OCTA

Orange County Transportation Authority

Comprehensive Business Plan

Fiscal Year 2012-13

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Introduction

November 26, 2012

To Chair Paul Glaab & Members of the OCTA Board of Directors:

I am pleased to present the Fiscal Year 2012-13 Comprehensive Business Plan for the Orange County Transportation Authority (OCTA). This business plan provides the OCTA Board of Directors and the citizens of Orange County with a comprehensive summary of OCTA's transportation plans and commitments consistent with OCTA's mission to "develop and deliver transportation solutions to enhance quality of life and keep Orange County moving."

The Fiscal Year 2012-13 Comprehensive Business Plan is a financially constrained business planning tool providing a 20-year cash flow for each of OCTA's transportation programs, and serves as the baseline for developing the fiscal year 2013-14 annual budget. The plan details a comprehensive, multi-modal approach ensuring the financial viability of each of OCTA's programs and is consistent with the goals of OCTA's Strategic Plan, M2020 Plan, and Destination 2035, which is the approved Long-Range Transportation Plan.

The Fiscal Year 2012-13 Comprehensive Business Plan helps ensure that OCTA can continue to deliver on promises made to the voters, and that OCTA's core goals and objectives can be met over a 20-year horizon. Achievement of the objectives will allow OCTA to continue to deliver on transportation solutions that will maintain the quality of life and economic productivity that the citizens of Orange County have come to expect and enjoy.

Sincerely,

Will Kempton
Chief Executive Officer

The Authority is governed by an eighteen-member Board of Directors consisting of five members of the Orange County Board of Supervisors, ten city council members selected by the cities in the supervisorial district in which they represent, two public members selected by the other fifteen board members, and serving in a non-voting capacity is a representative appointed by the Governor of California. OCTA is managed by a Chief Executive Officer, who acts in accordance with the direction, goals, and policies articulated by the Board of Directors.

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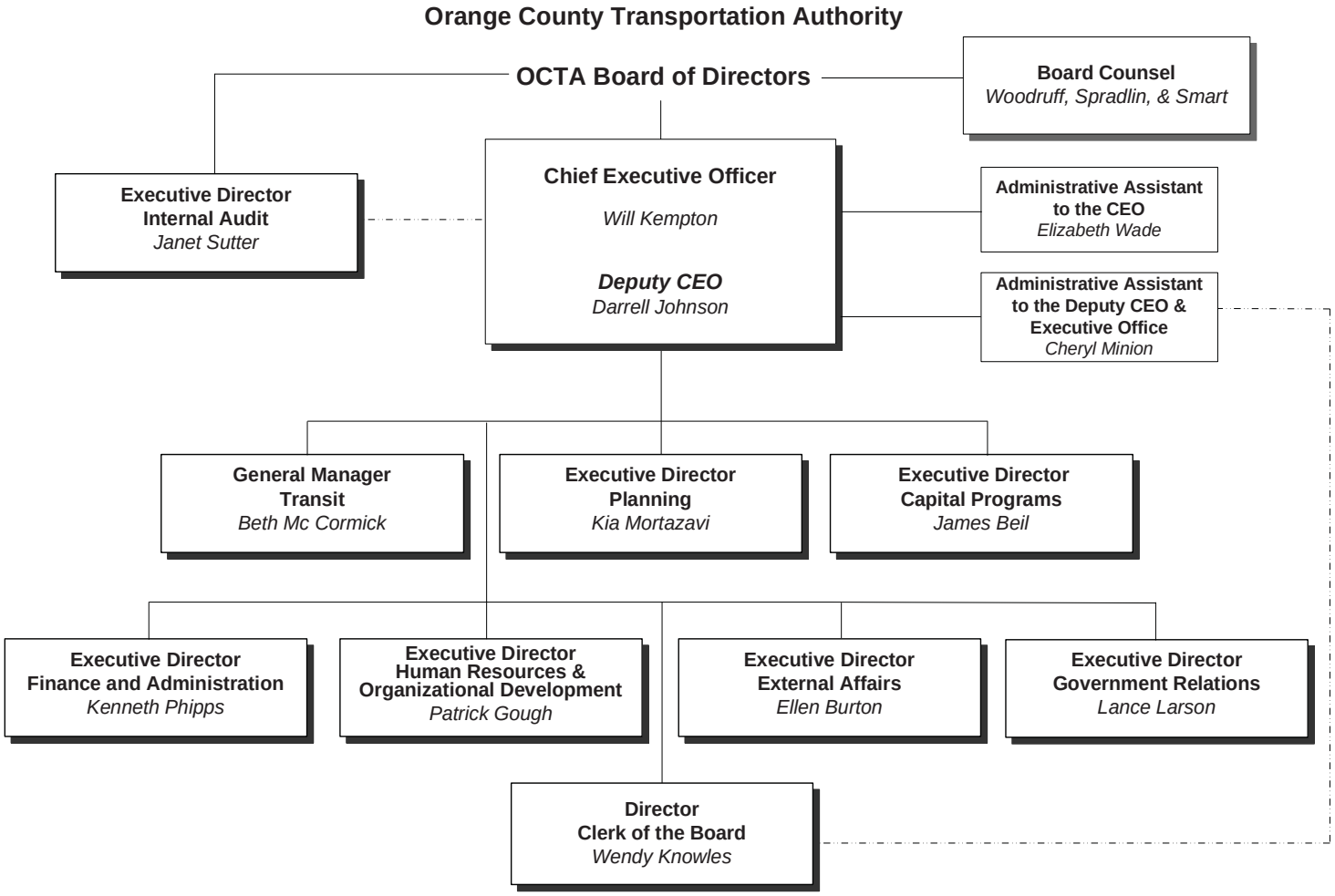
Ryan Chamberlain
Governor's Ex-officio Member
Director, Caltrans
District 12

Organizational Chart



OCTA Vision

An integrated and balanced transportation system that supports the diverse travel needs and reflects the character of Orange County.

OCTA Mission

Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.

The Board of Directors has developed five goals to guide OCTA in achieving this vision and mission. These goals represent each aspect of the organization and encompass every division and employee of the OCTA.

Goals

- Mobility - Deliver programs, projects and services to improve the movement of people and goods throughout Orange County and the region.

- Public Service - Enhance customer satisfaction by understanding, connecting with and serving our diverse communities and partners.

- Fiscal Sustainability - Ensure fiscal health through prudent financial management and by protecting and leveraging available revenue sources.

- Stewardship - Embrace responsible policies and practices designed to promote environmental sustainability and enhance the safety and quality of life in Orange County.

- Organizational Excellence - Continue the tradition of being a high-performing organization through employee development and efficient business practices.

Purpose of the Comprehensive Business Plan
The Comprehensive Business Plan (CBP) is a business planning tool designed to assist the OCTA in implementing its strategic goals and objectives. The CBP encapsulates OCTA's programs and outlines their goals and objectives, as articulated by the Board of Directors. This is accomplished within the framework of sound business practices to provide an effective and efficient multi-modal transportation network to the residents of Orange County. Through the use of financial modeling and divisional input and review, a comprehensive study of economic influences and programmatic needs and objectives are incorporated into a business planning document to ensure the financial viability of each of OCTA's programs over a twenty-year horizon.

The business plan is an evolving document that is updated annually in response to the ever-changing social, political, and economic environment. The CBP lays the foundation for the annual budget process and is consistent with the goals of the Strategic Plan, M2020 Plan, and Destination 2035, which is the approved Long-Range Transportation Plan.

Overview of Programs
As an organization, OCTA is comprised of seven distinct programs with unique characteristics and objectives; however, these programs work together to accomplish OCTA's Authority-wide mission, "To develop and deliver transportation solutions to enhance quality of life and keep Orange County moving." The programs include: Bus Operations, Rail, Measure M1, Measure M2, the 91 Express Lanes, Non-Program Specific Projects & Expenditures, and Motorist & Taxicab Services.

Bus Operations
The Bus Operations program represents OCTA's core business unit, which delivers fixed route, express, StationLink rail feeder and complementary paratransit bus services for Orange County residents.

The fixed route network provides bus service on 40 local lines, 14 community lines, 10 inter/intracounty express lines, and 12 StationLink rail feeder lines. The local lines operate along major arterials comprising a "grid" network, and have high passenger volumes that require the use of higher capacity 40-foot and 60-foot buses. Community lines may use smaller buses to accommodate roadway constraints or lower passenger demand, and provide connections to the local lines. Express service provides limited-stop, freeway-based service to major employment areas in Orange County and surrounding areas. StationLink rail feeder service provides connector services for the Metrolink commuter rail system allowing Metrolink commuters to reach employment centers.

OCTA paratransit services provide demand response bus service to persons with developmental and physical disabilities as required by the federal Americans with Disabilities Act (ADA), as well as bus service to transport elderly persons to destinations such as adult programs and health care providers.

Rail
The Metrolink program is a premier regional rail system operated as a Joint Powers Authority (JPA) by the Southern California Regional Rail Authority (SCRRA). Five member agencies participate in the JPA serving the counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. OCTA is responsible for participating and providing the funding necessary to operate the three lines that cross Orange County. These lines include: the Orange County (OC) Line, the Inland Empire-Orange County (IEOC) Line, and the 91 Line. These routes service rail commuters between Orange, Los Angeles, San Diego, San Bernardino, and Riverside Counties.

Measure M (M1)
In November 1990, Orange County voters approved M1, a 20-year program for local transportation improvements funded by a one-half cent sales tax. The goal of M1 was to create a balanced multi-modal transportation system to provide congestion relief on existing freeways, streets and roads, and development of a state-of-the-art rail transit system.

OCTA has delivered on the promises made to the voters with more than $4 billion of improvements made while leveraging over $1.2 billion in local, state, and federal funding. OCTA was able to deliver 192 lane miles of additional freeway capacity, modernize and improve 170 intersections and 38 interchanges, provide $1.3 billion dollars to improve streets and roads, and implement Metrolink service.

On March 30, 2011 the collection of sales tax revenue under M1 concluded. However, there are still expenditures that remain to complete M1 commitments. Final M1 sales tax revenue figures are approximately $4.075 billion.

Measure M2 (M2)
In November 2006, Orange County voters approved the renewal of the Measure M one-half cent sales tax, which will continue investment of local tax dollars in Orange County's transportation infrastructure from April 2011 through March 2041. The M2 Transportation Investment Plan is a 30-year, $11.8 billion program that reflects the varied interests and priorities inherent in the diverse communities of Orange County. The Plan includes continued investment aimed at:

- Expanding and improving Orange County's freeway system
- Maintaining and improving the network of streets and roads in every community
- Expanding the Metrolink rail service through the core of Orange County with future connections with nearby communities and regional rail systems
- Providing additional transit service for seniors and persons with disabilities
- Providing funds to clean up runoff from roads that leads to beach closures

91 Express Lanes
The 91 Express Lanes is a four-lane, 10-mile toll facility extending from the Costa Mesa Freeway/State Route 55 on the west to the Orange/Riverside County line on the east. Authorized as one of four public-private toll road projects by the State of California the lanes were built at a cost of $135 million and opened in 1995 by the California Private Transportation Company (CPTC).

The CPTC had an agreement with the State of California Department of Transportation (Caltrans) that included a non-compete provision that created a 1.5-mile protection zone along each side of the Riverside Freeway. This zone prohibited improvements along the corridor for 30 years in order to satisfy bondholder requirements for a secure revenue stream. This created mobility problems as the region and corresponding transportation demands grew. In January 2003, the OCTA acquired the 91 Express Lanes from the CPTC in order to clear the way for future improvements along the 91 Corridor. Since the acquisition of the toll lanes, and with the elimination of the non-compete provision, improvements are moving forward on the 91 Corridor.

The 91 Express Lanes continue to be an important element in ensuring that traffic flows more smoothly between Orange and Riverside counties. Depending on the time of day, commuters can save an average of 30 minutes on their drive time by using the 91 Express Lanes.

Non-Program Specific Projects & Expenditures
The majority of major freeway, street and roads, and transit projects are funded primarily through the M1 and M2 programs. OCTA has also committed to a handful of projects not funded through the M1 or M2 programs. These projects are funded using other local, state and federal sources. These projects include the Bristol Street Widening Project, as well as efforts to provide continuous access striping for High Occupancy Vehicle Lanes. Additional projects include the implementation of a bike-share pilot program in the City of Fullerton, vanpool and rideshare programs, and a cooperative agreement with the City of Irvine which enables funding for the iShuttle service. In addition, OCTA continues to support further efforts to develop and improve bicycle and pedestrian facilities within the County.

Motorist & Taxicab Services
The Motorist and Taxicab Services program consists of three business units: the Service Authority for Freeway Emergencies (SAFE), the Service Authority for Abandoned Vehicles (SAAV), and the Orange County Taxicab Program (OCTAP).

SAFE provides the Freeway Callbox System and Freeway Service Patrol (FSP) services, both of which are designed to assist motorists in emergency situations and reduce traffic congestion. SAFE also provides funding toward the Southern California 511 Program. This system allows the traveling public to access information on highway conditions, traffic speeds, transit, and commuter services via a toll free number with an interactive voice response system and the internet.

SAAV assisted the cities and county in removing potentially hazardous and unsightly abandoned vehicles from Orange County's streets and roads. Providing these critical services to the public reduces accidents, mitigates traffic congestion, and improves air quality by reducing auto emissions.

OCTAP provides a regulatory function for taxicab services for 34 local cities and has established a uniform regional approach for this program in Orange County.

Bus Operations

Introduction
Orange County began transit operations in the fall of 1972 through establishment of the Orange County Transit District by state legislation with eight local fixed routes. Today, service has grown to 76 bus routes and annual boardings exceed 52 million.

Bus services are tailored to various market demands and needs. These services include local fixed route, express, StationLink rail feeder and complementary paratransit bus service. The fixed route network provides bus service on 40 local lines, 14 community lines, 10 inter/intracounty express lines, and 12 StationLink rail feeder lines. The local lines operate along major arterials comprising a "grid" network, and have high passenger volumes that require the use of higher capacity 40-foot and 60-foot buses. Community lines use smaller buses to accommodate for roadway constraints or lower passenger demand, and provide connections to the local lines. The express service provides limited-stop, freeway-based service to major employment areas in Orange County and surrounding areas. StationLink rail feeder service provides connector services for the Metrolink commuter rail system allowing Metrolink commuters to reach employment centers.

OCTA also provides special needs transportation services under three program elements, Americans with Disabilities Act (ADA) ACCESS paratransit service, non-ADA taxi and special agency services, and community transportation programs. ACCESS provides demand response bus service to persons with developmental and physical disabilities as required by the ADA. OCTA offers non-ADA same day taxi service to ACCESS-eligible customers and subsidizes trips to adult daycare programs on alternative transportation services. In addition, OCTA funds and administers community transportation services offered through the Senior Mobility Program and federal grant programs.

Fixed Route Service
In order to provide a reliable and sustainable level of bus service throughout the county, OCTA decreased service by a total of 383 thousand revenue vehicle hours (RVH) in fiscal years 2008-09 and 2009-10 in response to dramatically decreasing revenues. To continue on a sustainable path, OCTA will mitigate operating costs by increasing contract service levels up to 30 percent of the total fixed route service. As transit operations staff attrits, directly operated service will be converted to contract service proportionately subject to financial and operational considerations.

Due to recent improvements in the economy and revenues, service levels may increase by approximately 5 percent or 78 thousand hours from 1.551 million 2011-12 to 1.629 million RVH in 2014-15. In fiscal year 2012-13, 23 thousand scheduled RVH are anticipated to be added for schedule maintenance in order to mitigate overcrowding conditions and increase on-time performance. As a result of the Transit System Study findings, 31 thousand hours of limited stop and express services will commence in 2013-14. The 31 thousand hours will consist of 24 thousand hours of limited stop service on route 43 (Harbor Boulevard) along with 6 thousand hours of express service on State Route 22 and 1 thousand hours of express service on State Route 73. The initial three years of the program will be funded using Congestion Mitigation and Air Quality (CMAQ) funds. In addition to the immediate implementation of 23 thousand hours, approximately 24 thousand additional hours of schedule maintenance service may be added beginning in 2013-14 to help OCTA maintain on-time performance and help alleviate overcrowding during peak hours on the heaviest routes.

Figure 1 (see following page) illustrates the planned annual revenue vehicle hours projected through fiscal year 2031-32. In order to attain the 30 percent goal, OCTA may increase contract service RVH from the current level of 0.32 up to a maximum of 0.47 million. Figure 2 (see following page) illustrates the estimated annual boardings through fiscal year 2031-32. OCTA anticipates an increase in boardings over the long-term due to general growth in both population and the economy but this will be mitigated by scheduled fare increases every four years. Boardings are anticipated to grow moderately to approximately 52.7 million by fiscal year 2031-32.

Local Bus Service
Local Bus Service represents the majority of transit options offered throughout Orange County. Currently, 40 bus routes operate along the major arterials comprising a "grid" network. There are 14 local community routes; 9 of these are operated by the contracted fixed route provider.

Express Service
Express routes operate Monday through Friday during peak hours targeting longer distance home-to-work commuters. Service operates primarily on freeways, utilizing the HOV network where possible, to offer customers travel times comparable to travel by automobile.

Figure 1 - Fixed Route Revenue Vehicle Hours ($ thousands)

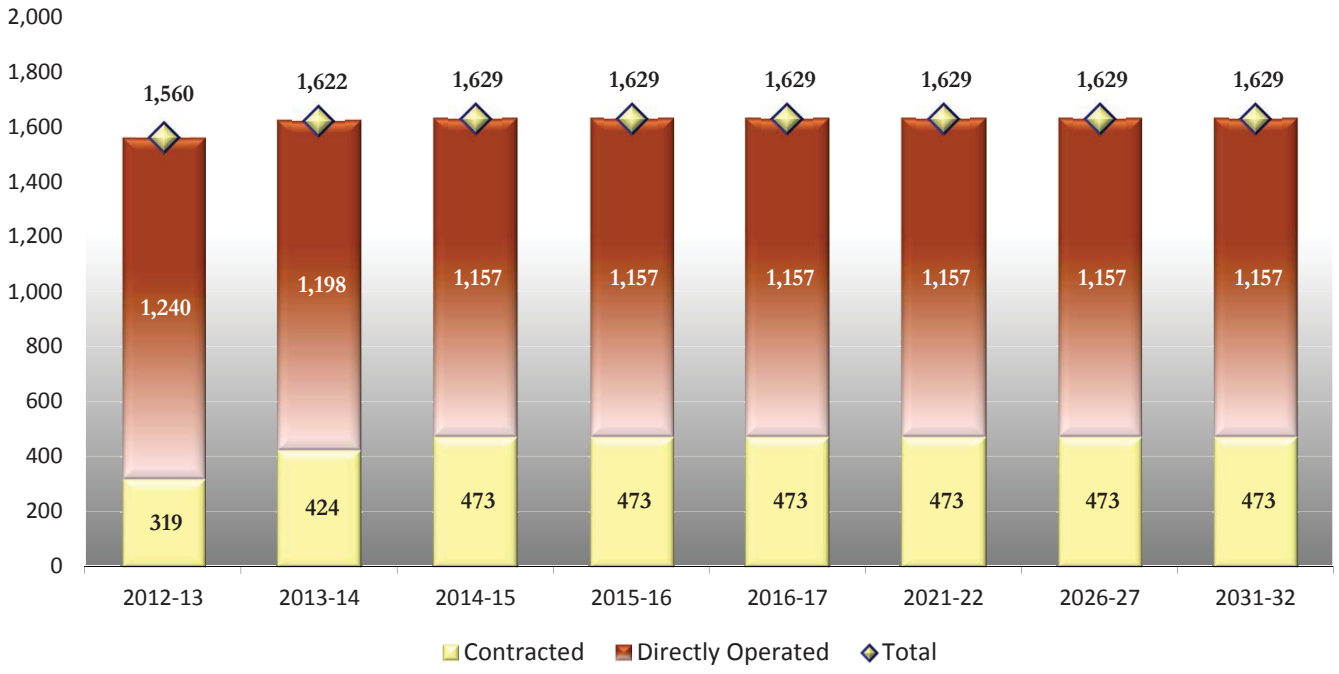
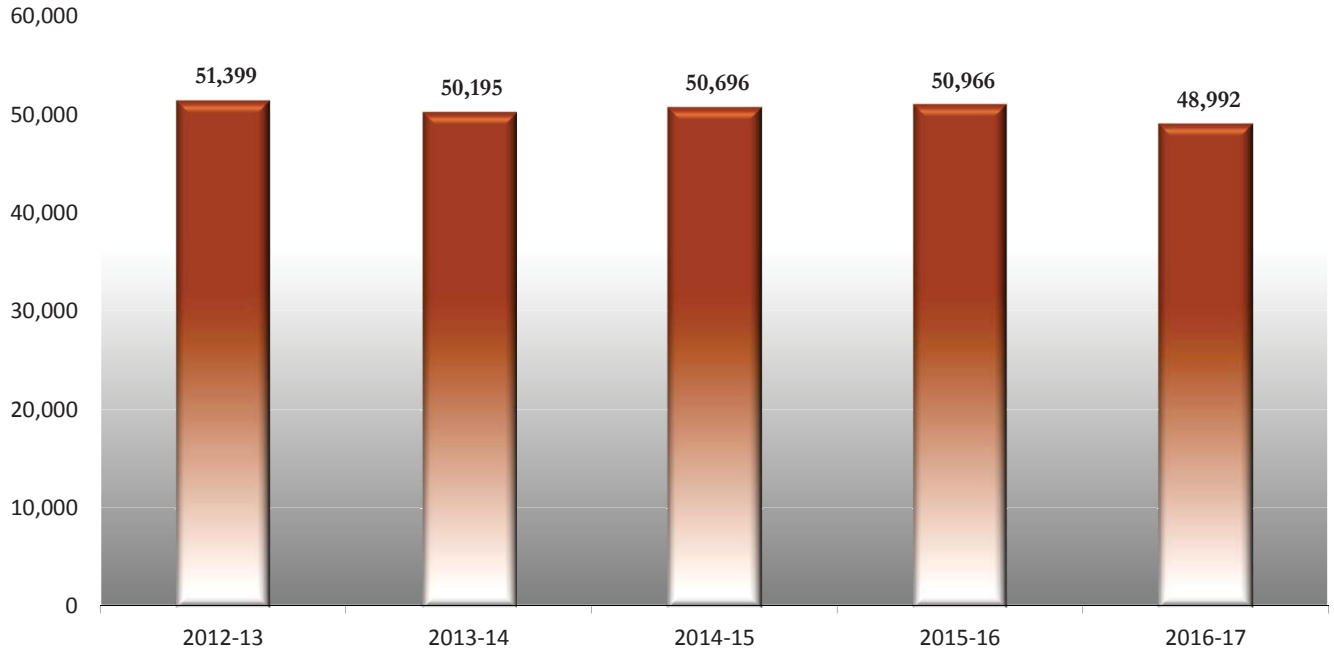


Figure 2 - Fixed Route Boardings (# thousands)



Rail Feeder Service
Rail feeder services were introduced to transport commuter rail passengers between Metrolink train stations and their employment destinations in Orange County. StationLink buses travel over a defined route with limited stops located at major employment centers. A total of 12 StationLink routes operate weekdays during the morning and evening commute periods. Metrolink passengers may board StationLink routes free of charge.

Paratransit
As a provider of public fixed route transit services, OCTA is required by the ADA to provide complementary paratransit services, known as ACCESS, for individuals whose disabilities prevent them from using regular transit service. In addition, OCTA funds and administers other special needs transportation programs to help reduce the demand and cost of ACCESS service.

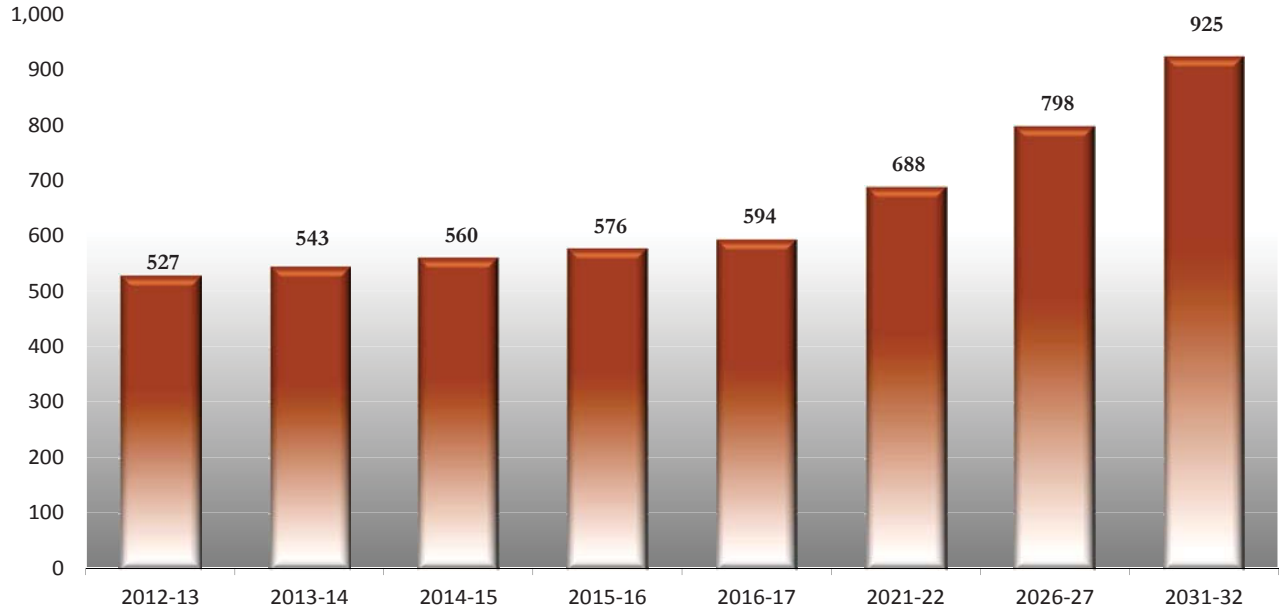
Implementation of a Growth Management Plan reduced the double digit growth experienced in the first half of the last decade. However, with the aging population, growth rates are expected to be 2.35 percent annually over the long-term. OCTA forecasts ACCESS service levels to increase by 84 thousand RVH or 16 percent from fiscal year 2012-13 through 2017-18. ACCESS currently accounts for 25 percent of the total RVH provided by OCTA, but is expected to grow to 37 percent by 2033. Figure 3 illustrates the projected ACCESS RVH through fiscal year 2031-32.

ACCESS Service
OCTA's complementary ADA paratransit services are currently provided by Veolia Transportation. These contracted services are operated from OCTA's Irvine Construction Circle facility. Trips provided by Veolia account for approximately 72 percent of all paratransit trips. Veolia sub-contracts with a taxi service to provide ACCESS trips during peak periods which helps OCTA keep the size of the ACCESS fleet from increasing significantly. In addition, these supplemental taxi services are currently being utilized to increase efficiency during non-peak periods, in an effort to decrease total ACCESS costs and increase total system efficiency. The use of supplemental taxi services is one of a variety of cost mitigation measures being employed.

Non-ADA Taxi and Special Agency Services
A critical component of the Growth Management Plan was the development of less costly services. Unlike standard ACCESS service, these services are coordinated with adult daycare agencies or community centers and taxi companies. OCTA offers a non-ADA same-day taxi service which allows ACCESS eligible customers to schedule a partially subsidized taxi trip, significantly reducing OCTA's cost per trip. The same-day taxi program is currently expanding to provide services over a greater coverage area. Under Special Agency Services, agencies are subsidized by OCTA and provide services comparable to those of standard ACCESS services at a significantly lower cost per hour or cost per trip. As operating costs for ACCESS services increase, staff is diligently working to develop new services and encourage use of these programs.

Community Transportation Programs
OCTA also supports the development of community-based transportation services for seniors, persons with disabilities and persons of low income. Under the Senior Mobility Program, OCTA currently provides M2 funding to 25 cities and 4 non-profit

Figure 3 - ACCESS Revenue Vehicle Hours (# thousands)



organizations to support local senior transportation services. In addition, OCTA administers grant funds under the Federal Transit Administration's Section 5316 Job Access Reverse Commute (JARC) and Section 5317 New Freedom programs. More than $4.8 million in funding supports a variety of projects including mobility management programs, travel training, volunteer driver programs, and new transportation services which benefit the JARC and New Freedom populations. OCTA will implement a JARC funded program entitled Vocational Visions that will be utilized to divert trips from ACCESS service.

Transit Staffing

The timeline for attaining the 30 percent contract service conversion goal was developed using historical attrition rates of coach operators and maintenance staff. As coach operators and maintenance staff attrits, replacement of positions will be dependent upon necessity, as dictated by the amount of directly operated service scheduled at that point in time. Figure 4 presents the projected staffing levels for fiscal year 2012-13 through 2031-32 for the Bus Operations division. Coach operators, supervisory personnel, mechanics, bus service workers and administrative staff are represented in the table.

Capital Expenditures

Bus purchases and replacement of critical infrastructure components are costly. A single forty-foot bus powered by compressed natural gas costs approximately $545,000. An essential component of running a fiscally responsible operation is ensuring capital requirements are satisfied. Timely replacement of capital ensures stable operations and decreases expenses associated with maintenance of equipment that has operated beyond its useful life. OCTA maintains a useful life of 14 years for 40' and 60' buses, 7 years for mid-size buses, and 5 years for the paratransit fleet. Adherence to a capital replacement cycle is a paramount concern. It helps to maintain the high equipment standards OCTA employs and plan for the subsequent costs on an annual basis.

A capital replacement fund is utilized to plan and account for capital replacement purchases. Ensuring the organization has the funds required to replace capital assets allows OCTA to eliminate or reduce financing costs associated with purchases and accrue interest earnings on the cash balance. Under the current set of assumptions, the capital replacement fund will be approximately 71 percent funded in 2031-32. This is a sufficient funding level and will allow the OCTA to maintain the current capital replacement and purchase cycle. OCTA also maintains a 45 day working capital reserve in order to minimize impacts to cash flow due to fluctuations in operating revenues and expenditures.

Fixed Route

Currently, OCTA's active bus fleet consists of 546 vehicles with 386 vehicles designated for directly operated fixed route (large bus) use and 160 designated for contracted fixed route service. Figure 5 details the fuel type and average age of OCTA's large bus fixed route active fleet.

Figure 5 - Directly Operated Fleet Age by Fuel Type

Fuel Type	Average Age (Years)
Compressed Natural Gas (CNG)	3.6
Liquified Natural Gas (LNG)	10.2
Diesel	10.0
Average Age	6.2

Figure 4 - Projected Transit Staffing Plan (# Employees)

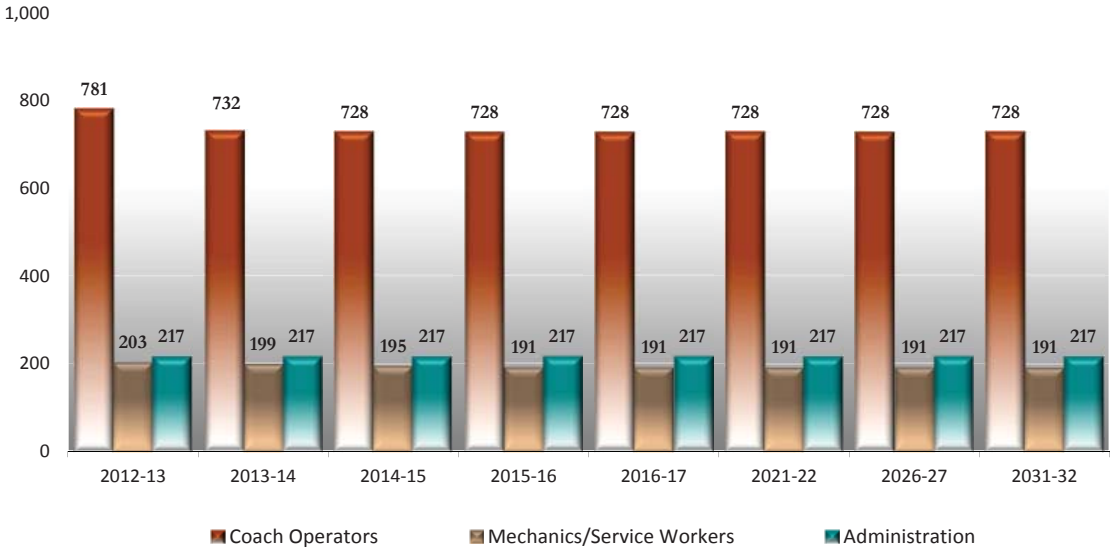


Figure 6 - Fixed Route Fleet Size (# buses)

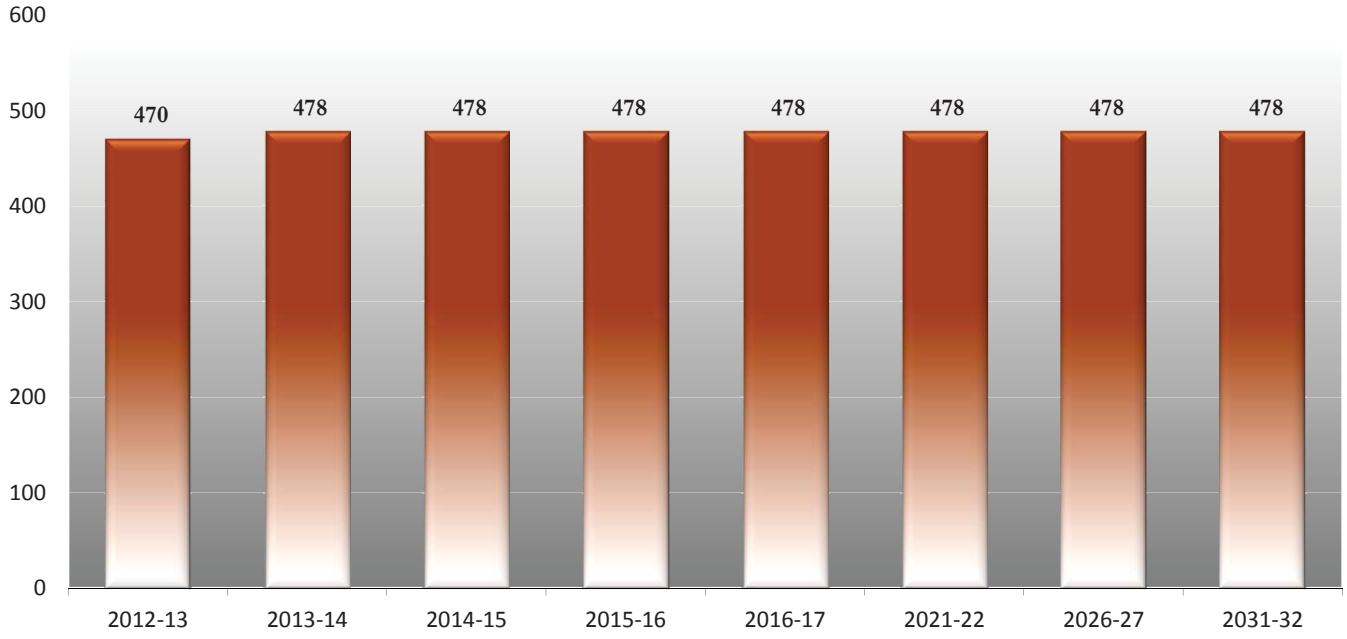
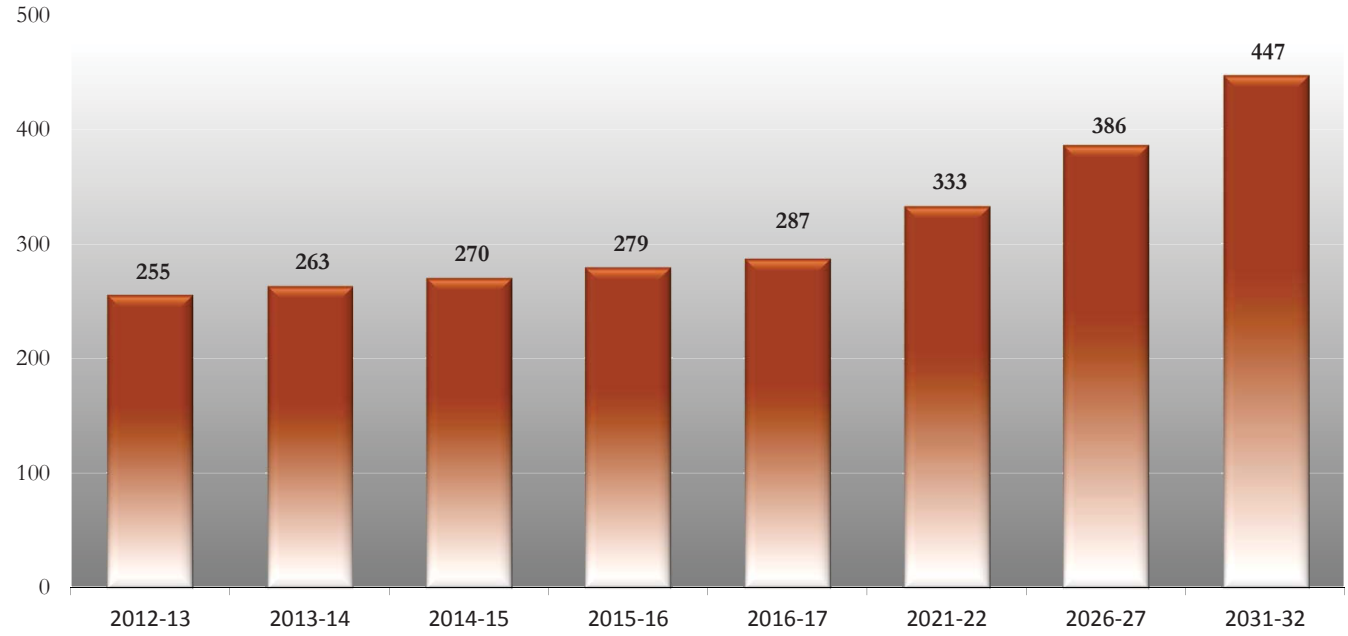


Figure 7 - Paratransit Fleet Size (# buses)



Over the next five years approximately 266 revenue vehicles will be purchased. The current fleet plan anticipates purchases of 179 forty-foot, 36 articulated (artics) and 51 cutaway buses over a five year window. It is expected that 20 CNG Artic buses will be purchased using CMAQ and RSTP funding at a cost of approximately $850,000 per vehicle. As service conditions change, the composition of the fleet will be revisited regularly to ensure the proper mix of 40', 60' and mid-size buses within the fleet.

ACCESS

The current paratransit active fleet consists of 248 vehicles, which represents 24 percent of OCTA's active fleet. RVH are used to project the required number of vehicles necessary to operate this service. As demand for paratransit service continues to grow, OCTA explores alternative methods of service delivery. As demand for the service increases, trips will be diverted to the current subcontracted taxi service when optimal. The diversion will help to mitigate the growth rate of the fleet.

Infrastructure

Capital expenditures in the Orange County Transit District (OCTD) Fund include a variety of expenses such as: ADA bus stop and facility modifications, revenue vehicles, and support and miscellaneous equipment. The funding for these costs is comprised of both grant and local sources. Grant funding includes sources from federal, state, and local agencies that typically cover up to 80 percent of the asset cost. The local portion, or 20 percent match, is paid from the capital replacement fund. Since the beginning of the recession, OCTA has used 5307 funds for traditional operating purposes to a greater extent than in prior years. This has expedited the receipt of 5307 funds and allowed OCTA to deposit the funds within the capital replacement fund and collect additional interest earnings. The interest earnings are then used to fund additional operating and capital expenditures. Fiscal year 2012-13 through 2016-17 expenditures are summarized in Figure 8.

Figure 8 - Fixed Asset Replacement Schedule (millions)

Asset Category	2012-13	2013-14	2014-15	2015-16	2016-17
Support Equipment	$18.9	$14.8	$1.6	$0.6	$0.6
Large Bus	17.4	0.0	4.7	74.3	44.2
Facility Modifications	7.8	8.9	14.5	2.3	3.2
Small Bus	5.4	1.0	23.1	22.3	5.8
Vehicle Modifications	0.7	0.0	4.8	5.3	0.7
Miscellaneous	0.0	1.0	0.0	0.0	0.0
Total Capital Purchases	$50.2	$25.8	$48.5	$104.9	$54.5

Bus Operations Revenue

Bus Operations is dependent upon external revenue sources to supplement farebox revenue and help offset operating expenditures for fixed route and paratransit services. These revenue sources are comprised of: the Local Transportation Fund (LTF), State Transit Assistance Fund (STAF), gasoline tax exchange revenues, Commuter and Urban Rail Endowment Fund (CURE), federal operating grants, Local Transportation Authority (LTA) fare stabilization funding, advertising, property tax, contributions from other agencies, and interest earnings on cash balances.

The major funding sources that allow OCTA to provide transportation services to Orange County residents are comprised of two forms of sales tax revenues: the LTF, a one-quarter cent state sales tax signed into law as part of the TDA in 1971, and the STAF, derived from sales taxes on diesel fuel and appropriated by the State Legislature on an annual basis.

The growth rate of sales tax revenue is dependent upon the state of the economy and any fluctuations can have a significant impact over the life of the plan. Therefore, this business plan will be revisited annually to ensure that service levels are appropriately planned to meet revenue projections. Figure 9 illustrates the revenue sources projected through fiscal year 2016-17.

Figure 9 - Bus Operations Revenue Sources ($millions)

Sources	2012-13	2013-14	2014-15	2015-16	2016-17
Sales Tax Revenue	$ 136.0	$ 143.8	$ 154.9	$ 163.6	$ 171.0
Federal Formula Grant 5307	61.5	56.7	59.6	62.3	57.7
Passenger Fares	56.6	62.1	62.9	63.4	67.6
State Transit Assistance Fund	26.4	26.9	27.5	28.0	28.6
Gas Tax Exchange	23.0	-	-	-	-
Property Tax Revenue	11.9	11.1	11.2	11.4	11.5
Miscellaneous Revenues	4.3	5.4	5.5	5.6	1.4
Advertising Revenue	3.3	3.5	3.7	3.9	4.1
Renewed Measure M	2.7	2.8	3.0	3.2	3.4
Rail Feeder	2.2	2.4	2.6	2.6	2.8
CMAQ	-	2.2	1.8	1.7	-
Total	$ 327.9	$ 317.0	$ 332.7	$ 345.8	$ 348.0

A rough start to the decade brought a recession that had a significant impact on transit revenues. Some of the most significant declines were in local sales taxes, STAF, and farebox revenues. However, in 2011-12, total local sales tax revenues (LTF) increased by approximately 7.23 percent from 2010-11 levels, and a modest trend of improvement is expected to continue. The CBP currently utilizes the 2012-13 budget forecast but preliminary projections indicate that sales taxes may come in higher than the projected 6.3 percent increase over 2011-12 receipts if recent economic trends continue.

Just as sales tax revenues have increased, so have fuel tax revenues available for STAF funding. The CBP anticipates STAF revenues of approximately $26.4 million in 2012-13, escalating to $28.6 million in 2016-17. As the state legislature grapples with the State's fiscal challenges, the viability of STAF as a long term operating revenue is uncertain.

In July 2012, the much anticipated Moving Ahead for Progress in the 21st Century Act (MAP-21) was signed by the president. This bill ensures the current federal transit legislation will continue through Federal Fiscal Year (FFY) 2012 and extended Section 5307 Federal Formula Grant funds through 2014. It authorizes $10.6 billion in FFY 2013 and $10.7 billion in FFY 2014 for federal transit programs. Of the amount authorized, California is expected to receive $1.2 billion in each year, however, the funding implications of this bill and how they impact OCTA are still being analyzed.

Boardings across the fixed route system have increased by 2.38 percent from 2010-11 to 2011-12. Fluctuations in boardings can have a significant impact on fare revenues, for every boarding lost or gained, revenue changes by approximately $0.86. Fare revenues have increased from $45.6 million in 2010-11 to $45.7 million in 2011-12, a gain of 0.2 percent. As the economy grows fare revenues are anticipated to stabilize and will continue to be augmented by fare increases every four years beginning in 2012-13, eventually reaching $63.7 million in 2019-20. Boardings are projected to remain relatively flat because growth in boardings is suppressed by the regularly scheduled fare increases.

Transit Related Programs

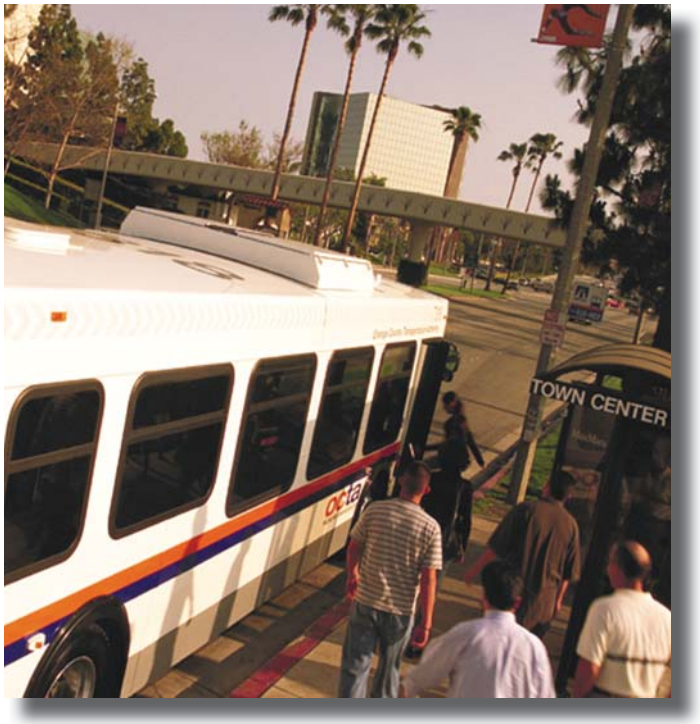
Expand Mobility Choices for Seniors and Persons with Disabilities

Over the next 30 years, the population of people of age 60 and over is projected to increase 118 percent. The demand for transit and specialized transportation services for seniors and persons with disabilities is anticipated to increase proportionally. In order to meet the demand, approximately $443 million in funds has been allocated to expand mobility choices for seniors and persons with disabilities as part of the M2 program. The project will meet the growing transportation needs of seniors and persons with disabilities by allocating approximately $148 million to each of the following programs:

- Stabilize fares and provide fare discounts for bus services, specialized ACCESS service and future rail services
- Supplement existing countywide senior non-emergency medical transportation services
- Continue and expand local community services for seniors through the existing Senior Mobility Program
  - o The amount allocated to each participant is based on senior population and is limited by available funds
  - o Currently, 25 cities and 4 eligible community nonprofit organizations operate Senior Mobility Programs

Community Based Transit Circulators

Approximately $295 million in funds have been allocated for community based transit circulators as part of the M2 program. The project will establish a competitive program for local jurisdictions to develop local bus transit circulators, shuttles and bus trolleys that complement regional bus and rail services and meet needs in areas not adequately served in regional transit. Projects will need to meet performance criteria for ridership, connection to bus and rail services, and financial viability to be considered for funding. Additionally, all projects will be competitively bid, and cannot duplicate or compete with existing transit services. Guidelines are currently being developed. Over the next 5 years available revenues will total $27 million.



Safe Transit Stops

Approximately $33 million in funds have been allocated for safe transit stops as part of the M2 program. The project will provide for passenger amenities at 100 of the 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, lighting, current information on bus and train timetables and arrival times, and transit vending machines.

Cash Flow Statement - Bus Operations

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27	2031-32
Beginning Balance	$	133.2	192.4	233.4	247.9	206.5	424.1	362.6	333.8
Cash flows from operating activities:									
Sources of funds:									
Sales Tax Revenue		136.0	143.8	154.9	163.6	171.0	209.3	258.7	318.5
Passenger Fares		56.6	62.1	62.9	63.4	67.6	82.0	99.1	124.0
State Transit Assistance Fund		26.4	26.9	27.5	28.0	28.6	31.6	34.9	38.5
Property Tax Revenue		11.9	11.1	11.2	11.4	11.5	12.1	12.7	13.3
Gas Tax Exchange		23.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous Revenues		4.3	5.4	5.5	5.6	1.4	1.6	1.8	2.1
Advertising Revenue		3.3	3.5	3.7	3.9	4.1	5.0	6.1	7.5
Alternative Fuel Tax Credit		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sources of funds	$	261.5	252.8	265.7	275.9	284.2	341.5	413.2	503.8
Cash flows from operating activities:									
Uses of funds:									
Salaries and Benefits		114.8	113.2	116.1	122.3	128.4	149.7	169.3	197.8
Purchased Transportation Services		67.7	76.9	83.0	87.3	91.4	112.4	138.6	172.9
Administrative Service Expense		30.3	31.9	33.5	35.1	36.8	46.3	57.6	71.2
Maintenance, Parts and Fuel		22.4	24.5	26.1	26.8	28.2	39.0	55.4	80.7
Professional Services		15.3	15.9	16.3	16.8	17.2	19.5	22.1	25.2
General and Administrative		2.5	2.6	2.7	2.7	2.8	3.2	3.5	4.0
Other Operating Expense		2.0	2.2	2.3	2.3	2.4	2.8	3.3	3.9
Total Uses of funds	$	255.0	267.1	280.0	293.3	307.2	372.9	449.8	555.8
Net cash provided by operations	$	6.5	(14.2)	(14.3)	(17.3)	(23.0)	(31.4)	(36.6)	(51.9)
Cash flows from non-capital financing activities:									
Operating grants									
Federal Formula Grant 5307		61.5	56.7	59.6	62.3	57.7	64.5	71.4	79.0
CMAQ		0.0	2.2	1.8	1.7	0.0	0.0	0.0	0.0
Operating transfers in									
Renewed Measure M		2.7	2.8	3.0	3.2	3.4	4.1	5.0	6.1
Rail Feeder		2.2	2.4	2.6	2.6	2.8	3.2	3.7	4.4
Net cash provided by noncapital financing activities	$	66.4	64.2	67.0	69.9	63.9	71.8	80.1	89.6
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		32.3	10.4	0.0	0.0	36.7	0.0	0.0	0.0
Acquisition/construction of capital assets		(50.2)	(25.8)	(48.5)	(104.9)	(54.5)	(84.2)	(43.1)	(9.5)
Net cash used by capital and related financing activities	$	(17.9)	(15.5)	(48.5)	(104.9)	(17.9)	(84.2)	(43.1)	(9.5)
Cash flows from investing activities:									
Interest on investments		4.2	6.5	10.4	11.0	9.1	17.8	15.4	14.1
Net cash provided by investing activities	$	4.2	6.5	10.4	11.0	9.1	17.8	15.4	14.1
Net increase/decrease in cash	$	59.2	41.0	14.5	(41.4)	32.0	(26.1)	15.8	42.3
Available Cash	$	192.4	233.4	247.9	206.5	238.5	398.0	378.4	376.0

Rail

Background

Metrolink's five-agency membership includes the Orange County Transportation Authority (OCTA), the Los Angeles County Metropolitan Transportation Authority, the Riverside County Transportation Commission (RCTC), the San Bernardino Associated Governments (SANBAG), and the Ventura County Transportation Commission. Metrolink operates 163 daily trains on seven lines, serving 55 stations, and carries more than 43,000 riders each weekday.

Service Levels

There are three lines that provide service to Orange County. The Orange County (OC) Line service began in 1994, followed by the Inland Empire – Orange County (IEOC) Line in 1995, and the 91 Line in 2002. The three lines serving Orange County provide a total of 48 trains each weekday serving 11 Orange County stations. A twelfth Metrolink station to be located in the city of Placentia is anticipated to be completed in late 2014. Figure 1 below highlights the current service levels

In 2006, the OC and IEOC lines began offering service on weekends, year-round. In February 2010, due to budget constraints, weekend service was scaled back by nearly 50 percent.

Figure 1 - Metrolink Service Levels

Service/Line	# Trips/Day	
Weekday Service		
91 Line	9	
IEOC Line	14	
OC Line (Intracounty)	6	
OC Line (service to LA)	19	
Sub-total	**48**	
Weekend Service	**Sat**	**Sun**
IEOC Line	2	2
OC Line (service to LA)	4	4
Sub-total	**6**	**6**

* Service levels as of June 2012

The number of OC Line weekend trains was reduced from eight trains on Saturday and Sunday to four trains. At the same time, IEOC Line weekend service was reduced from six trains on Saturday and four trains on Sunday to two trains each day. Two additional IEOC trains are added on Saturdays and Sundays during the summer months. Two low performing midday weekday IEOC trips were also discontinued in February 2010.

The Rail 2 Rail Program, which began in 2003, allows Metrolink monthly pass holders the option of riding Amtrak Pacific Surfliner trains at no additional charge, provided the pass holder travels within the designated stations identified on the monthly pass. In Orange County, a valid Metrolink ticket or pass also permits free transfers to local OCTA bus routes that directly serve a Metrolink station, including all StationLink routes, which provide connecting bus service to major employment centers. There are currently 13 StationLink routes serving 11 Orange County Metrolink stations.

Ridership and Passenger Fare Revenue

Combined annual ridership for the three lines serving Orange County (including Rail 2 Rail) grew from 3.87 million in 2010-11 to 4.17 million in 2011-12. Figure 2 on the following page shows combined revenue and ridership figures. The OC Line continues to carry the most passengers of the three lines serving Orange County. Figure 3 on the following page shows ridership by line. In 2011-12 ridership for the OC Line increased by 13 percent and ridership on the three lines serving Orange County increased by 8 percent in comparison to 2010-11.

In May 2011, the OCTA Board of Directors approved a revised Metrolink Service Expansion Program service rollout schedule consisting of six weekday intracounty trips between the Fullerton Transportation Center and Laguna Niguel/Mission Viejo Metrolink Station beginning in summer 2011. OCTA implemented the six new trips on the OC Line on July 5, 2011. The added intracounty trains have improved frequency as well as served sporting events in Anaheim, including the Ducks and Angels home games.

Figure 2 - Combined Annual Ridership and Fare Revenue for Orange County Lines (in millions)

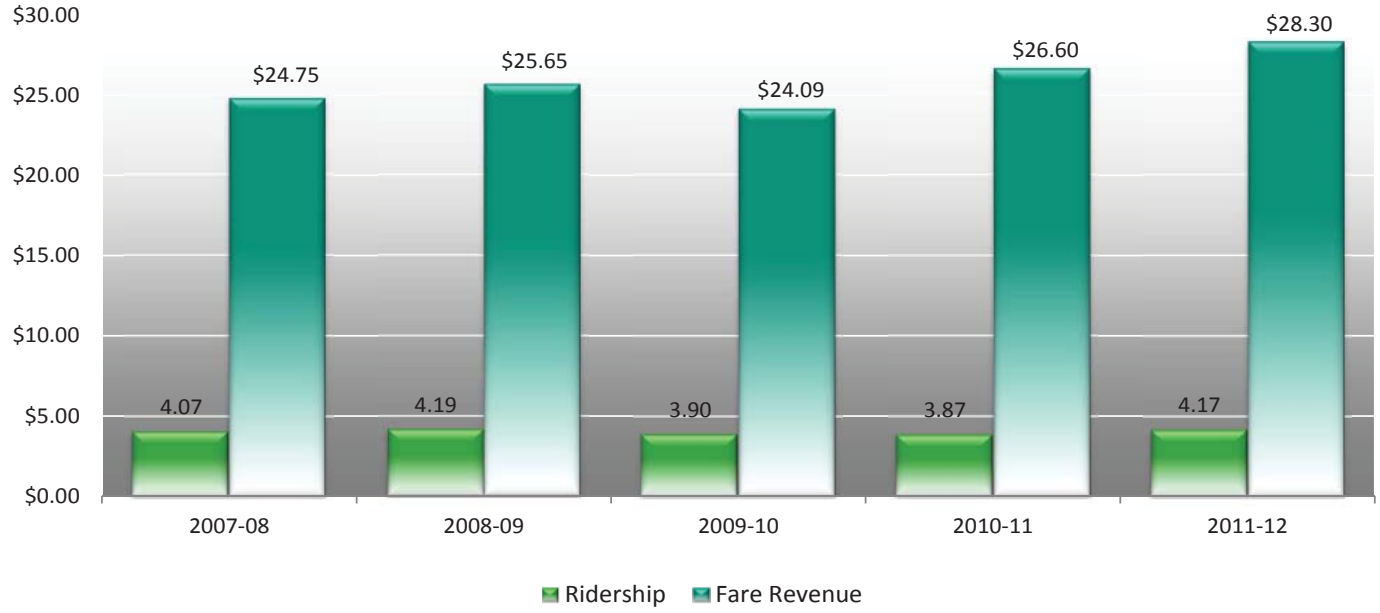
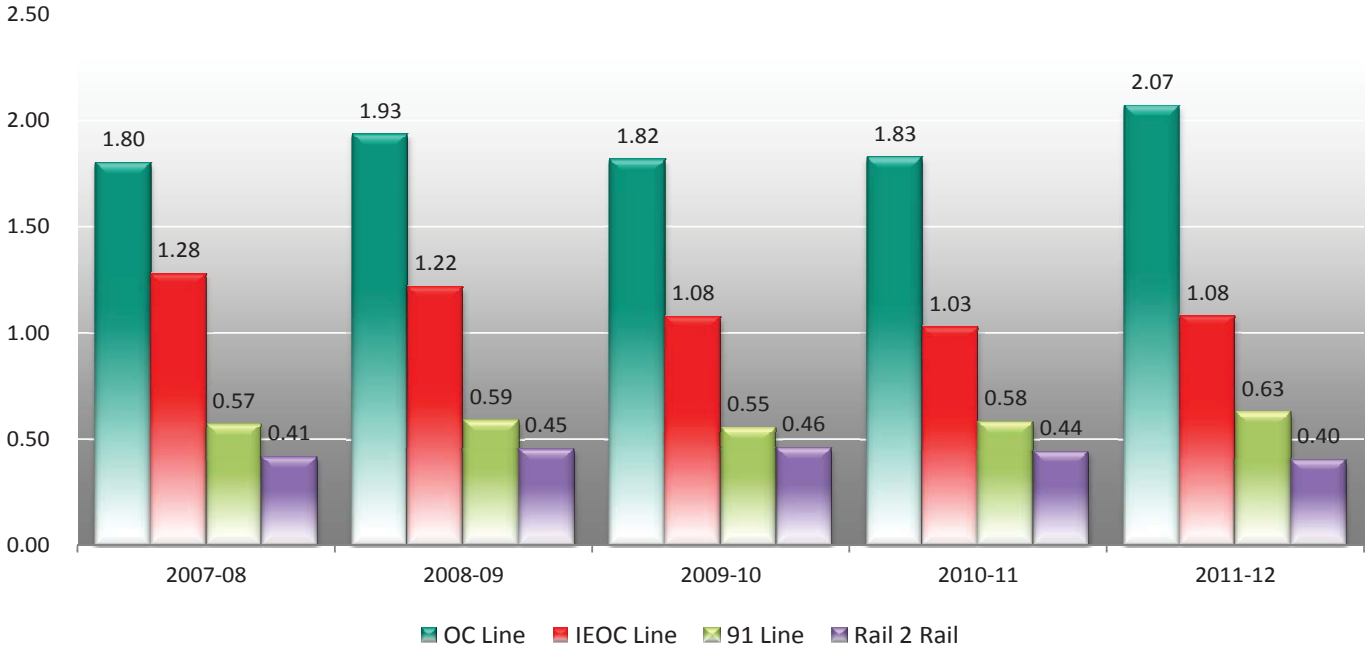


Figure 3 - Annual Ridership by Line (in millions)



Passenger fare revenue covers roughly half of Metrolink operating expenses, with the remainder covered by member agency subsidies. Total fare revenue for the three lines serving Orange County (including Rail 2 Rail) grew from $26.6 million in 2010-11 to $28.3 million in 2011-12. Figure 2 on the previous page shows combined revenue and ridership figures. In 2011-12, revenue increased by 6.3 percent compared to 2010-11.

Metrolink Service Expansion Plan

In November 2005, the Orange County Transportation Authority adopted the Metrolink Service Expansion Program (MSEP) to operate additional train service between the Fullerton Transportation Center and Laguna Niguel/Mission Viejo Metrolink Station. Following in May 2011, a revised MSEP rollout schedule was approved. The adopted program included rail infrastructure improvements required to operate the service.

The primary focus of the Metrolink Service Expansion Program is the implementation of additional train service between the Laguna Niguel/Mission Viejo and Fullerton stations along the OC Line. The number of weekday train trips along the OC Line increased from 19 trips per day to 25 when new service was added starting in July 2011.

In an effort to promote this service and improve connectivity between bus and rail service in Orange County, the Orange County Transportation Authority worked with the Southern California Regional Rail Authority (SCRRA) to develop a new intracounty transit pass. The new intracounty pass (OC Link) is valid on local bus routes as well as Metrolink trains operating between the 11 Orange County Metrolink stations from Buena Park to San Clemente. Implementation of this pass was intended to encourage new ridership. Nearly 41,000 of the new passes were sold between July 2011 and June 2012.

Metrolink Funding

Measure M

Capital expenditures related to the MSEP are currently drawing down on the balance of Measure M (M1) reserves available for Metrolink. It is anticipated that by fiscal year 2013-14 all M1 transit related project expenditures will be completed and that a balance of approximately $80 million will remain. Based on Board direction it is anticipated that these funds will be transferred to the Commuter and Urban Rail Endowment fund in order to support future Metrolink operations.

Measure M2 (Project R)

On November 7, 2006, Orange County voters approved the renewal of Measure M, which will continue the investment of local tax dollars for 30 years from April 1, 2011 through March 31, 2041. Funding from Measure M2 for the Rail program totals approximately $1.3 billion dollars (year of expenditure dollars).

Operations

The first priority for the use of M2 funds will be to ensure adequate funding for Metrolink operations through 2041. Based on current revenue and expenditure assumptions it is anticipated that an additional twelve weekday trips will be added by FY 2014-15 to improve rail service in Orange County. The additional trips will be spread amongst the three lines serving Orange County and will increase the number of weekday trips from 48 trips to 60.

Capital Program

Once operating costs are met, the balance of the M2 funds will be utilized to fund the Metrolink capital program. While M1, coupled with external funding, largely funded the capital requirements of the MSEP, M2 will be the primary funding source for future capital expenditures. M2 funds will be necessary to fund rehabilitation and replacement of rail cars and locomotives, as well as to fund rail related projects including the Sand Canyon and State College Grade Separations, purchase of land for a Metrolink Rail Maintenance Facility as well as projects in the pipeline to improve stations and parking. It is anticipated that after completion of the capital expenditures currently in the pipeline there will be limited funding available for future capital expenditures. As a result, OCTA will likely have to rely on a combination of local and external funding sources to fund capital expenditures outside of the planned capital program.

Metrolink Related Programs

Transit Extensions to Metrolink (Project S)

M2 establishes a competitive program to enable local jurisdictions to enhance regional transit capabilities by creation of new connections to Orange County Metrolink stations. Current revenue forecasts suggest that approximately $1.3 billion of M2 funds may be available over the life of the program to fund improved connections to Orange County Metrolink stations.

Bus and Station Vans

In December 2011 the Board approved the Project S bus and station van extension guidelines. In February 2012, OCTA issued a 2012 M2 Project S call for bus and Metrolink station van extension projects making $10 million available. Two local

agencies, Anaheim and Lake Forest, submitted proposals which met Project S guidelines and were approved by the Board. A total of $732,613 was awarded with each local agency required to meet a 10 percent local match requirement.

Fixed-Guideways

The cities of Anaheim and the joint project team of Santa Ana and Garden Grove each submitted proposals for fixed-guideway projects under the M1 Go Local Program. Each were awarded $5.9 million of M1 funds in May 2008 to complete an alternatives analysis and state and federal environmental clearance. The environmental phase for both projects is anticipated to be completed by the end of 2013. Projects were awarded additional funding in November 2010 through federal grant funds and Project S to complete necessary engineering work. Preliminary estimates for the two projects total approximately $575 million.

Projects are being developed consistent with Federal Transit Administration (FTA) New/Small Starts planning requirements to ensure eligibility for such funding sources. Current capital funding assumptions include a blend of FTA New/Small Starts (50%), city match (10%) and Project S funds (40%).

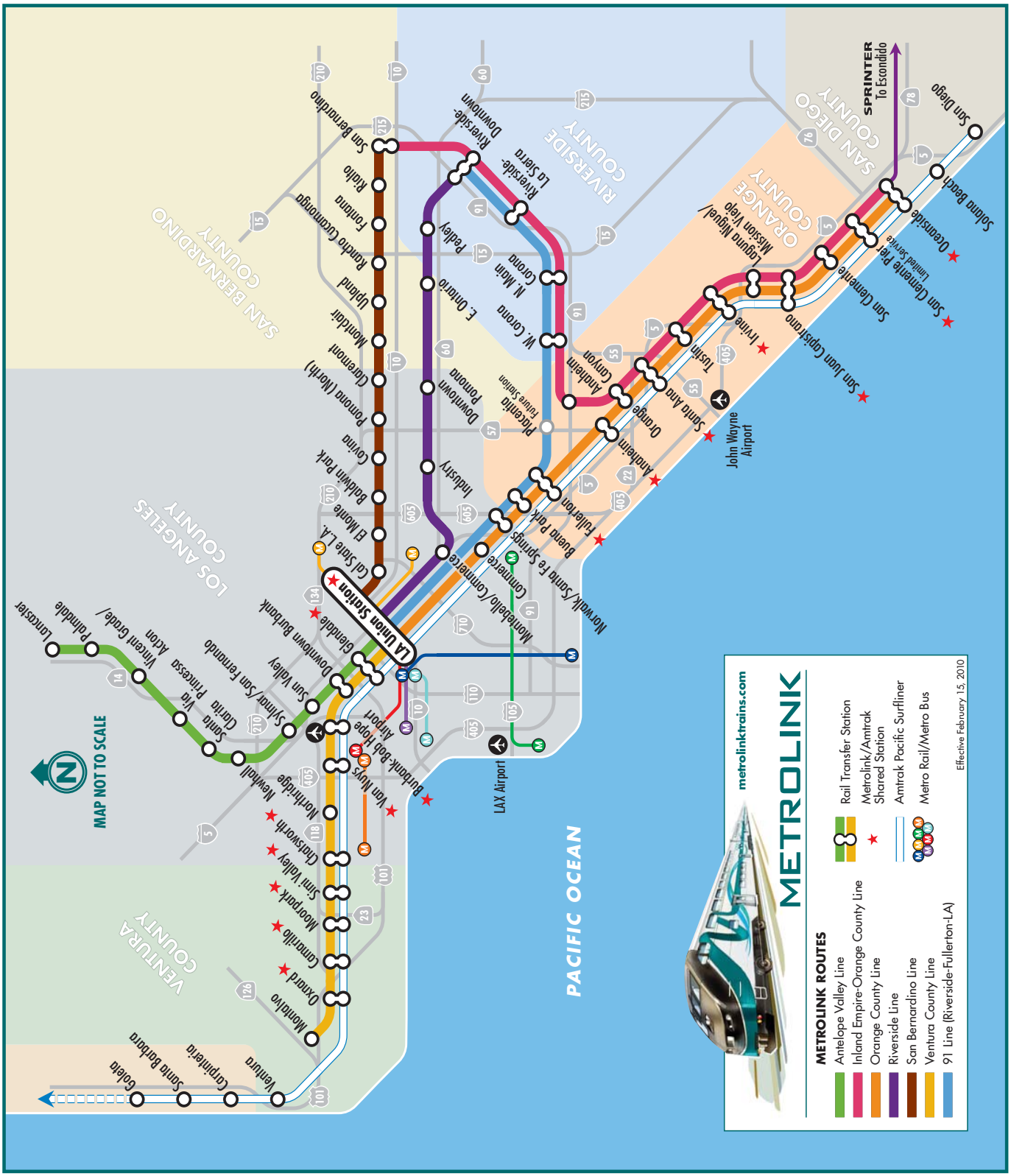
As part of the M2020 Plan of Finance, the Board directed staff to develop an alternative strategy to fund the fixed guideway projects should FTA New/Small Starts funding not be available. Staff has developed an alternative funding strategy for the projects, however due to financing limitations, project schedules may be required to change in order to match available funding.

Convert Metrolink Station(s) to Regional Gateways that Connect Orange County with High Speed Rail Systems Program (Project T)

The program to Convert Metrolink Station(s) to Regional Gateways that Connect Orange County with High Speed Rail Systems will provide the local improvements that are necessary to connect future high-speed rail systems to stations in Orange County. One of the individual elements within the program was to connect the high-frequency commuter rail service to future high speed rail lines. The California High Speed Rail Authority (CHSRA) Board of Directors has determined that the initial operating segment of high-speed rail (HSR) will be built between Fresno and Bakersfield consistent with the Federal Railroad Administrations guidelines for federal funds. This initial segment will then be expanded to reach both Northern and Southern California. The CHSRA is currently underway with the project level environmental clearance of the state-wide HSR system.

As part of the M2 program, $278 million dollars has been allocated to the program to Convert Metrolink Station(s) to Regional Gateways that Connect Orange County with High Speed Rail Systems. Through a competitive call for projects, the Anaheim Regional Transportation Intermodal Center (ARTIC) was awarded $81.6 million of M2 funds. ARTIC is fully funded through a combination of Measure M, M2, state and federal funds for a total project budget of $184.2 million.

In July 2012, the OCTA Board of Directors authorized the sale of a 13.5 acre parcel to the City of Anaheim for the ARTIC project. Proceeds from the sale of the land to the City of Anaheim will be received over fourteen years and deposited to the Commuter and Urban Rail Endowment to support future rail operations. In August 2012, the City of Anaheim awarded a contract for construction of ARTIC. The construction schedule is approximately 24 months, with an anticipated opening date in 2014.


METROLINK
metrolinktrains.com
Effective February 15, 2010
METROLINK ROUTES
Antelope Valley Line
Inland Empire-Orange County Line
Orange County Line
Riverside Line
San Bernardino Line
Ventura County Line
91 Line (Riverside-Fullerton-LA)
Rail Transfer Station
Metrolink/Amtrak Shared Station
Amtrak Pacific Surfliner
Metro Rail/Metro Bus
MAP NOT TO SCALE
LA Union Station
PACIFIC OCEAN
SAN BERNARDINO COUNTY
LOS ANGELES COUNTY
VENTURA COUNTY
RIVERSIDE COUNTY
ORANGE COUNTY
SAN DIEGO COUNTY
SPRINTER
To Escondido
John Wayne Airport
LAX Airport
Burbank-Bob Hope Airport
Union Station
Future Station
Limited Service

Cash Flow Statement - Rail

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27	2031-32
Beginning Balance	$	**159.2**	**261.1**	**238.2**	**234.8**	**204.0**	**199.5**	**136.6**	**108.9**
Cash flows from operating activities:									
Sources of funds:									
Measure M2 Sales Tax		45.9	23.9	25.5	27.0	28.4	34.5	42.1	51.8
Miscellaneous Revenue		0.9	0.9	1.0	1.0	1.0	1.1	1.3	1.4
Total Sources of funds	$	**46.8**	**24.9**	**26.4**	**28.0**	**29.4**	**35.6**	**43.4**	**53.2**
Cash flows from operating activities:									
Uses of funds:									
Subsidy to SCRRA		23.1	24.4	25.2	25.8	26.3	29.0	31.7	34.5
Management Fee Expense		1.5	1.6	1.6	1.7	1.7	2.0	2.4	2.9
Professional Services		5.5	10.2	7.5	7.1	3.8	4.2	4.7	5.2
General and Administrative		0.3	1.0	0.6	0.5	0.0	0.0	0.0	0.0
Other Operating Expenses		2.3	2.5	2.6	2.7	2.8	3.3	3.8	4.5
Total Uses of funds	$	**32.7**	**39.6**	**37.5**	**37.7**	**34.7**	**38.6**	**42.6**	**47.1**
Net cash provided by operations	$	**14.1**	**(14.7)**	**(11.1)**	**(9.7)**	**(5.2)**	**(3.0)**	**0.8**	**6.2**
Cash flows from non-capital financing activities:									
Operating grants		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers in									
Measure M		80.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		2.6	2.6	2.7	2.7	2.7	2.9	3.0	3.2
Net cash provided by noncapital financing activities	$	**82.6**	**2.6**	**2.7**	**2.7**	**2.7**	**2.9**	**3.0**	**3.2**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		101.8	123.6	75.4	28.6	12.5	6.7	3.7	4.3
Acquisition/construction of capital assets		(94.0)	(134.1)	(70.7)	(54.3)	(2.8)	(2.5)	(2.8)	(12.2)
Tax Exempt Commercial Paper (TECP)/Bonds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal & interest paid on TECP/Bonds		(4.1)	(4.0)	(4.0)	(4.0)	(4.0)	(3.2)	(3.2)	(3.2)
Other Capital Expenses		(2.5)	(2.5)	(2.6)	(2.7)	(2.8)	(3.2)	(3.7)	(4.3)
Net cash used by capital and related financing activities	$	**1.1**	**(17.0)**	**(1.9)**	**(32.4)**	**2.9**	**(2.3)**	**(6.1)**	**(15.4)**
Cash flows from investing activities:									
Interest on investments		4.1	6.2	7.0	8.6	8.2	7.9	5.4	4.2
Net cash provided by investing activities	$	**4.1**	**6.2**	**7.0**	**8.6**	**8.2**	**7.9**	**5.4**	**4.2**
Net increase/decrease in cash	$	**101.9**	**(22.9)**	**(3.4)**	**(30.8)**	**8.6**	**5.5**	**3.1**	**(1.8)**
Available Cash	$	**261.1**	**238.2**	**234.8**	**204.0**	**212.6**	**205.0**	**139.7**	**107.1**

Measure M

Introduction

In November 1990, Orange County voters approved Measure M (M1), a 20-year program for local transportation improvements funded by a one-half cent sales tax. The goal of M1 was to create a balanced multi-modal transportation system to provide near-term congestion relief on existing freeways, streets and roads, and longer-term development of a state-of-the-art rail transit system.

The Orange County Transportation Authority has delivered on the promises made to the voters. Overall more than $4 billion of improvements were made and over $1.2 billion in local, state, and federal funding was leveraged.

In billions	
Freeway	$1.75
Streets & Roads	1.30
Transit	1.02
Total	$4.07

All freeway projects were delivered as promised. In fact, one additional freeway project was added and completed. Approximately $700 million was expensed on 170 intersections and 38 freeway interchanges. Local Agencies received $600 million and transit fares were stabilized for seniors and persons with disabilities. Lastly, commuter rail service was implemented.

Closeout Activities

On March 30, 2011 the collection of sales tax revenue under M1 concluded. However, there are still expenditures that remain to complete M1 commitments. Final M1 sales tax revenue figures are approximately $4.075 billion. All M1 projects have an estimated cost at completion; however, actual costs for M1 projects will not be known until all payments have been made. The current estimate for total project costs is approximately $3.809 billion, leaving a balance of approximately $95 million in M1 revenues. Of the $95 million, $15 million falls under the freeway mode and $80 million under the transit mode. An approach for the proposed use of M1 balances has been developed based on the following principles:

- Ordinance requirements
- Funding parameters
- Board actions
- Augmentation of Measure M2 (M2) funding

The plan is to use the available balances to advance Measure M2 freeway, streets and roads, and rail projects. A review on the closeout progress is provided as part of the M1 quarterly reports to the Board.

Revenues

As of June 30, 2012, the remaining balance of committed and unspent M1 funds is:

In billions	Committed Funds	Unprogrammed Funds	Total
Freeway	$19	$15	$34
Streets & Roads	90	-	90
Transit	63	80	143
Total	$172	$95	$267

Freeways

Of the $34 million in freeway funds, there is $19 million in outstanding payments to open projects which includes the I-5 Gateway and West County Connectors projects. The remaining balance of $15 million in the freeway mode has been designated to fund a portion of M2's Project G – the widening of the Orange Freeway (State Route 57) and to advance the design phase of M2's Project C – San Diego Freeway (Interstate 5) improvements between Avenida Pico and Pacific Coast Highway. The utilization of M1 funds for these projects will offset the planned uses of M2 freeway funds.

Streets and Roads

Substantial funding to cities and the County was made possible by the various programs within the M1 local and regional streets and roads programs through OCTA's Combined Transportation Funding Program (CTFP). Currently there is a committed balance remaining of $90 million in outstanding payments to open projects. Staff anticipates completion of the M1 competitive program by the end of 2013-14.

Transit Mode
As of June 30, 2012 the balance of transit funds is $143 million. The Transit program continues with significant progress in the various programs. To date, there remains an outstanding balance of committed funds totaling $63 million. This includes costs related to the following projects:

- Station and Parking Improvements
- City-Initiated Transit Extensions to Metrolink
- MSEP
- Anaheim Regional Transportation Intermodal Center (ARTIC)

The anticipated remaining balance of $80 million within the mode will be transferred to the CURE for the advancement of Metrolink operations.

Local Transportation Authority (LTA) Debt Service Program
The LTA Debt Service Program was established to account for the accumulation of resources for, and repayment of Measure M long-term debt, including principal, interest, and related expenses. The Authority bonded against future sales tax revenue to raise sufficient funds to undertake projects soon after the passage of Measure M.

The last debt service principal and interest payment for the M1 program was made in February 2011. The debt service portion of the M1 program is closed out.

Cash Flow Statement for Measure M

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17
Beginning Balance	**$**	**296.1**	**147.9**	**0.0**	**0.0**	**0.0**
Sources of funds:						
Sales Tax Revenue (Net of SBOE and Admin. Fees)		0.0	0.0	0.0	0.0	0.0
Bonded Funds (Net Proceeds)		0.0	0.0	0.0	0.0	0.0
Other Revenues (Private,Local, State, & Fed.Funding)		0.0	0.0	0.0	0.0	0.0
Interest		3.3	1.5	0.0	0.0	0.0
Total Sources of funds	**$**	**3.3**	**1.5**	**0.0**	**0.0**	**0.0**
Debt Service						
Gross Debt Service on Bonds		0.0	0.0	0.0	0.0	0.0
TECP Interest / Redemption		0.0	0.0	0.0	0.0	0.0
Total Debt Service Payments		0.0	0.0	0.0	0.0	0.0
Program Expenditures						
Freeway Mode		19.6	18.4	0.0	0.0	0.0
Transit Mode		80.6	80.6	0.0	0.0	0.0
Senior and Disabled Fare Stabilization		0.0	0.0	0.0	0.0	0.0
Local Streets & Roads Mode		18.5	18.0	0.0	0.0	0.0
Regional Streets & Roads Mode		32.9	32.2	0.0	0.0	0.0
Total Program Expenditures		151.5	149.3	0.0	0.0	0.0
Net cash provided by operations	**$**	**(148.2)**	**(147.9)**	**0.0**	**0.0**	**0.0**
Available Cash	**$**	**147.9**	**0.0**	**0.0**	**0.0**	**0.0**


11-127
RT
530E


Project
Funded by
Measure M
GVW 54600
CA 216892

Measure M2

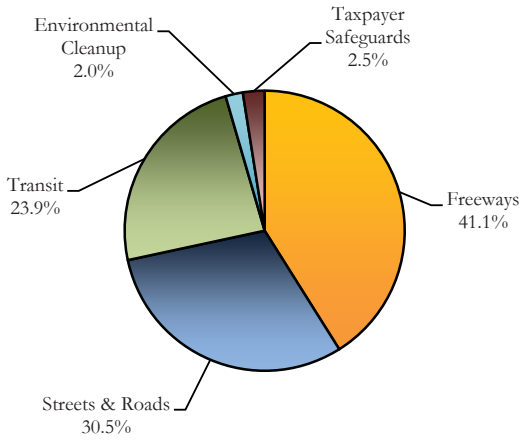
Background

On November 7, 2006, nearly 70 percent of Orange County voters renewed the Measure M one-half cent sales tax for transportation improvements. The half-cent sales tax, administered by the Orange County Transportation Authority (OCTA), will provide approximately $15.5 billion* to improve transportation in Orange County over a 30-year period through 2041.

Program Overview

The Measure M2 Transportation Investment Plan (M2) is designed to reduce traffic, upgrade key freeways, fix major freeway interchanges, maintain streets and roads, synchronize traffic signals countywide, build a visionary rail transit system, and protect the environment from the oily street runoff that pollutes Orange County beaches. The plan calls for the $15.5 billion dollars* to be allocated as follows (see Figure 1):

Figure 1 - M2 Investment Allocation by Mode



Early Action Plan

In August 2006-07, the OCTA Board of Directors approved and released a M2 Early Action Plan (EAP) covering the years 2006-07 through 2011-12. A financial plan to provide funding for these projects was adopted by the OCTA Board of Directors on November 9, 2007, and $400 million in tax exempt commercial paper was secured. With this funding stream in place, OCTA moved ahead to advance the projects detailed in the EAP.

Due to the economic recession, which has led to an approximate 40 percent reduction in projected sales tax revenue, project schedules and policy decisions required adjustments since the adoption of the EAP. In July 2010, the Board approved the comprehensive Capital Action Plan (CAP). The CAP expands the scope of the EAP to include other priority OCTA capital projects. Despite the major impact to revenue assumptions, OCTA has made significant progress in implementing the plan through aggressively seeking additional grant funding and a competitive construction market. All major elements of the Board directed EAP and CAP are nearing completion and a new plan outlining the projects and programs for all modes that can be delivered between now and the year 2020 was approved by the Board in September 2012.

M2020 Plan

During the development of the Early Action Plan, guiding principles were established that set the direction for staff on establishing priorities for project acceleration. These guiding principles are the basis for the M2020 Plan and represent a blueprint for continued advancement of M2 for the period from 2013 through 2020.

The M2020 Plan presents strategies to accelerate M2 improvements by delivering early on promises made to the voters. Accelerating projects offers advantages including leveraging today's favorable bidding environment and low debt costs, minimizing the risk of future inflation, and bringing mobility improvements sooner. This plan also sets OCTA on a course to go beyond the early implementation projects if additional external funds can be accessed earlier.

Plan of Finance

Early Action Plan

In November 2010-11, the OCTA Board of Directors approved the issuance and sale of M2 sales tax revenue bonds to fund various program expenditures over the next three years. The bond proceeds were used to repay $75 million of the outstanding tax-exempt commercial paper program and to fund approximately $268 million in project expenditures through fiscal year 2012-13.

*Year of expenditure dollars

Figure 2 - Freeway Projects (millions)

Project	Contribution M2	Contribution State/Fed/ Other Local	2012	2013	2014	2015	2016	2017	2018	2019	2020
Interstate 5 Corridor											
Ortega Interchange	$ 6	$ 85									
Pico to Vista Hermosa	$ 14	$ 99									
Vista Hermosa to PCH	$ 9	$ 66									
PCH to San Juan Creek Rd	$ 33	$ 38									
SR-73 to El Toro Rd (Draft)	$ 554	$ 5									
SR-55 to SR-57 (Draft)	$ -	$ 46									
State Route 55 Corridor											
I-405 to I-5	$ 275	$ -									
State Route 57 Corridor											
Katella to Lincoln	$ 14	$ 24									
Orangethorpe to Yorba Linda	$ 17	$ 41									
Yorba Linda to Lambert	$ 15	$ 41									
State Route 91 Corridor											
I-5 to SR-57	$ 38	$ 35									
Tustin Avenue to SR-55	$ 22	$ 28									
SR-55 to SR-241	$ 5	$ 80									
SR-241 to SR-71	$ 1	$ 58									
Interstate 405 Corridor											
SR-55 to I-605	$ 1,324	$ 6									

Legend: Environmental | Final Design | Construction

The Freeway Program received $53 million in bond proceeds for Freeway Environmental Mitigation expenditures. Another $95 million was used for Grade Separation expenditures within the Streets and Roads Program. The Transit Program receive $120 million to fund expenditures related to High Frequency Metrolink Service, Metrolink Gateways, and Transit Extensions to Metrolink.

M2020 Plan

The Board approved the M2020 Plan in September 2012 and required a Plan of Finance be developed in order to meet the cash flow requirements necessary to deliver the M2020 Plan. The M2020 Plan of Finance has been developed and is anticipated to be submitted for Board approval in November 2012.

Freeway Program

Approximately 41.1 percent of M2 revenue will be invested in new freeway construction, which represents the greatest investment in the M2 program at approximately $6.3 billion dollars*. Relieving congestion on the Riverside/Artesia Freeway (SR-91) is a key element of the freeway program and will include new lanes, new interchanges and new bridges. Other major projects will make substantial improvements on Interstate 5 (I-5) in southern Orange County and the San Diego Freeway (I-405) in western Orange County. Additional improvements under the plan include the intersection of the I-5, Garden Grove Freeway (SR-22), and the Orange Freeway (SR-57), known as the Orange Crush, which will be improved and upgraded. In addition, major traffic chokepoints on almost every Orange County freeway will be remedied. The anticipated schedule and cost for M2 freeway projects is shown in Figure 2.

The M2020 Action Plan for Freeways recommends 14 projects through 2020 (see Figure 3). One of the centerpieces of the M2020 Plan will be the improvements to the I-405 Freeway. In October 2012 the OCTA Board of Directors approved a $1.3 billion project to improve the I-405 Freeway. The project adds a single general purpose lane in each direction of the I-405 freeway from Euclid Street to the I-605 interchange.

M2 includes a freeway Environmental Mitigation Program (Mitigation Program), which provides programmatic mitigation in exchange for streamlined project approvals and greater certainty in the delivery of 14 freeway projects. The Mitigation Program is designed to streamline the permit process through partnership with the California Department of Transportation (Caltrans),

*Year of expenditure dollars

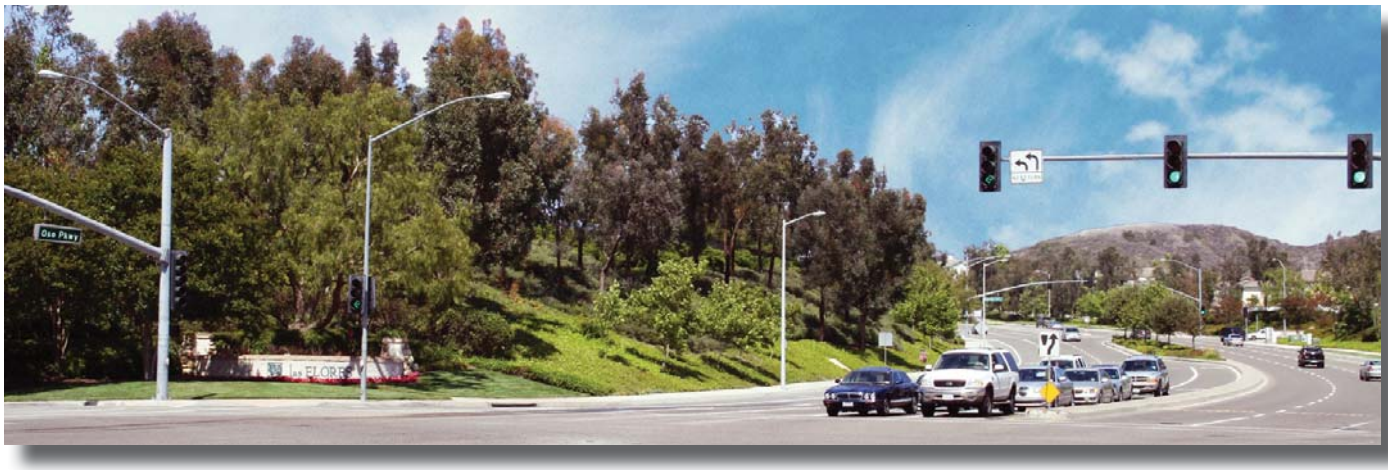


Figure 3: M2020 Plan - Freeway

No.	Project Summary
1	Deliver 14 projects along Interstate 405 (I-405), Interstate 5 (I-5), State Route 55 (SR-55), State Route 57 (SR-57), and State Route 91 (SR-91) (Projects A, C, D, E, F, G, H, I, J and K). This completes two-thirds of the M2 freeway improvements, amounting to nearly $3 billion in year of expenditure (YOE) dollars worth of transportation investments.
2	The M2020 plan will also complete the environmental phase of all remaining M2 freeway projects, making them shelf ready for early delivery as external funds become available (Projects B, D, F, G, I, J, L, and M). This positions the remaining M2 freeway improvements, valued at approximately $1.4 billion in current year dollars ($2.6 billion YOE) in transportation investment, for complete implementation.

California Department of Fish and Game (CDFG), and United States Fish and Wildlife Service (USFWS). A master agreement was executed between OCTA, Caltrans, CDFG, and USFWS in early 2009-10. The master agreement set the framework for development of the conservation planning effort that will yield the permits for the freeway projects, which is underway.

Concurrent with the conservation planning effort, OCTA has developed the framework for the acquisition and restoration of properties. In September 2010, the Board authorized expenditures of approximately $5.5 million towards restoration project activities from the first tranche of funding. In May 2012, the Board approved another $5 million for the second tranche. A total of eleven restoration projects have been funded totaling approximately 400 acres. In November 2010, the Board authorized expenditures of approximately $42 million for acquisition of properties with high biological value. This funding allocation for acquisition was inclusive of the first two tranches of funding. To date, five open space properties totaling approximately 950 acres have been acquired in the Foothill-Trabuco area and in the Brea area. Approximately $7.8 million is available for additional acquisitions to complete the $42 million authorization.

Streets and Roads Projects

Orange County has more than 6,500 lane miles of aging streets and roads, many in need of repair and rehabilitation. M2 will allocate 30.5 percent of revenues - $4.7 billion* - to streets and roads. These funds will help fix potholes, improve intersections, synchronize traffic signals county wide, and make the existing network of streets and roads safer and more efficient. The Local Fair Share Program will receive 18 percent of net revenues and will assist cities and the County of Orange in keeping up with the rising cost of repairing the aging street system.

Figure 4: Allocation of M2 Streets & Roads Funds

Program	$ millions	%
Local Fair Share Program	2,657	56%
Signal Synchronization Program	590	12%
Regional Capacity Program	1,476	31%
Total	4,723	100%

Local agencies will also have the opportunity to use these funds for other local transportation needs such as residential street projects, traffic and pedestrian safety near schools, signal priority for emergency vehicles, etc. Since the program is designed to augment, rather than replace, existing transportation expenditures, cities will be required to meet a set of guidelines on an annual basis to receive the funds. Once a local agency has met the guidelines the funds are distributed on a formula basis which accounts for population, street mileage, and amount of sales tax collected in each jurisdiction.

*Year of expenditure dollars

The Regional Traffic Signal Synchronization Program (RTSSP) targets over 2,000 signalized intersections across the County for coordinated operation. The goal is to improve the flow of traffic by developing and implementing regional signal coordination programs that cross jurisdictional boundaries. To-date there have been two annual calls for projects totalling $17.5 million for RTSSP projects, and a 2013 call for projects for $15 million.

The Regional Capacity Program (RCP), in combination with local matching funds, provides a funding source to complete the Orange County Master Plan of Arterial Highways. The program also provides for intersection improvements and other projects to improve street operations and reduce congestion. The program allocates funds through a competitive process and targets projects that help traffic the most by considering factors such as degree of congestion relief, cost effectiveness and project readiness. To-date there have been two annual calls for projects totalling $91 million for RCP projects, and a 2013 call for projects for $35 million.

In April 2008, the California Transportation Commission approved programming $183 million to Orange County under the Trade Corridors Improvement Program for seven railroad grade separation projects in Fullerton and Placentia. This amount is matched with $445 million in external state, federal and local funding. The local funding will come primarily from the RCP within M2, with $122.8 million of bond proceeds being utilized to advance projects to meet the timelines required under the state program. The anticipated schedule and cost for M2 grade separation projects is shown in Figure 6.

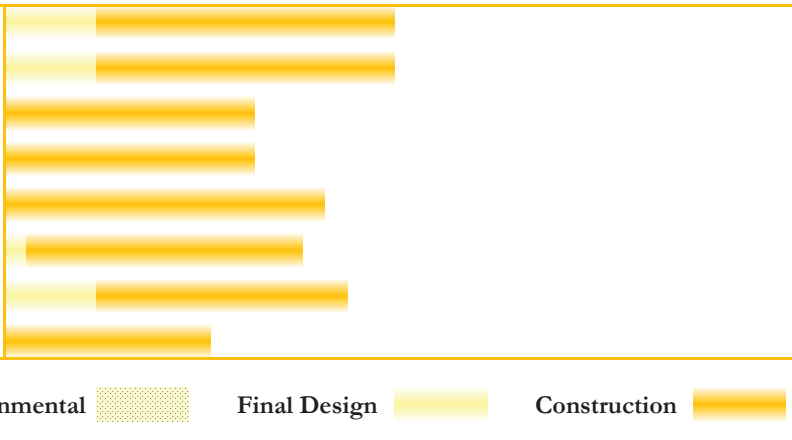
The M2020 Plan for streets and roads recommends eight major initiatives through 2020.

Figure 5: M2020 Plan - Streets and Roads

No.	Project Summary
1	Invest $1 billion in streets and road improvements by 2020 (including state, federal, and local funds).
2	Award up to $128 million in Project O competitive funds by 2020.
3	Award up to $98 million in Project P competitive funds by 2020, targeting 2,000 signals for synchronization.
4	Encourage local agencies to invest the projected $443 million in M2 fair share funds in street maintenance and rehabilitation to keep pavement in good condition.
5	Complete seven Orangethorpe Corridor grade separations (OC Bridges) by 2016 at a cost of approximately $590 million.
6	Update the Master Plan of Arterial Highways Guidance for multi-modal corridors by mid-2013.
7	Issue periodic calls for projects for bicycle and pedestrian projects, contingent on the availability of federal Congestion Mitigation Air Quality funds.
8	Issue periodical calls for projects for street rehabilitation projects, contingent on the availability of federal Regional Surface Transportation Program funds.

Figure 6 - Grade Separation (millions)

Project	Contribution M2	Contribution State/Fed/ Other Local	2012	2013	2014	2015	2016	2017	2018	2019	2020
Raymond Avenue	$ 11	$ 68									
State College Boulevard	$ 5	$ 70									
Placentia Avenue	$ 36	$ 31									
Kraemer Boulevard	$ 21	$ 47									
Orangethorpe Avenue	$ 15	$ 100									
Tustin Avenue/Rose Drive	$ 14	$ 77									
Lakeview Avenue	$ 24	$ 71									
Sand Canyon Avenue	$ 2	$ 54									



*Year of expenditure dollars

Transit Projects

Of the revenues raised by M2, 23.9 percent - $3.7 billion* - will be allocated to expand and improve Orange County's rail and bus service. Approximately $2.9 billion of the transit funds will be allocated to High Frequency Metrolink Service, Transit Extensions to Metrolink, and Metrolink Gateways. Additionally, $771 million will be used to Expand Choices for Seniors & Persons with Disabilities, Community Based Transit/Circulators, and Safe Transit Stops.

Figure 7: Allocation of M2 Transit Funds

Program	$ millions	%
High Frequency Metrolink Service	1,321	36%
Transit Extensions to Metrolink	1,303	35%
Metrolink Gateways	295	8%
Expand Choices for Seniors & Persons with Disabilities	443	12%
Community Based Transit/Circulators	295	8%
Safe Transit Stops	33	1%
Total	3,690	100%

The High Frequency Metrolink Service Program will provide funding for increased rail service within Orange County with additional increases in capacity planned by fiscal year 2014-15. M2 funds will be the primary source of operating funds for rail service throughout the life of M2. Please see the Rail section for more details on this program.

The Transit Extensions to Metrolink Program will establish a competitive program for local jurisdictions to broaden the reach of the rail system to communities and major activity centers that are not immediately adjacent to the Metrolink corridor. 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. Please see the Rail section for more details on this program.

The Metrolink Gateways Program will provide funds for local improvements necessary to connect planned future high-speed rail systems to stations on the Orange County Metrolink route. Please see the Rail section for more details on this program.

Over the next thirty years, the population of people age 60 and over is projected to increase by 110 percent. The Expand Mobility Choices for Seniors and Persons with Disabilities Program provides funds to support mobility choices for seniors and persons with disabilities. This funding supports the fare stabilization program, the Senior Mobility Program (SMP), and the County of Orange Senior Non-Emergency Medical Transportation Program (SNEMT). All of these programs will provide services and programs to meet the growing transportation needs of seniors and persons with disabilities.

The fare stabilization program ensures that fares are discounted for seniors and persons with disabilities. Though it is anticipated

*Year of expenditure dollars

that $148 million of M2 funding will be available for this program over the life of M2, due to the reduction in projected sales tax revenue due to the recession and anticipated growth of the senior population, forecasts indicate that funding for fare stabilization could be exhausted as early as fiscal year 2034-35.

The SMP was established in 2001 and for the first 10 years was supported with Transportation Development Act funds. Currently, 25 cities participate in the program offering a variety of local senior transportation resources for medical, nutrition, shopping and social trips. Cities contribute a 20 percent match to their SMP service. It is anticipated that $148 million of M2 funding will be available for this program over the life of M2.

The SNEMT program was established by the County of Orange in 2002. The SNEMT fills a gap in senior transportation services for those seniors who do not qualify for ACCESS or whose advanced age or profound condition make it difficult to use ACCESS service. M2 funding for this program supplements existing County funding to expand the capacity of the program and increase the number of available SNEMT trips. It is anticipated that $148 million of M2 funding will be available for this program over the life of M2.

The Community Based Transit/Circulators Program will establish a competitive program for local jurisdictions to develop bus transit services such as community based circulators, shuttles and bus trolleys that complement regional bus and rail services, and meet needs in areas not adequately served by regional transit. Projects will need to meet performance criteria, be financially viable, be competitively bid, and cannot duplicate or compete with existing transit services. No funding has been allocated for this program to-date. Program guidelines are under development and Board direction will be sought by the end of 2012.

The Safe Transit Stops Program provides for passenger amenities at 100 of the 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, lighting, current information on bus and train timetables and arrival times, and transit ticket vending machines. Potential locations for amenity upgrades have been identified based on passenger boardings. It is anticipated that draft guidelines for this program will be ready for Board consideration by the end of 2012.

The M2020 Action Plan for transit recommends eight major initiatives through 2020.

Figure 8: M2020 Plan - Transit

No.	Project Summary
1	Increase Metrolink frequency and expand daily train capacity by 15 percent, as well as improve stations and operating facilities.
2	Extend high-frequency Metrolink service into Los Angeles contingent upon cooperation and participation from route partners.
3	Begin construction on Board of Directors (Board)-approved fixed guideway extensions to Metrolink subject to receipt of federal New Starts funding.
4	Initiate competitive programs with local agencies for implementation of bus/van connections to Metrolink.
5	Deliver improvements to connect Orange County to planned higher speed rail projects.
6	Provide $75 million to expand mobility choices for seniors and persons with disabilities.
7	Provide $50 million to encourage development, implementation, and operation of local community transit services.
8	Provide $5.5 million for passenger amenities at the busiest bus stops.

*Year of expenditure dollars

Environmental Cleanup Projects

Approximately 2 percent of M2 revenue, which represents approximately $309 million dollars*, will be dedicated to an Environmental Cleanup Program (ECP) that is designed to supplement, not supplant, existing transportation-related water quality programs. Development of ECP program guidelines have been approved by the OCTA Board of Directors (Board). The M2 Environmental Cleanup Allocation Committee (Allocation Committee) makes recommendations to the Board on the allocation of funds for water quality improvements.

In May 2010, the Board approved a two-tiered approach to fund the ECP. The funding plan called for up to $19.5 million in Tier 1 grants on a "pay-as-you-go" basis through 2017-18, and up to $38 million in Tier 2 grants via bonding through 2014-15.

The Tier 1 Grant Program is designed to mitigate the more visible forms of pollutants, such as litter and debris, which collect on the roadways and in the catch basins prior to being deposited in waterways and the ocean. It consists of grant funding for Orange County local governments to purchase equipment and upgrades for existing catch basins and other related best management practices (BMP). Examples include screens, filters, and inserts for catch basins, as well as other devices designed to remove the above mentioned pollutants. In August 2011, the Board approved funding of $2.86 million for the first Tier 1 Grant Program for 34 projects based on the scoring criteria. In August 2012, the Board approved funding of 33 projects totaling $2.76 million for the second Tier 1 call for projects.

The Tier 2 Grant Program consists of funding for regional, potentially multi-jurisdictional, capital-intensive projects. Examples could include, but are not limited to, constructed wetlands, detention/infiltration basins, and bioswales. These types of water quality projects mitigate pollutants such as heavy metals, organic chemicals, sediment, nutrients, and pathogenic material related to roadway runoff. In May 2012, the Board approved the ECP Tier 2 Comprehensive Transportation Funding Program Guidelines and release of the first Tier 2 call for projects. It is anticipated that Board approval to fund Tier 2 projects will occur late in calendar year 2012.

The M2020 Action Plan for the Environmental Cleanup Plan recommends three major initiatives through 2020.

Taxpayer Safeguards and Audits

Approximately 1 percent of M2 revenue, which represents approximately $155 million dollars, is set aside for audits, safeguards, and taxpayer protection. Additionally, by state law, approximately 1.5 percent of the gross sales tax generated by M2 must be paid to the California State Board of Equalization for collecting the countywide one-half percent sales tax that funds the M2 program.

Figure 9: M2020 Plan - Environmental Cleanup

No.	Project Summary
1	Allocate competitive Tier 1 Grant Program (up to $19.5 million) for trash/debris removal.
2	Allocate competitive Tier 2 Grant Program (up to $38 million) for regional scale water quality improvement projects.
3	Continue to assess needed improvements throughout the County, taking cost benefits into consideration.

*Year of expenditure dollars

Cash Flow Statement - Measure M2

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27	2031-32
Beginning Balance	**$**	**398.0**	**323.8**	**229.5**	**160.5**	**617.9**	**135.1**	**426.4**	**331.0**
Sources of funds:									
Sales Tax Revenue		264.1	279.9	297.8	316.1	332.5	403.0	492.4	606.0
Tax Exempt Commercial Paper (TECP)/Bond Proceeds		0.0	0.0	0.0	700.0	0.0	0.0	0.0	0.0
Interest		3.3	4.1	5.2	11.8	15.4	2.5	14.5	11.6
Other Revenues (Private,Local, State, & Fed.Funding)		217.7	381.7	312.6	177.5	100.3	30.0	30.0	30.0
Total Sources of funds	**$**	**485.1**	**665.6**	**615.6**	**1205.4**	**448.2**	**435.5**	**536.9**	**647.5**
Debt Service									
Gross Debt Service on TECP/Bonds		22.3	23.5	23.5	72.3	72.2	134.3	134.2	134.0
Total Debt Service Payments		**22.3**	**23.5**	**23.5**	**72.3**	**72.2**	**134.3**	**134.2**	**134.0**
Program Expenditures									
Freeway Projects		176.5	174.7	263.9	355.0	489.3	97.7	128.1	169.5
Streets & Roads Projects		251.7	234.8	212.2	144.1	86.4	107.0	136.2	175.5
Transit Projects		92.6	314.3	171.7	162.5	144.7	75.7	104.5	127.1
Environmental Cleanup		9.6	5.6	6.0	6.3	6.6	8.1	9.8	12.1
Taxpayer Safeguards & Audits		6.6	7.0	7.4	7.9	8.3	10.1	12.3	15.2
Total Program Expenditures		**537.0**	**736.4**	**661.2**	**675.8**	**735.4**	**298.5**	**391.0**	**499.3**
Net cash provided by operations	**$**	**(74.2)**	**(94.3)**	**(69.1)**	**457.4**	**(359.4)**	**2.7**	**11.7**	**14.2**
Available Cash	**$**	**323.8**	**229.5**	**160.5**	**617.9**	**258.5**	**137.8**	**438.1**	**345.1**

*Year of expenditure dollars

91 Express Lanes

OCTA'S 10-Mile Toll Road

The 91 Express Lanes is a four-lane, 10-mile toll road extending from the Orange/Riverside County line west to the Costa Mesa Freeway (SR-55). The 91 Express Lanes project was authorized as a toll road by the State of California legislature in 1989. Built at a cost of $135 million, the toll road opened on December 27, 1995.

The California Private Transportation Company (CPTC) was the original owner of the 91 Express Lanes. An agreement with the State of California Department of Transportation (Caltrans) included a non-compete provision that created a 1.5-mile protection zone along each side of the Riverside Freeway (SR-91). This zone prohibited improvements along the corridor for 30 years in order to satisfy bondholder requirements for a secure revenue stream. This created mobility problems as the region and corresponding transportation demands grew. Evidence of that growth was supported by the fact that total traffic volume on the 91 Express Lanes grew from 7.59 million in 1996-97 to 11.94 million in 2011-12. Figure 1 on the following page shows historical traffic volumes for the Express Lanes.

To mitigate growing concerns over congestion, the Orange County Transportation Authority (OCTA) acquired the 91 Express Lanes franchise rights from CPTC in January 2003. The purchase was enabled by Assembly Bill (AB) 1010 (Correa), which eliminated the non-compete provision, clearing the way for future enhancements that will increase capacity and improve traffic flow. The franchise rights would have terminated on December 26, 2030.

On September 30, 2008 the governor approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorizes OCTA to assign its franchise rights, interests and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange/Riverside County line to Interstate 15. RCTC's project will extend the 91 Express Lanes by an additional eight miles. In addition, the bill authorizes the terms of the franchise to expire no later than December 31, 2065. SB 1316 also requires OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

On December 12, 2011, the OCTA Board of Directors approved the assignment of OCTA's franchise rights, interests and obligations in the Riverside County portion to RCTC, the extension of the expiration date to 2065, and a cooperative agreement that details the joint operation and defines the agency's roles and responsibilities for the 91 Express Lanes extension during the design, construction and operation, and maintenance

phases of the project. The major provisions of the cooperative agreement with RCTC include the equal distribution of non-toll revenues in addition to the equal share of operator costs and other services related to the operation of the 91 Express Lanes. These provisions are expected to commence in 2016-17.

Toll Policy

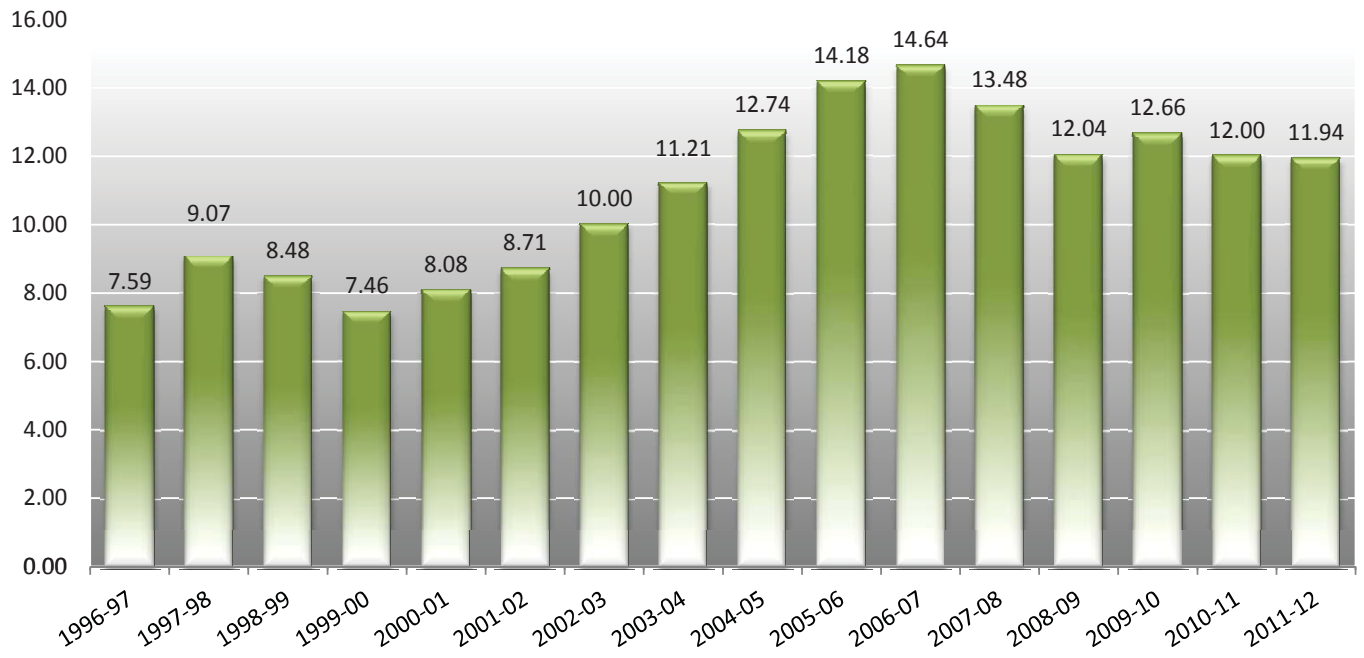
In May 2003, the OCTA Board of Directors underscored its commitment to mobility by endorsing a policy allowing 91 Express Lanes users with three or more persons per vehicle to ride free, except for the hours between 4 p.m. to 6 p.m., Monday through Friday, in the eastbound direction, where users pay 50 percent of the posted toll rate.

The OCTA Board of Directors also approved a "congestion management" toll pricing policy in July 2003. The objective of the policy is to use pricing to optimize the number of vehicles that can safely travel on the toll road at free-flow speeds during all hours, including peak hours.

The toll policy uses trigger points defined as a percentage of maximum optimal capacity, along with constant monitoring of hourly, daily and directional traffic volumes, to adjust tolls up or down. The toll rates are increased when volumes have grown to the point where the traffic flow could become unpredictable and are decreased in order to stimulate demand and encourage use of the 91 Express Lanes.

Commended for the toll policy, the 91 Express Lanes was honored with the International Bridge, Tunnel and Turnpike Association's 2008 Toll Excellence Award for toll way administration. The revolutionary toll policy creates value for the customer by meeting demands while managing congestion. The benefit to the customers is a safe, fast, reliable commute.

Figure 1 - Historical Traffic Volumes (in millions)



Transponders and Accounts

Since the 91 Express Lanes is a fully electronic toll facility, motorists pay tolls through the convenient use of FasTrak™ transponders that automatically deduct toll charges from a prepaid account. At the end of 2011-12, there were 112,473 active customer accounts, with 167,239 transponders assigned to those accounts.

The 91 Express Lanes is and will continue to be an important element in ensuring that traffic flows more smoothly between Orange and Riverside counties. Depending on the time of day, commuters reported saving more than 30 minutes on their drive time by using the 91 Express Lanes.

Revenue

Operations

Revenues for the 91 Express Lanes can be divided into two categories: toll revenues and non-toll revenues. Toll revenues comprise the majority of the revenue generated by the 91 Express Lanes. Toll revenues include the tolls collected from 91 Express Lanes patrons using the toll facility, in addition to tolls collected from customers of other toll agencies that use the 91 Express Lanes. Toll revenue projections are provided by Stantec. In 2012-13, toll revenue is anticipated to decrease by 7.6 percent due to the addition of the 5th lane on the SR-91 corridor which will encourage patrons to use the general purpose lanes. The average long term rate of growth for toll road revenues beyond 2012-13 is 5.1 percent.

The largest component of non-toll revenues is comprised of account maintenance fees, account minimum fees, and convenience account fees. Violation processing fees represent another large component of non-toll revenues. Other non-toll revenues include plate read fees, lost and stolen transponder fees, and miscellaneous fees. Historical toll road revenues are provided in Figure 2 on the following page.

Capital

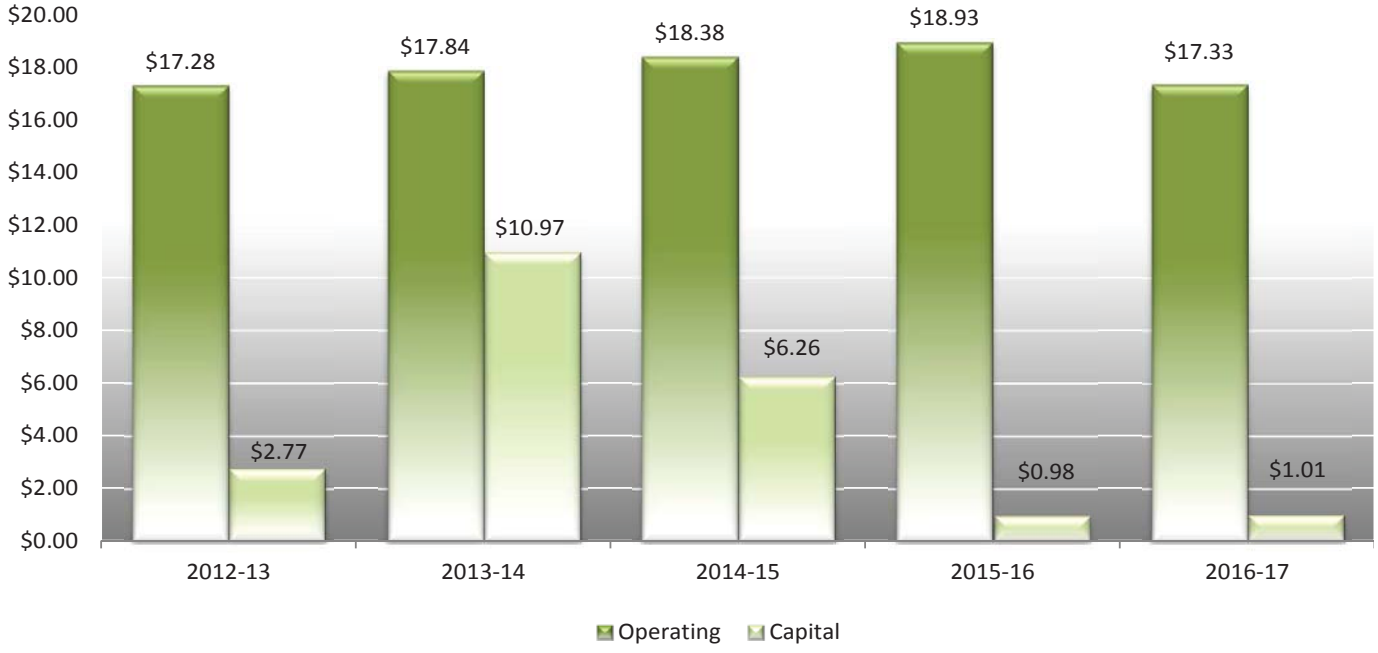
The internal capital reserve account was created as a fund for OCTA to deposit revenues into on an annual basis. This fund will be used for future capital expenditures on the 91 Express Lanes. After paying for operating expenditures, debt service, and reserves, state law allows remaining funds to be used for improvements in the SR-91 corridor.

Expenditures

Expenses include: operating expenses, capital expenditures, reserve set-asides and debt payments (e.g. senior debt service and subordinated debt repayment). There are two types of reserve set asides, those that are required by the senior bond indenture and the internal capital reserve fund established by OCTA's Board of Directors. Historical capital and operating expenses are provided in Figure 3 on the following page.

Figure 2 - Toll Road Revenues (in millions)

Figure 3 - Toll Road Capital and Operating Expenses (in millions)



Operations

An important component of 91 Express Lanes operations is maintaining the toll lanes and the technology supporting the toll road operation. OCTA contracts with Cofiroute USA (Cofiroute) to provide management and operational services for the 91 Express Lanes. Cofiroute is responsible for: running and assisting with traffic breaks, removing debris from the lanes, responding to customer queries, notifying customers of account issues, managing and responding to crises from the traffic management center, assisting disabled vehicles, and managing the systems for continued revenue collection. Other expenses include credit card processing fees and toll road account servicing.

Routine maintenance is scheduled on every third Sunday (weather permitting) and performed by Caltrans. Routine maintenance consists of sweeping, replacement of channelizers and other repairs which can only be performed while the lanes are closed due to the need for crew safety. Closures are kept to a minimum and scheduled for non-peak traffic times.

Capital

OCTA worked with Cofiroute and Federal Signal Technologies to relocate the existing electronic toll and traffic management system (ETTM) and equipment onto new cantilever structures as the old gantries were removed as part of the SR-91 Westbound and Eastbound Lane Addition Project. The system identifies and captures vehicle information for customer account billing or violation processing. Project management and upgrades to the ETTM are scheduled to take place every seven years, beginning with costs of $5 million in 2014-15 and $2 million for a partial upgrade beginning in 2018-19. The services and upgrades will further improve the reliability, accuracy and documentation of toll transactions.

In June 2011, the Revenue and Account Management System (RAMS), the new back-office/account management software developed by Cofiroute was deployed on the 91 Express Lanes' network. The RAMS system retrieves data from the ETTM system, calculates the correct toll amounts, and automatically charges the customer accounts. In addition, the system interfaces with the California Department of Motor Vehicles in order to retrieve information, and if appropriate, generates violation notices to be mailed to motorists who cannot be identified as customers. The system also interfaces with the customer service center's telephone system, the 91 Express Lanes' website, and exchanges files with other toll agencies for the processing of interoperability transactions. Upgrades to the system are scheduled to take place every eight years, beginning in 2020-21, and are anticipated to cost $5 million.

The 91 Express Lanes pavement has been in place since the lanes were constructed in 1995. In 2006-07, OCTA completed the Pavement Maintenance Project when the pavement was found to have exhibited some surface loss with hairline cracks developing at a few locations. As part of the project, pavement cracks were filled and sections of the road were re-paved and re-sealed to reduce the rate of roadway deterioration. Since the pavement's design life was estimated to be 20 years, pavement analysis will need to be conducted in order to assess whether an overlay or replacement is needed. The pavement upgrade and resurfacing is anticipated to cost $8 million in 2013-14 and $15 million in 2023-24.

Other capital expenditures include: facilities upgrades to the customer service center and administrative office which houses the traffic operations center, variable message/price signs, a phone system upgrade and miscellaneous expenses such as computers, printers, equipment, and guard rails.

SR-91 General Purpose Lanes Implementation

OCTA, in concert with Caltrans and RCTC, issues an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 Express Lanes toll revenue and other funds. The plan describes projects and transportation benefits, anticipated implementation schedules by milestone year, and costs for major projects from now through 2030. Figure 4 on the following page shows the list of projects and cost estimates based on the SR-91 Implementation Plan approved by the Board in June 2012. Projects are organized by readiness and logical sequencing; however, full funding for all projects has not been secured.

The total cost for the first set of projects is approximately $170.5 million and is anticipated to be completed by 2015. One of these projects is the widening of SR-91 between the SR-55 to SR-241 by adding one general purpose (GP) lane in each direction. Construction began in 2011-12 and is expected to be completed in 2012-13. This project requires close coordination with Caltrans in order to minimize impacts to the 91 Express Lanes' operations.

For the second set of projects, there are five projects scheduled for implementation by 2025 that would cost from approximately $1.86 billion up to $2.08 billion. OCTA, RCTC, and Caltrans have initiated preliminary planning activities for these projects to ensure readiness when local, state, or federal funding becomes available. The preliminary engineering has been initiated for the highway improvement projects. Consequently, there may be opportunities to advance these projects if additional funding is made available.

The final set of projects proposed for implementation by 2035 focus on longer lead times and is anticipated to cost up to $12 billion. The Fairmont Boulevard interchange project and the other four, multi-billion dollar potential projects require a significant amount of planning, design, and future policy and public input. In some cases, these projects may include previous projects as project components, such that all projects may not be implemented within this project summary.

Debt Service

OCTA purchased the 91 Express Lanes from CPTC for $207.5 million, including $72.5 million in cash from internal reserves and the assumption of $135 million in taxable bonds. In November 2003, OCTA refinanced the 91 Express Lanes taxable bonds with tax-exempt bonds. The issuance was in the amount of $195.3 million with a final maturity of December 2030. The bonds were issued in two series, Series A bonds and Series B bonds.

As of August 31, 2012, there was approximately $155.5 million outstanding in 91 Express Lanes bonds. Approximately $55.5 million is outstanding in Series A bonds and $100 million is outstanding in Series B bonds. The Series B bonds are privately placed with the Orange County Investment Pool. The final maturity of this private placement transaction is August 15, 2013.

The 91 Express Lanes also has a floating-to-fixed interest rate swap outstanding in the amount of $25 million. This swap was entered into in 2003 to remove the variable interest rate exposure of the Series B bonds. The swap is currently with JP Morgan.

The $72.5 million borrowed from internal reserves in 2003 has been fully repaid with interest from 91 Express Lanes excess toll revenues. Excess toll revenues have also been used for SR-91 corridor improvement projects since 2003.

Figure 4 - SR-91 Implementation Plan Projects

No.	Project Summary (Implementation Year)	Cost ($M)
	By Year 2015	
1	Widen SR-91 between SR-55 and SR-241 by Adding a 5th GP Lane in Each Direction (2012/2013)	85.2
2	Metrolink Short-Term Expansion Plan (2014)	35.4
3	SR-91 WB Lane at Tustin Avenue (2015)	49.9
	Subtotal	**170.5**
	By Year 2025	
4	SR-71/SR-91 Interchange Improvements (2017)	122.7
5	Initial Phase CIP: Widen SR-91 by One GP Lane in Each Direction East of County Line, CD Roads and I-15/SR-91 Direct South Connector, Extension of Express Lanes to I-15 and System/Local Interchange Improvements (2017)	1,345.0
6	Express Bus Improvements Between Orange County and Riverside County (2017)	9.5
7	SR-241/SR-91 Express Lanes Connector (2018)	135.0-180.0
8	SR-91 between SR-57 and SR-55 (2025)	253.0-425.0
	Subtotal	**1,865.0 - 2,082.0**
	By Year 2035	
9	Fairmont Boulevard Improvements (Post-2025)	76.8
10	Metrolink Service and Station	335.0
11	Ultimate CIP: Widen SR-91 by One GP Lane in Each Direction from SR-241 to SR-71, I-15/SR-91 Direct North Connector, Extension of Express Lanes on I-15 and SR-91 Improvements East of I-15 (2035)	TBD
12	Elevated 4-Lane Facility (MIS Corridor A) from SR-241 to I-15 (TBD)	2,720.0
13	Anaheim to Ontario International Airport Maglev High Speed Rail (Post-2030)	TBD
14	Irvine-Corona Expressway (ICE) 4-Lane Facility from SR-241/SR-133 to I-15/Cajalco Road (Post-2030)	8,855.0
	Subtotal	**12,000.0+**

Cash Flow Statement - 91 Express Lanes

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27	2031-32
Beginning Balance	$	**28.5**	**19.8**	**13.6**	**5.8**	**5.6**	**5.2**	**4.6**	**4.0**
Cash flows from operating activities:									
Sources of funds:									
Toll Revenue		30.1	31.0	32.0	34.9	37.9	49.4	66.2	88.6
Miscellaneous revenue		6.9	7.0	7.0	7.0	5.1	5.2	5.3	5.5
Total Sources of funds	$	**37.1**	**38.0**	**39.0**	**42.0**	**43.0**	**54.6**	**71.5**	**94.1**
Cash flows from operating activities:									
Uses of funds:									
Salaries & Benefits		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management Fee Expense		2.2	2.3	2.3	2.4	2.5	2.9	3.3	3.8
Professional Services		9.9	10.2	10.5	10.8	9.0	10.4	12.1	14.0
General and Administrative		1.5	1.6	1.6	1.7	1.7	2.0	2.3	2.7
Other Operating Expenses		3.7	3.8	3.9	4.0	4.1	4.8	5.5	6.4
Total Uses of funds	$	**17.3**	**17.8**	**18.4**	**18.9**	**17.3**	**20.1**	**23.3**	**27.0**
Net cash provided by operations	$	**19.8**	**20.2**	**20.6**	**23.0**	**25.7**	**34.5**	**48.2**	**67.1**
Cash flows from non-capital financing activities:									
Operating grants		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers in		0.0	5.0	0.0	0.0	0.0	8.5	0.0	0.0
Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Renewed Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers out		(4.0)	0.0	(4.0)	(4.0)	(4.0)	0.0	(4.0)	(4.0)
Net cash provided by noncapital financing activities	$	**(4.0)**	**5.0**	**(4.0)**	**(4.0)**	**(4.0)**	**8.5**	**(4.0)**	**(4.0)**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets		(14.8)	(23.0)	(12.3)	(7.0)	(10.0)	(30.3)	(32.4)	(64.6)
Bond proceeds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal & interest paid on bonds / COPS		(10.8)	(9.4)	(13.3)	(13.3)	(13.3)	(13.3)	(13.3)	0.0
Net cash used by capital and related financing activities	$	**(25.5)**	**(32.4)**	**(25.6)**	**(20.3)**	**(23.3)**	**(43.6)**	**(45.7)**	**(64.6)**
Cash flows from investing activities:									
Interest on investments		0.9	1.0	1.1	1.1	1.4	1.4	1.3	0.3
Net cash provided by investing activities	$	**0.9**	**1.0**	**1.1**	**1.1**	**1.4**	**1.4**	**1.3**	**0.3**
Cash to Accrual Reconciling Items	$	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net increase/decrease in cash	$	**(8.8)**	**(6.2)**	**(7.9)**	**(0.2)**	**(0.3)**	**0.7**	**(0.1)**	**(1.2)**
Available Cash	$	**19.8**	**13.6**	**5.8**	**5.6**	**5.3**	**5.9**	**4.5**	**2.8**

Non-Program Specific Projects & Expenditures

Background

The majority of significant freeway, streets and roads, and transit projects are funded primarily through the Measure M1 and M2 programs. OCTA has also committed to a handful of projects not funded through the M1 and M2 programs. These projects are funded using other local, state, and federal sources and include the Bristol Street widening, continuous access striping for high occupancy vehicle lanes, bicycle and pedestrian facilities, bike-share pilot program and the vanpool-rideshare program. In addition, OCTA has a cooperative agreement with the City of Irvine for Proposition 116 replacement funds.

Bristol Street Widening

In 1990, the City of Santa Ana (City) received environmental clearance for a 3.9-mile Bristol Street widening project from Memory Lane to Warner Avenue. Portions of this segment have already been widened and improved by the City with additional travel lanes, landscaped center medians, etc. The remaining intervals are to be designed and constructed in line with available funding.

The current Bristol Street widening project funded by OCTA includes increasing the number of lanes from two to three in each direction, constructing landscaped medians and linear parkways, under-grounding all overhead electrical and other utilities, and constructing storm drain improvements and soundwalls. Improvements shall be made to portions between 17th Street and Warner Avenue totaling approximately two miles as follows:

Project Phasing & Estimated Cost	Miles	Cost ($M)
Phase I: McFadden to Pine	0.6	$57.4
Phase II: Third to Civic Center	0.3	32.1
Phase III: Civic Center to 17th	0.6	70.1
Phase IV: Warner to St. Andrew	0.5	50.2
Total	2.0	$209.8

In addition to the above phases, the City has completed widening Bristol Street between Pine and 3rd Street, independent of OCTA.

The total cost for the Bristol Street widening project has been estimated by the City at $209.8 million. Approximately 72 percent of the cost goes towards acquisition of right-of-way. Construction of Phase I is complete. Phase II will begin construction in late 2012. OCTA has committed $125 million of Gas Tax Subvention revenues toward the project, $13 million of the $125 million will be used for right-of-way acquisition of available properties on the market in Phase III.

HOV Continuous Access:

This project involves the restriping of the pavement markings separating the general purpose lanes from the high occupancy

vehicle (HOV) lanes to allow continuous access along the freeway. The current HOV separation striping limits access to the HOV lanes to specified points along the freeway, roughly one mile apart. This project will convert the HOV separation striping along all Orange County freeways to open, continuous access striping. This would allow vehicles to enter and exit the HOV lanes at any point along the freeway. Although, limited HOV access striping would remain at major freeway-to-freeway interchanges to restrict last-minute HOV lane changes within the vicinity of the interchanges.

Currently there are two HOV Continuous Access Projects that OCTA is leading, located on I-5 and the I-405. The project costs and funding (in millions) are as follows:

I-5 HOV Continuous Access	Cost ($M)
Orange County Unified Transportation Trust	$1.2
State Transportation Improvement Program	6.4
Total	$7.6

I-405 HOV Continuous Access	Cost ($M)
Orange County Unified Transportation Trust	$0.8
State Transportation Improvement Program	2.7
Total	$3.5

Bicycle and Pedestrian Facilities

OCTA continues to support development of bicycle and pedestrian facilities within Orange County. Based upon Board approved State and Federal Programming Guidelines which were approved by the Board in October of 2011 and set aside 10 percent of OCTA's annual Congestion Mitigation and Air Quality (CMAQ) apportionment for Bicycle and Pedestrian Projects. OCTA issued Bicycle Corridor Improvement Program Call for Projects and awarded $9.4 million to fund 23 bicycle projects throughout Orange County valued at $13.3 million. In addition,

OCTA previously committed $3.5 million in prior year Article 3 funds allocated for development of bicycle and pedestrian facilities within the County. OCTA also reserves one percent of Federal Formula grant funding annually which is typically distributed to Bicycle and Pedestrian projects through OCTA's Transportation Enhancement Calls for Projects.

Bike-Share Pilot Program

OCTA is exploring ways to improve first and last mile connections to Metrolink rail service. One concept is through bike-sharing. As directed by the OCTA Board of Directors in January 2012, the Orange County Bike-Share Pilot Project will implement a pilot a bike-sharing system in Fullerton, which will allow OCTA to explore the merits of bike-sharing as a clean alternative to single-occupancy vehicles and in fulfilling the first and last mile need for commuter rail and bus transit trips.

Based on the size of the Fullerton service area, OCTA will support a system of 15 bike stations and 165 bicycles. Funding to initiate the pilot program was secured through a $768,000 Federal Transit Administration (FTA) Bus Livability Grant and a $224,000 local match grant from the Mobile Source Air Pollution Reduction Review Committee (MSRC). Both grants will support the up-front capital costs and ongoing operating costs. OCTA will contract with a private provider to supply equipment (i.e., bicycles and bike stations), cover liability, and handle day-to-day operations including: membership management, sponsorship solicitation, customer service, bicycle redistribution, data management, and maintenance of stations and bicycles. Revenues from membership fees, short-term usage fees, advertising and sponsorship are also expected to support ongoing operating costs and/or future expansion of the bike-share program.

Vanpool & Rideshare

OCTA administers a vanpool and rideshare program. The two programs are designed to encourage commuters to reduce their single occupancy vehicle commuter trips and use a carpool or vanpool for their daily commute. OCTA's Vanpool Program provides assistance to commuters working in Orange County who live in Los Angeles, Orange, Riverside or San Bernardino counties. OCTA works with employers, commuters, and private vanpool operators to organize and sustain vanpools throughout Orange County.

As of 2012, it is estimated that over 400 vanpools serve over 102 destinations in Orange County, carrying over 4,400 passengers on a typical weekday. OCTA supports these vanpools by administering programs that help commuters and employers find vanpool participants. OCTA provides contacts to private companies that offer vehicle leases, and provides a $400 a month subsidy for each vanpool to offset vehicle lease and maintenance costs.

Cooperative Agreement with the City of Irvine for Proposition 116 Replacement Funds

In January 2009, the City and the OCTA entered into an agreement to transfer $121.3 million of Proposition 116 funds to OCTA. The funds were part of a $125 million earmark the City of Irvine received through the Proposition 116 Clean Air and Transportation Act in 1990. By statute, the Legislature could reallocate funds to other passenger rail projects if the funds were not encumbered (allocated) prior to July 1, 2010. The OCTA Board of Directors approved a program of projects meeting the directive of the legislation for intercity and commuter rail benefits, and the CTC approved allocations for the $121.3 million by the July 1, 2010 deadline.

As part of the January 2009 agreement between the City and OCTA, the City received a credit of $121.3 million for OCTA's use of the Proposition 116 funds. The credit was to be applied to the City's local match requirements for projects submitted by the City and approved by the Board under M2 competitive transit programs such as Project S (Transit Extensions to Metrolink) and Project V (Community Based Transit/Circulators).

In 2010 the City requested that OCTA consider using other sources of funding to meet the match credit. An agreement was reached and OCTA will provide funding to the City on an annual basis for: (1) iShuttle operations/bus maintenance; (2) bus purchases/leases; and (3) support costs up to a maximum annual obligation. Total funding over a 30-year period would be limited to $121.3 million, but the type of funding (local, state, or federal) would be determined annually through the OCTA budget process. Implementation of the agreement would occur through letter agreements executed each year. As part of the agreement, OCTA may also provide to the City four additional 27-foot clean fuel buses for operation of expanded iShuttle service to the Irvine Spectrum area. The value of the four buses would be deducted from the first five years of funding in equal increments. Conversely, the City may opt to purchase vehicles with the OCTA revenue stream or use local City funds.

Motorist & Taxicab Services


Freeway Service Patrol Beats
OCTA
LOS ANGELES
SAN BERNARDINO
RIVERSIDE
SAN DIEGO
Pacific Ocean
LA HABRA
BREA
FULLERTON
PLACENTIA
YORBA LINDA
LA PALMA
BUENA PARK
ANAHEIM
CYPRESS
VILLA PARK
ORANGE
LOS ALAMITOS
STANTON
GARDEN GROVE
SEAL BEACH
WESTMINSTER
SANTA ANA
FOUNTAIN VALLEY
TUSTIN
HUNTINGTON BEACH
IRVINE
COSTA MESA
LAKE FOREST
RANCHO SANTA MARGARITA
NEWPORT BEACH
LAGUNA WOODS
MISSION VIEJO
LAGUNA HILLS
ALISO VIEJO
LAGUNA BEACH
LAGUNA NIGUEL
SAN JUAN CAPISTRANO
DANA POINT
SAN CLEMENTE
501
502
503
504
505
506
507
508
509
910
911
912
913
914
915
220
221
222
406
407
408
409
410
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553
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570
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572
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552
000
FSP Beats
Source: OCTA
0 2 4 8
Miles
September 19, 2007
Portions of this map copyrighted by Thomas Bros Maps and reproduced with permission.
W:\Requests\PDCS\TRMS\Callboxes\CallboxLocations\mxd\FSPBeats_2007-0919.mxd

Introduction

Motorist Services consists of three programs:

- Service Authority for Freeway Emergencies (SAFE)
  - Freeway Call Box Program
  - Freeway Service Patrol (FSP)
  - Southern California 511
- Service Authority for Abandoned Vehicles (SAAV)
- Orange County Taxi Administration Program (OCTAP)

Program Overview

SAFE

SAFE is comprised of the call box, the FSP, and the Southern California 511 programs. California statute authorized SAFE in 1985 to enable counties to generate revenue for the purpose of purchasing, installing, operating, and maintaining a system of motorist aid call boxes. The revenue collected is from a $1 dollar fee on all non-exempt registered vehicles along with an additional $2 fee on certain commercial vehicles registered in Orange County. In 1992, the California Legislature enacted a statute creating the FSP program. Subject to annual appropriations, the FSP program receives funding from the State Highway Account that requires a 25 percent local match. Excess revenue from the vehicle registration fee collected for the call box program provides the 25 percent local match for the FSP program and funds a share of the Southern California 511 program.

Freeway Callbox Program

The call box program consists of a network of approximately 633 solar powered cellular-based telephones along 197 centerline miles of highway and toll roads throughout the County. OCTA is responsible for the acquisition, installation, and maintenance of the call boxes. The Transportation Corridor Agencies (TCA) reimbursed OCTA for the cost of acquiring and installing call boxes on the toll roads. A private firm under contract with OCTA receives the calls and routes assistance requests to the CHP or FSP.

With the proliferation of cellular phones, call box usage in Orange County has steadily declined from 62,126 per year since 1999-00 to approximately 3,074 calls per year in 2011-12 (Figure 1). Due to this decline, the number of call boxes was reduced by about half during 2005-06. This reduction resulted in increased spacing between call boxes from one-quarter mile to one and one-quarter miles on freeways and from a half-mile to one mile on the toll roads.

FSP Program

The FSP is a traffic congestion management program designed for the rapid removal of motorists' disabled vehicles from traffic lanes and shoulders, as well as timely response to accidents and other incidents that require removal of debris on the freeways. The FSP is a partnership between the California Department of Transportation (Caltrans), the California Highway Patrol (CHP), and the Orange County Transportation Authority (OCTA). Private tow truck companies operate FSP under contract with OCTA. Each tow truck driver patrols his assigned freeway segment during program service hours, stopping to assist motorists. The driver offers assistance, such as changing a flat tire, offering a free gallon of gas, or taping a coolant hose. OCTA's FSP tow trucks provided nearly 66,000 assists in 2011-12 (Figure 2 on the following page displays FSP assists by type in 2011-12).

Figure 1 - SAFE Call Box Calls

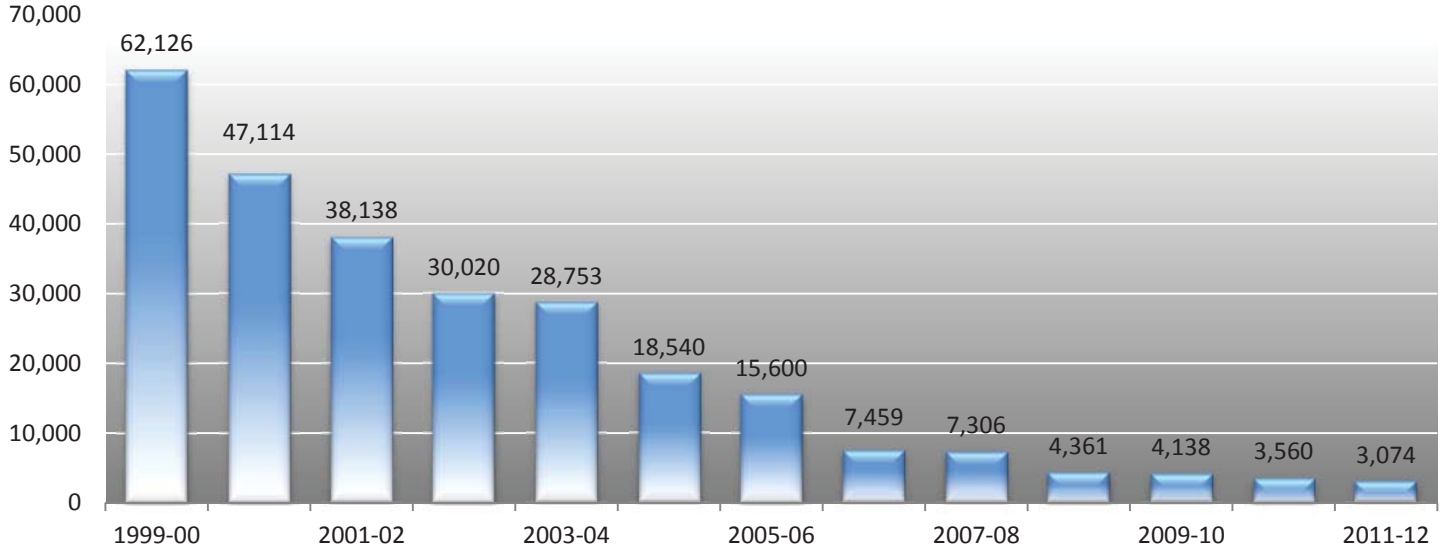
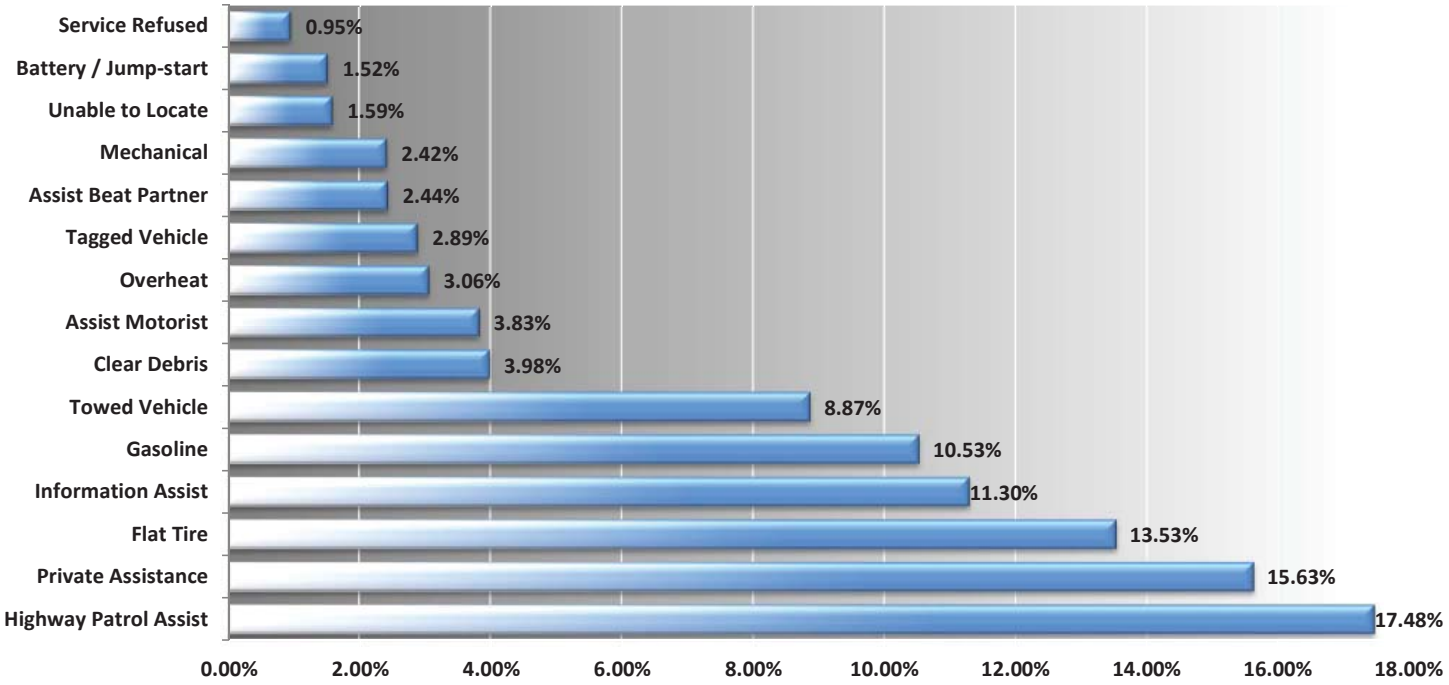


Figure 2 - FSP Assists By Type

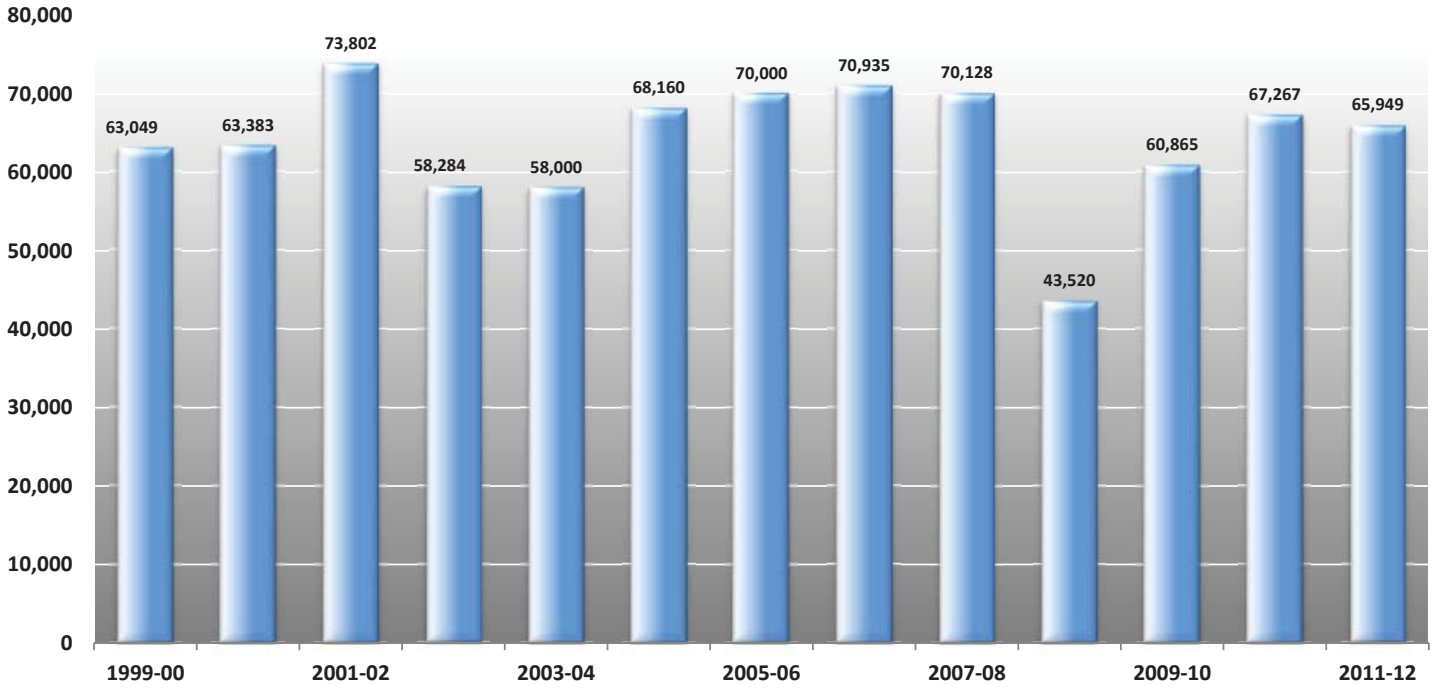


2011-12 FSP Assists

The number of FSP programs funded statewide has increased from 13 to 15 agencies, while overall state funding has remained flat. Therefore, Orange County's share of state funding has decreased slightly over the last year. Allocation of funding is based on freeway miles, traffic congestion, and population within each jurisdiction. Additionally, the economic downturn has resulted in slightly lower revenue from the vehicle registration fee. The current level of funding from traditional revenue streams is insufficient to maintain the current peak hour service plus the midday service added in December 2003 which was partially funded with Mobile Source Air Pollution Reduction Review Committee grant, and weekend service added in December 2006 at the request of CHP. Figure 3 on the following page displays the history of annual FSP assists since 1999-00.

The 34 trucks being operated during peak hours, the seven trucks being operated midday, and the four trucks operated on the weekend deliver about 76,480 hours of service per year along Orange County's freeways. The current cost to operate this level of service is $4.6 million annually, exclusive of Motorist Services staff salaries. On November 7, 2006 voters approved the Measure M2, which had a FSP component allocating $150 million in 2005 dollars to the program over a 30-year period until 2041. This additional funding will ensure program solvency and growth.

Figure 3 - FSP Assists



Southern California 511

Southern California 511 is the motorist aid and traveler information system for Los Angeles, Orange, and Ventura counties. This system allows the traveling public to access information on highway conditions, traffic speeds, transit, and commuter services via a toll free number with an interactive voice response system and the internet.

In 1999, the United States Department of Transportation petitioned the Federal Communications Commission (FCC) to designate a nationwide three-digit telephone number for traveler information. At the time, there were over 300 different telephone numbers providing some sort of highway or public transportation-related information to the public.

On July 21, 2000, the FCC designated 511 as the national travel information number. The FCC ruling leaves nearly all of the implementation issues to the states and local agencies. The ruling did not have a federal mandate regarding how to fund the national system. That would also be left to the states and local agencies.

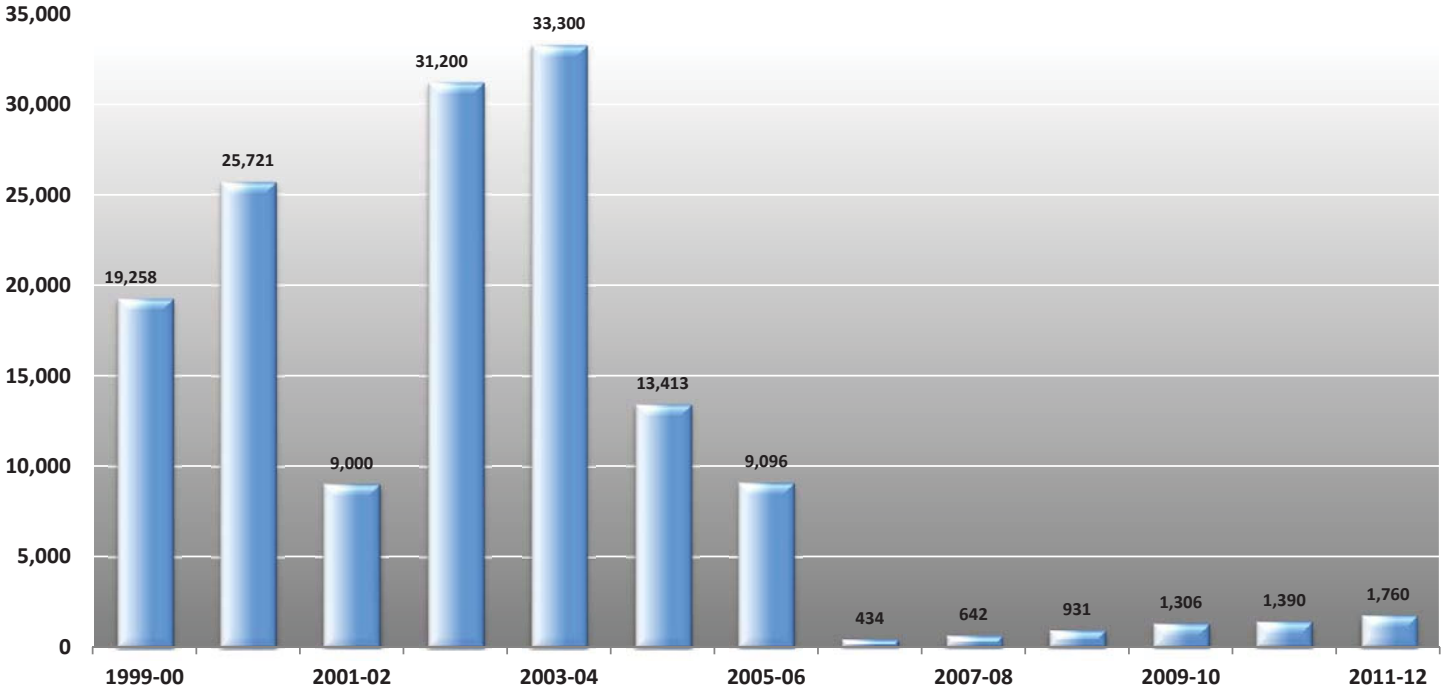
The Los Angeles County Metropolitan Transportation Authority in partnership with OCTA, the Ventura County Transportation Commission, Caltrans, and CHP, developed the 511 system, officially debuted on June 14, 2010. The system currently averages about 259,322 calls and 40,228 website visits monthly.

SAAV

The SAAV program assists cities and the County in removing potentially hazardous and unsightly abandoned vehicles from Orange County's streets and roads. AB 4114 (Chapter 1684, Statutes of 1990) authorized the formation of countywide service authorities to address the increasing problem of unsightly and hazardous abandoned vehicles. AB 4114 also authorized the Department of Motor Vehicles (DMV) to assess a $1 annual fee on vehicle registrations to finance local vehicle abatement programs. The State designated OCTA as the recipient of SAAV funds on behalf of Orange County. State funds are apportioned to each participating jurisdiction based on population and the number of abated vehicles.

Abatements declined sharply in fiscal year 2007 due to an interpretation by CHP that vehicles had to be crushed or dismantled to qualify as an abatement. CHP has since withdrawn that interpretation and cities have been notified that destruction of the abandoned vehicle is no longer necessary. Figure 4 on the following page shows the annual history of SAAV abatements.

Figure 4 - SAAV - Vehicle Abatements Reported



Legislation authorizing the $1 registration fee for SAAV was scheduled to terminate in May 2002; however, in August 2001, Senate Bill 106 (Chapter 175, Statutes of 2001) authorized the extension of SAAV programs in 10 year increments. Previously, each 10-year extension required an affirming resolution by a majority of cities representing the majority of the population and a two-thirds vote from the County Board of Supervisors. SAAV obtained the necessary resolutions to ensure continuance of the program through 2012 or until the program reserves have been completely distributed. Proposition 26 (2010) requires the voters to approve this funding source; therefore, the OCTA Board decided to let the fee sunset. Once the reserves have been exhausted the program will be retired.

OCTAP

OCTA administers the Orange County Taxi Administration Program, which regulates countywide taxicab service. OCTAP is responsible for the issuance of taxicab business, driver, and vehicle permits. OCTAP issues permits to approximately 33 taxicab companies, 1,056 taxicabs, and 1,575 drivers. OCTA recovers all program costs primarily through a fee assessment for each type of permit application.

OCTA began regulating taxi operations in January 1998 on behalf of the 34 participating Orange County cities, and the County of Orange through OCTAP. OCTAP simplified the Orange County taxicab regulations with centralized permitting of cabs, companies, and drivers. This resulted in an improvement in customer services and industry standards.

Through educational programs, OCTAP coordinates with member agencies to promote taxicab safety and service in Orange County. OCTAP coordinates and participates in countywide enforcement efforts, conducts background investigations, and vehicle inspections, while local law enforcement agencies maintain responsibility for regulatory compliance within their jurisdiction.

Cash Flow Statement - SAFE

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27	2031-32
Beginning Balance	$	**4.1**	**5.4**	**6.9**	**8.7**	**10.2**	**19.8**	**32.2**	**49.2**
Cash flows from operating activities:									
Sources of funds:									
Freeway Service Patrol		5.6	5.8	6.0	6.2	6.4	7.2	8.3	9.6
Callbox		2.5	2.5	2.5	2.5	2.5	2.7	2.8	2.9
Miscellaneous revenue		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sources of funds	$	**8.1**	**8.3**	**8.5**	**8.7**	**9.0**	**9.9**	**11.1**	**12.5**
Cash flows from operating activities:									
Uses of funds:									
Salaries and Benefits		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management Fee Expense		0.5	0.5	0.5	0.5	0.5	0.6	0.8	0.9
Professional Services		5.7	6.4	6.4	6.7	6.8	7.6	8.4	9.3
General and Administrative		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Expenses		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Uses of funds	$	**6.1**	**6.9**	**6.9**	**7.3**	**7.3**	**8.3**	**9.2**	**10.2**
Net cash provided by operations	$	**2.0**	**1.4**	**1.6**	**1.5**	**1.6**	**1.6**	**1.9**	**2.3**
Cash flows from non-capital financing activities:									
Operating grants		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers in		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Renewed Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers out		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by noncapital financing activities	$	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets		(0.7)	0.0	(0.0)	(0.2)	(0.1)	(0.0)	(0.4)	0.0
Bond proceeds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal & interest paid on bonds / COPS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used by capital and related financing activities	$	**(0.7)**	**0.0**	**(0.0)**	**(0.2)**	**(0.1)**	**(0.0)**	**(0.4)**	**0.0**
Cash flows from investing activities:									
Interest on investments		0.1	0.1	0.2	0.3	0.4	0.8	1.3	2.0
Net cash provided by investing activities	$	**0.1**	**0.1**	**0.2**	**0.3**	**0.4**	**0.8**	**1.3**	**2.0**
Cash to Accrual Reconciling Items	$	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net increase/decrease in cash	$	**1.4**	**1.5**	**1.7**	**1.5**	**1.9**	**2.4**	**2.9**	**4.4**
Available Cash	$	**5.4**	**6.9**	**8.7**	**10.2**	**12.1**	**22.2**	**35.1**	**53.6**

Cash Flow Statement - OCTAP

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27	2031-32
Beginning Balance	$	**0.7**	**0.7**	**0.8**	**0.8**	**0.9**	**1.1**	**1.2**	**0.9**
Cash flows from operating activities:									
Sources of funds:									
Company Permits		0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Vehicle Permits		0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.7
Driver Permits		0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Appeal Fee		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sources of funds	$	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.9**	**1.0**	**1.1**
Cash flows from operating activities:									
Uses of funds:									
Salaries and Benefits		0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.8
Management Fee Expense		0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Professional Services		0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2
General and Administrative		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Expenses		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Uses of funds	$	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.9**	**1.0**	**1.2**
Net cash provided by operations	$	**(0.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.0)**	**(0.1)**	**(0.1)**
Cash flows from non-capital financing activities:									
Operating grants		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers in									
Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Renewed Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers out		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by noncapital financing activities	$	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond proceeds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal & interest paid on bonds / COPS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used by capital and related financing activities	$	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from investing activities:									
Interest on investments		0.01	0.01	0.02	0.03	0.04	0.04	0.05	0.03
Net cash provided by investing activities	$	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash to Accrual Reconciling Items	$	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net increase/decrease in cash	$	**0.0**	**0.1**	**0.0**	**0.0**	**0.1**	**0.0**	**(0.0)**	**(0.1)**
Available Cash	$	**0.7**	**0.8**	**0.8**	**0.9**	**0.9**	**1.1**	**1.1**	**0.8**

Cash Flow Statement - SAAV

(millions)		2012-13	2013-14	2014-15	2015-16	2016-17	2021-22	2026-27	2031-32
Beginning Balance	**$**	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from operating activities:									
Sources of funds:									
DMV Fees		0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous revenue		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sources of funds	**$**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from operating activities:									
Uses of funds:									
Salaries and Benefits		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management Fee Expense		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Professional Services		0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General and Administrative		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Expenses		0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Uses of funds	**$**	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash provided by operations	**$**	**(0.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from non-capital financing activities:									
Operating grants		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers in									
Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Renewed Measure M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating transfers out		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by noncapital financing activities	**$**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond proceeds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal & interest paid on bonds / COPS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used by capital and related financing activities	**$**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from investing activities:									
Interest on investments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities	**$**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash to Accrual Reconciling Items	**$**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net increase/decrease in cash	**$**	**(0.7)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Available Cash	**$**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Orange County Transportation Authority

OCTA

Comprehensive Business Plan

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