316,067 in passes, compared to the \$332,678 sold last quarter. The decrease in sales can partly be attributed to the number of Summer Youth Passes sold in the previous quarter as well as student passes sold at the beginning of the school year in September.

Communications from Customers

During the quarter, communications from customers were received in the form of telephone calls (9,312), emails (499), and letters (97), for a total of 9,908 communications on a variety of topics.

Fixed Route Operations

During this quarter, there were 16,337,774 fixed route boardings. Based on the customer communications received, there were 5.85 complaints per 100,000 boardings, which is within the Operations Division's goal of 6 complaints per 100,000 boardings.

Continuing key issues for fixed route service include:

1. Pass-bys

A total of 187 complaints were received from passengers who reported being passed by OCTA buses. This is 12 less than the 199 received last quarter.

2. Driver Judgment (any questionable decision, action, or omission on the part of a coach operator)

There were 147 complaints received about the judgment displayed by OCTA coach operators, versus the 136 received last quarter.

3. Buses Behind Schedule

There were 145 complaints about coach operators running late, which is 11 less than the 156 complaints received in the previous quarter.

Contracted Fixed Route Service and ACCESS Service

During the quarter, there were 550,185 contracted service boardings. Of these boardings, 289,156 were on ACCESS service, while 261,029 were on contracted fixed route. Based on communications received from customers, there were 16.12 complaints for every 10,000 boardings. These complaints-per-boardings figures remain within performance standards established in the contract with the provider, Laidlaw Transit, Inc.

The CTS department established a contract with Independent Taxi for the provision of late night ACCESS service which was amended during this quarter. The reason for the amendment was that this provider experienced difficulty meeting the demand for the late night service which resulted in a large number of complaints. During the quarter, CTS reduced the number of hours for which this company provides ACCESS service, resulting in a reduction in the number of complaints received from the users of late night ACCESS service.

Continuing key issues for contracted service include:

1. Vehicles Not Arriving

Customer Relations staff received 286 complaints from riders about contracted vehicles not arriving to pick them up, compared to the 168 complaints reported in the previous quarter. Twenty-two of the complaints were for contracted fixed routes, while 264 were from ACCESS riders. Ninety-eight of the 264 complaints were from late night ACCESS riders.

2. Vehicles Running Behind Schedule

There were 203 complaints about contracted drivers running late, versus 167 in the previous quarter. Seventeen of these complaints were for Laidlaw-operated fixed route service and 186 were about ACCESS rides. Of the 186 complaints about ACCESS, 46 were from late night riders complaining about Independent Taxi.

3. Driver Judgment (any questionable decision, action, or omission on the part of the Contracted Service driver)

Eighty-seven (87) complaints were received from riders about the judgment displayed by contracted drivers, compared to the 88 received last quarter. Sixty-seven of these complaints were reported by ACCESS riders and 20 from riders of Laidlaw-operated fixed route service. Of the total complaints about driver judgment, three were against Independent Taxi drivers.

Summary

During the quarter, both OCTA and Laidlaw staff continued to address service quality issues by initiating various measures intended to improve customer service.

Customer comments for the second quarter of the fiscal year, as well as a comparison with other quarters, are shown in the attachments following this report.

Attachments

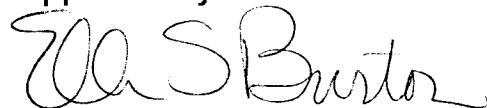
- A. OCTA Store Revenue 2004
- B. Fixed Route Operations Complaints
- C. Contracted Service Complaints
- D. Total Compliments, Complaints, and Comments
- E. Customer Relations Most Frequently Reported Customer Comments
- F. Pass Sales Section Monthly Sales Totals/Pass-By-Mail, Telephone, On-Line Orders

Prepared by:



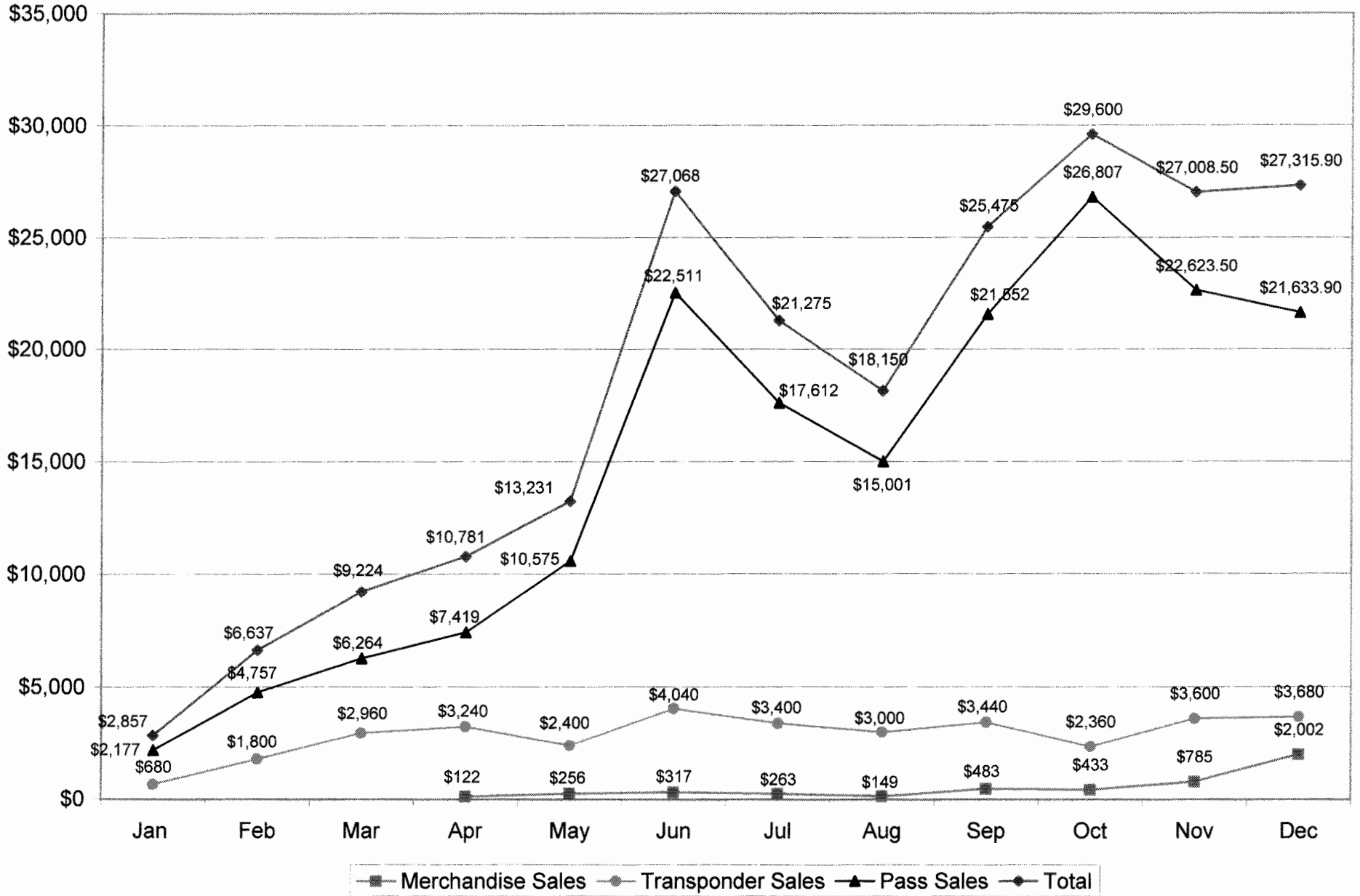
Adam D. Raley
Senior Customer Relations
Specialist
(714) 560-5510

Approved by:



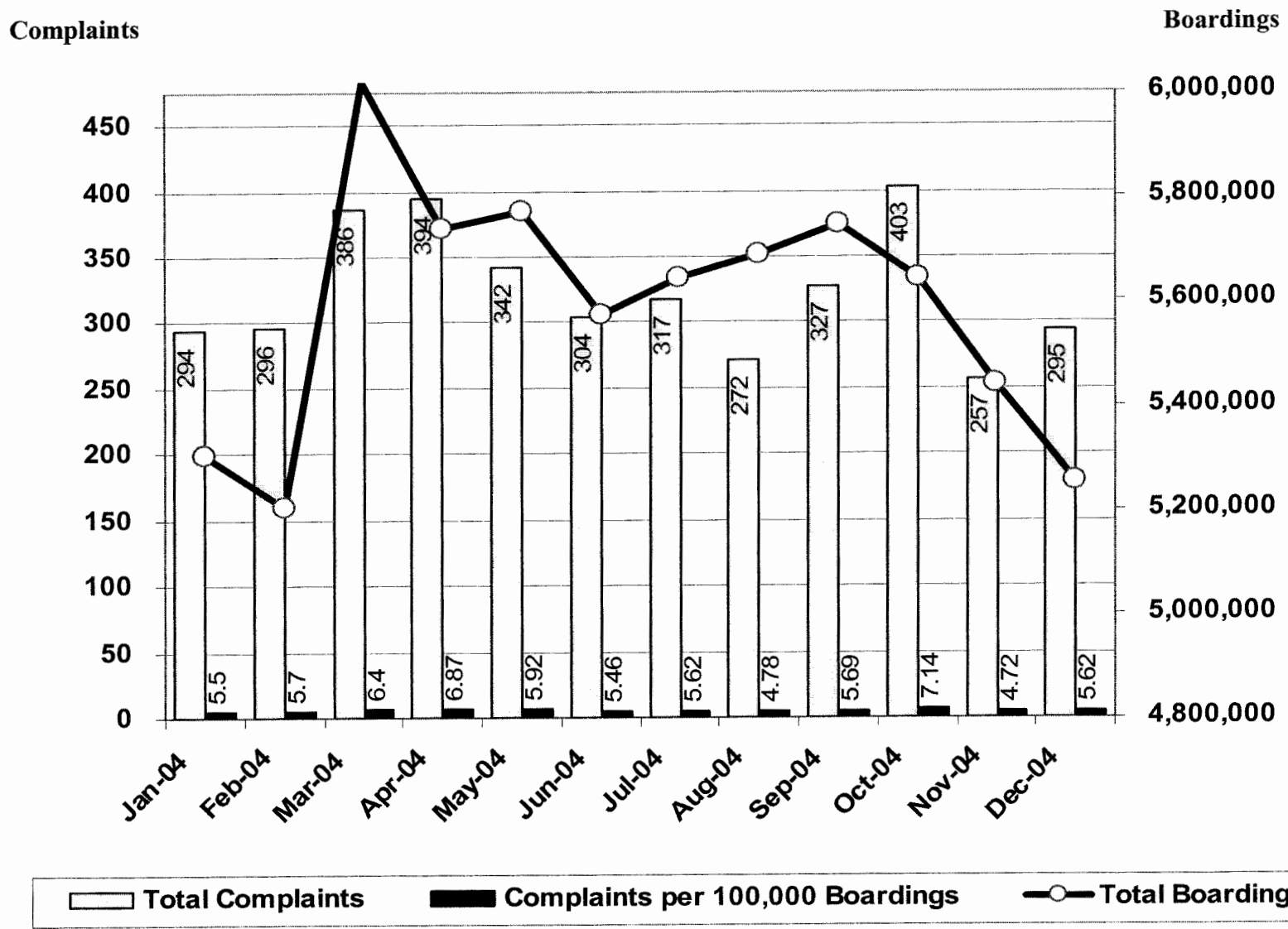
Ellen S. Burton
Director, External Affairs
(714) 560-5923

OCTA Store Revenue 2004



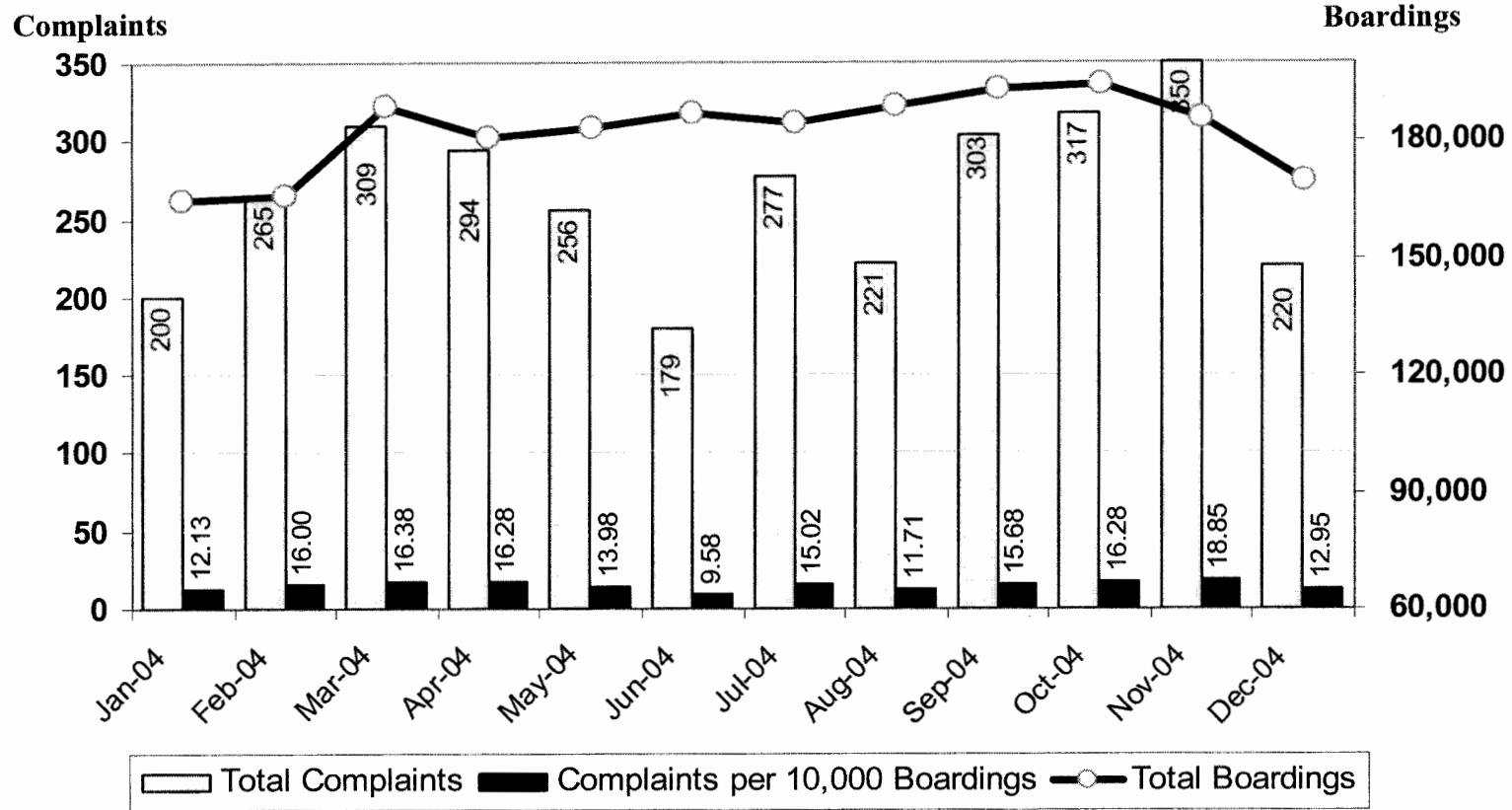
ATTACHMENT A

Fixed Route Operations Complaints



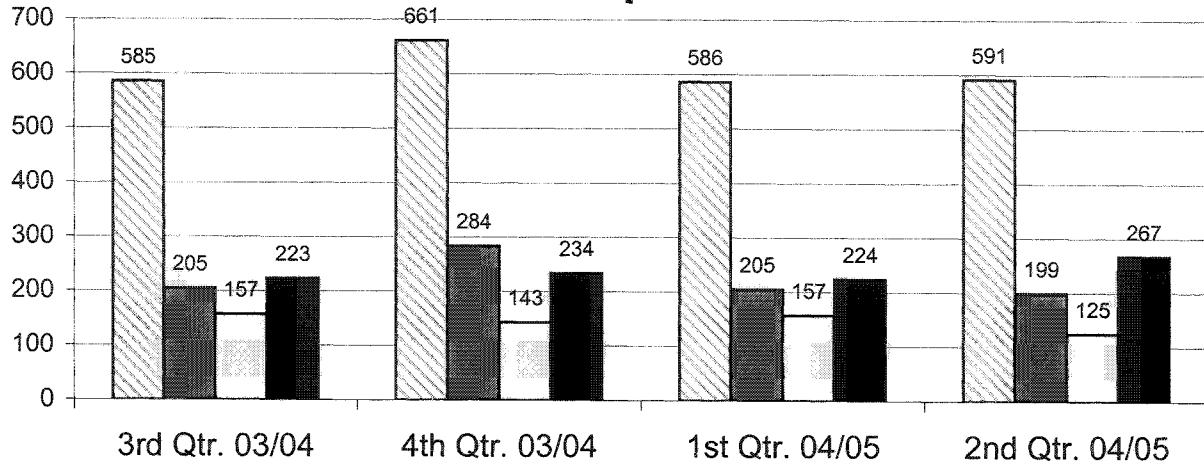
ATTACHMENT B

Contracted Service Complaints

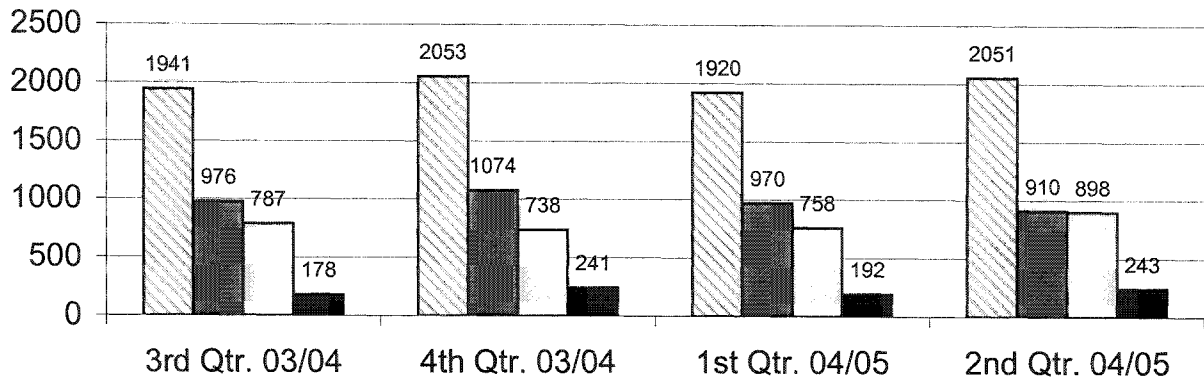


ATTACHMENT C

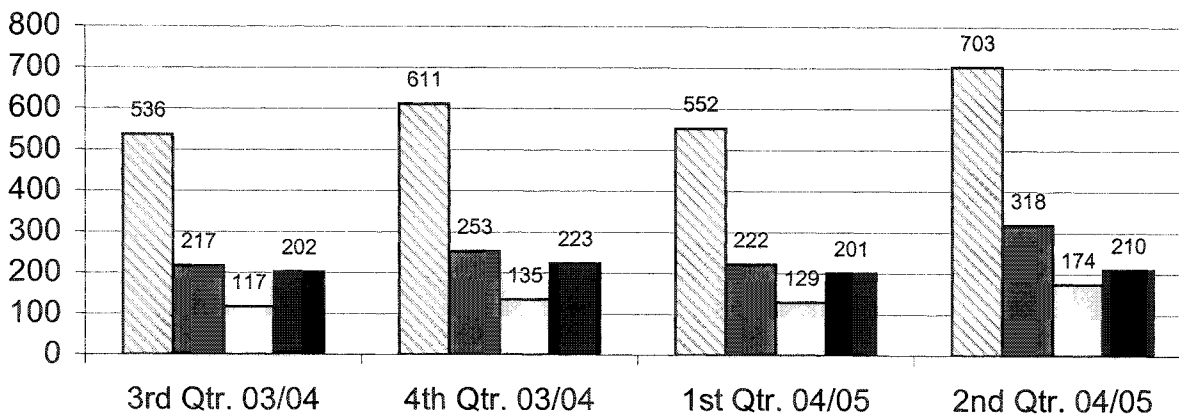
Total Compliments



Total Complaints



Total Comments



Total

Fixed Route Operations

Contracted Service

Other

CUSTOMER RELATIONS

Most Frequently Reported Customer Comments

Types of Communications Received

Month	# of Calls	# of Emails	# of Letters	Total
Jan-04	2565	125	12	2702
Feb-04	2511	122	11	2644
Mar-04	3232	147	32	3411
Apr-04	3359	141	39	3539
May-04	2885	128	44	3057
Jun-04	3013	215	30	3258
Jul-04	3014	197	31	3242
Aug-04	2926	162	27	3115
Sep-04	3604	160	30	3794
Oct-04	3421	167	35	3623
Nov-04	2044	161	27	2232
Dec-04	2940	171	32	3143

Pass Sales Total

# of Calls	# Transactions	Sales Totals
2156	1904	\$104,658.00
1897	1801	\$121,957.23
2055	2192	\$124,232.34
1901	2109	\$129,383.90
1871	2025	\$123,636.55
1667	2343	\$151,209.85
1667	1580	\$98,999.32
1911	721	\$111,468.50
2338	1912	\$121,720.36
1952	1911	\$117,148.55
1709	1872	\$106,560.55
2075	1613	\$92,358.75

Pass By: The coach operator drove by a designated stop and did not pick up one or more waiting customers.

Month	Current	Previous YR	% Change	Current Fiscal YTD	Previous Fiscal YTD	% YTD Change	Complaints per 100,000 Boardings	Top Routes () Indicates total comments per route.
Jan-04	55	77	-29%	456	502	-9%	1.04	60(6); 38(5); 29/43(4); 1/42/54/57(3)
Feb-04	66	51	29%	522	553	-6%	1.27	60(6); 1/30/43(4); 35/59/62/70(3)
Mar-04	89	94	-5%	611	647	-6%	1.48	43(12); 42/53/71(6); 29/30/59(5)
Apr-04	91	71	28%	702	718	-2%	1.59	43(8); 29/50/60(7); 46/53/205(4)
May-04	71	76	-7%	773	794	-3%	1.23	42(6); 50/57/60(5); 1/29/46/71(3)
Jun-04	80	84	-5%	853	876	-3%	1.44	29(12); 43(10); 60(8); 71(7); 57(4)
Jul-04	67	68	-1%	67	68	-1%	1.19	1(7); 57(6); 43/42/60(5); 29(4)
Aug-04	61	67	-9%	128	135	-5%	1.07	71/53(5); 1/29/57(4)
Sep-04	69	69	0%	191	204	-6%	1.2	43(12); 29(7); 57/70(6); 60(5)
Oct-04	81	79	3%	272	283	-4%	1.44	60(12); 57(10); 70(5); 29/47/64(4)
Nov-04	48	47	2%	320	330	-3%	0.88	43(5); 60(4); 1/29/42/47/55/59(3)
Dec-04	55	80	-31%	375	410	-9%	1.05	29(7); 57(5); 1/60(4); 43/53/59(3)
Base 4	18	31	-42%					
Base 6	22	17	29%					
Base 7	15	32	-53%					

ATTACHMENT E

Judgment: An inappropriate or unprofessional decision, action, or omission on the part of the coach operator.

Month	Current	Previous YR	% Change	Current Fiscal YTD	Previous Fiscal YTD	% YTD Change	Complaints per 100,000 Boardings	Top Routes () Indicates total comments per route.
Jan-04	31	58	-47%	339	387	-12%	0.58	60(6); 43(3); 30/37/53/205(2)
Feb-04	38	40	-5%	377	427	-12%	0.73	42(4); 25/50/89(3); 29/33/47/64/66/85(2)
Mar-04	41	52	-21%	418	479	-13%	0.68	42(6); 43/60(4)
Apr-04	61	47	30%	479	526	-9%	1.06	53(10); 57/64(5); 29(4)
May-04	41	51	-20%	520	577	-10%	0.71	57(4); 42/43/53/60/64(3); 1/89/205(2)
Jun-04	37	47	-21%	557	629	-11%	0.66	43(5); 60/50/29(3); 47/59/205/71/64(2)
Jul-04	51	64	-20%	51	64	-20%	0.9	60(6); 42(5); 66(4); 71/72/462(3)
Aug-04	46	40	15%	97	104	-7%	0.81	43(7); 50(4); 38/47/53/71/87(3)
Sep-04	34	49	-31%	131	153	-14%	0.59	43/60(5); 29(4); 38(3); 35/46/53/54/57(2)
Oct-04	52	57	-9%	183	210	-13%	0.92	57(6); 42(4); 43/46/60(3)
Nov-04	47	36	31%	230	246	-7%	0.86	55(5); 29/47/54(4); 43/57(3)
Dec-04	45	40	13%	275	280	-2%	0.86	29(11); 47(4); 46/53/57(3)
Base 4	17	12	42%					
Base 6	22	19	16%					
Base 7	6	9	-33%					

Behind Schedule: The coach operator arrives at or departs from a time check-point more than 15 minutes behind the scheduled time.

Month	Current	Previous YR	% Change	Current Fiscal YTD	Previous Fiscal YTD	% YTD Change	Complaints per 100,000 Boardings	Top Routes () Indicates total comments per route.
Jan-04	37	41	-10%	326	486	-33%	0.7	71(5); 43/47/50/57(3)
Feb-04	53	39	36%	379	525	-28%	1.02	62(2); 26/35(5); 50(4); 29/43/53/57/60(3)
Mar-04	55	55	0%	434	580	-25%	0.91	71(6); 62(5); 26/59(4); 1/60/70(3)
Apr-04	49	61	-20%	483	641	-25%	0.85	71(6); 24/42/43/50/62/177(3)
May-04	62	52	19%	545	693	-21%	1.07	26/60/62(6); 38/57(5); 59(4)
Jun-04	48	64	-25%	593	757	-22%	0.86	71(9); 57(5); 43(3)
Jul-04	47	45	4%	47	45	4%	0.83	71(10); 43(9); 30/38(4); 29/47/57(3)
Aug-04	38	40	-5%	85	85	0%	0.67	29(6); 57/71(5)43(4)
Sep-04	55	64	-14%	140	149	-6%	0.96	24(13); 43(8); 47(5); 71(4); 29/76/757(3)
Oct-04	69	57	21%	209	206	1%	1.22	47(9); 24(6); 29/43/50(5)
Nov-04	41	29	41%	250	235	6%	0.75	24/57(6); 47(5); 43(3)
Dec-04	36	46	-22%	286	281	2%	0.69	29(9); 50(6); 53(4); 47(3)
Base 4	14	16	-13%					
Base 6	18	18	0%					
Base 7	4	12	-67%					

Driving Techniques: Any poor driving skills or vehicle code infractions reported by passengers and motorists.

Month	Current	Previous YR	% Change	Current Fiscal YTD	Previous Fiscal YTD	% YTD Change	Complaints per 100,000 Boardings	Top Routes ()Indicates total comments per route.
Jan-04	45	43	5%	313	272	15%	0.85	37/43/64/721(3); 29/35/38/47(2)
Feb-04	36	36	0%	349	308	13%	0.69	42/57(3); 59/213/721(2)
Mar-04	41	45	-9%	390	353	10%	0.68	43(4); 1/38/42/57/62/64/89/91(2)
Apr-04	50	64	-22%	440	417	6%	0.87	42/53(4); 43/57/60(3)
May-04	41	37	11%	481	451	7%	0.71	43(4); 64(3); 46/57/66/71(2)
Jun-04	34	31	10%	516	482	7%	0.61	43(5); 38(3); 35/46/60(2)
Jul-04	38	41	-7%	38	41	-7%	0.67	29/38/42/43/47(3); 26/33/60/71/85(2)
Aug-04	39	38	3%	77	79	-3%	0.69	29(6); 57(4); 46/60(3)
Sep-04	37	33	12%	114	112	2%	0.64	47(6); 43(4); 29/37(3); 42/60(2)
Oct-04	49	48	2%	163	160	2%	0.87	42(5); 71(4); 29/35/43/57/205(3)
Nov-04	25	38	-34%	188	198	-5%	0.46	1/42/43/71/721(2);
Dec-04	44	44	0%	232	242	-4%	0.84	43(7); 60(3); 20/29/47/50/55/70(2)
Base 4	18	20	-10%					
Base 6	13	14	-7%					
Base 7	13	10	30%					

Discourtesy: Any rude or offensive remark or behavior on the part of the coach operator, even when upholding policy.

Month	Current	Previous YR	% Change	Current Fiscal YTD	Previous Fiscal YTD	% YTD Change	Complaints per 100,000 Boardings	Top Routes ()Indicates total comments per route.
Jan-04	37	26	42%	232	213	9%	0.7	37/43(4); 30(3); 1/42/53/59/60/64/71/72(2)
Feb-04	31	28	11%	263	241	9%	0.6	64(4); 60(3); 29/43(2)
Mar-04	41	33	24%	304	274	11%	0.68	64(7); 42/60(4); 29/43/53(3)
Apr-04	33	45	-27%	337	319	6%	0.58	57/60(3); 24/29/43/54/56/64/91(2)
May-04	38	35	9%	375	356	5%	0.66	42(7); 43(5); 46(3); 26/29/64/66(2)
Jun-04	44	38	16%	419	394	6%	0.79	29(7); 60(6); 43(4); 57(3)
Jul-04	27	24	13%	27	24	13%	0.48	29(4); 43/47/53/57/64(2)
Aug-04	21	31	-32%	48	55	-13%	0.37	29/57/60(4); 55(2)
Sep-04	34	35	-3%	82	90	-9%	0.59	1/29/47/53/55(3); 43/56/57/64/85(2)
Oct-04	22	25	-12%	104	115	-10%	0.39	54(4); 53(3); 46/57/60(2)
Nov-04	31	29	7%	135	144	-6%	0.57	43(5); 38/42(3)
Dec-04	29	36	-19%	164	180	-9%	0.55	38/46/53/57/47/59(2)
Base 4	12	16	-25%					
Base 6	10	10	0%					
Base 7	7	10	-30%					

No Show: When a scheduled bus does not arrive at a stop before the next scheduled bus arrives, or if the last scheduled bus of the day does not arrive

Month	Current	Previous YR	% Change	Current Fiscal YTD	Previous Fiscal YTD	% YTD Change	Complaints per 100,000 Boardings	Top Routes ()Indicates total comments per route.
Jan-04	17	18	-6%	138	170	-19%	0.32	53(3); 205(2)
Feb-04	6	12	-50%	144	182	-21%	0.12	55(2); 43/53/57/757(1)
Mar-04	16	29	-45%	160	211	-24%	0.27	56/76(2)
Apr-04	24	10	140%	184	221	-17%	0.42	50(4); 53/71(3); 60/70/79(2)
May-04	28	28	0%	212	249	-15%	0.49	43(4); 29/37/60/205(3); 47/62/71(2)
Jun-04	18	20	-10%	231	269	-14%	0.32	38/47/37(2)
Jul-04	12	14	-14%	12	14	-14%	0.21	29(4); 462(2)
Aug-04	12	23	-48%	24	27	-11%	0.21	59(4); 46(3); 53(2)
Sep-04	22	21	5%	46	58	-21%	0.38	60(4); 29(3); 43/51/54/71(2)
Oct-04	13	31	-58%	59	89	-34%	0.23	24(3)
Nov-04	10	7	43%	69	96	-28%	0.18	43(2)
Dec-04	15	20	-25%	84	116	-28%	0.29	43(3); 29/37/55(2)
Base 4	8	5	60%					
Base 6	3	9	-67%					
Base 7	4	6	-33%					

**Pass Sales Section Monthly Sales Totals
Pass-By-Mail, Telephone, On-Line Orders**

PASS TYPE	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04
	QUANTITY SOLD	QUANTITY SOLD	QUANTITY SOLD	QUANTITY SOLD	QUANTITY SOLD	QUANTITY SOLD
Senior/Disabled Pass	203	839	682	284	618	592
Student Pass	18	259	599	512	442	303
Regular Pass	492	553	726	804	185	474
Summer Youth Pass	94	0	0	0	0	0
Regular PP Day Pass	6742	5867	6188	4756	6295	5668
Sr/Disabled PP Day Pass	840	1280	590	360	2068	840
7-Day pass	4	24	15	9	13	26
7-Day Sr/Dis pass	5	8	7	5	3	2
15-Day Pass	36	28	28	17	22	23
15-Day Pass	6	6	9	677	5	7
ACCESS Coupons	2961	3140	2987	2948	2882	2041
Door-to-Door Cpns	288	269	209	169	114	84
Express Pass	34	31	37	34	33	39
Beach Train Tickets	6	4	7	0	0	0
RFID Duplicates	27	19	15	55	463	302
Number of Transactions	1580	1682	2019	1911	1872	1613
On-line Sales <small>(Included in Sales Totals below)</small>	\$7,788.00	\$7,841.50	\$9,568.50	\$12,483.50	\$17,270.50	\$8,085.00
Sales Totals	\$98,999.32	\$ 111,468.50	\$122,210.50	\$117,148.55	\$106,560.55	\$92,358.75

Prior Year Monthly Sales	Dec-03
Senior/Disabled Pass	703
Student Pass	427
Regular Pass	813
Summer Youth Pass	0
Regular PP Day Pass	6,523
Sr/Disabled PP Day Pass	2112
ACCESS Coupons	2604
Door-to-Door Cpns	336
Express Pass	24
RFID Duplicates	344
Number of Transactions	1737
Sales Totals	\$117,184.70



February 28, 2005

To: Members of the Board of Directors
From: ^{ATL/WK} Arthur T. Leahy, Chief Executive Officer
Subject: **Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 4)**

At the last Board meeting, the Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 4) was continued in order to allow staff to provide you with additional information regarding construction costs for the various packages. The Facts Sheet and cost breakdown sheet are attached to help clarify your questions.



ADA Bus Stop Modifications Fact Sheet

The Authority's fixed route bus system serves more than 6,000 stops strategically located throughout the county. The Bus Stop Accessibility Program (BSAP) was established to address ADA deficiencies existing at bus stops throughout the County. A 1996 study found that a majority of Orange County's more than 6,000 bus stops required improvements to comply with federal access standards.

During the first phase of the BSAP, bus stop improvements were performed by local agencies. In total, over \$2.4 million was allocated to cities to improve approximately 1,335 stops. Phase 1 construction for the ADA bus stop modifications program was completed in Spring 2000.

The second phase of the program was managed by OCTA and included 1,250 bus stops that were inventoried and were located in 25 cities and unincorporated portions of the County. These stops were high-use stops with a likelihood of use by persons with disabilities. Of the 1,250 stops, 965 required construction improvements. Phase 2 construction for the ADA bus stop modification program was completed in Spring 2003. This phase brought the total system-wide ADA compliant stops to approximately 3,000.

Phase 3 is underway and will address the remaining 3,000 plus stops in the County. In Phase 3, construction improvements are being performed at all four corners of the intersection to provide continuous accessibility from all sides leading to the bus stop. The intent is to provide access to surrounding bus destination, not just access to the stop. Furthermore, in 2003, new federal requirements to provide truncated domes at each wheelchair ramp became part of the improvements. Physical conditions and level of effort required to improve the bus stops vary greatly.

Attached is summary of costs

	No. of Stops	Cost	Average Cost / Stop	Board Approval Date	Remarks
Phase 1	1,335	\$2,400,000 (actual)	\$1,798 per stop		This phase constructed only the stops - no consideration for access to & from the stop to the intersection & actual destinations.
Phase 2	965	\$2,000,000 (actual)	\$2,072 per stop		Bus stops having right of way needs, utility conflicts and extensive design requirements were deferred.
Phase 3	3000	\$7,500,000 (Budgeted)	\$2,500 per stop		New elements included in Bus Stop Improvements:
Pkg. 1	66 stops	\$283,000	\$4,288 per stop	6/28/ 2004	<ul style="list-style-type: none"> • Access to all four corners of the intersection • Underground utility conflicts, ROW needs, storm drains, etc. • Improvements to curb and gutter. • Installation of truncated domes (Tactile) • Construction of access ramps from curb return to curb return, which resulted in 40%, increase in cost. • Significant increase in cost of concrete.
Pkg. 2	164 stops	\$640,000	\$3,902 per stop (under construction)	12/ 13/ 2004	
Pkg. 3	172 stops	\$666,200	\$3873 per stop	Out for Bid	
Pkg. 4	246 stops	\$578,200	\$2,350 per stop	Pending BOD Approval	



BOARD COMMITTEE TRANSMITTAL

February 14, 2005

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 4)

Transit Planning and Operations Committee

February 10, 2005

Present: Directors Winterbottom, Brown, Dixon, Duvall
Absent: Directors Silva, Pulido, and Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-4-1205, between the Orange County Transportation Authority and CJ Construction, Inc., the lowest responsive, responsible bidder, in an amount not to exceed \$587,200, for Americans with Disabilities Act Bus Stop Modifications in the Cities of Fountain Valley, Garden Grove, and Westminster.



February 10, 2005

To: Transit Planning and Operations Committee
From: Arthur T. Leahy, Chief Executive Officer
Subject: Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 4)

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2004-05 Budget, the Board approved construction of Americans with Disabilities Act improvements at the Orange County Transportation Authority's bus stops countywide. Bids were received in accordance with the Orange County Transportation Authority's public works procurement procedures. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-4-1205, between the Orange County Transportation Authority and CJ Construction, Inc., the lowest responsive, responsible bidder, in an amount not to exceed \$587,200, for Americans with Disabilities Act Bus Stop Modifications in the Cities of Fountain Valley, Garden Grove, and Westminster.

Background

The Orange County Transportation Authority (Authority) established a goal of making all bus stops accessible to persons with disabilities as required by the Americans with Disabilities Act (ADA). The Bus Stop Accessibility Program (BSAP) was established to address ADA deficiencies present at bus stops throughout the County. A 1996 study found that a majority of Orange County's more than 6,000 bus stops required improvements to comply with federal access standards. The Board of Directors dedicated the use of the Transportation Development Act Article 3 funds to bring the Authority's bus stops into compliance. The modifications include constructing wheelchair ramps at the intersections, adding sidewalks, removing or relocating obstructions, such as shelters, benches, signs, and landscaping.

During the first phase of the BSAP, bus stop improvements were performed by local agencies. In total, over \$2.4 million was allocated to cities to improve accessibility to approximately 1,750 bus stops. Of the 1,750 stops, 1,335 required construction improvements.

The second phase of the program was managed by the Authority. Phase 2 included 1,250 bus stops located throughout 25 cities and unincorporated portions of the County. These stops were high-use stops prioritized by the likelihood of use by persons with disabilities. Of the 1,250 stops, 965 required construction improvements. The construction packages in Phase 2 included work in the Cities of Brea, Buena Park, Cypress, Fullerton, Garden Grove, La Palma, Placentia, Stanton, and Westminster. The total cost for Phase 2 was \$2 million. Phase 2 brought the total system-wide ADA compliant stops to approximately 3,000.

The third phase of the BSAP is underway and engineering design is nearly complete for the remaining stops. Invitation for Bids (IFB) are planned to be issued incrementally for the remaining construction packages. Twelve packages are anticipated to be issued in Phase 3. This approach will allow the construction of ADA bus stop improvements to occur sooner and will provide more contracting opportunities with the Authority. This phase will address the remaining 3,000 stops in the County with an estimated cost of \$7.5 million. Phase 3, Construction Package 4 will improve 175 bus stops in the Cities of Fountain Valley, Garden Grove, and Westminster. Completion of Phase 3 will bring the total system-wide ADA compliant stops to approximately 6,000.

Discussion

This procurement was handled in accordance with the Authority's procedures for public works and construction projects, which conform to federal and state requirements. Public work projects are handled as sealed bids and award is made to the lowest responsive, responsible bidder.

On December 9, 2004, IFB-4-1205 was released and posted on CAMMNET and an electronic notification was sent to 304 firms. The project was advertised on December 9 and 15, 2004, in a newspaper of general circulation. A pre-bid conference was held on December 16, 2004. Addendum No. 1, 2, 3, and 4 were issued on December 14, and 29, 2004, and January 3 and 10, 2005, respectively, to address administrative issues and extend bid submission date. On January 13, 2005, five bids were received. All offers were reviewed by staff from Construction and Engineering and Contracts Administration and Materials Management to ensure compliance with the terms and conditions, specifications, and drawings. Listed below are the three low bids received. State law requires award to the lowest responsive, responsible bidder.

Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 4)

Page 3

<u>Firm and Location</u>	<u>Bid Price</u>
CJ Construction, Inc. Whittier, California	\$578,200
LH Engineering Co., Inc. Anaheim, California	\$695,995
EBS, Inc. Corona, California	\$699,780

The Authority's Disadvantage Business Enterprise goal of 15 percent will be met by CJ Construction, Inc., the lowest responsive, responsible bidder.

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2004-05 Construction and Engineering Budget, Account 1722-9084-G1011-L99, and is funded by Federal Transit Administration Grant CA-90-914, and Local Transportation Funds.

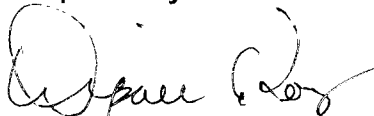
Summary

Staff is requesting approval of Agreement C-4-1205, in the amount of \$587,200 with CJ Construction, Inc., the lowest responsive, responsible bidder, for construction of ADA Bus Stop Modifications (Phase 3, Construction Package 4) in the Cities of Fountain Valley, Garden Grove, and Westminster.

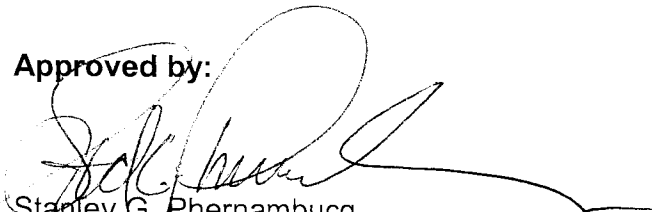
Attachment

None.

Prepared by:


Dipak Roy, P.E.
Principal Civil Engineer
(714) 560-5863

Approved by:


Stanley G. Phernambucq
Executive Director, Construction &
Engineering
(714) 560-5440



BOARD COMMITTEE TRANSMITTAL

February 28, 2005

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board
Subject: Agreement for Major Bus Body Repairs

Transit Planning and Operations Committee

February 10, 2005

Present: Directors Winterbottom, Brown, Dixon, and Duvall
Absent: Directors Silva, Pulido, and Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-4-0970 between the Orange County Transportation Authority and Complete Coach Works, in an amount not to exceed \$115,000, for a one year period with two one-year options for major bus body repairs.



February 10, 2005

To: Transit Planning and Operations Committee
From: Arthur T. Leahy, ^{ATL} Chief Executive Officer
Subject: Agreement for Major Bus Body Repairs

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2004-05 Budget, the Board approved the contracting of major bus body repairs. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-4-0970 between the Orange County Transportation Authority and Complete Coach Works, in an amount not to exceed \$115,000, for a one year period with two one-year options for major bus body repairs.

Background

The repair of major bus body damage requires specialized labor resources and equipment. Repairs typically take extended periods to complete. The Orange County Transportation Authority (Authority) does not have the capability to perform this function. It would not be cost-effective for the Authority to procure the specialized equipment and maintain a staff of specially trained personnel for repairs of major bus body damage.

Discussion

This procurement was handled in accordance with the Authority's procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. The requirement was handled as a competitive negotiated procurement.

The project was advertised on November 1, 2004, and November 8, 2004, in a newspaper of general circulation. An electronic notice was sent to 43 firms registered on CAMMNET. A pre-proposal meeting was held on November 10, 2004.

On December 1, 2004, five offers were received. An evaluation committee composed of staff from Contract Administration and Materials Management, Vehicle Maintenance, Maintenance Resource Management and Maintenance Support Services was established to review all offers submitted. The offers were short listed to two firms and both firms were evaluated on the basis of staffing, prior experience, technical expertise, and cost. The evaluation committee recommends the following firm to the Transit Planning and Operations Committee for consideration of an award:

Firm and Location

Complete Coach Works Riverside, California

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2004-05 Budget, Maintenance Department, Account 7613, and is funded through local transportation funds.

Summary

Staff recommends award of Agreement C-4-0970 to Complete Coach Works in an amount not to exceed \$115,000, for major bus body repair.

Attachment

None.

Prepared by:

 FER.

Al Pierce
Manager, Maintenance
714-560-5975

Approved by:



William L. Foster
Executive Director, Bus Operations
714-560-5842



BOARD COMMITTEE TRANSMITTAL

February 28, 2005

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board
WK by RW

Subject Amendment to Agreement to Jointly Fund Intercounty Express Bus Route 149

Transit Planning and Operations Committee

February 10, 2005

Present: Directors Winterbottom, Brown, Dixon, and Duvall
Absent: Directors Silva, Pulido, and Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-4-0601 between the Orange County Transportation Authority and the Riverside Transit Agency, in an amount not to exceed \$168,000, to jointly fund the operation of Route 149 and extend the term for one year.



February 10, 2005

To: Transit Planning and Operations Committee
From: Arthur T. Leahy, Chief Executive Officer *ATL*
Subject: Amendment to Agreement to Jointly Fund Intercounty Express Bus Route 149

Overview

On June 28, 2004, the Board of Directors approved an agreement with Riverside Transit Agency, to jointly fund Route 149, an intercounty express service operating daily between Riverside County and Orange County. The current agreement expires on June 30, 2005.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-4-0601 between the Orange County Transportation Authority and the Riverside Transit Agency, in an amount not to exceed \$168,000, to jointly fund the operation of Route 149 and extend the term for one year.

Background

Since 1990, the Orange County Transportation Authority (Authority) has partnered with the Riverside Transit Agency (RTA) to jointly fund the operation of Route 149, a daily intercounty express service for bus riders traveling between Riverside and Orange Counties. Under the current agreement, the Authority provides approximately 30 percent of the operating funds for Route 149 based on the portion of Route 149 miles operated within Orange County, from the Riverside County line to The Village at Orange. Connections to several Authority bus routes are available at The Village at Orange, allowing riders to complete regional trips.

Discussion

RTA has indicated that the total number of service hours and the cost per hour will remain unchanged in fiscal year 2005-06. Amendment No. 1 is required to

extend Agreement C-4-0601 through June 30, 2006, and increase the maximum obligation.

The amendment will also clarify the Authority's intent to report Route 149 directional, revenue and passenger miles funded by the Authority, as Fixed Guideway service through the National Transit Database (NTD) reporting process required by the Federal Transit Administration (FTA). This reporting mechanism is used by the FTA to determine the federal Section 5307 formula apportionment and the federal Section 5309 Fixed Guideway Modernization component. As a result of this change in NTD reporting, the Authority will receive additional federal funds.

Fiscal Impact

The work described in Amendment No. 1 to Agreement C-4-0601 will be included in the Authority's proposed Fiscal Year 2005-06 Budget, Operations Division, Community Transportation Services, Account 2131-7831-D4804-8FD, and will be funded through Local Transportation Funds.

Summary

Staff recommends approval of Amendment No. 1, in the amount of \$168,000, to Agreement C-4-0601 with the Riverside Transit Agency to extend the contract one year and continue to provide joint funding for the operation of Route 149.

Attachment

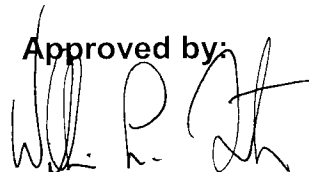
- A. Riverside Transit Agency, Agreement C-4-0601 Fact Sheet

Prepared by:



Beth McCormick
Department Manager, CTS
(714) 560-5964

Approved by:



William L. Foster
Executive Director, Bus Operations
(714) 560-5842

**RIVERSIDE TRANSIT AGENCY
Agreement C-4-0601 Fact Sheet**

1. June 28, 2004, Agreement C-4-0601, \$175,000, approved by the Board of Directors.
 - Jointly fund Route 149, an intercounty express bus service from Riverside to Orange County operating seven days a week
 - Authority's share of operating costs are set at 30 percent based on mileage from Riverside county line to The Village at Orange

2. February 28, 2005, Amendment No. 1 to Agreement C-4-0601, \$168,000, pending approval by the Board of Directors.
 - Extend term of agreement for one year through June 30, 2006
 - 620 total revenue vehicle hours (RVH) are scheduled per month
 - Authority's supports operation of 186 RVH per month at \$75 per RVH

Total committed to Riverside Transit Agency, Agreement C-4-0601: \$343,000



BOARD COMMITTEE TRANSMITTAL

February 28, 2005

To: Members of the Board of Directors
From: Wendy Knowles, Clerk of the Board *wk by jw*
Subject: Amendment to Cooperative Agreement with the Office on Aging

Transit Planning and Operations Committee

February 10, 2005

Present: Directors Winterbottom, Brown, Dixon, Duvall, and Green
Absent: Directors Silva, and Pulido

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

- A. Authorize the Chief Executive Officer to execute Amendment No. 2 to Cooperative Agreement C-2-0617 with the Office on Aging, in an amount not to exceed \$5,000, as part of the local match for a California Department of Transportation Environmental Justice Planning Grant.
- B. Authorize reallocation of \$245,000, to support two new Orange County Transportation Authority volunteer-based programs as part of the Paratransit Growth Management Plan which will provide alternative transportation, training and education for seniors and persons with disabilities.



February 10, 2005

To: Transit Planning and Operations Committee
From: Arthur T. Leahy, ^{ATL} Chief Executive Officer
Subject: Amendment to Cooperative Agreement with the Office on Aging

Overview

The Orange County Transportation Authority and the Orange County Office on Aging currently have a cooperative agreement in the amount of \$250,000, to match Tobacco Settlement Revenue funds for use on specific senior non-emergency medical transportation projects.

Recommendations

- A. Authorize the Chief Executive Officer to execute Amendment No. 2 to Cooperative Agreement C-2-0617 with the Office on Aging, in an amount not to exceed \$5,000, as part of the local match for a California Department of Transportation Environmental Justice Planning Grant.
- B. Authorize reallocation of \$245,000, to support two new Orange County Transportation Authority volunteer-based programs as part of the Paratransit Growth Management Plan which will provide alternative transportation, training and education for seniors and persons with disabilities.

Background

Cooperative Agreement C-2-0617 (Attachment A) was approved by the Orange County Transportation Authority (Authority) Board of Directors on June 24, 2002. This agreement between the Authority and the Office on Aging (OoA), outlines cooperation between the agencies to implement the Tobacco Settlement Revenue (TSR) spending plan. Under the agreement, the Authority provides a maximum annual obligation of \$250,000, for five years in support of a volunteer-based senior non-emergency medical transportation (SNEMT) program to be matched dollar-for-dollar with TSR funds. Amendment No. 1 in

2003, in the same amount, increased the total maximum obligation to \$500,000. These funds were used to match actual TSR funds expended and were not encumbered from year to year.

In August 2004, the Board of Directors authorized Amendment No. 2 for fiscal year 2004-05 (Attachment B). Of the amount allocated for the current fiscal year, the Authority and OoA staff planned to use \$5,000 of Authority funds and \$5,000 of TSR funds to provide the local match for a California Department of Transportation (Caltrans) Environmental Justice Planning Grant awarded to the Authority to analyze and develop a transportation plan for adult day healthcare (ADHC) programs. The remaining \$245,000 programmed by the Authority for use in the current fiscal year under this cooperative agreement would have remained available to jointly fund a volunteer-based SNEMT program.

Discussion

Although the Authority's Board approved Amendment No. 2 in August, the OoA has since determined that a volunteer-based SNEMT program does not meet their current objectives, and TSR funds must be reallocated to support increased demand and rising costs of the SNEMT programs. The OoA will continue to provide the \$5,000 TSR funds for the ADHC study and will participate in the project working group. As a result, the remaining \$245,000 will become available for programming by the Authority for use this current fiscal year.

In order to continue the development of volunteer-based programs, it is proposed to utilize the remaining \$245,000 to develop two new programs. The first, a volunteer driver gas card program, would provide gas cards to organizations with established volunteer driver programs to provide non-emergency medical trips for seniors and persons with disabilities (Attachment C). The second program, "The Road to Driving Wellness," would provide training and education to keep seniors mobile without compromising their safety and the well being of others (Attachment D).

The Authority's development of these volunteer-based programs supports the Senior Transportation Analysis Report adopted by the Authority's Board in June 2000 and the Paratransit Growth Management Implementation Plan adopted by the Board in October 2004 to develop alternative transportation resources to manage growing demand for paratransit services for seniors and persons with disabilities.

Fiscal Impact

The work described in Amendment No. 2 to Agreement C-2-0617 was approved in the Authority's Fiscal Year 2004-05 Budget, Operations Division/Community Transportation Services, Account 2131-7831-D2132-8QT, and is funded through the Local Transportation Fund.

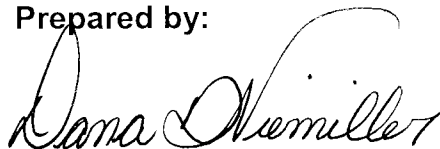
Summary

Staff recommends approval of Amendment No. 2, in the amount of \$5,000, to Cooperative Agreement C-2-0617 with the Office on Aging to exercise the option year two. Staff also recommends reallocation of \$245,000, to support the Authority's development of two new volunteer-based alternative transportation programs.

Attachments

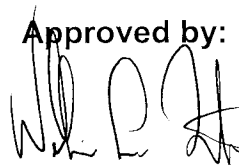
- A. Office on Aging Cooperative Agreement C-2-0617 Fact Sheet
- B. August 12, 2004 Staff Report
Amendment to Cooperative Agreement with the Office on Aging
- C. Volunteer Driver Gas Card Program
- D. Road to Driving Wellness, Senior Driving Safety Program

Prepared by:



Dana Wiemiller
Community Transportation Coordinator
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Approved by:



William L. Foster
Executive Director, Bus Operations
(714) 560-5842

ATTACHMENT A

OFFICE ON AGING Cooperative Agreement C-2-0617 Fact Sheet

1. June 24, 2002, Cooperative Agreement C-2-0617, \$250,000, approved by Board of Directors:
 - Cooperative agreement with the Office on Aging (OoA) to jointly fund Senior Medical Assistance Reimbursement Transportation Program (SMART) program
2. June 23, 2003, Amendment No. 1 to Cooperative Agreement C-2-0617, \$250,000, approved by Board of Directors.
 - Exercise Option Year 1 and approve same level of participation to jointly fund Senior Medical Assistance Reimbursement Transportation Program (SMART) program
3. August 23, 2004, Amendment No. 2 (**Not executed**) to Cooperative Agreement C-2-0617, \$250,000, approved by Board of Directors.
 - Exercise option year two and approve same level of participation to jointly fund Tobacco Settlement Revenue senior non-emergency medical transportation programs
 - Modify the maximum obligation to reflect a lower level of expenditures in Fiscal Years 2002-03 and 2003-04 for an adjusted not to exceed amount of \$330,529.
 - Modify the agreement to allow joint participation on a Caltrans Environmental Justice Planning Grant to analyze adult day healthcare transportation, specifying the \$5,000 local match from both agencies along with a \$5,000 in-kind match from both agencies to conduct the ADHC transportation analysis, and naming the Authority as the project manager for the grant.
4. February 14, 2005, Amendment No. 2 to Cooperative Agreement C-2-0617, \$5,000, pending approval by Board of Directors:
 - Modify the agreement to allow joint participation on a Caltrans Environmental Justice Planning Grant to analyze adult day healthcare transportation, specifying the \$5,000 local match from both agencies along with a \$5,000 in-kind match from both agencies to conduct the ADHC transportation analysis, and naming the Authority as the project manager for the grant.
 - Staff is recommending authorization to reallocate the remaining \$245,000 to support the development of two new OCTA volunteer-based programs which will provide alternative transportation, training and education for seniors and persons with disabilities.



BOARD COMMITTEE TRANSMITTAL

August 23, 2004

To: Members of the Board of Directors
From: ^{WK} Wendy Knowles, Clerk of the Board
Subject: Amendment to Cooperative Agreement with the Office on Aging

Transit Planning and Operations Committee

August 12, 2004

Present: Directors Keenan, Silva, Winterbottom, and Brown
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Cooperative Agreement C-2-0617 between the Office on Aging, in an amount not to exceed \$250,000, as part of the local match for a California Department of Transportation Environmental Justice Planning Grant, and to match Tobacco Settlement Revenue funds for a volunteer-based program providing senior non-emergency medical trips.



August 12, 2004

To: Transit Planning and Operations Committee
From: Arthur T. Leahy, Chief Executive Officer
Subject: Amendment to Cooperative Agreement with the Office on Aging

Overview

On June 24, 2002, the Board of Directors approved an agreement with the Office on Aging, in the amount of \$250,000, to match Tobacco Settlement Revenue funds for use on specific senior non-emergency medical transportation projects.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Cooperative Agreement C-2-0617 between the Office on Aging, in an amount not to exceed \$250,000, as part of the local match for a California Department of Transportation Environmental Justice Planning Grant, and to match Tobacco Settlement Revenue funds for a volunteer-based program providing senior non-emergency medical trips.

Background

The cooperative agreement between the Orange County Transportation Authority (Authority) and the Office on Aging (OoA), outlines cooperation between the agencies to implement the Tobacco Settlement Revenue (TSR) spending plan.

One provision for the agreement provides for maximum annual obligation of \$250,000, for five years in support of a volunteer-based Senior Non-emergency Medical Transportation (SNEMT) program to be matched dollar-for-dollar with TSR funds.

The Authority's participation in a volunteer-based program supports the Senior Transportation Analysis Report adopted by the Authority's Board in June 2000. That study reviewed demographic projections for seniors in Orange County through 2020, estimated future demand for senior transportation, and recommended a community action plan to encourage the development of alternatives to meet the anticipated growth in demand for senior transportation.

Discussion

Cooperative Agreement C-2-0617 was approved by the Authority's Board on June 24, 2002, in the amount of \$250,000. Amendment No. 1, in the same amount, increased the total maximum obligation to \$500,000. These funds are used to match actual TSR funds expended and are not encumbered from year to year. This means the maximum obligation can be modified to reconcile prior actual expenses incurred, \$80,529, resulting in a revised maximum obligation of \$330,529, inclusive of funds available for fiscal year 2004-05.

Of the amount allocated for the current fiscal year, Authority and OoA staff plan to use \$5,000 of Authority funds and \$5,000 of TSR funds to provide the local match for a California Department of Transportation (Caltrans) Environmental Justice Planning Grant awarded to the Authority to analyze and develop a transportation plan for adult day healthcare (ADHC) programs. The remaining \$245,000 programmed by the Authority for use in the current fiscal year for this cooperative agreement would remain available to jointly fund a volunteer-based SNEMT program.

Fiscal Impact

The additional work described in Amendment No. 2 to Cooperative Agreement C-2-0617 was approved in the Authority's Fiscal Year 2004-05 Budget, Operations Division/Community Transportation Services, Account 2131-7831-D2132-8QT, and is funded through the Local Transportation Fund.


Summary

Based on the material provided, staff recommends approval of Amendment No. 2, in the amount of \$250,000, to Cooperative Agreement C-2-0617 with the Office on Aging to exercise option year two.

Attachment

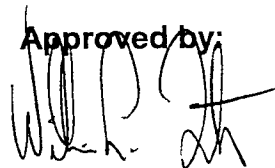
- A. OFFICE ON AGING
Cooperative Agreement C-2-0617 Fact Sheet

Prepared by:



Beth McCormick
Department Manager, CTS
(714) 560-5964

Approved by:



William L. Foster
Executive Director, Bus Operations
(714) 560-5842

OFFICE ON AGING
Cooperative Agreement C-2-0617 Fact Sheet

1. June 24, 2002, Cooperative Agreement C-2-0617, \$250,000, approved by Board of Directors:
 - Cooperative agreement with the Office on Aging (OoA) to jointly fund Senior Medical Assistance Reimbursement Transportation Program (SMART) program
2. June 23, 2003, Amendment No. 1 to Cooperative Agreement C-2-0617, \$250,000, pending approval by Board of Directors.
 - Exercise Option Year 1 and approve same level of participation to jointly fund Senior Medical Assistance Reimbursement Transportation Program (SMART) program
3. August 23, 2004, Amendment No. 2 to Cooperative Agreement C-2-0617, \$250,000, pending approval by Board of Directors.
 - Exercise option year two and approve same level of participation to jointly fund Tobacco Settlement Revenue senior non-emergency medical transportation programs
 - Modify the maximum obligation to reflect a lower level of expenditures in Fiscal Years 2002-03 and 2003-04 for an adjusted not to exceed amount of \$330,529.
 - Modify the agreement to allow joint participation on a Caltrans Environmental Justice Planning Grant to analyze adult day healthcare transportation, specifying the \$5,000 local match from both agencies along with a \$5,000 in-kind match from both agencies to conduct the ADHC transportation analysis, and naming the Authority as the project manager for the grant.

Total committed to Office on Aging, Cooperative Agreement C-2-0617: \$330,529.

Volunteer Driver Gas Card Program

Situation

A study released by the Orange County Health Care Agency identified an unmet need of nearly 462,000 non-emergency medical trips annually by frail individuals who require extra assistance. According to the 2003 Report on the Condition of Older Adults in Orange County, one of the significant barriers to accessing health care services is transportation for the frail elderly and those without private transportation.¹ Additionally, non-emergency medical trip transportation for disabled individuals is growing. Non-emergency medical appointments could include therapy, dentistry, health education, prescription pick-ups, testing, x-rays, visits to clinics, and a number of other types of trips.

All older adults and persons with disabilities living in Orange County are potentially affected by the inability to drive themselves to non-emergency medical trip appointments. Specifically, there are approximately 380,000 older adults in Orange County. According to the Department of Motor Vehicles, approximately 75 percent of all seniors in Orange County are licensed to drive. Out of this total, 66 percent are aged 80-85 and less than a third of all seniors aged 85 and older hold licenses.² According to the 2000 U.S. Census, there are 434,000 persons with a disability living in Orange County.

There are several transportation choices available to older adults and persons with disabilities; however, they are not always feasible depending on the individual's mobility, schedule, and ability to pay. For example, OCTA's fixed-route bus system offers a deeply discounted fare for seniors and persons with disabilities. However, the system operates on a fixed-schedule and along a fixed-route and bus stops may not be within a reasonable walking distance for this special population. OCTA's ACCESS paratransit service is restricted to those who meet federal eligibility criteria, and in July 2005, the services will be restricted to only provide trips that begin and end within a ¾ mile radius of the fixed-route bus system which means that the service may not be available to or from all medical trip destinations. City and local transportation services are sometimes available, but many restrict their travel to within the city limits. Private transportation service is also available, such as taxis, but this is oftentimes too expensive and not uniformly available throughout Orange County.

Background

The Orange County Health Care Agency and Office on Aging once administered a Volunteer Mileage Reimbursement Program as part of the Tobacco Settlement Revenue (TSR) spending plan, but due to high administrative costs and other vendor issues, the program was discontinued. The Senior Non-emergency Medical Transportation (SNEMT) program administered by the Office on Aging, does provide these trips, but funds for this program are limited, and strategies to provide these trips in an cost effective way are critical to expanding the capacity of the SNEMT program.

Given recent high costs for gasoline, there is a possibility that volunteer programs providing non-emergency medical trips at various service agencies will have to scale back or maybe even eliminate those services. This would be devastating to the seniors and persons with disabilities who rely on these transportation programs. Seniors and persons with disabilities being assisted by these programs would be required to find alternative types of transportation which could result in a lapse of service available or an inability to find an alternative that best meets their mobility and financial means. These individuals may withdraw from or forego their medical appointments at that point. The Volunteer Driver Gas Card Program would help ensure that these programs are, at a minimum, maintained. Optimistically, this program would allow an increase in the number of trips provided to individuals by volunteer-based programs.

Work Plan

OCTA proposes to provide a volunteer-based program to provide non-emergency medical transportation for seniors and persons with disabilities using the gas card program. Rather than incur the administrative burden associated with the reimbursement of vouchers after the trip is provided, the gas card program would provide a gas card to organizations using volunteer drivers for these types of trips with a pre-set value to be distributed directly to the volunteer drivers. OCTA would work with agencies that already provide volunteer travel assistance such as the Feedback Foundation, the City of Huntington Beach and FISH of Fullerton.

The purpose of the gas card program is to help agencies that already provide non-emergency medical trip assistance maintain their capacity and perhaps expand the number of trips they provide by expanding their volunteer base.

This type of gas card program is extremely cost-effective when compared to other types of travel assistance, including taxis and OCTA's ACCESS program. For example, a \$50 prepaid gas card could provide a number of volunteer-provided trips while each one-way trip on ACCESS costs taxpayers \$26.

¹ 2003 Report on the Condition of Older Adults in Orange County. Part 1: Access to and Use of Services by Older Adults. Page 48.

² Senior Transportation Analysis. Orange County Transportation Authority. June 2000. Page ES-3.

Road to Driving Wellness

Senior Driving Safety Program

Situation

According to Fault Lines in the Shifting Landscape, a study commissioned by the Archstone Foundation in 1999, “a major increase in the quality of life for the oldest old can be attributed squarely to active engagement with life.”ⁱ According to the “2003 Report on the Condition of Older Adults in Orange County,” the automobile is the single most important mode of transportation for adults age 65 and over.ⁱⁱ As part of the Senior Transportation Analysis conducted by the Orange County Transportation Authority (OCTA) in 2000, a telephone survey to collect data on modes of travel used by more than 200 randomly selected seniors indicated that 64% of the respondents continued to drive their own cars and an additional 26% were passengers in autos. This data shows that 90% of the seniors responding preferred to travel by personal auto and would continue to do so for as long as possible because of the convenience and independence this mode provides.ⁱⁱⁱ

Older adults living in Orange County are affected or will be affected by the inability to drive. Specifically, there are approximately 380,000 older adults in Orange County. By 2020, this number is expected to double to roughly 700,000. The largest age group among the 60+ population are those ages 60-69 (46%).

For individual older drivers, maintaining their driving abilities for as long as it is safe means retaining the independence of self-care and access to health promotion and maintenance. As defined by the Americans with Disabilities Act (ADA) of 1990, many of the instrumental activities of daily living, such as shopping, medical visits, and money management, imply a need for transportation. When older adults are no longer able to drive, they must have access to services or rely on others for retaining independent self-care and health. Therefore, the ADA includes travel in itself as an activity required for independent living.

The ability to drive also may affect health status. Preliminary studies of older drivers show that there may be a relationship between health status and sense of autonomy and the ability to drive. Reactions of older drivers were captured in focus groups throughout the United States:

- ▶ “When they tell me I can’t drive, that will be one of the worst events in my life!”
- ▶ I don’t want to hear about it.”
- ▶ “[Giving up your keys] is the hardest thing in the world.”
- ▶ “I’d stay in bed.”

These quotes illustrate the fears of older adults of losing their independence and health.^{iv}

As we age, specific abilities needed to drive safely may decline, such as vision, memory, physical strength, reaction time, and flexibility. Providing education and

training to improve older drivers ability to function and teaching compensating strategies if some functional loss has been realized will help older adults continue to drive safely longer.

As the population of older adults increase, a significant number will become isolated if their communities are unprepared to address growing transportation needs. To create an atmosphere for change, communities can encourage prevention by providing driver education, rehabilitation, and safer roads.

Background

A program entitled “The Road to Driving Wellness” has been developed with the sole purpose of keeping older drivers mobile without compromising their safety and the well being of others. A train-the-trainer program/curriculum was developed through a cooperative agreement with the Centers for Disease Control and Prevention and the National Highway Traffic Safety Administration. The California Office of Traffic Safety also participated by providing grant funding. A Train-the-trainer session was held at OCTA, jointly sponsored by the Orange County Office on Aging, Caregiver Resource Center, and the Occupational Therapy Association of California. The goal is that these trained volunteers would, in turn, offer classes to seniors within their own community.

Work Plan

OCTA desires to expand The Road to Driving Wellness program by hiring a consultant to:

1. Implement a countywide train-the-trainer program using the curriculum developed by the agencies previously mentioned.
2. Coordinate the trained volunteers by scheduling classes within each city and assisting the volunteers with logistical support, materials, etc.
3. Conduct training classes when/if volunteer support is not available.
4. Tabulate and keep data on number of classes offered, number of attendees, feedback, etc.
5. Translate the train-the-trainer curriculum into Spanish and/or Vietnamese.

The Road to Driving Wellness Train-the-Trainer curriculum/class includes ready-to-use materials, comprehensive background information, tips on conducting driving wellness programs on a shoestring budget, and participant outreach strategies. OCTA would also host free senior driving wellness courses as part of the agency’s on-going senior marketing and outreach program.

ⁱ Fault Lines in the Shifting Landscape: The Future of Growing Older in California.” Institute for the Future and Archstone Foundation. November 1999.

ⁱⁱ 2003 Report on the Condition of Older Adults in Orange County. Transportation Indicators. Page 26.

ⁱⁱⁱ Senior Transportation Analysis. Orange County Transportation Authority. June 2000. Page ES-2.

^{iv} The Road to Driving Wellness. Train-the-Trainer Program Curriculum. Section 2. Page 9.



February 28, 2005

To: Members of the Board of Directors
From: Arthur T. Leahy, Chief Executive Officer
Subject: Transportation 2020 Committee Report and Recommendations

Overview

The new Transportation 2020 Board Committee held its first meeting on February 14, 2005. The Committee unanimously affirmed the December 2004 Board of Directors recommendations that the Orange County Transportation Authority prepare a spending plan to support the potential extension of the Measure M one-half cent transportation sales tax. The Committee also unanimously recommends to the Board of Directors a series of actions to enable the spending plan and a sales tax extension to be presented to Orange County voters as early as November 2006.

Recommendations

- A. Direct the Chief Executive Officer, working with the Transportation 2020 Committee and the Board of Directors, to develop an Expenditure Plan for a potential extension of the Measure M one-half cent transportation sales tax as early as November 2006.
- B. Direct the Chief Executive Officer to prepare a program-level Environmental Impact Report on the Orange County Long Range Transportation Plan, inclusive of projects and programs included in an Expenditure Plan for the extension of Measure M.
- C. Direct the Chief Executive Officer to extend Agreement C-4-0224 between the Orange County Transportation Authority and California Strategies to provide strategic advice and stakeholder outreach for a period not-to-exceed 15 months, beginning March 1, 2005, at a cost not-to-exceed \$150,000.

-
- D. Direct the Chief Executive Officer to negotiate an agreement with the firm of Smith, Watts & Company to provide program management, expenditure plan strategy and development and messaging services for a period not-to-exceed 20 months, beginning March 1, 2005, at a cost not-to-exceed \$7,500 per month.
 - E. Direct the Chief Executive Officer to negotiate an agreement with the firm of Townsend, Raimundo, Bessler & Usher to provide messaging, communications and expenditure plan organization and packaging services for a period not-to-exceed 15 months, beginning March 1, 2005, at a cost not-to-exceed \$6,000 per month.
 - F. Direct the Chief Executive Officer to issue a Request for Proposals for polling and focus group research services to gather input into the development of an Expenditure Plan for the extension of Measure M.

Background

In December 2004, the Orange County Transportation Authority (OCTA) Board of Directors unanimously endorsed the findings and recommendations of an ad-hoc Board committee, headed by then Vice Chairman Bill Campbell, regarding long-range transportation planning and a potential extension of the Measure M one-half cent sales tax. The recommendations were to:

1. Present the work of the ad-hoc committee regarding the potential extension of Measure M early in 2005 to the newly expanded Board of Directors;
2. Develop a proposed work plan and schedule for assembling a transportation spending plan for an extension of Measure M; and
3. Seek the concurrence, early in 2005, of the Board of Directors to proceed with development of a new transportation spending plan.

On January 24, 2005, newly elected Board Chairman Campbell appointed the Transportation 2020 Committee and charged it with continuing the exploration of a Measure M extension. On the same day, the Board held a workshop at which the work of the 2004 Ad-hoc Committee and the process for seeking an extension of Measure M were presented and discussed.

The newly appointed Transportation 2020 Committee, chaired by Director Curt Pringle, held its initial meeting on February 14, 2005, and reviewed an initial draft work plan and schedule for placing a potential Measure M extension on the ballot as early as November 2006. The Committee also adopted a series of recommendations to provide staff direction and provide resources to implement this plan and schedule. These recommendations are presented for Board consideration and adoption.

Discussion

Following is a brief summary of the basis for the Transportation 2020 Committee's recommendations:

Direct staff, working with the Committee and the Board, to develop an Expenditure Plan for a potential extension of Measure M:

The state authorizing legislation for local transportation sales taxes prescribes a process for development of an Expenditure Plan to show how the proceeds of a proposed new tax or extension would be spent (Attachment A). OCTA is the responsible agency for this process in Orange County. Based on the work of the 2004 Ad-hoc Committee and the discussion at the January 24, 2005, Board Workshop, the Committee recommends that the staff begin development of an Expenditure Plan to support a potential extension of Measure M.

It is further recommended that this be done on a schedule that could allow the question of an extension to go to the voters as early as November 2006. However, this is not an endorsement of putting such a proposal on the ballot. The Committee believes that a determination to do so can only be made after an Expenditure Plan is developed and an assessment is made of whether it has the support of community leaders, stakeholders, and likely voters.

A timetable and draft summary work plan for creating a new Expenditure Plan is shown in Attachment B. The effort will benefit from a number of OCTA planning activities already underway or soon to be so. These include an update of Orange County's Long Range Transportation Plan for input to a new Regional Transportation Plan; various Major Investment or area studies covering the San Diego Freeway (Interstate 405) corridor, the Central County Corridor, Orange County/Riverside County connections, and South Orange County; and a Transit Master Plan review stemming from recent CenterLine actions.

Direct staff to prepare a program-level Environmental Impact Report (EIR) on the Orange County Long Range Transportation Plan, including the projects and programs in an Expenditure Plan for extension of Measure M:

When Measure M was developed in 1990, the California Environmental Quality Act (CEQA) did not apply to the adoption of the supporting spending plan. More recent interpretations of the law, and actions in other counties that have enacted or extended local transportation sales taxes, appear to indicate that a program-level EIR should be done for an Expenditure Plan (Attachment C). Currently, the recently passed San Bernardino transportation sales tax extension is subject to litigation on this issue.

The Committee recommends that OCTA prepare an EIR on the Long Range Transportation Plan being developed for input to the Regional Transportation Plan. This work would be inclusive of projects and programs in a Measure M extension Expenditure Plan and the work could be completed on a schedule that would allow a November 2006, ballot on a Measure M extension, if that were desired. The Committee considered an alternative of having the Southern California Association of Governments (SCAG) prepare an EIR, inclusive of an Orange County Expenditure Plan, as part of an update to the Regional Transportation Plan. However, based on potential risks to timely completion, this option was not recommended. Consultant and staff resources for preparing an EIR have already been approved in the Fiscal Year 2004-05 OCTA Budget.

Direct staff to enter into and extend various professional services agreements to assist with the development of an Expenditure Plan:

The process and requirements for creating an Expenditure Plan are specialized and complex and require: (1) knowledge of transportation resources and planning; (2) effective communication with community leaders and a wide variety of stakeholders; and (3) the ability to accurately assess the preferences of likely voters. The Committee recommends that existing staff resources be augmented with specialized professional services to assist in the areas of strategic planning, project management, stakeholder outreach, expenditure plan development, communications, and research. Sufficient planning and outreach funds are available in the Fiscal Year 2004-05 OCTA Budget to cover the costs of these services. The specific recommendations are as follows:

1. Modify and extend an existing agreement with California Strategies to provide overall strategic counsel to both the Board and staff, as well as stakeholder outreach services, specifically focused on businesses and private sector organizations. This firm has been retained for the past year by OCTA to assist with the work of the original ad-hoc Transportation 2020 Working Group. Their current agreement can be extended beginning March 1, 2005, for up to two additional years. The Committee recommends that the agreement be extended for up to an additional 15 months, covering the anticipated plan development time frame, for an amount not-to-exceed \$150,000.
2. Enter into agreements with the firms of Smith, Watt & Company and Townsend, Raimundo, Bessler & Usher to provide program management, strategic planning, Expenditure Plan development, stakeholder outreach, and messaging and communications services. It is recommended that these agreements be approved under OCTA's sole source procurement guidelines. These two firms (Attachment D), working in combination are uniquely qualified, having provided similar services for more than a dozen local sales tax programs throughout the state in the Counties of Alameda, Contra Costa, Fresno, Monterey, Orange, Riverside, Sacramento, San Bernardino, San Diego, and Santa Clara. Both firms were involved in pioneering the successful passage of the first local transportation measure in Santa Clara County in 1985, and both worked with OCTA's predecessor agency, the Orange County Transportation Commission, on Measure M in Orange County in 1990. More recently they worked with the local transportation agencies on the successful extensions in neighboring Riverside County in 2002 and in San Bernardino and San Diego in 2004. With the tight time frames needed for development of an Orange County expenditure plan for a possible November 2006 ballot, these firms offer the only reasonable option to obtain specially qualified services immediately, with no learning curve. It is recommended that Smith, Watts & Company be retained for a period not-to-exceed 20 months, beginning March 1, 2005, at a cost-not-to exceed \$7,500 per month, and that Townsend, Raimundo, Bessler & Usher be retained for a period not-to-exceed 15 months, beginning March 1, 2005, at a cost not-to-exceed \$6,000 per month.
3. Direct staff to issue a Request for Proposals (RFP) for polling and focus group research services. Development of an Expenditure Plan requires detailed knowledge of the preferences of voters since a two-thirds majority must ultimately support the plan. Projects, programs, and policies developed initially through technical studies and stakeholder outreach, will be tested for voter support through polling and focus group research.

The results will help the Committee and the Board in shaping the Expenditure Plan. These services will be needed beginning in May 2005 and extending until approximately mid-2006.

Summary

The Transportation 2020 Committee is recommending to the Board of Directors that an Expenditure Plan be developed to support a potential extension of the Measure M one-half cent transportation sales tax, that an EIR be prepared, and that professional service resources be approved to assist in the effort.

Attachments

- A. "Measure M Extension Requires" – PowerPoint slide
- B. Measure M Extension: Draft Summary Work Program and Schedule
- C. "Local Transportation Authority and Improvement Act: CEQA: County Transportation Expenditure Plan - #14208" – Legal Opinion of Legislative Counsel
- D. Firm Overview and Biographies for Smith, Watts & Company and Townsend, Raimundo, Bessler & Usher

Prepared by:



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Measure M Extension Requires

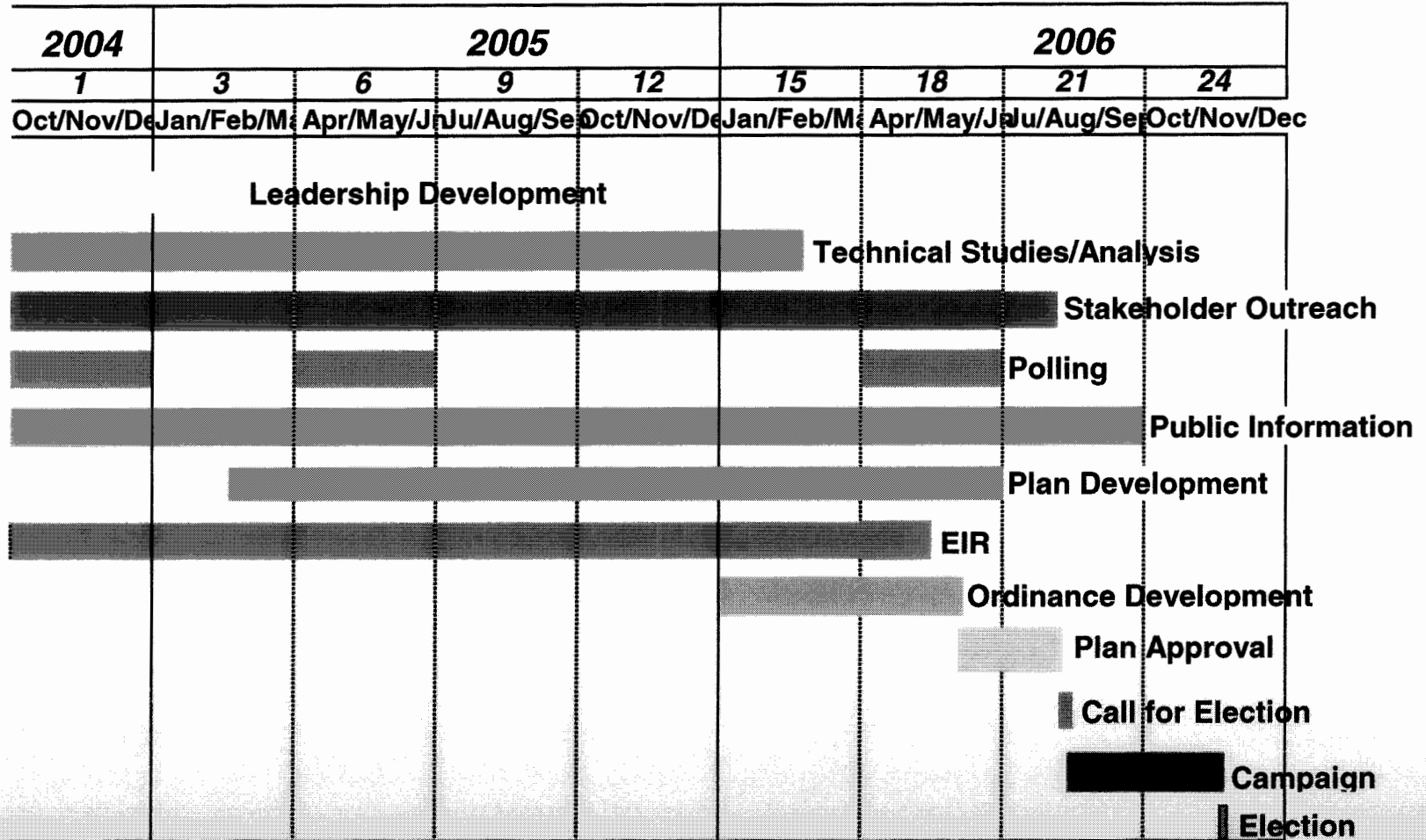
- New Spending Plan Approved by:
 1. Majority of city councils representing majority of incorporated areas
 2. Board of Supervisors
 3. Two-thirds vote of OCTA
- New Tax Ordinance
- Board of Supervisors setting election
- Two-thirds voter majority

MEASURE M EXTENSION: DRAFT SUMMARY WORK PROGRAM AND SCHEDULE

Phase 1 (Q4/2004-Q2/2005)	Phase 2 (Q3-Q4/2005)	Phase 3 (Q1-Q3/2006)	Phase 4 (Q3-Q4/2006)
Oct/Nov/Dec/Jan/Feb/Mar/Apr/May/June	July/Aug/Sep/Oct/Nov/Dec	Jan/Feb/Mar/Apr/May/June/July	Aug/Sep/Oct/Nov/Dec
<p style="text-align: center;"><u>OCTA Activities</u></p> <p>Plan Development</p> <ul style="list-style-type: none"> • <i>Initial Project Lists</i> • <i>Cost and Revenue Estimates</i> • <i>Modal Master Plans (including Transit Master Plan)</i> • <i>MIS Input</i> • <i>1st Rough Draft of Plan Framework and Options</i> <p>Research</p> <ul style="list-style-type: none"> • <i>Baseline Project Poll</i> • <i>Focus Groups</i> <p>Outreach</p> <ul style="list-style-type: none"> • <i>Advisory Relationships (cities, TAC, Stakeholders, Private Sector)</i> • <i>Meetings with Key Stakeholders</i> <p>Public Education</p> <ul style="list-style-type: none"> • <i>Buses, billboards, project signing</i> • <i>Measure M Annual Report</i> • <i>City Newsletters</i> • <i>Speakers Bureau</i> • <i>Free Media</i> 	<p style="text-align: center;"><u>OCTA Activities</u></p> <p>Plan Development</p> <ul style="list-style-type: none"> • <i>Refine Project Lists</i> • <i>Develop Program Elements</i> • <i>Ordinance Elements</i> • <i>Complete Transit Master Plan</i> <p>Research</p> <ul style="list-style-type: none"> • <i>Tracking poll/test program elements</i> <p>Outreach</p> <ul style="list-style-type: none"> • <i>Workshops on Draft Plan Framework and Options</i> • <i>Continued Stakeholder meetings</i> • <i>Begin negotiations with Stakeholders</i> <p>Public Education</p> <ul style="list-style-type: none"> • <i>Buses, billboards, signing</i> • <i>City Newsletters</i> • <i>Speakers Bureau</i> • <i>Free Media/Op-Eds</i> 	<p style="text-align: center;"><u>OCTA Activities</u></p> <p>Plan Development</p> <ul style="list-style-type: none"> • <i>Refine cost and revenue estimates</i> • <i>Final project/program negotiations</i> • <i>Final ordinance negotiations</i> • <i>Mapping and graphics</i> • <i>Organize and publish the plan</i> • <i>Adopt the Final Plan</i> <p>Research</p> <ul style="list-style-type: none"> • <i>Final polling on plan refinements</i> • <i>Focus Groups on ballot language</i> <p>Outreach</p> <ul style="list-style-type: none"> • <i>Final negotiation/resolution of stakeholder issues</i> • <i>Final assessment of stakeholder positions</i> • <i>Seek adoption of plan by cities/County</i> <p>Public Education</p> <ul style="list-style-type: none"> • <i>Direct mail program</i> • <i>Video/DVD</i> • <i>Speakers Bureau</i> • <i>City Newsletters</i> • <i>Free Media/Editorials</i> 	<p style="text-align: center;"><u>OCTA Activities</u></p> <p>Public Education</p> <ul style="list-style-type: none"> • <i>Speakers Bureau</i> • <i>Response to information requests</i> • <i>City Newsletters</i> • <i>Free Media</i>
<p style="text-align: center;"><u>Regional Plan/EIR</u></p> <p>Develop Modal Options Revenue Analysis Package Alternatives Notice of Preparation/Scoping Meetings</p>	<p style="text-align: center;"><u>Regional Plan/EIR</u></p> <p>Modeling Technical Analysis</p>	<p style="text-align: center;"><u>Regional Plan/EIR</u></p> <p>Administrative Process (Hearings, Circulate, Response to Comments) Approve and Adopt LRTP and EIR SCAG Amends RTP</p>	<p style="text-align: center;"><u>Regional Plan/EIR</u></p> <p>N/A</p>
<p style="text-align: center;"><u>Private Sector</u></p> <p>Organize Support Group Speakers Bureau/Education Effort (Education Foundation?) Recruitment Feasibility and Issue Polling</p>	<p style="text-align: center;"><u>Private Sector</u></p> <p>Organize Campaign Group Recruitment Fund Raising Begins Continued Education Effort</p>	<p style="text-align: center;"><u>Private Sector</u></p> <p>Fund Raising Recruitment Continued Education Effort Seek Support and Endorsements Ballot Arguments and Signatures Pre-Campaign Polling</p>	<p style="text-align: center;"><u>Private Sector</u></p> <p>Final Fund Raising Polling Campaign Efforts</p>



2006 Election Timeline





Key Steps to Spending Plan

1. Strong Technical Base

- Complete planning and environmental studies
- Objective: Technically sound plan that meets Federal, State and local requirements

2. Local Officials Buy-in

- Program to gain support from electeds, city managers and public works/traffic staff
- Objective: Support from leadership. All cities and County support going to the ballot

3. Stakeholders Buy-in

- Program to locate, engage and gain support from business, labor, civic groups, transportation and community activists and eventual campaign supporters
- Objective: Identify leaders, gain support of influentials and minimize organized opposition

4. Voter Support

- Public education and program of polling to test draft plan
- Objective: Likelihood of at least 66.7 percent support on ballot

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October 27, 2003

Honorable Tom Torlakson
5061 State Capitol

LOCAL TRANSPORTATION AUTHORITY AND IMPROVEMENT ACT: CEQA:
COUNTY TRANSPORTATION EXPENDITURE PLAN - #14028

Dear Senator Torlakson:

QUESTION

Is a county transportation expenditure plan that is created under the Local Transportation Authority and Improvement Act subject to the California Environmental Quality Act?

OPINION

A county transportation expenditure plan that is created under the Local Transportation Authority and Improvement Act is subject to the California Environmental Quality Act.

ANALYSIS

By way of background, the Local Transportation Authority and Improvement Act (Div. 19 (commencing with Sec. 180000), P.U.C.) authorizes a county board of supervisors to create a local transportation authority (hereafter authority), or designate an existing transportation planning agency or county transportation commission to serve as the authority, to carry out specific powers and duties relating to transportation (Sec. 180050, P.U.C.).

Among its various powers, an authority is authorized to impose, in accordance with the Local Transportation Authority and Improvement Act and the Transactions and Use Tax Law (Pt. 1.6 (commencing with Sec. 7251), Div. 2, R.& T.C.), a transactions and use tax applicable throughout the county for a period not to exceed 20 years, if an ordinance providing

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for the tax is adopted by a two-thirds vote of the authority and is subsequently approved by the county's electors voting on the measure at a special election called for that purpose¹ by the board of supervisors at the request of the authority, and a county transportation expenditure plan is adopted (Sec. 180201, P.U.C.). The ordinance submitted for voter approval is required to specify the nature of the tax, the tax rate, the period during which the tax is to be imposed (not to exceed 20 years), and the purposes for which the tax revenue will be used (Secs. 180201 and 180202, P.U.C.). Proceeds of the tax may be allocated by the authority for the construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems (Sec. 180205, P.U.C.).

A county transportation expenditure plan is a plan for the expenditure of the tax revenues, together with other federal, state, and local funds expected to be available for transportation improvements, for the period during which the tax is to be imposed (subd. (a), Sec. 180206, P.U.C.). The plan, which must be adopted prior to the call of the election, is not considered adopted until it has received the approval of the county board of supervisors and the city councils representing both a majority of the cities in the county and a majority of the population in the incorporated areas of the county (Sec. 180206, P.U.C.). The entire adopted plan is required to be included in the voter information handbook prepared in connection with the election to approve imposition of the transactions and use tax (Sec. 180203, P.U.C.).

The California Environmental Quality Act (Div. 13 (commencing with Sec. 21000), P.R.C.; hereafter CEQA) generally requires all state and local governmental agencies to prepare, or cause to be prepared by contract, and certify the completion of, an environmental impact report (hereafter EIR²) on a discretionary project that they propose to carry out or

¹ Section 180201 of the Public Utilities Code requires approval of the tax by a majority of the electors voting on the measure. However, the California Supreme Court has held that the vote required by that section violates Section 53722 of the Government Code, which requires that a special tax be approved, not by a majority of the electors voting on the measure as Section 180201 specifies, but by a two-thirds vote of the electors voting on the measure (*Santa Clara County Local Transportation Authority v. Guardino* (1995) 11 Cal.4th 220, 227-228, 261).

² An EIR is a detailed statement on a project that an agency proposes to carry out or approve that may have a significant effect on the environment. The detailed statement must set forth all significant effects on the environment of the proposed project, any significant effect on the environment that cannot be avoided if the project is implemented, any significant effect on the environment that would be irreversible if the project is implemented, mitigation measures proposed to minimize significant effects on the environment, alternatives to the proposed project, the growth-inducing impact of the proposed project, and a statement briefly indicating the reasons for determining that various effects on the environment of a project are not significant and consequently have not been discussed in detail in the environmental impact report. The purpose of
(continued...)

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approve that may result in a "significant effect on the environment"; that is, a substantial, or potentially substantial, adverse change in the physical conditions that exist within the area that will be affected by the project (see Secs. 21060.5, 21062, 21063, 21068, 21080, 21080.1, 21080.2, 21080.4, 21100, and 21151, P.R.C.; 14 Cal. Code Regs. 15000, 15002, 15360, 15367, 15368, and 15382).¹ "These [environmental impact] reports compel state and local agencies⁽⁴⁾ to consider the possible adverse consequences to the environment of the proposed activity and to record such impact in writing" (*Friends of Mammoth v. Board of Supervisors* (1972) 8 Cal.3d 247, 254-255).

For purposes of CEQA, "environment" means the physical conditions that exist within the area that will be affected by a proposed project, including land, air, water, minerals, flora, fauna, ambient noise, and objects of historic or aesthetic significance (Sec. 21060.5, P.R.C.; Guidelines, Sec. 15360), and includes manmade conditions (Guidelines, Sec. 15360). The area involved is the area in which significant effects on the environment may occur, either directly or indirectly, as a result of the project (Guidelines, Sec. 15360). For purposes of determining whether the preparation of an EIR is required, the lead agency² is required to determine whether a project may have a significant effect on the environment based on substantial evidence in light of the whole record (subds. (a) and (b), Sec. 21082.2, P.R.C.).

A "project" is an activity that may cause either a direct change, or a reasonably foreseeable indirect change, in the physical conditions in the environment (Sec. 21065, P.R.C.). For these purposes, "project" includes both public and private projects. A "public" project is an activity directly undertaken by a public agency, and a "private" project is an activity involving

(...continued)

an EIR is to provide public agencies and the public in general with detailed information about that potential impact, to list ways in which any substantial adverse changes might be minimized, and to indicate alternatives to the project (Secs. 21061, 21100, and 21100.1, P.R.C.; see *Mountain Lion Foundation v. Fish & Game Com.* (1997) 16 Cal.4th 105, 113).

¹ In carrying out CEQA, the Secretary of the Resources Agency is required to certify and adopt guidelines for the implementation of that act by public agencies (Sec. 21083, P.R.C.). The guidelines are required to include objectives and criteria for the orderly evaluation of projects and the preparation of an EIR or a negative declaration in a manner consistent with CEQA (Sec. 21083, P.R.C.). The guidelines are contained in Chapter 3 (commencing with Section 15000) of Division 6 of Title 14 of the California Code of Regulations (hereafter Guidelines).

² "Local agency" means any public agency other than a state agency, board, or commission (Sec. 21062, P.R.C.). "Public agency" includes any state agency, board or commission, and any county, city and county, city, regional agency, public district, redevelopment agency, or other political subdivision (Sec. 21063, P.R.C.; Guidelines, Sec. 15379).

³ The "lead agency" for a project is the public agency that has the principal responsibility for carrying out or approving a project that may have a significant effect on the environment (Sec. 21067, P.R.C.; see also Sec. 21165, P.R.C.; Guidelines, Sec. 15367).

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the issuance to a person by a public agency of a lease, permit, license, certificate, or other entitlement for use, such as the issuance of a permit for a development project (*Ibid.*; Guidelines, Secs. 15377 and 15378). A "discretionary project" is a project that requires the agency to exercise judgment or deliberation in deciding whether and how to carry out or approve the project (Guidelines, Secs. 15002(i) and 15357).

The policy of CEQA is to commence the CEQA decisional process at the earliest feasible time prior to a public agency's determination to carry out or approve an activity that may require the preparation of an EIR (see subd. (a), Sec. 21003.1, P.R.C.; Guidelines, Sec. 15004(b); *City of Coronado v. California Coastal Zone Conservation Com.* (1977) 69 Cal.App.3d 570, 583-584). The CEQA decisional process is a three-step process consisting of (1) a preliminary review to determine whether the activity is a discretionary project and, if so, whether it is exempt from CEQA,⁶ (2) if the activity is a nonexempt discretionary project, an initial study to determine whether the project may cause a significant effect on the environment, and (3) preparation of the appropriate environmental document on the project—either a negative declaration,⁷ a mitigated negative declaration,⁸ or an EIR (*Gentry v. City of Murrieta* (1995) 36 Cal.App.4th 1359, 1371-1372; *Kaufman & Broad-South Bay, Inc. v. Morgan Hill Unified School Dist.* (1992) 9 Cal.App.4th 464, 467; see also Secs. 21064, 21064.5, 21080, and 21080.1, P.R.C.; Guidelines, Secs. 15002(k), 15060, 15061, 15063, 15064, 15065, 15070, 15081, and 15084).

With that background, we turn now to the question posed. The first step in determining whether a county transportation expenditure plan is subject to CEQA is to determine whether that plan is a "discretionary project" and, if so, whether the project is exempt from CEQA.

⁶ CEQA establishes statutory exemptions for various projects (see, for example, Secs. 21080 and 21172) that might otherwise require the preparation of an EIR, and also provides for categorical exemptions as forth in the Guidelines (Sec. 21084, P.R.C.; Guidelines, Secs. 15300 to 15332, incl.).

⁷ A "negative declaration" is a written statement briefly discussing the reasons that a proposed project will not have a significant effect on the environment and, thus, does not require the preparation of an EIR (Sec. 21064, P.R.C.).

⁸ A "mitigated negative declaration" is a negative declaration prepared for a project when the initial study has identified potentially significant effects on the environment, but (1) revisions in the project plans or proposals made, or agreed to, by the applicant before the proposed negative declaration and initial study are released for public review would avoid the effects or mitigate the effects to a point where clearly no significant effect on the environment would occur, and (2) there is no substantial evidence in light of the whole record before the public agency that the project, as revised, may have a significant effect on the environment (Sec. 21064.5, P.R.C.).

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A county transportation expenditure plan outlines the ways in which an authority will expend revenues expected to be derived from the tax imposed for the period during which the tax is to be imposed (subd. (a), Sec. 180206, P.U.C.), and may include the construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems (Sec. 180205, P.U.C.).

As previously noted, a "project" is an activity that may cause either a direct change, or a reasonably foreseeable indirect change, in the physical conditions in the environment, and includes an activity directly undertaken by a public agency, including, but not limited to, "public works construction and related activities clearing or grading of land, improvements to existing public structures, [and] enactment and amendment of zoning ordinances..." (Guidelines, Sec. 15378).

A county transportation expenditure plan may include elements of public works construction, grading of land, and improvement to existing public structures. Moreover, in determining whether the plan itself is a project subject to CEQA, it is useful to draw a parallel to a general plan of a local agency, which, under the Guidelines and case law, is deemed a discretionary project subject to CEQA.

The Guidelines define "project" to include "[a]n activity directly undertaken by any public agency including but not limited to ... the adoption and amendment of local General Plans or elements thereof pursuant to Government Code Sections 65100-65700" (Guidelines, Sec. 15378(a)(1)). The California Supreme Court, in *DeVita v. County of Napa* (1995) 9 Cal.4th 763, 794, concluded that the adoption and amendment of a general plan are "properly defined in the CEQA guidelines [citation omitted] as projects subject to environmental review." In *City of Santa Ana v. City of Garden Grove* (1979) 100 Cal.App.3d 521, 531, the court explained:

"The fact that the enactment or amendment of a general plan does not directly effect a physical change in the environment does not remove it from the scope of CEQA. To quote: 'The notion that the project itself must directly have such an effect was effectively scorched in *Friends of Mammoth* [8 Cal.3d. 247]. The granting of a conditional use permit--a piece of paper--does not directly affect the environment any more than an annexation approval--another piece of paper. *Friends of Mammoth*, of course, said that the word "project" appears to emphasize activities culminating in physical changes to the environment . . ." [citation omitted]. In response to that concept, the Guidelines refer to "physical impact on the environment, directly or ultimately" [citation omitted]. Under current law, general plans do have an ultimate effect upon physical changes in the environment." (Emphasis in original.)

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In our view, just as a general plan does not directly result in a physical change in the environment, but does have an ultimate effect upon physical changes in the environment when the projects that are elements of the plan are carried out, so too does a county transportation expenditure plan.

Additionally, in determining whether a county transportation expenditure plan is subject to CEQA, we must determine whether it is an activity directly undertaken by a "public agency" (Guidelines, Sec. 15378(a)(1)). Because a county transportation expenditure plan is developed by a local transportation authority, it is necessary to establish whether that authority is a public agency (Sec. 180201, P.U.C.). As noted previously, "public agency" includes any county, city and county, city, regional agency, public district, redevelopment agency, or other political subdivision (Sec. 21063, P.R.C.; Guidelines, Sec. 15379). Created as a regional agency by a county board of supervisors, a local transportation authority is a public agency for purposes of CEQA (Sec. 180050, P.U.C.).

Given our conclusion that a county transportation expenditure plan is a project undertaken by a public agency, the next step is to determine whether it is discretionary. Whether a project is discretionary depends on "the authority granted by the law providing the controls over the activity" (Guidelines, Sec. 15002(i)(2)). A discretionary project is a project that requires the agency to exercise judgment or deliberation in deciding whether and how to carry out or approve the project (Guidelines, Secs. 15002(i) and 15357). In contrast, "[w]here the law requires a governmental agency to act on a project in a set way without allowing the agency to use its own judgment, the project is called 'ministerial,' and CEQA does not apply" (Guidelines, Sec. 15002(i)(1)). A discretionary project can be distinguished from "situations where the public agency or body merely has to determine whether there has been conformity with applicable statutes, ordinances, or regulations" (Guidelines, Sec. 15357).

In this circumstance, the law does not prescribe a "set way" in which a county board of supervisors or an authority must act. Rather, the law gives both entities discretion to make choices about the ways in which the authority will expend expected tax revenues, within broad parameters. This freedom of decision shows, in our opinion, that creating a county transportation expenditure plan is a discretionary project, and therefore, subject to CEQA if there is no applicable exemption.

⁵ The initial CEQA hurdle of establishing a discretionary project raises two peripheral issues. First, after the expenditure plan has been adopted pursuant to Section 180206 of the Public Utilities Code, the local transportation authority may request that the board of supervisors call a special election on the imposition of the tax ordinance to pay for the projects in the expenditure plan (Sec. 180201, P.U.C.). The board's action in putting the measure before the voters could be construed as a ministerial act and, therefore, could be exempt from CEQA. However, that question is not before us, nor is it relevant here because the prior act of approving the expenditure plan, an action necessary to reach the act of calling a special election, is not ministerial and, in our
(continued...)

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There is no specific statutory or categorical exemption from CEQA for a county transportation expenditure plan. And, "where exceptions to a general rule are specified by statute, other exceptions are not to be presumed unless a contrary legislative intent can be discerned" (*Mountain Lion Foundation v. Fish & Game Com.*, supra, at p. 116). Nothing in the language of CEQA indicates a legislative intent to exempt a county transportation expenditure plan from CEQA. However, the transportation-related exemptions to CEQA found in paragraphs (10) to (13), inclusive, of subdivision (b) of Section 21080 of the Public Resources Code bear some discussion. Those paragraphs exempt all of the following from CEQA:

"(10) A project for the institution or increase of passenger or commuter services on rail or highway rights-of-way already in use, including modernization of existing stations and parking facilities.

"(11) A project for the institution or increase of passenger or commuter service on high-occupancy vehicle lanes already in use, including the modernization of existing stations and parking facilities.

"(12) Facility extensions not to exceed four miles in length which are required for the transfer of passengers from or to exclusive public mass transit guideway or busway public transit services.

"(13) A project for the development of a regional transportation improvement program, the state transportation improvement program, or a congestion management program prepared pursuant to Section 65089 of the Government Code" (paras. (10) to (13), incl., subd. (b), Sec. 21080, P.R.C.; see also Guidelines, Secs. 15275(a) and (b) and 15276(a) and (b)).

(...continued)

opinion, not exempt from CEQA. Second, CEQA provides that the submission of a proposal to a vote of the people of a particular community is not a project, and is therefore not subject to CEQA (Guidelines, Sec. 15378(b)(3), citing *Stein v. City of Santa Monica* (1980) 110 Cal.App.3d 458). In *Stein v. City of Santa Monica*, the appellate court held that an initiative placed on the ballot pursuant to a petition signed by 15 percent of registered voters is not subject to CEQA because it does not involve a discretionary act undertaken by a local agency (110 Cal.App.3d 458, 460-462). In contrast, the California Supreme Court, in *Friends of Sierra Madre v. City of Sierra Madre* (2001) 25 Cal.4th 165, at page 171, concluded that "CEQA compliance is required when a project is proposed and placed on the ballot by a public agency." Here, approval by the electorate of a tax ordinance proposed by an authority is also approval of the underlying expenditure plan for the tax revenues. Hence, in our opinion, the authority must comply with CEQA before placing the measure before the people.

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The first three statutory exemptions listed above represent individual projects that could occur within a particular county transportation expenditure plan. Thus, these components as contained in a particular proposed county transportation expenditure plan, but not the county transportation expenditure plan in its entirety, would be exempt from CEQA's requirements.

The fourth statutory exemption, which encompasses projects for (1) the development of a regional transportation improvement program, (2) the state transportation improvement program, or (3) a congestion management program prepared pursuant to Section 65089 of the Government Code, does not apply to a county transportation expenditure plan because the duration, adopting agencies, funding mechanisms, and elements of those programs are different from those of a county transportation expenditure plan (see Secs. 14527 and 65082, Gov. C. (regional transportation improvement programs); Sec. 14529, Gov. C. (state transportation improvement program); and Secs. 65089 to 65089.7, incl., Gov. C. (congestion management programs)). Moreover, the California Supreme Court has said that, "[u]nder the familiar rule of construction, *expressio unius est exclusio alterius*, where exceptions to a general rule are specified by statute, other exceptions are not to be implied or presumed. [citations omitted] This rule, of course, is inapplicable where its operation would contradict a discernible and contrary legislative intent. [citation omitted] ... [H]owever, we conclude that application of this rule of construction is consistent with the legislative purpose in enacting CEQA" (*Wildlife Alive v. Chickering* (1976) 18 Cal.3d 190, 195). A California appellate court has said that "[a]n examination of the specific exemptions in the statutory scheme of CEQA reveals no legislative intent contradicting that maxim, and if anything strengthens the maxim's applicability ..." (*Environmental Protection Information Center, Inc. v. Johnson* (1985) 170 Cal.App.3d 604, 617). Hence, we conclude that the CEQA exemption for a regional transportation improvement program, the state transportation improvement program, or a congestion management program cannot be construed to encompass a county transportation expenditure plan.

In addition to the statutory exemptions, the Secretary of the Resources Agency, pursuant to Section 21084 of the Public Resources Code, has identified numerous classes of projects that do not have a significant effect on the environment and are therefore categorically exempt from CEQA (Guidelines, Secs. 15301 to 15332, incl.). None of the categorical exemptions so identified applies to a county transportation expenditure plan.

Because a county transportation expenditure plan is a discretionary project, and because there is no statutory or categorical exemption from CEQA for a county transportation expenditure plan, in our view a lead agency would have to proceed with the second step of the CEQA decisional process: undertaking an initial study to determine whether the proposed expenditure plan may cause a significant effect on the environment (see *Gentry v. City of Murrieta*, supra, at p. 1372). The initial study would have to examine, not only specifically planned components of the expenditure plan, but the plan's potential impact on the existing environment (*Christward Ministry v. Superior Court* (1986) 184 Cal.App.3d 180, 186-187). The

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results of the initial study would determine further action under the third step of the decisional process.

The third step of the CEQA decisional process, preparing the appropriate environmental document on the project, will often require preparation of an EIR. Although, without reference to a particular proposed county transportation expenditure plan, we cannot say whether and to what extent a particular plan would or would not have a significant effect on the environment so as to require an EIR, in our opinion a county transportation expenditure plan is a "discretionary project," requiring the lead agency to conduct an initial study to determine if the project may have a significant effect on the environment and, on the basis of that study, to prepare an EIR, a negative declaration, or a mitigated negative declaration.

Accordingly, it is our opinion that a county transportation expenditure plan created under the Local Transportation Authority and Improvement Act is subject to the California Environmental Quality Act.

Very truly yours,

Diane F. Boyer-Vine
Legislative Counsel



By
Michelle E. O'Connor-Ratcliff
Deputy Legislative Counsel

MEO:kg

Smith, Watts & Company

Consulting and Governmental Relations

FIRM OVERVIEW

Founded in 1981, Smith, Watts & Company is a full service advocacy and consulting firm specializing in transportation, energy and resource work. The firm currently manages a broad range of state government advocacy and transportation consulting activities for both public and private sector clients throughout California. Clients include city and county governments, county transportation agencies, major manufacturers, private energy, transportation and resource companies, as well as major land developers. Our client engagements are well known for being innovative, creative, aggressive and well managed from concept to full implementation.

Smith, Watts & Company is a corporation, incorporated in the State of California and consists of two partners, D.J. Smith and Mark Watts, who offer more than 60 years of program based administrative, regulatory and advocacy experience, with special emphasis on the subject of transportation. Delaney Hunter, Legislative Director, manages day-to-day state legislative issues. David Tait, C.E., Vice President, manages the day-to-day operations of key consulting efforts. The firm consists of four professional staff members and three support staff members.

We believe that no advocacy firm in Sacramento can match the breadth and depth of our knowledge regarding local, state, federal or private sector transportation and transportation-associated issues. In addition to being directly involved or in a lead role on most major transportation legislation passed over the last 25 years, our on-the-ground effectiveness in planning, programming, budgeting, administrative processing and all financial aspects of transportation are well chronicled by transportation professionals throughout California.

SWC has long served local transportation agencies throughout the state. As noted in our client list, we currently serve, either as legislative advocates or administrative advocates and project managers, the transportation agencies of Contra Costa, El Dorado, Placer, Riverside, San Bernardino, Santa Clara, San Joaquin, Solano and Yolo Counties. We have been at the forefront of local transportation issues, especially those involving Self Help Counties like Orange County. Our work on lowering the vote threshold for local option sales taxes and guaranteeing a healthy and steady state source of transportation and transit funding.

Further, the firm has been a transportation advisor to most of the significant voter-approved revenue measures for transportation at both the state and local levels during the past 10 years. We assisted in voter opinion survey work, the development of revenue projections and expenditure plans, and worked with campaign consultants to translate transportation improvement concepts into effective messages on ballot measures in Alameda, Contra Costa, Orange, Riverside, Sacramento, San Bernardino, San Diego and Santa Clara Counties. Of particular relevance to OCTA is our engagement with the former Orange County Transportation Commission as advisors to the successful Measure M sales tax measure. Work on this measure gave our firm an intimate and in-depth orientation to the local communities in Orange County, as well as all of key transportation projects as we created the final expenditure plan. We are currently working on sales tax measures in Riverside, San Diego and Solano Counties.

SWC has also had a long history of representing transit agencies in California. We presently represent Santa Clara Valley Transportation Authority (SCVTA), the Southern California Regional Rail Authority (Metrolink) and jointly, the Northern San Diego County Transportation District (NCTD) and the San Diego Metropolitan Development Board (MTDB). On behalf of these transit interests, we have served in a key or lead role in several major legislative or regulatory initiatives including elimination of the sales tax on rail car purchases, reducing the impact of the 2001 farm diesel sales tax measure, and more recently, major new funding for rehabilitation and safety improvements for rail systems throughout the state, as contained in the High Speed Rail Bond Act.

Smith, Watts & Company

Consulting and Governmental Relations

SMITH, WATTS & COMPANY MAJOR ACCOMPLISHMENTS

Smith, Watts & Company has a long track record of successes for our clients particularly in the transportation policy field. Below are examples of our successful work on behalf of our public and private transportation and transit agency clients that we believe are a testament to our overall experience.

- Retained by OCTA on a project basis to enact statutory authority for OCTA to acquire the franchise rights from California Private Transportation Company (CPTC) for the State Route 91 toll road facility.
- Arranged for \$6 million in flood control bond money in support of an integrated of local, state and federal program of over \$200 million for construction of State Route 52 in Santee.
- Served as key advisors to the successful statewide Proposition 42 campaign on the March 2002 ballot dedicating the sales tax on voter vehicle fuels for transportation purposes.
- Served as lead advocates on Assembly Constitutional Amendment 4 (Dutra), which put Proposition 42 on the statewide ballot dedicating an estimated \$1.4 billion annually for the sales tax on gasoline to transportation purposes.
- For the City of Folsom, acted as funding advocate and project development leader on \$140 million of transportation projects including a new four lane bridge over the American River, Light-Rail extension to old town Folsom from Sunrise Boulevard and various local interchanges on State Route 50.
- Mr. Smith acted as Transportation Advisor to the successful Proposition 192 campaign in 1996 that created \$2 billion for earthquake retrofit on all state highway and toll bridges.
- Developed regulatory strategy and successfully implemented an advocacy program that gained sales tax exemption for purchase of all passenger rail cars from the California Board of Equalization (BOE). The exemption saved the Southern California Regional Rail Authority (Metrolink) about \$10 million.
- Lead coordination in settlement of the state "California Car" procurement fiasco involving agreement between the Wilson Administration and State Legislature.

- Primary advocate in passage of Senate Bill 457 (Kelley) allowing for transfer of intercity rail management from the Department of Transportation (Caltrans) to regional authorities.
- Consultants on the development of local, voter-approved transportation sales tax expenditure plans, voter opinion survey work, and advisor to successful transportation sales tax campaigns involving 20 to 40 year programs ranging in size from \$600 million to \$14 billion in Alameda, Contra Costa, Orange, Riverside, Sacramento, San Bernardino, San Diego and Santa Clara Counties
- Working with the county transportation commissions of Southern California, conceptualized, drafted and successfully advocated SB 1402 creating the Southern California Regional Rail Authority, the operators of Metrolink.
- Transportation consultants to Governor George Deukmejian in his role as Chairperson of the successful Proposition 111 and 108 campaign in June of 1990, which increased the state gas tax from nine cents per gallon to 18 cents per gallon and raised \$1 billion in bonding capacity for rail transit construction.
- On behalf of the Southern Pacific Real Estate Enterprises, prepared transportation Intermodal station element of SP Rail Yards Redevelopment Master Plan in downtown Sacramento and successfully obtained nearly \$17 million to provide for extension of light rail to the proposed intermodal station facility.
- Conducted technical studies for programmatic and project-level transit environmental documents.
- \$500,000 PVEA state appropriation for liquefied natural gas (LNG) locomotive demonstration project for Metrolink
- Conducted feasibility studies for new commuter rail routes.
- Mr. Smith served as Public Affairs Consultant on the regulatory and permitting issues required for construction of California's first privately owned and operated interstate natural gas pipeline from the Arizona border to Bakersfield in 1992.
- Directed advocacy efforts for STIP, TCI, and CMAQ funding for numerous transit projects.
- Served as member of four-agency JPA negotiating team for purchasing of 53-mile branch line right-of-way from Southern Pacific Transportation Company.
- Monitored development of Alternative Rail Technology (ART) vehicles and helped introduce Regio-Sprinter in California.

- Lead coordination for the "breakthrough" negotiations with Caltrans and the California Transportation Commission allowing ITIP funds to be used for rail transit purposes.
- Conceptualized and developed statutory and budgetary support for a program of several hundred million dollars to convert heavy duty vehicles from conventional diesel engines to "clean diesel" and liquefied natural gas hybrid engines working with the California Air Resources Board, local air quality management districts, legislative leaders and various environmental organizations.
- As Principal Consultant to the Assembly Transportation Committee, Mr. Smith was lead staff support developing successful legislation creating the California Transportation Commission, State Transportation Improvement Program process and many of the county transportation agencies in Los Angeles, Orange, Riverside and San Bernardino counties.

Smith, Watts & Company

Consulting and Governmental Relations

D.J. SMITH

POSITION: Partner, Smith, Watts & Company
980 Ninth Street, Suite 1560
Sacramento, California 95814

TENURE: May 1981 - Present

DUTIES: Founded, and with his partner, Mark Watts, directs the activities of a private transportation and resource consulting firm, located in Sacramento, which provides the full range of services necessary to monitor and represent private and public interests before California State, regional and local governments. These services include consulting and advocacy on the cost and availability of energy, and the development and implementation of plans, programs and policies to better utilize public and private transportation infrastructure. The firm assists clients with strategies that enable them to capture additional resources for and expedite implementation of major infrastructure programs. The firm also advises on environmental, financial, political and community processes and issues. Clients include major manufacturers, residential and commercial developers, city and county governments, county and regional transportation and air quality authorities.

POSITION: Partner and Vice President for Government Affairs
American Home Development Corporation
855 Trefton Way
Napa, CA 94558

TENURE: June 2003 – Present

DUTIES: Founded, with four other partners, the American Home Development Corporation to focus on the development, construction and sale of affordable housing throughout California. Responsible for development of corporate strategy and plans, liaison and marketing with local governments and other public and private partners on American Home projects.

POSITION: District Manager of Public Affairs
Pacific Coast Division
Bethlehem Steel Corporation
Sacramento, California

TENURE: November 1979 - April 1981

DUTIES: Responsible for the full range of public affairs activities of Bethlehem Steel Corporation on the West Coast, including media, governmental and community relations. Major functions in the area of news media involved press relations with general interest and trade publications, radio and TV. Areas of coverage involved trade, news and corporate issues. Represented the corporation before the Legislature and executive offices of the States of California and Washington, and with local governments. Community relations activities included liaison with cultural, social, charitable and academic organizations in the seven communities where Bethlehem had manufacturing operations and sales office.

POSITION: Principal Consultant
Assembly Committee on Transportation
California State Legislature
Sacramento, California

TENURE: February 1975 - November 1979

DUTIES: Directed business and staff of the Assembly Transportation Committee reporting to the Chairman of the Committee. Committee work involved analysis of all transportation, motor vehicle, California Highway Patrol and air quality legislation. Assisted Chairman in representing the Assembly in the development of legislation and legislative policy regarding transportation and air quality issues.

Acted as principal staff person responsible for AB 402 which established the state transportation planning and budgeting process and created the California Transportation Commission. Acted as principal staff person for AB 1246 which established county transportation commissions in Los Angeles, Orange, Riverside and San Bernardino Counties.

Provided staff assistance in the Legislature's first full review of the state transportation budget as called for in AB 402. Also assisted in the research and helped draft SB 620 which established the State Transportation Planning and Development Account.

POSITION: Assistant for Program Management
Office of the Deputy Undersecretary
U.S. Department of Transportation
Washington, D.C.

TENURE: September 1973 - February 1975 Assistant for Program Management, Office of the Deputy, Undersecretary, U.S. Department of Transportation, Washington, D.C.

DUTIES: Assisted the Deputy Undersecretary by helping to prepare and review the budget, legislative program and policy concerning the major financial responsibilities of the U.S. Department of Transportation, including highway, mass transit, railroad, aviation, Coast Guard and St. Lawrence Seaway responsibilities.

Assisted in the implementation of major Departmental management and reorganization program aimed at identifying, managing and resolving key Presidential/Secretarial level issues. This function involved close coordination with the various operating administrators, the Office of Management and Budget and appropriate Congressional committees.

POSITION: Transportation Planning Assistant
Office of the Deputy Undersecretary
U.S. Department of Transportation
Washington, D.C.

TENURE: September, 1973- January, 1974

DUTIES: Worked on a wide range of activities directly relating to specific transportation problems of state and local officials. Acted as key staff person responsible for coordinating implementation of the 1973 Federal aid Highway Act calling for mass transit funding for the first time and involving new responsibilities for the Urban Mass Transportation Administration and Federal Highway Administration. Managed several significant departmental research and management consultant contracts.

POSITION: Program Coordinator
Office of the Assistant Secretary for Environment and Urban Systems
U.S. Department of Transportation

TENURE: July, 1971 -September, 1973

DUTIES: Responsible for formulation and implementation of the Federal Department of Transportation's policy regarding new and emerging state departments of transportation. This involved formally presenting this policy and giving direct assistance to various gubernatorial task forces and state legislatures who were considering the creation of state DOT's.

Assisted in the development of U.S. DOT rules and regulations germane to the National Environmental Policy Act requiring environmental impact statements relative to the expenditure of all federal transportation funds for the first time.

Project Manager responsible for U.S. DOT research contracts concerning state transportation issues with the Council of State Government, social economic impacts

of urban expressways, and development of a total transportation program in rural states.

POSITION: Research Assistant
Department of Urban and Regional Planning
Florida State University

TENURE: April, 1970 - June, 1971

DUTIES: Review and codification of all state transportation enabling legislation, keying especially on new state departments of transportation. Travel to several states to interview state and local officials and gather data pertaining to the state transportation function. Review and report on existing literature directly or indirectly concerned with the operation and management of Department of Transportation.

POSITION: Urban Renewal Assistant
District of Columbia Redevelopment Land Agency
Downtown Urban Renewal Project

TENURE: June, 1969 - September, 1969

DUTIES: Orientation by Agency staff of the operations and administration involved in the urban renewal process. Devising, testing and administering an information survey of some 200 downtown business establishments. Updating of land use files and maps of the Downtown Project area.

PUBLICATIONS:

Smith, D. Joseph, State Transportation in Transition, State Government Magazine, Spring, 1975

Smith, D. Joseph, A discussion of the 1973 Highway Act: Urban Development Opportunities, American Institute of Planners Newsletter, February 1974

Smith, D. Joseph, The Trend Toward State Departments of Transportation: An Appropriate Federal Role, Technical Report, Office of the Secretary, U.S. Department of Transportation, January 1972

Brimmer, Michael; Smith, D. Joseph and Roland, Glenn; The Downtown Urban Renewal Program and Small Businesses, Washington, D.C., D.C. Redevelopment Land Agency, November, 1969

ASSISTED IN PREPARATION OF:

Rubino, Richard G., and Ashford, Dr. Norman, Structuring State Government to Meet Growing Transportation Needs, Transportation Center, Department of Urban and Regional Planning, Florida State University (under U.S. Department of Transportation grant) June, 1971

AWARDS:

Quality Performance Award, awarded by Undersecretary, U.S. Department of Transportation, May 1972

American Institute of Planner's Student Award from Florida State University, June 1971

Federal Urban Mass Transportation Assistantship, Florida State University, 1969-1971

EDUCATION:

1969-1971 Florida State University, Department of Urban and Regional Planning; graduated in 1971 with Master of Science Degree in Urban and Regional Planning with a specialization in Public Policy Planning and Transportation Planning.

1965-1969 The American University, School of Government and Public Administration, Washington, D.C.; graduated in June 1969 with a B.A. in Political Science and Urban Affairs.

PERSONAL:

Married to Diane Holmberg Smith, four children and one grandchild. Resides in Napa, California.

REFERENCES AND PROFESSIONAL ORGANIZATIONS:

Provided upon request.

Smith, Watts & Company

Consulting and Governmental Relations

MARK WATTS

POSITION: Partner, Smith, Watts & Company
980 Ninth Street, Suite 1560
Sacramento, CA 95814

TENURE: December 1999 – Present

DUTIES: Serves as lobbyist for a private transportation and resource consulting firm, located in Sacramento, which provides the full range of services necessary to monitor and represent private and public interests before California State, regional, and local governments. These services include consulting and advocacy on the cost and availability of energy, and the development and implementation of plans, programs, and policies to better utilize public and private transportation infrastructure. The firm assists clients with strategies that enable them to capture additional resources for and expedite implementation of major infrastructure programs. The firm also advises on environmental, financial, political and community processes and issues. Clients include major manufacturers, residential and commercial developers, city and county governments, county and regional transportation and air quality authorities.

POSITION: Partner, Advocation, Inc.
1121 L Street, Suite 610
Sacramento, CA 95814

TENURE: February 1997 – December 1999

DUTIES: With two other partners, managed and served as lobbyist and legislative strategist for firm with more than 34 clients and annual billings of greater than \$1.5 million.

POSITION: Chief of Staff
Speaker, California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

TENURE: January 1996 – February 1997

DUTIES: Spearheaded transition of the Assembly on behalf of Assembly Speaker Curt Pringle to Republican Leadership for first time in 25 years. Oversaw all aspects of leadership from daily administration of the House, selection of entire new staff

of committee consultants, and Republican policy staff operations. Established series of reforms under Speaker Pringle's leadership, including major House budget reductions (more than \$4 million), restructuring of the House rules, opening of Rules Committee hearings, and complete overhaul of the Administration arm of the Assembly.

Major policy achievements included: (1) first year of modern class-size reduction for California's school children, (2) approval of the restructuring and deregulation of the electrical industry, (3) significant tax reductions for individuals and industry, and (4) resolution of homeowner's insurance crisis through establishment of California Earthquake Authority and approval of mini policy for earthquake coverage.

POSITION: Undersecretary for Transportation
Office of the Secretary
Business, Transportation & Housing Agency
801 K Street, Suite 1918
Sacramento, CA 95814

TENURE: July 1995 – January 1996

DUTIES: Appointed by Governor Pete Wilson to oversee the California Department of Transportation (Caltrans), the California Highway Patrol (CHP) and the California Transportation Commission (CTC), working directly with those agencies as their policy liaison with the Secretary and the Governor's Office. Developed master funding plan to undertake the complete retrofit of nearly 2,000 state-owned bridges, developed budget plan to complete the Governor's commitment to add more than 500 new officers, net, to the CHP during his tenure, and developed budgets for Caltrans which saw more than 2,000 positions eliminated.

POSITION: Co-Chief Administrative Officer
Assembly Rules Committee
State Capitol, Room 3016
Sacramento, CA 95814

TENURE: January 1995 – June 1995

DUTIES: Selected jointly by Assembly Speaker Willie Brown and Assembly Republican Leader Jim Brulte to become Republican Co-CAO of the Assembly Rules Committee to ensure equitable distribution of resources between parties and caucuses. Service in this capacity interrupted tenure as Undersecretary, but was approved by Governor Wilson.

POSITION: Associate
Carpenter Snodgrass & Associates
1121 L Street, Suite 210
Sacramento, CA 95814

TENURE: February 1990 – May 1994

DUTIES: Served as lobbyist in top-ranked lobbying firm. Clients included ARCO, Orange County and its related Transportation Authority, SP Railroad, Koll Co., California Private Transportation Company, and others.

POSITION: Staff Director
Assembly Minority Ways and Means Committee
State Capitol
Sacramento, CA 95814

TENURE: 1988 –1990

DUTIES: Responsible for directing efforts of staff of 6 professionals in providing analysis of annual budget and more than 4,000 bills.

POSITION: Principal Staff Consultant
Assembly Minority Ways and Means Committee
State Capitol
Sacramento, CA 95814

TENURE: 1985 – 1988

DUTIES: Lead staff responsible for providing analyses for Republican Members of the Budget Subcommittees on transportation and resources issues.

POSITION: Various Positions
California Department of Transportation
1120 N Street
Sacramento, CA 95814

TENURE: 1975 – 1985

DUTIES: Performed in a range of increasingly responsible positions at Caltrans, including Executive Assistant to Director, Executive Assistant to District Director (LA), and Legislative Affairs staff.

EDUCATION:

1973 Graduated in 1973 with B.A. in Economics, University of California Santa Barbara

APPOINTMENTS:

1996 California Earthquake Authority, Founding Member (ex officio)
1996, 1997 Member of Governor's Economic Strategy Panel
1995 California High Speed Rail Commission, vice Transportation Secretary Dunphy (one meeting)
1995 California Clean Air and Rail Passenger Bond Act, Allocation Committee (one meeting)

PERSONAL:

Married to Kelly Watts, two children. Resides in Auburn, California.

REFERENCES:

Provided upon request.

TOWNSEND RAIMUNDO BESLER & USHER

Townsend Raimundo Besler & Usher is California's leading political consulting firm on local issues, statewide initiatives and candidate campaigns — winning nearly 80 percent of the campaigns we've directed. No other organization has more experience in managing successful local transportation sales tax measures in California.

Our principals have a solid 30-year track record of winning tough elections, with a specialization in winning tax campaigns, including Orange County's Revised Measure M in 1990. From polling and strategy development to grass roots operations and direct voter contact, we design and manage campaigns that win.

In 2004 we won four out of the five transportation measures we managed, including a three-county earthquake safety revenue measure for the Bay Area Rapid Transit District (BART) and local sales tax renewals in Sacramento, San Bernardino and San Diego Counties. Our one defeat was a new sales tax proposal in Solano County (64% yes). We gained 68 percent support in San Diego County despite the opposition of the local Board of Supervisors, and we won by wide margins in Sacramento (76%) and San Bernardino (80%).

In each of those counties we carried out transportation funding assessments (polling, analysis and strategic positioning) for public agencies and private groups in preparation for putting measures before voters.

In 2002 we were retained by the Riverside County Transportation Commission to undertake polling and a public education program in advance of that county's successful extension of Measure A. We managed both the 1988 and 2002 transportation sales tax campaigns there.

We also managed or participated in public education campaigns in advance of successful sales tax campaigns in each of our 2002 and 2004 campaigns. Over the past 20 years, our long list of successful campaigns additionally includes local sales tax measures in Santa Clara County (three times), Fresno County and Monterey County.

DAVID J. TOWNSEND

David Townsend is the founder and president of Townsend Raimundo Besler & Usher. For more than 25 years Mr. Townsend has created and directed winning multimedia, communications, political and public affairs campaigns.

He provides strategic consultation to corporations, statewide coalitions, elected officials and trade associations in addition to directing state and local issue and candidate campaigns.

One of California's top political experts, Mr. Townsend is called upon by Fortune 500 corporations, national and state trade associations, state and national political leaders, small businesses and individuals to provide strategic advice and communications consulting.

He has successfully managed California initiative campaigns for several years. Mr. Townsend has an over 90 percent winning record, managing budgets as high as \$40 million.

Mr. Townsend previously served as chief of staff to a California state senator and as consultant to the Senate Select Committee on Children and Youth.

Mr. Townsend has been asked to join political fact-finding and educational missions to Nicaragua and the former Soviet Union, and he has lectured widely throughout the U.S. on politics and communications strategy.

He served on the Board of Directors of Sacramento's public television station, KVIE, the California Musical Theatre, and is past president of the Sacramento Make-A-Wish Foundation. He attended the University of Wisconsin, Brooklyn College and received his B.A. and M.S.W. degrees from California State University, Fresno.

Mr. Townsend is married to Sharon Usher and has two daughters, Emma and Elena.

JEFF RAIMUNDO

For the past 15 years, Jeff Raimundo has developed and supervised every aspect of political and public affairs campaigns, from public opinion polling to campaign execution, with a special emphasis on message development and themes that resonate with voters.

A partner in TRB&U since 1989, Mr. Raimundo crafts targeted communications strategies and messages, and he executes political, public affairs and news media relations strategies. He has served as communications director on numerous statewide and local political and public affairs campaigns.

In 2004, he won six of the seven local ballot measure campaigns he managed throughout the state. They including sales tax measures for transportation in San Diego, San Bernardino and Sacramento, a three-county bond measure for earthquake safety improvements to BART and local housing and library measures in Sacramento.

Mr. Raimundo is the creative force behind numerous political and public affairs campaigns, conceiving and writing winning brochures and advertisements. He is a specialist in writing ballot arguments, speeches, op-ed articles and other press materials and provides media training for corporate executives and elected officials.

For more than 20 years he served as a newspaper editor, reporter and political writer for *The Sacramento Bee* and McClatchy Newspapers in California and Washington, D.C.

He has taught courses in politics, communications, news reporting and writing at California State University, Sacramento, and the University of California Extension Service.

He received his B.A. degree in journalism from California State University, Sacramento. Mr. Raimundo serves on the Board of Directors of the Sacramento City Education Foundation and is former president of the Sacramento Public Library Foundation.



February 28, 2005

To: Members of the Board of Directors
From: Arthur T. Leahy, ^{ML} Chief Executive Officer
Subject: Amendment to Agreement for Janitorial Services

Overview

On February 6, 2003, the Board of Directors approved an agreement with Diamond Contract Services, Inc., to provide janitorial services at all Orange County Transportation Authority owned facilities for a one-year period with two one-year options.

Recommendations

- A. In order to provide the Board of Directors information associated with providing health care coverage for contractor employees, three available options are presented below for your consideration:
 - 1) Exercise the second option year with no additional medical coverage - \$700,000.
 - 2) Exercise the second option year with medical coverage provided to the employee only - \$772,000.
 - 3) Exercise the second option year with medical coverage provided to the employee and family - \$865,600.

- B. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement C-2-1189 between the Orange County Transportation Authority and Diamond Contract Services, Inc., in an amount associated with one of the three options identified above for janitorial services at all Orange County Transportation Authority owned facilities.

- C. The additional amount of \$72,000, or \$165,600, identified in options two and three above for health care coverage for contractor employees are not included in the current budget and would therefore require an amendment.

Background

The Orange County Transportation Authority (Authority) owned facilities include 38 buildings and structures totaling more than 400,000 square feet situated on 61 acres of property throughout Orange County. These facilities require janitorial services on a daily basis. The Authority requires the vendor to furnish a qualified labor force sufficient in number to complete all specified requirements in the prescribed time and to furnish all materials and equipment to perform these services.

Agreement C-2-1189 was established to provide on-going janitorial services for the Authority's bases, transportation centers, and park and ride facilities. The current agreement expires on February 28, 2005.

Discussion

This procurement was handled in accordance with the Authority's procedures for procurement of professional and technical services. The original agreement awarded on March 1, 2003, was for \$582,782. A two percent increase in pricing was negotiated during the original procurement for each option year. This is the second option year. An additional 15 percent was included for the second option year to account for the new Santa Ana base.

Fiscal Impact

The additional work described in Amendment No. 4 to Agreement C-2-1189 was approved in the Authority's fiscal year 2004-05 budget, Operations Division/Maintenance Department, Account 7615, and is funded through Local Transportation Funds.

At the request of the Board of Directors, staff contacted Diamond Contract Services, Inc., to investigate the possibility of providing health insurance benefits to its employees working at the Authority's facilities. Diamond Contract Services, Inc., provided two options, option one reflects costs associated with benefits provided only to the employee, and option two reflects costs associated with benefits provided to the employee and family.

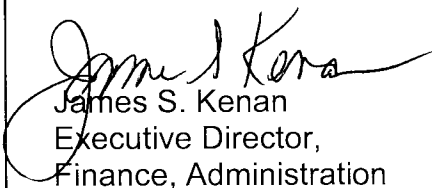
Summary

Based on the material provided, staff recommends approval of Amendment No. 4, for amounts as identified in the recommendation section, options one through three, to Agreement C-2-1189 with Diamond Contract Services, Inc.

Attachments

- A. Diamond Contract Services, Inc., Agreement C-2-1189 Fact Sheet.
- B. Diamond Contract Services, Inc. Letter dated February 14, 2005.

Approved by:


James S. Kenan
Executive Director,
Finance, Administration
and Human Resources
(714) 560-5678

Approved by:


William L. Foster
Executive Director,
Bus Operations
(714) 560-5842

**Diamond Contract Services, Inc.
Agreement C-2-1189 Fact Sheet**

1. March 1, 2003, Agreement C-2-1189, \$582,782, approved by Board of Directors.
 - To provide janitorial services at all Authority owned facilities
2. March 1, 2003, Amendment No. 1 to Agreement C-2-1189, no cost increment, approved by Manager of Maintenance Procurement.
3. March 1, 2004, Amendment No. 2 to Agreement C-2-1189, \$594,438, approved by Board of Directors.
 - To exercise the first option year
4. March 1, 2004, Amendment No. 3 to Agreement C-2-1189, \$7,500, approved by Manager of Maintenance Procurement.
 - Extra services to clean overhead areas of the shop at Garden Grove base and to include the parts, body, and tool rooms
5. March 1, 2005, Amendment No. 4 to Agreement C-2-1189, pending approval by Board of Directors.
 - To exercise the second option year after selection of one of the three alternatives set forth in Recommendation A

Total committed to Diamond Contract Services, Inc., Agreement C-2-1189: \$1,884,720.

ATTACHMENT B



DIAMOND
CONTRACT SERVICES, INC.

Business Address:
2819 Burton Avenue
Burbank, CA 91504

Mailing Address:
P.O. Box 10746
Burbank, CA 91510-0746

Office: (818) 565-3554
Fax: (818) 565-3556
Toll free: (800) 398-3010

www.diamondcontract.com

February 14, 2005

Mr. Douglas J. Riede
Senior Procurement Administrator
Orange County Transportation Authority
550 South Main Street
Orange, CA 92863-1584

RE: Health Insurance Benefits

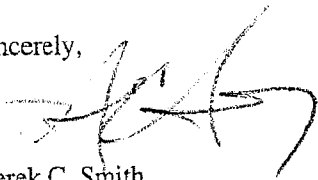
Dear Mr. Riede:

Per our conversation today, below are the additional monthly prices to provide either employee only or full family health insurance for all full-time employees working at OCTA.


<u>Description</u>	<u>Monthly Amount</u>
Employee Only Health Insurance (approx. 20 employees)	\$ 6,000.00
Full Family Health Insurance (approx. 20 employees)	\$13,800.00

Based on the health insurance package chosen by OCTA, the annual cost would increase \$72,000 for employee only coverage and \$165,600 for full family coverage. Therefore, Diamond's revised monthly billing amount to OCTA effective March 1, 2005 would increase from \$50,527.23 to \$56,527.23 for employee only coverage and \$64,327.23 for full family coverage. If you have any questions or need additional information, please contact me at the above number.


Sincerely,


Derek C. Smith
President/CEO

**DIAMOND CONTRACT SERVICES, INC.
MEDICAL PLAN**

	 Saver HMO Unlimited
Maximum Lifetime Benefit	Unlimited
Deductible:	
Individual	\$1,500
Family	certain services
Maximum Out-of-Pocket/ Person/Calendar Year	\$2,250 \$4,500
Hospital	100% after deductible
Emergency Room	\$100.00 Copay Waived if admitted
Office Visits (Non-Surgical)	
Primary Care Physician	\$20.00 Copay
Routine Physical Exams	\$20.00 Copay
Well Woman Exam (OB-GYN)	\$20.00 Copay
Well Baby Care & Immunizations	\$20.00 Copay
Prenatal Care	\$20.00 Copay
X-Ray & Lab	100%
Surgery	100% after deductible
Outpatient	

**DIAMOND CONTRACT SERVICES, INC.
MEDICAL PLAN**

	 Saver HMO
Prescription Drugs:	
Generic	\$20.00 Copay
Brand Formulary	\$25 Brand after \$150 annual ded.
Brand Non-Formulary	
Mail Order	60 days \$10 Generic \$20 Brand after \$150 ded.
Psychiatric & Substance Abuse:	
Inpatient	Psych: Not Covered Sub Abuse: 100%-after ded. detox only
Outpatient	Psych: \$20 Copay Sub Abuse: \$20 Copay Max. 20 visits/calendar year
Rehab/Physical Therapy	100% 60 consecutive days
Chiropractic (Rider)	Must be approved by PCP
Other Medical Expenses:	
Durable Medical Equipment	80% \$2,000 annual max.
Home Health Care	100% three 2-hr. visits/day

In the event of a discrepancy between the benefits shown on our benefit briefs and the contract, the contract shall prevail.