



Measure M Taxpayer Oversight Committee
at the Orange County Transportation Authority
600 S. Main Street, Orange CA, Room 103/4
April 12, 2016 @ 6:00 p.m.



AGENDA

1. **Welcome**
2. **Pledge of Allegiance**
3. **MEASURE M ANNUAL PUBLIC HEARING**
 - a. **Overview of Taxpayer Oversight Committee**
 - b. **Review of the 2015 Taxpayer Oversight Committee Actions**
 - c. **Local Eligibility Subcommittee Report**
 - d. **Audit Subcommittee Report**
 - e. **Public Comments***
 - f. **Adjournment of Public Hearing**
4. **Approval of Minutes/Attendance Report for February 9, 2016**
5. **Action Items**
 - A. **2016 Measure M Annual Hearing Follow-Up and Compliance Findings**
Eric Woolery, Taxpayer Oversight Committee Chair
 - B. **Local Jurisdictions 2014/15 Expenditure Reports - Eligibility Findings**
Terre Duensing, Annual Eligibility Review (AER) Subcommittee Chair
6. **Presentation Items**
 - A. **Sales Tax Forecast Methodology**
Presentation – Sean Murdock, Director, Finance & Administration
 - B. **OC Streetcar Update**
Presentation - Jim Beil, Executive Director, Capital Programs
7. **OCTA Staff Updates (5 minutes each)**
 - **I-405 Update** – Jim Beil, Executive Director, Capital Programs; Andrew Oftelie, Executive Director, Finance & Administration
 - **M2 Senior Mobility Program Guidelines** – Dana Weimiller, Manager, Community Transportation Services
 - **State Transportation Improvement Program (STIP) Update** – Kia Mortazavi, Executive Director, Planning
 - **Other**
8. **Audit Subcommittee Report**
9. **Environmental Oversight Committee Report**
10. **Committee Member Reports**
11. **Public Comments***
12. **Adjournment**

The next meeting will take place on June 14, 2016.

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

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



Measure M Taxpayer Oversight Committee



INFORMATION ITEMS

Staff Report Title

Board Meeting Date

- 1. Fiscal Year 2014-15 Annual Financial and Agreed-Upon Procedures Reports**
- 2. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2015**
- 3. Measure M2 Quarterly Progress Report for the Period of October 2015 through December 2015**
- 4. Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan Amendment Update**

Feb. 8, 2016

March 14, 2016

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

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

Measure M
Taxpayer Oversight Committee
Orange County Transportation Authority
600 S. Main Street, Orange CA, Room 103/4
February 9, 2016
6:00 p.m.

AGENDA

Committee Members Present:

Narinder “Nindy” Mahal, First District Representative
Anthony Villa, First District Representative
Margie Drilling, Second District Representative
Alan Dubin, Second District Representative
Terre Duensing, Third District Representative, Co-Chairman
Dr. Ron Randolph, Third District Representative
Cynthia Hall, Fourth District Representative
Sony Soegiarto, Fourth District Representative
Guita Sharifi, Fifth District Representative
Nilima Gupta, Fifth District Representative

Committee Member(s) Absent:

Eric Woolery, Orange County Auditor-Controller, Co-Chairman

Orange County Transportation Authority Staff Present:

Rose Casey, Director, Highway Programs
Marissa Espino, Community Relations Officer
Janice Kadlec, Public Reporter Specialist
Kia Mortazavi, Executive Director, Planning
Sean Murdock, Director, OCTA Finance and Administration
Andy Oftelie, Executive Director, Finance and Administration
Dan Phu, Section Manager, Strategic Planning
Alice Rogan, Public Outreach Manager, External Affairs
Tamara Warren, Program Manager, M Program Management Office

1. Welcome

Co-Chairman Terre Duensing welcomed everyone to the Orange County Transportation Authority (OCTA) Taxpayer Oversight Committee (TOC) meeting at 6:00 p.m.

2. Pledge of Allegiance

Co-Chairman Terre Duensing led the Pledge of Allegiance to the Flag.

3. Approval of the Minutes/Attendance Report for November 10, 2015

A motion was made by Anthony Villa, seconded by Dr. Ron Randolph, and carried unanimously to approve the November 10, 2015 TOC Minutes/Attendance report as presented.

4. Action Items

A. M2 Quarterly Revenue & Expenditure Report (December 15).

Sean Murdock, Director of Finance and Administration gave a brief review of the M2 Quarterly Revenue and Expenditure Report.

A motion was made by Guita Sharifi, seconded by Nilima Gupta, and passed unanimously to Receive and File the M2 Quarterly Revenue & Expenditure Report (December 15) as presented.

5. Presentation Items

A. Capital Action Plan Update

Rose Casey, Director of Highway Programs, gave an update on the Capital Action Plan.

B. Environmental Mitigation Program Update

Marissa Espino, Community Relations Officer – Public Outreach. Gave an update on the Environmental Mitigation Program. Margie Drilling asked how far out does the conservation plan go? Dan Phu said it is approximately a 40-year plan. Terre Duensing asked approximately how many acres does the set of properties involve. Marissa Espino said approximately 1,300 acres.

Terre Duensing asked how many people go on the planned hikes. Marissa Espino said approximately 50 people attend the hikes/rides and they average approximately two miles.

Sony Soegiarto asked where the five percent of the Measure M funds comes from. Marissa Espino said that 5 percent of the funds collected under the Measure M Freeway Program are dedicated to the Mitigation Program.

C. M2 Progress Report

Tamara Warren gave the M2 Progress Report.

6. OCTA Staff Updates

- M1 Closeout – Tamara Warren reported on the distribution of M1 money.
- TOC Recruitment – Alice Rogan discussed outreach efforts for TOC new member recruitment.

7. Annual Eligibility Review Subcommittee Report

There was nothing to report.

8. Audit Subcommittee Report

Narinder Mahal reported the Audit Subcommittee met earlier in the evening and reviewed the External Auditor Communication/Annual Audit and Agreed-Upon Procedures Reports, M2 Performance Assessment Update and M2 Quarterly Revenue and Expenditure Report. He said the subcommittee members were happy with what they reviewed, including the results of the external audit since nothing out of the ordinary was found.

9. Environmental Oversight Committee (EOC) Report

There was nothing further to report.

10. Committee Member Reports

There were no Committee Member Reports

11. Public Comments

There were no Public Comments

12. Adjournment

The Measure M Taxpayer Oversight Committee meeting adjourned at 7:30 p.m.
The next meeting will be held on April 12, 2016

Taxpayer Oversight Committee
Fiscal Year 2015-2016
Attendance Record



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

Meeting Date	7-Jul	11-Aug	8-Sep	13-Oct	10-Nov	8-Dec	12-Jan	9-Feb	8-Mar	12-Apr	10-May	14-Jun
Margie Drilling		X		E	X			X				
Alan Dubin		X		X	X			X				
Terre Duensing		X		X	X			X				
Nilima Gupta		X		E	E			X				
Cynthia Hall		X		X	X			X				
Nindy Mahal		X		X	X			X				
Ronald Randolph		X		X	X			X				
Guita Sharifi		X		X	E			X				
Sony Soegiarto		X		X	X			X				
Anthony Villa		X		X	X			X				
Eric Woolery		X		X	E			*				

Absences Pending Approval

<u>Meeting Date</u>	<u>Name</u>	<u>Reason</u>
February 9, 2016	Eric Woolery	Sick



April 12, 2016

To: Taxpayer Oversight Committee

From: Annual Eligibility Review Subcommittee

Subject: Measure M2 Annual Eligibility Review Subcommittee
Recommendations for Fiscal Year 2014-15 Expenditure Reports

Overview

The Measure M2 Ordinance requires all local jurisdictions in Orange County to annually satisfy eligibility requirements in order to receive Measure M2 net revenues. The Annual Eligibility Review subcommittee review process for the fiscal year 2014-15 expenditure reports has been completed.

Recommendations

1. Approve the fiscal year 2014-15 expenditure reports for 35 local jurisdictions in Orange County and find 35 local jurisdictions eligible to receive Measure M2 revenues for fiscal year 2015-16.
2. Recommend to the Taxpayer Oversight Committee Audit Subcommittee that the County of Orange and cities of Newport Beach and San Juan Capistrano be considered for audit next year.
3. Recommend that Orange County Transportation Authority staff communicate the concerns of the Taxpayer Oversight Committee regarding administrative costs during upcoming workshops with local agencies.

Background

The Taxpayer Oversight Committee (TOC) is responsible for reviewing local agencies Local Signal Synchronization Plan, Mitigation Fee Program, Expenditure Report, Congestion Management Plan, and Pavement Management Plan for compliance with Ordinance No. 3. The eligibility component, due this eligibility cycle, includes fiscal year (FY) 2014-15 expenditure reports for each local jurisdiction in Orange County.

The Annual Eligibility Review (AER) subcommittee has been designated by the TOC to review the eligibility submittals with support from Orange County Transportation

Authority (OCTA) staff. The AER subcommittee members include Terre Duensing (Chair), Alan Dubin, Guita Sharifi, Ronald Randolph, and Cynthia Hall.

Local jurisdictions are required to annually submit expenditure reports within six months of the close of local agencies' FY (December 31st). The City of Huntington Beach is an exception since the local jurisdiction follows a federal FY (October 1 to September 30) and submits an expenditure report by March 31st.

Discussion

OCTA staff reviewed the expenditure reports to ensure consistency and accuracy. The AER subcommittee convened on March 29, 2016 to review and discuss the expenditure reports. During the review process, the AER Subcommittee annually recommends local agencies for audit consideration to the TOC Audit Subcommittee.

During the AER subcommittee review, it was observed that some local agencies included higher levels of administrative effort in their reported Maintenance of Effort (MOE). Staff determined that some operational expenses were classified as administrative costs. OCTA conducts annual workshops to provide guidance on the expenditure report submittal process and will communicate proper classification of administration costs during upcoming workshops.

Based on the review of all of the local agency expenditure reports, the AER subcommittee has recommended that the County of Orange's Senior Non-Emergency Medical Transportation Program, and the cities of Newport Beach and San Juan Capistrano be considered next year as the TOC Audit subcommittee selects which local agencies to audit.

The FY 2015-16 Measure M2 Eligibility Review of Expenditure Reports for FY 2014-15 Summary is included as Attachment A. The AER subcommittee recommends eligibility approval to the TOC. Upon TOC approval, OCTA staff will present the eligibility findings to the Regional Planning and Highways Committee on May 2, 2016, and to the OCTA Board of Directors on May 9, 2016.

Summary

The AER subcommittee reviewed expenditure reports and found local jurisdictions compliant with the Ordinance.

Attachment

- A. FY 2015-16 Measure M2 Eligibility Review of FY 2014-15 Expenditure Reports Summary

FY 2015-16 Measure M2 Eligibility
Review of FY 2014-15 Expenditure Reports Summary

Agency	Expenditure Report Received by deadline	Resolution Received by deadline	MOE Reported	Compliant
Aliso Viejo	Yes	Yes	Yes	Yes
Anaheim	Yes	Yes	Yes	Yes
Brea	Yes	Yes	Yes	Yes
Buena Park	Yes	Yes	Yes	Yes
Costa Mesa	Yes	Yes	Yes	Yes
County of Orange	Yes	Yes	N/A	Yes
Cypress	Yes	Yes	Yes	Yes
Dana Point	Yes	Yes	Yes	Yes
Fountain Valley	Yes	Yes	Yes	Yes
Fullerton	Yes	Yes	Yes	Yes
Garden Grove	Yes	Yes	Yes	Yes
Huntington Beach	Yes	Yes	Yes	Yes
Irvine	Yes	Yes	Yes	Yes
La Habra	Yes	Yes	Yes	Yes
La Palma	Yes	Yes	Yes	Yes
Laguna Beach	Yes	Yes	Yes	Yes
Laguna Hills	Yes	Yes	Yes	Yes
Laguna Niguel	Yes	Yes	Yes	Yes
Laguna Woods	Yes	Yes	Yes	Yes
Lake Forest	Yes	Yes	Yes	Yes
Los Alamitos	Yes	Yes	Yes	Yes
Mission Viejo	Yes	Yes	Yes	Yes
Newport Beach	Yes	Yes	Yes	Yes
Orange	Yes	Yes	Yes	Yes
Placentia	Yes	Yes	Yes	Yes
Rancho Santa Margarita	Yes	Yes	Yes	Yes
San Clemente	Yes	Yes	Yes	Yes
San Juan Capistrano	Yes	Yes	Yes	Yes
Santa Ana	Yes	Yes	Yes	Yes
Seal Beach	Yes	Yes	Yes	Yes
Stanton	Yes	Yes	Yes	Yes
Tustin	Yes	Yes	Yes	Yes
Villa Park	Yes	Yes	Yes	Yes
Westminster	Yes	Yes	Yes	Yes
Yorba Linda	Yes	Yes	Yes	Yes

FY - Fiscal Year

MOE - Maintenance of Effort



COMMITTEE TRANSMITTAL

March 28, 2016

To: Members of the Board of Directors
From: Laurena Weinert, Clerk of the Board
Subject: Sales Tax Forecast Methodology

Finance and Administration Committee Meeting of March 23, 2016

Present: Directors Do, Hennessey, Jones, Katapodis, Miller, Spitzer, and Steel
Absent: Director Pulido

Committee Vote

This item was passed by the Members present.

Committee Recommendation

- A. Use independent growth rate forecasts for Local Transportation Authority and Transportation Development Act sales taxes.
- B. For Local Transportation Authority sales tax forecasting, use MuniServices, LLC forecast for the first five years and the three university average for the remaining years.
- C. For Transportation Development Act sales tax forecasting, use MuniServices, LLC forecast for the first five years and the proportional growth of the Transportation Development Act sales tax relative to the growth of the Local Transportation Authority sales tax based on MuniServices, LLC forecasts applied to the three university average annual growth rate for the remaining years.
- D. Implement the change in methodology with the development of the fiscal year 2016-17 Orange County Transportation Authority budget.



Committee Discussion

The Finance and Administration Committee (Committee) approved staff's recommendations to use MuniServices forecasts for short-term forecasting of both the Local Transportation Authority and Transportation Development Act sales taxes. This will result in a more conservative forecast going forward.

The Committee discussed potential changes to the number of universities or firms that should be utilized for long-term forecasting going forward, but ultimately passed the item based on staff's recommendation. The Committee expressed concerns about the unpredictability of sales tax forecasting, and requested that staff continue to monitor sales tax closely and keep the Committee informed going forward.



ORANGE COUNTY TRANSPORTATION AUTHORITY

Sales Tax Forecast Methodology

Staff Report



March 23, 2016

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Sales Tax Forecast Methodology

Overview

The Orange County Transportation Authority has historically used taxable sales forecasts from universities in order to forecast sales tax growth rates. In recent years there has been a growing disparity between forecasted growth rates received from the universities and actual growth rates. As a result, the Board of Directors directed staff to review the current methodology of forecasting growth rates. Staff has conducted a review of the current methodology and is recommending changes going forward.

Recommendations

- A. Use independent growth rate forecasts for Local Transportation Authority and Transportation Development Act sales taxes.
- B. For Local Transportation Authority sales tax forecasting, use MuniServices, LLC forecast for the first five years and the three university average for the remaining years.
- C. For Transportation Development Act sales tax forecasting, use MuniServices, LLC forecast for the first five years and the proportional growth of the Transportation Development Act sales tax relative to the growth of the Local Transportation Authority sales tax based on MuniServices, LLC forecasts applied to the three university average annual growth rate for the remaining years.
- D. Implement the change in methodology with the development of the fiscal year 2016-17 Orange County Transportation Authority budget.

Background

The Orange County Transportation Authority (OCTA) has historically used universities to provide taxable sales forecasts to support OCTA's financial planning efforts. OCTA has used these forecasts in order to generate long-term projections for both of OCTA's sales taxes, Local Transportation Authority (LTA) and Transportation Development Act (TDA). The LTA is a ½ cent sales tax that currently generates approximately \$300 million dollars per year and funds the Measure M2 (M2) Program. The TDA is a ¼ cent sales tax that generates approximately \$160 million dollars per year and funds approximately 50 percent of the operations for the bus program.

The primary source for taxable sales growth rate forecasting during the Measure M period was Chapman University. However, during the development of the M2 Program, the Board of Directors (Board) directed staff to change this methodology and use the growth rates provided by three universities in order to forecast M2 sales tax revenues going forward. The three universities used are Chapman University, University of California, Los Angeles (UCLA), and California State University, Fullerton (CSUF). The three universities forecast taxable sales that OCTA has used to forecast growth rates for TDA and LTA.

Discussion

OCTA began averaging the forecasted annual growth rates from the three universities for forecasting purposes in fiscal year (FY) 2005. The forecasted sales tax growth rates have been used for budgeting and long-range financial planning for each of OCTA's programs and services. The accuracy of the forecasted growth rates versus actual growth rates for LTA sales taxes has varied over time (see table on the next page).

LTA Sales Tax: The 3 Universities Forecast (FY 2005 - FY 2016)

Fiscal Year	Chapman	UCLA	CSUF	Average Forecast Rate	Actual Rate	Variance
2005	5.3%	1.8%	5.9%	4.4%	5.6%	1.2%
2006	4.2%	4.5%	5.9%	4.9%	8.0%	3.1%
2007	4.2%	5.2%	5.2%	4.9%	1.0%	-3.9%
2008	5.9%	6.1%	5.1%	5.7%	-3.2%	-8.9%
2009	1.8%	-1.3%	1.7%	0.7%	-13.3%	-14.0%
2010	-1.1%	-0.3%	-1.3%	-0.9%	-3.6%	-2.7%
2011	5.1%	8.2%	4.9%	6.1%	6.5%	0.4%
2012	6.8%	4.8%	6.5%	6.0%	6.2%	0.2%
2013	6.2%	7.2%	3.3%	5.6%	6.2%	0.6%
2014	6.1%	6.2%	7.4%	6.6%	4.8%	-1.8%
2015	6.3%	9.1%	7.9%	7.8%	4.3%	-3.5%
2016 *	5.7%	6.5%	8.0%	6.7%	3.3%	-3.4%

* Represents fiscal year-to-date actuals through September 2015

None of the universities accurately predicted the timing or the magnitude of the recession, which impacted sales tax receipts from FY 2008 through FY 2010. However, in the three years following the recession, which include FY 2011 through FY 2013, the forecasted growth rates proved to be a reliable predictor of actual growth in sales tax. However, beginning in FY 2014, the forecasted growth rates have proven to be less accurate, and over the last 18 months the variance between the forecasted and actual growth rates has been approximately 3.5 percent. As a result of the recent variances the Board has chosen to use more conservative growth rates for the development of OCTA's FY 2015 and FY 2016 budgets than the three university averages.

OCTA has also experienced variances with the forecasted growth rates as compared to the actual growth in TDA sales tax (see table on the following page).

TDA Sales Tax: The 3 Universities Forecast (FY 2005 - FY 2016)

Fiscal Year	Chapman	UCLA	CSUF	Average Forecast Rate	Actual Rate	Variance
2005	5.3%	1.8%	5.9%	4.4%	6.9%	2.5%
2006	4.2%	4.5%	5.9%	4.9%	7.7%	2.8%
2007	4.2%	5.2%	5.2%	4.9%	2.5%	-2.3%
2008	5.9%	6.1%	5.1%	5.7%	-1.3%	-7.0%
2009	1.8%	-1.3%	1.7%	0.7%	-11.9%	-12.6%
2010	-1.1%	-0.3%	-1.3%	-0.9%	-7.4%	-6.5%
2011	5.1%	8.2%	4.9%	6.1%	6.6%	0.5%
2012	6.8%	4.8%	6.5%	6.0%	6.9%	0.8%
2013	6.2%	7.2%	3.3%	5.6%	5.8%	0.2%
2014	6.1%	6.2%	7.4%	6.6%	4.7%	-1.8%
2015	6.3%	9.1%	7.9%	7.8%	2.9%	-4.9%
2016 *	5.7%	6.5%	8.0%	6.7%	2.2%	-4.5%

* Represents fiscal year-to-date actuals through September 2015

The pattern of the variances has been similar to those experienced with the LTA sales tax. However, an additional area of concern has arisen over the last two years due to a significant variance between the growth rates for the TDA and LTA sales taxes. With few exceptions, since FY 2005, the growth in TDA sales tax has been close to or exceeded the growth in LTA sales tax. However, in FY 2015, TDA sales tax grew 1.4 percent less than the LTA sales tax, and is on track to grow 1.1 percent less in FY 2016. Given the structural differences between the sales taxes, there is concern that the growth in TDA sales tax may continue to underrun the growth in LTA sales tax. The primary concern is that the TDA sales tax is a point of sale tax. As a result, TDA sales tax for online purchases made by residents of Orange County is collected by the county from which the product is distributed. The distribution warehouses are generally located outside of Orange County, which results in a loss of TDA sales tax. As online shopping continues to grow, this could continue to adversely affect the long-term growth of TDA sales tax. The LTA sales tax has not been adversely affected by the growth in online shopping because it is a point of destination sales tax. In this case the LTA sales tax is collected based on where the good is shipped, so assuming an Orange County resident makes an online purchase that is shipped within the county, the LTA sales tax is collected by Orange County.

In reviewing potential changes to the forecasting methodology, staff set out to address both the growing variances between the forecasted and actual growth rates, as well as the difference in growth rates between the TDA and LTA sales

taxes. To address the growing variances between the forecasted and actual growth rates, staff procured forecasts from two additional sources that provide taxable sales forecasts. The two additional firms selected were Beacon Economics (Beacon), which is a provider of economic research, forecasting, and industry analysis, and MuniServices, LLC (MuniServices), which is a firm that OCTA has contracted with to perform audit and recovery services for sales tax revenue. MuniServices has also provided OCTA with short-term taxable sales forecasts in the past.

Beacon provided OCTA a taxable sales forecast specific to Orange County on March 6, 2016. The taxable sales growth rates were compared to those provided by the three universities in May 2015 since OCTA will not receive the 2016 taxable sales forecasts from the three universities until the May timeframe. The forecast provided by Beacon as compared to the other three universities is provided below and in Attachment A.

LTA Sales Tax Forecasts: Comparison of the Forecasts

Fiscal Year	Chapman	UCLA	CSUF	Beacon
2016 - 2021	5.3%	4.7%	6.1%	5.0%
2022 - 2041	4.3%	4.3%	4.3%	4.5%
2016 - 2041	4.5%	4.3%	4.7%	4.6%
M2 Program Revenue *	\$15.8	\$15.2	\$16.4	\$15.8

* M2 Program revenue in billions from 2011 - 2041

With respect to overall average growth rate, Beacon's forecast had a growth rate of 4.6 percent and was the third highest in terms of growth rates when compared to the universities. In general, the forecast was less optimistic than Chapman and CSUF in the short-term (FY 2016 - FY 2021), but the most optimistic in the long term (FY 2022 - FY 2041). The Beacon forecast yields total M2 Program sales tax revenue of \$15.8 billion, which is consistent with Chapman's 2015 forecast.

In addition to Beacon, OCTA has also reviewed sales tax forecasts received from MuniServices. OCTA has contracted with MuniServices to perform audit and recovery services for sales tax revenue, but has also received short-term taxable sales forecasts upon request. MuniServices has historically provided five year taxable sales forecasts, with the most recent forecasts being received in the fall of 2012 and 2015. The 2012 forecast was for LTA sales tax (see table on the next page). The results for the forecast have proven to be reasonable accurate over the first three and a half year period of the forecast.

LTA Sales Tax: MuniServices 2012 Forecast

Fiscal Year	2012 Forecast	Actual Rate	Variance
2013	7.1%	6.2%	-0.9%
2014	4.7%	4.8%	0.1%
2015	4.3%	4.3%	0.0%
2016 *	3.5%	3.3%	-0.2%
2017	3.2%		
2018	3.0%		

* Represents fiscal year-to-date actuals through September 2015

MuniServices also provided OCTA a forecast in the fall of 2015. The MuniServices growth rates, as well as those for the three universities and Beacon for the next five years, are listed in the table below.

LTA Sales Tax: Sales Tax Growth Rate Forecasts

Fiscal Year	Chapman	UCLA	CSUF	Beacon **	MuniServices	Actual Rate
2016 *	5.7%	6.5%	8.0%	4.2%	4.1%	3.3%
2017	5.7%	4.4%	7.3%	5.0%	4.4%	
2018	5.6%	3.9%	6.1%	5.9%	4.3%	
2019	5.1%	4.6%	5.1%	5.4%	4.3%	
2020	4.9%	4.6%	5.3%	4.9%	4.3%	
2021	4.7%	3.9%	4.7%	4.7%	4.3%	
Average	5.3%	4.7%	6.1%	5.0%	4.3%	

* Represents fiscal year-to-date actuals through September 2015

** Forecast received in March 2016. All other forecasts were received in calendar year 2015.

Based on the forecasts provided by the five entities, CSUF is the most optimistic, with average growth over the five-year period of 6.1 percent. MuniServices is the least optimistic, with an average growth rate of 4.3 percent, with the other three forecasts averaging between 4.7 percent and 5.3 percent growth per year.

MuniServices also provided a TDA sales tax forecast in the fall of 2015, which can be seen in the table on the following page.

TDA Sales Tax: MuniServices 2015 Forecast

Fiscal Year	MuniServices	Actual Rate	Variance
2016 *	3.2%	2.2%	-1.0%
2017	2.8%		
2018	3.1%		
2019	3.1%		
2020	3.1%		
2021	3.1%		
Average	3.1%		

* Represents fiscal year-to-date actuals through September 2015

MuniServices forecasts average growth for TDA sales tax of 3.1 percent between FY 2016 and FY 2021. This is significant because the difference in growth rate between TDA and LTA is estimated to be 1.2 percent per year over that period of time on a base of 3 percent to 4 percent growth. This is consistent with what OCTA has experienced the last 18 months and suggests that a change in forecast methodology should take into account the possibility that the TDA and LTA sales taxes will grow at different rates and, therefore, need to have independent forecasts.

Going forward, staff recommends the following methodology for sales tax forecasting:

- Use independent sales tax growth rate forecasts to forecast LTA and TDA sales tax in order to more accurately forecast TDA sales tax
- Given the recent accuracy of MuniServices short-term forecasts, staff recommends using their short-term forecasts (generally five years) for both TDA and LTA sales tax forecasts
- For the long-term forecasting of LTA sales tax (years six and beyond), use the average growth rates provided by the three universities, Chapman, UCLA, and CSUF
- For the long-term forecasting of TDA sales tax (years six and beyond), use the proportional growth of TDA relative to LTA based on MuniServices forecasts and apply that proportional growth to the three university average annual growth rate. An example of this approach is that MuniServices five-year forecasts estimate average growth for TDA and LTA of 2.2 percent and 3.3 percent respectively. The proportion of TDA growth to LTA growth, which is approximately 67 percent, would be applied to the three university growth rate for each year between FY 2022 through FY 2041 to adjust for the difference in growth rates between the two sales taxes.

Using this approach would bring the short-term growth rates into closer alignment with actual growth rates being experienced in recent years for both LTA and TDA sales taxes. This approach would also impact long-term growth rates, particularly for TDA sales tax (see following tables). Complete forecasts for each method can be found in attachments B, C, and D.

LTA Sales Tax: Change In Average Growth Rates

Fiscal Years	3 Universities Forecast	New Methodology	Variance
2016 - 2021	5.3%	4.3%	-1.1%
2022 - 2041	4.3%	4.3%	0.0%
2016 - 2041	4.5%	4.3%	-0.2%

TDA Sales Tax: Change In Average Growth Rates

Fiscal Years	3 Universities Forecast	New Methodology	Variance
2016 - 2021	5.3%	3.1%	-2.3%
2022 - 2041	4.3%	2.8%	-1.4%
2016 - 2041	4.5%	2.9%	-1.6%

Summary

A change in forecasting methodology is recommended to address the growing disparity between forecasted and actual growth rates for OCTA's sales taxes. The change is recommended to be implemented as part of the development of the 2017 OCTA budget.

Attachments

- A. LTA Sales Tax Revenue Forecast Based on the 3 Universities and Beacon Economics
- B. LTA Sales Tax Revenue Forecast Based on the 3 Universities
- C. LTA Sales Tax Revenue Forecast Based on MuniServices and the 3 Universities
- D. TDA Sales Tax Revenue Forecast Based on Muni Services and the 3 Universities - Long Term Rates Adjusted for TDA Sales Tax

Prepared by:



Sean Murdock
Director
Finance and Administration
714-560-5685

Approved by:



Andrew Oftelie
Executive Director
Finance and Administration
714-560-5649



ORANGE COUNTY TRANSPORTATION AUTHORITY

Sales Tax Forecast Methodology

Attachment A



Orange County Transportation Authority

LTA Sales Tax Revenue Forecast on the 3 Universities and Beacon Economics

Fiscal Year	Chapman 2015 Forecast	Growth Rate	UCLA 2015 Forecast	Growth Rate	CSUF 2015 Forecast	Growth Rate	Beacon 2016 Forecast	Growth Rate	Average Baseline	Average Growth
2011	61,756,868	*	61,756,868	*	61,756,868	*	61,756,868	*	61,756,868	*
2012	250,892,931	*	250,892,931	*	250,892,931	*	250,892,931	*	250,892,931	*
2013	266,384,076	*	266,384,076	*	266,384,076	*	266,384,076	*	266,384,076	*
2014	279,599,946	*	279,599,946	*	279,599,946	*	279,599,946	*	279,599,946	*
2015	291,615,675	*	291,615,675	*	291,615,675	*	291,615,675	*	291,615,675	*
2016	308,188,621	5.68%	310,595,798	6.51%	314,888,070	7.98%	303,938,492	4.23%	309,402,745	6.10%
2017	325,620,692	5.66%	324,308,852	4.42%	338,002,214	7.34%	319,144,016	5.00%	326,740,624	5.60%
2018	344,006,521	5.65%	336,927,785	3.89%	358,708,871	6.13%	337,853,952	5.86%	344,324,288	5.38%
2019	361,520,727	5.09%	352,477,210	4.62%	377,119,646	5.13%	356,167,770	5.42%	361,763,838	5.06%
2020	379,264,059	4.91%	368,796,934	4.63%	396,926,568	5.25%	373,541,303	4.88%	379,551,807	4.92%
2021	397,160,187	4.72%	383,285,817	3.93%	415,637,291	4.71%	391,037,859	4.68%	396,674,530	4.51%
2022	415,273,871	4.56%	399,745,969	4.29%	433,334,030	4.26%	407,654,196	4.25%	413,892,498	4.34%
2023	433,812,915	4.46%	415,652,747	3.98%	452,006,028	4.31%	425,512,888	4.38%	431,620,833	4.28%
2024	452,885,746	4.40%	433,523,097	4.30%	471,701,902	4.36%	444,866,335	4.55%	450,613,878	4.40%
2025	472,545,374	4.34%	452,134,873	4.29%	491,779,974	4.26%	465,024,675	4.53%	470,240,316	4.36%
2026	495,378,417	4.83%	469,504,909	3.84%	513,254,134	4.37%	486,073,630	4.53%	490,891,794	4.39%
2027	518,289,508	4.62%	487,874,543	3.91%	535,378,937	4.31%	508,080,968	4.53%	512,215,872	4.34%
2028	539,930,006	4.18%	507,941,508	4.11%	558,361,736	4.29%	531,085,050	4.53%	534,124,573	4.28%
2029	562,641,797	4.21%	529,435,145	4.23%	581,890,591	4.21%	555,130,492	4.53%	557,064,511	4.29%
2030	586,294,339	4.20%	552,023,289	4.27%	606,731,005	4.27%	580,264,560	4.53%	581,111,327	4.32%
2031	610,931,299	4.20%	575,574,649	4.27%	632,286,136	4.21%	606,536,539	4.53%	606,110,799	4.30%
2032	636,596,348	4.20%	600,599,140	4.35%	658,777,013	4.19%	633,998,073	4.53%	632,273,583	4.32%
2033	663,334,084	4.20%	626,743,366	4.35%	686,436,730	4.20%	662,702,975	4.53%	659,586,821	4.32%
2034	691,191,428	4.20%	654,025,656	4.35%	715,783,088	4.28%	692,707,555	4.53%	688,205,301	4.34%
2035	720,215,767	4.20%	682,495,551	4.35%	746,434,236	4.28%	724,070,535	4.53%	718,076,811	4.34%
2036	750,457,274	4.20%	712,204,748	4.35%	778,221,173	4.26%	756,853,522	4.53%	749,201,986	4.33%
2037	781,967,050	4.20%	743,207,193	4.35%	810,562,527	4.16%	791,120,819	4.53%	781,483,550	4.31%
2038	814,799,451	4.20%	775,559,182	4.35%	844,819,528	4.23%	826,939,616	4.53%	815,293,739	4.33%
2039	849,009,296	4.20%	809,319,461	4.35%	880,094,147	4.18%	864,380,040	4.53%	850,462,608	4.31%
2040	884,655,120	4.20%	844,549,333	4.35%	917,136,349	4.21%	903,515,732	4.53%	887,219,682	4.32%
2041	691,347,639	4.20%	660,984,578	4.35%	717,371,588	4.29%	708,317,451	4.53%	694,311,367	4.34%
TOTAL	\$ 15,837,567,031	4.53%	\$ 15,159,740,830	4.35%	\$ 16,383,893,008	4.68%	\$ 15,806,768,539	4.62%	\$ 15,792,709,177	4.54%

* Fiscal years 2011 through 2015 represent actual sales tax receipts.

** Fiscal years 2016 through 2041 growth rates are based on three universities forecasts and Beacon Economics.

*** Fiscal year 2011 represents one quarter of sales tax

**** Fiscal year 2041 represents three quarters of sales tax



ORANGE COUNTY TRANSPORTATION AUTHORITY

Sales Tax Forecast Methodology

Attachment B



Orange County Transportation Authority
LTA Sales Tax Revenue Forecast Based on the 3 Universities

Fiscal Year	Chapman Forecast	Growth Rate	UCLA Forecast	Growth Rate	CSUF Forecast	Growth Rate	Average Growth Rate Forecast	Blended Growth Rate
2011	61,756,868	*	61,756,868	*	61,756,868	*	61,756,868	*
2012	250,892,931	*	250,892,931	*	250,892,931	*	250,892,931	*
2013	266,384,076	*	266,384,076	*	266,384,076	*	266,384,076	*
2014	279,599,946	*	279,599,946	*	279,599,946	*	279,599,946	*
2015	291,615,675	*	291,615,675	*	291,615,675	*	291,615,675	*
2016	308,188,621	5.68%	310,595,798	6.51%	314,888,070	7.98%	311,224,163	6.72%
2017	325,620,692	5.66%	324,308,852	4.42%	338,002,214	7.34%	329,287,418	5.80%
2018	344,006,521	5.65%	336,927,785	3.89%	358,708,871	6.13%	346,480,181	5.22%
2019	361,520,727	5.09%	352,477,210	4.62%	377,119,646	5.13%	363,618,033	4.95%
2020	379,264,059	4.91%	368,796,934	4.63%	396,926,568	5.25%	381,544,569	4.93%
2021	397,160,187	4.72%	383,285,817	3.93%	415,637,291	4.71%	398,537,591	4.45%
2022	415,273,871	4.56%	399,745,969	4.29%	433,334,030	4.26%	415,957,698	4.37%
2023	433,812,915	4.46%	415,652,747	3.98%	452,006,028	4.31%	433,639,270	4.25%
2024	452,885,746	4.40%	433,523,097	4.30%	471,701,902	4.36%	452,507,405	4.35%
2025	472,545,374	4.34%	452,134,873	4.29%	491,779,974	4.26%	471,951,091	4.30%
2026	495,378,417	4.83%	469,504,909	3.84%	513,254,134	4.37%	492,465,747	4.35%
2027	518,289,508	4.62%	487,874,543	3.91%	535,378,937	4.31%	513,556,764	4.28%
2028	539,930,006	4.18%	507,941,508	4.11%	558,361,736	4.29%	535,094,168	4.19%
2029	562,641,797	4.21%	529,435,145	4.23%	581,890,591	4.21%	557,660,623	4.22%
2030	586,294,339	4.20%	552,023,289	4.27%	606,731,005	4.27%	581,341,146	4.25%
2031	610,931,299	4.20%	575,574,649	4.27%	632,286,136	4.21%	605,913,384	4.23%
2032	636,596,348	4.20%	600,599,140	4.35%	658,777,013	4.19%	631,641,293	4.25%
2033	663,334,084	4.20%	626,743,366	4.35%	686,436,730	4.20%	658,489,793	4.25%
2034	691,191,428	4.20%	654,025,656	4.35%	715,783,088	4.28%	686,646,361	4.28%
2035	720,215,767	4.20%	682,495,551	4.35%	746,434,236	4.28%	716,021,969	4.28%
2036	750,457,274	4.20%	712,204,748	4.35%	778,221,173	4.26%	746,597,253	4.27%
2037	781,967,050	4.20%	743,207,193	4.35%	810,562,527	4.16%	778,222,049	4.24%
2038	814,799,451	4.20%	775,559,182	4.35%	844,819,528	4.23%	811,369,229	4.26%
2039	849,009,296	4.20%	809,319,461	4.35%	880,094,147	4.18%	845,790,182	4.24%
2040	884,655,120	4.20%	844,549,333	4.35%	917,136,349	4.21%	881,765,684	4.25%
2041	691,347,639	4.20%	660,984,578	4.35%	717,371,588	4.29%	689,635,527	4.28%
Total	\$ 15,837,567,031	4.53%	\$ 15,159,740,830	4.35%	\$ 16,383,893,008	4.68%	\$ 15,787,208,087	4.52%

* Fiscal years 2011 through 2015 represent actual sales tax receipts.

** Fiscal years 2016 through 2041 growth rates are based on the 3 universities forecasts.

*** Fiscal year 2011 represents one quarter of sales tax

**** Fiscal year 2041 represents three quarters of sales tax



ORANGE COUNTY TRANSPORTATION AUTHORITY

Sales Tax Forecast Methodology

Attachment C



Orange County Transportation Authority

LTA Sales Tax Revenue Forecast Based on MuniServices and the 3 Universities

Fiscal Year	MuniServices Forecast	Growth Rate	3 Universities Forecast	Growth Rate	New Methodology Forecast	Blended Growth Rate
2011	61,756,868	*	61,756,868	*	61,756,868	*
2012	250,892,931	*	250,892,931	*	250,892,931	*
2013	266,384,076	*	266,384,076	*	266,384,076	*
2014	279,599,946	*	279,599,946	*	279,599,946	*
2015	291,615,675	*	291,615,675	*	291,615,675	*
2016	303,571,918	4.10%	311,224,163	6.72%	303,571,918	4.10%
2017	316,929,082	4.40%	329,287,418	5.80%	316,929,082	4.40%
2018	330,557,033	4.30%	346,480,181	5.22%	330,557,033	4.30%
2019	344,770,985	4.30%	363,618,033	4.95%	344,770,985	4.30%
2020	359,596,137	4.30%	381,544,569	4.93%	359,596,137	4.30%
2021	375,058,771	4.30%	398,537,591	4.45%	375,058,771	4.30%
2022			415,957,698	4.37%	391,452,617	4.37%
2023			433,639,270	4.25%	408,092,525	4.25%
2024			452,507,405	4.35%	425,849,092	4.35%
2025			471,951,091	4.30%	444,147,303	4.30%
2026			492,465,747	4.35%	463,453,391	4.35%
2027			513,556,764	4.28%	483,301,885	4.28%
2028			535,094,168	4.19%	503,570,468	4.19%
2029			557,660,623	4.22%	524,807,478	4.22%
2030			581,341,146	4.25%	547,092,924	4.25%
2031			605,913,384	4.23%	570,217,552	4.23%
2032			631,641,293	4.25%	594,429,767	4.25%
2033			658,489,793	4.25%	619,696,557	4.25%
2034			686,646,361	4.28%	646,194,352	4.28%
2035			716,021,969	4.28%	673,839,372	4.28%
2036			746,597,253	4.27%	702,613,391	4.27%
2037			778,222,049	4.24%	732,375,094	4.24%
2038			811,369,229	4.26%	763,569,493	4.26%
2039			845,790,182	4.24%	795,962,624	4.24%
2040			881,765,684	4.25%	829,818,721	4.25%
2041			689,635,527	4.28%	649,007,420	4.28%
Total		4.28%	\$ 15,787,208,087	4.52%	\$ 14,950,225,447	4.27%

* Fiscal years 2011 through 2015 represent actual sales tax receipts.

** Fiscal years 2016 through 2021 growth rates are based on MuniServices forecast.

*** Fiscal years 2022 through 2041 growth rates are based on three universities forecasts.

**** Fiscal year 2011 represents one quarter of sales tax

***** Fiscal year 2041 represents three quarters of sales tax



ORANGE COUNTY TRANSPORTATION AUTHORITY

Sales Tax Forecast Methodology

Attachment D



Orange County Transportation Authority

TDA Sales Tax Revenue Forecast Based on MuniServices and the 3 Universities
Long Term Rates Adjusted For TDA Sales Tax

Fiscal Year	MuniServices Forecast	Growth Rate	3 Universities Forecast	Growth Rate	New Methodology Forecast	New Growth Rate
2011	126,020,034	*	126,020,034	*	126,020,034	*
2012	134,676,247	*	134,676,247	*	134,676,247	*
2013	142,512,269	*	142,512,269	*	142,512,269	*
2014	149,279,562	*	149,279,562	*	149,279,562	*
2015	153,593,336	*	153,593,336	*	153,593,336	*
2016	158,508,323	3.20%	163,921,084	6.72%	158,508,323	3.20%
2017	162,946,556	2.80%	173,434,961	5.80%	162,946,556	2.80%
2018	167,997,899	3.10%	182,490,351	5.22%	167,997,899	3.10%
2019	173,205,834	3.10%	191,516,820	4.95%	173,205,834	3.10%
2020	178,575,215	3.10%	200,958,687	4.93%	178,575,215	3.10%
2021	184,111,047	3.10%	209,908,875	4.45%	184,111,047	3.10%
2022			219,084,007	4.37%	189,476,051	2.91%
2023			228,396,852	4.25%	194,845,563	2.83%
2024			238,334,657	4.35%	200,497,530	2.90%
2025			248,575,604	4.30%	206,240,951	2.86%
2026			259,380,628	4.35%	212,217,506	2.90%
2027			270,489,221	4.28%	218,276,652	2.86%
2028			281,832,924	4.19%	224,379,337	2.80%
2029			293,718,626	4.22%	230,687,817	2.81%
2030			306,191,106	4.25%	237,218,441	2.83%
2031			319,133,250	4.23%	243,902,971	2.82%
2032			332,684,083	4.25%	250,807,273	2.83%
2033			346,825,129	4.25%	257,914,470	2.83%
2034			361,655,132	4.28%	265,266,633	2.85%
2035			377,127,200	4.28%	272,832,263	2.85%
2036			393,231,135	4.27%	280,599,179	2.85%
2037			409,887,846	4.24%	288,523,034	2.82%
2038			427,346,393	4.26%	296,715,832	2.84%
2039			445,475,833	4.24%	305,107,607	2.83%
2040			464,424,051	4.25%	313,759,398	2.84%
2041			363,229,519	4.28%	242,035,562	2.85%
Total		3.07%	\$ 8,415,335,420	4.52%	\$ 6,662,730,390	2.90%

* Fiscal years 2011 through 2015 represent actual sales tax receipts.

** Fiscal years 2016 through 2021 growth rates are based on MuniServices forecast.

*** Fiscal years 2022 through 2041 growth rates are based on three universities forecasts with the long term growth rate adjusted for TDA sales tax.

**** Fiscal year 2011 represents one quarter of sales tax

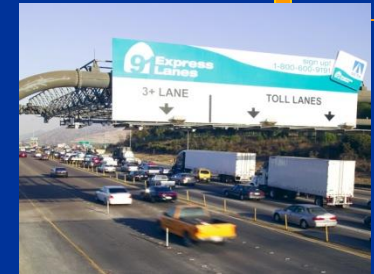
***** Fiscal year 2041 represents three quarters of sales tax



ORANGE COUNTY TRANSPORTATION AUTHORITY

Sales Tax Forecast Methodology

PowerPoint



Sales Tax Forecast Methodology



Background

- Chapman University Forecast
 - Since inception of Measure M (M1) in 1991
- Three University Forecast
 - Since development of Measure M2 (M2)
 - Average of three forecasts
 - Chapman University (Chapman)
 - University of California, Los Angeles (UCLA)
 - California State University, Fullerton (CSUF)
- OCTA has historically used the same growth rate to forecast both sales taxes

Forecasted Sales Taxes

- Local Transportation Authority (LTA) sales tax
 - Local ½ cent sales tax
 - Generates approximately \$300M per year
 - Funds the M2 Program

- Transportation Development Act (TDA) sales tax
 - Statewide ¼ cent sales tax
 - Generates approximately \$160 million per year
 - Primary source of funding for bus operations

Concerns With Current Methodology

- Forecast performance has varied
 - Not accurate during the 3 years of the recession
 - Very accurate for the first 3 years after the recession
 - Sales tax receipts underperforming forecasted rates since FY 2014
- Relationship between growth rates for LTA and TDA
 - With few exceptions growth in TDA has been close to or outperformed growth in LTA
 - The past 2.5 years growth in TDA has been less than LTA
 - Trend may be due to structural differences between sales taxes and may continue into the future

Evaluated Options

- Received forecasts from two additional sources, which were Beacon Economics and MuniServices
- Beacon Economics
 - Generally consistent with Chapman though less optimistic in short term and more optimistic in long-term

Fiscal Year	Chapman	UCLA	CSUF	Beacon
2016 - 2021	5.3%	4.7%	6.1%	5.0%
2022 - 2041	4.3%	4.3%	4.3%	4.5%
2016 - 2041	4.5%	4.3%	4.7%	4.6%
M2 Program Revenue *	\$15.8	\$15.2	\$16.4	\$15.8

* M2 Program revenue in billions from 2011 - 2041

Evaluated Options (cont.)

- MuniServices provided OCTA with an LTA forecast in the fall of 2012
- Forecast has been accurate

Fiscal Year	Forecast Rate	Actual Rate	Variance
2013	7.1%	6.2%	-0.9%
2014	4.7%	4.8%	0.1%
2015	4.3%	4.3%	0.0%
2016 *	3.5%	3.3%	-0.2%
2017	3.2%		
2018	3.0%		

* Represents fiscal year-to-date actuals through September 2015

MuniServices Performance

- MuniServices fall of 2012 LTA forecast has been more accurate than others
- Fall of 2015 LTA forecast is more optimistic than fall of 2012
 - Forecast FY 2015 growth of 4.1%
 - Receipts of 3.3% through September 2015
 - Chapman most conservative university at 5.7%
- Provided fall of 2015 TDA forecast
 - Forecast FY 2015 growth of 3.1%
 - Receipts of 2.2% through September 2015

Recommended Changes to Methodology

- Use independent sales tax growth rate forecasts for LTA and TDA sales taxes
- For LTA sales tax forecasting, use MuniServices, LLC forecast for the first 5 years and the three university average for the remaining years
- For Transportation Development Act sales tax forecasting, use MuniServices, LLC forecast for the first 5 years and the proportional growth of the Transportation Development Act sales tax relative to the growth of the Local Transportation Authority sales tax based on MuniServices, LLC forecasts applied to the three university average annual growth rate for the remaining years
- Implement the change in methodology with the development of the fiscal year 2016-17 OCTA budget



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Revisions to Measure M2 Senior Mobility Program Project
U Funding and Policy Guidelines**

Staff Report



March 28, 2016

To: Members of the Board of Directors

From: Darrell Johnson, Chief Executive Officer

Subject: Revisions to Measure M2 Senior Mobility Program Project U Funding and Policy Guidelines

Overview

Measure M2 allocates revenues for programs which expand mobility choices for seniors and persons with disabilities under Project U. Funding and policy guidelines for the Senior Mobility Program were approved by the Board of Directors in February 2011. In an effort to enhance and clarify Senior Mobility Program policies, revised guidelines have been developed. The revised guidelines were reviewed and discussed at the March 7, 2016, Executive Committee meeting and are being submitted for Board of Directors approval.

Recommendation

Adopt the revised Measure M2 Senior Mobility Program Project U Funding and Policy Guidelines.

Background

Measure M2 (M2) includes funding for three programs under Project U to support the growing transportation needs of seniors and persons with disabilities. As part of Project U, one percent of net revenues supports local community transportation services through the Orange County Transportation Authority (OCTA) Senior Mobility Program (SMP).

Originally established in 2001, the SMP supports community-based senior transportation services by providing a formula funding allocation to Orange County cities based upon the city's population of residents age 60 and older. SMP Funding and Policy Guidelines were approved by the Board of Directors (Board) in February 2011 (Attachment A). The original SMP Guidelines outlined the requirements for the allocation and distribution of funds, criteria for program eligibility, and reporting requirements, but did not include any guidance or restrictions regarding the service provided.

Discussion

In late 2015, audits were conducted on SMP services for the cities of Anaheim, Garden Grove, Huntington Beach, and Santa Ana. The audit conducted on the Santa Ana program identified weaknesses in the SMP Guidelines. As a result, staff and executive management from OCTA divisions including Transit, Planning, Finance and Administration, Government Relations, External Affairs, and Internal Audit collaborated to develop revised SMP Guidelines (Attachment B).

The revised guidelines provide more specific detail in policy areas including M2 funding eligibility, program match requirements, documentation of eligible expenses, revenue collection, reporting data, program auditing, and service guidelines. In addition, SMP participants will be required to submit a Service Plan to OCTA which has been formally adopted by the governing board. The Service Plan will be incorporated as an attachment to all SMP cooperative agreements.

Eligible categories of SMP service include trips to/from senior centers, medical appointments, shopping, personal care, and social/recreational trips. The guidelines require SMP participants to use discretion when providing social recreational trips to ensure prudent use of taxpayer funds. SMP services are restricted to trips within Orange County or within approximately 10 miles of the Orange County border. Trips provided outside Orange County are limited to medical only and must be indicated in the Service Plan. To ensure compliance with SMP Guidelines when developing the Service Plan, program participants must indicate the type of trips provided, specific destinations for social/recreational trips, and whether they intend to provide medical trips outside Orange County.

In addition, the SMP monthly reporting template has been enhanced to include more specific data on monthly and year-to-date program trips, service hours, service miles, expenses, revenue, and match funding.

The current SMP cooperative agreements expire June 30, 2016. Staff is currently coordinating with SMP participants to update the Service Plans. Upon adoption by the city councils, staff will return to the Board to approve the Service Plans and authorize a five-year extension of all SMP cooperative agreements.

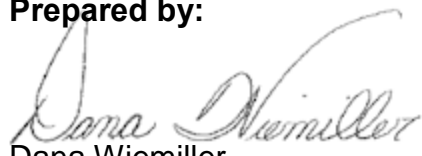
Summary

Revised M2 SMP Funding and Policy Guidelines have been developed to provide better clarity on program policies and ensure compliance with the M2 Ordinance and program provisions.

Attachments

- A. Measure M2 Project U Senior Mobility Program Guidelines, February 2011
- B. Senior Mobility Program Project U Funding and Policy Guidelines, March 2016

Prepared by:



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

Approved by:



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



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Revisions to Measure M2 Senior Mobility Program Project
U Funding and Policy Guidelines**

Attachment A

**Measure M2 Project U
Senior Mobility Program Guidelines
February 2011**

Topic	Current Program under Transportation Development Act	Measure M2
Allocation Method	<ul style="list-style-type: none"> • Number of 65+ residents in a local jurisdiction multiplied by cost per senior 	<ul style="list-style-type: none"> • Proportion of 60+ residents in a local jurisdiction (relative to total county senior population) multiplied by available Measure M2 (M2) revenues • Population data source: official decennial census reported by the U.S. Census Bureau
Growth Parameters	<ul style="list-style-type: none"> • Cost per senior escalated annually by projected Consumer Price Index • Senior population increased by Center for Demographic Research estimates 	<ul style="list-style-type: none"> • Senior population distribution recalculated as new decennial census figures become available from the United States Census Bureau • Dependent on actual sales tax receipts
Funding Distribution	<ul style="list-style-type: none"> • Funds distributed at the onset of the fiscal year 	<ul style="list-style-type: none"> • Funds distributed bi-monthly based on actual sales tax receipts (similar to distribution to local jurisdictions under the Fair Share program for Local Streets and Roads) • For cities that realize a reduction in Senior Mobility Program (SMP) revenues under M2 guidelines, Transportation Development Act (TDA) Article 4.5 funds will be allocated to cities in an amount no greater than FY2010-11 funding levels, less M2 SMP revenue, for up to three years. • TDA disbursements will be sent to applicable cities at the same time as the last bi-monthly distribution of M2 funds for the fiscal year.

Measure M2 Project U
Senior Mobility Program Guidelines
February 2011

Topic	Current Program under Transportation Development Act	Measure M2
Unallocated Funds	<ul style="list-style-type: none"> • Partial distribution to community centers and ACCESS service 	<ul style="list-style-type: none"> • Distributed to other M2 Project U programs and/or ACCESS service
Non-Profit/Community Center Participants Funding	<ul style="list-style-type: none"> • Funded via TDA sales tax 	<ul style="list-style-type: none"> • Continue to fund via TDA sales tax in an amount commensurate with fluctuation of TDA sales tax receipts
Office on Aging Nutrition Program	<ul style="list-style-type: none"> • County Older Americans Act funding passed through to eligible participants by OCTA as part of SMP allocation 	<ul style="list-style-type: none"> • County to distribute Older Americans Act funding separately as part of senior nutrition program
Local Match	<ul style="list-style-type: none"> • 20 percent local match • 80 percent Orange County Transportation Authority (OCTA) (and Office on Aging for cities receiving nutrition program funding) 	<ul style="list-style-type: none"> • 20 percent local match • 80 percent OCTA
Reporting Requirements	<ul style="list-style-type: none"> • Monthly reports with trip data by type of trip and monthly funding disbursements • Annual audits 	<ul style="list-style-type: none"> • Monthly reports with trip data by type of trip and funding disbursements • Annual audits
Eligible Customers	<ul style="list-style-type: none"> • Minimum age of 60+ • City/organization may establish additional customer eligibility criteria 	<ul style="list-style-type: none"> • All seniors age 60+



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Revisions to Measure M2 Senior Mobility Program Project
U Funding and Policy Guidelines**

Attachment B

Senior Mobility Program Project U Funding and Policy Guidelines

March 2016

1.0 Overview

The Measure M2 (M2) Project U – Senior Mobility Program (SMP) provides funding to support local, community-based transportation service for seniors. Originally established in 2001 using limited state funding for bus operations, M2 Project U SMP funding was established to continue and expand the existing program. A formula funding allocation was established for all Orange County local jurisdictions based upon their senior population. One percent of M2 net revenue is used to fund the program and local jurisdictions must provide a minimum 20 percent local match of the total annual program expenditures.

The Orange County Transportation Authority (OCTA) Board of Directors approved these guidelines on *(Date)*. The purpose is to provide structure and definitions for all eligible M2 jurisdictions receiving SMP funding. OCTA shall enforce the provisions spelled out in these guidelines.

2.0 Objectives

- To provide for local, community-based senior transportation services.
- To allow local jurisdictions to develop and implement senior transportation services to serve their community.
- To provide transit options for seniors which complement rather than duplicate OCTA fixed route and ACCESS paratransit service.

3.0 Eligibility Requirements

Participation in the SMP is contingent upon maintaining M2 eligibility. Local jurisdictions must be eligible to receive M2 funding, established on an annual basis as specified in the M2 Ordinance Requirements for Eligible Jurisdictions, to receive the formula allocation for this program.¹ Adherence to strict funding guidelines is required.

Local jurisdictions are required to submit a Service Plan as described in Section 7.0 and must enter into a cooperative funding agreement with OCTA that defines the conditions of use of SMP funds prior to receiving their SMP funding allocation.

¹ Orange County Transportation Authority Ordinance No. 3, Attachment B, Section III

4.0 Funding Allocation Method & Distribution

Funding for the program is identified as one percent of M2 net sales tax revenue and will be allocated to eligible local jurisdictions based upon the participating jurisdiction's percentage of the senior population of the county. Senior population is determined by using the most current official decennial Census information provided by the U.S. Census Bureau.

Funding allocations are based on actual sales tax receipts. Funding will be distributed on a bi-monthly basis. SMP funds must be expended within three years of receipt.

OCTA may grant a two-year extension beyond the three-year expenditure limitation; however, an extension may not exceed five years from the date of the initial funding allocation. Jurisdictions requesting an extension beyond the three-year limitation must submit a justification letter for review and approval by OCTA at least 90 days prior to the end of the third fiscal year.

In the event the time limits for use of SMP funds are not satisfied, any retained SMP funds that were allocated to an eligible jurisdiction, including interest, shall be returned to OCTA.

5.0 Match Requirements

Participating jurisdictions must provide a minimum 20 percent local match of the total annual program expenditures. Match funding may be made up of cash subsidies, fare revenues, donations, or in-kind contributions such as salaries and benefits for the jurisdiction's employees who perform work on the program. Jurisdictions may also be required to submit supporting documentation to substantiate local match expenditures. Jurisdictions are not required to contribute the minimum match requirement on a monthly basis; however, the minimum 20 percent match requirement must be met by the end of each fiscal year, defined as June 30.

Jurisdictions not satisfying the annual 20 percent match shall be subject to withholding of funds from future bi-monthly allocations equal to the difference between the amount of Measure M funds actually spent and the amount of Measure M funds actually matched.

Example:

Total Program Expenditures	\$100,000
Total M2 Funding Allocation	\$ 80,000
20% Required Match	\$ 20,000
Actual Reported Match	\$ 15,000

Withholding Calculation:

Total M2 Funds Spent	\$ 80,000
M2 Funding Eligibility Based on Actual Reported Match	- <u>\$ 60,000</u>
Withholding from Future Allocation(s)	\$ 20,000

6.0 Service Guidelines

Services provided under the SMP are available to individuals 60 years of age and older. Jurisdictions have discretion in the types of trips provided within Orange County, such as trips to/from senior centers, medical appointments, shopping, personal care, and social/recreational activities. Jurisdictions should use discretion when providing trips for social/recreational activities when developing their Service Plan to ensure prudent and appropriate use of taxpayer funds. SMP trips outside Orange County are restricted to medical trips only within approximately 10 miles of the Orange County border.

Jurisdictions also have discretion in how the service is operated. Senior transportation services may be operated using employees, volunteers, or the jurisdiction may contract with a third-party service contractor. Contractors must be selected using a competitive procurement process and the jurisdiction must ensure the contractor is in compliance with program guidelines and provisions included in the cooperative funding agreement.

Jurisdictions whose program offers subsidized taxi service for seniors must ensure trips provided with SMP funding are consistent with the trip types as specified in these guidelines.

Wheelchair accessible vehicles must be available for SMP service.

Jurisdictions will perform, or ensure that a contractor performs, maintenance of all vehicles used in the Senior Mobility Program. Jurisdictions will ensure that its operators, or its contracted operators, are properly licensed and trained to proficiency to perform duties safely, and in a manner which treats its riders with respect and dignity.

Jurisdictions may receive retired OCTA ACCESS paratransit vehicle(s) to support their senior transportation program. Additional retired ACCESS vehicles may be

purchased, based on availability, for a cost equivalent to the refurbishment costs incurred by OCTA.

7.0 Service Plan Adoption

Participating jurisdictions shall submit to OCTA a SMP Service Plan which defines program services (Exhibit A). The Service Plan must be submitted using a template provided by OCTA and must be adopted by the jurisdiction's governing body and approved by the OCTA Board of Directors. Any deviation from the adopted SMP Service Plan must be submitted to OCTA in advance for review and approval and will require an amendment to the cooperative funding agreement prior to implementing a change in program services.

8.0 Eligible Expenses

Participating jurisdictions shall ensure M2 funds are used for eligible direct program-related expenses which may include contract service providers, staff time, vehicle maintenance, fuel, insurance, vehicle acquisition, program supplies and materials, marketing materials, and community outreach. Jurisdictions shall ensure all costs are program-related and are fair and reasonable. Administrative costs up to 10 percent are allowed and considered eligible program expenses. All program expenses are subject to audit.

No M2 funding shall be used by a jurisdiction for other than transportation purposes authorized in the M2 Ordinance.

9.0 Program Revenue

Participating jurisdictions must maintain adequate controls for collecting and reporting program revenue, including donations, fees, and cash fares. Program revenue must be used to support the transportation service and may be used as part of the jurisdiction's 20 percent local match requirement.

10.0 Reporting

Participating jurisdictions are required to submit monthly reports using a reporting template provided by OCTA (Exhibit B). Required monthly reporting data may include, but is not limited to, the following:

- Number of Trips by Category
- Vehicle Service Hours
- Vehicle Service Miles

- Program Cost Detail by Expense Category and % of Total Operating Cost
- Fares, Fees and Other Operating Revenue
- Jurisdiction Total Contribution & Source
- Jurisdiction Share as % of Total Operating Cost
- Cumulative Jurisdiction Share to Date
- OCTA Contribution
- OCTA Contribution as % of Total Operating Cost
- Cumulative Contribution Received from OCTA
- Total Monthly Program Operating Cost
- Cumulative Total Program Operating Cost

Jurisdictions shall also be required to maintain supporting documentation to substantiate reporting data. Supporting documentation may include, but is not limited to, actual receipts, contractor invoices, trip sheets, payroll, timesheets, fuel logs, and maintenance records/receipts.

Reports are due by the last day of the following month. A preliminary report may be submitted; however, submission of a final report is required within 15 days of the last day of the following month. Failure to meet the established reporting deadline for two months at any time during the fiscal year may result in future withholding of funding and/or other sanctions to be determined.

11.0 Audits & Inspection of Records

M2 funding is subject to audit. Jurisdictions shall maintain program documentation and records for a period of no less than five years. Program documents and records, including but not limited to payroll, trip sheets, invoices, vehicle maintenance, fuel, and other program-related expenses, shall be available for review by OCTA SMP administrators, auditors, and authorized agents upon request. Jurisdictions must follow established accounting requirements and applicable laws regarding the use of public funds. Failure to submit to an audit in a timely manner may result in withholding or loss of future funding. Failure to comply with the approved Service Plan will require remediation which may include repayment, reduction in overall allocation, and/or other sanctions to be determined by the OCTA Board of Directors.

Audits shall be conducted by the OCTA Internal Audit Department, or other authorized agent, as determined by OCTA.

OCTA's failure to insist in any one or more instances of a jurisdiction's performance of the provisions set forth in these guidelines shall not be construed as a waiver or relinquishment of the jurisdiction's obligation to comply with these guidelines.

Moreover, only the OCTA Board of Directors shall have the authority to alter and/or waive any requirements/obligations set forth in these guidelines.



Senior Mobility Program

Jurisdictions and agencies participating in the Orange County Transportation Authority (OCTA) Senior Mobility Program (SMP) must complete the following Service Plan in order to receive SMP funding. The Service Plan must be developed in accordance with SMP Guidelines and submitted to OCTA for review. Upon review by OCTA, the Service Plan must be formally adopted by the agency's governing body and approved by the OCTA Board of Directors. Any modifications to SMP services will require submittal of a new Service Plan.

SENIOR MOBILITY PROGRAM SERVICE PLAN

Agency _____

Date _____

Program Contact _____

Phone Number _____

Email _____

Service Description:

1. Program goals and objectives:

2. Indicate how SMP service will be operated: *(Please check all that apply)*

- Directly Operated
- Contract Service Provider
- Volunteers
- Subsidized Taxi Program
- Other *(Please describe)*

3. Eligible trips provided under the Senior Mobility Program are limited to the following categories. Please indicate the categories of service to be provided by your program: *(check all that apply)*

- Senior Center
 - Nutrition
 - Medical
 - Personal Care
 - Shopping
 - Social/Recreational *(please specify destinations)*
-

4. SMP Guidelines restrict trips outside of Orange County to medical only within approximately 10 miles of the Orange County border. Do you intend to provide trips outside of Orange County?

Yes No

If yes, please list proposed destinations: (*ex. – medical trips to VA Hospital in Long Beach*)

- 1.
- 2.
- 3.

5. Fare structure:

6. Number of vehicles:

7. Projected annual ridership:

8. Source(s) of 20 percent match funding:

Program Requirements:

1. Jurisdiction/Agency shall follow competitive procurement practices in selection of vendors for all services which it does not provide using its own work force. Any Request for Proposals (RFP) for services shall specify the use of vehicles meeting Americans with Disabilities Act (ADA) accessibility standards.
2. Jurisdiction/Agency will perform, or ensure that a contracted vendor performs, maintenance of all vehicles used in the Senior Mobility program, including, at a minimum:
 - a) Daily Pre-Trip Inspections that meet or exceed the guidelines provided in the attached Pre-Trip Inspection Checklist (Attachment 2)
 - b) Scheduled preventative maintenance that meets or exceeds the guidelines provided in the attached PM Checklist, including the maintenance of all accessibility features of the vehicles.
 - c) Maintain maintenance records for each vehicle for five (5) years and, if required, cooperate fully in annual motor coach carrier terminal inspections conducted by the California Highway Patrol.
3. Jurisdiction/Agency will ensure that its operators, or its contracted vendor's operators, are properly licensed and trained to proficiency to perform duties safely, and in a manner which treats its riders with respect and dignity. Disability awareness and passenger assistance will be included in this training.

4. Jurisdiction/Agency will establish and implement an alcohol and drug program that complies with 41 U.S.C. sections 701-707, (the Drug Free Workplace Act of 1988), and will produce any documentation necessary to establish its compliance with sections 701-707.
5. Jurisdiction/Agency will submit a monthly report to OCTA's Community Transportation Services Department as illustrated in Attachment 3.
6. Jurisdiction/Agency will participate in OCTA marketing and outreach efforts to encourage use of fixed route transit service by older adults.
7. Jurisdiction/Agency will note OCTA sponsorship in any promotional material for service funded under this agreement and will display an OCTA Senior Mobility Program logo on vehicles used in this program (excluding taxis).
8. Jurisdiction/Agency will ensure that it maintains adequate oversight and control over all aspects of services that are provided by a contracted vendor.

IN WITNESS WHEREOF, _____ *(Agency Name)* _____ has formally adopted the Senior Mobility Program Service Plan as written above.

AGENCY:

OCTA:

(Signature)

(Signature)

Name
Title

Name
Title



Senior Mobility Program

Monthly Reporting Form

DRAFT

Program Information

Service for the - Month of: July Year of: 2016
 Program Name: _____
 Participating Agency: _____
 Agency Contact: _____
 Contact Number: _____

Trip Detail

Trip Category	One-Way Trips		Service Hours		Service Miles	
	Jul 2016	FYTD	Jul 2016	FYTD	Jul 2016	FYTD
Senior Center	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Shopping	-	-	-	-	-	-
Personal Care	-	-	-	-	-	-
Social / Recreational	-	-	-	-	-	-
Total	-	-	-	-	-	-

Cost Summary

Cost Category	Jul 2016		FYTD	
	Cost	As a %	Cost	As a %
Service Contract	\$ -	0.0%	\$ -	0.0%
Drivers / Operators / Dispatchers	\$ -	0.0%	\$ -	0.0%
Vehicle Maintenance / Fuel / Insurance	\$ -	0.0%	\$ -	0.0%
Marketing Outreach	\$ -	0.0%	\$ -	0.0%
Administration	\$ -	0.0%	\$ -	0.0%
Total	\$ -	-	\$ -	-
OCTA Contribution	\$ -	0.0%	\$ -	0.0%
Agency Contribution	\$ -	0.0%	\$ -	0.0%
Program Revenue	\$ -	0.0%	\$ -	0.0%

Source(s) of Agency Contributions:

Agency hereby certifies that this report is a true, complete and correct statement of program revenue, costs and operating data.


! THIS REPORT IS DUE BY THE LAST DAY OF THE MONTH FOLLOWING THE REPORTING MONTH !

Please send this report by email to CTSPROGRAMS@OCTA.NET or by fax to **714-560-5927**.
 If there are any questions, please contact **JOANNE JACOBSEN** by email at JJACOBSEN@OCTA.NET
 or **JP GONZALEZ** by email at JGONZALEZ1@OCTA.NET.



COMMITTEE TRANSMITTAL

February 8, 2016

To: Members of the Board of Directors
From:  Laurena Weinert, Clerk of the Board
Subject: Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2015

Finance and Administration Committee Meeting of January 27, 2016

Present: Directors Do, Katapodis, Miller, Spitzer, and Steel
Absent: Directors Hennessey, Jones and Pulido

Committee Vote

This item was passed by the Members present.

Committee Recommendations

- A. Direct staff to monitor implementation of recommendations related to the classification of Maintenance of Effort expenditures, inclusion of projects in the Seven Year Capital Improvement Program, and timeliness and accuracy of monthly activity reporting.
- B. Direct staff to develop guidelines for the Senior Mobility Program, similar to other Measure M2 programs. Return to the Board of Directors for approval, and incorporate the approved guidelines by reference in each Senior Mobility Program agreement.
- C. Direct staff to obtain reimbursement from the City of Santa Ana for expenditures not in compliance with the cooperative agreement and amend the cooperative agreement as appropriate.
- D. Direct staff to implement recommendations by the Internal Audit Department.
- E. Receive and file the Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2015, and the Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed Upon Procedures Reports Year Ended June 30, 2015.



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Orange County Local Transportation Authority Measure
M2 Agreed-Upon Procedures Reports, Year Ended June
30, 2015**

Staff Report



January 27, 2016

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Orange County Local Transportation Authority Measure M2
Agreed-Upon Procedures Reports, Year Ended June 30, 2015

Overview

Vavrinek, Trine, Day & Company, LLP, an independent accounting firm, has completed agreed-upon procedures related to Measure M2 Local Fair Share funds provided to the County of Orange and eight cities, and Senior Mobility Program funds provided to four cities, for the fiscal year ended June 30, 2015. The procedures identified expenditures at the City of Santa Ana that do not comply with the cooperative agreement and expenditures that could not be substantiated due to a lack of supporting documentation. The Internal Audit Department identified additional concerns related to expenditures for trips far outside the County of Orange, collection of fees by the City of Santa Ana which cannot be accounted for, and weaknesses in guidance and oversight provided by Orange County Transportation Authority program management staff.

Observations were also made relating to classification of Maintenance of Effort expenditures, inclusion of projects in the Seven Year Capital Improvement Program, and timeliness and accuracy of monthly activity reporting.

Recommendations

- A. Direct staff to monitor implementation of recommendations related to the classification of Maintenance of Effort expenditures, inclusion of projects in the Seven Year Capital Improvement Program, and timeliness and accuracy of monthly activity reporting.
- B. Direct staff to develop guidelines for the Senior Mobility Program, similar to other Measure M2 programs. Return to the Board of Directors for

approval, and incorporate the approved guidelines by reference in each Senior Mobility Program agreement.

- C. Direct staff to obtain reimbursement from the City of Santa Ana for expenditures not in compliance with the cooperative agreement and amend the cooperative agreement as appropriate.
- D. Direct staff to implement recommendations by the Internal Audit Department.
- E. Receive and file the Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2015, and the Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2015.

Background

Annually, the Audit Subcommittee (Subcommittee) of the Taxpayers Oversight Committee selects a sample of cities receiving Measure M2 funding for review to determine the cities' level of compliance with provisions of the Measure M2 Ordinance (Ordinance). For the fiscal year (FY) ended June 30, 2015, the Subcommittee selected eight cities and the County of Orange (County) for review of Local Fair Share (LFS) program funding and four cities for review of Senior Mobility Program (SMP) funding. The agreed-upon procedures applied for these reviews were approved by the Subcommittee.

The LFS program is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. Since the LFS program is intended to augment, not replace, existing transportation expenditures, each jurisdiction is required to maintain a minimum level of local street and roads expenditures to conform to a defined maintenance of effort (MOE) requirement.

The SMP funds local community transportation services for seniors. This program provides 80 percent of the funding allocation, and participating local jurisdictions provide a 20 percent match. A cooperative agreement is executed between the local jurisdiction and the Orange County Local Transportation Authority (OCLTA) to outline requirements of the program and required matching funds.

Discussion

Vavrinek, Trine, Day & Company, LLP, (auditors) conducted the agreed-upon procedures, including site visits to each of the selected cities, and conducted interviews of city finance and program-related staff. Procedures also included sample testing of expenditures for compliance with related program requirements.

Agreed-Upon Procedures: Senior Mobility Program Funds

The Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2015 (Attachment A), examined the cities of Anaheim, Garden Grove, Huntington Beach, and Santa Ana.

No exceptions were noted based on the procedures performed at the cities of Garden Grove and Huntington Beach.

At the City of Anaheim (Anaheim), auditors tested monthly reports submitted for four out of the twelve months and found none of the reports were submitted to OCLTA within 30 days of month end, as required. Anaheim asserted that the reports had been sent timely via fax, but evidence of the faxed reports was not retained and OCLTA staff did not receive the reports. Anaheim responded that evidence of submissions will be retained going forward.

At the City of Santa Ana (Santa Ana), auditors found that four of five monthly reports tested were not submitted within 30 days of month end, as required, and three of the five reports reflected amounts that did not agree to amounts recorded in the general ledger. As a result, total expenditures were overstated by \$1,953. Santa Ana asserted that the discrepancies related to the timing of invoice processing and committed to make every effort to improve the timing of processing expenses and to submit amended reports if necessary. Santa Ana also responded that staff shortages caused the late submission of reports and that back-ups have since been assigned to ensure all reports are submitted timely.

Auditors also identified expenditures at Santa Ana that do not comply with the cooperative agreement and expenditures that could not be substantiated because supporting documentation was not retained. Further, the Internal Audit Department (Internal Audit) noted that certain expenditures, for trips outside the County, do not appear consistent with the SMP as described by the Ordinance.

The Ordinance states that SMP funding is "...to continue and expand the existing Senior Mobility Program provided by the Authority...pursuant to criteria and requirements for the SMP adopted by the Authority." Attachment A to the Ordinance describes the SMP program as "...local community van service..." The Orange County Transportation Authority (OCTA) website, informational materials and the Board of Directors-approved staff report establishing the Measure M2 Project U Senior/Disabled Program Funding and Policy Guidelines, all characterize the SMP as local, community-based transportation services. Cooperative Agreement No. C-1-2486 (Agreement) between OCTA and Santa Ana states that the funding shall be provided for, "...door-to-door service to Santa Ana fragile senior residents to and from the two Senior Centers, Southwest and Santa Ana Senior Center..."

The Ordinance, Section 10, Part 4 also states, "No Net Revenues shall be used by a jurisdiction for other than transportation purposes authorized by the Ordinance. Any jurisdiction which violates this provision must fully reimburse the Authority for the Net Revenues misspent and shall be deemed ineligible to receive Net Revenues for a period of five (5) years."

The following issues were identified related to Santa Ana's expenditures:

- Santa Ana provides trips to local markets, parks, shopping venues, and museums that are not allowed by the Agreement.
- Santa Ana provides trips that appear inconsistent with the Ordinance, as the destinations are far outside the County limits. Destinations identified included trips to Balboa Park, casinos, and wineries in San Diego County, and to Solvang.
- Trip logs for transportation services provided by Santa Ana that may comply with both the Ordinance and the Agreement, cannot be substantiated because the supporting records are not retained.
- Santa Ana collects a \$5 fee from senior participants for trips outside the County, but does not record the revenue nor retain receipts to evidence how the money was spent. Inaccurate information was provided by Santa Ana staff about when fees are collected and how the funds are spent. See Attachment B for additional detail.

As it relates to OCTA's Transit Division project management, the following weaknesses were identified:

- Trips provided by Santa Ana that do not appear consistent with the Ordinance and do not comply with the Agreement are outlined on monthly SMP reports submitted to OCTA, but were never questioned by OCTA staff.

- Guidance relating to parameters of qualified trips, eligible cost allocation, adequate supporting documentation, required retention, and collection and reporting of program fees, has not been developed or is inadequate.
- Staff has not developed appropriate oversight procedures to monitor cities' compliance with the Ordinance and related cooperative agreements. Current monitoring procedures focus primarily on monitoring of Santa Ana's match requirement and performing annual visits to discuss the program.

Internal Audit has provided supplemental recommendations at Attachment B related to these weaknesses.

Agreed-Upon Procedures: Local Fair Share Program Funds

The auditors noted no exceptions based on the procedures performed at the cities of Huntington Beach, La Palma, Laguna Hills, Tustin, and the County (Attachment C).

At the cities of Anaheim and Garden Grove, the auditors identified expenditures related to projects not included in the cities' Seven Year Capital Improvement Programs (CIP), as required by the ordinance. At the City of Garden Grove, the auditors identified \$99,000 in expenditures related to the Harbor Landscape Improvement project and at Anaheim, the auditors identified \$243,390 in expenditures related to the Santa Ana River Trail project. Both cities responded that amended CIP's would be submitted and, in the future, will implement procedures to amend CIP's as appropriate.

At the cities of Brea and Mission Viejo, the auditors identified expenditures that were not properly classified as MOE expenditures. After the amounts from the MOE were deducted, both cities continued to meet the required minimum. The cities responded that corrective actions have been taken.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 LFS funds provided to the County and eight cities, and SMP funds distributed to four cities for the FY ended June 30, 2015.

Attachments

- A. Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2015
- B. Memorandum to Beth McCormick, General Manager, Transit, dated January 19, 2016
- C. Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2015

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Orange County Local Transportation Authority Measure
M2 Agreed-Upon Procedures Reports, Year Ended June
30, 2015**

Attachment A

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY
MEASURE M2 SENIOR MOBILITY PROGRAM
AGREED-UPON PROCEDURES REPORTS
Year Ended June 30, 2015**

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 SENIOR MOBILITY PROGRAM

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2015

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2015. Please refer to the individual divider tab for our report on each Agency.

City of Anaheim

City of Garden Grove

City of Huntington Beach (as of City's fiscal year end, September 30, 2015)

City of Santa Ana



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES – CITY OF ANAHEIM**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Anaheim’s (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in its General Fund (Fund 101), under unit 7278 (Senior Citizens Centers). During the fiscal year ended June 30, 2015, the City reported total program expenditures of \$298,771, which included the City’s match. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Senior Mobility Program as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$674,123 over the past three fiscal years of Measure M2 Senior Mobility Program funds. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 50,991

No exceptions were noted.

4. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$59,754, which is approximately 24% of the total annual formula allocation of \$251,998. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$298,771 in expenditures was tested, representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015 did not include indirect costs. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
 - a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracts with a third party service provider, Western Transit Systems, to provide shuttle services for the Senior Mobility Program. We verified that Western Transit Systems was selected using a competitive procurement process through review of the City’s Request for Proposal, City Council minutes, and the executed agreement with Western Transit Systems. Per review of the contract agreement we noted that wheelchair accessible vehicles are available and used as needed. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City’s contractor (if applicable) and we performed the following:
 - a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracts with a third party service provider, Western Transit Systems, to provide shuttle services for the Senior Mobility Program. We obtained and reviewed the insurance coverage for Western Transit Systems, and noted the requirements established in the Cooperative Agreement were met. Additionally, we noted the current year proof of insurance was submitted and on file with OCLTA. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through review of the City’s monthly summary reports, it was noted that the City’s monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA. However, for the four reports tested we noted that they were not submitted within 30 calendar days of month end. The City asserted all submissions were made timely via fax to OCLTA, but OCLTA staff asserted no reports were received via fax within the required deadlines, and the City did not maintain evidence of those submissions. OCLTA staff confirmed that reports were received via fax on the following dates:

Reporting Month	Date Submitted	Days Late	Amount Reported
November-14	3/5/2015	65	\$ 19,656
January-15	3/5/2015	3	22,823
February-15	7/9/2015	101	22,823
May-15	7/9/2015	9	24,024

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015



City of Anaheim
FINANCE DEPARTMENT
 Accounting Division

December 18, 2015

Board of Directors

Orange County Local Transportation Authority
 and the Taxpayers Oversight Committee of the
 Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility Program for the City of Anaheim as of and for the fiscal year ended June 30, 2015.

Procedure #10

We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results:

Through review of the City's monthly summary reports, it was noted that the City's monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA. However, for the four reports tested we noted that they were not submitted within 30 calendar days of month end. The City asserted all submissions were made timely via fax to OCLTA, but OCTLA staff asserted no reports were received via fax within the required deadlines, and the City did not have evidence of those submissions. OCTLA staff confirmed that reports were received via fax on the following dates:

Reporting Month	Date Submitted	Days Late	Amount Reported
November-14	3/5/2015	65	\$ 19,656
January-15	3/5/2015	3	22,823
February-15	7/9/2015	101	22,823
May-15	7/9/2015	9	24,024

City's Response:

The City continues to assert that all monthly summary reports were submitted to OCLTA in a timely fashion via fax, but has no evidence of those submissions. The City maintains that the "Date Submitted" noted in the Procedure #10 Results section are actually the dates where the City resubmitted the monthly summary reports to OCTLA. Effective immediately, the City will maintain evidence of its monthly submissions to OCLTA via electronic mail.

Sincerely,

Signature:  _____

Paul Emery
City Manager

Signature:  _____

Deborah A. Moreno
Director of Finance

Signature:  _____

Terry Lowe
Director of Community Services



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES – CITY OF GARDEN GROVE**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Garden Grove's (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in its Measure M2 CTFP Fund (424), under the Senior Mobility Program Package 4601 (project code). The City records the match expenditures in the General Fund (111) and Federal Grant Fund (359). During the fiscal year ended June 30, 2015, the City reported total program expenditures of \$204,920, which included the City's match. The City match expenditures totaled \$56,100 in the General Fund and \$21,168 in the Federal Grant Fund. The Federal Grant Fund monies were funded through a separate grant, Senior Serv Grant from the County of Orange Office on Aging, but as the costs are part of the City's Senior Mobility Program, the City reports amounts to OCLTA as part of the match expenditures. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Senior Mobility Program as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$746,649 over the past three fiscal years of Measure M2 Senior Mobility Program funds, including a settlement with a prior vendor of \$332,265, which will be used toward future senior mobility program costs. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 382,438

No exceptions were noted.

4. We reviewed the City’s interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$77,268 which is approximately 53% of the total annual formula allocation of \$145,431. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$194,619 in expenditures was tested, representing 95% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015 did not include indirect costs. However, indirect costs were charged as match expenditures. Indirect match expenditures tested totaled \$56,100. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
 - a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracted with a third party service provider, California Yellow Cab, to provide transportation services for the Senior Mobility Program. We verified that California Yellow Cab was selected using a competitive procurement process through review of the City's Request for Proposal, bidding documents, and the executed agreement with California Yellow Cab. Per review of the contract agreement we verified that wheelchair accessible vehicles are available and used as needed. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City's contractor (if applicable) and we performed the following:
 - a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.


Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracts with a third party service provider, California Yellow Cab, to provide transportation services for the Senior Mobility Program. We obtained and reviewed the insurance coverage for California Yellow Cab, and noted the requirements established in the Cooperative Agreement were met. As required in the Cooperative Agreement, we noted the current year proof of insurance for the City was submitted and on file with OCLTA, while the City's contractors' insurance was on file with the City. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through inspection of a sample of four monthly summary reports, it was noted that the City's monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA within 30 days of month end. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES – CITY OF HUNTINGTON BEACH**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Huntington Beach’s (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, September 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended September 30, 2015.

Results: The City’s expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in Fund 963, Senior Mobility Program Fund. The match expenditures are recorded in Fund 103, Donations Fund, under business unit 10345502. During the fiscal year ended September 30, 2015, the City reported total program expenditures of \$220,383, which did not include the City’s match. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Senior Mobility Program as of September 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$616,223 over the past three fiscal years of Measure M2 Senior Mobility Program funds. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 10,886

No exceptions were noted.

4. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$74,801, which is approximately 38% of the total annual formula allocation of \$196,922. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$30,839 in expenditures was tested, representing 10% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended September 30, 2015 did not include indirect costs. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
 - a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City did not contract with a third party service provider for senior transportation service. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City's contractor (if applicable) and we performed the following:
 - a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.


Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City did not contract with a third party service provider for senior transportation service. However, per review of the City's Cooperative Agreement, the City was required to maintain insurance coverage. We obtained and reviewed the insurance coverage for the City, and noted the requirements established by the Cooperative Agreement were met. Additionally, we noted the current year proof of insurance was submitted and on file with OCLTA. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through inspection of a sample of four monthly summary reports, it was noted that the City's monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA within 30 days of month end. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES – CITY OF SANTA ANA**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Santa Ana's (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in its General Fund (011), under accounting unit 01113230 (\$37,241) and Recreation Grants Fund (169), under accounting unit 16913202 (\$172,194) for total program expenditures of \$209,435, for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Senior Mobility Program as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$510,906 over the past three fiscal years of Measure M2 Senior Mobility Program funds. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 7,114

No exceptions were noted.

4. We reviewed the City’s interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$37,241, which is approximately 21% of the total annual formula allocation of \$179,308. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$57,035 in expenditures was tested, representing 27% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015. We noted the following types of expenditures in our sample:

- \$24,378 or 43% of our sample, represented costs incurred for senior transportation services provided by third party service providers. Review of supporting documentation noted that \$15,778 were for transportation services not within the Scope of Work (SOW) of the Cooperative Agreement (Agreement). The SOW specifies “door to door service to Santa Ana fragile senior residents to and from the two Senior Centers”. These expenditures related to trips to and from the two senior centers to destinations outside of Orange County, such as Balboa Park, Solvang, and casinos in San Diego County. We were unable to determine whether the remaining \$8,600 in expenditures complied with the Agreement, as the invoices provided by the vendor lacked detail as to the trips provided; however, the City asserted the services were for trips to and from the seniors’ homes to each of the City’s senior centers.
- \$21,112 or 37% of our sample, represented fuel charges and internal service charges for City-owned vehicles used to provide senior transportation services by City employees. The City asserted the two vehicles are used exclusively for the senior transportation program; however travel logs supporting the trips were not retained. As such, we were unable to validate the charges and assess compliance with the Agreement.

- \$10,820 or 19% of our sample, represented payroll charges of employees who provide senior transportation services as part of the City's senior transportation program, including drivers and program coordinators assigned to the two senior centers (Southwest and Santa Ana Senior Centers). However, as noted above, some of the transportation services provided do not comply with the SOW.
 - \$725 or 1% of our sample, was for vehicle signage purchased for City-owned vehicles used to provide senior transportation services. No exceptions were noted.
7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015 did not include indirect costs. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
- a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracted with two third party service providers, Certified Transportation and JFK Transportation Company Inc., to provide senior transportation services, in addition to services provided by City employees. We verified that Certified Transportation and JFK Transportation Company Inc., were selected using a competitive procurement process through review of the City's Invitation for Bid, City Council minutes, and the City's bid ratings. Per review of the contract agreements and related bid documentation for Certified Transportation and JFK Transportation Company Inc., we noted that wheelchair accessible vehicles are available and used as needed. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City's contractor (if applicable) and we performed the following:
- a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracted with Certified Transportation and JFK Transportation Company Inc. to provide senior transportation services. We obtained and reviewed the insurance coverage for Certified Transportation and JFK Transportation Company Inc., and noted the requirements established in the Cooperative Agreement were met. As required in the Cooperative Agreement, we noted the current year proof of insurance for the City was submitted and on file with OCLTA, while the City's contractors' insurance was on file with the City. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through review of the City’s monthly summary reports, it was noted that in three of five monthly reports expenditures did not agree to the City’s supporting documentation. Total expenditures were over-reported by \$1,953, or 2% of the actual general ledger balances. The City asserted the differences were related to the timing of invoice processing, which were recorded in the general ledger subsequent to the monthly report submission. In addition, as noted below, we identified that four of five reports tested were not submitted within 30 days.

Reporting Month	Date Submitted	Days Late	Amount Reported
July-14	9/4/2014	5	\$ 11,143
September-14	10/31/2014	1	22,101
December-14	2/4/2015	5	13,332
April-15	6/2/2015	3	13,970
June-15	7/30/2015	0	60,325

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City’s responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City’s responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Varrinck Train, Dwyer Co, LLP

Laguna Hills, California
January 20, 2016

MAYOR
Miguel A. Pulido
MAYOR PRO TEM
Vincent F. Sarmiento
COUNCILMEMBERS
Angelica Amezcua
P. David Benavides
Michele Martinez
Roman Reyna
Sal Tinajero



CITY MANAGER
David Cavazos
CITY ATTORNEY
Sonia R. Carvalho
CLERK OF THE COUNCIL
Maria D. Huizar

CITY OF SANTA ANA
FINANCE AND MANAGEMENT SERVICES AGENCY
20 Civic Center Plaza M-17 • P.O. Box 1988
Santa Ana, California 92702
714-647-5420
www.santa-ana.org

January 20, 2016

Orange County Local Transportation Authority
Ms. Janet Sutter, Executive Director – Internal Audit
550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584

Ms. Sutter:

Below is the City of Santa Ana herein referred to after as “City” responses to the Agreed Upon Procedures report (“AUP”) of the Measure M2 Senior Mobility Program (“SMP”) for the fiscal year-ended June 30, 2015.

#6 Management Response:

(a):

The City is committed to providing its seniors the opportunity to enjoy mobility through its various transportation program in compliance with existing and future rules and regulations as required by the Senior Mobility Program (“SMP”).

In accordance with the SMP requirements, the City has submitted monthly reports to OCTA evidencing the usage of funds including the expenditures in question as noted in this report. However during this filing process no communication was received by the City from OCTA that the expenditures in question are unallowable as described in the agreed upon scope of work.

If communication was provided by OCTA to the City, the issue would have been immediately reviewed and rectified or clarification would have been requested. Please note program expenditures were reviewed during the most recently completed examination of the program (fiscal year 2012) however the City was also not notified of non-compliance with the agreed upon scope of work.

(b):

As previously described the City seeks to adhere to the program’s existing rules and regulations. However, the City was not provided by OCTA specific guidelines related to record retention. Going forward the City has communicated to its affected Departments records should be retained for a period of five years, in turn they would become available for inspection by OCTA or its designee.

SANTA ANA CITY COUNCIL

Miguel A. Pulido Mayor mpulido@santa-ana.org	Vincent F. Sarmiento Mayor Pro Tem, Ward 1 vsarmiento@santa-ana.org	Michele Martinez Ward 2 mmartinez@santa-ana.org	Angelica Amezcua Ward 3 aamezcua@santa-ana.org	P. David Benavides Ward 4 dbenavides@santa-ana.org	Roman Reyna Ward 5 rreyna@santa-ana.org	Sal Tinajero Ward 6 stinajero@santa-ana.org
---	---	--	--	--	---	--

(c):

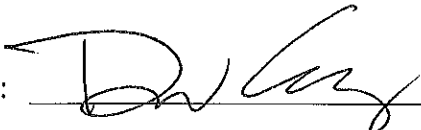
All employees listed are assigned to the Senior Transportation program and their time is fully charged to the grant via timesheets. Based on the City's interpretation of the SOW, the City asserts that the transportation services provided complied with the Agreement and payroll charges of the employees tested were eligible expenditures.

Going forward, the City will retain records for a period of five years.

#10 Management Response:

The monthly SMP reports that were submitted with discrepancies were due to the fact that program related expenses for said months were not charged or paid for until after the report was submitted. The City is making every effort to pay all program related expenses within the reporting period and will send a revised report if need be in the future. The reports that were not submitted within the 30 days were a result of the transitioning of program supervision and or staff shortages causing delays in the report being completed and submitted on time.

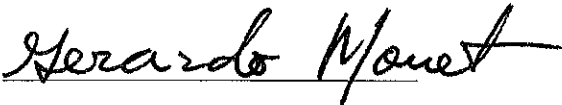
As of July 1, 2015, staff are assigned as back-ups to the program supervisor to ensure that reports are submitted on time. In addition, the City will send a preliminary report by the due date and submit the final revised report once completed after the fact if need be.

Signature: 

Title: City Manager

Signature: 

Title: Executive Director of Finance and Management Services Agency

Signature: 

Title: Executive Director of Parks, Recreation and Community Services Agency



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Orange County Local Transportation Authority Measure
M2 Agreed-Upon Procedures Reports, Year Ended June
30, 2015**


Attachment B



INTEROFFICE MEMO

January 19, 2016

To: Beth McCormick, General Manager
Transit

From: Janet Sutter, Executive Director
Internal Audit 

Subject: **City of Santa Ana, Senior Mobility Program**

At the direction of the Taxpayer's Oversight Committee of the Orange County Local Transportation Authority (OCLTA), the independent auditing firm Vavrinek, Trine, Day & Company, LLP, (auditors) has completed agreed-upon procedures reviews related to the Measure M2 Senior Mobility Program (SMP) funds distributed to the City of Santa Ana (City) for the year ended June 30, 2015. The auditors tested a total of \$57,035 in expenditures, representing 28 percent of total SMP expenditures. The procedures identified expenditures at the City that do not comply with the cooperative agreement and expenditures that cannot be substantiated due to a lack of supporting documentation. Some of the expenditures, for trips outside the County of Orange, do not appear to comply with the M2 Ordinance.

As a result of the issues identified by the auditor, the Internal Audit Department (Internal Audit) conducted interviews with City staff and a few SMP participants, and reviewed selected available documents. Internal Audit also interviewed Transit Division staff responsible for oversight of the SMP and reviewed the Measure M2 Ordinance, the Orange County Transportation Authority (OCTA) website, program informational materials, SMP related staff reports, and monthly reports submitted by the City.

Based on the additional procedures performed, the following concerns were identified:

1. City staff does not record fees collected from SMP participants and could not provide documentation as to how monies were spent.

Seniors participating in trips to destinations outside of Orange County are charged a fee of \$5 per person. These fees are collected by senior center personnel and are sometimes listed on event registration logs as "transportation program fees" but are never recorded as revenue to the program.

There are also no records or receipts to evidence how the monies are spent. City staff asserted that the monies are spent on refreshments for the seniors on the trip and to pay fees related to the trips, such as museum entrance fees and/or group tour costs. Internal Audit contacted a few of the trip participants who indicated that refreshments are not provided and that, once at the destination, the seniors are free to go where they like but pay themselves to visit museums, buy lunch, etc. When further questioned, City staff elaborated that monies are also used to buy name tags, hand sanitizers, and cleaning supplies for the program buses.

Registration logs for trips to casinos do not reflect collection of the fee and Internal Audit was originally told that fees are not collected for these trips; however, interview with a senior participant indicated that fees are paid. When further questioned, the senior center supervisor indicated that he was not aware they had been charging for these trips.

Recommendation: Internal Audit recommends that management take the following actions:

- Advise City staff that fees collected relating to SMP trips must be recorded as revenue to the program and monitor to ensure compliance.
- Revise monthly report forms to include reporting of revenues.
- Develop and implement requirements for collection and recording of program related revenues.

Management Response:

Management agrees with the recommended actions. The initial term of the SMP agreements expires June 30, 2016. Staff will review the current agreement language and scopes of work for each SMP. Language in the agreement and/or scopes of work will be revised to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received.

2. SMP guidance and oversight is not adequate.

In the course of reviewing the issues identified by the auditors, Internal Audit identified weaknesses related to SMP administration and oversight, as follows:

- Trips provided by the City that do not comply with the Ordinance and/or the agreement are outlined on the City's monthly SMP reports but were not questioned by OCLTA staff. Per interview, the Department Manager believed the trips to be allowable and stated that cooperative agreements with the cities could be amended to allow these types of trips.
- Guidance relating to parameters of qualified trips, eligible cost allocation, adequate supporting documentation, required retention, and collection and reporting of program fees, has not been developed or is inadequate.
- Staff has not developed appropriate oversight procedures to monitor cities' compliance with the Ordinance and related cooperative agreements. Current monitoring procedures focus primarily on monitoring of the City's match requirement (per amounts reported by the City on their monthly reports) and performing annual visits to discuss the program.

Recommendation: To ensure proper stewardship over the SMP, Internal Audit recommends that management take the following actions:

- Develop detailed program guidelines, including but not limited to, definition of allowable trip types, requirements for collection and reporting of revenues, acceptable methods for allocation of costs, and retention of adequate supporting documents (for both revenues and expenditures).
- Amend cooperative agreements to include detailed information on program requirements.
- Provide training to cities and exercise oversight to determine whether activities comply with the Ordinance, cooperative agreements, and program guidelines.

Management Response:

Management agrees with the recommended actions. While other Measure M2 programs have formal board-adopted guidelines, (i.e. CTFP, Project V) no such guidelines were established for the SMP when the program funding transitioned from Transportation Development Act funding

to Measure M2 funding in 2011. In the absence of formal guidelines, there has been a long standing practice of “excursion” trips being made for the seniors from the senior centers. These trips have been reported on the monthly reports submitted by the City. Some of the trips that have been made were to destinations outside of Orange County. Management agrees that these trips were not within the established intent of the program and that going forward, special event service, if included in a scope of work, shall be limited to destinations within Orange County or a reasonable distance from senior centers that may be located near the Orange County border. Criteria for such trips will be established and included in the program guidelines.

As mentioned previously, the language in the SMP agreements and scopes of work will be reviewed to ensure that language adequately addresses current program parameters for each city. Program guidelines will be developed to more specifically outline program requirements, including eligible trip types, collection and reporting of program revenue, submission and retention of supporting documentation, and requirements for allocation of indirect costs or internal service charges. Such guidelines will ensure that either direct costs are identified as appropriate or a reasonable methodology to allocate costs to the SMP is employed. Guidelines will be incorporated into the cooperative agreements with the cities by reference and updated as needed.

All of the SMP agreements expire on June 30, 2016. Amendments will be prepared for each program to include the modifications identified in this memo.

Training will be provided at least annually through a workshop for all SMP program administrators. This workshop is scheduled to be conducted on February 2, 2016. During this workshop, staff will present information on changes to the program guidelines, including reporting requirements, eligible trips, record retention, and the amendments to the existing agreements to be effective July 1, 2016. Upon notification that a SMP program contact has changed, OCTA staff will conduct a one-on-one training with new SMP staff to review all program requirements. Additional workshops and individual training will be scheduled during the year as needed.

To ensure oversight activities are adequate and that program activities comply with the Ordinance, cooperative agreements, and program guidelines, Community Transportation Services staff are developing a document to be used during the annual visits to capture information

regarding expenditures and compliance with SMP program requirements. Prior to the annual visit, selected documents will be requested from SMP for review and a standard monitoring document will be used for the on-site visit to address preliminary findings, clarify information submitted, review and update the program scope of work, and identify areas where additional training may be needed.

c: Darrell Johnson
Kenneth Phipps



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Orange County Local Transportation Authority Measure
M2 Agreed-Upon Procedures Reports, Year Ended June
30, 2015**

Attachment C

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY
MEASURE M2 LOCAL FAIR SHARE
AGREED-UPON PROCEDURES REPORTS
Year Ended June 30, 2015**

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY
MEASURE M2 LOCAL FAIR SHARE
AGREED-UPON PROCEDURES REPORTS
Year Ended June 30, 2015**

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2015. Please refer to the individual divider tab for our report on each Agency.

City of Anaheim

City of Brea

City of Garden Grove

City of Huntington Beach (as of City's fiscal year end, September 30, 2015)

City of Laguna Hills

City of La Palma

City of Mission Viejo

City of Tustin

County of Orange



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF ANAHEIM**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Anaheim's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$8,127,913 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101) and Sanitation Enterprise Fund (590), under Department 412. No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$8,664,773 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$2,318,626, representing approximately 27% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$440,768. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$9,057,339 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Local Fair Share (M2)	\$ 2,045,860

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 271, Traffic Improvement - Measure M2 Fund. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$8,341,603 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$6,485,138 representing approximately 78% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. We noted \$243,390 of the expenditures tested related to the Santa Ana River Trail project, which was not included in the City’s approved Seven-Year CIP, as required.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF ANAHEIM, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Sign and Safety Devices	\$ 676,915
Sidewalk and Curb Maintenance	1,077,040
Right of Way Landscaping and Maintenance	1,751,886
Traffic System Services	3,039,709

Construction:

Street Construction	546,568
Engineering Design	380,897
Traffic Engineering	221,318
Engineering Inspection and Survey	1,266,202

Administrative/Other:

Engineering Administration	1,385,778
Traffic (Systems & Commuter Services)	744,761

Less: MOE Exclusions	(2,426,301)
----------------------	-------------

Total MOE Expenditures	8,664,773
------------------------	-----------

Measure M2 Local Fair Share Expenditures:

Pavement Rehabilitation Projects	2,908,927
ARTIC	4,720,298
Santa Ana River Trail (not on Seven-Year CIP)	480,438
Administrative Expenditures - all approved projects	231,940

Total Measure M2 Local Fair Share Expenditures	8,341,603
--	-----------

Total MOE and Measure M2 Local Fair Share Expenditures	\$ 17,006,376
--	---------------

Note:

The above amounts were taken directly from the financial records of the City of Anaheim and were not audited.



City of Anaheim
DEPARTMENT OF PUBLIC WORKS

December 18, 2015

Board of Directors
 Orange County Local Transportation Authority
 and the Taxpayers Oversight Committee of the
 Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance Agreed-upon Procedures report for the City of Anaheim as of and for the fiscal year ended June 30, 2015.

Procedure #8

We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
- b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

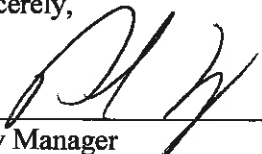
Results:

Measure M2 Local Fair Share expenditures tested totaled \$6,485,138 representing approximately 78% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. We noted \$243,390 of the expenditures tested related to the Santa Ana River Trail project, which was not on the approved Seven-Year CIP, as required.


City's Response:

We will submit an amended Seven-Year CIP to OCLTA for consideration. We will implement procedures going forward to ensure M2 Local Fair Share expenditures are only incurred for projects listed on the approved Seven-Year CIP.

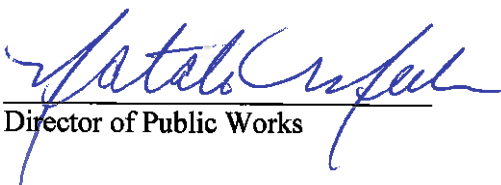
Sincerely,



 City Manager



 Director of Finance



 Director of Public Works



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF BREA**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Brea's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$703,000 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (110) and its Capital Improvement Fund (510). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$1,768,773 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$812,961, representing approximately 46% of total MOE expenditures for the fiscal year ended June 30, 2015. We noted two expenditures, totaling \$38,163, were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, we noted the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$186,797. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$2,429,896 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2013/2014	Local Fair Share (M2)	\$ 320,127
2014/2015	Local Fair Share (M2)	\$ 730,888

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 260, Measure M Transportation Fund and Fund 510, Capital Improvement Fund. The City maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share, between both funds, which reconciles to the general ledger. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$272,159 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$242,010 representing approximately 89% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. Indirect Measure M2 Local Fair Share expenditures tested totaled \$7,793. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.


11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015

CITY OF BREA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Maintenance	\$ 1,451,314
Parkway Trees	146,260
Slurry Seal Program	<u>171,199</u>
Total MOE Expenditures	<u>1,768,773</u>

Measure M2 Local Fair Share Expenditures:

Lambert Road Rehabilitation (Phase 2)	5,804
Wildcat Way Rehabilitation	256,038
Administrative Expenditures - all approved projects	<u>10,318</u>
Total Measure M2 Local Fair Share Expenditures	<u>272,159</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 2,040,932</u></u>

Note:

The above amounts were taken directly from the financial records of the City of Brea and were not audited.



City of Brea

December 18, 2015

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Brea as of and for the fiscal year ended June 30, 2015.

Procedure #4b.

Verified that the expenditure amount listed on the general ledger to supporting documentation, which may include check copy or wire transfer, vendor invoice, payroll registers and timecards, journal entry or other appropriate supporting documentation.

Results:

MOE Expenditures tested totaled \$812,961, representing approximately 46% of total MOE expenditures for the fiscal year ended June 30, 2015. We noted two expenditures, totaling \$38,163 were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from the MOE expenditures, we noted the City continued to meet the minimum MOE requirement.

City's Response:

The City corrected the finding via journal entry to remove the expenditures from the Street Maintenance Program during the fiscal year ended June 30, 2015. To avoid this from happening in the future, the City will create the Parking Lot Maintenance Program for the future coding of such expenditures

Sincerely,

Title: City Manager/
Administrative Services Director

Title: Public Works Director

City Council

Christine Marick
Mayor

Cecilia Hupp
Mayor Pro Tem

Glenn Parker
Council Member

Marty Simonoff
Council Member

Steven Vargas
Council Member



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF GARDEN GROVE**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Garden Grove's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$2,823,522 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (111). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$5,397,017 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$1,231,070, representing approximately 23% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$105,351. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$6,246,116 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Local Fair Share (M2)	\$ 211,566

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 422. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$1,906,520 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$1,335,834 representing approximately 70% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. Per Schedule A, we noted \$99,000 of expenditures were incurred for a project not included in the City’s Seven-Year CIP, as required.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF GARDEN GROVE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street M/S/P	\$ 40,726
Seal Coating	282,939
Asphalt Maintenance Overlay	532,394
Concrete Maintenance	282,690
Graffiti Removal	171,395
R/W & St. Cleaning	942,354
Spill Cleanup	78,142
Tree Maintenance	913,833
Traffic Maintenance M/S/P	10,238
Traffic Sign Maintenance	154,573
Traffic Painting	167,319
Traffic Signal Maintenance	94,922
R/W Lndsc Mnt M/SP	29,709
Median Maintenance	391,853

Construction:

Concrete Repl/Capital	235,267
-----------------------	---------

Administrative/Other:

Traffic Engineering	365,790
Capital Improvement Planning	81,318
Special Projects	139,884
Operation Engineering	104,027
Public Works General Administration	136,650
NPDES Program	240,994

Total MOE Expenditures	5,397,017
------------------------	-----------

Measure M2 Local Fair Share Expenditures:

Harbor/Twintree High Intensity Activated Crosswalk (HAWK)	1,443
Harbor Boulevard Median Curb Upgrade	1,207
Arterial Highway Rehabilitation Program	10,745
Traffic Management Center/Citywide Fiber Interconnect	(2,323)
Intersection of Harbor Boulevard and Garden Grove Boulevard	(1,503)
Magnolia Street Reconstruction	5,280
Fairview/Trask Intersection Improvement	145
Harbor Landscape Improvement - Phase 2 (Not on Seven-Year CIP)	99,000
Local Street Improvement Program	5,180
Proposition 1B State Local Partnership Program (SLPP) Projects	77,182
Brookhurst Street Rehabilitation	1,709,967
Brookhurst Hazard - Westminster	197
Total Measure M2 Local Fair Share Expenditures	1,906,520
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 7,303,537

Note:

The above amounts were taken directly from the financial records of the City of Garden Grove and were not audited.



CITY OF GARDEN GROVE

Bao Nguyen
Mayor

Steven R. Jones
Mayor Pro Tem

Christopher V. Phan
Council Member

Phat Bui
Council Member

Kris Beard
Council Member

December 18, 2015

Board of Directors and Taxpayer Oversight Committee of
Orange County Local Transportation Authority (OCLTA)
550 S. Main Street
Orange, CA 92863

Subject: City's Response to OCLTA's Measure M2 Agreed-Upon Procedures Report

This letter is in response to the Orange County Transportation Authority's FY14-15 Measure M2 Local Fair Share Agreed-Upon Procedures Report - Procedure No. 8. It has been noted that \$99,000 of expenditures were incurred for a project not listed on the City's Seven-Year Capital Improvement Plan (CIP).

The City of Garden Grove will submit an amended Seven-Year Capital Improvement Plan to OCLTA for their consideration. Please note, the \$99,000 in question were eligible transportation expenses per Measure M2 Ordinance No. 3 criteria. The City of Garden Grove will implement procedures that will facilitate amendments to the Seven-Year CIP, as initial project submittals for this Report are based on estimates at the beginning of a fiscal year, and these may change due to construction schedules and availability of new grant funding, among other factors.

Sincerely,



Dan Candelaria, P.E., T.E.
City Engineer



Kingsley Okereke
Assistant City Manager/Finance Director



Scott C. Stiles
City Manager



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF HUNTINGTON BEACH**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Huntington Beach's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, September 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$4,954,235 in MOE expenditures during the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (100). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended September 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended September 30, 2015 were \$10,187,301 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$1,248,614, representing approximately 12% of total MOE expenditures for the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended September 30, 2015. Indirect MOE expenditures tested totaled \$121,633. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of September 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$8,733,806 for the past three fiscal years ended September 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2013/2014	Local Fair Share (M2)	\$ 1,541,279
2014/2015	Local Fair Share (M2)	\$ 2,999,191

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended September 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 213, Measure M Fund. The City maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share, compared to other M2 funded projects, which reconciles to the general ledger. Total Measure M2 Local Fair Share expenditures during the fiscal year ended September 30, 2015 were \$1,318,184 (see Schedule A). Based on inquiry with City management including public works, the City asserted there are two business units used to report M2 Local Fair Share expenditures related to the City’s Arterial Rehabilitation project: 21390008 – Arterial Highway Rehab and 21385201 – Engineering Design/Construction. No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$445,661 representing approximately 34% of total Measure M2 Local Fair Share expenditures for the fiscal year ended September 30, 2015. As noted under procedure 7, the City reports expenditures within two business units, both related to the Arterial Rehabilitation project on the Seven-year CIP. The City uses Business Unit 21391008 to track portions of the project that the City budgets for and intends to capitalize, while Business Unit 21385201 is a combination of construction, design, and engineering labor costs incurred by City personnel for the project. No exceptions were noted.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

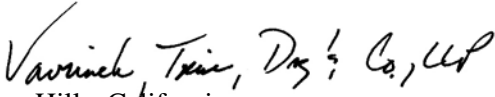
Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015

CITY OF HUNTINGTON BEACH, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended September 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance	
Traffic Signs/Striping and Signals	\$ 1,102,895
Street Maintenance	1,427,543
Hazardous Materials	164,337
Street Cleaning	909,678
Storm Drain Maintenance	315,093
Landscape and Tree Maintenance	2,144,016
Fleet and Equipment Maintenance	1,052,082
Construction:	
Design/Construction	717,930
Development Processing	267,102
Traffic Engineering	1,146,653
Administrative/Other:	
Public Works, Maintenance and General Services Admin	707,525
Storm Drain Pollution Control	232,447
	<hr/>
Total MOE Expenditures	10,187,301
	<hr/>

Measure M2 Local Fair Share Expenditures:

Arterial Rehabilitation (BU 21390008)	479,899
Engineering Design and Construction - for Arterial Rehabilitation (BU 21385201)	838,285
	<hr/>
Total Measure M2 Local Fair Share Expenditures	1,318,184
	<hr/>
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 11,505,485
	<hr/> <hr/>

Note:

The above amounts were taken directly from the financial records of the City of Huntington Beach and were not audited.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF LAGUNA HILLS**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Laguna Hills' (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$269,339 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (100) and CIP Fund (600). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$1,104,430 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$308,033, representing approximately 28% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$136. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$1,422,369 for the past three fiscal years ended June 30, 2013, 2014 and 2015. We noted no remaining cash balance. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 212, Measure M Fund, as a transfer out to Fund 100, General Fund. Specific invoices are identified by the City as M2 Local Fair Share, recorded within accounts 100-250-720.400 (Street Maintenance) and 100-250-720.420 (Traffic Signal Maintenance). Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$535,808 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$389,087 representing approximately 73% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF LAGUNA HILLS, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Sweeping	\$ 131,653
Signal Maintenance Contract	29,900
Utilities	446,575
Personnel	114,718
Miscellaneous Contract and Other Maintenance	251,052

Construction:

Street, Signals and Lighting	2,824,485
------------------------------	-----------

Administrative/Other:

Operating Expenditures	10,265
------------------------	--------

Less: MOE Exclusions	<u>(2,704,218)</u>
----------------------	--------------------

Total MOE Expenditures	<u>1,104,430</u>
------------------------	------------------

Measure M2 Local Fair Share Expenditures:

Public Works Maintenance and Operations	<u>535,808</u>
---	----------------

Total Measure M2 Local Fair Share Expenditures	<u>535,808</u>
--	----------------

Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 1,640,238</u></u>
--	----------------------------

Note:

The above amounts were taken directly from the financial records of the City of Laguna Hills and were not audited.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF LA PALMA**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of La Palma's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$173,004 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (001) and Capital Outlay Reserve Fund (035). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$540,653 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$289,999, representing approximately 54% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$45,671. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$765,201 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2013/2014	Local Fair Share (M2)	\$ 30,589
2014/2015	Local Fair Share (M2)	\$ 209,091

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 012. This fund is also used to record M2 Comprehensive Transportation Funding Program grants. The City maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$0 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: As noted in procedure 7, the City did not report Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: As noted in procedure 7, the City did not report Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

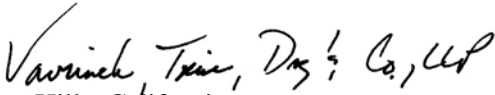
Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF LA PALMA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintenance:	
Engineering	\$ 39,769
Street Maintenance	321,485
Street Trees & Medians	108,599
Construction:	
Arterial Pavement Management Program	70,800
Total MOE Expenditures	540,653
Measure M2 Local Fair Share Expenditures:	
N/A - none noted	-
Total Measure M2 Local Fair Share Expenditures	-
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 540,653

Note:

The above amounts were taken directly from the financial records of the City of La Palma and were not audited.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF MISSION VIEJO**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Mission Viejo's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$2,247,610 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (101). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$4,604,438. As described in procedure 4, we noted an exception with respect to an expenditure not allowable per the Ordinance. Subsequent to fieldwork the City corrected the MOE expenditures for the exception and further revised the total MOE expenditures to \$4,492,237 (see Schedule A), which continued to exceed the requirement.

4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$1,747,172, representing approximately 39% of total revised MOE expenditures for the fiscal year ended June 30, 2015. During testing of the original MOE expenditures, we noted one expenditure, totaling \$28,428, which was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. The City corrected its MOE for the \$28,428, and further removed costs totaling \$83,773. After removing the amounts from total MOE expenditures, we noted the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$5,158. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$3,910,917 for the past three fiscal years ended June 30, 2013, 2014 and 2015. We noted no remaining cash balance. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 267, Measure M2 Sales Tax Apportionment Fund. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$2,595,282 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
- b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$2,225,642 representing approximately 86% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF MISSION VIEJO, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Lighting	\$ 996,642
Street Maintenance	2,235,517
Signal Maintenance	486,053
Environmental Maintenance	462,884
Marguerite Resurface/Median Rehabilitation	2,750

Construction:

City Wide EVP Device Install	5,381
------------------------------	-------

Administrative/Other:

Public Works - Admin	33,394
Engineering	24,990
Transportation Planning	104,182
Traffic Operations	83,803
Traffic Safety	56,641

Total MOE Expenditures	4,492,237
------------------------	-----------

Measure M2 Local Fair Share Expenditures:

210 - Marguerite Parkway Pavement Rehabilitation (Traffic Signal Synchronization)	19,912
221 - Marguerite Parkway Pavement Rehabilitation (Trabucco Road to Alicia Parkway)	387,375
215 - Citywide Emergency Vehicle Pre-emption System	32,800
837 - Arterial Highway Resurfacing Program	1,746,861
217 - Muirlands Blvd/Barranca Pkwy Corridor Regional Traffic Signal Synchronization	1,979
838 - Residential Resurfacing	401,418
219 - Trabucco Road Corridor Regional Traffic Signal Synchronization	4,117
223 - La Paz Road Corridor Regional Traffic Signal Synchronization	820

Total Measure M2 Local Fair Share Expenditures	2,595,282
--	-----------

Total MOE and Measure M2 Local Fair Share Expenditures	\$ 7,087,519
--	--------------

Note:

The above amounts were taken directly from the financial records of the City of Mission Viejo and were not audited.



City of Mission Viejo

Administrative Services Department

Cathy Schlicht
Mayor

Greg Rath
Mayor Pro Tem

Wendy Bucknum
Council Member

Edward Sachs
Council Member

Frank Ury
Council Member

December 18, 2015

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Mission Viejo as of and for the fiscal year ended June 30, 2015.

Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail and verify the expenditures are properly classified as a local street and road expenditure and are allowable per the Ordinance.

Results:

One expenditure totaling \$28,428 was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. After removing the amount from total MOE expenditures, the City continues to meet the minimum MOE requirement.

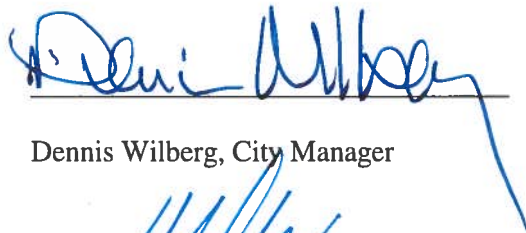
City's Response:

The City provided preliminary, unaudited numbers for the MOE agreed upon procedures. After auditor fieldwork, the ineligible expenditures were removed from our MOE, annual street report, and Measure M2 report. Our MOE report has since been modified and corrective procedures have been put in place. The City still meets the minimum MOE requirement after the removal of the ineligible expenditures.



Board of Directors
December 18, 2015
Page two

Sincerely,

A handwritten signature in blue ink, appearing to read "Dennis Wilberg", written over a horizontal line. The signature is cursive and somewhat stylized.

Dennis Wilberg, City Manager

A handwritten signature in blue ink, appearing to read "Mark Chagnon", written over a horizontal line. The signature is very stylized and abstract.

Mark Chagnon, Director of Public Works

A handwritten signature in blue ink, appearing to read "Cheryl Dyas", written over a horizontal line. The signature is cursive and clearly legible.

Cheryl Dyas, Director of Finance



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF TUSTIN**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Tustin's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$1,222,756 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its Land Sale Proceeds Fund (189) – Department 80 (Architect-Engineering Services), a subfund of the General Fund, and Capital Projects Fund (200) – Department 40 (Public Works). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$3,107,260 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$2,166,578, representing approximately 70% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, we noted no indirect MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$3,494,337 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2012/2013	Local Fair Share (M2)	\$ 612,993
2013/2014	Local Fair Share (M2)	\$ 1,311,059
2014/2015	Local Fair Share (M2)	\$ 1,146,029

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 139 (Measure M – Fair Share). Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$609,641 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$430,838 representing approximately 71% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. Indirect Measure M2 Local Fair Share expenditures tested totaled \$3,388. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF TUSTIN, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Overlay & Sealing	1,249,616
Street Lights & Traffic Signals	105
Other Street Purpose Maintenance	51,370

Construction

New Street Construction	1,067,914
Street Reconstruction	438,941

Administrative/Other:

Labor	299,314
-------	---------

Total MOE Expenditures	3,107,260
------------------------	-----------

Measure M2 Local Fair Share Expenditures:

Battery Backup System Installations (40079)	360,639
Traffic Signal Controller Equipment Upgrades and Replacements (40080)	46,828
Biofiltration Retrofit - Edinger/Red Hill/Valencia/Kensington Park Quadrant (50041)	64,079
Annual Roadway and Public Infrastructure Maintenance (70014)	55,325
Jamboree Road, Warner Avenue, and Tustin Avenue Signal Synchronization Projects (40081)	12,677
First Street/Bolsa Avenue Signal Synchronization Project (40082)	5,920
Newport Avenue Synchronization Project (40085)	9,290
17th Street Synchronization Project*	203
Warner Avenue Extension: Red Hill Avenue to Tustin Ranch Road (70202)	54,680

Total Measure M2 Local Fair Share Expenditures	609,641
--	---------

Total MOE and Measure M2 Local Fair Share Expenditures	\$ 3,716,901
--	--------------

Note:

The above amounts were taken directly from the financial records of the City of Tustin and were not audited.

* The 17th Street Synchronization Project was not included in the FY 14/15 CIP plan. The project was approved by City Council through Resolution No. 14-66 on November 18, 2014, and added to FY 15/16 CIP plan on June 16, 2015.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — COUNTY OF ORANGE**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the County of Orange's (County) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The County's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the County.

Results: OCLTA has determined that the MOE is not applicable for the County.

2. We documented which funds the County used to track all street and road expenditures and inquired how the County identifies MOE expenditures in its general ledger.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the County met the minimum MOE requirement.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

4. We selected a sample of MOE expenditures from the County's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the County and calculated the amount the County received for the past three fiscal years. We obtained the cash balance of the County's Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The County received \$8,079,670 for the past three fiscal years ended June 30, 2013, 2014 and 2015. We noted no remaining cash balance. No exceptions were noted as a result of our procedures.

7. We documented which fund the County used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The County's Measure M2 Local Fair Share expenditures are recorded in Fund 115, Road Fund. The County maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$3,032,673 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the County's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the County's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the County's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$2,787,746 representing approximately 92% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the County's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the County's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the County was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the County was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

COUNTY OF ORANGE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Measure M2 Local Fair Share Expenditures:	
"A" Street	\$ 1,985,881
Moulton Parkway Widening Segment 3 Phase II	<u>1,046,792</u>
Total Measure M2 Local Fair Share Expenditures	<u><u>\$ 3,032,673</u></u>

Note:

The above amounts were taken directly from the financial records of the County of Orange and were not audited.



COMMITTEE TRANSMITTAL

February 8, 2016

To: Members of the Board of Directors
From: Laurena Weinert, Clerk of the Board
Subject: Fiscal Year 2014-15 Annual Financial and Agreed-Upon Procedures Reports

Finance and Administration Committee Meeting of January 27, 2016

Present: Directors Do, Katapodis, Miller, Spitzer, and Steel
Absent: Directors Hennessey, Jones and Pulido

Committee Vote

This item was passed by the Members present.

Committee Recommendation

Receive and file the fiscal year 2014-15 annual financial and agreed upon procedures reports.



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Staff Report



January 27, 2016

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2014-15 Annual Financial and Agreed-Upon Procedures Reports

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements. Vavrinek, Trine, Day & Company, LLP, an independent accounting firm, has completed its annual audits of the Orange County Transportation Authority and related entities for the fiscal year 2014-15. Additionally, reports have been issued on the results of agreed-upon procedures applied to determine compliance with certain state, federal, and local requirements. All reports are included herewith.

Recommendations

Receive and file the fiscal year 2014-15 annual financial and agreed-upon procedures reports.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting OCTA's results of operations and financial position at fiscal year-end. The financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR), which was presented to the Board of Directors on November 23, 2015. In connection with the preparation of the CAFR, Vavrinek, Trine, Day & Company, LLP (VTD) also provides opinions on other financial reports of OCTA.

The audits were performed under current accounting and auditing standards, including generally accepted auditing standards, the standards set forth for

financial audits in the Government Accountability Office's *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984 (as amended) and the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the following additional requirements, where applicable:

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

Discussion

VTD has completed its annual financial audits and has issued independent auditor opinions for the fiscal year ended June 30, 2015. In addition, results of certain agreed-upon procedures reviews are presented. Reports are included as Attachments A through K.

There were no recommendations resulting from the procedures performed.

Summary

VTD has audited OCTA's CAFR for the fiscal year ended June 30, 2015 and has issued an unmodified opinion thereon. VTD has also issued unmodified opinions on various other financial statements, which are attached hereto. No findings or recommendations were included in these reports.

Attachments

- A. Orange County Transportation Authority Single Audit Report on Federal Awards Year Ended June 30, 2015
- B. Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) Annual Financial and Compliance Report Year Ended June 30, 2015
- C. Orange County Transportation Authority Local Transportation Fund Financial Statements Year Ended June 30, 2015

- D. Orange County Transportation Authority State Transit Assistance Fund Financial Statements Year Ended June 30, 2015
- E. Orange County Transportation Authority Independent Auditors' Report on Proposition 1B and Transportation Development Act Year Ended June 30, 2015
- F. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Measure M1 Status Report Year Ended June 30, 2015
- G. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Measure M2 Status Report Year Ended June 30, 2015
- H. Orange County Transportation Authority Independent Accountants' Report on Agreed-Upon Procedures Performed with Respect to the Treasury Department Year Ended June 30, 2015
- I. Orange County Transportation Authority Independent Accountants' Report on Applying Agreed-Upon Procedures Related to the Article XIII-B Appropriations Limit Calculation For the Fiscal Year Ended June 30, 2015
- J. Orange County Local Transportation Authority Independent Accountants' Report on Applying Agreed-Upon Procedures Related to the Article XIII-B Appropriations Limit Calculation For the Fiscal Year Ended June 30, 2015
- K. Orange County Transportation Authority Agreed-Upon Procedures Performed With Respect to the National Transit Database Report For the Period July 1, 2014 through June 30, 2015

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment A

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

Single Audit Report on
Federal Awards

Year Ended June 30, 2015

ORANGE COUNTY TRANSPORTATION AUTHORITY

Single Audit Report on Federal Awards

Year Ended June 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> , the Transportation Development Act, California Government Code §8879.50, And State Senate Bill 88 (2007)	1
Independent Auditors' Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Note to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	
I. Summary of Auditor's Results	9
II. Financial Statement Findings	10
III. Federal Awards Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	12



**INDEPENDENT AUDITORS' 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, THE TRANSPORTATION DEVELOPMENT ACT, CALIFORNIA
GOVERNMENT CODE §8879.50, AND STATE SENATE BILL 88 (2007)**

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the 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, 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 (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated October 30, 2015. Our report included an emphasis-of-matter regarding OCTA's adoption of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting And Financial Reporting For Pensions—An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* as of July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and California State Senate Bill 88 (2007), et seq., 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*, Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and California State Senate Bill 88 (2007), et seq.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California
October 30, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Orange County Transportation Authority
Orange, California

Report on Compliance for Each Major Federal Program

We have audited OCTA's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of OCTA's major federal programs for the year ended June 30, 2015. OCTA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of OCTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OCTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of OCTA's compliance.

Opinion on Each Major Federal Program

In our opinion, Orange County Transportation Authority (OCTA) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of OCTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OCTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated October 30, 2015, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-matter regarding OCTA's adoption of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting And Financial Reporting For Pensions—An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, as of July 1, 2014. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California
December 18, 2015

ORANGE COUNTY TRANSPORTATION AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of Transportation</u>				
Direct grants:				
Federal Transit Cluster:				
Federal Transit Capital Investments Grants	20.500	CA-03-0754	\$ 33,959	\$ -
Federal Transit Capital Investments Grants	20.500	CA-04-0078	929,357	-
Federal Transit Capital Investments Grants	20.500	CA-04-0122	199,941	-
Federal Transit Capital Investments Grants	20.500	CA-04-0165	490,000	-
Federal Transit Capital Investments Grants	20.500	CA-04-0178	85,025	85,025
Federal Transit Capital Investments Grants	20.500	CA-04-0180	77,590	-
Federal Transit Capital Investments Grants	20.500	CA-04-0181	952	-
Federal Transit Capital Investments Grants	20.500	CA-04-0224	1,546,333	1,505,777
Federal Transit Capital Investments Grants	20.500	CA-04-0251	681,821	-
Federal Transit Capital Investments Grants	20.500	CA-05-0275	648,371	648,371
Federal Transit Capital Investments Grants	20.500	CA-55-0003	312,537	140,644
Total Federal Transit Capital Investments Grants			<u>5,005,886</u>	<u>2,379,817</u>
Federal Transit Capital Formula Grants	20.507	CA-90-Y782	71,257	68,741
Federal Transit Capital Formula Grants	20.507	CA-90-Y860	1,056,120	806,299
Federal Transit Capital Formula Grants	20.507	CA-90-Y942	584,474	517,129
Federal Transit Capital Formula Grants	20.507	CA-90-Z027	2,856,810	-
Federal Transit Capital Formula Grants	20.507	CA-95-X188	3,966	-
Federal Transit Capital Formula Grants	20.507	CA-95-X195	397,871	-
Federal Transit Capital Formula Grants	20.507	CA-95-X210	2,215,722	-
Federal Transit Capital Formula Grants	20.507	CA-95-X213	1,138,580	-
Federal Transit Capital Formula Grants	20.507	CA-95-X222	556,715	556,715
Federal Transit Capital Formula Grants	20.507	CA-95-X254	952,853	269,410
Federal Transit Capital Formula Grants	20.507	CA-95-X262	11,501,732	11,501,732
Federal Transit Capital Formula Grants	20.507	CA-90-Z174	46,616,008	-
Federal Transit Capital Formula Grants	20.507	CA-90-Z228	8,998,585	-
Federal Transit Capital Formula Grants	20.507	CA-90-X286	871,200	871,200
Total Federal Transit Capital Formula Grants			<u>77,821,893</u>	<u>14,591,226</u>
State of Good Repair Grants	20.525	CA-54-0013	400,000	400,000
Bus and Bus Facilities Formula Program	20.526	CA-34-0023	1,523,015	-
Bus and Bus Facilities Formula Program	20.526	CA-34-0019	10,697,894	-
Total Bus and Facilities Formula Program			<u>12,220,909</u>	<u>-</u>
Total Federal Transit Cluster			<u>95,448,688</u>	<u>17,371,043</u>
Transit Services Program Cluster:				
Job Access Reverse Commute	20.516	CA-37-X113	1,217,517	500,468
New Freedom Program	20.521	CA-57-X038	366,921	360,418
Total Transit Services Program Cluster			<u>1,584,438</u>	<u>860,886</u>

Continued on the next page

See Note to Schedule of Expenditures of Federal Awards.

ORANGE COUNTY TRANSPORTATION AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015 (continued)**

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Transportation (continued)</u>				
Passed Through California Department of Transportation:				
Highway Planning and Construction:				
Tustin Rose RSTP	20.205	STPL-6071-(061)	\$ 2,714,344	\$ -
Sand Canyon Grade Separation RSTP	20.205	STPL-6071-(059)	1,376,928	-
I-5 Avery Parkway to Alicia	20.205	STPL-6071-(077)	249,977	-
I-5 from North I405 to SR55	20.205	STPLN-6071-(093)	1,541,200	-
SR-91, SR-57 to SR-55	20.205	STPLN-6071-(096)	244,539	-
I-5 Widening from Oso Creek to Alicia Pkwy, Seg. 2	20.205	STPLN-6071-(102) RSTP	2,161,829	-
I-5 Widening from SR-76 to Oso Pkwy, Seg. 1	20.205	STPLN-6071-(103) RSTP	1,007,789	-
I-5 Widening from Alicia Pkwy to El Toro Rd., Seg. 3	20.205	STPLN-6071-(104) RSTP	188,884	-
I-405, I-5 to SR-55	20.205	STPLN-6071-(105) RSTP	731,602	-
SR 22 from I-405 to SR 55	20.205	CMLN-6071(035)	40,858	-
Beach Blvd @ I-405 Interchange	20.205	CMLN-6071(041)	110,678	-
I-405 only	20.205	CMLN-6071(043)	2,012,243	-
Kraemer Grade Sep	20.205	CMLN-6071(051)	1,512,992	-
Orangethorpe Grade Sep	20.205	CMLN-6071(060)	7,909,960	-
Lakeview Grade Sep	20.205	CMLN-6071(066)	2,353,613	-
I-5 from Ave Pico to South of Vista Hermosa	20.205	CMLN-6071(071)	2,212,394	-
I-5 from Vista Hermosa to PCH	20.205	CMLN-6071(072)	10,189	-
I-5 from PCH to San Juan Creek Road	20.205	CMLN-6071(073)	196,479	-
Total Highway Planning and Construction			<u>26,576,498</u>	<u>-</u>
PCH Corridor Study	20.Unknown	74A0723	288,049	-
Total U.S. Department of Transportation			<u>123,897,673</u>	<u>18,231,929</u>
<u>U.S. Department of Homeland Security</u>				
Direct grants:				
Office of Security Operations:				
National Explosives Detection Canine Team Program	97.072		220,914	-
Passed Through State of California:				
Office of Emergency Services:				
Rail and Transit Security Grant Program (TSGP):				
Security & Emergency Mgmt Training (2014 TSGP)	97.075		11,834	-
Total U.S. Department of Homeland Security			<u>232,748</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 124,130,421</u>	<u>\$ 18,231,929</u>

See Note to Schedule of Expenditures of Federal Awards.

ORANGE COUNTY TRANSPORTATION AUTHORITY

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS***

A. Scope of Presentation

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

B. Basis of Accounting

Funds received under the various grant programs have been recorded within the general fund, special revenue, capital projects and enterprise funds of OCTA. OCTA utilizes the modified accrual method of accounting for governmental funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards has been prepared accordingly.

C. Relationship to Federal Reports

Amounts reported in the accompanying Schedule of Expenditures to Federal Awards agree with the amounts reported in the related federal financial reports. However, certain timing differences may exist in the recognition of revenues and expenses/expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

D. Subrecipients

OCTA made payments to subrecipients totaling \$18,231,929 during the fiscal year ended June 30, 2015.

ORANGE COUNTY TRANSPORTATION AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.500, 20.507, 20.525 and 20.526</u>	<u>Federal Transit Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,000,000
 Auditee qualified as low-risk auditee? Yes

ORANGE COUNTY TRANSPORTATION AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

II. FINANCIAL STATEMENT FINDINGS

None reported.

ORANGE COUNTY TRANSPORTATION AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

ORANGE COUNTY TRANSPORTATION AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding Number	Program	CFDA No.	Compliance Requirement	Status of Corrective Action
2014-001	Transit Services Programs	20.516 and 20.521	Subrecipient Monitoring	Implemented



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment B

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

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Year Ended June 30, 2015

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

Audited Financial Statements

Year Ended June 30, 2015

Contents

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Governmental Funds Financial Statements:	
Balance Sheet.....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Financial Statements.....	16
Required Supplementary Information (Other than Management's Discussion and Analysis):	
Local Transportation Authority Special Revenue Fund	
Budgetary Comparison Schedule (Budgetary Basis).....	34
Notes to Required Supplementary Information	35
Other Supplementary Information:	
Local Transportation Authority Debt Service Fund	
Budgetary Comparison Schedule (Budgetary Basis).....	36
Other Reports:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37



INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Local Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the OCLTA, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 34 and 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCLTA's basic financial statements. The debt service budgetary comparison schedule on page 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the debt service budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of OCLTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCLTA's internal control over financial reporting and compliance.



Laguna Hills, California
October 30, 2015

**Orange County Local Transportation Authority
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2015**

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net position of the OCLTA was \$417,580 and consisted of net investment in capital assets of \$645, restricted net position of \$12,006 and unrestricted net position of \$404,929.
- Net position increased \$68,773 during fiscal year 2014-15. This increase was primarily due to an increase in sales tax revenue in excess of program costs.
- OCLTA's governmental funds reported combined ending fund balances of \$728,504 an increase of \$67,195 from the prior year. The increase is primarily due to an increase in sales tax revenue in excess of expenditures.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

Orange County Local Transportation Authority Management's Discussion and Analysis

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

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

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

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

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

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

The governmental funds financial statements can be found on pages 12-15 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-33 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 34 and the LTA debt service fund as other supplementary information on page 36 to demonstrate compliance with the annual appropriated budget.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2015, the OCLTA's assets exceeded liabilities and deferred inflows by \$417,580, a \$68,773 increase from June 30, 2014. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

Current and other assets increased by \$22,030 or 3% from June 30, 2014. The increase is primarily due to the receipt of additional Proposition 1B (Prop 1B) Public Transportation Modernization, Improvement and Service Enhancement Account funding.

Total liabilities decreased \$46,782 from June 30, 2014 primarily due to the retirement of the commercial paper notes program.

Unrestricted net position represents the portion of net position that is available for general use as specified in the M1 and M2 programs. Unrestricted net position from governmental activities changed from \$336,120 at June 30, 2014 to \$404,929 at June 30, 2015. This increase was primarily due to sales tax revenue over expenditures.

Table 1
Orange County Local Transportation Authority
Net Position

	Governmental Activities	
	2015	2014
Current and other assets	\$ 864,521	\$ 842,491
Capital assets, net	645	684
Total assets	865,166	843,175
Current liabilities	111,879	151,194
Long-term liabilities	335,707	343,174
Total liabilities	447,586	494,368
Net position:		
Invested in capital assets, net of related debt	645	684
Restricted	12,006	12,003
Unrestricted	404,929	336,120
Total net position	\$ 417,580	\$ 348,807

Governmental activities increased the OCLTA's net position by \$68,773. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, increased by \$11,969, or 4%, from the prior year as a result of continued improvement in the economy. Operating

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

grants and contributions decreased \$25,231, or 19%, from the prior year primarily due to the reduction in reimbursements for the grade separation projects.

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2015	2014
Supplies and services	\$ 47,618	\$ 29,800
Contributions to other local agencies	122,625	186,435
Infrastructure	109,824	133,365
Depreciation expense	39	39
Interest expense	21,223	21,563
Transfer to other OCTA funds	28,054	2,798
Loss on sale of excess land	-	935
Total expenses	\$329,383	\$374,935

Total expenses decreased \$45,552, or 12% from the prior year primarily due to the contribution to the City of Anaheim for ARTIC in the prior fiscal year.

Table 2
Orange County Local Transportation Authority
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 911	\$ 553
Operating grants and contributions	111,145	136,376
General revenues:		
Sales taxes	291,556	279,587
Unrestricted investment earnings	11,535	11,809
Other miscellaneous revenue	-	187
Total revenues	415,147	428,512
Expenses:		
Measure M program	329,383	374,935
Indirect expense allocation	16,991	14,892
Increase in net position	68,773	38,685
Net position - beginning	348,807	310,122
Net position - end of year	\$ 417,580	\$ 348,807

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Financial Analysis of the OCLTA's Funds

As of June 30, 2015, the OCLTA's governmental funds reported combined ending fund balances of \$728,504, an increase of \$67,195 compared to fiscal year 2013-14. The majority of fund balances, 96%, are assigned for transportation programs related to Measure M projects. Fund balance of \$12,006 is restricted for debt service on M2 sales tax revenue bonds issued to accelerate funding for M2 projects. The remaining fund balance of \$17,036 is considered nonspendable as the funds have been deposited with the State for condemnation deposits and an advance payment to the City of Anaheim for the Anaheim Regional Transportation Intermodal Center (ARTIC) project.

OCLTA's major governmental funds include the following significant changes:

The LTA fund increased by \$67,192, primarily due to a decrease of expenditures along with a slight increase in sales tax revenue in excess of expenditures.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the OCLTA had \$645 net of accumulated depreciation invested in capital assets including improvements and machinery.

A summary of the OCLTA's capital assets, net of depreciation, follows:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Improvements	\$ 1,086	\$ 1,086
Machinery	32	32
Total capital assets	<u>1,118</u>	<u>1,118</u>
Less accumulated depreciation	<u>(473)</u>	<u>(434)</u>
Total capital assets, net	<u>\$ 645</u>	<u>\$ 684</u>

More detailed information about the OCLTA's capital assets is presented in note 6 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$20,182 for the Lakewood grade separation project, \$16,771 for the Orangethorpe grade separation project, \$10,517 for the Tustin grade separation project, and \$10,349 for the I-5 HOV freeway construction project.

**Orange County Local Transportation Authority
Management’s Discussion and Analysis**

Debt Administration

As of June 30, 2015, the OCLTA had \$332,695 in sales tax revenue bonds and commercial paper notes outstanding, as follows:

	Governmental Activities	
	2015	2014
Sales tax revenue bonds	\$332,695	\$339,560
Commercial paper notes	-	25,000
Totals	\$332,695	\$364,560

The OCLTA maintains an “AA+” rating from Standard & Poor’s Corporation (S&P), an “AA+” rating from Fitch Ratings (Fitch) and an “Aa2” rating from Moody’s Investors Services (Moody’s) for its M2 Sales Tax Revenue Bonds.

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

Economic and Other Factors

The OCLTA includes the Measure M program half cent sales tax which has delivered on promises made to the residents of Orange County in 1990, with over \$4 billion invested in improvements to freeways, streets and roads and transit services. M1 ended March 2011, and collection of sales tax under M2 began in April 2011. M2 was overwhelmingly approved by the voters of Orange County in 2006 because of the tangible results that were realized through M1. The passage of M2 has allowed for the continuation of transportation improvements for 30 more years. In an effort to expedite transportation projects, the OCTA Board (Board) approved the M2 Early Action Plan (EAP) in 2007, paving the way for financing projects in 2007 through 2012. In July 2010 the Board approved the comprehensive Capital Action Plan (CAP). The CAP expanded the scope of the EAP to include other priority OCTA capital projects.

All major elements of the Board directed EAP and CAP are nearing completion. In September 2012, the Board adopted a new plan, M2020, outlining the projects and programs for all modes that can be accomplished between now and the year 2020.

M2020 commits to meeting a total of 14 objectives in the eight-year period. In all, more than \$5 billion in transportation improvements promised to the voters in M2 will be completed or under construction by 2020. In addition, the groundwork will be laid for another \$1.4 billion in freeway improvements by environmentally clearing all remaining projects to be shelf ready in the event additional federal, state, or local funding becomes available.

M2020 includes freeway improvements projects, streets and roads improvement projects, transit capital projects, freeway environmental mitigation efforts, and environmental cleanup. These and other critical capital projects will be captured in a more comprehensive capital program document that will continue to ensure coordinated project delivery and decision making with respect to resource management, funding, and procedures.

Orange County Local Transportation Authority Management's Discussion and Analysis

The OCLTA adopted its fiscal year 2015-16 annual budget on June 8, 2015. Approximately \$449 million in Measure M2 funds are budgeted to improve transportation within Orange County. These funds will provide improvements to freeways and streets and roads throughout Orange County, as well as fund rail and bus transit programs. These funds include \$129 million to make improvements primarily along Interstate 405, Interstate 5, State Route 91, State Route 55, and State Route 57. Approximately \$187 million is budgeted to improve streets and roads, including \$68 million to continue the OC Bridges project. An additional \$61 million is included to fund transit programs, including the OC Streetcar (\$40 million) project.

Contacting the OCLTA's Management

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2015

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 737,333
Receivables:	
Interest	1,212
Operating grants	12,372
Other	32
Due from other governments	91,101
Condemnation deposits	8,536
Other assets	8,500
Assets held for resale	5,435
Capital assets:	
Depreciable, net	645
Total Assets	865,166
Liabilities	
Accounts payable	30,536
Accrued interest payable	8,049
Due to other OCTA funds	545
Due to other governments	24,291
Unearned revenue	44,593
Other liabilities	20
Advance from other OCTA funds	3,845
Noncurrent liabilities:	
Due within one year	7,210
Due in more than one year	328,497
Total Liabilities	447,586
Net Position	
Net investment in capital assets	645
Restricted for:	
Debt service	12,006
Unrestricted for:	
Measure M program	404,929
Total Net Position	\$ 417,580

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Activities
Year Ended June 30, 2015

<i>(amounts expressed in thousands)</i>	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
Program governmental activities:					
Measure M program	\$ 329,383	\$ 16,991	\$ 911	\$ 111,145	\$ (234,318)
Total governmental activities	329,383	16,991	911	111,145	(234,318)
General revenues:					
Sales taxes					291,556
Unrestricted investment earnings					11,535
Total general revenues					303,091
Change in net position					68,773
Net position - beginning					348,807
Net position - ending					\$ 417,580

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Balance Sheet - Governmental Funds
June 30, 2015

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 725,329	\$ 12,004	\$ 737,333
Receivables:			
Interest	1,210	2	1,212
Operating grants	12,372	-	12,372
Other	32	-	32
Due from other governments	88,506	-	88,506
Condemnation deposits	8,536	-	8,536
Other assets	8,500	-	8,500
Total Assets	\$ 844,485	\$ 12,006	\$ 856,491
Liabilities			
Accounts payable	\$ 30,536	\$ -	\$ 30,536
Due to other OCTA funds	545	-	545
Due to other governments	24,291	-	24,291
Unearned revenue	44,593	-	44,593
Other liabilities	20	-	20
Advance from OCTA	3,845	-	3,845
Total Liabilities	103,830	-	103,830
Deferred Inflows of Resources			
Unavailable revenue - grant reimbursements	24,157	-	24,157
Total Deferred Inflows of Resources	24,157	-	24,157
Fund Balances			
Nonspendable:			
Condemnation deposits	8,536	-	8,536
Other assets	8,500	-	8,500
Restricted for:			
Debt service	-	12,006	12,006
Assigned to:			
Transportation programs	699,462	-	699,462
Total Fund Balances	716,498	12,006	728,504
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 844,485	\$ 12,006	\$ 856,491

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

(amounts expressed in thousands)

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

Total fund balances (page 12)	\$	728,504
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		645
Interest receivable on the Build America Bonds is not reported in the funds.		2,595
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		5,435
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		24,157
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(8,049)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(335,707)</u>
Net position of governmental activities (page 10)	\$	<u>417,580</u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales taxes	\$ 291,556	\$ -	\$ 291,556
Contributions from other agencies	114,694	-	114,694
Interest	5,075	6,460	11,535
Miscellaneous	3,340	-	3,340
Total Revenues	414,665	6,460	421,125
Expenditures			
Current:			
General government:			
Supplies and services	64,609	-	64,609
Transportation:			
Contributions to other local agencies	122,625	-	122,625
Capital outlay	109,824	-	109,824
Debt service:			
Principal payments on long-term debt	-	6,865	6,865
Interest	26	21,927	21,953
Total Expenditures	297,084	28,792	325,876
Excess (deficiency) of revenues over (under) expenditures	117,581	(22,332)	95,249
Other financing sources (uses)			
Transfers in	6,458	28,793	35,251
Transfers out	(28,793)	(6,458)	(35,251)
Transfers to OCTA	(28,054)	-	(28,054)
Total other financing sources (uses)	(50,389)	22,335	(28,054)
Net change in fund balances	67,192	3	67,195
Fund balances - beginning	649,306	12,003	661,309
Fund balances - ending	\$ 716,498	\$ 12,006	\$ 728,504

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14)	\$	67,195
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount of depreciation expense recorded in the current period.		(39)
The net effect of various miscellaneous transactions involving the sale of land held for resale is to decrease net position.		(2,429)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(3,549)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		7,595
Change in net position of governmental activities (page 11)	\$	68,773

See accompanying notes to the financial statements.

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

Notes to The Financial Statements

Year Ended June 30, 2015

(in thousands)

1. Summary of Significant Accounting Policies

Reporting Entity

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program. The original Measure M Program (M1) commenced on April 1, 1991 for a period of 20 years. Under M1, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

On November 7, 2006, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M (M2) allocates funds to freeway, street and road, transit, and environmental improvements.

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

The OCTA governing board (Board) consists of 17 voting members and functions as the OCLTA governing board. Measure M requires that an 11 member Taxpayer's Oversight Committee (TOC) monitors the use of Measure M funds and ensures that all revenues collected from Measure M is spent on voter-approved transportation projects.

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

Basis of Presentation

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

Government-wide Statements: The statement of net position and the statement of activities report information on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with Measure M, and allocated indirect expenses. Interest expense related to the sales tax revenue bonds and commercial paper is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the year ended June 30, 2015, interest expense of \$21,223 was included in Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes and other items are not reported as program revenues and instead are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds. They are comprised of the following:

- *Local Transportation Authority (LTA) Fund* - This fund is the general operating fund for the OCLTA and accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing is provided by a one-half percent sales and use tax assessed for 20 years pursuant to Measure M, which became effective April 1, 1991, and was recently renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.
- *LTA Debt Service Fund* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the OCLTA.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCLTA considers revenues to be available if they are collected within 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt of governmental funds are recorded only when payment is due.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

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

Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended May 22, 2015. The Policy complies with, or is more restrictive than, the California Government Code (Code). Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

Investments in U.S. government and U.S. agency securities, medium term notes, repurchase agreements, variable and floating rate securities, commercial paper, mortgage and asset-backed securities, and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. The Orange County Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state-managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, State of California and local agency obligations, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other mutual funds, mortgage or asset-backed securities, LAIF, OCIP, variable and floating rate securities and bank deposits. Investment agreements are also allowed for bond issues.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered and transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances are reported as due to/from other funds. Any residual balances outstanding

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

between the Measure M program governmental activities and other OCTA funds are reported in the government-wide financial statements as due to/from other OCTA funds.

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2014-15, \$16,991 of administrative services were charged to the OCLTA and are reported as general government expenditures in the governmental funds.

Assets Held for Resale

The OCLTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by the OCLTA (see below). These assets are reported as assets held for resale in the government-wide financial statements and will be sold and the proceeds reimbursed to the project that funded the expenditure.

Capital Assets

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

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (Caltrans), are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where the OCLTA does not intend to maintain or operate the property when complete.

Right-of-way improvements and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Useful Life</u>
Right-of-way improvements	10-30 years
Machinery and equipment	3-10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. OCLTA has one type of deferred inflow, unavailable revenue which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for grant reimbursements. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Contributions to Other Agencies

Contributions to other agencies primarily represent sales tax revenues received by the OCLTA and disbursed to cities for competitive projects, the local fair share program, and the senior mobility program, and to other agencies for projects which are in accordance with the Measure M ordinance.

Net Position

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred outflows/inflows and is classified into three categories:

- *Net investment in capital assets* - This balance reflects the net position of the OCLTA that is invested in capital assets. This net position is generally not accessible for other purposes.
- *Restricted net position* - This balance represents net position that is not accessible for general use because use is subject to restrictions enforceable by third parties. The government-wide statement of net position reports net position restricted by external parties for debt service.
- *Unrestricted net position* - This balance represents the net position that is available for general use as specified in the Measure M program.

Year Ended June 30, 2015
(in thousands)

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the OCLTA is bound to honor constraints on the specific purposes for which amounts can be spent.

The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balance.

When both restricted and unrestricted resources are available for use, it is the OCLTA's policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, the OCLTA applies the default established by GASB 54, whereby the committed amounts would be reduced first followed by the assigned amounts.

Use of Estimates

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

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

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

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$645 difference are as follows:

Capital assets	\$ 1,118
Less accumulated depreciation	<u>(473)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 645</u></u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$(335,707) difference are as follows:

Bonds payable	\$ (332,695)
Plus unamortized bond issuance premium (to be amortized to interest expense)	<u>(3,012)</u>
Net adjustment to decrease fund balances - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (335,707)</u></u>

Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

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

One element of that reconciliation states that “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$7,595 difference are as follows:

Bonds payable	\$ 6,865
Change in accrued interest	128
Amortization of premium	<u>602</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 7,595</u></u>

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2015:

Investments:		
With OCTA Commingled Investment Pool	\$	652,135
With Trustee		85,198
		<u>85,198</u>
Total cash and investments	\$	<u>737,333</u>

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

Cash and Investments	\$	<u>737,333</u>
Total Cash and Investments	\$	<u>737,333</u>

As of June 30, 2015, OCLTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Yield	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$652,135	\$653,925	Discount .087%-8.75%	.010% - 4.366%	7/1/15- 6/1/20	1.90
U.S. Treasuries Notes	20,286	20,286	Discount .060% - 4.25%	.008% - .163%	7/15/15- 7/15/16	.31
U.S. Agency Notes	1,999	1,999	Discount	.091%	8/7/15	.13
Mortgage and Asset Backed Securities	108	108		.432% - .460%	.544% 7/15/16	1.04
Variable Rate Notes	330	330	Variable	.545%	5/27/16	.91
Money Market & Mutual Funds	<u>62,475</u>	<u>62,475</u>	Variable	.020%- .070%	7/1/15	1 Day
Total Investments	<u>\$737,333</u>	<u>\$739,123</u>				
Portfolio Weighted Average Maturity						.40

The Interest Rate Range for the OCTA Commingled Investment Pool represents the interest rate ranges of the investments within the pool.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

Interest Rate Risk

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

As of June 30, 2015, OCLTA was a participant in OCTA's commingled investment pool which had mortgage and asset-backed securities totaling \$91,745. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2015, OCTA's commingled investment pool and OCLTA held the following variable rate notes (LIBOR refers to the London Interbank Offered Rate):

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	\$ 1,007	LIBOR + 59 basis points	Quarterly
American Express	1,632	LIBOR + 51 basis points	Quarterly
American Express	538	LIBOR + 55 basis points	Quarterly
Bank of America	301	LIBOR + 87 basis points	Quarterly
Bank of Oklahoma	1,396	LIBOR + 69 basis points	Quarterly
Barclay's	2,999	LIBOR + 34 basis points	Monthly
BNP Paribas	1,292	LIBOR + 59 basis points	Quarterly
Citigroup Inc.	499	LIBOR + 54 basis points	Quarterly
Citigroup Inc.	629	LIBOR + 77 basis points	Quarterly
Citigroup Inc.	2,193	LIBOR + 69 basis points	Quarterly
Daimler Finance	1,079	LIBOR + 86 basis points	Quarterly
Duke Energy	1,821	LIBOR + 20 basis points	Quarterly
Duke Energy	1,876	LIBOR + 35 basis points	Quarterly
E-Bay	985	LIBOR + 20 basis points	Quarterly
E-Bay	493	LIBOR + 20 basis points	Quarterly
Fannie Mae	724	LIBOR + 20 basis points	Monthly
Fannie Mae	1,960	Variable	Monthly
General Electric	2,995	LIBOR + 45 basis points	Quarterly
General Electric	1,096	LIBOR + 65 basis points	Quarterly
Goldman Sachs	1,354	LIBOR + 120 basis points	Quarterly
HSBC USA	823	LIBOR + 88 basis points	Quarterly
HSBC USA	1,355	LIBOR + 61 basis points	Quarterly
IBM	170	LIBOR + 37 basis points	Quarterly

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
Johnson & Johnson	1,150	LIBOR + 7 basis points	Quarterly
JP Morgan Chase	1,300	LIBOR + 45 basis points	Quarterly
JP Morgan Chase	544	LIBOR + 90 basis points	Quarterly
JP Morgan Chase	848	LIBOR + 95.5 basis points	Quarterly
JP Morgan Chase	1,510	LIBOR + 90 basis points	Quarterly
JP Morgan Chase	431	LIBOR + 52 basis points	Quarterly
Manufacturers & Traders	1,337	LIBOR + 37.5 basis points	Quarterly
Medtronic	1,245	LIBOR + 9 basis points	Quarterly
Merck & Company	1,373	LIBOR + 37.5 basis points	Quarterly
Morgan Stanley	1,319	LIBOR + 128 basis points	Quarterly
Morgan Stanley	1,300	LIBOR + 85 basis points	Quarterly
Morgan Stanley	1,348	LIBOR + 114 basis points	Quarterly
National City Bank	1,343	LIBOR + 37 basis points	Quarterly
National Rural Utilities	330	LIBOR + 25 basis points	Quarterly
PACCAR Financial	231	LIBOR + 60 basis points	Quarterly
Rockwell	1,090	LIBOR + 35 basis points	Quarterly
Toronto-Dominion Bank	1,368	LIBOR + 56 basis points	Quarterly
USB AG Stamford	588	LIBOR + 85 basis points	Quarterly
Wells Fargo Bank	1,097	LIBOR + 21 basis points	Quarterly
Westpac	833	LIBOR + 74 basis points	Quarterly
Total Variable Rate Notes	\$ 49,802		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2015, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: S&P, Moody's, and Fitch. For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

rated no less than an “A” by two of the three rating services. LAIF and the OCTA Commingled Investment Pool are not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool’s fair value at June 30, 2015. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S&P	Moody’s	Fitch	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	88.45%
Held by Trustee:				
U.S. Treasury Notes:				
Notes	A-1+	P-1	AAA	0.27%
Notes	AA+	Aaa	AAA	2.48%
U.S. Agency Notes	A-1	P-1	F-1	0.27%
Mortgage and Asset Backed Securities	AAA	Aaa	NR	0.01%
Variable Rate Notes	A	A2	A	0.05%
Money Market and Mutual Funds	AAAm	Aaa	AAA	8.47%
Total				<u>100.00%</u>

Concentration of Credit Risk

At June 30, 2015, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements and OCTA Debt.

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

Issuer/Counter-Party Diversification Guidelines for Federal Agencies, Federal Instruments and Repurchase Agreements.

- 35% for any one Federal Agency or Federal Instrumentalities.
- 50% for any one repurchase agreement counter-party name if the maturity/term is less than or equal to 7 days.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

- 35% for any one repurchase agreement counter-party name if the maturity/term is greater than 7 days.

Investment in State Investment Pool

OCTA is a voluntary participant in LAIF which is regulated by the California Government Code. The Investment Advisory Board provides oversight for LAIF, consisting of five members as designated by statute, which includes the Treasurer of the State of California. The fair value of OCTA's investment in this pool is reported in the accompanying financial statements based upon OCTA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. Due From/To Other Governments

Amounts due from other governments as of June 30, 2015 in the fund statements are \$88,506 and are comprised of \$54,033 of sales taxes and \$34,473 of project reimbursements. An additional \$2,595 is included in the government-wide statements representing the interest receivable on Build America Bonds (see note 8).

Amounts due to other governments as of June 30, 2015 are \$24,291 and are comprised of \$23,392 for transportation projects and \$899 for other miscellaneous transactions.

5. Related Party Transactions and Interfund Transfers

Related party transactions:

During fiscal year 2014-15, transfers of \$28,054 from OCLTA to OCTA were made to close out the M1 fund for the freeway program to complete the West County Connector freeway project, and for the M2 fare stabilization and senior mobility programs.

OCTA advanced monies to OCLTA to cover expenditures such as election costs, administrative costs, and accrued interest. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (0.54% for fiscal year 2014-15). As of June 30, 2015, OCLTA owes OCTA \$3,845.

Interfund Transfers:

During fiscal year 2014-15, the LTA Fund transferred \$28,793 to the LTA Debt Service Fund for debt service payments. Additionally, the LTA Debt Service Fund transferred \$6,458 in excess interest earnings to the LTA Fund.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

6. Capital Assets

Capital assets activity for the OCLTA governmental activities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Right-of-way improvements	\$ 1,086	\$ -	\$ -	\$ 1,086
Machinery and equipment	32	-	-	32
Total capital assets, being depreciated	1,118	-	-	1,118
Less accumulated depreciation for:				
Right-of-way improvements	(407)	(36)	-	(443)
Machinery and equipment	(27)	(3)	-	(30)
Total accumulated depreciation	(434)	(39)	-	(473)
Total Measure M capital assets, being depreciated, net	684	(39)	-	645
Total Measure M capital assets, net	\$ 684	\$ (39)	\$ -	\$ 645

Depreciation expense charged to the Measure M program was \$39.

7. Short-Term Debt

On October 28, 2014, OCTA retired the \$25,000 Tax-Exempt Commercial Paper. The JP Morgan Letter of Credit expired October 31, 2014 and OCLTA elected not to pursue another Letter of Credit facility.

Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Issued	Redemptions	Ending Balance
Tax exempt commercial paper – M2	\$ 25,000	\$ -	\$ 25,000	\$ -
Total short-term debt	\$ 25,000	\$ -	\$ 25,000	\$ -

8. Long-Term Debt

Sales Tax Revenue Bonds

On December 9, 2010, OCLTA issued \$293,540 in Measure M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. A reserve fund is not required in connection with the 2010 Series Bonds per the bond indenture. The transaction closed on December 23, 2010. A total of \$75,000 was used to refund outstanding TECP. The Measure M sales tax is the source of revenue for repaying this debt.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10
Original issue amount	\$ 293,540	\$ 59,030
Original issue premium	-	6,023
Net bond proceeds	\$ 293,540	\$ 65,053
Issuance costs	\$ 1,905	\$ 274
Interest rates	5.56% - 6.91%	3.00% - 5.00%
Maturity range	2021-2041	2014-2020
Final maturity	2041	2020
Bonds outstanding	\$ 293,540	\$ 39,155
Plus unamortized premium	-	3,012
Total	\$ 293,540	\$ 42,167

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest
2016	7,210	21,584
2017	7,475	21,317
2018	7,775	21,018
2019	8,165	20,629
2020	8,530	20,263
2021-2025	48,060	94,027
2026-2030	59,145	76,975
2031-2035	73,670	54,628
2036-2040	91,765	26,793
2041	20,900	1,444
Total	\$ 332,695	\$ 358,678

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Measure M program activities:					
Sales tax revenue bonds	\$ 339,560	\$ -	\$ 6,865	\$ 332,695	\$ 7,210
Unamortized premium	3,614	-	602	3,012	-
Total Measure M program activities long-term liabilities	\$ 343,174	\$ -	\$ 7,467	\$ 335,707	\$ 7,210

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. The amount and terms of the debt commitments are indicated in the bonds outstanding table found on pages 29. The purposes for which the proceeds of the debt issuances were utilized are disclosed in the debt description located on pages 28-29.

For the year ended June 30, 2015, debt service payments as a percentage of the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 227,936	\$ 22,338*	10.20

*OCLTA received \$6,454 in Build America Bonds subsidy to offset annual debt service payments for Measure M2 Sales Tax Revenue Bonds.

9. Commitments and Contingencies

Purchase Commitments

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2015, were \$745,493, the majority of which relate to the expansion of Orange County's freeway and road systems, grade separation projects, and the engineering of a rapid connection fixed guideway transit system.

Year Ended June 30, 2015
(in thousands)

Federal Grants

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

10. Effect of New Pronouncements

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement does not apply to OCLTA.

GASB Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. During fiscal year 2014-15, OCLTA did not have any government combinations and disposals of government operations.

GASB Statement No. 71

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contribution entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement does not apply to OCLTA.

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for OCLTA's fiscal year ending June 30, 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal year ending June 30, 2017.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This statement is effective for OCLTA's fiscal year ending June 30, 2017.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This statement is effective for OCLTA's fiscal year ending June 30, 2018.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2015
(in thousands)

GASB Statement No. 76

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement is effective for OCLTA’s fiscal year ending June 30, 2016.

GASB Statement No. 77

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government’s financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. This statement is effective for OCLTA’s fiscal year ending June 30, 2016.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Required Supplementary Information
Budgetary Comparison Schedule - LTA Fund (Budgetary Basis)
Year Ended June 30, 2015

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 301,846	\$ 301,846	\$ 291,557	\$ (10,289)
Contributions from other agencies	133,009	133,009	200,787	67,778
Interest	5,238	5,238	5,075	(163)
Miscellaneous	220	220	3,339	3,119
Total revenues	440,313	440,313	500,758	60,445
Expenditures:				
Current:				
General government	169,022	170,952	128,164	42,788
Transportation:				
Contributions to other local agencies	214,174	210,744	122,674	88,070
Capital outlay	238,139	240,439	162,641	77,798
Debt service:				
Interest on long-term debt and commercial paper	125	125	26	99
Total expenditures	621,460	622,260	413,505	208,755
Excess (deficiency) of revenues over (under) expenditures	(181,147)	(181,947)	87,253	269,200
Other financing sources (uses):				
Transfers in	-	-	6,458	6,458
Transfers out	(22,233)	(22,233)	(28,793)	(6,560)
Transfers to OCTA	(13,657)	(13,657)	(28,054)	(14,397)
Total other financing uses	(35,890)	(35,890)	(50,389)	(14,499)
Net change in fund balance	\$ (217,037)	\$ (217,837)	\$ 36,864	\$ 254,701
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ 36,864	
Less: Estimated revenues for encumbrances outstanding at June 30			86,093	
Add: Current year encumbrances outstanding at June 30			116,421	
Net change in fund balance (GAAP basis)			\$ 67,192	

See accompanying notes to the required supplementary information.

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

Notes to Required Supplementary Information

Year Ended June 30, 2015

(in thousands)

1. Budgetary Data

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA and the debt service governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2015 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

There were no excess of expenditures over appropriations for fiscal year 2014-15.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Other Supplementary Information
Budgetary Comparison Schedule - LTA Debt Service Fund (Budgetary Basis)
Year Ended June 30, 2015

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest	\$ 6,559	\$ 6,559	\$ 6,460	\$ (99)
Total revenues	6,559	6,559	6,460	(99)
Expenditures:				
Debt service:				
Principal payments on long-term debt	6,865	6,865	6,865	-
Interest on long-term debt and commercial paper	21,927	21,927	21,927	-
Total expenditures	28,792	28,792	28,792	-
Deficiency of revenues under expenditures	(22,233)	(22,233)	(22,332)	(99)
Other financing sources:				
Transfers in	22,233	22,233	28,793	6,560
Transfers out	-	-	(6,458)	(6,458)
Total other financing sources	22,233	22,233	22,335	102
Net change in fund balance	\$ -	\$ -	\$ 3	\$ 3



INDEPENDENT AUDITORS' 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 Local Transportation Authority
Orange, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCLTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCLTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCLTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCLTA's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCLTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCLTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavriach, Train, Day & Co., LLP

Laguna Hills, California

October 30, 2015



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment C

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

**Local Transportation Fund
Financial Statements**

Year Ended June 30, 2015

ORANGE COUNTY TRANSPORTATION AUTHORITY

**LOCAL TRANSPORTATION FUND
FINANCIAL STATEMENTS**

JUNE 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Change in Fund Balance	5
Notes to Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual	9
Notes to Required Supplementary Information	10
Supplementary Information	
Schedule of Disbursements	11
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12



INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Local Transportation Fund (LTF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LTF as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the LTF and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2015, and the changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 9-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise LTF's financial statements. The Schedule of Disbursements (Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.



Laguna Hills, California
October 30, 2015

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

**BALANCE SHEET
JUNE 30, 2015**

ASSETS

Cash and Investments	\$ 13,411,388
Interest Receivable	1,090
Due from Other Governments (Note 3)	<u>28,446,325</u>
Total Assets	<u><u>\$ 41,858,803</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments (Note 4)	\$ 555,442
Due to Other Funds (Note 5)	<u>13,257,214</u>
Total Liabilities	<u><u>13,812,656</u></u>

FUND BALANCE

Restricted:	
Transportation Programs	<u>28,046,147</u>
Total Liabilities and Fund Balance	<u><u>\$ 41,858,803</u></u>

See accompanying notes to financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUE

Local Transportation Sales Tax Allocations	\$ 153,579,306
Investment Income	9,241
Total Revenues	<u>153,588,547</u>

EXPENDITURES

Current:

Supplies and Services	1,930,394
Contributions to Other Agencies	2,168,503
Total Expenditures	<u>4,098,897</u>

Excess of Revenues Over Expenditures 149,489,650

OTHER FINANCING USES:

Transfers to Other OCTA Funds (Note 6) (148,120,977)

Net Change in Fund Balance 1,368,673

Fund Balance, Beginning of Year	<u>26,677,474</u>
Fund Balance, End of Year	<u>\$ 28,046,147</u>

See accompanying notes to financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – REPORTING ENTITY

The Local Transportation Fund (LTF) is a special revenue fund of the Orange County Transportation Authority (OCTA). The LTF financial statements do not purport to, and do not, present fairly, the financial position of OCTA as of June 30, 2015 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. This fund is used to account for revenues received and expenditures made for certain transit projects within Orange County.

The LTF was created by the Transportation Development Act (TDA) for specific transportation purposes. Revenues to the LTF are derived from a ¼ cent state sales and use tax. The ¼ cent is returned by the State Board of Equalization (SBOE) to each county according to the amount of tax collected in that county.

The Orange County Transit District (OCTD) of OCTA is a transit operator and OCTA is the regional Transportation Planning Agency (TPA) for the County of Orange, California (County). Annually, the TPA determines each area's apportionment of LTF revenues. Generally, County LTF revenues are apportioned by population. Where there is a transit operator, separate apportionments are made to areas within and outside the district. Once funds are apportioned, they are only available for allocation to claimants in that area. Payments from the LTF are made by the County Auditor-Controller in accordance with allocation instructions issued by OCTA.

Article 3 of the TDA stipulates that, based on the County's population of more than 500,000, OCTA is eligible to receive LTF revenues solely for claims for the following, which are allocated in specific priority order: administration, planning and programming; Section 99234 of Article 3, which are claims for pedestrian and bicycle facilities; Article 4, which are for general transit operations and services; and Article 4.5, which are claims for community transit services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the LTF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental units.

Fund Accounting

The LTF activities and transactions are recorded and accounted for in a special revenue fund of the OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds. The LTF accounts for revenues received and expenditures made for certain transit projects within Orange County. Financing is generated from a 1/4 percent sales and use tax pursuant to the TDA. Expenditures of these monies must be made in accordance with TDA provisions. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Basis of Accounting

The LTF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are accrued when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 90 days of year end. Expenditures are recorded when the liability is incurred. Liabilities are considered current when they are expected to be liquidated with available financial resources.

Cash and Investments

The LTF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is performed by the Orange County Treasury Oversight Committee. The fair value of the LTF's position in the OCIP is the same as the value of the OCIP shares. Investment income earned by the pooled cash and investments in the OCIP is allocated based on average cash and investment balance.

For information on cash and investment disclosures relating to LTF's deposits in the OCIP, please see OCTA's Comprehensive Annual Financial Report.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fund Balance

The LTF classifies fund balance based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Fund balance for the year ended June 30, 2015 consists of the following:

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation. For the LTF, amounts are restricted pursuant to the Transportation Development Act.

When funds of different classifications are available for the same purpose, the spending priority is to spend restricted resources before unrestricted resources, and within the unrestricted category, committed followed by assigned fund balance.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$28,446,325 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of \$555,442 represents amounts due to other agencies as of June 30, for use in transit projects.

NOTE 5 - DUE TO OTHER FUNDS

Due to other funds during the fiscal year ended June 30, 2015 consisted of the following:

OCTD for transit operations	\$ 12,484,947
OCTA for planning and administration	<u>772,267</u>
Total	<u><u>\$ 13,257,214</u></u>

NOTE 6 – TRANSFERS

Transfers to other OCTA funds during the fiscal year ended June 30, 2015 consisted of the following:

OCTD for transit operations	\$ 144,606,765
OCTA for planning and administration	<u>3,514,212</u>
Total	<u><u>\$ 148,120,977</u></u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND (BUDGETARY BASIS)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Transportation Sales Tax Allocations	\$ 159,489,314	\$ 159,849,314	\$ 153,579,306	\$ (6,270,008)
Investment Income	35,352	35,352	9,241	(26,111)
Total Revenues	<u>159,524,666</u>	<u>159,884,666</u>	<u>153,588,547</u>	<u>(6,296,119)</u>
Expenditures				
Current:				
Supplies and Services	1,582,666	1,582,666	1,930,394	(347,728)
Contributions to Other Local Agencies	2,283,443	2,283,443	2,168,503	114,940
Total Expenditures	<u>3,866,109</u>	<u>3,866,109</u>	<u>4,098,897</u>	<u>(232,788)</u>
Excess of Revenues over Expenditures	<u>155,658,557</u>	<u>156,018,557</u>	<u>149,489,650</u>	<u>(6,528,907)</u>
Other Financing Uses				
Transfers to Other OCTA Funds (Note 6)	(156,018,557)	(156,018,557)	(148,120,977)	7,897,580
Total Other Financing Uses	<u>(156,018,557)</u>	<u>(156,018,557)</u>	<u>(148,120,977)</u>	<u>7,897,580</u>
Net Change in Fund Balance	(360,000)	-	1,368,673	1,368,673
Fund Balance, Beginning of Year	<u>26,677,474</u>	<u>26,677,474</u>	<u>26,677,474</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 26,317,474</u>	<u>\$ 26,677,474</u>	<u>\$ 28,046,147</u>	<u>\$ 1,368,673</u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETARY DATA

The LTF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States, except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget may be amended by the OCTA Board of Directors (Board) to increase appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations, adjusted for supplemental appropriations, during the year. OCTA division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as: Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services include Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

**SCHEDULE OF DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Claimant	Article 3 Administration	Article 3 Planning	Article 4 Operating and Capital	Article 4.5 Paratransit Operating and Capital	Total
City of Laguna Beach			\$ 1,037,332		\$ 1,037,332
County of Orange	\$ 4,000				4,000
Orange County Transit District			137,324,560	\$ 7,282,205	144,606,765
Orange County Transportation Authority	132,698	\$ 3,381,514			3,514,212
Southern California Association of Governments		1,127,171			1,127,171
Total disbursements	<u>\$ 136,698</u>	<u>\$ 4,508,685</u>	<u>\$ 138,361,892</u>	<u>\$ 7,282,205</u>	<u>\$ 150,289,480</u>



**INDEPENDENT AUDITORS' 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
Orange, California

We have audited, in accordance with the 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, the financial statements of the Local Transportation Fund (LTF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated October 30, 2015. Our report included an emphasis-of-matter that the LTF financial statements do not purport to, and do not, present fairly the financial position of OCTA. Also, our report notes that the financial statements do not include management's discussion and analysis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LTF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including §6661 and §6662 of Part 21 of the California Code of Regulations, 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*, including §6661 and §6662 of Part 21 of the California Code of Regulations.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California

October 30, 2015



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment D

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

**State Transit Assistance Fund
Financial Statements**

Year Ended June 30, 2015

ORANGE COUNTY TRANSPORTATION AUTHORITY

**STATE TRANSIT ASSISTANCE FUND
FINANCIAL STATEMENTS**

JUNE 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Change in Fund Balance	4
Notes to Financial Statements	5
Required Supplementary Information	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual	8
Notes to Required Supplementary Information	9
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10



INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the State Transit Assistance Fund (STAF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the STAF as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the STAF and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2015, and the changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 8-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OCTA's internal control over financial reporting and compliance.



Laguna Hills, California
October 30, 2015

**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

**BALANCE SHEET
JUNE 30, 2015**

ASSETS

Cash and Investments	\$ 15,721
Interest Receivable	7
Due from Other Governments (Note 3)	<u>5,585,852</u>
Total Assets	<u><u>\$ 5,601,580</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other OCTA Funds (Note 4)	\$ 5,585,852
Total Liabilities	<u>5,585,852</u>

FUND BALANCE

Restricted:	
Total Fund Balance	<u>15,728</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,601,580</u></u>

See accompanying notes to financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUE

State Transit Assistance Sales Tax Allocations	\$ 20,992,400
Investment Income	4,443
Total Revenues	<u>20,996,843</u>

EXPENDITURES

Current:

Supplies and Services	698
Contributions to Other Agencies	194
Total Expenditures	<u>892</u>

Excess of Revenues over Expenditures 20,995,951

OTHER FINANCING USES:

Transfers to Other OCTA Funds (Note 5) (20,992,400)

Net Change in Fund Balance 3,551

Fund Balance, Beginning of Year	<u>12,177</u>
Fund Balance, End of Year	<u>\$ 15,728</u>

See accompanying notes to financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – REPORTING ENTITY

The State Transit Assistance Fund (STAF) is a special revenue fund of the Orange County Transportation Authority (OCTA). The STAF financial statements do not purport to, and do not, present fairly, the financial position of OCTA as of June 30, 2015 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. This fund is used to account for funds transferred to the Orange County Transit District (OCTD) for operations and fare assistance for seniors and disabled persons.

The STAF provides a second source of Transportation Development Act (TDA) funding for transportation planning and mass transportation purposes as specified by the State of California Legislature. Funds for the program are derived from sales taxes on gasoline and use taxes on diesel fuel.

The STAF funds are allocated through an appropriation to the State Controller by the Legislature for allocation by formula to each Transportation Planning Agency (TPA). The OCTA serves as the regional TPA for the County of Orange, California (County). The formula allocates 50 percent of the funds according to population and the remaining 50 percent according to operator revenues from the prior fiscal year. The allocations are based on the operator's share of revenues compared to all of the other operators in the State. The STAF allocations are deposited in the OCTA's STAF, which is maintained by the Auditor-Controller of the County. The allocation to OCTA's STAF must be made in a resolution adopted by OCTA's governing board. Payments from the STAF are made by the County Auditor-Controller in accordance with the allocation instructions in the allocation resolution.

The STAF funds may not be allocated to fund administration or streets and roads projects. Operators receiving the STAF funds must meet qualifying criteria based on the subsidy per revenue vehicle hour received in the previous year, taking into consideration the change in the Consumer Price Index within the operator's region.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the STAF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental units.

Fund Accounting

The STAF activities and transactions are recorded and accounted for in a special revenue fund of the OCTA. This fund is used to account for funds transferred to OCTD transit for operations and fare assistance for senior and disabled persons. Funding is provided by sales taxes on gasoline and use taxes on diesel fuel. Expenditure of these funds is governed by the provisions of the TDA. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The STAF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are accrued when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 90 days of year end. Expenditures are recorded when the liability is incurred. Liabilities are considered current when they are expected to be liquidated with available financial resources.

Cash and Investments

The STAF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is performed by the Orange County Treasury Oversight Committee. The fair value of the STAF's position in the OCIP is the same as the value of the OCIP shares. Investment income earned by the pooled cash and investments in the OCIP is allocated based on average cash and investment balance.

For information on cash and investment disclosures relating to the STAF's deposits in the OCIP, please see OCTA's Comprehensive Annual Financial Report.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fund Balance

The STAF classifies fund balance based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Fund balance for the year ended June 30, 2015 consists of the following:

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation. For the STAF, amounts are restricted pursuant to the Transportation Development Act.

When funds of different classifications are available for the same purpose, the spending priority is to spend restricted resources before unrestricted resources, and within the unrestricted category, committed followed by assigned fund balance.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$5,585,852 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER OCTA FUNDS

Due to other OCTA funds of \$5,585,852 represents a TDA payable due to the Orange County Transportation District.

NOTE 5 – TRANSFERS TO OTHER OCTA FUNDS

Transfers to OCTD of \$20,992,400 during the fiscal year ended June 30, 2015 is for the purpose of funding transit operations.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND (BUDGETARY BASIS)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State Transit Assistance Sales Tax Allocations	\$ 19,770,991	\$ 19,770,991	\$ 20,992,400	\$ 1,221,409
Interest and Investment Income	-	-	4,443	4,443
Total Revenues	<u>19,770,991</u>	<u>19,770,991</u>	<u>20,996,843</u>	<u>1,225,852</u>
Expenditures				
Supplies and Services	-	-	698	(698)
Contributions to Other Local Agencies	-	-	194	(194)
Total Expenditures	<u>-</u>	<u>-</u>	<u>892</u>	<u>(892)</u>
Excess of Revenues over Expenditures	<u>19,770,991</u>	<u>19,770,991</u>	<u>20,995,951</u>	<u>1,224,960</u>
Other Financing Uses				
Transfers to Other OCTA Funds (Note 5)	(19,770,991)	(19,770,991)	(20,992,400)	(1,221,409)
Total Other Financing Uses	<u>(19,770,991)</u>	<u>(19,770,991)</u>	<u>(20,992,400)</u>	<u>(1,221,409)</u>
Net Change in Fund Balance	-	-	3,551	3,551
Fund Balance, Beginning of Year	12,177	12,177	12,177	-
Fund Balance, End of Year	<u>\$ 12,177</u>	<u>\$ 12,177</u>	<u>\$ 15,728</u>	<u>\$ 3,551</u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETARY DATA

The STAF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States, except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget may be amended by the OCTA Board of Directors (Board) to increase appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations, adjusted for supplemental appropriations, during the year. OCTA division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as: Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services include Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the amount of \$1,222,301. This was a result of OCTA receiving more STAF revenues than initially estimated. As a result, OCTA was able to transfer additional amounts in STAF revenues to OCTD for transit operations.



**INDEPENDENT AUDITORS' 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
Orange, California

We have audited, in accordance with the 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, the financial statements of the State Transit Assistance Fund (STAF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated October 30, 2015. Our report included an emphasis-of-matter that the STAF financial statements do not purport to, and do not, present fairly the financial position of OCTA. Also, our report notes that the financial statements do not include management's discussion and analysis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the STAF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including §6750 and §6751 of Part 21 of the California Code of Regulations, 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*, including §6750 and §6751 of Part 21 of the California Code of Regulations.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of STAF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering STAF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California

October 30, 2015



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment E

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

**INDEPENDENT AUDITORS' REPORT ON
PROPOSITION 1B
AND
TRANSPORTATION DEVELOPMENT ACT**

Year Ended June 30, 2015

ORANGE COUNTY TRANSPORTATION AUTHORITY

**PROPOSITION 1B
AND
TRANSPORTATION DEVELOPMENT ACT**

JUNE 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Proposition 1B Schedule of Unspent Funds and Cash Disbursements	1
Schedule of Unspent Funds and Cash Disbursements	2
Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> , the Transportation Development Act, California Government Code §8879.50, and State Senate Bill 88 (2007)	3



**INDEPENDENT AUDITORS' REPORT ON PROPOSITION 1B SCHEDULE OF
UNSPENT FUNDS AND CASH DISBURSEMENTS**

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2015, and have issued our report thereon dated October 30, 2015, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-matter regarding OCTA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise OCTA's basic financial statements. The Proposition 1B Schedule of Unspent Funds and Cash Disbursements (Schedule) is presented for purposes of additional analysis, to satisfy the requirements of Section 6667 of Title 21 of the California Code of Regulations, the California *Government Code* §8879.50 and the California State Senate Bill 88 (2007), et seq. and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Laguna Hills, California
October 30, 2015

**ORANGE COUNTY TRANSPORTATION AUTHORITY
PROPOSITION 1B**

**SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS
YEAR ENDED JUNE 30, 2015**

	<u>PTMISEA (1)</u>	<u>TSSSDRA (2)</u>	<u>Total</u>
Unspent Prop 1B funds as of June 30, 2014	\$ 16,372,725	\$ 5,821,900	\$ 22,194,625
Prop 1B funds received during the fiscal year ended June 30, 2015	44,534,160	3,520,574	48,054,734
Interest revenue earned on unspent Prop 1B funds during fiscal year ended June 30, 2015	194,467	26,385	220,852
Prop 1B disbursements spent during the fiscal year ended June 30, 2015	<u>(19,905,555)</u>	<u>(5,449,243)</u>	<u>(25,354,798)</u>
Unspent Prop 1B funds as of June 30, 2015	<u><u>\$ 41,195,797</u></u>	<u><u>\$ 3,919,616</u></u>	<u><u>\$ 45,115,413</u></u>

(1) Public Transportation, Modernization, Improvement, and Service Enhancement Account

(2) Transit System Safety, Security & Disaster Recovery Account



**INDEPENDENT AUDITORS' 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, THE TRANSPORTATION DEVELOPMENT ACT, CALIFORNIA
GOVERNMENT CODE §8879.50, AND STATE SENATE BILL 88 (2007)**

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the 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, 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 (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated October 30, 2015. Our report included an emphasis-of-matter regarding OCTA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and California State Senate Bill 88 (2007), et seq., 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*, The Transportation Development Act. Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and California State Senate Bill 88 (2007), et seq.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California

October 30, 2015



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment F

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Measure M1 Status Report**

Year Ended June 30, 2015

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

**Report on Agreed-Upon Procedures
Applied to Measure M1 Status Report**

Year Ended June 30, 2015

Table of Contents

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures to the Measure M1 Status Report.....	1
Measure M1 Status Report (Unaudited):	
Schedule 1 - Schedule of Revenues, Expenditures and Changes in Fund Balance.....	4
Schedule 2 - Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)	5
Schedule 3 - Schedule of Revenues and Expenditures Summary	6
Notes to Measure M1 Status Report.....	8



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES TO THE
MEASURE M1 STATUS REPORT**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M1 Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published documents, Board of Director approved documents or internal documents, for the year ended June 30, 2015. The Measure M1 Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M1 Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M1 Status Report is separated into three sections: Section A describes our procedures applied to Schedule 1; Section B describes our procedures applied to Schedule 2; and Section C describes our procedures applied to Schedule 3. All amounts are reported in thousands.

- A. We obtained Schedule 1 and performed the following procedures:
 - 1. Compared year to date June 30, 2015 amounts (Column A) to the audited trial balances of the OCLTA special revenue fund 10 and additional detailed information from the underlying accounting records.
 - 2. Recalculated period from inception through June 30, 2015 amounts (Column B) by adding the prior year's period from inception through June 30, 2014 amounts with year to date June 30, 2015 amounts (Column A).
 - 3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared year ended June 30, 2015 (Columns C.1 and C.2) to Schedule 1, Column A.
2. Compared period from inception through June 30, 2015 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For the Orange County bankruptcy recovery, professional services, non-project related, Orange County bankruptcy loss and other non-project related amounts, we compared the total of the amounts allocated to tax revenues and to bond revenues at June 30, 2015 (D.1 and D.2) to Schedule 1, Column B. For the payment to refunded bond escrow, we compared the period from inception through June 30, 2015 amount (D.2) to the total of the advance refunding escrow and payment to refunded bond escrow agent amounts at Schedule 1, Column B.
3. Re-computed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared total net tax revenues (Column F) amount to Schedule 2, Column D.1.
2. Recalculated total net tax revenues (Column F) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).
3. Reconciled expenditures through June 30, 2015 (Column G) to Schedule 1, Column B. Agreed Column G by project description to the project job ledger.
4. Selected a sample of expenditures from Column G and compared them to invoices and supporting documentation to determine whether the expenditures sampled were appropriately accrued and classified.
5. Agreed reimbursements through June 30, 2015 (Column H) to Schedule 1, Column B.
6. Agreed Column H to supporting revenue summary by project. Selected a sample of reimbursements from Column H and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly classified.
7. Recalculated the net project cost (Column I) by subtracting Column H from Column G.
8. Re-computed totals and subtotals.
9. Verified that final modal percentages comply with Measure M Ordinance #2.
10. Verified Board authorization for any balance transfers from Measure M1 for closeout.

Results: All of the above procedures were performed without exception.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Measure M1 Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M1 Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

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

Vernice Train, Dug & Co., LLP

Laguna Hills, California

December 18, 2015

Measure M1
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2015
(Unaudited)

<i>(\$ in thousands)</i>	Year to Date June 30, 2015 (A)	Period from Inception through June 30, 2015 (B)
Revenues:		
Sales taxes	\$ -	\$ 4,003,972
Other agencies' share of Measure M1 costs:		
Project related	8,923	600,511
Non-project related	-	620
Interest:		
Operating:		
Project related	-	1,745
Non-project related	1,386	271,549
Bond proceeds	-	136,067
Debt service	-	82,054
Commercial paper	-	6,072
Orange County bankruptcy recovery	-	42,268
Capital grants	-	156,434
Right-of-way leases	278	6,868
Proceeds on sale of assets held for resale	2,940	29,771
Miscellaneous:		
Project related	-	27
Non-project related	-	777
Total revenues	<u>13,527</u>	<u>5,338,735</u>
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	-	56,883
Professional services:		
Project related	1,334	209,985
Non-project related	259	36,298
Administration costs:		
Project related	563	24,662
Non-project related	233	96,584
Orange County bankruptcy loss	-	78,618
Other:		
Project related	83	2,204
Non-project related	28	16,004
Payments to local agencies:		
Turnback	909	594,918
Other	7,440	969,592
Capital outlay	6,433	2,108,660
Debt service:		
Principal payments on long-term debt	-	1,003,955
Interest on long-term debt and commercial paper	-	561,842
Total expenditures	<u>17,282</u>	<u>5,760,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,755)</u>	<u>(421,470)</u>
Other financing sources (uses):		
Transfers out:		
Project related	(181,949)	(591,381)
Non-project related	-	(5,116)
Transfers in: project related	-	1,829
Bond proceeds	-	1,169,999
Advance refunding escrow	-	(931)
Payment to refunded bond escrow agent	-	(152,930)
Total other financing sources (uses)	<u>(181,949)</u>	<u>421,470</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (185,704)</u>	<u>\$ -</u>

See Notes to Measure M1 Status Report (Unaudited)

Measure M1
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2015
(Unaudited)

<i>(\$ in thousands)</i>	Year Ended June 30, 2015 (actual) (C.1)	Period from Inception through June 30, 2015 (actual) (D.1)
Tax revenues:		
Sales taxes	\$ -	\$ 4,003,972
Other agencies' share of Measure M1 costs	-	620
Operating interest	1,386	271,549
Orange County bankruptcy recovery	-	20,683
Miscellaneous, non-project related	-	777
Total tax revenues	<u>1,386</u>	<u>4,297,601</u>
Administrative expenditures:		
SBOE fees	-	56,883
Professional services, non-project related	259	27,437
Administration costs, non-project related	233	96,584
Transfers out, non-project related	-	5,116
Orange County bankruptcy loss	-	29,792
Other, non-project related	28	6,904
Total administrative expenditures	<u>520</u>	<u>222,716</u>
Net tax revenues	<u>\$ 866</u>	<u>\$ 4,074,885</u>
<hr/>		
Bond revenues:		
Proceeds from issuance of bonds	\$ -	\$ 1,169,999
Interest revenue from bond proceeds	-	136,067
Interest revenue from debt service funds	-	82,054
Interest revenue from commercial paper	-	6,072
Orange County bankruptcy recovery	-	21,585
Total bond revenues	<u>-</u>	<u>1,415,777</u>
Financing expenditures and uses:		
Professional services, non-project related	-	8,861
Payment to refunded bond escrow	-	153,861
Bond debt principal	-	1,003,955
Bond debt interest expense	-	561,842
Orange County bankruptcy loss	-	48,826
Other, non-project related	-	9,100
Total financing expenditures and uses	<u>-</u>	<u>1,786,445</u>
Net bond revenues (debt service)	<u>\$ -</u>	<u>\$ (370,668)</u>

See Notes to Measure M1 Status Report (Unaudited)

Measure M1
Schedule of Revenues and Expenditures Summary
as of June 30, 2015
(Unaudited)

Project Description (E) (\$ in thousands)	Total Net Tax Revenues (F)	Expenditures through June 30, 2015 (G)	Reimbursements through June 30, 2015 (H)	Net Project Cost (I)
Freeways (43%)				
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	\$ 982,555	\$ 881,984	\$ 91,030	\$ 790,954
I-5 between I-5/I-405 Interchange and San Clemente	68,766	70,294	10,358	59,936
I-5/I-405 Interchange	87,279	98,157	25,082	73,075
SR-55 (Costa Mesa Fwy) between I-5 and SR-91 (Riverside Fwy)	58,186	55,514	6,173	49,341
SR-57 (Orange Fwy) between I-5 and Lambert Road	29,093	25,617	2,859	22,758
SR-91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	125,629	123,995	18,606	105,389
SR-22 (Garden Grove Fwy) between SR-55 and Valley View St.	400,692	697,929	359,099	338,830
Subtotal Projects	1,752,200	1,953,490	513,207	1,440,283
Net (Bond Revenue)/Debt Service	-	311,917	-	311,917
Total Freeways	\$ 1,752,200	\$ 2,265,407	\$ 513,207	\$ 1,752,200
%				43.0%
Regional Street and Road Projects (11%)				
Smart Streets	\$ 153,681	\$ 163,441	\$ 12,756	\$ 150,685
Regionally Significant Interchanges	89,647	89,226	146	89,080
Intersection Improvement Program	128,068	131,446	3,946	127,500
Traffic Signal Coordination	64,034	69,303	3,986	65,317
Transportation Systems Management and Transportation Demand Management	12,807	13,463	217	13,246
Subtotal Projects	448,237	466,879	21,051	445,828
Net (Bond Revenue)/Debt Service	-	2,409	-	2,409
Total Regional Street and Road Projects	\$ 448,237	\$ 469,288	\$ 21,051	\$ 448,237
%				11.0%

See Notes to Measure M1 Status Report (Unaudited)

Measure M1
Schedule of Revenues and Expenditures Summary
as of June 30, 2015
(Unaudited)

Project Description (E) (\$ in thousands)	Total Net Tax Revenues (F)	Expenditures through June 30, 2015 (G)	Reimbursements through June 30, 2015 (H)	Net Project Cost (I)
Local Street and Road Projects (21%)				
Master Plan of Arterial Highway Improvements	\$ 160,793	\$ 162,393	\$ 1,600	\$ 160,793
Streets and Roads Maintenance and Road Improvements	594,933	594,933	-	594,933
Growth Management Area Improvements	100,000	101,212	1,212	100,000
Subtotal Projects	855,726	858,538	2,812	855,726
Net (Bond Revenue)/Debt Service	-	-	-	-
Total Local Street and Road Projects	\$ 855,726	\$ 858,538	\$ 2,812	\$ 855,726
%				21.0%
Transit Projects (25%)				
Pacific Electric Right-of-Way	\$ 19,717	\$ 17,513	\$ 3,588	\$ 13,925
Commuter Rail	367,772	428,582	60,805	367,777
High-Technology Advanced Rail Transit	446,923	592,109	158,957	433,152
Elderly and Handicapped Fare Stabilization	20,000	20,000	-	20,000
Transitways	164,310	164,291	36,765	127,526
Subtotal Projects	1,018,722	1,222,495	260,115	962,380
Net (Bond Revenue)/Debt Service	-	56,342	-	56,342
Total Transit Projects	\$ 1,018,722	\$ 1,278,837	\$ 260,115	\$ 1,018,722
%				25.0%
Total Measure M1 Program	\$ 4,074,885	\$ 4,872,070	\$ 797,185	\$ 4,074,885

See Notes to Measure M1 Status Report (Unaudited)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

Measure M1 Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. On November 7, 2006, Orange County voters approved the renewal of M1 (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the M1 sales tax program, which commenced on April 1, 1991 for a period of 20 years and the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. The final M1 sales tax collections were received in June 2011. While the majority of M1 projects are complete, closeout of a few major projects and administrative expenditures continue to occur. The final M1 expenditures and transfers were recorded in June 2015. This report includes only the activities of M1 and is not intended to present the activities of M2. Under M1, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

Demonstrating accountability for the receipt and expenditure of M1 funds is accomplished through the issuance of quarterly reports on M1 activities. The reports for M1 activities through June 30, 2015 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M1 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2015 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the M1 special revenue fund for the fiscal year ended June 30, 2015. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of \$(185,704) agrees with the change in fund balance in the M1 special revenue fund, as presented in the trial balance for the year ended June 30, 2015.

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

Period from Inception through June 30, 2015 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M1 special revenue and debt service funds for the period from inception through June 30, 2015. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$0 agrees with the ending fund balance in the M1 special revenue fund, as presented in the trial balance for the year ended June 30, 2015.

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

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

This schedule presents calculations of net tax revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Traffic Improvement and Growth Management Plan, as amended (Expenditure Plan). Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from non-project related amounts on Schedule 1. The schedule is presented for the latest fiscal year, and for the period from inception through the latest fiscal year.

Calculation of Net Tax Revenues

Year Ended June 30, 2015 (actual) (Column C.1)

This column presents net tax revenues, consisting of total tax revenues less total administrative expenditures, for the year ended June 30, 2015. Tax revenues and administrative expenditures for the year ended June 30, 2015 were obtained from Column A in Schedule 1. Total net tax revenues and administrative expenditures utilized in the calculation of net tax revenues are non-project and non-financing related. For the year ended June 30, 2015, tax revenues consist of operating interest. Administrative expenditures include professional services, administration costs, and other expenditures.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

Period from Inception through June 30, 2015 (actual) (Column D.1)

This column presents net tax revenues, consisting of total cumulative tax revenues less total cumulative administrative expenditures, for the period from inception through June 30, 2015. Tax revenues and administrative expenditures for the period from inception through June 30, 2015 were obtained from Column B in Schedule 1. Total net tax revenues for the period from inception through June 30, 2015 are presented in Schedule 3 as "Total Net Tax Revenues" (Column F).

Tax revenues and administrative expenditures utilized in the calculation of net tax revenues are non-project and non-financing related. Tax revenues consist of sales taxes, other agencies' share of Measure M1 costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond revenues based on the cash account balance in the Orange County Treasury Investment Pool (OCIP) at the OCIP bankruptcy date. Administrative expenditures include State Board of Equalization (SBOE) fees, professional services, administration costs, transfers out, Orange County bankruptcy loss, and other expenditures. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date.

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2015 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2015. There were no bond revenues or financing expenditures and uses for the year ended June 30, 2015.

Period from Inception through June 30, 2015 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2015. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2015 were obtained from Column B in Schedule 1.

Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds, interest revenue from bond proceeds, debt service funds, and commercial paper, and Orange County bankruptcy recovery. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond revenues based on the cash account balance in the OCIP at the OCIP bankruptcy date. Financing expenditures and uses consist of professional services, payment to refunded bond escrow, bond debt principal, bond debt interest expense, Orange County bankruptcy loss and other expenditures. Non-project related professional services and other expenditures are distributed between administrative

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual revenues and expenditures, by mode and project description, as specified in the Expenditure Plan. Total M1 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column E)

This column presents project descriptions by mode in accordance with the Expenditure Plan.

Total Net Tax Revenues (Column F)

This column presents total net tax revenues during the life of M1, which agrees with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues are allocated to each of the four modes based on the allocation percentages specified in M1. The net tax revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Expenditures through June 30, 2015 (Column G)

This column presents total expenditures plus net (bond revenue)/debt service. Total expenditures agree with the sum of project related expenditures and transfers out from Column B in Schedule 1. Total net (bond revenue)/debt service agrees with the total net bond revenue (debt service) expenditures from Column D.2 in Schedule 2. Project related expenditures are comprised of professional services, administration costs, other expenditures, payments to local agencies for turnback and other projects, and capital outlay. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger.

Reimbursements through June 30, 2015 (Column H)

This column presents total reimbursements for the period from inception through June 30, 2015, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M1 costs, operating interest, capital grants, right-of-way leases, proceeds on sale of assets held for resale, miscellaneous revenues and transfers in. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

Net Project Cost (Column I)

Net project cost is a calculation of Column G minus Column H. For each mode, a percentage is calculated as the net project cost per mode divided by the total M1 Program net project cost. Such percentage can be compared to the required percentage included in M1 as an indication of the progress to date for each mode.



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment G

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2015

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2015

Table of Contents

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures to the Measure M2 Status Report.....	1
Measure M2 Status Report (Unaudited):	
Schedule 1 - Schedule of Revenues, Expenditures and Changes in Fund Balance.....	4
Schedule 2 - Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)	5
Schedule 3 - Schedule of Revenues and Expenditures Summary	6
Notes to Measure M2 Status Report.....	9



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES TO THE
MEASURE M2 STATUS REPORT**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M2 Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published documents, Board of Director approved documents or internal documents, for the year ended June 30, 2015. The Measure M2 Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M2 Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M2 Status Report is separated into three sections: Section A describes our procedures applied to Schedule 1; Section B describes our procedures applied to Schedule 2; and Section C describes our procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared year to date June 30, 2015 amounts (Column A) to the audited trial balances of the OCLTA special revenue fund 17 and the OCLTA debt service fund 72 and additional detailed information from the underlying accounting records.
2. Compared period from inception through June 30, 2015 amounts (Column B) by adding the prior year's period from inception through June 30, 2014 amounts with year to date June 30, 2015 amounts (Column A).
3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared year ended June 30, 2015 (Columns C.1 and C.2) to Schedule 1, Column A. For professional services, non-project related amounts, we compared the sum of this caption allocated to revenues and to bond revenues at June 30, 2015 (C.1 and C.2) to Schedule 1, Column A. For environmental cleanup, we agreed this amount to the project job ledger.

2. Compared period from inception through June 30, 2015 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related amounts, we compared the total of the amounts allocated to revenues and to bond revenues at June 30, 2015 (D.1 and D.2) to Schedule 1, Column B. For environmental cleanup, we agreed this amount to the project job ledger.
 3. Compared forecast amounts (Column E.1 and E.2) to Measure M2 Forecast Model Schedule.
 4. Re-computed totals and subtotals.
- C. We obtained Schedule 3 and performed the following procedures:
1. Compared net revenues through June 30, 2015 (Column H) and total net revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, net revenues (Totals), respectively.
 2. Recalculated net revenues through June 30, 2015 (Column H) and total net revenues (Column I) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).
 3. Reconciled expenditures through June 30, 2015 (Column J) to Schedule 1, Column B. Agreed environmental cleanup to Schedule 2, Column D.1. Agreed oversight and annual audits to the summary of Measure M2 administrative costs through June 30, 2015. Agreed Column J, by project description to the project job ledger by fiscal year.
 4. Selected a sample of expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.
 5. Agreed reimbursements through June 30, 2015 (Column K) to Schedule 1, Column B. Agreed oversight and annual audits line item to summary of Measure M2 administrative costs through June 30, 2015.
 6. Agreed Column K to the supporting revenue summary by project and fiscal year. Selected a sample of reimbursements from Column K and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly calculated.
 7. Recalculated the net M2 cost (Column L) by subtracting Column K from Column J.
 8. Recalculated revenues through June 30, 2015 (Column H.1) and the total revenues (Column I.1) for environmental cleanup (2% of revenues) and oversight and annual audits (1% of revenues) by multiplying sales taxes and operating interest per Schedule 2, Column D.1 and Column F.1 by 2% and 1%, respectively.
 9. Recalculated revenues through June 30, 2015 (Column H.1) and total revenues (Column I.1) for collect sales taxes (1.5% of sales taxes) by multiplying sales taxes per Schedule 2, Column D.1 and Column F.1 by 1.5%.
 10. Re-computed total and subtotals.

Results: All of the above procedures were performed without exception.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Measure M2 Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M2 Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

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

Vavrinich, Train, Day & Co., LLP

Laguna Hills, California

December 18, 2015

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2015
(Unaudited)

<i>(\$ in thousands)</i>	Year to Date June 30, 2015 (A)	Period from Inception to June 30, 2015 (B)
Revenues:		
Sales taxes	\$ 291,557	\$ 1,149,372
Other agencies' share of Measure M2 costs:		
Project related	105,540	382,953
Non-project related	231	365
Interest:		
Operating:		
Project related	2	2
Non-project related	5,222	11,031
Bond proceeds	4,919	26,566
Debt service	6	44
Commercial paper	-	393
Right-of-way leases	122	704
Miscellaneous:		
Project related	-	198
Non-project related	-	7
Total revenues	<u>407,599</u>	<u>1,571,635</u>
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	3,387	12,317
Professional services:		
Project related	40,617	222,633
Non-project related	1,605	12,928
Administration costs:		
Project related	8,658	36,013
Non-project related :		
Salaries and Benefits	3,086	15,075
Other	4,452	21,959
Other:		
Project related	189	1,403
Non-project related	116	3,682
Payments to local agencies:		
Project related	114,276	502,518
Capital outlay:		
Project related	103,391	457,253
Non-project related	-	31
Debt service:		
Principal payments on long-term debt	6,865	19,875
Interest on long-term debt and commercial paper	21,953	93,924
Total expenditures	<u>308,595</u>	<u>1,399,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,004</u>	<u>172,024</u>
Other financing sources (uses):		
Transfers out:		
Project related	(3,361)	(12,041)
Transfers in:		
Project related	6,526	51,804
Non-project related	22,283	29,677
Bond proceeds	-	358,593
Total other financing sources (uses)	<u>25,448</u>	<u>428,033</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ 124,452</u>	<u>\$ 600,057</u>

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2015
(Unaudited)

<i>(\$ in thousands)</i>	Year Ended June 30, 2015 (actual) (C.1)	Period from Inception through June 30, 2015 (actual) (D.1)	Period from July 1, 2015 through March 31, 2041 (forecast) (E.1)	Total (F.1)
Revenues:				
Sales taxes	\$ 291,557	\$ 1,149,372	\$ 14,572,357	\$ 15,721,729
Operating interest	5,222	11,031	294,504	305,535
Subtotal	<u>296,779</u>	<u>1,160,403</u>	<u>14,866,861</u>	<u>16,027,264</u>
Other agencies share of M2 costs	231	365	-	365
Miscellaneous	-	7	-	7
Total revenues	<u>297,010</u>	<u>1,160,775</u>	<u>14,866,861</u>	<u>16,027,636</u>
Administrative expenditures:				
SBOE fees	3,387	12,317	218,673	230,990
Professional services	1,391	9,152	99,449	108,601
Administration costs :				
Salaries and Benefits	3,086	15,075	145,700	160,775
Other	4,452	21,959	207,640	229,599
Other	116	3,682	25,109	28,791
Capital outlay	-	31	-	31
Environmental cleanup	2,220	8,562	291,447	300,009
Total expenditures	<u>14,652</u>	<u>70,778</u>	<u>988,018</u>	<u>1,058,796</u>
Net revenues	<u>\$ 282,358</u>	<u>\$ 1,089,997</u>	<u>\$ 13,878,843</u>	<u>\$ 14,968,840</u>
	(C.2)	(D.2)	(E.2)	(F.2)
Bond revenues:				
Proceeds from issuance of bonds	\$ -	\$ 358,593	\$ 1,450,000	\$ 1,808,593
Interest revenue from bond proceeds	4,919	26,566	25,760	52,326
Interest revenue from debt service funds	6	44	54	98
Interest revenue from commercial paper	-	393	-	393
Total bond revenues	<u>4,925</u>	<u>385,596</u>	<u>1,475,814</u>	<u>1,861,410</u>
Financing expenditures and uses:				
Professional services	214	3,776	12,340	16,116
Bond debt principal	6,865	19,875	1,788,652	1,808,527
Bond debt and other interest expense	21,953	93,924	1,417,105	1,511,029
Total financing expenditures and uses	<u>29,032</u>	<u>117,575</u>	<u>3,218,097</u>	<u>3,335,672</u>
Net bond revenues (debt service)	<u>\$ (24,107)</u>	<u>\$ 268,021</u>	<u>\$ (1,742,283)</u>	<u>\$ (1,474,262)</u>

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2015
(Unaudited)

Project	Description	Net Revenues through June 30, 2015	Total Net Revenues	Expenditures through June 30, 2015	Reimbursements through June 30, 2015	Net M2 Cost
(G)		(H)	(I)	(J)	(K)	(L)
<i>(\$ in thousands)</i>						
Freeways (43% of Net Revenues)						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 42,962	\$ 589,999	\$ 2,321	\$ 2	\$ 2,319
B	I-5 Santa Ana/SR-55 to El Toro	27,441	376,846	3,757	1,439	2,318
C	I-5 San Diego/South of El Toro	57,314	787,083	54,989	14,150	40,839
D	I-5 Santa Ana/San Diego Interchange Upgrades	23,584	323,872	1,672	466	1,206
E	SR-22 Garden Grove Freeway Access Improvements	10,969	150,638	4	-	4
F	SR-55 Costa Mesa Freeway Improvements	33,456	459,446	6,684	23	6,661
G	SR-57 Orange Freeway Improvements	23,648	324,750	44,301	9,822	34,479
H	SR-91 Improvements from I-5 to SR 57	12,797	175,744	25,629	503	25,126
I	SR-91 Improvements from SR-57 to SR-55	38,072	522,839	12,025	894	11,131
J	SR-91 Improvements from SR-55 to County Line	32,194	442,122	6,910	5,294	1,616
K	I-405 Improvements between I-605 to SR-55	98,064	1,346,703	36,533	3,192	33,341
L	I-405 Improvements between SR-55 to I-5	29,224	401,325	2,613	44	2,569
M	I-605 Freeway Access Improvements	1,828	25,106	606	16	590
N	All Freeway Service Patrol	13,711	188,297	103	-	103
	Freeway Mitigation	23,435	321,830	43,613	1,688	41,925
	Subtotal Projects	468,699	6,436,600	241,760	37,533	204,227
	Net (Bond Revenue)/Debt Service	-	-	24,873	-	24,873
	Total Freeways	\$ 468,699	\$ 6,436,600	\$ 266,633	\$ 37,533	\$ 229,100
	%					26.7%
Street and Roads Projects (32% of Net Revenues)						
O	Regional Capacity Program	\$ 109,001	\$ 1,496,903	\$ 488,170	\$ 247,193	\$ 240,977
P	Regional Traffic Signal Synchronization Program	43,599	598,735	16,496	1,257	15,239
Q	Local Fair Share Program	196,199	2,694,391	185,991	77	185,914
	Subtotal Projects	348,799	4,790,029	690,657	248,527	442,130
	Net (Bond Revenue)/Debt Service	-	-	28,952	-	28,952
	Total Street and Roads Projects	\$ 348,799	\$ 4,790,029	\$ 719,609	\$ 248,527	\$ 471,082
	%					54.9%

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2015
(Unaudited)

Project	Description	Net Revenues through June 30, 2015	Total Net Revenues	Expenditures through June 30, 2015	Reimbursements through June 30, 2015	Net M2 Cost
(G)		(H)	(I)	(J)	(K)	(L)
	<i>(\$ in thousands)</i>					
	Transit Projects (25% of Net Revenues)					
R	High Frequency Metrolink Service	\$ 97,578	\$ 1,340,034	\$ 156,706	\$ 86,776	\$ 69,930
S	Transit Extensions to Metrolink	96,221	1,321,402	4,004	1,443	2,561
T	Metrolink Gateways	21,804	299,430	98,208	60,956	37,252
U	Expand Mobility Choices for Seniors and Persons with Disabilities	32,696	449,012	30,874	17	30,857
V	Community Based Transit/Circulators	21,794	299,298	1,049	91	958
W	Safe Transit Stops	2,406	33,035	41	26	15
	Subtotal Projects	272,499	3,742,211	290,882	149,309	141,573
	Net (Bond Revenue)/Debt Service	-	-	16,844	-	16,844
	Total Transit Projects	\$ 272,499	\$ 3,742,211	\$ 307,726	\$ 149,309	\$ 158,417
	%					18.5%
	Measure M2 Program	\$ 1,089,997	\$ 14,968,840	\$ 1,293,968	\$ 435,369	\$ 858,599

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2015
(Unaudited)

Project	Description	Revenues through June 30, 2015 (H.1)	Total Revenues (I.1)	Expenditures through June 30, 2015 (J)	Reimbursements through June 30, 2015 (K)	Net M2 Cost (L)
	(G) (\$ in thousands)					
	Environmental Cleanup (2% of Revenues)					
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 23,208	\$ 320,545	\$ 8,562	\$ 292	\$ 8,270
	Net (Bond Revenue)/Debt Service	-	-	28	-	28
	Total Environmental Cleanup	\$ 23,208	\$ 320,545	\$ 8,590	\$ 292	\$ 8,298
	%					0.7%
	Taxpayer Safeguards and Audits					
	Collect Sales Taxes (1.5% of Sales Taxes)	\$ 17,241	\$ 235,826	\$ 12,317	-	\$ 12,317
	%					1.1%
	Oversight and Annual Audits (1% of Revenues)	\$ 11,604	\$ 160,273	\$ 15,075	\$ 3,471	\$ 11,604
	%					1.0%

See Notes to Measure M2 Status Report (Unaudited)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2015

Measure M2 Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. On November 7, 2006 (inception), Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the Orange County Local Transportation Authority Board of Directors approved the M2 Early Action Plan to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the M1 sales tax program, which commenced on April 1, 1991 for a period of 20 years, and the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. This report includes only the activities of M2 and is not intended to present the activities of M1. Under M2, funds are required to be distributed to freeways, streets and roads projects, transit projects and environmental cleanup.

Demonstrating accountability for the receipt and expenditure of M2 funds is accomplished through the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2015 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M2 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2015 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the fiscal year ended June 30, 2015. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of \$124,452 agrees with the combined change in fund balances of \$124,449 in the M2 special revenue fund and \$3 in the M2 debt service fund in the trial balance for the year ended June 30, 2015.

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2015

Period from Inception through June 30, 2015 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the period from inception through June 30, 2015. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$600,057 agrees with the combined ending fund balances of \$588,051 in the M2 special revenue fund and \$12,006 in the M2 debt service fund, as presented in the trial balance for the year ended June 30, 2015.

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

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

This schedule presents calculations of net revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Orange County Transportation Investment Plan (Investment Plan). Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from non-project related amounts on Schedule 1. Environmental cleanup expenditures were obtained from the project job ledger. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years going forward, and for the combined total of actual and forecast amounts for the period from inception going forward.

Calculation of Net Revenues

Year Ended June 30, 2015 (actual) (Column C.1)

This column presents net revenues, consisting of total revenues less total administrative expenditures, capital outlay, and environmental cleanup, for year ended June 30, 2015. Revenues, administrative expenditures, and capital outlay for the year ended June 30, 2015 were obtained from Column A in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, and other agencies' share of M2 costs. Administrative expenditures include State Board of Equalization (SBOE) fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2015

Period from Inception through June 30, 2015 (actual) (Column D.1)

This column presents net revenues, consisting of total cumulative revenues less total cumulative administrative expenditures, capital outlay, and environmental cleanup, for the period from inception through June 30, 2015. Revenues, administrative expenditures, and capital outlay for the period from inception through June 30, 2015 were obtained from Column B in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Total net revenues for the period from inception through June 30, 2015 are presented in Schedule 3 as "Net Revenues through June 30, 2015" (Column H). Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, other agencies' share of M2 costs, and miscellaneous revenue. Administrative expenditures include SBOE fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2015 through March 31, 2041 (forecast) (Column E.1)

This column presents net revenues, consisting of total projected revenues less total projected administrative expenditures and environmental cleanup expenditures, for subsequent years from July 1, 2015 through March 31, 2041. Revenues and administrative expenditures for subsequent years from July 1, 2015 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model, which is updated quarterly. Revenues and administrative expenditures utilized in the calculation of net revenues for subsequent years from July 1, 2015 through March 31, 2041 are non-project and non-financing related. Revenues consist of projected sales taxes and operating interest. Administrative expenditures consist of projected SBOE fees, professional services, administration costs, and other expenditures.

Total (Column F.1)

This column presents total net revenues, calculated as the sum of columns D.1 and E.1. Total net revenues are presented in Schedule 3 as "Total Net Revenues" (Column I).

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2015 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2015. Bond revenues and financing expenditures and uses for the year ended June 30, 2015 were obtained from Column A in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2015

Period from Inception through June 30, 2015 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2015. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2015 were obtained from Column B in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds, debt service funds, and commercial paper. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2015 through March 31, 2041 (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2015 through March 31, 2041. Bond revenues and financing expenditures and uses for subsequent years from July 1, 2015 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of bond debt principal and bond debt and other interest expense.

Total (Column F.2)

This column presents total net bond revenues (debt service), calculated as the sum of columns D.2 and E.2.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures, by mode and project description, as specified in the Investment Plan. Total M2 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

This column presents project descriptions by mode in accordance with the Investment Plan.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2015

Net Revenues through June 30, 2015 (Column H)

This column presents total M2 program net revenues for the period from inception through June 30, 2015, which agrees with net revenues in Column D.1 in Schedule 2. Such net revenues are allocated to each of the three modes based on the allocation percentages specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Total Net Revenues (Column I)

This column presents total actual and projected net revenues (total net revenues) during the life of M2, which agree with total net revenues in Column F.1 in Schedule 2. Such total net revenues are allocated to each of the three modes based on the allocations specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Expenditures through June 30, 2015 (Column J)

This column presents total expenditures plus net (bond revenue)/debt service. Total expenditures, excluding oversight and annual audit expenditures, agree with the sum of project related expenditures, SBOE fees and transfers out from Column B in Schedule 1. Oversight and annual audit expenditures agree with the administrative costs for salaries and benefits derived from the annual cost allocation plan. Total net (bond revenue)/debt service expenditures through June 30, 2015 agrees with the interest revenue, professional services expenditures, bond debt and other interest expense from Column D.2 in Schedule 2. Project related expenditures are comprised of professional services, administration costs, other expenditures, payments to local agencies, capital outlay and transfers out. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger.

Reimbursements through June 30, 2015 (Column K)

This column presents total reimbursements for the period from inception through June 30, 2015, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M2 costs, right-of-way leases, transfers in and miscellaneous revenue. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger. Reimbursements for oversight and annual audits agree with the principal balance of the amount advanced from the Orange County Unified Transportation Trust (OCUTT) to cover administrative costs for salaries and benefits exceeding more than one percent of revenues.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2015

Net M2 Cost (Column L)

Net M2 cost is a calculation of Column J minus Column K. For each mode, a percentage is calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Revenues Through June 30, 2015 (Column H.1)

The total environmental cleanup revenue for the period from inception through June 30, 2015, represents two percent (2%) of revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total oversight and annual audits revenues for the period from inception through June 30, 2015, represent one percent (1%) of the revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total collect sales taxes revenue for the period from inception through June 30, 2015, represents one and one-half percent (1.5%) of the sales tax revenues in Column D.1 in Schedule 2.

Total Revenues (Column I.1)

The total environmental cleanup actual and projected revenues during the life of M2 represent 2% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2. The total collect sales taxes actual and projected revenues during the 30-year life of M2 represent 1.5% of sales tax revenues found in Column F.1 in Schedule 2. The total oversight and annual audits actual and projected revenues during the 30-year life of M2 represent 1% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2.



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment H

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

**Independent Accountants' Report on
Agreed-Upon Procedures Performed
with Respect to the Treasury Department**

Year Ended June 30, 2015



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES PERFORMED
WITH RESPECT TO THE TREASURY DEPARTMENT**

Board of Directors
Orange County Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Transportation Authority (OCTA) solely to assist you with respect to your evaluation of selected internal controls within the Treasury Department for the year ended June 30, 2015. OCTA's management is responsible for the internal controls within the Treasury Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of OCTA. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. Conduct inquiries of personnel involved in the Treasury Department operations, obtain the Debt and Investment Management Manual and observe the procedures performed to determine whether the procedures provide for:
 - a. Transactions that are clearly documented and readily available for examination;
 - b. Transactions that are promptly recorded and properly classified;
 - c. Transactions that are authorized and executed only by persons acting within the scope of their authority;
 - d. Segregation of key duties and responsibilities in authorizing, processing, recording and reviewing;
 - e. Supervision to ensure that internal control objectives are achieved;
 - f. Limiting access to resources and records to authorized individuals and ensuring accountability for custody of resources; and
 - g. Periodic reconciliation of investments between the custodian statements and the general ledger.

Result: We conducted inquiries of Finance and Administration Division personnel, reviewed the Debt and Investment Manual, and observed the procedures performed. No exceptions were noted.

2. Review the Investment Policy to determine that it is in compliance with California Government Code Section 53601.

Result: No exceptions were noted.

3. Observe system related controls to determine they are in place to appropriately limit access to cash and investment information.

Result: No exceptions were noted.

4. Determine that the Investment Policy was provided to external investment managers on an annual basis. In addition, determine whether each investment manager certified receipt of the Investment Policy with a statement agreeing to abide by its terms.

Result: No exceptions were noted.

5. Sample three monthly Treasury/Public Finance Department Reports on OCTA Investment and Debt Programs presented to the Finance and Administration Committee to determine they are provided in accordance with the Debt and Investment Management Manual (Section 2, Part C, Treasury/Public Finance Department, and Investment Reporting).

Result: No exceptions were noted.

6. Select a sample of four authorization letters (and changes to them) to investment managers, brokers, banks and custodians to determine that they were jointly authorized in writing by the Treasurer and another individual authorized by the Debt and Investment Management Manual. In addition, review the letters for existence of the following attributes:

- a. OCTA staff authorized to make investments;
- b. Custody instructions; and
- c. Instructions for money and security transfers.

Result: No exceptions were noted.

7. Select a sample of sixty investment purchases during the fiscal year ended June 30, 2015 to determine that:

- a. The investments were in compliance with the Investment Policy;
- b. The Treasury Department's policies and procedures with respect to investment purchases were followed;
- c. The investments were properly recorded; and
- d. Any investment earnings on matured investments were calculated and recorded correctly.

Result: No exceptions were noted.

8. Sample ten weekly holdings reports for each external investment manager during the fiscal year ended June 30, 2015 and determine that they were monitored by Treasury Department personnel and were in compliance with the Investment Policy. Specifically:

- a. Obtain the holdings report for each external manager for each week selected;
- b. Verify that the Treasury Department's review was documented on the holdings report;
- c. Review the holdings report to determine whether the external investment manager complied with Investment Policy limits and diversification guidelines; and
- d. Determine that any instances of noncompliance are identified and corrected by the Treasury Department and that probationary and reporting procedures were followed.

Result: No exceptions were noted for the ten weekly holdings reports tested for each external investment manager during the fiscal year ended June 30, 2015.

We noted through review of the Internal Audit Department's semi-annual review over OCTA's investment compliance, controls, and reporting (semi-annual review) for July 1, 2014 through December 31, 2014 instances where investment managers exceeded portfolio diversification limits which were not identified by the Treasurer because the practice of review of holdings reports was revised from daily reviews to weekly reviews in 2013. The weekly reviews consisted of reviewing compliance for only one day out of a week. Internal Audit also noted that the Treasurer did not always maintain evidence of contact with the investment managers and expectations for returning the portfolio to compliance within a certain timeframe had not been defined or communicated to investment managers.

We reviewed the Internal Audit Department's semi-annual review for the period of January 1, 2015 through June 30, 2015 noting that corrective action had been implemented.

9. Select a sample of three monthly bank reconciliations during the fiscal year ended June 30, 2015 and perform the following:
 - a. Trace general ledger balances and bank balances to supporting documentation;
 - b. Determine whether the reconciliations were completed within thirty days of month end;
 - c. Determine that any discrepancies were reported and resolved;
 - d. Determine that reconciliations and resolution of discrepancies were reviewed and approved by an official who was not responsible for recording receipts and disbursements; and
 - e. Determine that bank statements were mailed directly to the Accounting Department.

Result: No exceptions were noted.

10. Select a sample of three monthly investment account reconciliations and review the supporting documentation to determine that:
 - a. Reconciliations were completed in a timely and thorough manner by someone who was not responsible for recording receipts and disbursements;
 - b. Discrepancies were identified and resolved;
 - c. Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions; and
 - d. Investment statements were mailed directly to the Accounting Department.

Result: No exceptions were noted.

11. Review and inspect the Treasury Department's cash forecasting documentation to determine the Department performed or prepared the following:
 - a. A day-to-day cash forecast for the current week;
 - b. Reviewed forecasts with the Funds Management Team;
 - c. Monitored actual cash flow activity versus forecast;
 - d. Maintained regular communication with external investment managers regarding OCTA cash forecast and operational needs.

Result: No exceptions were noted.

12. Review and inspect the policies and procedures for reviewing corporate security ratings to determine that the procedures are adequate and provide timely identification and reporting of downgrades and credit watch placements.

Result: We noted per inquiry with the Deputy Treasurer that corporate security ratings are reviewed on a weekly basis for downgrades and credit watch placements. Furthermore, the results of the review are communicated to the Finance and Administration Committee on a monthly basis through the Treasury/Public Finance Department's Report on OCTA Investment and Debt Programs. No exceptions were noted.

13. Review minutes of both the Board of Directors and the Finance and Administration Committee, inquire with Treasury Department personnel, and review other supporting documentation to determine that the following required oversight activities took place:

- a. The Finance and Administration Committee reviewed investments on a monthly basis;
- b. The Board of Directors reviewed investments on a quarterly basis;
- c. The Board of Directors reviewed and approved the Investment Policy and amendments made during the fiscal year ended June 30, 2015;
- d. The Internal Audit Department performs semi-annual reviews to determine if OCTA was in compliance with its debt, investment, and accounting policies and procedures and
- e. The funds management team met on a weekly basis.

Result: We reviewed the Finance and Administration Committee meeting minutes, Board of Directors meeting minutes, semi-annual reviews performed by the Internal Audit Department, and informational packet for the funds management team meeting noting that the above noted oversight activities took place.

14. Inquire whether there have been any changes in Treasury policies and procedures, organization or function, as a result of any prior year audit findings as a result of the Treasury Department Agreed Upon Procedures.

Result: Based upon our inquiry no changes in Treasury policies and procedures, organization or function, were noted as a result of prior year findings as a result of the Treasury Department Agreed Upon Procedures. It was noted that as a result of the Internal Audit Department's semi-annual review over OCTA's investment compliance, controls, and reporting for July 1, 2014 through December 31, 2014, the Debt and Investment Management Manual was revised to incorporate Internal Audit's recommendation. The revised Debt and Investment Management Manual had an effective date of June 1, 2015.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on OCTA's Treasury Department or investments, related internal control, compliance with government code, or elements, accounts or items specified above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the Board of Directors and management of OCTA and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
October 30, 2015



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment I

ORANGE COUNTY TRANSPORTATION AUTHORITY

Independent Accountants' Report on
Applying Agreed-Upon Procedures Related To
The Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2015



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED TO
THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

Board of Directors
Orange County Transportation Authority
Orange, California

We have performed the procedures enumerated below to the Appropriations Limit Worksheet of the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2015. These procedures, which were agreed to by OCTA, were performed solely to assist OCTA in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. OCTA's management is responsible for the Appropriations Limit calculation. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCTA's appropriations limit and compared the 2014-2015 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCTA's Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCTA's Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

2. We added last year's limit to the annual adjustment amount, and compared the resulting amount to the 2014-2015 appropriations limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCTA's Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

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



Laguna Hills, California
October 30, 2015



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment J

**ORANGE COUNTY LOCAL TRANSPORTATION
AUTHORITY**

Independent Accountants' Report on
Applying Agreed-Upon Procedures Related To
The Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2015



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED TO
THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below to the Appropriations Limit Worksheet of the Orange County Local Transportation Authority (OCLTA) for the fiscal year ended June 30, 2015. These procedures, which were agreed to by OCLTA, were performed solely to assist OCLTA in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. OCLTA's management is responsible for the Appropriations Limit calculation. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCLTA's appropriations limit and compared the 2014-15 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

2. We added last year's limit to the annual adjustment amount, and compared the resulting amount to the 2014-15 appropriations limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

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



Laguna Hills, California

October 30, 2015



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Fiscal Year 2014-15 Annual Financial and Agreed-Upon
Procedures Reports**

Attachment K

ORANGE COUNTY TRANSPORTATION AUTHORITY

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

For the Period
July 1, 2014 through June 30, 2015



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors
Orange County Transportation Authority
Orange, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the Orange County Transportation Authority (OCTA) annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about OCTA's operations.

We have applied the procedures described in Attachment 1 of this report, which were agreed to by OCTA and the FTA and specified in the declarations section of the *2014 Reporting Manual*, solely to assist you in evaluating whether OCTA complied with the standards described above and that the information included in the NTD report FFA-10 form for the year ended June 30, 2015, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630, *Federal Register*, January 15, 1993 and as presented in the *2014 Reporting Manual*. OCTA's management is responsible for OCTA's compliance with those standards and the accuracy of the FFA-10 form.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which this report has been requested or for any other purpose.

The procedures and findings described in Attachment 1 of this report, which are referenced in order to correspond to the *2014 Reporting Manual* procedures, were applied separately to each of the information systems used to develop the reported vehicle revenue miles (VRM), passenger miles (PM), fixed guideway directional route miles (FG DRM), High Intensity Bus Lanes directional route miles (HIB DRM), and operating expenses of OCTA for the year ended June 30, 2015, and for each of the following modes: (1) Motor Bus - directly operated (MBDO), (2) Commuter Bus – directly operated (CBDO), (3) Motor Bus - purchased transportation (MBPT), (4) Commuter Bus – purchased transportation (CBPT), (5) Demand Response - purchased transportation (DRPT), (6) Demand Response – Taxi – purchased transportation (DTPT) and (7) Vanpool Service - purchased transportation (VPPT).

The FTA did not publish a *2015 Reporting Manual* as of the date of this report. Therefore, the procedures in the *2014 Reporting Manual* were used per inquiry of FTA.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance with the procedures noted in attachment 1 or on the FFA-10. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California
October 23, 2015

Excerpt from the FTA 2014 *Reporting Manual* Exhibit 71 - Federal Funding Allocation Data Review - Suggested Procedures:

FTA has specified and agreed to a set of procedures for the independent accountant to perform and satisfy the requirements of the Federal Funding Allocation data review. The procedures, to be applied to each applicable mode and type of service (TOS) directly operated (DO) and purchased transportation (PT), are:

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, January 15, 1993 and as presented in the *2014 Reporting Manual*. If procedures are not written, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

Results - We obtained and read a copy of OCTA's Passenger Counting and Reporting (PCR) procedures. Based on our inquiry, we noted that OCTA maintains procedures that satisfy the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2014 Reporting Manual.

- b. Discuss the procedures with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
 - The extent to which the transit agency followed the procedures on a continuous basis, and
 - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2014 Reporting Manual*.

Results - We inquired regarding OCTA's procedures for the MBDO, MBPT, VPPT, DRPT, DTPT, CBDO and CBPT services noting that the asserted procedures were consistently applied. In addition, based on our inquiry with the Business Unit Analyst – Transit Division and the Section Manager – Vanpool Program, management asserted that the procedures resulted in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2014 Reporting Manual.

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

Results - We inquired with the Business Unit Analyst – Transit Division and the Section Manager – Vanpool Program, regarding OCTA's retention policy for source documents supporting NTD data reported on the Federal Funding Allocation Statistics form. Per inquiry, the current practice is to retain electronic data for seven years.

- d. Based on a description of the transit agency's procedures from items (A) and (B) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Results - We inspected the following source documents for each type of service, selected three months out of the year and determined that the documents existed for each of these periods:

<i>Type of Service</i>	<i>Source Document</i>	<i>Months Tested</i>
<i>MBDO</i>	<ul style="list-style-type: none"> • <i>MBDO Statistics Reports (queried from Data Warehouse)</i> • <i>Random Sampling Database</i> • <i>Trip Sheets</i> • <i>NTD Data Worksheets</i> • <i>HASTUS Summaries by Route</i> 	<ul style="list-style-type: none"> • <i>July 2014, December 2014 and February 2015.</i> • <i>Three years of data were noted to be archived on OCTA's network.</i>
<i>CBDO</i>	<ul style="list-style-type: none"> • <i>CBDO Statistics Reports (queried from Data Warehouse)</i> • <i>Random Sampling Database</i> • <i>Trip Sheets</i> • <i>NTD Data Worksheets</i> • <i>HASTUS Summaries by Route</i> 	<ul style="list-style-type: none"> • <i>July 2014, December 2014 and February 2015.</i> • <i>Three years of data were noted to be archived on OCTA's network.</i>
<i>MBPT</i>	<ul style="list-style-type: none"> • <i>MBPT Statistics Reports (queried from Data Warehouse)</i> • <i>Random Sampling Database</i> • <i>Trip Sheets</i> • <i>NTD Data Worksheets</i> • <i>HASTUS Summaries by Route</i> 	<ul style="list-style-type: none"> • <i>July 2014, December 2014 and February 2015.</i> • <i>Three years of data were noted to be archived on OCTA's network.</i>
<i>CBPT</i>	<ul style="list-style-type: none"> • <i>CBPT Statistics Reports (queried from Data Warehouse)</i> • <i>Random Sampling Database</i> • <i>Trip Sheets</i> • <i>NTD Data Worksheets</i> • <i>HASTUS Summaries by Route</i> 	<ul style="list-style-type: none"> • <i>July 2014, December 2014 and February 2015.</i> • <i>Three years of data were noted to be archived on OCTA's network.</i>
<i>DRPT</i>	<ul style="list-style-type: none"> • <i>Contractor Provided NTD Program Data reports</i> • <i>Driver Manifests</i> • <i>Passenger and Mileage Summaries from Trapeze database</i> 	<ul style="list-style-type: none"> • <i>July 2014, December 2014 and February 2015.</i> • <i>Three years of data were noted to be archived on OCTA's network.</i>
<i>DTPT</i>	<ul style="list-style-type: none"> • <i>Contractor Provided NTD Program Data reports</i> • <i>Passenger and Mileage Summaries from Trapeze database</i> 	<ul style="list-style-type: none"> • <i>July 2014, December 2014 and February 2015.</i> • <i>Three years of data were noted to be archived on OCTA's network.</i>
<i>VPPT</i>	<ul style="list-style-type: none"> • <i>Detail and Summary Reports from Data Warehouse</i> • <i>Rider Log-in Website</i> 	<ul style="list-style-type: none"> • <i>July 2014, December 2014 and February 2015.</i> • <i>Three years of data were noted to be archived on OCTA's network.</i>

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Results - We inquired regarding the system of internal controls noting that each respective mode/type of service is being reviewed by personnel independent of the preparation process. The review is performed monthly for all modes with a second review performed quarterly for the MBDO, MBPT, CBDO, CBPT, DRPT and DTPT modes and monthly for the VPPT mode.

- f. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Results - We selected a random sample of 40 Random Check Trip Sheets for the MBDO and MBPT services, 10 Random Check Trip Sheets for the CBDO and CBPT services, and 40 random sample Drivers Manifests for the DRPT service and noted supervisory signatures documenting reviews of the data presented. For DTPT and VPPT, we noted supervisory signatures on the source documents which were in electronic format.

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Results - We obtained the worksheets utilized by OCTA to transcribe statistics to the Federal Funding Allocation Statistics form and compared the data to summaries without exception. We tested the arithmetical accuracy of the summaries without exception.

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2014 Policy Manual.

Results – Sampling was conducted for the MBDO, MBPT, CBDO and CBPT modes. We reviewed the sampling methodologies and noted that the sampling methodology used met the requirements of the 2014 Policy Manual.

The remaining 3 modes of services do not involve sampling. These modes use a 100% count of actual PM and compilations of actual Revenue Miles which is accordance with the 2014 Policy Manual.

- i. Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

1. According to the 2010 Census, the public transit agency serves an UZA with a population less than 500,000.
2. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
3. Service purchased from a seller is included in the transit agency's NTD report.

For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2014) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements.

Determine how the transit agency estimated annual PMT for the current report year.

Results – OCTA did not meet the criteria above. Therefore the procedure identified above is not applicable.

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency’s working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

Results – For the MBDO, MBPT, CBDO and CBPT modes we obtained a copy of OCTA’s methodology used in the statistical sampling to estimate Average Passenger Miles (PM) and determined that the methodology used by OCTA resulted in a random selection of runs and that the stated sampling procedure was followed in accordance with the National Transit Database Sampling Manual.

- k. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Results - For MBDO we randomly selected 40 surveyed routes from July 2014, December 2014 and February 2015. We verified the mathematical accuracy of the survey count sheets and that the data was properly input to the accumulation worksheet designed to perform the Average PM calculation. No exceptions were noted.

For MBPT we randomly selected 40 surveyed routes from July 2014, December 2014 and February 2015. We verified the mathematical accuracy of the survey count sheets and that the data was properly input to the accumulation worksheet designed to perform the Average PM calculation. No exceptions were noted.

For CBDO we randomly selected 10 surveyed routes from July 2014, December 2014 and February 2015. We verified the mathematical accuracy of the survey count sheets and that the data was properly input to the accumulation worksheet designed to perform the Average PM calculation. No exceptions were noted.

For CBPT we randomly selected 10 surveyed routes from July 2014, December 2014 and February 2015. We verified the mathematical accuracy of the survey count sheets and that the data was properly input to the accumulation worksheet designed to perform the Average PM calculation. No exceptions were noted.

For DRPT and DTPT modes, we tested contractors providing more than 90% of the services provided. For these contractors we selected 40 routes performed during July 2014, December 2014 and February 2015 and compared the PM reported against the signed driver manifests without exception.

For VPPT, we compared ridership being entered on the Vanpool internet database for July 2014, December 2014 and February 2015 against amounts uploaded to the Data Warehouse without exception. We also tested the revenue miles reported for 40 Vanpool trips and verified the accuracy of calculations used to determine PM without exception.

1. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Results - The procedure identified above is not applicable. Per inquiry with OCTA's management, OCTA did not provide charter or school bus services.

- m. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.

Results – For the MBDO, CBDO, MBPT and CBPT modes, OCTA calculates missed hours of service rather than missed trips. This results in a Total Actual Revenue Vehicle Hours (RVH) by mode as a percentage of Monthly Total Scheduled VRM calculation, which is computed by dividing the number of service hours actually operated by the number of service hours scheduled. This percentage is applied to scheduled VRMs to determine the number of VRMs actually operated and the number of missed VRMs. We selected a sample of four routes, recalculated the VRMs and compared them to amounts used in the total VRM without exception. We recalculated the percentage of actual revenue hours over the scheduled revenue hours used to determine the missed VRM, without exception.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.

Results - This procedure is not applicable.

- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Results - For the DRPT mode, Revenue Miles are calculated based on the odometer readings from the first pickup to the last drop off. Deadhead miles are excluded from the Revenue Miles calculations. We randomly selected 30 trips to test and noted without exception that the deadhead miles are not included in the Revenue Miles calculations.

For the DTPT mode, the Revenue Miles are calculated by the contractors based on pick up and drop off data entered into the scheduling software. The Revenue Miles data is uploaded to the OCTA database and compared to the scheduling data for quality assurance. There are no deadhead miles since these are non-dedicated taxi trips and accordingly Revenue Miles for each trip are recorded.

For the VPPT mode deadhead miles are automatically excluded because only commute miles are entered into the calculation of Revenue Miles and the results are reviewed by the Section Manager – Vanpool Program.

- n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Results - The procedure identified above is not applicable as OCTA does not provide rail service.

- o. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR); or
 - Bus (MB, CB, or RB) service operating over exclusive or controlled access rights-of-way (ROW); and
 - Access is restricted;
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway;
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation; and
 - High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues. The transit agency has provided the NTD a copy of the State's certification to the U.S. Secretary of Transportation stating that it has established a program for monitoring, assessing, and reporting on the operation of the HOV facility with HO/T lanes.

Results – We interviewed the Business Unit Analyst – Transit Division and determined that OCTA's Motor Bus services operate over HIB lanes that appear consistent with the FTA's definition of High Intensity Bus lanes.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that the he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Results – We determined that the mileage was computed in accordance with the FTA definitions of FG/HIB DRM. Per inquiry we determined that there were no changes during the year that resulted in an increase or decrease in DRMs. We recomputed the average monthly DRM for all reported segments and reconciled the total to the HIB DRM without exception.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. The FTA will make a determination on how to report the DRMs.

Results – Per inquiry with the Business Unit Analyst – Transit Division there were no temporary interruptions in transit service during the report year.

- r. Measure FG/HIB DRM from maps or by retracing route.

Results - We recalculated the length of all High Intensity Bus directional routes for both MBDO, MBPT, CBDO and CBPT modes of service using publicly available maps without exception.

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

Results - We interviewed the Business Unit Analyst – Transit Division and noted that OCTA does share some High Intensity Lanes. However, the shared High Intensity Lanes were noted as claimed by the proper agency per the NTD annual reporting manual, and not by OCTA.

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2015 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2015 report year, the Agency Revenue Service Date must occur within the transit agency's 2015 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

Results - We obtained the HIB segments form noting the High Intensity segments and dates. Per inquiry with the Business Unit Analyst – Transit Division, the segments are added to the form based on the inception of revenue service. No exceptions noted.

- u. Compare operating expenses with audited financial data after reconciling items are removed.

Results - Operating expenses were compared to the trial balances subject to audit without exception.

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

Results - We identified the fare revenues reported on the Contractual Relationship form and reconciled the amounts to the general ledger without exception.

- w. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the IAS-FFA regarding data for the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the PT data.

Results – The data for purchased transportation are included in the reporting by OCTA and therefore no IAS for the purchased transportation services is included.

- x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract, and determine that copies of the contracts are retained for three years.

Results - We inspected the MBPT, CBPT, DRPT, DTPT and VPPT service contracts and determined that they contained the items noted above without exception. We inquired with the Business Unit Analyst – Transit Division and the Section Manager – Vanpool Program, regarding OCTA's retention policy for executed contracts for purchased transportation programs. Per inquiry, the current practice is to retain contracts for seven years.

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Results - OCTA provides services in more than one UZA but does not provide services to non urbanized areas. Allocations to urbanized areas are based on trip pattern analysis. The number of yearly trips per pattern is multiplied by the number of miles determined for each UZA. Eight allocations were tested for the MBDO, MBPT, CBDO and CBPT services without exception.

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

Results – The following fluctuations were noted on the FFA-10 Form:

- *A 14.4% decrease in Passenger Miles for MBDO*
- *A 22.6% increase in Revenue Miles for MBPT*
- *A 15.5% increase in Passenger Miles for MBPT*
- *A 30.7% increase in Operating Expenses for MBPT*
- *A 20.1% decrease in Passenger Miles for CBPT*
- *A 32.1% decrease in Operating Expenses for CBPT*
- *A 29.4% increase in Revenue Miles for DTPT*
- *A 27.6% increase in Passenger Miles for DTPT*
- *A 51.5% increase in Operating Expenses for DTPT*

No changes greater than 10% were noted for the CBDO, DRPT and VPPT modes in Revenue Miles, Passenger miles or Operating Expenses.

A 14.4% decrease in the Passenger Miles for MBDO was noted. Per inquiry with the Business Unit Analyst – Transit Division, these are the result of a Board decision to transition bus services to contractors.

A 22.6% increase in Revenue Miles, a 15.5% increase in Passenger Miles and a 30.7% increase in Operating Expenses for MBPT were noted. These are also the result of the Board decision to move bus services from being directly operated by OCTA to contractors.

A 20.1% decrease in Passenger Miles for CBPT was noted. Per inquiry with the Business Unit Analyst – Transit Division, this is the result of a combination of decreased ridership and a lower calculated Average Passenger Trip Length for the CBPT mode.

A 32.1% decrease in Operating Expenses for CBPT was noted. Per inquiry with the Business Unit Analyst – Transit Division, this is the result the prior year Anaheim Base costs being allocated to the CBPT mode instead of the MBPT mode as part of the transition from DO to PT services.

A 29.4% increase in Revenue Miles, a 27.6% increase in Passenger Miles and a 51.5% increase in Operating Expenses for DTPT were noted. Per inquiry with the Business Unit Analyst – Transit Division, these are the result of a July 2012 increase in the fare subsidy which continues to attract more passengers resulting in an increase in the miles and related expenses being reported.

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

Results – We have documented the procedures followed based on the FTA 2014 Reporting Manual Exhibit 71 - Federal Funding Allocation Data Review - Suggested Procedures, and noted the documents reviewed and tests performed in our workpapers. Additional procedures were not performed.



COMMITTEE TRANSMITTAL

March 14, 2016

To: Members of the Board of Directors

From: 
Laurena Weinert, Clerk of the Board

Subject: Measure M2 Quarterly Progress Report for the Period of
October 2015 through December 2015

Executive Committee Meeting of March 7, 2016

Present: Chair Donchak, Vice Chairman Hennessey, and Directors
Murray, Nelson, Spitzer, and Ury

Absent: Director Lalloway

Committee Vote

This item was passed by the Members present.

Committee Recommendation

Receive and file as an information item.



ORANGE COUNTY TRANSPORTATION AUTHORITY


**Measure M2 Quarterly Progress Report for the Period of
October 2015 through December 2015**

Staff Report



March 7, 2016

To: Executive Committee

From: Darrell Johnson, Chief Executive Officer 

Subject: Measure M2 Quarterly Progress Report for the Period of October 2015 through December 2015

Overview

Staff has prepared a Measure M2 quarterly progress report for the period of October 2015 through December 2015, for review by the Orange County Transportation Authority Board of Directors. Implementation of Measure M2 continues at a fast pace. This report highlights progress on Measure M2 projects and programs and will be available to the public via the Orange County Transportation Authority website.

Recommendation

Receive and file as an information item.

Background

On November 7, 2006, Orange County voters, by a margin of 69.7 percent, approved the renewal of the Measure M Plan (Plan) one half-cent sales tax for transportation improvements. The Plan provides a 30-year revenue stream for a broad range of transportation and environmental improvements, as well as a governing ordinance which defines all the requirements for implementing the Plan. The ordinance designates the Orange County Transportation Authority (OCTA) as responsible for administering the Plan and ensuring OCTA's contract with the voters is followed.

OCTA is committed to fulfilling the promises made in Measure M2 (M2). This means not only completing the projects described in the Plan, but adhering to numerous specific requirements and high standards of quality called for in the measure as identified in the M2 Ordinance and Transportation Investment Plan Ordinance No. 3. Ordinance No. 3 requires quarterly status reports regarding the major projects detailed in the plan be brought to the OCTA Board of Directors (Board). All M2 progress reports are posted online for public review.

Additionally, during the quarter an amendment to M2 Ordinance No. 3 was proposed and adopted by the Board, and a brief update on staff's findings of a scrivener's error is included in this report.

Discussion

This quarterly report reflects current activities and progress across all M2 programs for the period of October 1, 2015 through December 31, 2015 (Attachment A).

The quarterly report is designed to be easy to navigate and public friendly, reflecting OCTA's Strategic Plan transparency goals. The report includes budget and schedule information included in the Capital Action Plan, Local Fair Share Program, and Senior Mobility Program payments made to cities this quarter, as well as total payments from M2 inception through December 2015.

M2020 Plan

Pages one through four of Attachment A (in every M2 quarterly report) include OCTA's progress on delivering the 14 objectives identified in the M2020 Plan. In summary, all 14 objectives are on track to be delivered as adopted by the Board. The Program Management Office (PMO), working closely with OCTA's division directors and project managers, will continue to monitor and analyze risks associated with delivering the M2 program of projects. Staff will continue to keep the Board informed on these challenges through Capital Programs metrics staff reports, separate project specific staff reports, and these quarterly progress reports.

Additionally, Attachment A includes a summary of the PMO activities that have taken place during the quarter. Two areas in particular are highlighted below.

M2 Ordinance No. 3 Amendment Correction

As a result of the M2 Ten-Year Comprehensive Review findings, an amendment was implemented to balance available funding between Projects R, U, and T within the transit category of the M2 Ordinance No. 3. The Board held a public hearing and unanimously voted to adopt the amendment on December 14, 2015. In January 2016, staff discovered a scrivener's error in the attachments of the December staff report, which incorrectly reflected the adopted amendment actions. Staff has a separate item on this agenda for the Board's action to correct this error for the record.

M2 Triennial Performance Assessment

The third M2 Triennial Performance Assessment, covering the period from July 1, 2012 through June, 30, 2015, is underway. The assessment evaluates OCTA's performance on a range of activities covering planning, management, and delivery of the M2 Program. The final draft was provided to staff on February 25, 2016, and the final report will be presented to the Taxpayer Oversight Committee in April and the Board in May.

Progress Update

The following highlights M2 Program accomplishments that occurred during the first quarter:

- Interstate 5 (I-5)/Ortega Highway interchange construction opened to traffic, and a completion dedication ceremony took place on October 1, 2015 (Project D).
- On October 12, 2015, Interstate 405 (I-405) Improvement Project toll policy and finance plan assumptions and options were approved by the Board for analysis in the Traffic and Revenue Study. On November 9, 2015, the short-listing of four design-build (DB) teams for design and construction was approved (Project K).
- The Raymond Avenue grade separation bypass road was opened to traffic on October 19, 2015 (Project O).
- On October 23, 2015, OCTA received 27 applications for the Regional Capacity Program as part of the Board-approved \$35 million call for projects. Final recommendations were provided to the Technical Advisory Committee (TAC) on February 24, 2016, and are planned to go the Board for approval on April 11, 2016 (Project O).
- Also on October 23, 2015, OCTA received 18 applications for the Regional Traffic Signal Synchronization Program as part of the Board approved \$15 million call for projects. Final recommendations were also provided to the TAC on February 24, 2016, and are planned to go the Board for approval on April 11, 2016 (Project P).
- The Laguna Niguel/Mission Viejo Metrolink Station pedestrian access ramp construction contract was awarded to a consultant on October 26, 2015 (Project R).

- On October 30, 2015, OCTA submitted the required readiness documents supporting the New Starts Rating Application for the OC Streetcar Project. In December, a work plan to update environmental technical reports was developed to address design refinements made to the project (Project S).
- Updated Community Based Transit/Circulators Guidelines and a second call, with \$20 million available, were approved on November 23, 2015. Final recommendations on the selected projects are anticipated to go to the Board in June 2016 (Project V).
- On December 7, 2015, the new Tustin Avenue/Rose Drive roadway was opened to traffic. Construction activities on the project are anticipated to be complete by June 2016 (Project O).
- Procurement for the environmental phase of the State Route 55 (SR-55) project between I-5 and State Route 91 (Project F) and Interstate 605/Katella Interchange Improvement Project (Project M) was initiated during the quarter.

The following recent activities and/or accomplishments have taken place after the close of the first quarter:

- On January 11, 2016, OCTA received a letter that one of the four short-listed firms for the I-405 DB contract chose to back out, which leaves three firms moving forward. The upcoming construction-ready and advertise construction milestones are targeted for March/April 2016, upon release of the final request for proposals to the three short-listed DB teams (Project K).
- Public review of the SR-55 between I-405 and I-5 (Project F) draft environmental documentation ended on January 22, 2016. OCTA submitted comments to the California Department of Transportation (Caltrans) to reinforce that the scope and funding intent of M2 on SR-55 is for general purpose lane additions and operational improvements. Caltrans is scheduled to finalize selection of the project preferred alternative in March 2016 (Project F).
- On February 9, 2016, OCTA received notice that President Obama included in his next fiscal year budget \$125 million for the OC Streetcar Project, signaling federal endorsement for the much anticipated project. The inclusion of the OC Streetcar puts the project into the federal funding pipeline on the path to receiving up to half of the project's cost from federal funds (Project S).

- The City of Placentia (City) is continuing to work on revisions to the Placentia Metrolink Station parking plan and associated private development agreements. The proposed changes require additional design for the station and parking structure, which impact the scope and schedule of the project. There is currently no baseline schedule for this project. OCTA staff continues to work with the City to finalize cost and plan details (Project R).
- The City of Orange has environmentally cleared the Orange Metrolink Parking Structure project through a Notice of Determination under the California Environmental Quality Act, and has requested OCTA take over the lead agency role for construction. OCTA staff is currently reviewing the plans, cost estimate, and delivery schedule. It is anticipated that a cooperative agreement between the City of Orange and OCTA will be brought to the Board by April 2016 (Project R).

A critical factor in delivering M2 freeway projects is to ensure project scope, schedules, and budgets remain on target. Project scope increases, project delays, and resulting cost increases can quickly affect project delivery and have a cascading effect on other activities.

Caltrans and OCTA continue to work together to move projects forward; however, as with any program there are a number of issues that create challenges. Caltrans strategic policy direction has shifted away from system capacity enhancements, such as general purpose lane additions and now includes a focus on construction and enhancement of managed lane systems, including high-occupancy vehicle lanes. The goal of this policy shift is to increase average vehicle occupancy and contribute toward the state's greenhouse gas reduction goals.

The focus on managed lanes conflicts with the public's expectations for some M2 projects. It may also result in inconsistencies with the existing and draft Regional Transportation Plan/Sustainable Communities Strategy even though these documents achieve the greenhouse gas emission reduction goals, established by the California Air Resources Board pursuant to SB 375. Navigating this challenge by working closely with Caltrans will be important moving forward with the M2 freeway program.

A new challenge that the program is facing is related to the shortfall in State Transportation Improvement Program (STIP) funding. On January 25, 2016, the California Transportation Commission (CTC) provided OCTA with a revised 2016 STIP funding target that required OCTA to reduce its STIP program of projects by \$36.5 million, or by about 35 percent. This change is driven by the

drop in the price-based excise tax to ten cents/gallon. The CTC required all agencies, including OCTA, to revisit each County's STIP program of projects and submit revised projects on February 26, 2016. OCTA presented the revised plan to the Board on February 22, 2016. While this shortfall will have an impact on M2 projects, staff's proposed cuts were intended to keep the impact to M2 to a minimum.


Summary

As required by M2 Ordinance No. 3, a quarterly report covering activities from October 2015 through December 2015 is provided to update progress in implementing the M2 Transportation Investment Plan. The above information and the attached details indicate significant progress on the overall M2 Program. To be cost-effective and to facilitate accessibility and transparency of information available to stakeholders and the public, the M2 quarterly progress report is presented on the OCTA website. Hard copies are available by mail upon request.

Attachment

- A. Measure M2 Progress Report – Second Quarter of Fiscal Year 2015-16 – October 1, 2015 through December 31, 2015

Prepared by:



Tamara Warren
Manager, Program Management Office
(714) 560-5590

Approved by:



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



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Measure M2 Quarterly Progress Report for the Period of
October 2015 through December 2015**

Attachment A

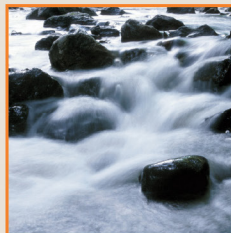


- SECOND QUARTER HIGHLIGHTS:**
- Freeway Projects
 - Streets and Roads
 - Environmental Cleanup & Water Quality
 - Freeway Mitigation Program
 - Finance Matters
 - Program Management Office
 - Summary

Measure M2

Progress Report

Second Quarter of Fiscal Year 2015-16
 October 1, 2015 through December 31, 2015





SUMMARY

As required by the Measure M2 (M2) Ordinance No. 3, a quarterly report covering activities from **October 1, 2015 through December 31, 2015** is provided to update progress in implementing the M2 Transportation Investment Plan.

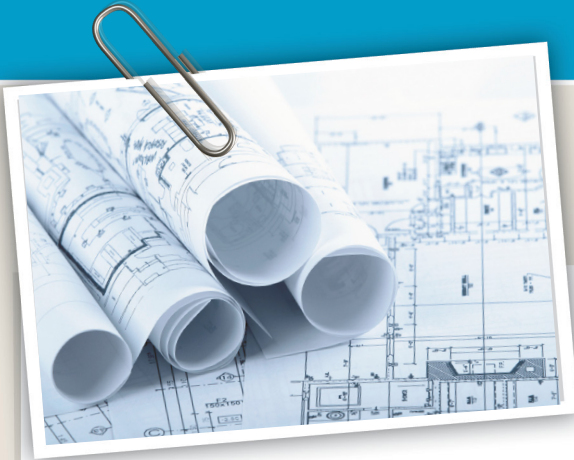
To be cost effective and to facilitate accessibility and transparency of information available to stakeholders and the public, the M2 progress report is presented on the Orange County Transportation Authority (OCTA) website. Hard copies are mailed upon request.



Measure M2

Progress Report

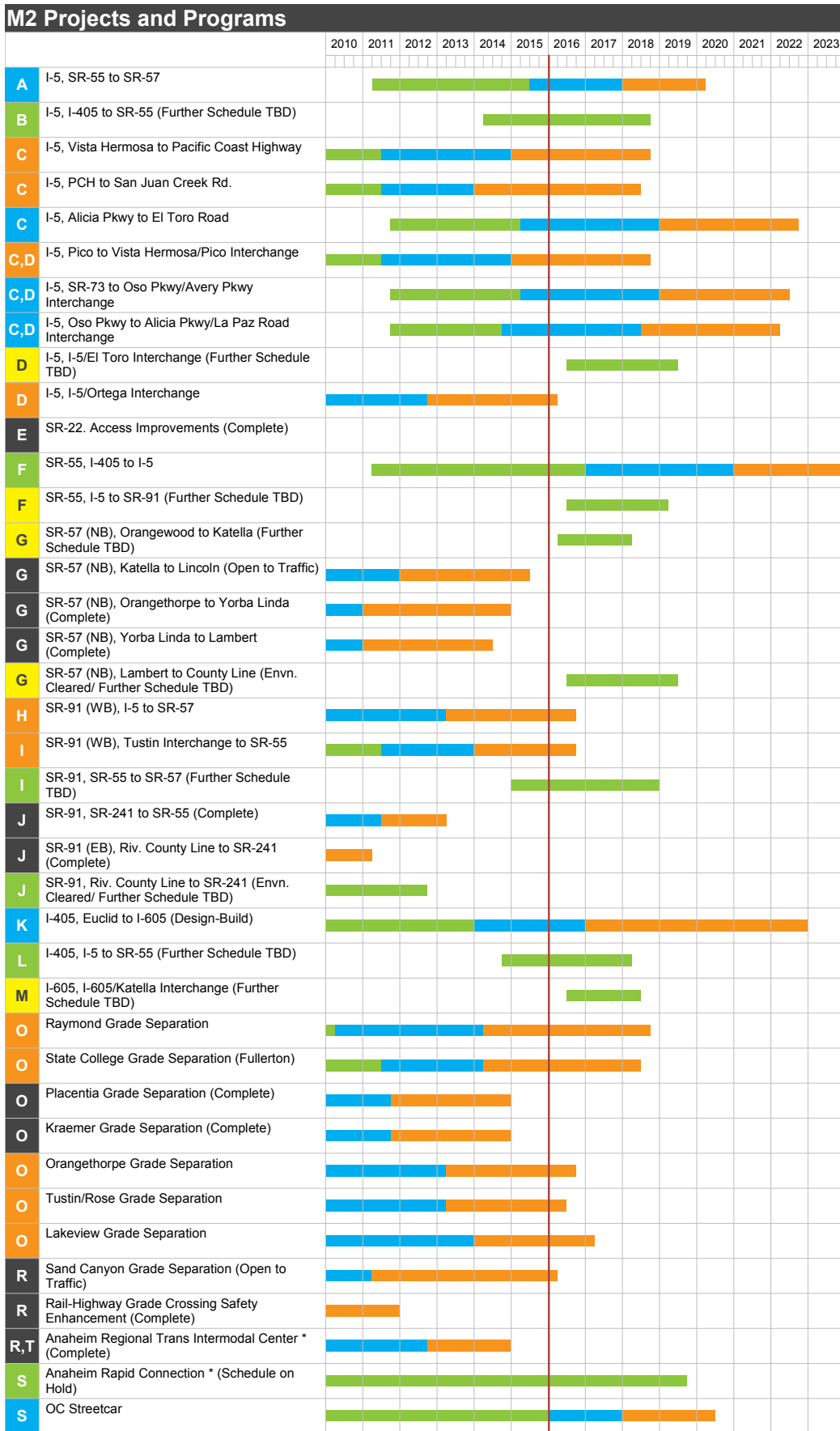
TABLE OF CONTENTS



SECTION	PROJECT	PAGE
M2 Delivery Risk Update		1
M2020 Plan Update		2
Freeway Program (Projects A - N)		6
Interstate 5 (I-5) Projects	[A – D]	6
State Route 22 (SR-22) Project	E	9
State Route 55 (SR-55) Projects	F	10
State Route 57 (SR-57) Projects	G	11
State Route 91 (SR-91) Projects	[H – J]	12
Interstate 405 (I-405) Projects	[K – L]	14
Interstate 605 (I-605) Project	M	16
Freeway Service Patrol	N	16
Streets and Roads (Projects O, P and Q)		17
Regional Capacity Program	O	17
Regional Traffic Signal Synchronization	P	20
Local Fair Share Program	Q	22
Transit Programs (Projects R, S, T, U, V and W)		23
High Frequency Metrolink Service	R	23
Transit Extensions to Metrolink	S	25
Regional Gateways for High-Speed Rail	T	27
Expand Mobility Choices for Seniors and Persons with Disabilities	U	27
Community Based Transit / Circulators	V	29
Safe Transit Stops	W	29
Environmental (Project X and Freeway Mitigation Program)		30
Environmental Cleanup	X	30
Freeway Mitigation Program (Part of Projects A – M)		31
Program Management Office		32
M2 Financing and Schedule of Funding		35
Local Fair Share M2 Funding by Agency		42
Capital Action Plan Status		44



Project Schedules



*Projects managed by local agencies.

Project K is a Design-Build project, with some overlap in activities during phases. Phase work can be concurrent.

Shown schedules are subject to change.

Measure M2

Progress Report

M2 DELIVERY RISK UPDATE



Key:

- One to Watch
- At Risk

M2 Delivery Risk Update

Risks and challenges to overall Measure M2 delivery are described below with associated proposed actions and explanations. Originally, this section was dedicated to discussing the risks that were identified in the M2020 Plan, but now focuses on current M2 risks. This section will continue to be used to discuss overall risks and challenges to M2 that the Measure M Program Management Office is watching.

	Delivery Risk	Explanation	Proposed Action
1	Delay in project phases affecting overall costs and ability to deliver projects. Caltrans and OCTA maintain varying perspectives with regard to freeway program delivery.	A critical factor in delivering M2 is keeping project costs and schedules on target. All projects must remain on-track to ensure overall Plan delivery. Additionally, Caltrans and OCTA must remain coordinated, despite varying goals. OCTA is the funding agency, whose M2 mandate is to deliver projects promised to the voters while limiting impacts to the community. Caltrans' strategy is to address ultimate need for long-term solutions whenever possible. The challenge is how to balance these strategies.	Identify critical program activities and develop strategies to minimize delays. OCTA and Caltrans will work together to find common ground and allow for project delivery, which is critical to the success of both agencies. Projects experiencing delays will continue to be highlighted in these quarterly reports as well as divisional metric reports as appropriate. If a project is nearing a critical delay, a separate and specific project staff report will be presented to the Board to ensure awareness.
2	Availability of specialized staff given the scope of right-of-way (ROW) activities for the various freeway construction activities. The heavy demand on Caltrans' ROW resources will be a challenge for early acquisition. This is further challenged by a change in meeting frequency by the California Transportation Commission, a necessary step in ROW settlement.	Timely ROW acquisition and utility clearance has proven to be a key factor in reducing risk on construction projects. Expert and timely coordination between OCTA and Caltrans is imperative to manage this risk. With the exception of Project K (I-405), OCTA does not have ROW authority and therefore relies on its partner Caltrans for this work effort.	OCTA and Caltrans will need to work closely to address the risk associated with Caltrans' limited ROW resources.
3	Availability of management and technical capabilities to deliver/ operate future rail guideway projects.	In February 2015, the OCTA Board approved the procurement of project management consultant services for the upcoming engineering and construction phases of the Santa Ana/Garden Grove (OC Streetcar) Project. The selected project management consultant will assist OCTA in the development of plans related to project delivery, as well as management and operations.	OCTA has prepared a Project Management Plan, which demonstrates OCTA has the technical and management capacity to construct and operate the OC Streetcar. The Plan includes a Risk Management Plan, and was submitted to FTA on October 30, 2015. This will have to be approved by FTA before entering into engineering. FTA is currently reviewing the Plan and is expected to approve/provide feedback by next quarter.
4	Changes in priorities over the life of the program.	The Plan of Finance adopted by the Board in 2012 included M2020 Plan Priorities and Commitments with 12 core principles to guide the Board in the event of a needed change.	Staff regularly monitors Plan performance and delivery constraints, and will highlight particular concerns as appropriate.



M2020 Plan Update

Contact: Tami Warren, PMO Manager
(714) 560-5590

On September 10, 2012, the OCTA Board of Directors (Board) approved the M2020 Plan which is an eight-year plan that outlines projects and programs for all modes of transportation to be delivered on an expedited schedule between now and the year 2020. The plan also positions OCTA on a course to go beyond the early implementation projects if additional external funds can be accessed. Below is a summary of our progress towards meeting the eight-year objectives, including a summary of the risks identified in the adopted plan, as well as other identified risks or delivery challenges.

Progress Update

The M2020 Plan identifies 14 objectives. Significant progress has been made with several projects advancing to completion. A summary of the progress to date for each of the 14 objectives is outlined below.

M2020 Plan Objectives

1. Deliver 14 M2 freeway projects.

Five of the 14 projects are complete: SR-91 between SR-241 and SR-55 (Project J), SR-57 between Yorba Linda Boulevard and Lambert Road (Project G), SR-57 between Orangethorpe Avenue and Yorba Linda Boulevard (Project G), SR-57 between Katella Avenue and Lincoln Avenue (Project G), and most recently the Ortega Highway I-5 interchange project (Project D). Additionally, another five projects are currently under construction: three segments of I-5 between Pico to Vista Hermosa, Vista Hermosa to Pacific Coast Highway, and Pacific Coast Highway to San Juan Creek Road (Project C); SR-91 between I-5 to SR-57 (Project H); and SR-91 Tustin Avenue Interchange to SR-55 (Project I). Another three are in design, with one of the 14 projects in the environmental phase. For more details, see previous page (Project Schedules) and the project updates contained in the following pages.

2. Complete environmental phase for 9 remaining M2 freeway projects.

One of the nine projects is already environmentally cleared – SR-91 between SR-241 and SR-15 (Project J) – which was cleared as part of RCTC's Corridor Improvement Program. Three projects are currently in the environmental phase, with another five projects slated to begin the environmental phase in 2016/17. All projects are scheduled to begin the environmental phase, as shown on the previous page (Project Schedules), and will be environmentally cleared by 2020.

3. Invest \$1.2 billion for Streets and Roads projects (Projects O, P, and Q).

To date, OCTA has awarded local agencies nearly \$246 million in Project O and Project P funds and has paid out over \$72.8 million (or approximately 30 percent) of the awarded funding for local streets and roads improvements, which have either started construction or are scheduled to start construction in the next 3-5 years. Additionally, the Board

Continued from previous page...

has committed to provide more than \$634 million in state, federal, and M2 funds for the OC Bridges program's grade separation projects. This accounts for the Project O and P portion of the proposed \$1.2 billion to date. In addition, since inception, approximately \$201 million of Local Fair Share funds (Project Q) has already been distributed to local agencies. Approximately \$52 million will be distributed this fiscal year, and this amount is expected to grow annually.

4. Synchronize 2,000 traffic signals across Orange County (Project P).

Through M2 Calls for Projects so far, more than 2,000 signals have been designated for improvements. To date, OCTA and local agencies have synchronized 1,413 intersections along 363 miles of streets. The signal program will meet the target early (prior to 2020) of synchronizing at least 2,000 signalized intersections by early 2017. There have been five rounds of funding to date, providing a total of 76 projects with more than \$72.6 million in funding awarded by the Board since 2011.

5. Expand Metrolink peak capacity and improve rail stations and operating facilities (Project R).

Although well underway before the M2020 Plan was adopted, part of Project R (Metrolink Grade Crossing Improvements) was completed in conjunction with the Metrolink Service Expansion Plan (MSEP). This enhanced 52 Orange County rail-highway grade crossings with safety improvements, whereby the cities of Anaheim, Dana Point, Irvine, Orange, Santa Ana, San Clemente, San Juan Capistrano, and Tustin have established quiet zones at respective crossings. Additionally, within this Measure M program, funding is provided for rail line and station improvements to accommodate for increased service. Rail station parking lot expansions, such as improvements at Fullerton, Orange and Tustin stations, better access to platforms through improvements to elevators and/or ramps, and a passing siding project between Laguna Niguel and San Juan Capistrano have been made or are underway most recently. For more details, see the project updates contained in the following pages.

6. Expand Metrolink service into Los Angeles (Project R).

The Riverside County Transportation Commission (RCTC), Los Angeles County Metropolitan Transportation Authority (Metro) and OCTA continue to work together to secure approval of a Memorandum of Understanding (MOU) with Burlington Northern Santa Fe (BNSF) Railway, which is necessary to operate train service on BNSF-owned tracks. Metrolink has taken the lead in the discussions with the BNSF Railway to evaluate the current shared use and indemnification/liability agreements that govern the use of each agencies respective railroad rights of way. Special counsel has been brought in to assist in these discussions. From a ridership perspective, data through December 2015 continues to indicate ridership is increasing on MSEP as a result of the April 2015 schedule changes that improve intra-county train utilization. These changes include the new 91 Line connection at Fullerton which allows for a later southbound peak evening departure from Los Angeles to Orange County.

7. Provide up to \$575 million to implement fixed-guideway projects (Project S).

Two fixed guideway projects have received Board approval for funding through preliminary engineering: OC Streetcar and Anaheim Rapid Connection. OCTA is the lead agency for the Santa Ana/Garden Grove Street Car (OC Streetcar) project. In April 2015, the Federal Transit Administration (FTA) issued a Finding of No Significant Impact for the project, which completed the environmental phase. Following formal FTA approval on May 5, 2015, the project moved into the Project Development phase of the federal New Starts program. OCTA submitted the New Starts Rating Application and the Application to Request Entry into Engineering in September and October 2015. OCTA has entered into a Memorandum of Understanding with the City of Santa Ana and with the City of Garden Grove to identify project roles

Continues on the next page...

Continues from previous page...

and responsibilities, including parameters on funding, design, construction, operation, and maintenance. On August 24, 2015, the Board approved using up to \$55.92 million of Measure M2 Project S funds for meeting New Starts match requirements for project development/construction. For the Anaheim Rapid Connection (ARC) project, preparation of environmental documentation is ongoing. The City of Anaheim is continuing to evaluate alternative alignments for the Locally Preferred Alternative, and anticipates to have a draft environmental document available for public review in Fall 2016. To date, the Board has awarded funding through preliminary engineering of approximately \$18 million to the City of Anaheim and approximately \$11 million to the City of Santa Ana, totaling approximately \$29 million.

8. Deliver improvements that position Orange County for connections to planned high-speed rail project (Project T).

The City of Anaheim led the construction effort to build the Anaheim Regional Transportation Intermodal Center (ARTIC), which was opened to rail and bus service on December 6, 2014. A ribbon cutting ceremony was held on December 8, 2014, with a grand opening celebration on December 13, 2014. This facility replaced the former Anaheim Station that was located on the opposite side of the freeway. The ARTIC project is complete with the exception of final inspections permit closeout which are anticipated to be complete next quarter.

9. Provide up to \$75 million of funding to expand mobility choices for seniors and persons with disabilities (Project U).

To date, approximately \$35 million in Project U funding has been provided under M2 for the Senior Mobility Program (SMP), the Senior Non-emergency Medical Transportation Program (SNEMT), and the Fare Stabilization Program.

10. Provide up to \$50 million of funding for community-based transit services (Project V).

On June 24, 2013, the OCTA Board of Directors approved up to \$9.8 million to fund five projects received as part of the first Call for Projects. On February 9, 2015, OCTA staff provided a project status update to the Board. The Board directed staff to meet with local agencies interested in the next Call for Projects, and return with revised Project V Guidelines that encouraged more local agency participation. On September 23, 2015, staff presented updated Project V Guidelines and the Call for Projects recommendation to the Technical Advisory Committee (TAC) and received their approval. Updated Guidelines and the second Call for Projects, providing up to \$20 million for the Project V Community Based Transit Circulator Program, were approved by the OCTA Board on November 23, 2015. Local Agency applications for funding are due by February 29, 2016.

11. Acquire and preserve 1,000 acres of open space, establish long-term land management, and restore approximately 180 acres of habitat in exchange for expediting the permit process for 13 of the M2 freeway projects (Projects A-M).

The Freeway Mitigation Program is proceeding as planned, with seven properties acquired (1,300 acres), and 11 restoration projects approved for funding by the Board, totaling approximately 350 acres. Ten of these restoration project plans have been approved by the wildlife agencies and are currently being implemented, with the remaining project currently under development. To date, the Board has authorized \$42 million for property acquisitions (inclusive of designating funds to pay for long-term property maintenance), \$10.5 million to fund habitat restoration

Continues from previous page...

activities, and \$2.5 million for conservation plan development and program support, for a total of approximately \$55 million.

12. Complete resource management plans to determine appropriate public access on acquired properties.

The Draft Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP) along with the Draft Environmental Impact Report and Environmental Impact Statement (EIR/EIS) document are currently being finalized after the public comments period, which closed on February 6, 2015. Comments received during the public comment period are being incorporated into the final NCCP/HCP and EIR/EIS, which are anticipated to be brought to the Board for adoption in mid-2016. The release of separate preserve-specific Resource Management Plans (RMP's) for the five properties within Trabuco and Silverado Canyons were released on November 11, 2015 and the comment period is open until February 8, 2016. These RMP's will determine the appropriate management needs (consistent with the NCCP/HCP) for each of the acquired properties. Public meetings were held on November 21 and December 9, 2015, respectively. The remaining two properties (Hayashi and Aliso Canyon) will be the subject of future releases and will follow a similar process. Public access events will continue to be held on the Ferber Preserve and potentially other Preserves such as O'Neill Oaks and Aliso Canyon. A docent-led hike was held on October 17, 2015 at the Ferber Ranch Preserve.

13. Implement water quality improvements of up to \$20 million to prevent flow of roadside trash into waterways (Project X).

To date, there have been five rounds of funding under the Tier 1 grants program. A total of 122 projects in the amount of over \$14 million have been awarded by the OCTA Board since 2011. Subject to Board approval in February 2016, staff anticipates releasing the sixth Tier 1 Call for Projects in March 2016.

14. Provide up to \$38 million to fund up to three major regional water quality improvement projects as part of the Environmental Cleanup Program (Project X).

There have been two rounds of funding under the Tier 2 grants program. A total of 22 projects totaling almost \$28 million have been awarded by the OCTA Board since 2013. Approximately \$10 million remains for a third call for projects, which is anticipated to occur in mid-2016.



Interstate 5 (I-5) Projects

Project A

I-5(SR-55 to SR-57)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Design Phase Underway

Summary: This project will increase HOV lane capacity by adding a second HOV lane in both directions along I-5 between SR-55 and SR-57 in Santa Ana. This quarter, the Project Design Team (PDT) completed structural type selection reports, preliminary foundation reports and 30 percent plans (base maps and plan sheets). Next quarter, comments on 30 percent plans will be addressed and development of 60 percent plans (preparing draft plans, specifications, and estimate) will begin. The design phase is expected to be complete mid-2017.

Project B

I-5 (SR-55 to the El Toro “Y” Area)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Environmental Phase Underway

Summary: This project will add one general purpose lane in each direction of the I-5 corridor and improve the interchanges in the area between SR-55 and SR-133 (near the El Toro “Y” and I-405) in Tustin and Irvine. The environmental study will consider the addition of one general purpose lane on I-5 between just north of I-405 to SR-55. Additional features of Project B include improvements to various interchange ramps. Auxiliary lanes could be added in some areas and re-established in other areas within the project limits. During the quarter, the final decision on traffic methodology for this project along with others in the environmental phase was made by Caltrans and OCTA management and the tasks on critical path resumed. The lengthiness of the decision-making process on traffic methodology has impacted the project by delaying aspects of the environmental phase. As a result, this project is marked “red” in the Capital Action Plan, signifying a delay of at least three months. The draft Project Report and draft Environmental Document are expected to be complete in September 2017, and the final Environmental Document is expected to be complete in July of 2018.



Project C & Part of Project D

I-5 (SR-73 to Oso Parkway/ Avery Parkway Interchange)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Design Phase Underway

Summary: This project will make improvements along I-5 between SR-73 and Oso Parkway in the cities of Laguna Hills, Laguna Niguel, and Mission Viejo. The proposed improvements include the addition of a general purpose lane in each direction from Avery Parkway to Alicia Parkway and reconstruction of the Avery Parkway Interchange (part of Project D). During the quarter, 65 percent Engineering Plans, Specifications & Estimates (PS&E) are in progress and will be submitted to Caltrans by June 2016. Staff also continues to work with Caltrans regarding right-of-way support services. The Right-of-Way Cooperative Agreement between OCTA and Caltrans was approved by the Board in October for approval. Design work is anticipated to be complete in late 2018.

I-5 (Oso Parkway to Alicia Parkway/ La Paz Road Interchange)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Design Phase Underway

Summary: This project will make improvements along I-5 between Oso Parkway and Alicia Parkway in the cities of Laguna Hills and Mission Viejo. The proposed improvements include the addition of a general purpose lane in each direction and reconstruction of the La Paz Road Interchange. The design phase is currently underway. Major activities this quarter included continued coordination with local cities and stakeholders on the aesthetics concept plan and coordination with Southern California Rail Road Association (SCRRA). In October, the OCTA Board approved the CEO to negotiate and execute the Right-of-Way Cooperative Agreement between OCTA and Caltrans, and staff continued to work with Caltrans to finalize language for this Cooperative Agreement. Design work is anticipated to be complete in 2017.

I-5 (Alicia Parkway to El Toro Road)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Begin Design Phase

Summary: This project will make improvements along I-5 between Alicia Parkway to El Toro Road in the cities of Lake Forest, Laguna Hills, Laguna Woods and Mission Viejo, including the extension of the second HOV lane from Alicia Parkway to El Toro Road. Major activities this quarter included continued coordination with local cities and stakeholders on the aesthetics concept plan, completion of the 35 percent Stage Plans, Specs and Estimates submittal and the continued development of a plan to address potential impacts to Avenida De La Carlota and Southern California Edison power lines therein. In October, the OCTA Board approved the CEO to negotiate and execute the Right-of-Way Cooperative Agreement between OCTA and Caltrans, and staff continued to work with Caltrans to finalize language for this Cooperative Agreement. Design work is anticipated to be complete in 2018.

Measure M2

Progress Report

FREEWAYS



Project C & Part of Project D continued from previous page...

I-5 (Avenida Pico to Avenida Vista Hermosa)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: This segment adds a carpool lane in each direction on I-5 between Avenida Pico and Avenida Vista Hermosa in San Clemente, and also includes major improvements to the Avenida Pico Interchange (part of Project D). Construction began in February 2015. This quarter, removal of the old (existing) retaining wall was completed. More than 120 steel piles were also driven into the ground as part of the foundation for the new abutments that will support the newly reconstructed bridge. In January and February 2016, another 120 piles will be added. Construction is now 23 percent complete and is anticipated to be 100 percent complete in late 2017 or early 2018.

I-5 (Avenida Vista Hermosa to PCH)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: This segment adds a carpool lane in each direction of I-5 between Avenida Vista Hermosa and Pacific Coast Highway in San Clemente. Construction began in September 2014. This quarter, work continued on 13 retaining walls and sound walls, with major excavation and construction on both sides of the freeway, primarily between Avenida Vista Hermosa and Camino de Estrella. Work to widen the bridge over Avenida Vaquero, roadway work and drainage system installation work continued. Public outreach efforts continue to focus on residents affected by sound wall and retaining wall work. Construction is 39 percent complete and is scheduled to be 100 percent complete in late 2016 or early 2017.

I-5 (PCH to San Juan Creek Road)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: This segment will add a carpool lane in each direction of the I-5 between Pacific Coast Highway (PCH) and San Juan Creek Road in the cities of San Clemente, Dana Point, and San Juan Capistrano. Construction began in March 2014. This quarter, falsework removal of Stonehill bridge was completed, and drainage system work continued on the northbound onramp from PCH. Construction crews continued work on the PCH connector bridge, the Stonehill Drive/Camino Capistrano on-ramp, and on the retaining wall. A soil issue identified a few months ago that was brought to the Board will delay project completion time. Construction for this wall with the new approved design is in progress. As a result, this project is marked "red" in the Capital Action Plan, signifying a delay of at least three months. Work on the northbound I-5 on-ramp from PCH/Camino Las Ramblas continues. Construction work is 62 percent complete, and is anticipated to be 100 percent complete in Late 2017.



Project D

This Project will update and improve key I-5 interchanges at Avenida Pico, Ortega Highway, Avery Parkway, La Paz, and at El Toro Road. Three interchange improvements at La Paz, Avery Parkway, and Avenida Pico are part of Project C.

I-5 El Toro Road Interchange

Contact: Rose Casey, Highways
(714) 560-5729

Status: PSR/PDS Document Complete

Summary: Caltrans approved the Project Study Report/ Project Development Support (PSR-PDS) on February 20, 2015 and the document is considered final and complete. The PSR-PDS includes alternatives that consider modifications to the existing interchange to provide a new access ramp to El Toro Road and one alternate access point adjacent to the interchange. The project can now advance to the Environmental Phase for further detailed engineering and project development efforts, which is anticipated to begin in late 2016.

I-5/ Ortega Highway Interchange

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Complete

Summary: Construction began in February 2013 to reconstruct the SR-74 Ortega Highway Bridge over I-5, and improve local traffic flow along SR-74 and Del Obispo Street in the City of San Juan Capistrano. During the quarter, the landscape replacement project was advertised for construction, and the contract was awarded by Caltrans on September 22, 2015. Reconstruction activities on the north-half of the bridge were also completed, including construction of the northbound on-ramp. Striping of the entire bridge was performed ahead of the dedication ceremony, which took place on October 1, 2015. All lanes on the new bridge are now open to traffic. A few project punch list items remain, and are scheduled to be complete by next quarter.

State Route 22 (SR-22) Project

Project E

SR-22 Access Improvements

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: Completed in 2008, Project E made improvements at three key SR-22 interchanges (Brookhurst Street, Euclid Street, and Harbor Boulevard) to reduce freeway and street congestion in the area. This M2 project was completed early as a “bonus project” provided by the original Measure M (M1).



State Route 55 (SR-55) Projects

Project F

SR-55 (I-405 to I-5)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Environmental Phase

Summary: This project will widen SR-55 in the cities of Irvine, Santa Ana, and Tustin. This quarter, the Draft Environmental Document was completed and Public Circulation began on November 25, 2015. Next quarter, the public comment period will end on January 22, 2016, and the PDT will address comments and recommend a preferred alternative selection. The project is marked “red” in the Capital Action Plan, signifying a delay of at least three months.

SR-55 (I-5 to SR-91)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Procurement for the Environmental Phase Underway

Summary: The Project Study Report/Project Development Support (PSR/PDS) was signed by Caltrans on January 12, 2015, completing the project initiation document phase. Once implemented, this project will add capacity between I-5 and SR 22, and provide operational improvements between SR-22 and SR-91 in the cities of Orange, Santa Ana, Tustin, and Anaheim. All of the project alternatives in the draft PSR/PDS document include the addition of one general purpose lane in each direction between SR-22 and Fourth Street and operational improvements between Lincoln Avenue and SR-91. Other improvements being considered consist mostly of operational improvements at ramps and merge locations between SR-22 and SR-91, as well as a potential interchange project at First Street and the I-5 connector ramp. Procurement for the environmental phase is underway and the Environmental Phase is anticipated to begin in September 2016 and be complete in 2019.



State Route 57 (SR-57) Projects

Project G

SR-57 NB (Lambert Road to Tonner Canyon Road)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Conceptual Phase Complete

Summary: OCTA previously completed a PSR/PDS document for the Lambert Road to Tonner Canyon Road segment, which will add a truck-climbing lane from Lambert Road to Tonner Canyon Road. The segment will be cleared environmentally by 2020. Future work will be planned so that it coincides with related work by the Los Angeles Metropolitan Transportation Authority across the county line.

SR-57 NB (Yorba Linda Boulevard to Lambert Road)

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: This project increased capacity and improved operations by widening northbound SR-57 between Yorba Linda Boulevard and Lambert Road with the addition of a new general purpose lane, as well as on and off-ramp improvements, and the addition of soundwalls. Construction was completed on May 2, 2014 for this segment.

SR-57 NB (Orangethorpe Avenue to Yorba Linda Boulevard)

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: This project increased capacity and improved operations by widening northbound SR-57 between Orangethorpe Avenue and Yorba Linda Boulevard with the addition of a new general purpose lane, as well as on and off-ramp improvements, and the addition of soundwalls. Final traffic striping was completed on this segment and the new general purpose lane was opened to traffic on April 27, 2014. The project was completed on November 6, 2014.

SR-57 NB (Katella Avenue to Lincoln Avenue)

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: This project increased capacity and improved operations by widening northbound SR-57 between Katella Avenue and Lincoln Avenue with the addition of a new general purpose lane, as well as on and off-ramp improvements, and the addition of sound walls. The project was completed on April 21, 2015.



Project G continued from previous page...

SR-57 NB (Orangewood Avenue to Katella Avenue)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Procurement for the Environmental Phase Underway

Summary: This project will add capacity in the northbound direction of SR-57 from Orangewood Avenue to Katella Avenue in the cities of Anaheim and Orange. Improvements under study include adding a northbound general purpose lane to join the northbound general purpose lane which were opened in Spring 2014 to traffic between Katella Avenue and Lincoln Avenue. Procurement for the environmental phase is underway and the Environmental Phase is anticipated to begin in March 2016 and be complete in mid-2018.

State Route 91 (SR-91) Projects

Project H

SR-91 WB (SR-57 to I-5)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: This project will add capacity in the westbound direction of SR-91 by adding an additional general purpose lane in the westbound direction between Anaheim and Fullerton, and provide operational improvements at on and off-ramps between Brookhurst Street and State College Boulevard. This quarter, miscellaneous paving and concrete work was completed. Construction is approximately 93 percent complete and is anticipated to be 100 percent complete in early 2016. Additional consultant-supplied construction management services was approved by the Board to meet the current construction completion timeline.

Project I

SR-91 (SR-55 to Tustin Avenue Interchange)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: This project will improve traffic flow at the SR-55/SR-91 interchange by adding a westbound auxiliary lane beginning at the northbound SR-55 to westbound SR-91 connector through the Tustin Avenue interchange in the City of Anaheim. The project is intended to relieve weaving congestion in this area. The project includes reconstruction of the westbound side of the Santa Ana River Bridge to accommodate the additional lane. This quarter, miscellaneous drainage, paving and concrete work was completed. Construction is approximately 85 percent complete. The project is anticipated to be complete in mid-2016.

Measure M2

Progress Report

FREEWAYS



Project I continued from previous page...

SR-91 (SR-57 to SR-55)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Environmental Phase Underway

Summary: This project will improve traffic flow and operations along SR-91 within the cities of Fullerton and Anaheim. The study will look at the addition of one general purpose lane eastbound between SR-57 and SR-55, and one general purpose lane westbound from Glassell Street to State College Boulevard. Additional features of this project include improvements to various interchanges. Auxiliary lanes will be added in some segments and re-established in others within the project limits. This quarter, the consultant continued working on technical documents and a final decision on traffic methodology was made by Caltrans and OCTA management on this project as well as others in the environmental phase, which allows all tasks to move forward without further delay. In December, the Board approved the consultant amendment to include the SR-91/SR-55 connector study. While this connector will be further studied, there is no funding identified for the added improvements. If the connector becomes part of the Caltrans-selected final project alternative, it would need to be a phased project. Measure M funds would pay for the mainline freeway improvements and future funding would need to be identified for the connector portion of the project. The environmental phase is expected to be complete in late 2018.

Project J

SR-91 Eastbound (SR-241 to SR-71)

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: Complete in January 2011, this segment added six miles through a key stretch of SR-91 between Orange County's SR-241 and Riverside County's SR-71. The project improves mobility and operations by reducing traffic weaving from traffic exiting at SR-71 and Green River Road. An additional eastbound general purpose lane on SR-91 was added and all existing eastbound lanes and shoulders were widened. Because this project was shovel-ready, OCTA was able to obtain American Recovery and Reinvestment Act (ARRA) funding for this M2 project, saving M2 revenues for future projects.

SR-91 (SR-241 to SR-55)

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: This completed Project J segment added six miles in the westbound and eastbound direction to a key stretch of SR-91 between SR-55 and SR-241 in the cities of Anaheim and Yorba Linda. In addition to adding 12 lane miles to SR-91, the project also delivered a much needed second eastbound exit lane at the Lakeview Avenue, Imperial Highway and Yorba Linda Boulevard/Weir Canyon Road off-ramps. Beyond these capital improvements,

Continues on the next page...

Measure M2

Progress Report

FREEWAYS



Project J continued from previous page...

crews completed work on safety barriers, lane striping and soundwalls. Completion of this project in March 2013 means a total of 18 lane miles have been added to SR-91 since December 2010.

SR-91 (SR-241 to I-15)

Contact: Rose Casey, Highways
(714) 560-5729

Status: RCTC's Design-Build Construction Underway

Summary: The purpose of this project is to extend the 91 Express Lanes eastward from its current terminus in Anaheim to I-15 in Riverside County. This project will also add one general purpose lane in each direction of SR-91, from SR-71 to I-15, and construct various interchange and operational improvements. On December 11, 2013, the Riverside County Transportation Commission's (RCTC) contractors broke ground on this \$1.3 billion freeway improvement project. While the portion of this project between SR-241 and the Orange County/Riverside County line is part of OCTA's M2 Project J, the matching segment between the county line and SR-71 is part of RCTC's Measure A. With RCTC's focus on extending the 91 Express Lanes and adding a general purpose lane east of SR 71, construction of the final additional general purpose lane between SR-241 and SR-71 will take place post-2035. (RCTC is responsible for the lane between Green River and SR-71 while OCTA will be responsible for the lane west of Green River to SR-241.) To maintain synchronization, these general purpose lanes improvements, which span both counties, will be scheduled to ensure coordinated delivery of both portions of the project, and will provide a continuous segment that stretches from SR-241 to SR-71. This action is consistent with the 2014 SR-91 Implementation Plan.

Interstate 405 (I-405) Projects

Project K

I-405 (SR-55 to I-605)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Design-Build Procurement Underway

Summary: OCTA and Caltrans have finalized the environmental studies to widen I-405 through the cities of Costa Mesa, Fountain Valley, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, and Westminster. These improvements will add mainline capacity and improve the local interchanges along the corridor from SR-73 to I-605.

On July 25, 2014, despite OCTA's Board recommendation to select Alternative 1 (the Measure M, single general purpose lane alternative) Caltrans informed OCTA that Alternative 3 (general purpose lane and second HOV lane to be combined with existing HOV lane providing dual tolled express lane facility) would be the Project preferred alternative. To ensure local control over how the express lane facility would be operated, the Board decided that OCTA would lead this project with the clear understanding that Measure M would only fund the general purpose lane portion of the project and that the second HOV lane/ Express lane facility would be funded separately.

Continues on the next page...



Project K continued from previous page...

On October 12, 2015, the Board approved assumptions for the express lanes toll policy and finance plan and approved options for analysis in the Traffic and Revenue Study. On November 9, 2015, the Board approved the short-listing of four design-build teams and approved the release of the draft Request for Proposals (RFP) for the design and construction of the project to the four short-listed teams. In December, staff conducted industry review meetings with the short listed design-build teams.

During the quarter, work continued on the final RFP. Coordination efforts continued with various utility companies, corridor cities and agencies including Orange County Flood Control District (OCFCD), Orange County Sanitation District (OCSD), and environmental permitting agencies. In addition, the right of way acquisition process began this quarter.

Additional project risks include potential legal actions by opponents of the project, potential escalation of costs associated with further delay and compression of time available for right-of-way acquisition.

Project L

I-405 (SR-55 to the I-5)

Contact: Rose Casey, Highways
(714) 560-5729

Status: Environmental Phase Underway

Summary: This project will add one general purpose lane in each direction of the I-405 corridor and improve the interchanges in the area between I-5 and SR-55 in Irvine. Additional features of Project L include improvements to various interchanges, auxiliary lanes and ramps. During the quarter, the Project Development Team continued engineering and environmental work. The final decision on traffic methodology affecting this project along with others in the environmental phase was made by Caltrans and OCTA management and the tasks on critical path resumed. The lengthiness of the decision-making process on traffic methodology impacted the project by delaying aspects of the environmental phase. As a result, this project is marked “red” in the Capital Action Plan, signifying a delay of at least three months. The draft Project Report and draft Environmental Document are expected to be complete in June 2017, and the final Environmental Document is expected to be complete in March 2018.



Interstate 605 (I-605) Project

Project M

I-605/Katella Interchange Improvements

Contact: Rose Casey, Highways
(714) 560-5729

Status: Procurement Initiated

Summary: This project will improve freeway access and arterial connection to I-605 at Katella Avenue in the City of Los Alamitos and the County of Orange. Improvements under this project may include enhancements at the on-ramps and off-ramps in addition to operational improvements on Katella Avenue at the I-605 Interchange. The PSR/PDS was signed on May 11, 2015 by Caltrans Executive Management. Three alternatives were approved within the document, including modification of interchange ramps and lane configurations on Katella Avenue from Coyote Creek Channel to Civic Center Drive. With the PSR/PDS approved, the project has now advanced to the Environmental Phase for further detailed engineering and project development efforts. During this quarter, procurement for the Environmental Phase was initiated and the study is anticipated to begin in fall of 2016.

Freeway Service Patrol

Project N

Freeway Service Patrol

Contact: Sue Zuhlke, Motorist Services
(714) 560-5574

Status: Service Ongoing

Summary: M2's Freeway Service Patrol (FSP) began operation in June 2012 and provides tow truck service for motorists with disabled vehicles on the freeway system to help quickly clear freeway lanes and minimize congestion. During this quarter, the midday service provided assistance to 1,604 motorists, weekend service provided assistance to 842 motorists, and construction service provided assistance to 771 motorists. Since inception, M2 and construction-funded FSP has provided a total of 41,589 assists to motorists on the Orange County freeway system.



Project O

Regional Capacity Program

Contact: Sam Kaur, Planning
(714) 560-5673

Status: 2016 Call for Projects in Development

Summary: This program, in combination with required local matching funds, provides funding for improvements on Orange County's Master Plan of Arterial Highways. On August 10, 2015, the Board approved the release of the 2016 Call for Projects. This sixth Call for Projects will make approximately \$38 million available to fund additional road improvements throughout the County. One-on-one meetings were held with local agencies during the month of September to assist in the preparation and submittal of grant applications. Training for the use of OC Fundtracker, the online application submittal tool, was also provided. Applications for funding were due on October 23, 2015. Since 2011, and after five completed Call for Projects, 103 projects totaling more than \$193 million have been awarded by the Board to date. OCTA has received local agency applications for funding and is in the process of evaluation at this time. Final Recommendations will be provided to the Technical Advisory Committee by March 2016 and to the OCTA Board by June 2016.

OC Bridges Railroad Program

Contact: Rose Casey, Highways
(714) 560-5729

This program will build seven grade separations (either under or over passes) where high volume streets are impacted by freight trains along the BNSF Railroad in North County. A status for each of the seven projects is included below. As of the end of this quarter, five grade separation projects are under construction and two are complete (Kraemer and Placentia).

Kraemer Boulevard Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: The project located at Kraemer Boulevard railroad crossing is grade separated and open to traffic. The project separated the local street from railroad tracks in the City of Placentia by building an underpass for vehicular traffic. The grade separation was opened to traffic on June 28, 2014, and an event was held on July 8, 2014 to commemorate the opening. Construction is complete and construction close-out activities were performed this quarter. Project acceptance by the City of Anaheim and the City of Placentia, respectively, occurred in December 2014 and OCTA has turned over the maintenance responsibilities to the cities and commenced the one year warranty.

Measure M2

Progress Report STREETS & ROADS



Project O continued from previous page...

Lakeview Avenue Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: The project located at Lakeview Avenue railroad crossing will grade separate the local street from railroad tracks in the cities of Anaheim and Placentia by building a bridge for vehicular traffic over the railroad crossing and reconfiguring the intersection of Lakeview Avenue and Orangethorpe Avenue. Construction began on July 1, 2014. Project activities this quarter continued to include utility relocation and removal work, street drainage facility work, underground detention basin and jack and bore work and retaining walls. In addition, pile driving for the north bridge abutment was completed. Lakeview Avenue (north of Orangethorpe Avenue) was closed to traffic on February 25, 2015, and is expected to reopen with the connector road in April 2016. Lakeview Avenue (south of Orangethorpe Avenue) was closed to through traffic on March 13, 2015 and is expected to reopen in November 2016. Local access to all businesses will continue to be maintained. Construction progress is approximately 40 percent complete and is expected to be 100 percent complete by early 2017.

Orangethorpe Avenue Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: The project located at Orangethorpe Avenue railroad crossing will grade separate the local street from railroad tracks in the cities of Placentia and Anaheim by building a bridge for vehicular traffic over the railroad tracks. OCTA is overseeing construction, which continued during the quarter. Construction activities this quarter included utility relocation, building the foundation for the south half of Carbon Canyon bridge, building girder diaphragms for Orangethorpe Avenue bridge, building barrier rail, screen walls and pavement at the Orangethorpe Avenue/Chapman Avenue intersection, building barrier slabs for retaining walls, and continued roadway improvements on Miller Street. Orangethorpe Avenue, from Miller Street to Chapman Avenue, was closed to traffic on August 11, 2014, and is expected to reopen in early 2016. Chapman Avenue was closed on January 5, 2015, and is expected to be opened in early 2016. Construction progress is approximately 82 percent complete and the project is expected to be 100 percent complete by mid-2016.

Placentia Avenue Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: PROJECT COMPLETE



Summary: The project located at Placentia Avenue railroad crossing is grade separated and open to traffic. This project separated the local street from railroad tracks in the city of Placentia by building an underpass for vehicular traffic. An event was held on March 12, 2014, to commemorate the opening to traffic. Construction is complete and construction close-out activities were performed this quarter. Project acceptance by the City of Anaheim and the City of Placentia, respectively, occurred in December 2014, and OCTA has turned over the maintenance responsibilities to the cities and commenced the one year warranty.

Measure M2

Progress Report

STREETS & ROADS



Project O continued from previous page...

Raymond Avenue Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: The project located at Raymond Avenue railroad crossing will grade separate the local street from railroad tracks in the City of Fullerton by taking vehicular traffic under the railroad crossing. The City of Fullerton is managing construction and OCTA is providing construction oversight, public outreach, railroad coordination and right-of-way support. Construction began on June 2, 2014. Activities this quarter continued to include utility relocations, temporary bypass road grading and paving, temporary lighting, various street drainage facility work, sewer and waterline relocation work and railroad retaining wall construction, placement of shoring for mass excavation at the bridge and pump station. The BNSF track-laying machine placed shoofly tracks (temporary bypass tracks) on June 10, 2015, and shoofly tracks were activated on October 9, 2015. Raymond Avenue was temporarily closed on September 8, 2015 to allow construction of the bypass road and temporary railroad crossing. The bypass road was opened to traffic on October 19, 2015. Construction progress is approximately 54 percent complete and is expected to be 100 percent complete in mid-2018.

State College Boulevard Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: The project located at State College Boulevard railroad crossing will grade separate the local street from railroad tracks in the City of Fullerton by taking vehicular traffic under the railroad crossing. The City of Fullerton is managing the construction and OCTA is providing construction oversight, public outreach, railroad coordination and right-of-way support. Construction activities this quarter continued to include retaining wall shoring, various street drainage facility work, and railroad retaining wall construction and grading, as well as sewer, waterline and utility relocation work. The BNSF track-laying machine placed the shoofly tracks on June 9, 2015, and shoofly tracks were activated on October 9, 2015. The intersection of State College Boulevard and East Valencia Drive was closed on January 9, 2015, for approximately two and a half years to allow for the construction of the new bridge at the railroad tracks. Construction progress is approximately 39 percent complete and is expected to be 100 percent complete by early-2018.

Tustin Avenue/ Rose Drive Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Underway

Summary: The project located at Tustin Avenue/Rose Drive railroad crossing will grade separate the local street from railroad tracks in the cities of Placentia and Anaheim by building a bridge for vehicular traffic over the railroad crossing. OCTA is overseeing construction for this project. On October 15, 2015, precast girders were placed on the center span over the railroad tracks and the deck was completed afterwards. The contractor placed pavement on the new Tustin Avenue/Rose Drive and the roadway was opened to traffic on December 7, 2015. Other construction

Continues on the next page...

Measure M2

Progress Report

STREETS & ROADS



Project O continued from previous page...

activities this quarter included placing reinforcement steel for rail barrier on retaining walls and bridge, removing bridge falsework, building raise median along Orangethorpe Avenue, installing traffic signals, removing the bypass road and restoring the Manheim property. Construction progress is approximately 82 percent complete and is expected to be 100 percent complete by mid-2016.

Project P

Contact: Anup Kulkarni, Planning
(714) 560-5867

Regional Traffic Signal Synchronization Program (RTSSP)

Status: Ongoing (See current RTSSP projects' statuses illustrated on the map on the next page)

Summary: This program provides funding and assistance to implement multi-agency signal synchronization. The target of the program is to regularly coordinate signals along 2,000 intersections as the basis for synchronized operation across Orange County. The program will enhance the efficiency of the street grid and reduce travel delay. To date, OCTA and local agencies have synchronized 1,413 intersections along 363 miles of streets. There have been five rounds of funding to date, providing a total of 76 projects with more than \$72.6 million in funding awarded by the Board since 2011.

Sixteen Regional Traffic Signal Synchronization Program (RTSSP) projects programmed for fiscal year 2011-12 are all underway. Fifteen of the sixteen projects will have signal synchronization completed by March 2016, with the sixteenth project expected to have timing implemented by the end of the following quarter of fiscal year 2015-16. These projects synchronize 550 intersections on 151 miles of roadways.

Twenty-three RTSSP projects programmed for fiscal year 2012-13 are underway with implementation of signal timing and signal system improvements. These projects will synchronize an additional 522 intersections on 136 miles of roadways. Completion is anticipated in March 2016.

Thirteen RTSSP projects programmed for fiscal year 2013-14 are underway. Administrative cooperative agreements have been executed between the stakeholder agencies for the thirteen projects. All projects have begun with implementation of signal timing and signal system improvements. These projects will synchronize an additional 366 intersections on 101 miles of roadways. Completion of these projects is anticipated for July 2016.

Ten RTSSP projects programmed in fiscal year 2014-15 are underway, two of which are led by OCTA staff. OCTA has commenced work on the two projects it is leading. It is anticipated that these two projects will implement synchronized signal timing by December 2016.

In April 2015, \$16.3 million was allocated for seven projects programmed for fiscal year 2015-16, four of which are led by OCTA staff. OCTA has commenced work on executing administrative cooperative agreements.

On August 10, 2015, the Board approved approximately \$12 million for the RTSSP 2016 Call for Projects, and authorized staff to open the call that same day. Project applications were submitted to OCTA on October 23, 2015. Based on the selection criteria, projects will be prioritized for TAC and Board consideration by June 2016.

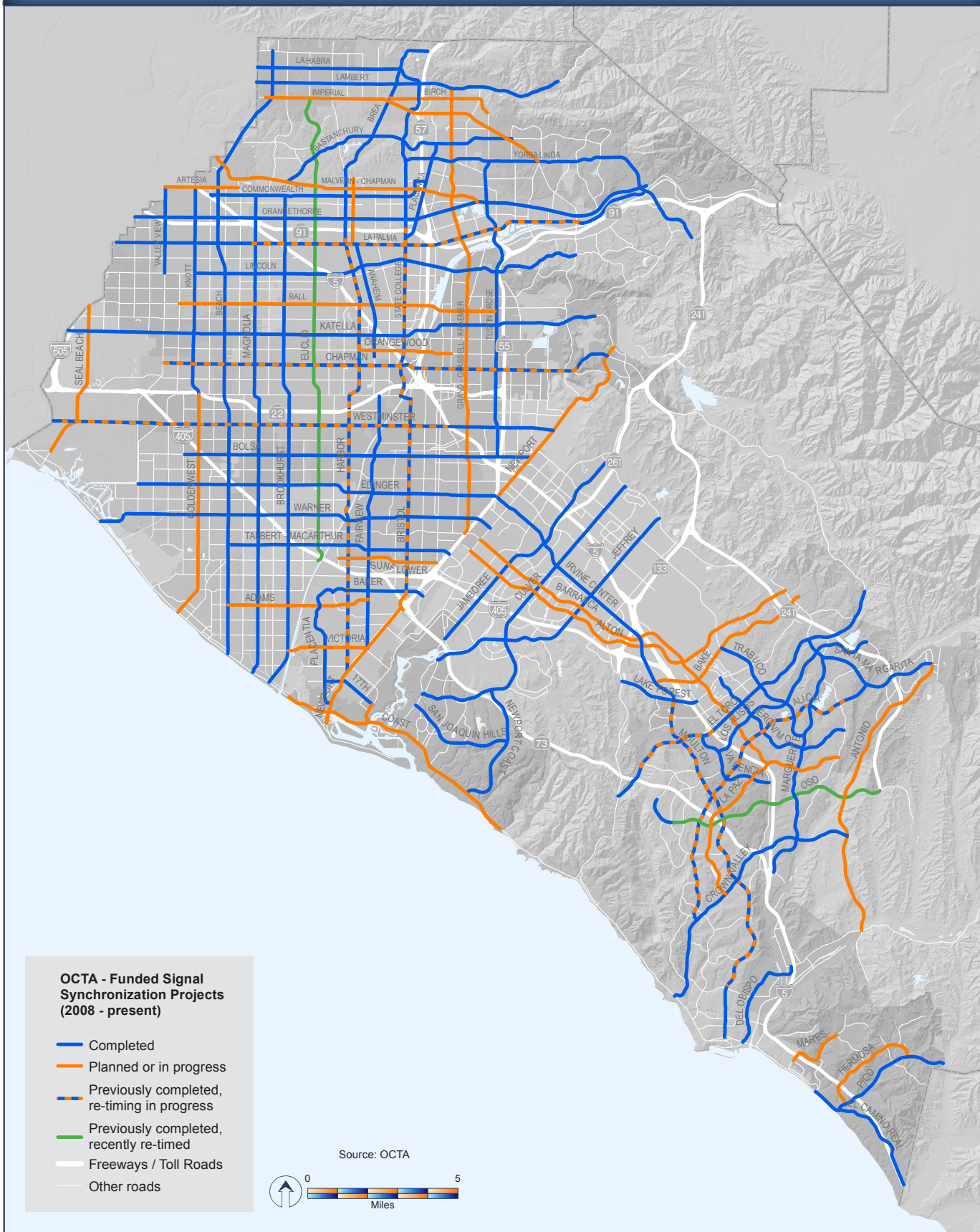
Measure M2

Progress Report

STREETS & ROADS



OCTA - Funded Signal Synchronization Projects (2008 - present)





Project Q

Local Fair Share Program

Contact: Vicki Austin, Finance
(714) 560-5692

Status: Ongoing

Summary: This program provides flexible funding to help cities and the County of Orange keep up with the rising cost of repairing the aging street system. This program is intended to augment, not replace, existing transportation expenditures of the cities and the County. All local agencies have been found eligible to receive Local Fair Share funds. On a bi-monthly basis, 18 percent of net revenues are allocated to local agencies by formula. To date, approximately \$201 million in Local Fair Share payments have been provided to local agencies as of the end of this quarter.

See pages 42-43 for funding allocation by local agency.



Project R

High Frequency Metrolink Service

Project R will increase rail services within the county and provide additional Metrolink service north of Fullerton to Los Angeles. The program will provide for track improvements, the addition of trains and parking capacity, upgraded stations, and safety enhancements to allow cities to establish quiet zones along the tracks. This program also includes funding for grade crossing improvements at high volume arterial streets, which cross Metrolink tracks.

Metrolink Grade Crossing Improvements

Contact: Jennifer Bergener, Rail
(714) 560-5462

Status: PROJECT COMPLETE



Summary: Enhancement of the designated 52 Orange County at-grade rail-highway crossings was completed as part of the Metrolink Service Expansion Program (MSEP) in October 2012. Completion of the safety improvements provides each corridor city with the opportunity to establish a “quiet zone” at their respective crossings. Quiet zones are intended to prohibit the sounding of train horns through designated crossings, except in the case of emergencies, construction work, or safety concerns identified by the train engineer. The cities of Anaheim, Dana Point, Irvine, Orange, Santa Ana, San Clemente, San Juan Capistrano, and Tustin have established quiet zones within their communities.

Metrolink Service Expansion Program

Contact: Jennifer Bergener, Rail
(714) 560-5462

Status: Service Ongoing

Summary: Following the completion of the Metrolink Service Expansion Program (MSEP) improvements in 2011, OCTA deployed a total of ten new Metrolink intra-county trains operating between Fullerton and Laguna Niguel/ Mission Viejo, primarily during midday and evening hours. Efforts to increase ridership through a redeployment of the trains, without significantly impacting operating costs have been underway since 2014. In April 2015, several schedule changes added a connection between the 91 Line and the intra-county service at Fullerton to allow a later southbound peak evening departure from Los Angeles to Orange County. Staff will continue to monitor ridership on these trains, but initial data through December 2015 indicates ridership increased as a result of these schedule changes.

Part of OCTA’s re-deployment plan involves providing new trips from Orange County to Los Angeles. Staff continues to work with BNSF, RCTC, and Metro to address track-sharing issues, operating constraints and funding that will impact the options for redeployment. Metrolink has taken the lead in the discussions with the BNSF Railway to evaluate the current shared use and indemnification/liability agreements that govern the use of each agencies respective railroad rights of way. These discussions are on-going and special counsel has been brought in to assist. Operation of additional Metrolink trains to Los Angeles is contingent on addressing indemnification and liability



Project R continued from previous page...

agreements and the completion of a triple track project on the BNSF Railway between Fullerton and Los Angeles, currently anticipated in mid-2016.

Rail Line & Station Improvements

Additionally under the Metrolink Service Expansion Program, funding is provided for rail line and station improvements to accommodate increased service. Rail station parking lot expansions, better access to platforms through improvements to elevators and/or ramps, and a passing siding project between Laguna Niguel and San Juan Capistrano have been made or are underway. A consultant was selected on August 24, 2015, to conduct preliminary engineering and environmental services for the Anaheim Canyon Metrolink Station Project to construct a second main track and platform, lengthen the existing platform, and improve pedestrian circulation, benches, and shade structures. This quarter, the Laguna Niguel/Mission Viejo station improvements contract was awarded on October 26, 2015. Environmental clearance and final plans for the Orange Metrolink parking structure are expected to be complete by next quarter. Plans for the proposed Placentia Metrolink Station Project are 95 percent complete, but the project has been on hold at the request of the City of Placentia, pending a private development agreement for a residential project on a site that was proposed to be a parking lot for the station. For schedule information on station improvement projects, please see the Capital Action Plan pages at the back of this report.

Sand Canyon Grade Separation

Contact: Rose Casey, Highways
(714) 560-5729

Status: Construction Complete

Summary: The project located at Sand Canyon Avenue railroad crossing is now grade separated and open to traffic. The project grade separated the local street from railroad tracks in the City of Irvine by constructing an underpass for vehicular traffic. The westbound lanes were opened to traffic on June 12, 2014, and the eastbound lanes were opened to traffic on July 14, 2014. A road opening ceremony was held on August 11, 2014. The project is substantially completed and minor punch list item work remains. Construction close-out activities were performed this quarter, including preparation of as-builts, collection of quality control documents and resolution of bid quantities. Construction completion acceptance by the City of Irvine is anticipated by January 15, 2016, after which a one-year warranty period will begin. Final project completion, which includes other elements besides construction, is anticipated by mid-January 2017.



Project S

Transit Extensions to Metrolink

Project S includes a competitive program which allows cities to apply for funding to connect passengers to their final destinations using transit in order to broaden the reach of Metrolink to other Orange County cities, communities and activity centers. There are currently two areas of this program, a fixed guideway program (street car) and a rubber tire transit program.

Anaheim Rapid Connection (ARC) Project

Contact: Jennifer Bergener, Rail
(714) 560-5462

Status: Environmental Phase Underway

Summary: Preparation of environmental documentation for the ARC project is ongoing. Since April 2014, the City of Anaheim has been evaluating potential routes and station stops on Disney Way as a result of concerns regarding costs and ROW needs of the Locally Preferred Alternative (LPA). City staff has identified an alignment that addresses these concerns along with an option to modify the LPA alignment. In September, the Anaheim City Council directed staff to evaluate these options further in the Environmental Document, and a revised schedule was submitted to OCTA based upon this direction. City staff anticipates a draft Environmental Document will be available for public review in the Fall of 2016, followed by public hearings and City Council consideration of the project. Consistent with the cooperative agreement between OCTA and the City of Anaheim, the City of Anaheim would present the project to the Board of Directors during this timeframe. Next quarter, the City of Anaheim will present an overall project update with additional information on the revised alternatives to the Board in March 2016. Due to the project schedule being on hold, this project is marked “red” in the Capital Action Plan, signifying a delay of at least three months.

OC Streetcar Project

Contact: Jennifer Bergener, Rail
(714) 560-5462

Status: Ongoing Coordination for Third Party Agreements and Entry into Engineering

Summary: On August 11, 2014, the Board approved OCTA to serve as the lead agency for the OC Streetcar project. The environmental process was completed in early 2015, following EIR completion in January 2015, selection of the LPA in February, and the FTA’s Finding of No Significant Impact in April. With strong support for the project, FTA formally approved the OC Street Car project to move into the Project Development phase of the federal New Starts program on May 5, 2015.

On July 23, 2015, OCTA hosted a project kick-off meeting with the FTA and the FTA Project Management Oversight Consultant (PMOC). The PMOC will assist FTA in the oversight of all project development activities. The agenda included a presentation on recent refinements to the project as well as an alignment tour. During this meeting, the FTA continued to express strong support for the project.

Measure M2

Progress Report

TRANSIT



Project S continued from previous page...

During October, OCTA worked closely with the FTA-assigned PMOC to address questions related to OCTA's New Starts Rating Application, submitted in September. Work also continued on the required readiness documents in support of the Application to Request Entry into Engineering. Both applications require a number of technical reviews and documentation, a detailed project schedule, cost estimate, and commitment for the required match to equal the level of funding requested from the New Starts program. On October 30, 2015, OCTA submitted the required readiness documents in support of the Application to Request Entry into Engineering. FTA approval to enter this phase of the New Starts program is anticipated for June 2016.

In November, a limited Notice to Proceed was issued to the Design Consultant to conduct survey work along the project corridor. The full Notice to Proceed to complete Plans, Specifications and Estimates for the Project is expected for January 2016.

OCTA entered into a Memorandum of Understanding (MOU) with the City of Garden Grove to identify general roles and responsibilities for funding, design, construction, operations and maintenance of the project. During the remainder of 2015, negotiations continued with the City of Santa Ana on a Design Agreement to further define roles, responsibilities and reimbursement during the Design Phase of the project. The cooperative agreement will go before the Board for approval in early 2016. Also in December, a meeting between OCTA and the City of Garden Grove was organized to review the process for negotiating a Design Agreement, similar to the process underway with Santa Ana.

Procurement activities were initiated for a consultant to develop aesthetic design concepts for station stops and urban design features associated with the project. This effort is expected to be kicked-off in spring 2016. Also in December, a work plan to update environmental technical reports was developed to address the design refinements made to the project as a result of the Value Engineering and Risk Assessment workshop held in June 2015. This analysis is expected to be completed in April 2016.

Letters of intent to appraise were sent to the owners of the three parcels necessary for the project. In addition, letters of notice to vacate were sent to lessees within the PE ROW. This provides for a 90-day notice to the lessees, with the possibility of more time, as assessed by OCTA on a case-by-case basis.

Bus and Station Van Extension Projects

Status: Service Ongoing for Oakley Vanpool and Anaheim Canyon Metrolink Bus Connection

Contact: Sam Kaur, Planning
(714) 560-5673

Summary: Bus and Station Van Extension Projects will enhance the frequency of service in the Metrolink corridor to aid in linking communities within the central core of Orange County. To date, the Board has approved one round of funding, totaling over \$9.8 million. Four projects were approved for funding by the Board on July 23, 2012, and two of those have implemented service. The vanpool connection from the Irvine Metrolink Station to the Oakley employment center in the City of Lake Forest began in December 2012, and the Anaheim Canyon Metrolink Station



Project S continued from previous page...

Bus Connection began service in February 2013. This quarter, the City of Lake Forest continued discussions for different alternatives to provide vanpool service from the Irvine Metrolink Station to the Panasonic employment center. After detailed discussions with OCTA staff, City of Lake Forest submitted a scope change of their project for Panasonic Avionics services. The item was approved by the Technical Advisory Committee on October 28, 2015 and by the OCTA Board on December 14, 2015. OCTA is also reviewing the City's request for Oakley to employ changes to the existing OCTA routes to meet their needs.

Project T

Convert Metrolink Stations to Regional Gateways that Connect Orange County with High-Speed Rail Systems

Contact: Jennifer Bergener, Rail
(714) 560-5462

Status: Construction Complete

Summary: This project constructed the Anaheim Regional Transportation Intermodal Center (ARTIC) located at 2626 East Katella Avenue in the City of Anaheim. In addition to providing transit connections for OCTA bus service, Metrolink and Amtrak service, shuttle and charter bus service, taxis, bikes, and other public and private transportation services, ARTIC also accommodates future high-speed rail trains. The City of Anaheim, who led the construction effort, opened the facility to rail and bus service on December 6, 2014. A ribbon-cutting ceremony was held on December 8, 2014, with a grand opening celebration hosted on December 13, 2014. ARTIC replaced the former Anaheim station that was located in the Angel Stadium parking lot. This quarter, punch list items were completed. This project is complete with the exception of final inspections and permit closeout which are anticipated to be complete next quarter.

Project U

Project U expands mobility choices for seniors and persons with disabilities, including the Senior Mobility Program (SMP), the Senior Non-emergency Medical Transportation Program (SNEMT), and the Fare Stabilization Program. Since inception, a total of approximately \$32 million in Project U funding has been provided under M2.

Senior Mobility Program (SMP)

Contact: Dana Wiemiller, Transit
(714) 560-5718

Status: Ongoing

Summary: This program provides one percent of M2 net revenues to continue and expand local community transportation service for seniors under the SMP. Including this quarter and since inception of the program, more than 1,145,000 boardings have been provided for seniors traveling to medical appointments, nutrition programs,

Continues on the next page...

Measure M2

Progress Report

TRANSIT



Project U continued from previous page...

shopping destinations, and senior and community center activities. This quarter, more than \$440,000 in SMP funding was paid out to the 31 participating cities during the month of November*.

**Payments are made every other month (January, March, May, July, September, and November). The amount totaled for one fiscal year quarter either covers one or two payments, depending on the months that fall within that quarter.*

Senior Non-emergency Medical Transportation Program (SNEMT)

Contact: Dana Wiemiller, Transit
(714) 560-5718

Status: Ongoing

Summary: This program provides one percent of M2 net revenues to supplement existing countywide senior non-emergency medical transportation services. Including this quarter and since inception of the program, more than 383,000 SNEMT boardings have been provided. This quarter, more than \$465,000 in SNEMT Program funding was paid to the County of Orange. This amount reflects monies paid out during the month of November*.

**Payments are made every other month (January, March, May, July, September, and November). The amount totaled for one fiscal year quarter either covers one or two payments, depending on the months that fall within that quarter.*

Fare Stabilization Program

Contact: Sean Murdock, Finance
(714) 560-5685

Status: Ongoing

Summary: One percent of net M2 revenues are dedicated to stabilize fares and provide fare discounts for bus services and specialized ACCESS services for seniors and persons with disabilities. Approximately \$923,799 in revenue was allocated this quarter to support the Fare Stabilization Program. The amount of funding utilized each quarter varies based on ridership. Throughout the quarter, approximately 3,528,679 program-related boardings were recorded on fixed route and ACCESS services. Since inception of the program, more than 62,796,744 program-related boardings have been provided. In October, alternatives for alleviating the on-going deficit were proposed and discussed with the Board as part of the Ten-Year Comprehensive Program Review, and the Board directed staff to initiate an amendment to the M2 Ordinance No. 3 and Transportation Investment Plan. On December 14, 2015, a public hearing was held, and the Board unanimously approved (16-0) the closeout of Project T and subsequent transfer of \$69 million to Project U's Fare Stabilization program, in order to address the projected deficit for the program. Starting January 28, 2016, 1.47 percent of net M2 revenues will be dedicated to the Fare Stabilization Program.



Project V

Contact: Sam Kaur, Planning
(714) 560-5673

Community Based Transit / Circulators

Status: Service Ongoing in the Cities of Lake Forest and La Habra; Service started in Dana Point and Laguna Beach; Agreements have been executed for all agencies including: Laguna Beach, Dana Point and Huntington Beach.

Summary: This project establishes a competitive program for local jurisdictions to develop local bus transit services such as community based circulators and shuttles that complement regional bus and rail services, and meet needs in areas not adequately served by regional transit. On June 24, 2013, the Board approved \$9.8 million to fund five funding proposals from the cities of Dana Point, Huntington Beach, La Habra, Laguna Beach, and Lake Forest. This has been the only round of funding to date. The funding is used to implement vanpool services from local employment centers to transportation hubs, special event and seasonal services that operate during heavy traffic periods, and local community circulators that carry passengers between various shopping, medical, and transportation related centers. On February 9, 2015, OCTA staff provided a project status update to the Board. The Board directed staff to meet with local agencies interested in the next Call for Projects, and return with revised Project V Guidelines that encouraged more local agency participation. On September 23, 2015, staff presented the updated guidelines and Call for Projects recommendation to the TAC and received their approval. Updated Guidelines and Call for Projects for the Project V Community Based Transit Circulator Program was approved by the OCTA Board on November 23, 2015. This second call will make approximately \$20 million available to fund local bus transit circulators. Local Agency applications for funding are due by February 29, 2016.

Project W

Contact: Sam Kaur, Planning
(714) 560-5673

Safe Transit Stops

Status: Executed All Agreement Documents

Summary: This project provides passenger amenities at the 100 busiest transit stops across the County. The stops will be designed to ease transfers between bus lines and provide passenger amenities such as improved shelters and lighting. On July 14, 2014, the Board approved \$1,205,666 in M2 Project W funds for city-initiated improvements and \$370,000 for OCTA-initiated improvements in fiscal year 2014-15. Fifteen cities are eligible for Safe Transit Stops funding. Seven cities applied for funds, and 51 projects will be funded per the July 2014 Board approval. Letter agreements with local agencies to allow the use of funds are complete. The City of Anaheim was not able to initiate the improvements for their projects and will reapply for funds through the next call for projects. The City of Irvine and City Westminster completed their projects in December 2015. Cities including Costa Mesa and Orange are currently moving forward with their projects. The City of Santa Ana has until June 2016 to award the contract for their project.



Project X

Environmental Cleanup

Contact: Dan Phu, Planning
(714) 560-5907

Status: Ongoing

Summary: This program implements street and highway-related water quality improvement programs and projects that assist agencies countywide with federal Clean Water Act standards for urban runoff. It is intended to augment, not replace existing transportation-related water quality expenditures and to emphasize high-impact capital improvements over local operations and maintenance costs. The Environmental Cleanup Allocation Committee (ECAC) is charged with making recommendations to the Board on the allocation of funds for the Environmental Cleanup Program (ECP). These funds are allocated on a countywide, competitive basis to assist agencies in meeting the Clean Water Act standards for controlling transportation-related pollution.

Project X is composed of a two-tiered funding process focusing on early priorities (Tier 1), and to prepare for more comprehensive capital investments (Tier 2). To date, there have been five rounds of funding under the Tier 1 grants program. A total of 122 projects, amounting to just over \$14 million, have been awarded by the Board since 2011. There have been two rounds of funding under the Tier 2 grants program. A total of 22 projects in the amount of \$27.89 million have been awarded by the OCTA Board since 2013. To date, 33 of the 34 Orange County cities plus the County of Orange have received funding under this program. The sixth Tier 1 call for projects is anticipated to be released in March 2016.

Approximately \$2.86 million was approved by the Board on August 10, 2015, for the fifth Tier 1 Call for Projects. With approximately \$10 million in Tier 2 funding remaining, staff continues to work with the ECAC to recommend the appropriate timing of a third Tier 2 Call for Projects in 2016.



Part of Projects A-M

Contact: Dan Phu, Planning
(714) 560-5907

Freeway Mitigation Program

Status: Executing Agreement Documents; Final Conservation Plan and EIR/EIS Under Development

Summary: The Freeway Mitigation Program provides higher-value environmental benefits such as habitat protection, wildlife corridors, and resource preservation in exchange for streamlined project approvals and greater certainty in the delivery of Projects A-M. The program is proceeding as planned, with seven properties acquired (1,300 acres), and 11 restoration projects approved for funding by the Board, totaling approximately 350 acres. Ten of these restoration project plans have been approved by the wildlife agencies and are currently being implemented, with the remaining project currently under development. To date, the Board has authorized \$42 million for property acquisitions, \$10.5 million to fund habitat restoration activities, and \$2.5 million for conservation plan development and program support, for a total of approximately \$55 million.

The program's Draft Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP) and Draft Environmental Impact Report and Environmental Impact Statement (EIR/EIS) are currently being finalized. The final NCCP/HCP and EIR/EIS are anticipated to be brought to the Board for adoption in mid-2016.

The release of separate preserve-specific Resource Management Plans (RMP's) for the five properties within Trabuco and Silverado Canyons were released on November 11, 2015 and the public comment period is open until February 8, 2016. These RMP's will determine the appropriate management needs (consistent with the NCCP/HCP) for each of the acquired properties. Public meetings were held on November 21 and December 9, 2015, respectively. The remaining two Preserves (Hayashi and Aliso Canyon) will be the subject of future releases and will follow a similar process once the biological baseline surveys are completed. Public access events will continue to be held on the Ferber Preserve and potentially other Preserves such as O'Neill Oaks and Aliso Canyon. A docent-led hike was held on October 17, 2015 at the Ferber Ranch Preserve.

*The 12-member Environmental Oversight Committee (EOC) makes funding allocation recommendations to assist OCTA in acquiring land and restoring habitats in exchange for streamlined project approvals for the M2 freeway improvement projects (A-M).



Program Management Office

Contact: Tami Warren, PMO Manager
(714) 560-5590

The Measure M (M1 and M2) Program Management Office (PMO) provides interdivisional coordination for all M-related projects and programs. To ensure agency-wide compliance, the PMO also holds a bi-monthly committee meeting made up of executive directors and key staff from each of the divisions, which meets to review significant issues and activities within the Measure M programs. This quarter, the focus of the PMO has been on several major items, including the following.

M2020 Plan Review

The PMO regularly reviews and reports on the progress of the M2020 Plan and its 14 objectives. The last comprehensive review of the M2020 Plan was completed in October 2015, as part of the M2 Comprehensive Ten-Year Review, covering M2 progress during November 8, 2006 through June 30, 2015. An update on OCTA's progress on delivering the 14 objectives identified in the M2020 Plan, along with an overview of challenges is included in the Executive Summary of this report (pages 2-7), and the accompanying staff report.

10-Year Review

M2 Ordinance No. 3 requires that a comprehensive review take place at least every ten years to include all M2 project and program elements included in the Transportation Investment Plan. The PMO led the first Ten-Year Review with participation from each of the divisions. During the quarter, the completed Ten-Year Review Report was presented to the Board on October 12, 2015, and based on Review findings, the Board directed Staff to amend Ordinance No. 3 by closing out Project T, and allocating the remaining balance to Project U and Project R.

M2 Amendment #3

On October 12, 2015, the Board received the Ten-Year Review which highlighted known funding shortfalls in Project U (Fare Stabilization for Seniors and Persons with Disabilities Program) and the need for additional funding in Project R (High-Frequency Metrolink Service). The Review and shortfall findings were also presented to the TOC the following day, on October 13. On October 26, Staff presented the Board with a proposed amendment to M2 Ordinance No. 3 and the Transportation Investment Plan, which would closeout Project T (Gateways to High-Speed Rail) and allocate \$69 million to Project U and allocate the remaining Project T projected funds to Project R (approximately \$150 million). The Board set a public hearing date for December 14, 2015.

Per Ordinance requirements, the proposed amendment was distributed to local jurisdictions and the Board of Supervisors; and a special public meeting was held at the request of the Board for interested Orange County residents. On November 10, the TOC voted to approve the amendment by a vote of 8-0. On December 14, the Board held a public hearing and approved the amendment by a vote of 16-0. Following adoption, a notification letter was distributed to local jurisdictions and the Board of Supervisors. An amendment summary was also published by the Clerk of the Board in Orange County newspapers within 15 days of Board adoption, in accordance with Government Code Section 36933. The amendment will become effective 45 days after adoption, on January 28, 2016.



Continued from previous page...

Post-quarter update: After notifications were sent to local jurisdictions and the amendment summary was published in Orange County newspapers, a scrivener's error was discovered in the strikeout language of Ordinance No. 3. The scrivener's error occurred in the attachments to the staff report related to the Project U percentage change resulting from the increase in \$69 million to the program. The ordinance specifies one percent of Project U funding is for the Fare Stabilization Program. With the addition of the Board-approved \$69 million, this increased the allocation from one percent to 1.47 percent. There was an omission related to the percentage change which provides clarity as well as a misplaced redline on the ordinance language. While Board discussions clearly reflect the intention was to supplement the Fare Stabilization Program, staff will return to the Board next quarter in March 2016 to correct this for the record.

2012-2015 M2 Performance Assessment Update

Measure M2's Ordinance No. 3 requires that a M2 performance assessment be conducted every three years. To date there have been two prior performance assessments and this one will review the time period of July 1, 2012 through June 30, 2015. The assessment is underway and a final draft report is scheduled to be received next quarter. The result of the Performance Assessment including any findings will be brought to the Taxpayers Oversight Committee (TOC) in April for information and to the Board for review and any required action in May 2016.

Measure M1 Closeout

The M1 fund was officially closed out as scheduled on June 30, 2015. The PMO led the closeout of the remaining open M1 contracts, meeting with division leads and relevant project managers to ensure all projects that could be closed were closed on time. Four projects needed to remain open in order to complete the project closeout process. These projects were moved into the general fund as presented with the 2015-16 budget and will remain there until complete. Staff will bring the final Measure M Closeout and quarterly update report to the Board on January 11, 2016.

M2 Administrative Cost Safeguards

Both M1 and M2 include one percent caps on administrative expenses for salaries and benefits of OCTA administrative staff, but the M2 language sets the cap on an annual basis, whereas the M1 cap was set as an annual average over the life of the measure. In a legal opinion on M2, it was determined that in years where administrative salaries and benefits are above one percent, only one percent can be allocated with the difference borrowed from other, non-Measure M fund sources. Conversely, in years where administrative salaries and benefits are below one percent, OCTA can still allocate the full one percent for administrative salaries and benefits but may use the unused portion to repay the amount borrowed from prior years in which administrative salaries and benefits were above one percent.

Based on the original M2 revenue projections, OCTA expected to receive \$24.3 billion in M2 funds, with one percent of total revenues available to fund administrative salaries and benefits over the life of the program. As M2 revenue projections declined as a result of economic conditions, the funds available to support administrative salaries and benefits have also declined from the original expectations. While revenue has declined, the administrative effort needed to deliver M2 remains the same. Additionally, the initiation of the Early Action Plan (EAP) in 2007 required administrative functions four years prior to revenue collection. While the EAP resulted in project savings and significant acceleration of the program, administrative functions were required during this time with associated administrative costs.

As a result of the above mentioned factors, OCTA has incurred higher than one percent administrative costs. OCTA currently has Board approval to use funds from the Orange County Unified Transportation Trust (OCUTT) fund to cover costs above the one percent, with the understanding that those funds will be repaid with interest in future years that OCTA administrative costs fall below the one percent cap. As of June 30, 2012, OCTA had borrowed approximately



Continued from previous page...

\$5.2 million from OCUTT. Following recommendations received through the February 2013 M2 Performance Assessment Final Report, staff adjusted the approach to apply the allocation of state planning funds to areas that are subject to the one percent administration cap and adjusted OCTA's cost allocation plan to ensure that administrative charges are more precisely captured. Over the last few years, OCTA has experienced underruns in the one percent administration cap and has made payments to OCUTT to reduce the outstanding balance. As of December, 2015 the outstanding balance is \$3.5 million.

Staff continues to meet quarterly to review all labor costs to ensure proper cost allocation to both M1 and M2. During the quarter, staff met on November 11, 2015, to review the labor reports to ensure costs attributed to the one percent cap were accurately reported and there were no misplaced project related costs, as well as to ensure project costs were applied to the correct projects. Staff will meet again on January 22, 2016, to conduct this quarterly review.

Taxpayer Oversight Committee

The M2 Ordinance requires a Taxpayer Oversight Committee (TOC) to oversee the implementation of the M2 plan. With the exception of the elected Auditor/Controller of Orange County who in Ordinance No. 3 is identified as the chair of the TOC, all other members are not elected or appointed officials. Members are recruited and screened for expertise and experience by the Orange County Grand Jurors Association, and are selected from the qualified pool by lottery. The TOC meets every other month. The TOC upholds the integrity of the measure by monitoring the use of Measure M funds and ensuring that all revenue collected from Measure M is spent on voter-approved transportation projects. The responsibilities of the 11-member Measure M TOC are to:

- Ensure all transportation revenue collected from Measure M is spent on the projects approved by the voters as part of the plan
- Ratify any changes in the plan and recommend any major changes go back to the voters for approval
- Participate in ensuring that all jurisdictions in Orange County conform with the requirements of Measure M before receipt of any tax monies for local projects
- Hold annual public meetings regarding the expenditure and status of funds generated by Measure M
- Review independent audits of issues regarding the plan and performance of the Orange County local Transportation Authority regarding the expenditure of Measure M sales tax monies
- Annually certify whether Measure M funds have been spent in compliance with the plan.

The TOC met on October 13 and November 10, 2015 to receive updated financial information and to hear project updates. At the November meeting, the committee also voted unanimously to approve the proposed amendment to the Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan Transit Category, which closes out Project T, and allocates the remaining balance of \$219 million in Project T funds to Project U in the amount of \$69 million, and to Project R in the amount of \$150 million.



M2 Financing

Contact: Sean Murdock, Finance
(714) 560-5685

Revenue Forecast and Collection

OCTA contracts with three universities (Chapman University; University of California, Los Angeles; California State University, Fullerton) to provide a long-range forecast of taxable sales to forecast Measure M2 revenues for purposes of planning projects and program expenditures. Annually, OCTA has taken an average of the three university taxable sales projections to develop a long-range forecast of Measure M2 taxable sales. However, on June 8, 2015, after reviewing the actuals on sales tax revenue, the Board decided to take a more conservative approach and use the Chapman University forecast, 5.68 percent for FY 2015-16, which happens to be the lowest of the three universities' forecasts. In addition, the Board has directed staff to examine potential changes to the sales tax forecast methodology as part of the fiscal year 2016-17 budget development process. Staff has begun the process of examining potential changes, which includes taking a more conservative approach to the universities' forecast and/or adjusting which entities provide the forecasts.

Revenue forecast information is updated quarterly based on the actual revenues received for the previous quarter. As required by law, OCTA pays the State Board of Equalization a fee to collect the sales tax. The M2 Ordinance estimated this fee to be 1.5 percent of the revenues collected over the life of the program.

Current Forecast

Based on updated long term forecasts received in May 2015, OCTA staff forecasts total nominal sales tax collections over the life of M2 will be approximately \$15.6 billion. This incorporates the Board's desire to be conservative. Original projections in 2005 estimated total nominal M2 sales tax collections at \$24.3 billion. Based on the current estimated forecast of \$15.6 billion, sales tax revenue will run approximately \$8.7 billion (35.8 percent) less than the original 2005 projection of \$24.3 billion. The revenue forecast for the life of the M2 Program varies based on actual sales tax receipts.

Final sales tax receipts through the first quarter of fiscal year 2015-16 (September 30, 2015) were received in December 2015, and reflected a growth in sales tax revenue of 3.33 percent over the same period of the prior fiscal year. The growth; while positive, is less than the budgeted sales tax growth rate of 5.68 percent for fiscal year 2015-16. As previously mentioned, the fiscal year 2015/16 M2 sales tax was budgeted based on the most conservative of the three universities, Chapman University. Staff will continue to closely monitor sales tax receipts. At this time, no changes are required to the budget. Per Board direction, staff has begun the process of examining forecast methodologies for projecting M2 sales tax revenue growth rates. This effort will be undertaken as part of the fiscal year 2016-17 budget development process, and any change in methodology will be brought to the Board by June 2016.

Measure M2

Progress Report

REVENUE & EXPENDITURES



Schedule 1

Measure M2

Schedule of Revenues, Expenditures and Changes in Fund Balance

as of December 31, 2015

(Unaudited)

(\$ in thousands)	Quarter Ended Dec 31, 2015	Year to Date Dec 31, 2015 (A)	Period from Inception to Dec 31, 2015 (B)
Revenues:			
Sales taxes	\$ 80,622	\$ 149,451	\$ 1,298,823
Other agencies' share of Measure M2 costs:			
Project related	13,400	24,017	406,970
Non-project related	-	14	379
Interest:			
Operating:			
Project related	-	-	2
Non-project related	1,589	3,182	14,213
Bond proceeds	(509)	2,413	28,979
Debt service	4	5	49
Commercial paper	-	-	393
Right-of-way leases	24	63	767
Miscellaneous:			
Project related	-	-	198
Non-project related	-	-	7
Total revenues	<u>95,130</u>	<u>179,145</u>	<u>1,750,780</u>
Expenditures:			
Supplies and services:			
State Board of Equalization (SBOE) fees	878	1,759	14,076
Professional services:			
Project related	11,382	15,426	238,059
Non-project related	409	641	13,569
Administration costs:			
Project related	2,165	4,329	40,342
Non-project related :			
Salaries and Benefits	771	1,542	16,617
Other	1,114	2,228	24,187
Other:			
Project related	37	60	1,463
Non-project related	29	33	3,715
Payments to local agencies:			
Project related	25,871	49,412	551,930
Capital outlay:			
Project related	24,210	32,907	490,160
Non-project related	-	-	31
Debt service:			
Principal payments on long-term debt	-	-	19,875
Interest on long-term debt and commercial paper	8	10,807	104,731
Total expenditures	<u>66,874</u>	<u>119,144</u>	<u>1,518,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,256</u>	<u>60,001</u>	<u>232,025</u>
Other financing sources (uses):			
Transfers out:			
Project related	(560)	(1,006)	(13,047)
Transfers in:			
Project related	13,650	13,650	65,454
Non-project related	(13,650)	(13,650)	16,027
Bond proceeds	-	-	358,593
Total other financing sources (uses)	<u>(560)</u>	<u>(1,006)</u>	<u>427,027</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ 27,696</u>	<u>\$ 58,995</u>	<u>\$ 659,052</u>



Schedule 2

Measure M2
Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)
as of December 31, 2015
(Unaudited)

<i>(\$ in thousands)</i>	Quarter Ended Dec 31, 2015 (actual)	Year Ended Dec 31, 2015 (actual)	Period from Inception through Dec 31, 2015 (actual)	Period from January 1, 2016 through March 31, 2041 (forecast)	Total
	(C.1)	(C.1)	(D.1)	(E.1)	(F.1)
Revenues:					
Sales taxes	\$ 80,622	\$ 149,451	\$ 1,298,823	\$ 14,315,238	\$ 15,614,061
Operating interest	1,589	3,182	14,213	225,962	240,175
Subtotal	<u>82,211</u>	<u>152,633</u>	<u>1,313,036</u>	<u>14,541,200</u>	<u>15,854,236</u>
Other agencies share of M2 costs	-	14	379	-	379
Miscellaneous	-	-	7	-	7
Total revenues	<u>82,211</u>	<u>152,647</u>	<u>1,313,422</u>	<u>14,541,200</u>	<u>15,854,622</u>
Administrative expenditures:					
SBOE fees	878	1,759	14,076	214,815	228,891
Professional services	409	641	9,793	97,694	107,487
Administration costs:					
Salaries and Benefits	771	1,542	16,617	143,129	159,746
Other	1,114	2,228	24,187	259,083	283,270
Other	29	33	3,715	24,666	28,381
Capital outlay	-	-	31	-	31
Environmental cleanup	1,475	3,892	12,454	286,304	298,758
Total expenditures	<u>4,676</u>	<u>10,095</u>	<u>80,873</u>	<u>1,025,691</u>	<u>1,106,564</u>
Net revenues	<u>\$ 77,535</u>	<u>\$ 142,552</u>	<u>\$ 1,232,549</u>	<u>\$ 13,515,509</u>	<u>\$ 14,748,058</u>
		(C.2)	(D.2)	(E.2)	(F.2)
Bond revenues:					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 358,593	\$ 2,000,000	\$ 2,358,593
Interest revenue from bond proceeds	(509)	2,413	28,979	25,760	54,739
Interest revenue from debt service funds	4	5	49	54	103
Interest revenue from commercial paper	-	-	393	-	393
Total bond revenues	<u>(505)</u>	<u>2,418</u>	<u>388,014</u>	<u>2,025,814</u>	<u>2,413,828</u>
Financing expenditures and uses:					
Professional services	-	-	3,776	17,020	20,796
Bond debt principal	-	-	19,875	2,249,870	2,269,745
Bond debt and other interest expense	8	10,807	104,731	1,496,802	1,601,533
Total financing expenditures and uses	<u>8</u>	<u>10,807</u>	<u>128,382</u>	<u>3,763,692</u>	<u>3,892,074</u>
Net bond revenues (debt service)	<u>\$ (513)</u>	<u>\$ (8,389)</u>	<u>\$ 259,632</u>	<u>\$ (1,737,878)</u>	<u>\$ (1,478,246)</u>

Measure M2

Progress Report

REVENUE & EXPENDITURES



Measure M2
Schedule of Revenues and Expenditures Summary
as of December 31, 2015
(Unaudited)

Schedule 3

Project	Description	Net Revenues through Dec 31, 2015	Total Net Revenues
	(G)	(H)	(I)
<i>(\$ in thousands)</i>			
Freeways (43% of Net Revenues)			
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 48,582	\$ 581,297
B	I-5 Santa Ana/SR-55 to El Toro	31,030	371,288
C	I-5 San Diego/South of El Toro	64,809	775,474
D	I-5 Santa Ana/San Diego Interchange Upgrades	26,668	319,095
E	SR-22 Garden Grove Freeway Access Improvements	12,404	148,416
F	SR-55 Costa Mesa Freeway Improvements	37,831	452,669
G	SR-57 Orange Freeway Improvements	26,740	319,960
H	SR-91 Improvements from I-5 to SR-57	14,471	173,152
I	SR-91 Improvements from SR-57 to SR-55	43,051	515,128
J	SR-91 Improvements from SR-55 to County Line	36,405	435,601
K	I-405 Improvements between I-605 to SR-55	110,889	1,326,840
L	I-405 Improvements between SR-55 to I-5	33,045	395,405
M	I-605 Freeway Access Improvements	2,067	24,736
N	All Freeway Service Patrol	15,505	185,520
	Freeway Mitigation	26,500	317,083
Subtotal Projects		529,997	6,341,664
Net (Bond Revenue)/Debt Service		-	-
Total Freeways		\$ 529,997	\$ 6,341,664
%			
Street and Roads Projects (32% of Net Revenues)			
O	Regional Capacity Program	\$ 123,256	\$ 1,474,825
P	Regional Traffic Signal Synchronization Program	49,300	589,904
Q	Local Fair Share Program	221,859	2,654,650
Subtotal Projects		394,415	4,719,379
Net (Bond Revenue)/Debt Service		-	-
Total Street and Roads Projects		\$ 394,415	\$ 4,719,379
%			

Measure M2

Progress Report

REVENUE & EXPENDITURES



Schedule 3

Measure M2
Schedule of Revenues and Expenditures Summary
as of December 31, 2015
(Unaudited)

Expenditures through Dec 31, 2015 (J)	Reimbursements through Dec 31, 2015 (K)	Net M2 Cost (L)
\$ 2,665	\$ 2	\$ 2,663
4,024	1,439	2,585
66,799	15,003	51,796
1,744	527	1,217
4	-	4
7,180	23	7,157
44,929	10,324	34,605
28,209	523	27,686
13,081	1,308	11,773
6,921	5,294	1,627
40,429	3,192	37,237
4,159	1,264	2,895
615	16	599
123	-	123
44,379	1,688	42,691
265,261	40,603	224,658
28,950	-	28,950
<u>\$ 294,211</u>	<u>\$ 40,603</u>	<u>\$ 253,608</u>
		27.3%
\$ 540,845	\$ 277,215	\$ 263,630
17,624	1,257	16,367
202,019	77	201,942
760,488	278,549	481,939
32,154	-	32,154
<u>\$ 792,642</u>	<u>\$ 278,549</u>	<u>\$ 514,093</u>
		55.4%

Continues on following page

Measure M2

Progress Report

REVENUE & EXPENDITURES



Measure M2
Schedule of Revenues and Expenditures Summary
as of December 31, 2015
(Unaudited)

Schedule 3

Project	Description	Net Revenues through Dec 31, 2015	Total Net Revenues
	(G) (\$ in thousands)	(H)	(I)
Transit Projects (25% of Net Revenues)			
R	High Frequency Metrolink Service	\$ 110,340	\$ 1,320,269
S	Transit Extensions to Metrolink	108,806	1,301,912
T	Metrolink Gateways	24,655	295,013
U	Expand Mobility Choices for Seniors and Persons with Disabilities	36,972	442,390
V	Community Based Transit/Circulators	24,644	294,883
W	Safe Transit Stops	2,720	32,548
	Subtotal Projects	308,137	3,687,015
	Net (Bond Revenue)/Debt Service	-	-
	Total Transit Projects	\$ 308,137	\$ 3,687,015
	%		
Measure M2 Program		\$ 1,232,549	\$ 14,748,058
Environmental Cleanup (2% of Revenues)			
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 24,617	\$ 316,291
	Net (Bond Revenue)/Debt Service	-	-
	Total Environmental Cleanup	\$ 24,617	\$ 316,291
	%		
Taxpayer Safeguards and Audits			
	Collect Sales Taxes (1.5% of Sales Taxes)	\$ 18,273	\$ 233,654
	%		
	Oversight and Annual Audits (1% of Revenues)	\$ 12,308	\$ 158,146
	%		

Measure M2

Progress Report

REVENUE & EXPENDITURES



Measure M2
Schedule of Revenues and Expenditures Summary
as of December 31, 2015
(Unaudited)

Schedule 3

Expenditures through Dec 31, 2015 (J)	Reimbursements through Dec 31, 2015 (K)	Net M2 Cost (L)
\$ 158,798	\$ 91,019	\$ 67,779
4,415	1,822	2,593
98,212	60,956	37,256
33,540	17	33,523
1,792	107	1,685
41	26	15
<u>296,798</u>	<u>153,947</u>	<u>142,851</u>
<u>17,982</u>	<u>-</u>	<u>17,982</u>
<u>\$ 314,780</u>	<u>\$ 153,947</u>	<u>\$ 160,833</u>
		17.3%
<u><u>\$ 1,401,633</u></u>	<u><u>\$ 473,099</u></u>	<u><u>\$ 928,534</u></u>
<u>\$ 10,979</u>	<u>\$ 292</u>	<u>\$ 10,687</u>
<u>31</u>	<u>-</u>	<u>31</u>
<u>\$ 11,010</u>	<u>\$ 292</u>	<u>\$ 10,718</u>
		0.9%
<u>\$ 13,198</u>	<u>\$ -</u>	<u>\$ 13,198</u>
		1.1%
<u>\$ 15,846</u>	<u>\$ 3,538</u>	<u>\$ 12,308</u>
		1.0%

Measure M2

Progress Report LOCAL FAIR SHARE



M2 FUNDS

ENTITY	2nd Quarter FY 2015/16	FUNDS TO DATE
ALISO VIEJO	\$103,927.49	\$2,512,217.39
ANAHEIM	\$907,556.43	\$21,661,320.83
BREA	\$147,995.23	\$3,664,977.20
BUENA PARK	\$252,638.50	\$5,934,652.76
COSTA MESA	\$377,606.01	\$9,105,233.20
CYPRESS	\$139,347.64	\$3,427,034.47
DANA POINT	\$86,064.37	\$2,084,782.46
FOUNTAIN VALLEY	\$164,412.42	\$3,993,136.59
FULLERTON	\$343,295.24	\$8,277,518.69
GARDEN GROVE	\$390,309.12	\$9,500,133.74
HUNTINGTON BEACH	\$512,772.96	\$12,358,923.19
IRVINE	\$715,255.67	\$16,485,760.29
LAGUNA BEACH	\$66,934.27	\$1,610,653.09
LAGUNA HILLS	\$90,348.39	\$2,175,760.81
LAGUNA NIGUEL	\$175,240.19	\$4,276,831.95
LAGUNA WOODS	\$33,840.79	\$823,391.94
LA HABRA	\$138,517.25	\$3,384,170.68
LAKE FOREST	\$205,677.59	\$4,962,425.36

Measure M2

Progress Report

LOCAL FAIR SHARE



M2 FUNDS

ENTITY	2nd Quarter FY 2015/16	FUNDS TO DATE
LA PALMA	\$45,323.57	\$1,130,279.18
LOS ALAMITOS	\$34,432.45	\$822,622.65
MISSION VIEJO	\$246,664.22	\$5,970,833.87
NEWPORT BEACH	\$290,974.99	\$6,965,940.04
ORANGE	\$435,603.60	\$10,402,192.34
PLACENTIA	\$125,658.62	\$3,011,718.33
RANCHO SANTA MARGARITA	\$111,875.92	\$2,703,891.58
SAN CLEMENTE	\$146,237.10	\$3,527,749.93
SAN JUAN CAPISTRANO	\$100,820.54	\$2,422,474.16
SANTA ANA	\$731,602.28	\$17,594,103.00
SEAL BEACH	\$64,787.25	\$1,656,463.66
STANTON	\$79,298.80	\$1,921,758.73
TUSTIN	\$234,547.80	\$5,611,985.63
VILLA PARK	\$13,812.68	\$331,277.24
WESTMINSTER	\$223,882.25	\$5,434,064.63
YORBA LINDA	\$157,908.89	\$3,804,931.70
COUNTY UNINCORPORATED	\$484,544.71	\$11,525,203.74
TOTAL M2 FUNDS	\$8,379,715.23	\$201,076,415.05

Measure M2

Progress Report

CAPITAL ACTION PLAN



Grey = Milestone achieved

Green = Forecast milestone meets or exceeds plan

Yellow = Forecast milestone is one to three months later than plan

Red = Forecast milestone is over three months later than plan

Capital Projects*	Cost Budget/ Forecast (in millions)	Schedule Plan/Forecast			
		Begin Environmental	Complete Environmental	Complete Design	Complete Construction
FREEWAY PROJECTS					
I-5, Pico to Vista Hermosa	\$113.0	Jun-09	Dec-11	Oct-13	Aug-18
Project C	\$91.9	Jun-09	Oct-11	Oct-13	Aug-18
I-5, Vista Hermosa to Pacific Coast Highway	\$75.6	Jun-09	Dec-11	Feb-13	Mar-17
Project C	\$71.5	Jun-09	Oct-11	May-13	Mar-17
I-5, PCH to San Juan Creek Rd.	\$70.7	Jun-09	Dec-11	Jan-13	Sep-16
Project C	\$66.0	Jun-09	Oct-11	Jan-13	Apr-18
I-5, I-5/Ortega Interchange	\$90.9	Sep-05	Jun-09	Nov-11	Sep-15
Project D	\$79.3	Sep-05	Jun-09	Dec-11	Jan-16
I-5, I-5/Ortega Interchange (Landscape)	N/A	N/A	N/A	N/A	N/A
Project D	N/A	N/A	N/A	Oct-14	Aug-16
I-5, SR-73 to Oso Parkway	\$151.9	Sep-11	Jun-14	Jan-18	Apr-22
Project C & D	\$151.9	Oct-11	May-14	Jan-18	Apr-22
I-5, Oso Parkway to Alicia Parkway	\$196.2	Sep-11	Jun-14	Jun-17	Mar-22
Project C & D	\$196.2	Oct-11	May-14	Jun-17	Mar-22
I-5, Alicia Parkway to El Toro Road	\$133.6	Sep-11	Jun-14	Jun-18	Sep-22
Project C	\$133.6	Oct-11	May-14	Jun-18	Sep-22
I-5, I-5/El Toro Road Interchange	TBD	TBD	TBD	TBD	TBD
Project D	TBD	May-16	Apr-19	TBD	TBD
I-5, I-405 to SR-55	TBD	May-14	Apr-17	TBD	TBD
Project B	TBD	May-14	Jul-18	TBD	TBD
I-5, SR-55 to SR-57	\$37.1	Jul-11	Jun-13	Mar-17	Feb-20
Project A	\$36.9	Jun-11	Apr-15	Mar-17	Feb-20

*For detailed project information, please refer to the individual project section within this report.

Measure M2

Progress Report

CAPITAL ACTION PLAN



Grey = Milestone achieved

Green = Forecast milestone meets or exceeds plan

Yellow = Forecast milestone is one to three months later than plan

Red = Forecast milestone is over three months later than plan

Capital Projects*	Cost Budget/ Forecast (in millions)	Schedule Plan/Forecast			
		Begin Environmental	Complete Environmental	Complete Design	Complete Construction
SR-55, I-405 to I-5	TBD	Feb-11	Nov-13	TBD	TBD
Project F	\$274.6	May-11	Jul-16	Dec-19	Nov-23
SR-55, I-5 to SR-91	TBD	TBD	TBD	TBD	TBD
Project F	TBD	Sep-16	Mar-19	TBD	TBD
SR-57 (NB), Orangewood to Katella	TBD	TBD	TBD	TBD	TBD
Project G	TBD	Apr-16	Mar-18	TBD	TBD
SR-57 (NB), Katella to Lincoln	\$78.7	Apr-08	Jul-09	Nov-10	Sep-14
Project G	\$40.7	Apr-08	Nov-09	Dec-10	Apr-15
SR-57 (NB), Katella to Lincoln (Landscape)	N/A	N/A	N/A	N/A	N/A
Project G	N/A	N/A	N/A	Jul-10	Oct-17
SR-57 (NB), Orangethorpe to Yorba Linda	\$80.2	Aug-05	Dec-07	Dec-09	May-14
Project G	\$53.1	Aug-05	Dec-07	Jul-09	Nov-14
SR-57 (NB), Yorba Linda to Lambert	\$79.3	Aug-05	Dec-07	Dec-09	Sep-14
Project G	\$54.7	Aug-05	Dec-07	Jul-09	May-14
SR-57 (NB), Orangethorpe to Lambert (Landscape)	N/A	N/A	N/A	N/A	N/A
Project G	N/A	N/A	N/A	May-16	Dec-17
SR-57 (NB), Lambert to Tonner Canyon (On Hold)	TBD	TBD	TBD	TBD	TBD
Project G	TBD	Jul-16	May-19	TBD	TBD
SR-91 Westbound (WB), I-5 to SR-57	\$78.1	Jul-07	Apr-10	Feb-12	Apr-16
Project H	\$62.2	Jul-07	Jun-10	Apr-12	Jul-16
SR-91 Westbound (WB), I-5 to SR-57 (Landscape)	N/A	N/A	N/A	N/A	N/A
Project H	N/A	N/A	N/A	May-16	Dec-17

*For detailed project information, please refer to the individual project section within this report.

Measure M2

Progress Report

CAPITAL ACTION PLAN



Grey = Milestone achieved

Green = Forecast milestone meets or exceeds plan

Yellow = Forecast milestone is one to three months later than plan

Red = Forecast milestone is over three months later than plan

Capital Projects*	Cost Budget/ Forecast (in millions)	Schedule Plan/Forecast			
		Begin Environmental	Complete Environmental	Complete Design	Complete Construction
SR-91, SR-57 to SR-55	TBD	Jan-15	Oct-18	TBD	TBD
Project I	TBD	Jan-15	Oct-18	TBD	TBD
SR-91 (WB), Tustin Interchange to SR-55	\$49.9	Jul-08	Jul-11	Mar-13	Jul-16
Project I	\$47.1	Jul-08	May-11	Feb-13	Jul-16
SR-91, SR-55 to SR-241	\$128.4	Jul-07	Jul-09	Jan-11	Dec-12
Project J	\$79.6	Jul-07	Apr-09	Aug-10	Mar-13
SR-91, SR-55 to SR-241 (Landscape)	N/A	N/A	N/A	N/A	N/A
Project J	N/A	N/A	N/A	Feb-13	Feb-15
SR-91 Eastbound, SR-241 to SR-71	\$104.5	Mar-05	Dec-07	Dec-08	Nov-10
Project J	\$57.8	Mar-05	Dec-07	Dec-08	Jan-11
I-405, I-5 to SR-55	TBD	Dec-14	Aug-17	TBD	TBD
Project L	TBD	Dec-14	Mar-18	TBD	TBD
I-405 Southbound, SR-133 to University Drive	TBD	Mar-15	Aug-16	TBD	TBD
Project L	\$16.4	Mar-15	Mar-16	Mar-17	Nov-18
I-405, SR-55 to I-605 (Design-Build)	TBD	Mar-09	Mar-13	TBD	TBD
Project K	\$1,791.0	Mar-09	May-15	Nov-15	Dec-22
I-605, I-605/Katella Interchange (Draft)	TBD	TBD	TBD	TBD	TBD
Project M	TBD	Jul-16	Jun-18	TBD	TBD
GRADE SEPARATION PROJECTS					
Sand Canyon Avenue Railroad Grade Separation	\$55.6	N/A	Sep-03	Jul-10	May-14
Project R	\$63.8	N/A	Sep-03	Jul-10	Jan-16
Raymond Avenue Railroad Grade Separation	\$77.2	Feb-09	Nov-09	Aug-12	Aug-18
Project O	\$116.5	Feb-09	Nov-09	Dec-12	Aug-18

*For detailed project information, please refer to the individual project section within this report.

Measure M2

Progress Report

CAPITAL ACTION PLAN



Grey = Milestone achieved

Green = Forecast milestone meets or exceeds plan

Yellow = Forecast milestone is one to three months later than plan

Red = Forecast milestone is over three months later than plan

Capital Projects*	Cost Budget/ Forecast (in millions)	Schedule Plan/Forecast			
		Begin Environmental	Complete Environmental	Complete Design	Complete Construction
State College Blvd. Grade Separation (Fullerton)	\$73.6	Dec-08	Jan-11	Aug-12	May-18
Project O	\$92.7	Dec-08	Apr-11	Feb-13	May-18
Placentia Ave. Grade Separation	\$78.2	Jan-01	May-01	Mar-10	Nov-14
Project O	\$62.3	Jan-01	May-01	Jun-10	Dec-14
Kraemer Blvd. Grade Separation	\$70.4	Jan-01	Sep-09	Jul-10	Oct-14
Project O	\$63.8	Jan-01	Sep-09	Jul-10	Dec-14
Orangethorpe Blvd. Grade Separation	\$117.4	Jan-01	Sep-09	Dec-11	Sep-16
Project O	\$104.4	Jan-01	Sep-09	Oct-11	Sep-16
Tustin Ave./Rose Dr. Grade Separation	\$103.0	Jan-01	Sep-09	Dec-11	May-16
Project O	\$98.3	Jan-01	Sep-09	Jul-11	May-16
Lakeview Ave. Grade Separation	\$70.2	Jan-01	Sep-09	Oct-11	Mar-17
Project O	\$99.8	Jan-01	Sep-09	Jan-13	Mar-17
17th St. Grade Separation	TBD	Oct-14	Jun-16	TBD	TBD
Project R	TBD	Oct-14	Jun-16	TBD	TBD
SR-57 (NB), Orangethorpe to Lambert (Landscape)	N/A	N/A	N/A	N/A	N/A
Project G	N/A	N/A	N/A	May-16	Dec-17
RAIL AND STATION PROJECTS					
Rail-Highway Grade Crossing Safety Enhancement	\$94.4	Jan-08	Oct-08	Sep-08	Dec-11
Project R	\$90.4	Jan-08	Oct-08	Sep-08	Dec-11
San Clemente Beach Trail Safety Enhancements	\$6.0	Sep-10	Jul-11	Apr-12	Jan-14
Project R	\$5.3	Sep-10	Jul-11	Jun-12	Mar-14

*For detailed project information, please refer to the individual project section within this report.

Measure M2

Progress Report

CAPITAL ACTION PLAN



Grey = Milestone achieved

Green = Forecast milestone meets or exceeds plan

Yellow = Forecast milestone is one to three months later than plan

Red = Forecast milestone is over three months later than plan

Capital Projects*	Cost Budget/ Forecast (in millions)	Schedule Plan/Forecast			
		Begin Environmental	Complete Environmental	Complete Design	Complete Construction
San Juan Capistrano Passing Siding	\$25.3	Aug-11	Jan-13	May-16	Jan-19
	\$25.3	Aug-11	Mar-14	Aug-16	Apr-19
Anaheim Rapid Connection (schedule on hold)	TBD	Jan-09	Oct-14	TBD	TBD
Project S	TBD	Jan-09	TBD	TBD	TBD
OC Streetcar	TBD	Aug-09	Mar-12	TBD	TBD
Project S	\$297.3	Aug-09	Mar-15	Jun-17	Jun-20
Placentia Metrolink Station and Parking Structure	TBD	Jan-03	May-07	Jan-11	TBD
	TBD	Jan-03	May-07	Feb-11	TBD
Anaheim Canyon Station	TBD	TBD	TBD	TBD	TBD
	\$21.0	Jan-16	Jan-17	Nov-18	Aug-20
Orange Station Parking Expansion	\$18.6	Dec-09	Dec-12	Apr-13	TBD
	\$18.6	Dec-09	Jan-16	Feb-16	Feb-18
Fullerton Transportation Center - Elevator Upgrades	\$3.5	N/A	N/A	Dec-13	Jan-16
	\$4.0	N/A	N/A	Dec-13	Jan-17
Laguna Niguel/Mission Viejo Station ADA Ramps	\$3.5	Jul-13	Jan-14	Aug-14	Feb-16
	\$4.6	Jul-13	Feb-14	Jul-15	Mar-17
Anaheim Regional Transportation Intermodal Center	\$227.4	Apr-09	Feb-11	Feb-12	Nov-14
Project R & T	\$230.4	Apr-09	Feb-12	May-12	Dec-14

*For detailed project information, please refer to the individual project section within this report.

LOS ANGELES

SAN BERNARDINO

ORANGE COUNTY

California

RIVERSIDE

SAN DIEGO






COMMITTEE TRANSMITTAL

March 14, 2016

To: Members of the Board of Directors

From: 
Laurena Weinert, Clerk of the Board

Subject: Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan Amendment Update

Executive Committee Meeting of March 7, 2016

Present: Chair Donchak, Vice Chairman Hennessey, and Directors Murray, Nelson, Spitzer, Ury

Absent: Director Lalloway

Committee Vote

This item was passed by the Members present.

Committee Recommendations

- A. Approve Attachment A and Attachment B to correctly reflect the actions taken by the Board of Directors on December 14, 2015 to amend the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan to address a shortfall in the Fare Stabilization Program (Project U), in the amount of \$69 million.
- B. Direct staff to post the corrected pages on the Orange County Transportation Authority's website and finalize the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan with the corrected language.

Note:

Correction to a typo in the Staff Report on Page 1, Recommendation A, "Approve . . . ~~Stabilization~~ Stabilization Program . . ."



ORANGE COUNTY TRANSPORTATION AUTHORITY


**Renewed Measure M Local Transportation Authority
Ordinance No. 3 and Transportation Investment Plan
Amendment Update**

Staff Report



March 7, 2015

To: Executive Committee

From: Darrell Johnson, Chief Executive Officer 

Subject: Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan Amendment Update

Overview

On December 14, 2015, the Board of Directors approved an amendment to the transit category of the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan. The amendment addressed funding shortfalls in the Fare Stabilization Program (Project U) and in the High-Frequency Metrolink Service Program (Project R). An error was found in the attachments related to the change in the language of Project U. The corrected material is being presented for your review and approval.

Recommendations

- A. Approve Attachment A and Attachment B to correctly reflect the actions taken by the Board of Directors on December 14, 2015 to amend the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan to address a shortfall in the Fare Stabilization Program (Project U), in the amount of \$69 million.
- B. Direct staff to post the corrected pages on the Orange County Transportation Authority's website and finalize the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan with the corrected language.

Background

On December 14, 2015, the Board of Directors (Board) conducted a public hearing and approved an amendment to the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan (Plan).

The amendment was correctly stated in all communications and transmittals including the action taken by the Board on the dollar amounts. However, an error was found in the accompanying attachments reflecting the action. In order to ensure the record is clear on the action taken, the revised attachments are included for your review and approval.

Discussion

The Measure M2 (M2) Ordinance allows for amendments, which are defined in Section 12, and requires a two-thirds vote of the Taxpayer Oversight Committee, and a two-thirds vote of the Orange County Transportation Authority Board, as well as a public hearing and notification process. Following these requirements, the amendment culminated on December 14, 2015, with a public hearing and unanimous Board approval (16-0) of the amendment on a roll call vote of those in attendance. The approved amendment was intended to address two issues in the following manner:

- Allocate \$69 million from Metrolink Gateways (Project T) to the Expand Mobility Choices for Seniors and Persons with Disabilities Program (Project U) to address the projected shortfall in the Fare Stabilization sub program of Project U.
- Allocate \$150 million from Metrolink Gateways (Project T) to High-Frequency Metrolink Service (Project R) to address future demand.

The amendment modified the project funding allocations which were correct in the Board action, as well as in the accompanying attachments to the staff report. The scrivener's error occurred in the attachments to the staff report related to the Project U percentage change resulting from the increase in \$69 million to the program. The ordinance specifies 1 percent of Project U funding is for the Fare Stabilization Program. With the addition of the Board-approved \$69 million, this increased the allocation from 1 percent to 1.47 percent. There was an omission related to the percentage change which provides clarity as well as a misplaced redline on the ordinance language.

Attachment A of Ordinance No. 3, on page 24 related to Project U, should have shown the percentage change increasing the allocation of funds from 1 percent to 1.47 percent within the Fare Stabilization Program. This is correctly shown in Attachment A of this staff report.

Also, *Attachment B of the M2 Ordinance, Section VI.C.3.c*, (correctly stated in the staff report), was not correctly placed in the December 14, 2015, staff report attachment. The December 14, 2015, staff report attachment showed the change to the incorrect section. This is shown correctly in Attachment B of this staff report. The incorrect attachments from the December 14, 2015, staff report are shown in Attachment C for your review and clarity on the scrivener's errors.

The staff report and the attachments have been reviewed by legal counsel for accuracy, and legal counsel has agreed on this corrective course of action.

Summary

On December 14, 2015, the Board of Directors approved an amendment to the transit category of the Renewed Measure M Local Transportation Authority Ordinance No. 3 and Transportation Investment Plan. The amendment addressed funding shortfalls in the Fare Stabilization Program (Project U) and in the High-Frequency Metrolink Service Program (Project R). A scrivener's error was found related to the Fare Stabilization Program in the attachments, and is corrected for the official record.

Attachments

- A. Revised Transportation Investment Plan (Page 24) – Transit Projects
- B. M2 Ordinance No. 3 – Attachment B, Allocation of Net Revenues
- C. Incorrect Attachments from December 14, 2015, Staff Report – Transit Projects

Prepared by:



Tamara Warren
Manager, Program Management Office
(714) 560-5590

Approved by:



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



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Renewed Measure M Local Transportation Authority
Ordinance No. 3 and Transportation Investment Plan
Amendment Update**

Attachment A



Transit Projects

Metrolink Gateways

Expand Mobility Choices for Seniors and Persons with Disabilities

a competitive process and no single project may be awarded all of the funds under this program.

These connections may include a variety of transit technologies such as conventional bus, bus rapid transit or high capacity rail transit systems as long as they can be fully integrated and provide seamless transition for the users.

Cost:

The estimated cost to implement this program over thirty years is \$1,000.0 million.

Project T

Convert Metrolink Station(s) to Regional Gateways that Connect Orange County with High-Speed Rail Systems

Description:

This program will provide the local improvements that are necessary to connect planned future high-speed rail systems to stations on the Orange County Metrolink route.

The State of California is currently planning a high-speed rail system linking northern and southern California. One line is planned to terminate in Orange County. In addition, several magnetic levitation (MAGLEV) systems that would connect Orange County to Los Angeles and San Bernardino Counties, including a link from Anaheim to Ontario airport, are also being planned or proposed by other agencies.

Cost:

The estimated Measure M share of the cost for these regional centers and connections is ~~\$226.6~~ million.
\$57.9

Project U

Expand Mobility Choices for Seniors and Persons with Disabilities

Description:

This project will provide services and programs to meet the growing transportation needs of seniors and persons with disabilities as follows:

- ~~One percent~~ One and forty-seven hundredths percent (1.47%) of net revenues will stabilize fares and provide fare discounts for bus services, specialized ACCESS services and future rail services
- One percent of net revenues will be available to continue and expand local community van service for seniors through the existing Senior Mobility Program
- One percent will supplement existing countywide senior non-emergency medical transportation services

Over the next 30 years, the population age 65 and over is projected to increase by 93 percent. Demand for transit and specialized transportation services for seniors and persons with disabilities is expected to increase proportionately.

Cost:

The estimated cost to provide these programs over 30 years is ~~\$339.8~~ million.
\$392.8





ORANGE COUNTY TRANSPORTATION AUTHORITY

**Renewed Measure M Local Transportation Authority
Ordinance No. 3 and Transportation Investment Plan
Amendment Update**

Attachment B

M2 ORDINANCE NO. 3 - ATTACHMENT B, ALLOCATION OF NET REVENUES

1 2. A senior is a person age sixty years or older.

2 3. Allocations.

3 a. One percent (1%) of the Net Revenues shall be allocated
4 to the County to augment existing senior non-emergency medical transportation services
5 funded with Tobacco Settlement funds as of the effective date of the Ordinance. The
6 County shall continue to fund these services in an annual amount equal to the same
7 percentage of the total annual Tobacco Settlement funds received by the County. The Net
8 Revenues shall be annually allocated to the County in an amount no less than the Tobacco
9 Settlement funds annually expended by the County for these services and no greater than
10 one percent of net revenues plus any accrued interest.

11 b. One percent (1%) of the Net Revenues shall be allocated
12 to continue and expand the existing Senior Mobility Program provided by the Authority.
13 The allocations shall be determined pursuant to criteria and requirements for the Senior
14 Mobility Program adopted by the Authority.

15 c. ~~One percent (1%)~~ One and forty-seven hundredths
16 percent (1.47%) of the Net Revenues shall be allocated to partially fund bus and ACCESS
17 fares for seniors and persons with disabilities in an amount equal to the percentage of
18 partial funding of fares for seniors and persons with disabilities as of the effective date of
19 the Ordinance, and to partially fund train and other transit service fares for seniors and
20 persons with disabilities in amounts as determined by the Authority.

21 d. In the event any Net Revenues to be allocated for seniors
22 and persons with disabilities pursuant to the requirements of subsections a, b and c above
23 remain after the requirements are satisfied then the remaining Net Revenues shall be
24 allocated for other transit programs or projects for seniors and persons with disabilities as
25 determined by the Authority.

26 D. Community Based Transit/Circulators.

27 1. The Authority may provide technical assistance, transportation
28 planning, procurement and operations resources for an Eligible Jurisdiction to assist in



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Renewed Measure M Local Transportation Authority
Ordinance No. 3 and Transportation Investment Plan
Amendment Update**

Attachment C



Transit Projects

Metrolink Gateways

Expand Mobility Choices for Seniors and Persons with Disabilities

a competitive process and no single project may be awarded all of the funds under this program.

These connections may include a variety of transit technologies such as conventional bus, bus rapid transit or high capacity rail transit systems as long as they can be fully integrated and provide seamless transition for the users.

Cost:

The estimated cost to implement this program over thirty years is \$1,000.0 million.

Project T

Convert Metrolink Station(s) to Regional Gateways that Connect Orange County with High-Speed Rail Systems

Description:

This program will provide the local improvements that are necessary to connect planned future high-speed rail systems to stations on the Orange County Metrolink route.

The State of California is currently planning a high-speed rail system linking northern and southern California. One line is planned to terminate in Orange County. In addition, several magnetic levitation (MAGLEV) systems that would connect Orange County to Los Angeles and San Bernardino Counties, including a link from Anaheim to Ontario airport, are also being planned or proposed by other agencies.

Cost:

The estimated Measure M share of the cost for these regional centers and connections is ~~\$226.6~~ million.
\$57.9



Project U

Expand Mobility Choices for Seniors and Persons with Disabilities

Description:

This project will provide services and programs to meet the growing transportation needs of seniors and persons with disabilities as follows:

- One percent of net revenues will stabilize fares and provide fare discounts for bus services, specialized ACCESS services and future rail services
- One percent of net revenues will be available to continue and expand local community van service for seniors through the existing Senior Mobility Program
- One percent will supplement existing countywide senior non-emergency medical transportation services

Over the next 30 years, the population age 65 and over is projected to increase by 93 percent. Demand for transit and specialized transportation services for seniors and persons with disabilities is expected to increase proportionately.

Cost:

The estimated cost to provide these programs over 30 years is ~~\$339.8~~ million.
\$392.8

1 2. A senior is a person age sixty years or older.

2 3. Allocations.

3 a. One percent (1%) of the Net Revenues shall be allocated
4 to the County to augment existing senior non-emergency medical transportation services
5 funded with Tobacco Settlement funds as of the effective date of the Ordinance. The
6 County shall continue to fund these services in an annual amount equal to the same
7 percentage of the total annual Tobacco Settlement funds received by the County. The Net
8 Revenues shall be annually allocated to the County in an amount no less than the Tobacco
9 Settlement funds annually expended by the County for these services and no greater than
10 one percent of net revenues plus any accrued interest.

11 b. ~~One percent (1%)~~ One and forty-seven hundredths
12 percent (1.47%) of the Net Revenues shall be allocated to continue and expand the
13 existing Senior Mobility Program provided by the Authority. The allocations shall be
14 determined pursuant to criteria and requirements for the Senior Mobility Program adopted
15 by the Authority.

16 c. One percent (1%) of the Net Revenues shall be allocated
17 to partially fund bus and ACCESS fares for seniors and persons with disabilities in an
18 amount equal to the percentage of partial funding of fares for seniors and persons with
19 disabilities as of the effective date of the Ordinance, and to partially fund train and other
20 transit service fares for seniors and persons with disabilities in amounts as determined by
21 the Authority.

22 d. In the event any Net Revenues to be allocated for seniors
23 and persons with disabilities pursuant to the requirements of subsections a, b and c above
24 remain after the requirements are satisfied then the remaining Net Revenues shall be
25 allocated for other transit programs or projects for seniors and persons with disabilities as
26 determined by the Authority.

27 D. Community Based Transit/Circulators.

28 1. The Authority may provide technical assistance, transportation