



# AGENDA

## *Finance and Administration Committee Meeting*

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### **Committee Members**

Bill Campbell, Chairman  
Jerry Amante, Vice Chairman  
Patricia Bates  
Arthur C. Brown  
Peter Buffa  
Cathy Green  
John Moorlach

Orange County Transportation Authority Headquarters  
600 South Main Street, First Floor - Room 154  
Orange, California  
**Wednesday, October 28, 2009, at 10:30 a.m.**

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

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

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

### **Call to Order**

#### **Invocation**

Committee Chairman Campbell

#### **Pledge of Allegiance**

Director Brown

#### **1. Public Comments**

#### **Special Calendar**

There are no Special Calendar matters.



### **Consent Calendar (Items 2 through 6)**

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

#### **2. Approval of Minutes**

Of the October 14, 2009, Finance and Administration Committee meeting.

#### **3. Local Agency Investment Fund - September 2009**

Rodney Johnson/Kenneth Phipps

##### ***Overview***

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending September 30, 2009.

##### ***Recommendation***

Receive and file as an information item.

#### **4. Orange County Treasurer's Management Report - September 2009**

Rodney Johnson/Kenneth Phipps

##### ***Overview***

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending September 30, 2009.

##### ***Recommendation***

Receive and file as an information item.



# AGENDA

## *Finance and Administration Committee Meeting*

---

5. **Orange County Transportation Authority Investment and Debt Programs Report - September 2009**  
Rodney Johnson/Kenneth Phipps

### *Overview*

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending September 30, 2009.

### *Recommendation*

Receive and file as an information item.

6. **First Quarter Fiscal Year 2009-10 Procurement Status Report**  
Virginia Abadessa/Kenneth Phipps

### *Overview*

The first quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from July 1, 2009 through September 30, 2009, with a dollar value greater than \$250,000. The first quarter procurement status report also projects future procurement activity for the second quarter as identified in the fiscal year 2009-10 annual budget.

### *Recommendation*

Receive and file as an information item.



# AGENDA

## *Finance and Administration Committee Meeting*

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#### **Pledge of Allegiance**

Director Brown

#### **1. Public Comments**

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##### ***Recommendation***

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# AGENDA

## *Finance and Administration Committee Meeting*

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### *Recommendation*

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### *Overview*

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### *Recommendation*

Receive and file as an information item.



### Regular Calendar

#### 7. Agreements for Health Insurance Services and Health Insurance Brokerage Services

Lisa Arosteguy-Brown/Patrick J. Gough

##### *Overview*

The Orange County Transportation Authority currently has agreements with various companies to provide medical, dental, and vision services for administrative employees and employees represented by the Transportation Communications Union.

The Orange County Transportation Authority currently has an agreement with Mercer, the insurance Broker of Record, to assist the Human Resources Department in placing coverages for its employees' health benefits. This agreement expires November 30, 2009.

##### *Recommendations*

- A. Authorize the Chief Executive Officer to execute Amendment No. 5 to Agreement No. C-5-0455 between the Orange County Transportation Authority and Kaiser Foundation Health Plan, Inc., on a cost per employee basis for prepaid medical services through December 31, 2010. The annual 2010 Kaiser Foundation Health Plan, Inc., premium costs will vary in accordance with actual enrollment.
- B. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-1054 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for prepaid medical services through December 31, 2010. The annual 2010 Aetna health maintenance organization premium costs will vary in accordance with actual enrollment.
- C. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-1055 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for open access managed choice medical services through December 31, 2010. The annual 2010 Aetna open access managed choice premium costs will vary in accordance with actual enrollment.



# AGENDA

## *Finance and Administration Committee Meeting*

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### 7. (Continued)

- D. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-5-2862 between the Orange County Transportation Authority and MetLife Insurance Company, on a cost per employee basis, for preferred provider organization dental services through December 31, 2010. The annual 2010 MetLife Insurance Company dental preferred provider organization premium costs will vary in accordance with actual enrollment.
- E. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-6-0657 between the Orange County Transportation Authority and Vision Service Plan, on a cost per employee basis, for vision services through December 31, 2012. The annual 2010 Vision Service Plan premium costs will vary in accordance with actual enrollment.
- F. Authorize the Chief Executive Officer to execute Amendment No. 6 to Agreement No. C-4-1271 to exercise a second option term between the Orange County Transportation Authority and Mercer through November 30, 2010, for an amount not to exceed \$80,000, to continue to provide health insurance brokerage services.

### 8. **Bus Service Scenarios**

Andrew Oftelie/Kenneth Phipps

#### ***Overview***

Rapidly declining revenues have forced the Orange County Transportation Authority to reduce operating costs. The Board of Directors has approved a bus service reduction plan that has already reduced 233,000 revenue vehicle hours with an additional 300,000 revenue vehicle hours planned for March 2010. An update on projected revenues and the feasibility of using one-time funds to sustain higher levels of bus operations, as proposed by the Transit Advocates of Orange County, is presented here.



# AGENDA

## *Finance and Administration Committee Meeting*

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### 8. *(Continued)*

#### **Recommendations**

- A. Approve a service reduction plan that eliminates 150,000 annual revenue vehicle hours in March 2010.
- B. Approve a service reduction plan that eliminates 150,000 annual revenue vehicle hours in March 2012 if the State Transit Assistance Program, or an equivalent funding source, is not restored by July 2011.
- C. Authorize the Chief Executive Officer to execute an internal transfer of up to \$68 million from the Commuter and Urban Rail Endowment Fund to the Bus Operations Fund.

#### **Discussion Items**

### 9. **Excess Liability Insurance Quotes** Al Gorski/Patrick J. Gough

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

### 11. **Committee Members' Reports**

### 12. **Closed Session**

There is no Closed Session scheduled.

### 13. **Adjournment**

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, November 18, 2009**, at the OCTA Headquarters.





# MINUTES

## Finance and Administration Committee Meeting

### **Committee Members Present**

*Jerry Amante, Vice Chairman  
Patricia Bates  
Cathy Green  
John Moorlach*

### **Staff Present**

*James S. Kenan, Deputy Chief Executive Officer  
Wendy Knowles, Clerk of the Board  
Laurena Weinert, Assistant Clerk of the Board  
Kennard R. Smart, Jr., General Counsel  
OCTA Staff and members of the General Public*

### **Committee Members Absent**

*Bill Campbell, Chairman  
Arthur C. Brown  
Peter Buffa*

## **Call to Order**

The October 14, 2009, regular meeting of the Finance and Administration Committee was called to order by Committee Vice Chairman Amante at 10:38 a.m.

## **Invocation**

Committee Vice Chairman Amante gave the invocation.

## **Pledge of Allegiance**

Director Bates led in the Pledge of Allegiance.

### **1. Public Comments**

No public comments were received.

## **Special Calendar**

There were no Special Calendar matters.

## **Consent Calendar (Items 2 through 5)**

### **2. Approval of Minutes**

A motion was made by Director Moorlach, seconded by Director Green, and declared passed by those present, to approve minutes of the September 23, 2009, meeting.



### **3. Communications by Independent Financial Statement Auditor**

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

### **4. Agreement for GFI Data Systems Upgrade Implementation**

A motion was made by Director Moorlach, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-9-0515 between the Orange County Transportation Authority and GFI Genfare, a SPX Division, in the amount of \$349,218, for implementation of the farebox computing infrastructure upgrade. The scope of this effort will include project management, computing equipment, software, configuration, training, testing, and go-live support.

### **5. Information Systems Disaster Recovery Solution**

Director Moorlach pulled this item and requested background on the selection process and information regarding bidders not recommended.

Christopher Chock, Senior Security Analyst, Information Systems, provided a summary of the selection process and information regarding the different bidders.

Mr. Chock noted that the work plans for Sungard and IBM Corporation were limited and did not detail how the work would be performed and their proposals did not answer many of the Request for Proposal questions.

A motion was made by Director Moorlach, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-9-0552, between the Orange County Transportation Authority and FusionStorm Inc., in an amount not to exceed \$366,287, for Information Systems Disaster Recovery Managed Services for a term of one year with two, two-year option terms.



### Regular Calendar

#### 6. Microsoft Enterprise Software

Ron Wolf, Section Manager, Information Systems, provided background on this item and discussed the benefits of the upgrade to the new software version.

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. 9-0607 between the Orange County Transportation Authority and Dell Marketing, the lowest responsive, responsible bidder, in an amount of \$802,766, for Microsoft enterprise software. The scope of this procurement is to obtain licenses and three years of maintenance for Microsoft products used to support the computing infrastructure for the Orange County Transportation Authority.

#### 7. Fiscal Year 2008-09 Fourth Quarter Budget Status Report

James S. Kenan, Acting Chief Executive Officer, provided opening comments on the need to do business and the necessary costs.

Andy Oftelie, Manager of Financial Planning & Analysis, presented this item and commented that changes had been made to the format of the report to help pinpoint major issues.

Mr. Oftelie provided a PowerPoint presentation and discussed the following:

- Staffing
- Measure M program
- Sales tax forecast
- Transit program (operating)
- Farebox revenues
- 91 Express Lanes

Committee Vice Chairman Amante and Director Moorlach requested a graph be prepared to reflect history of sales tax revenues (back to the 1990's) and cycles of "rebounding" from low points. The graph should include information on past recessions and "trend analyses" for purchases and how they correlated with "rebounds".

Committee Vice Chairman Amante requested a scenario be developed for using one-time monies that may be available for transit: how much money, what could be done with these funds over a period of time.



# MINUTES

## *Finance and Administration Committee Meeting*

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**7. (Continued)**

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

### **Discussion Items**

**8. Public Outreach Update for March 2010 Bus Service Change Program**

Ellen Burton, Executive Director of External Affairs, reported on the feedback from the public on the different options offered for the bus service change.

The public hearing will be held on Monday, October 26, 2009.

**9. Chief Executive Officer's Report**

Acting Chief Executive Officer, James S. Kenan, reported on upcoming meetings and events.

**10. Committee Members' Reports**

There were no Committee Members' reports.

**11. Closed Session**

A Closed Session was not conducted at this meeting.

**12. Adjournment**

The meeting adjourned at 11:43 a.m. The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, October 28, 2009**, at the OCTA Headquarters.

ATTEST

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Wendy Knowles  
Clerk of the Board

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Jerry Amante  
Committee Vice Chairman





**October 28, 2009**

**To:** Finance and Administration Committee  
**From:** Will Kempton, <sup>WR: JJK</sup> Chief Executive Officer  
**Subject:** Local Agency Investment Fund - September 2009

**Overview**

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending September 30, 2009.

**Recommendation**

Receive and file as an information item.

**Discussion**

As of September 30, 2009, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$62,047,027,758 with a month-average yield of 0.75 percent and a month-end weighted average maturity of 234 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$22,797,940,475. The Orange County Transportation Authority's month-end balance in LAIF was \$53,706.

**Summary**

The Orange County Transportation Authority is submitting a copy of the Local Agency Investment Fund statements and summary reports to the Finance and Administration Committee. The statements are for the month ending September 30, 2009.

**Attachment**

A. Local Agency Investment Fund – As of September 30, 2009

**Prepared by:**



Rodney Johnson  
Deputy Treasurer  
Treasury/Public Finance  
(714) 560-5675

**Approved by:**



Kenneth Phipps  
Executive Director,  
Finance and Administration  
(714) 560-5637

**Local Agency Investment Fund**

P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

[www.treasurer.ca.gov/pmia](http://www.treasurer.ca.gov/pmia)  
-laif

October 14, 2009

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGER, TREASURY/PUBLIC FINANCE  
550 SOUTH MAIN STREET  
P.O. BOX 14184  
ORANGE, CA 92613-1584

PMIA Average Monthly Yields

Account Number: 80-30-001

Transactions

Tran Type Definitions

September 2009 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	53,706.07
Total Withdrawal:	0.00	Ending Balance:	53,706.07

Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001  
ORANGE COUNTY LOCAL TRANSPORTATION  
AUTHORITY

[www.treasurer.ca.gov/pmia](http://www.treasurer.ca.gov/pmia)  
-laif  
October 14, 2009

PMIA Average Monthly Yields

Account Number: 80-30-003

Transactions  
Tran Type Definitions

September 2009 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	0.00
Total Withdrawal:	0.00	Ending Balance:	0.00

# Bill Lockyer, State Treasurer

Inside the State Treasurer's Office

Local Agency Investment Fund (LAIF)



SAVE THE DATE: LAIF ANNUAL CONFERENCE, OCTOBER 21-22, 2009

## PMIA Performance Report

Date	Daily Yield	Quarter to Date Yield	Average Maturity (In days)
9/29/2009	0.64	0.91	224
9/30/2009	0.62	0.90	234
10/1/2009	0.66	0.66	247
10/2/2009	0.66	0.69	249
10/3/2009	0.66	0.68	249
10/4/2009	0.66	0.68	249
10/5/2009	0.66	0.71	251
10/6/2009	0.66	0.70	252
10/7/2009	0.65	0.69	250
10/8/2009	0.65	0.69	248
10/9/2009	0.65	0.68	248
10/10/2009	0.65	0.68	248
10/11/2009	0.65	0.68	248
10/12/2009	0.65	0.67	246

## LAIF Performance Report

Quarter ending 6/30/2009

Apportionment Rate: 1.51%  
 Earnings Ratio: .00004133177972413  
 Fair Value Factor: 1.001304743

## PMIA Average Monthly Effective Yields

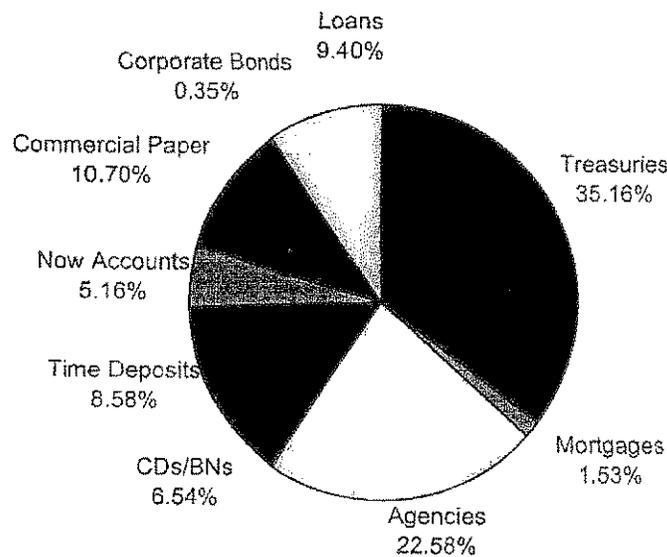
Sep 2009 0.750%  
 Aug 2009 0.925%  
 July 2009 1.035%

## Pooled Money Investment Account

### Portfolio Composition

\$61.9 Billion

09/30/09



**State of California**  
**Pooled Money Investment Account**  
**Market Valuation**  
**9/30/2009**

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
United States Treasury:				
Bills	\$ 16,433,924,215.50	\$ 16,455,636,226.65	\$ 16,467,959,900.00	NA
Notes	\$ 5,322,701,773.28	\$ 5,318,861,850.60	\$ 5,337,433,500.00	\$ 20,497,307.00
Federal Agency:				
SBA	\$ 552,246,909.46	\$ 552,235,837.91	\$ 542,553,223.13	\$ 583,135.97
MBS-REMICs	\$ 943,906,839.18	\$ 943,906,839.18	\$ 991,623,008.97	\$ 4,486,952.66
Debentures	\$ 1,967,322,236.10	\$ 1,967,322,236.10	\$ 1,988,231,600.00	\$ 18,262,398.94
Debentures FR	\$ 2,828,863,048.93	\$ 2,828,863,048.93	\$ 2,828,840,910.00	\$ 764,170.12
Discount Notes	\$ 8,332,099,642.54	\$ 8,333,887,526.44	\$ 8,338,878,500.00	NA
FHLMC PC	\$ 12.70	\$ 12.70	\$ 12.86	\$ 0.23
GNMA	\$ 118,054.13	\$ 118,054.13	\$ 131,857.79	\$ 1,165.83
IBRD Deb FR	\$ 300,000,000.00	\$ 300,000,000.00	\$ 301,440,000.00	\$ 417,956.00
CDs and YCDs FR	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ -	\$ -	\$ -	\$ -
CDs and YCDs	\$ 4,050,027,759.18	\$ 4,050,027,759.18	\$ 4,049,906,673.00	\$ 940,097.21
Commercial Paper	\$ 6,620,726,968.08	\$ 6,622,553,888.88	\$ 6,623,118,381.95	NA
Corporate:				
Bonds FR	\$ 199,045,794.53	\$ 199,045,794.53	\$ 198,910,915.64	\$ 95,344.24
Bonds	\$ 15,001,184.71	\$ 15,001,184.71	\$ 15,039,900.00	\$ 336,875.00
Repurchase Agreements	\$ -	\$ -	\$ -	NA
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 5,307,700,000.00	\$ 5,307,700,000.00	\$ 5,307,700,000.00	NA
NOW Account	\$ 3,192,000,000.00	\$ 3,192,000,000.00	\$ 3,192,000,000.00	NA
AB 55 & GF Loans	\$ 5,816,873,971.17	\$ 5,816,873,971.17	\$ 5,816,873,971.17	NA
<b>TOTAL</b>	<b>\$ 61,882,558,409.49</b>	<b>\$ 61,904,034,231.11</b>	<b>\$ 62,000,642,354.51</b>	<b>\$ 46,385,403.20</b>

Fair Value Including Accrued Interest \$ 62,047,027,757.71

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (1.001560611). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,031,212.22 or \$20,000,000.00 x 1.001560611.

Bill Lockyer, State Treasurer  
 Inside the State Treasurer's Office  
 Local Agency Investment Fund (LAIF)  
 Monthly Balances



	Beginning Balance	Deposits	Withdrawals	Month End Balance
Jan 2007	\$16,701,849,641.46	\$2,960,563,170.19	\$1,878,554,099.13	\$17,783,858,712.52
Feb 2007	\$17,783,858,712.52	\$1,871,192,000.00	\$1,806,882,424.32	\$17,848,168,288.20
Mar 2007	\$17,848,168,288.20	\$1,836,308,000.00	\$1,970,538,676.51	\$17,713,937,611.69
Apr 2007	\$17,713,937,611.69	\$3,394,738,695.90	\$1,636,184,955.73	\$19,472,491,351.86
May 2007	\$19,472,491,351.86	\$2,961,553,000.00	\$2,208,406,933.69	\$20,225,637,418.17
Jun 2007	\$20,225,637,418.17	\$2,000,236,000.00	\$2,489,620,114.56	\$19,736,253,303.61
Jul 2007	\$19,736,253,303.61	\$2,282,851,965.50	\$2,525,862,863.76	\$19,493,242,405.33
Aug 2007	\$19,493,242,405.33	\$2,386,681,000.00	\$2,724,365,559.48	\$19,155,557,845.85
Sept 2007	\$19,155,557,845.85	\$1,883,016,681.53	\$1,985,960,824.93	\$19,052,613,702.45
Oct 2007	\$19,052,613,702.45	\$2,613,216,264.13	\$2,005,445,174.77	\$19,660,384,791.81
Nov 2007	\$19,660,384,791.81	\$2,534,277,000.00	\$2,015,228,045.93	\$20,179,433,745.88
Dec 2007	\$20,179,433,745.88	\$3,605,766,000.00	\$2,561,411,019.65	\$21,224,788,726.23
Jan 2008	\$21,224,788,726.23	\$3,711,878,976.00	\$2,115,015,425.69	\$22,821,652,276.54
Feb 2008	\$22,821,652,276.54	\$2,591,434,000.00	\$2,089,553,094.97	\$23,323,533,181.57
Mar 2008	\$23,323,533,181.57	\$2,180,981,988.59	\$1,816,262,591.54	\$23,688,252,578.62
Apr 2008	\$23,688,252,578.62	\$3,420,554,108.10	\$1,966,501,121.26	\$25,142,305,565.46
May 2008	\$25,142,305,565.46	\$2,800,173,000.00	\$1,988,940,037.40	\$25,953,538,528.06
Jun 2008	\$25,953,538,528.06	\$1,926,355,000.00	\$2,718,980,081.64	\$25,160,913,446.42
Jul 2008	\$25,160,913,446.42	\$2,009,180,588.78	\$2,928,643,298.86	\$24,241,450,736.34
Aug 2008	\$24,241,450,736.34	\$1,709,073,000.00	\$2,649,606,391.09	\$23,300,917,345.25
Sept 2008	\$23,300,917,345.25	\$1,729,169,995.60	\$2,523,766,363.13	\$22,506,320,977.72
Oct 2008	\$22,506,320,977.72	\$1,896,088,349.22	\$3,139,726,707.03	\$21,262,682,619.91
Nov 2008	\$21,262,682,619.91	\$1,820,384,000.00	\$2,095,409,633.92	\$20,987,656,985.99
Dec 2008	\$20,987,656,985.99	\$4,579,572,557.89	\$2,175,627,128.17	\$23,391,602,415.71
Jan 2009	\$23,391,602,415.71	\$3,329,948,231.30	\$1,958,486,783.19	\$24,763,063,863.82
Feb 2009	\$24,763,063,863.82	\$1,897,373,000.00	\$2,319,478,309.69	\$24,340,958,554.13
Mar 2009	\$24,340,958,554.13	\$1,507,840,979.83	\$2,107,763,093.70	\$23,741,036,440.26
Apr 2009	\$23,741,036,440.26	\$3,436,438,580.58	\$1,851,223,689.84	\$25,326,251,331.00
May 2009	\$25,326,251,331.00	\$2,769,173,000.00	\$2,096,747,133.17	\$25,998,677,197.83
Jun 2009	\$25,998,677,197.83	\$1,803,774,604.58	\$2,645,784,694.15	\$25,156,667,108.26
Jul 2009	\$25,156,667,108.26	\$2,089,198,313.68	\$2,959,953,472.92	\$24,285,911,949.02
Aug 2009	\$24,285,911,949.02	\$1,881,687,458.25	\$2,694,995,749.90	\$23,472,603,657.37
Sep 2009	\$23,472,603,657.37	\$1,832,271,223.02	\$2,506,934,405.80	\$22,797,940,474.59





**October 28, 2009**

**To:** Finance and Administration Committee

**From:** Will Kempton, <sup>for: WJK</sup> Chief Executive Officer

**Subject:** Orange County Treasurer's Management Report -  
September 2009

**Overview**

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending September 30, 2009.

**Recommendation**

Receive and file as an information item.

**Discussion**

As of September 30, 2009, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$1,969,606,907 with an average yield of 0.35 percent and a month-end average days to maturity of 54 days. The OCIP Extended Fund book value was \$2,513,761,851 with an average yield of 1.71 percent and a month-end average days to maturity of 486 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$4,708,096. Both the Money Market and the Extended Funds were in compliance at month end. Pages 23 through 78 containing investment inventory are not included in the attachment. Copies of OCIP's investment inventory reports are available upon request.

The New Mexico Educational Assistance Foundation (NMEAF) was added to the Treasurer's approved list of issuers. The NMEAF was created by the state legislature in 1981 to make higher education more affordable to the residents of New Mexico. The variable rate demand bonds approved for purchase are rated AAA/Aaa by Standard & Poor's and Moody's, respectively.

**Summary**

The Orange County Transportation Authority is submitting a copy of the Orange County Treasurer's Management Report to the Finance and Administration Committee. The report is for the month ending September 30, 2009.

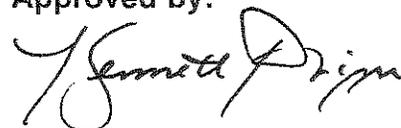
**Attachment**

- A. Treasurer's Management Report - For the month ended September 30, 2009

**Prepared by:**

  
Rodney Johnson  
Deputy Treasurer  
Treasury/Public Finance  
(714) 560-5675

**Approved by:**

  
Kenneth Phipps  
Executive Director,  
Finance and Administration  
(714) 560-5637



# Treasurer's Monthly Management Report

From the Office of the Treasurer,  
Chriss W. Street

Month & Quarter Ended September 30, 2009

**CHRISS W. STREET**  
**ORANGE COUNTY TREASURER-TAX COLLECTOR**

**TREASURER'S MANAGEMENT REPORT**  
**For the month & quarter ended September 30, 2009**

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# OFFICE OF THE TREASURER-TAX COLLECTOR

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CHRISS W. STREET  
TREASURER-TAX COLLECTOR

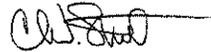
PAUL C. GORMAN, C.F.A., CTP  
CHIEF ASSISTANT TREASURER-TAX COLLECTOR

JENNIFER BURKHART, CFA  
ASSISTANT TREASURER-TAX COLLECTOR

ROBIN RUSSELL  
ASSISTANT TREASURER-TAX COLLECTOR  
ADMINISTRATION

October 15, 2009

TO: Board of Supervisors  
Thomas G. Mauk, County Executive Officer  
Treasury Oversight Committee  
Treasurer's Advisory Committee  
Participants

FROM: Chriss W. Street   
Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for Month & Quarter ended September  
30, 2009

Attached please find the Treasurer's Management Report for the County of Orange for the month & quarter ended September 30, 2009. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website [www.ttc.ocgov.com](http://www.ttc.ocgov.com).

## TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending September 30th. Each money market fund has an average maturity of less than sixty days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the cost and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

As the competitiveness of these new economic behemoths rose, the capital markets began to strengthen their currencies and thus cut off their new success. Instead of increasing the standard of living for their citizens, these centrally planned capitalists purchased massive amounts of US Government bonds in order to return the cash to America and bid up the US currency. This resulted in a stronger US dollar and greater competitiveness for the new market entrants and cheaper prices for the US consumer. Many people started referring to WalMart as the Great Wall of Mart, in honor of the fact that 85% of WalMart's non-food products tended to be imported from China. This also facilitated cheap interest rates which drove up real estate prices until the recent collapse of this game.

Like all temporary economic predatory strategies, Beggar Thy Neighbor is collapsing. Americans are cutting back on their consumer purchasing and deleveraging their borrowing. America has moved from spending 7% more than they earn to saving 5% of what they earn. This process is driving down the value of the US dollar as the exporters have less sales and thus dollars to invest. Interest rates are low due to former US consumers becoming savers.

Once again the United States sits in the catbird's seat. The US economy is highly self sufficient and the US appears to be willing to accept lower asset values and a weaker US dollar. The exporters are losing market and beginning to understand that they will be suffering massive losses on the depreciating currency value of the US bond investments. With the fall in the US dollar, American competitiveness is rising. Low interest rates are allowing the US Federal government to cushion the shock of change with a huge temporary stimulus of "make work" projects.

Although the United States could destroy its own economic rebirth by following the Japanese model of trying to have government spending pave the yellow brick road back to prosperity, our people are already demanding spending discipline. With our centrally planned competitors in disarray and headed for shambles, the US will continue to innovate and prepare for the next economic launch forward.

All indications from our research of the economy point to a period of slow growth for the US over the next two years. Individuals and corporations will continue to emphasize reducing debt and building savings. Over time a huge pool of savings will be available to fund a new era of growth. This will just take some time arrive.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you exemplary portfolio and cash management services in the future. Please call Orange County Treasurer, Chriss W. Street, at 714-834-7625 with any questions.

**ORANGE COUNTY TREASURER-TAX COLLECTOR**

**EXECUTIVE SUMMARY**

October 1, 2008 - September 30, 2009

PERIOD ENDING - MONTH / YEAR	MARKET VALUE	EARNINGS FOR MONTH	YIELD FOR MONTH	MONTH END WAM
<i>Current Month - September 2009</i>				
County Pool - Money Market Fund	\$ 1,970,027,204	\$ 583,000	0.35%	54
Educational Pool - Money Market Fund	\$ 1,368,057,984	\$ 517,448	0.56%	57
Extended Fund	\$ 2,531,354,790	\$ 3,569,904	1.71%	486
OC Extended Fund B	\$ 38,725,414	\$ -	N/A	248
<i>August 2009</i>				
County Pool - Money Market Fund	\$ 2,106,086,758	\$ 915,879	0.50%	57
Educational Pool - Money Market Fund	\$ 1,419,464,342	\$ 769,121	0.58%	60
Extended Fund	\$ 2,443,068,280	\$ 8,317,118	4.02%	476
OC Extended Fund B	\$ 38,891,543	\$ -	N/A	278
<i>July 2009</i>				
County Pool - Money Market Fund	\$ 2,426,411,208	\$ 951,216	0.51%	53
Educational Pool - Money Market Fund	\$ 1,664,060,971	\$ 763,406	0.62%	59
Extended Fund	\$ 2,202,254,242	\$ 8,680,964	3.98%	578
OC Extended Fund B	\$ 39,228,860	\$ -	N/A	309
<i>June 2009</i>				
County Pool - Money Market Fund	\$ 1,715,299,012	\$ 953,720	0.64%	48
Educational Pool - Money Market Fund	\$ 1,403,295,309	\$ 870,875	0.65%	52
Extended Fund	\$ 2,717,967,912	\$ 5,043,252	2.32%	491
OC Extended Fund B	\$ 39,948,442	\$ -	N/A	340
<i>May 2009</i>				
County Pool - Money Market Fund	\$ 1,930,854,836	\$ 1,331,283	0.84%	49
Educational Pool - Money Market Fund	\$ 1,557,527,352	\$ 969,271	0.68%	52
Extended Fund	\$ 2,570,383,695	\$ 5,244,514	2.27%	423
OC Extended Fund B	\$ 49,011,934	\$ -	N/A	369
<i>April 2009</i>				
County Pool - Money Market Fund	\$ 2,179,797,628	\$ 1,444,232	0.64%	51
Educational Pool - Money Market Fund	\$ 1,787,863,217	\$ 854,923	0.74%	50
Extended Fund	\$ 2,667,974,783	\$ 4,796,125	2.17%	417
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	61
<i>March 2009</i>				
County Pool - Money Market Fund	\$ 2,029,134,964	\$ 1,400,404	0.81%	48
Educational Pool - Money Market Fund	\$ 1,338,411,552	\$ 1,109,701	0.88%	48
Extended Fund	\$ 2,645,713,854	\$ 5,538,166	2.57%	428
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	91
<i>February 2009</i>				
County Pool - Money Market Fund	\$ 2,169,443,772	\$ 1,630,117	1.00%	53
Educational Pool - Money Market Fund	\$ 1,576,700,518	\$ 1,540,126	1.17%	59
Extended Fund	\$ 2,350,452,260	\$ 5,828,257	3.12%	387
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	122
<i>January 2009</i>				
County Pool - Money Market Fund	\$ 2,014,879,118	\$ 1,827,150	0.99%	50
Educational Pool - Money Market Fund	\$ 1,856,648,856	\$ 1,820,578	1.13%	53
Extended Fund	\$ 2,533,665,548	\$ 7,079,923	3.32%	281
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	150
<i>December 2008</i>				
County Pool - Money Market Fund	\$ 2,308,197,426	\$ 3,627,727	1.77%	58
Educational Pool - Money Market Fund	\$ 2,152,827,732	\$ 2,244,826	1.46%	55
Extended Fund	\$ 2,503,173,696	\$ 7,054,362	3.32%	325
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	25
<i>November 2008</i>				
County Pool - Money Market Fund	\$ 1,923,820,987	\$ 3,212,472	2.18%	30
Educational Pool - Money Market Fund	\$ 1,591,357,027	\$ 2,695,568	2.01%	48
Extended Fund	\$ 2,337,562,301	\$ 6,880,107	3.45%	349
OC Extended Fund B	\$ 53,690,396	\$ -	N/A	56
<i>October 2008</i>				
County Pool - Money Market Fund	\$ 1,693,321,937	\$ 3,606,898	2.55%	36
Educational Pool - Money Market Fund	\$ 1,716,217,568	\$ 3,457,222	2.36%	43
Extended Fund	\$ 2,491,877,137	\$ 6,881,334	3.30%	345
OC Extended Fund B	\$ 53,690,395	\$ -	N/A	86
<b>October 1, 2008 - September 30, 2009</b>				
	<b>Annual Average</b>	<b>Total for Year</b>	<b>Annual Average</b>	<b>Annual Average</b>
County Pool - Money Market Fund	\$ 2,038,939,571	\$ 21,484,098	1.07%	49
Educational Pool - Money Market Fund	\$ 1,619,369,369	\$ 17,613,065	1.07%	53
Extended Fund	\$ 2,547,470,011	\$ 74,914,026	2.96%	416

**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**INVESTMENT POOL STATISTICS**  
**FOR THE MONTH and QUARTER ENDED SEPTEMBER 30, 2009**

**INVESTMENT STATISTICS - By Investment Fund\***

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Current Yield	MONTH Average Yield	Quarter Average Yield	Current NAV
<u>O.C. Money Market Fund</u>	MARKET Value \$ 1,970,027,204 COST (Capital) \$ 1,972,421,524 MONTHLY AVG Balance \$ 2,031,245,535 QUARTERLY AVG Balance \$ 2,122,031,254 BOOK Value \$ 1,969,606,907	54	0.34%	0.35%	0.45%	1.00
<u>O.C. Educational Money Market Fund</u>	MARKET Value \$ 1,368,057,984 COST (Capital) \$ 1,368,085,805 MONTHLY AVG Balance \$ 1,132,468,074 QUARTERLY AVG Balance \$ 1,378,611,214 BOOK Value \$ 1,367,849,730	57	0.38%	0.56%	0.59%	1.00
<u>Extended Fund</u>	MARKET Value \$ 2,531,354,790 COST (Capital) \$ 2,516,228,425 MONTHLY AVG Balance \$ 2,535,036,503 QUARTERLY AVG Balance \$ 2,512,597,445 BOOK Value \$ 2,513,761,851	486	1.53%	1.71%	3.24%	1.01
<u>OC Extended Fund B (Whistlejacket Holdings)</u>	MARKET Value \$ 38,725,414 COST (Capital) \$ 51,338,722	248	NA	NA	NA	0.75
<b>ALLOCATION OF EXTENDED FUNDS</b>						
<u>Extended Fund (X Fund) County's Share of X Fund</u>	MARKET Value \$ 1,196,832,594 COST (Capital) \$ 1,189,680,801 MONTHLY AVG Balance \$ 1,185,036,503 BOOK Value \$ 1,188,514,597	486	1.53%	1.71%	3.25%	1.01
<u>Educational Share of X Fund</u>	MARKET Value \$ 1,334,522,196 COST (Capital) \$ 1,326,547,624 MONTHLY AVG Balance \$ 1,350,000,000 BOOK Value \$ 1,325,247,254	486	1.53%	1.71%	3.23%	1.01
<u>OC Extended Fund B County's Share</u>	MARKET Value \$ 21,035,006 COST (Capital) \$ 27,886,346	248	NA	NA	NA	0.75
<u>Educational Share</u>	MARKET Value \$ 17,690,408 COST (Capital) \$ 23,452,376	248	NA	NA	NA	0.75

**ORANGE COUNTY TREASURER-TAX COLLECTOR  
INVESTMENT POOL STATISTICS  
FOR THE MONTH and QUARTER ENDED SEPTEMBER 30, 2009**

**INVESTMENT STATISTICS - By Investment Pool\*\*\***

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Current Yield	MONTH Average Yield	Quarter Average Yield	Current NAV
<b>COMBINED POOL BALANCES</b>						
<i>County Pool</i>	MARKET Value \$	3,187,894,804	217	0.78%	1.43%	1.00
	COST (Capital) \$	3,189,988,671				
	MONTHLY AVG Balance \$	3,216,282,038			0.85%	
	QUARTERLY AVG Balance \$	3,284,628,700				
	BOOK Value \$	3,186,007,850				
<i>Educational Pool</i>	MARKET Value \$	2,720,270,588	268	1.00%	1.87%	1.00
	COST (Capital) \$	2,718,085,805				
	MONTHLY AVG Balance \$	2,482,468,074			1.19%	
	QUARTERLY AVG Balance \$	2,728,611,214				
	BOOK Value \$	2,716,549,360				

**INVESTMENT STATISTICS - Non Pooled Investments \*\***

DESCRIPTION	CURRENT BALANCE	BOOK BALANCE BY INVESTMENT TYPE
Specific Investment Funds: 112, 161, 225, 283, 480, 482, 483, 494, 497, 505, 510, 514, 546, 15B	MARKET Value \$	102,413,628
	COST (Capital) \$	102,159,776
	MONTHLY AVG Balance \$	102,126,610
		Interest Bearing Accounts \$ 32,596
		Money Market Funds 16,448,821
		Repurchase Agreement 1,081,500
		John Wayne Airport Investment Pool 49,420,985
		CFCOC Investment Pool 35,043,373
		GNMA Mortgage-Backed Security 132,501
		<b>\$ 102,159,776</b>

**MONTH END TOTALS\*\*\*\***

INVESTMENTS & CASH	FUND ACCOUNTING & SPECIFIC INVESTMENTS
County Money Market Fund \$ 1,972,421,524	County Funds \$ 3,193,030,222
County Cash 3,041,552	School Funds 2,722,246,159
Educational Money Market Fund 1,368,085,805	Specific Investments 102,159,776
Extended Fund 2,516,228,425	
OC Extended Fund B 51,338,722	
School Cash 4,160,353	
Non Pooled Investments @ Cost 102,159,776	
<b>\$ 6,017,436,157</b>	<b>\$ 6,017,436,157</b>

\* Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.  
 \*\* Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.  
 \*\*\*The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund and Extended Fund B

**ORANGE COUNTY TREASURY**  
INVESTMENT POOL RESULTS WITH BENCHMARK COMPARISONS (1)

Month	MARKET VALUE (\$MM)				AVERAGE DAYS TO MATURITY				MONTHLY AVERAGE % YIELD (2)				12 MONTH AVG % YIELD (3)		
	CNTY MMF	SCHOOLS MMF	X-FUND	TOTAL	CNTY MMF	SCHOOLS MMF	X-FUND	TOTAL	CNTY MMF	SCHOOLS	MMF AVG	X-FUND	OCIP-NET	MMF AVG	OCIP-NET
September 2009	1,970.0	1,368.0	2,570.0	5,908.0	54	57	48	54	0.35	0.56	0.23	0.71	0.88	1.44	2.11
August 2009	2,106.1	1,419.5	2,482.0	6,007.6	57	60	54	54	0.50	0.58	0.28	0.42	1.87	1.62	2.31
July 2009	2,426.4	1,864.1	2,241.5	6,332.0	53	59	57	53	0.51	0.62	0.36	3.96	1.87	1.81	2.40
June 2009	1,715.3	1,403.3	2,757.9	5,876.5	48	48	48	48	0.64	0.65	0.49	2.32	1.33	2.00	2.49
May 2009	1,930.9	1,557.5	2,619.4	6,107.8	49	52	56	49	0.64	0.68	0.58	2.27	1.31	2.20	2.84
April 2009	2,179.8	1,787.9	2,720.2	6,687.9	51	50	52	51	0.64	0.74	0.63	2.17	1.19	2.43	3.08
March 2009	2,023.4	1,338.4	2,697.9	6,068.4	48	48	48	48	0.81	0.88	0.72	2.57	1.51	2.70	3.08
February 2009	2,169.4	1,576.7	2,402.7	6,148.8	53	59	53	53	1.00	1.17	1.02	3.12	1.77	3.01	3.34
January 2009	2,014.9	1,856.6	2,989.6	6,457.4	50	52	52	50	0.99	1.13	1.36	3.32	1.86	2.93	3.19
December 2008	2,308.2	2,152.8	2,955.4	7,016.4	58	56	49	56	1.77	1.46	1.80	3.32	2.14	3.44	3.44
November 2008	1,923.8	1,591.4	2,391.3	5,906.5	41	34	41	41	2.18	2.01	2.33	3.45	2.55	3.47	3.69
October 2008	1,633.4	1,715.2	2,545.6	5,955.1	36	43	34	36	2.55	2.36	2.59	3.30	2.72	3.69	3.91
September 2008	1,533.4	1,707.1	2,402.9	5,743.4	51	52	44	51	2.64	2.52	2.50	1.84	2.17	3.91	4.12
August 2008	1,735.4	1,839.8	2,251.5	5,826.7	47	45	48	47	2.51	2.42	2.43	3.74	2.85	4.14	4.37
July 2008	1,787.3	1,797.7	2,173.7	5,759.7	50	50	48	47	2.41	2.38	2.44	3.73	2.80	4.37	4.56
June 2008	1,922.7	1,707.5	2,263.3	5,893.5	33	33	48	33	2.44	2.46	2.49	3.92	2.91	4.16	4.33
May 2008	2,052.1	2,208.6	2,198.2	6,448.9	29	35	44	29	2.45	2.45	2.62	3.81	2.80	4.39	4.52
April 2008	2,313.7	2,328.1	2,281.0	6,922.8	33	33	42	33	2.66	2.62	2.99	4.15	3.04	4.80	4.72
March 2008	2,015.4	1,953.0	2,288.1	6,266.5	23	43	42	23	3.34	3.03	3.39	5.77	3.71	4.79	4.89
February 2008	2,058.2	2,012.5	2,118.8	6,189.5	34	34	42	34	3.68	3.74	3.92	5.17	4.10	4.94	5.12
January 2008	1,977.7	2,132.7	2,176.7	6,287.1	29	33	48	29	4.53	4.52	4.92	5.13	4.56	5.42	5.72
December 2007	2,241.1	2,347.1	2,265.7	6,753.9	21	27	48	21	4.83	4.72	4.72	5.13	4.88	5.72	5.72
November 2007	1,982.3	1,609.3	2,331.9	5,923.5	33	33	41	33	5.05	5.00	4.66	5.35	5.18	5.10	5.10
October 2007	1,782.5	1,694.7	2,402.8	5,880.0	38	45	48	38	5.35	5.22	5.07	5.28	5.18	5.18	5.18
September 2007	1,432.1	1,815.5	2,540.3	5,791.9	45	48	45	45	5.41	5.37	5.22	5.24	5.24	5.16	5.16
August 2007	1,594.3	1,838.1	2,562.1	5,994.5	52	54	40	52	5.43	5.40	5.17	5.21	5.21	5.16	5.16
July 2007	1,691.8	1,855.9	2,489.6	6,045.4	51	58	35	51	5.40	5.38	5.17	5.19	5.19	5.16	5.16
June 2007	1,877.1	1,790.8	2,360.8	6,034.7	54	58	38	54	5.40	5.37	5.17	5.29	5.29	5.15	5.15
May 2007	2,038.4	2,253.4	2,269.8	6,561.6	56	56	39	56	5.35	5.35	5.16	5.11	5.11	5.13	5.09
April 2007	2,310.1	2,584.2	2,037.6	6,931.9	51	51	44	51	5.38	5.35	5.17	5.25	5.24	5.06	5.04
March 2007	1,800.4	2,156.5	2,257.1	6,214.0	58	50	39	58	5.28	5.16	4.99	5.09	5.09	5.03	4.98
February 2007	1,707.5	2,273.7	2,278.9	6,260.1	69	56	41	69	5.40	5.34	5.16	5.42	5.28	4.97	4.91
January 2007	1,702.2	2,171.9	2,257.2	6,124.8	51	40	48	51	5.38	5.31	5.15	4.92	4.92	4.90	4.82
December 2006	2,459.8	2,364.2	1,997.2	6,821.2	46	44	44	46	5.38	5.37	5.16	4.92	5.14	4.82	4.73
November 2006	1,834.1	1,914.0	1,971.6	5,719.7	61	62	61	61	4.57	4.99	4.99	4.80	4.74	4.73	4.62
October 2006	1,792.1	1,923.7	1,944.7	5,660.5	57	60	43	57	5.39	5.35	5.15	4.80	4.80	4.62	4.56
September 2006	1,615.1	1,943.3	1,903.9	5,467.3	60	66	38	60	5.41	5.40	5.15	4.78	4.78	4.62	4.56
August 2006	1,614.9	2,035.8	1,895.8	5,546.5	63	64	38	63	5.40	5.38	5.15	4.60	4.60	4.35	4.23
July 2006	1,584.7	1,135.8	1,777.4	4,497.9	57	50	32	57	5.28	5.24	5.08	4.45	4.45	4.20	4.08
June 2006	1,802.4	1,877.5	1,695.0	5,374.9	55	50	37	55	5.18	5.09	4.48	4.81	4.81	4.63	4.53
May 2006	1,813.3	2,246.0	1,713.1	5,769.4	29	39	38	29	4.86	4.93	4.50	4.27	4.27	3.78	3.64
April 2006	2,369.9	2,240.6	1,702.9	6,313.4	25	40	37	25	4.80	4.81	4.42	4.13	4.51	3.72	3.64
March 2006	1,853.9	1,972.2	1,591.0	5,420.1	30	47	38	30	4.60	4.60	4.44	3.82	4.25	3.56	3.49
February 2006	1,929.2	2,156.2	1,542.7	5,627.4	32	54	37	32	4.48	4.47	4.34	3.97	4.22	3.39	3.34
January 2006	1,758.8	2,223.8	1,637.6	5,625.2	29	38	38	29	4.33	4.30	4.18	3.52	3.87	3.21	3.18
December 2005	2,272.5	1,668.8	1,668.8	5,570.1	36	45	36	36	4.20	4.17	4.04	3.44	3.87	3.04	3.04
November 2005	1,694.3	1,759.3	1,616.2	5,069.8	36	35	280	36	3.96	3.97	3.84	3.46	3.69	2.89	2.89
October 2005	1,831.6	1,831.6	1,585.6	5,080.9	54	63	32	54	3.77	3.79	3.65	3.32	3.52	2.69	2.73
September 2005	1,311.9	1,987.5	1,585.5	5,064.9	52	61	36	52	3.63	3.61	3.46	3.11	3.35	2.51	2.59
August 2005	1,574.2	2,070.8	1,520.8	5,165.8	55	54	37	55	3.50	3.46	3.28	3.05	3.23	2.34	2.43
July 2005	1,704.8	2,097.4	1,508.3	5,310.4	55	53	37	55	3.30	3.28	3.10	3.03	3.10	2.17	2.28
June 2005	1,865.6	2,024.0	1,511.1	5,500.7	50	45	39	50	3.14	3.12	2.93	3.14	3.02	2.01	2.13
May 2005	2,037.6	2,285.2	1,461.3	5,764.1	50	34	33	50	3.03	3.02	2.81	2.93	2.89	1.84	1.88
April 2005	2,527.4	2,257.4	1,473.1	6,256.2	48	33	35	48	2.75	2.66	2.63	2.88	2.71	1.69	1.83
March 2005	2,195.4	2,066.3	1,204.1	5,466.8	51	49	33	51	2.84	2.69	2.61	2.57	2.47	1.64	1.89
February 2005	2,075.4	2,116.0	1,204.1	5,395.5	40	47	35	40	2.92	2.98	2.68	2.36	2.31	1.42	1.65
January 2005	2,343.9	2,285.0	1,202.0	5,801.8	45	45	45	45	2.65	2.65	1.91	2.28	2.37	1.21	1.39
December 2004	2,124.0	1,712.0	1,140.0	4,976.0	56	56	46	56	1.95	1.94	1.70	2.19	1.88	1.06	1.22
November 2004	2,023.2	1,781.9	1,118.3	4,923.4	50	50	52	50	1.77	1.75	1.52	2.05	1.79	0.91	1.05
October 2004	1,911.8	1,944.3	1,036.3	4,893.0	63	55	57	63	1.60	1.59	1.43	2.08	1.57	0.78	0.92
September 2004	1,934.3	1,849.0	1,065.2	4,849.5	54	54	44	54	1.43	1.41	1.28	1.95	1.41	1.13	1.16
August 2004	2,055.2	1,837.7	1,031.3	4,753.8	63	63	50	63	1.19	1.16	0.95	1.81	1.19	1.09	1.12
July 2004	2,055.2	1,837.7	1,031.3	4,753.8	63	63	50	63	1.19	1.16	0.95	1.81	1.19	1.09	1.12
June 2004	2,055.2	1,837.7	1,031.3	4,753.8	63	63	50	63	1.19	1.16	0.95	1.81	1.19	1.09	1.12
May 2004	2,055.2	1,837.7	1,031.3	4,753.8	63	63	50	63	1.19	1.16	0.95	1.81	1.19	1.09	1.12
April 2004	2,055.2	1,837.7	1,031.3	4,753.8	63	63	50	63	1.19	1.16	0.95	1.81	1.19	1.09	1.12
March 2004	2,172.5	2,060.2	833.2	5,065.9	68	73	69	68	1.12	1.13	0.93	1.77	1.11	1.14	1.15
February 2004	1,967.0	2,262.7	752.8	4,982.5	66	65	44	66	1.14	1.15	0.95	1.94	1.14	1.16	1.16
January 2004	2,166.9	2,241.7	701.6	5,110.1	52	74	69	52	1.12	1.11	0.95	2.27	1.15	1.19	1.19

NOTES:  
 (1) MMF AVERAGE - BENCHMARK COMPARISON FUNDS: Drydus Government Cash Management, Temporary Investment Fund, Fidelity

**JOHN WAYNE AIRPORT PORTFOLIO**  
INVESTMENT PORTFOLIO RESULTS with Benchmark Comparisons (1)

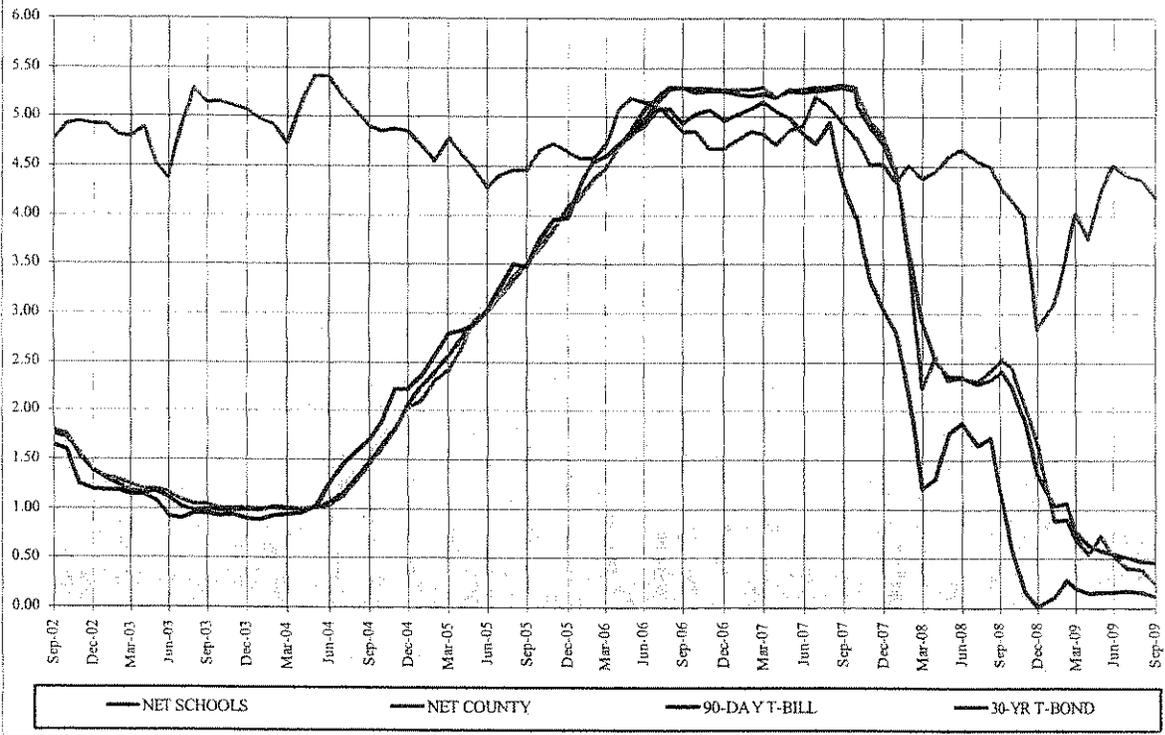
MARKET	AVERAGE DAYS TO MATURITY			MONTHLY AVERAGE % YIELD (2)				
	VALUE (000)	JW AIRPORT	MMF AVG	S&P 500	JW AIRPORT	90 DAY T-BILL	MMF AVG	S&P 500
September 2009	49,408.8	47	56	44	0.51	0.12	0.23	0.31
August 2009	49,356.3	56	54	45	0.52	0.17	0.28	0.38
July 2009	49,205.6	54	59	45	0.60	0.16	0.36	0.38
June 2009	49,210.6	55	50	44	0.74	0.17	0.49	0.44
May 2009	49,342.9	51	56	44	0.62	0.17	0.58	0.52
April 2009	49,278.3	55	52	44	0.77	0.15	0.63	0.80
March 2009	58,249.5	53	48	46	0.98	0.20	0.72	0.73
February 2009	58,161.3	53	45	45	1.15	0.29	1.02	0.84
January 2009	58,189.3	42	52	43	1.15	0.12	1.36	1.18
December 2008	58,183.0	52	49	45	1.40	0.02	1.80	1.94
November 2008	58,109.5	46	41	42	1.1	0.18	2.33	1.82
October 2008	57,990.7	42	43	36	2.27	0.62	2.58	2.17
September 2008	57,831.7	49	44	36	2.49	1.10	2.50	2.32
August 2008	57,733.6	30	46	40	2.4	1.74	2.43	2.28
July 2008	57,617.8	42	48	39	2.40	1.66	2.49	2.26
June 2008	57,499.0	31	48	39	2.49	1.68	2.49	2.29
May 2008	57,349.6	29	44	41	2.56	1.78	2.62	2.42
April 2008	57,234.7	35	49	39	2.68	1.31	2.89	2.73
March 2008	57,137.5	26	42	37	2.67	1.22	3.39	3.24
February 2008	56,936.3	33	42	34	3.13	2.16	3.87	3.84
January 2008	56,697.5	36	46	36	4.27	2.83	4.52	4.46
December 2007	56,441.0	26	46	37	4.71	3.06	4.75	4.59
November 2007	56,262.6	27	41	36	4.66	3.34	4.86	5.06
October 2007	56,096.4	37	45	35	5.21	4.00	5.07	4.95
September 2007	55,836.8	32	46	37	5.21	3.81	5.22	5.07
August 2007	55,595.6	36	40	33	5.40	4.31	5.17	5.09
July 2007	55,390.6	43	35	31	5.32	4.95	5.17	5.10
June 2007	55,118.3	41	38	30	5.36	4.74	5.17	5.16
May 2007	54,760.6	43	38	29	5.35	4.85	5.16	5.08
April 2007	54,451.0	40	36	29	5.38	4.99	5.17	5.14
March 2007	54,213.3	38	38	33	5.23	5.66	5.16	5.14
February 2007	54,064.7	49	37	34	5.36	5.16	5.16	5.17
January 2007	53,676.1	54	46	35	5.32	5.09	5.15	5.12
December 2006	53,406.0	41	51	36	5.27	4.57	5.16	5.12
November 2006	53,178.4	62	51	35	5.31	5.07	5.16	5.10
October 2006	52,904.0	68	43	37	5.38	5.04	5.16	5.10
September 2006	52,646.3	66	38	36	5.48	4.93	5.16	5.09
August 2006	52,468.9	71	38	37	5.38	5.09	5.16	5.05
July 2006	52,303.0	66	32	32	5.28	5.07	5.09	4.97
June 2006	52,137.6	64	37	32	5.17	4.91	4.90	4.79
May 2006	52,446.8	37	38	31	5.94	4.83	4.53	4.53
April 2006	51,782.1	39	37	29	4.78	4.72	4.62	4.49
March 2006	51,556.1	43	36	28	4.63	4.62	4.44	4.39
February 2006	51,364.6	45	37	33	4.43	4.54	4.34	4.20
January 2006	51,183.0	27	38	28	4.28	4.32	4.18	4.05
December 2005	50,896.0	32	36	30	4.10	3.97	4.04	3.92
November 2005	50,829.5	45	35	28	3.90	3.98	3.84	3.70
October 2005	50,708.0	58	32	27	3.84	3.76	3.65	3.47
September 2005	50,557.0	51	36	28	3.84	3.48	3.46	3.29
August 2005	50,436.6	49	37	30	3.51	3.50	3.28	3.11
July 2005	50,237.7	55	37	29	3.32	3.27	3.10	2.91
June 2005	50,098.0	34	39	27	3.10	3.02	2.93	2.76
May 2005	49,980.1	39	34	33	2.90	2.88	2.81	2.64
April 2005	48,856.3	44	33	36	2.87	2.82	2.63	2.43
March 2005	48,747.5	49	39	37	2.87	2.79	2.41	2.26
February 2005	49,635.8	53	33	38	2.82	2.58	2.26	2.12
January 2005	44,561.4	50	35	41	2.82	2.36	2.08	1.86
December 2004	44,489.7	32	45	42	2.13	2.22	1.91	1.77
November 2004	44,427.0	39	46	44	1.93	2.10	1.70	1.58
October 2004	44,344.5	40	52	45	1.78	1.78	1.57	1.44
September 2004	44,283.5	46	57	44	1.57	1.67	1.43	1.29
August 2004	44,223.1	36	57	44	1.39	1.49	1.28	1.14
July 2004	44,179.8	37	53	46	1.29	1.34	1.14	1.00
June 2004	44,132.8	46	54	45	1.11	1.26	0.95	0.86
May 2004	44,107.2	64	54	49	1.09	1.03	0.92	0.84
April 2004	44,075.8	75	68	50	1.05	0.84	0.86	0.84
March 2004	44,044.3	45	69	46	1.00	0.95	0.93	0.85
February 2004	44,004.8	51	65	49	1.08	0.93	0.95	0.85
January 2004	38,900.5	57	59	47	1.08	0.89	0.95	0.85
December 2003	38,881.8	48	56	48	1.08	0.90	0.95	0.85
November 2003	38,854.0	56	80	48	1.07	0.94	0.94	0.85
October 2003	38,837.5	61	82	47	1.08	0.93	0.93	0.83
September 2003	38,819.4	72	60	47	1.08	0.95	0.85	0.83
August 2003	38,789.7	60	65	47	1.10	0.96	0.84	0.83
July 2003	38,695.5	71	69	45	1.10	0.90	0.96	0.90
June 2003	38,677.3	67	63	39	1.12	0.93	1.06	1.01
May 2003	38,699.1	49	58	38	1.25	1.08	1.15	1.04
April 2003	38,656.0	60	61	38	1.23	1.14	1.16	1.07
March 2003	38,578.0	59	55	36	1.24	1.14	1.18	1.10
February 2003	38,580.0	53	64	37	1.29	1.18	1.22	1.13
January 2003	38,556.4	30	61	41	1.34	1.16	1.27	1.19
December 2002	38,514.6	27	56	45	1.42	1.20	1.47	1.27
November 2002	38,476.7	28	60	44	1.65	1.26	1.50	1.49
October 2002	38,431.5	28	62	43	1.78	1.60	1.70	1.58
September 2002	38,380.4	43	61	42	1.77	1.65	1.72	1.60
August 2002	38,331.6	37	63	45	1.80	1.64	1.74	1.63
July 2002	38,279.6	36	62	44	1.80	1.71	1.77	1.65
June 2002	38,226.0	48	62	44	1.86	1.72	1.81	1.66
May 2002	38,168.1	59	62	46	1.88	1.76	1.82	1.69
April 2002	38,108.7	31	62	45	1.85	1.74	1.89	1.70
March 2002	38,090.2	29	59	47	1.84	1.61	1.90	1.75
February 2002	37,958.1	34	64	46	1.85	1.75	1.93	1.85
January 2002	37,913.3	39	63	47	1.81	1.66	2.01	1.98
December 2001	37,864.9	22	60	46	2.49	1.72	2.14	2.13
November 2001	37,817.5	38	61	46	2.59	1.90	2.46	2.47
October 2001	37,746.8	38	60	45	2.68	2.20	3.16	3.16
September 2001	37,626.7	24	60	508	3.64	2.81	3.59	3.39
August 2001	37,517.2	29	58	527	3.82	3.44	3.71	3.71
July 2001	37,356.9	35	64	494	4.13	3.58	3.87	3.87
June 2001	37,108.6	22	65	501	4.40	3.55	4.11	4.11
May 2001	36,919.5	25	65	485	4.73	3.69	4.47	4.47
April 2001	40,829.9	27	64	486	5.16	3.96	4.99	4.99
March 2001	46,683.9	53	70	530	5.83	4.53	5.32	5.32
February 2001	46,322.5	50	45	29	6.06	5.01	5.73	5.63

\* Airport withdrew \$2 million each on 4/25/01, 4/27/01, 4/30/01, 5/1/01 and 5/14/01

- (1) MMF AVERAGE - BENCHMARK COMPARISON FUNDS:  
 - Dreyfus Government Cash Management  
 - Temporary Investment Fund  
 - Fidelity Institutional Cash Management  
 - Merrill Lynch Institutional Money Market
- (2) MONTHLY AVERAGE YIELD is the average earned income for an investment in the Portfolio for a given month, stated as an annual rate.

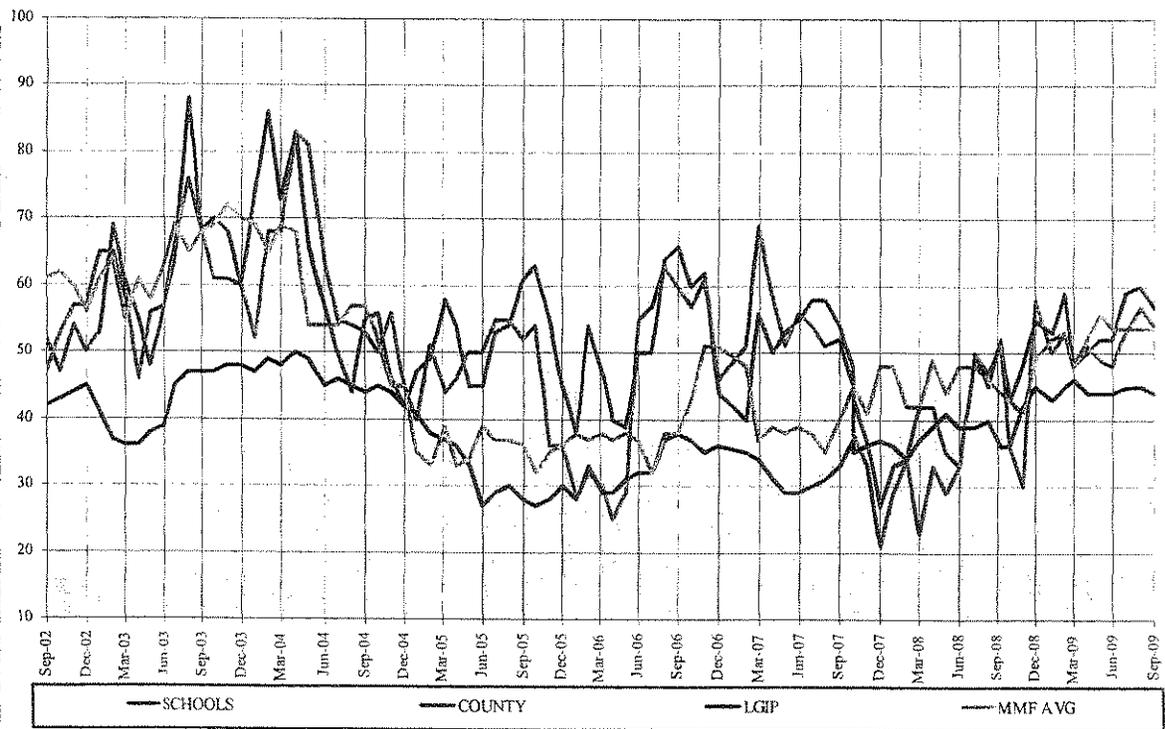
### ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (YIELD)

For The Period September 2002 to September 2009



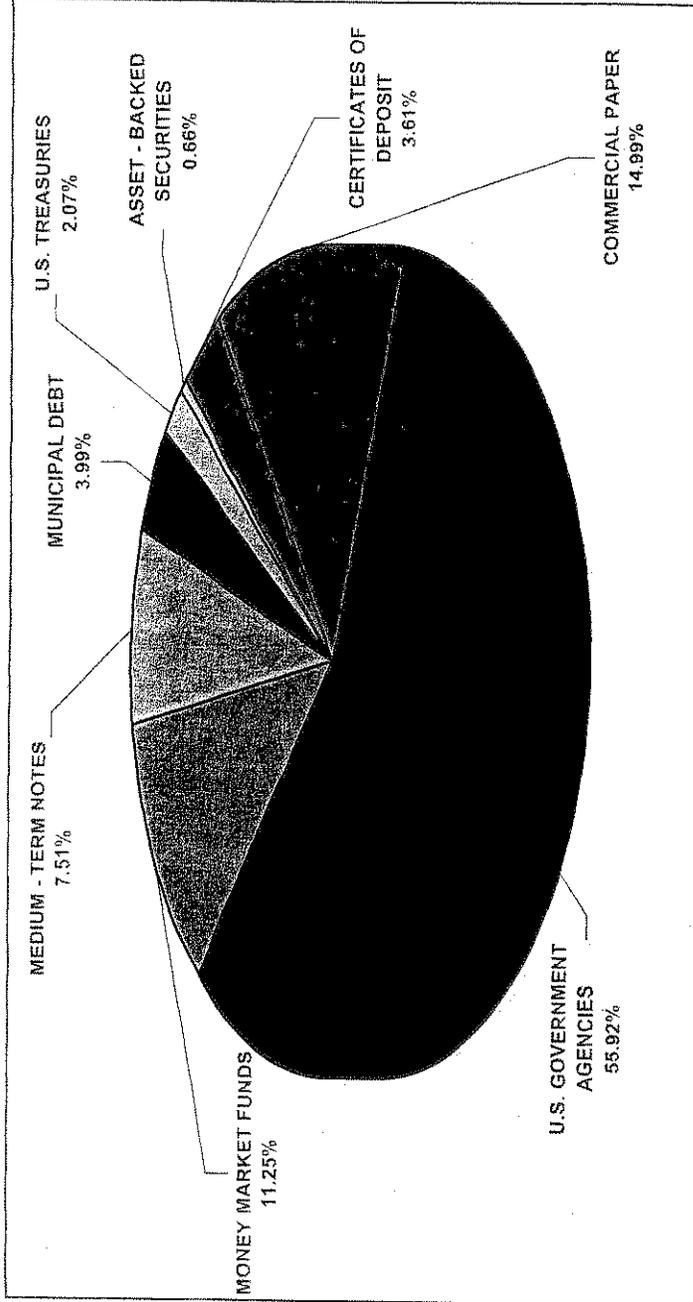
### ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (WAM)

For The Period September 2002 to September 2009



**ORANGE COUNTY TREASURER - TAX COLLECTOR  
ORANGE COUNTY INVESTMENT POOL  
PORTFOLIO COMPOSITION - COMBINED \*\***

September 30, 2009

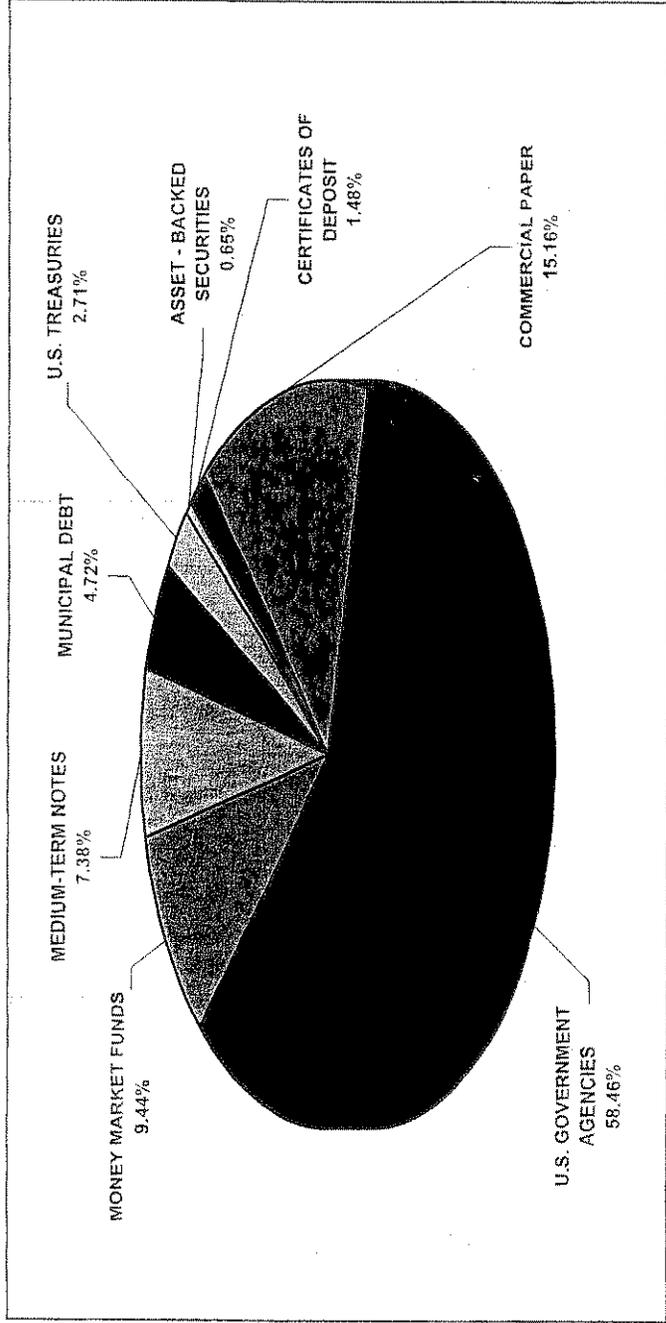


	In Thousands
U.S. TREASURIES	\$ 66,143
ASSET-BACKED SECURITIES	24,035
CERTIFICATES OF DEPOSIT	115,027
COMMERCIAL PAPER	477,719
U.S. GOVERNMENT AGENCIES	1,782,680
MONEY MARKET FUNDS	358,741
MEDIUM-TERM NOTES	239,257
MUNICIPAL DEBT	127,293
<b>TOTAL</b>	<b>\$ 3,187,895</b>

Investment Composition Is In Compliance With The Orange County Treasurer's Investment Policy Statement  
\*County Investment Pool Includes: Money Market Fund, Extended Fund, & Extended Fund B  
\*\* Calculated Using Market Value at 9/30/2009

**ORANGE COUNTY TREASURER - TAX COLLECTOR  
ORANGE COUNTY EDUCATIONAL INVESTMENT POOL  
PORTFOLIO COMPOSITION - COMBINED \*\***

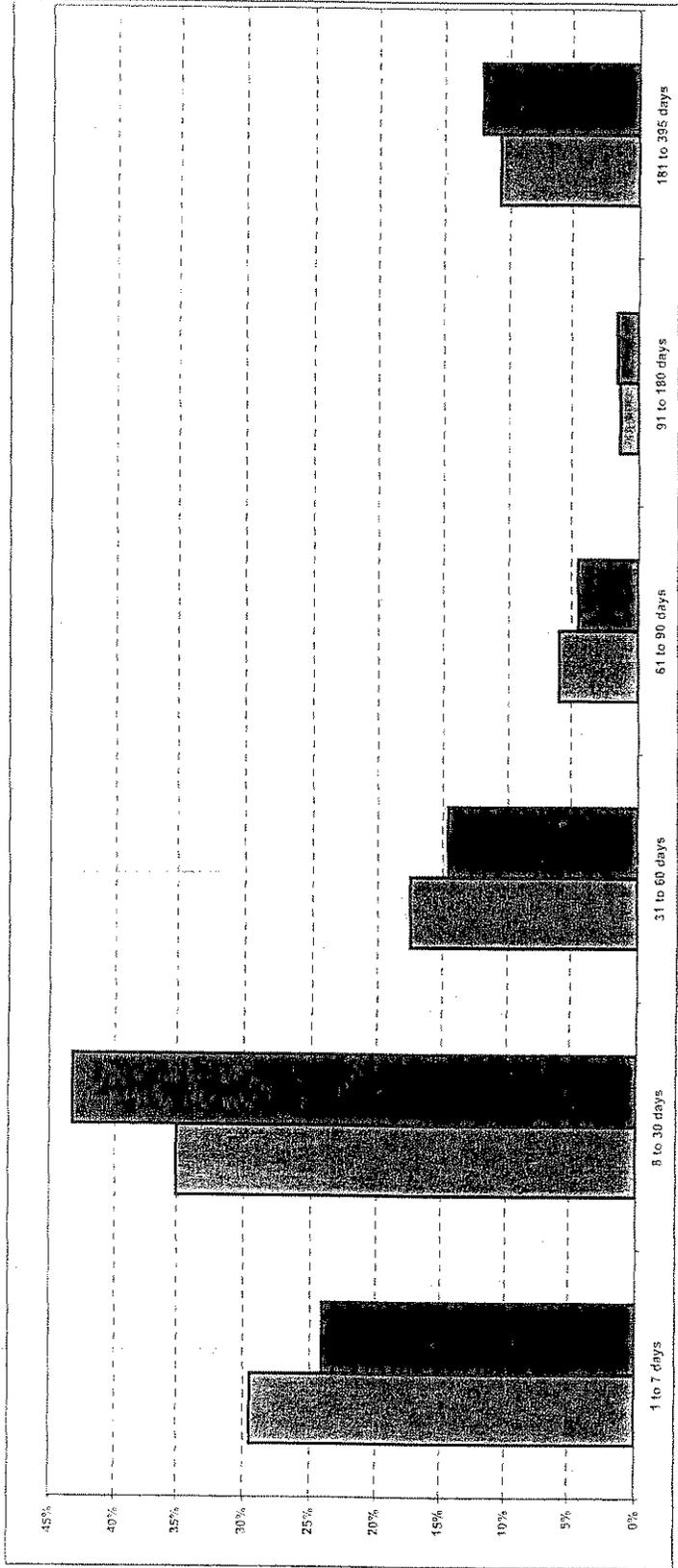
September 30, 2009



	In Thousands
U.S. TREASURIES	\$ 73,752
ASSET-BACKED SECURITIES	17,680
CERTIFICATES OF DEPOSIT	40,018
COMMERCIAL PAPER	412,372
U.S. GOVERNMENT AGENCIES	1,590,332
MONEY MARKET FUNDS	256,872
MEDIUM-TERM NOTES	200,750
MUNICIPAL DEBT	128,485
<b>TOTAL</b>	<b>\$ 2,720,271</b>

*Investment Composition Is In Compliance With The Orange County Treasurer's Investment Policy Statement*  
 \*Educational Investment Pool Includes: Money Market Fund, Extended Fund, & Extended Fund B  
 \*\* Calculated Using Market Value at 9/30/2009

ORANGE COUNTY TREASURER - TAX COLLECTOR  
 ORANGE COUNTY MONEY MARKET FUND AND EDUCATIONAL MONEY MARKET FUND  
 MATURITIES DISTRIBUTION  
 September 30, 2009



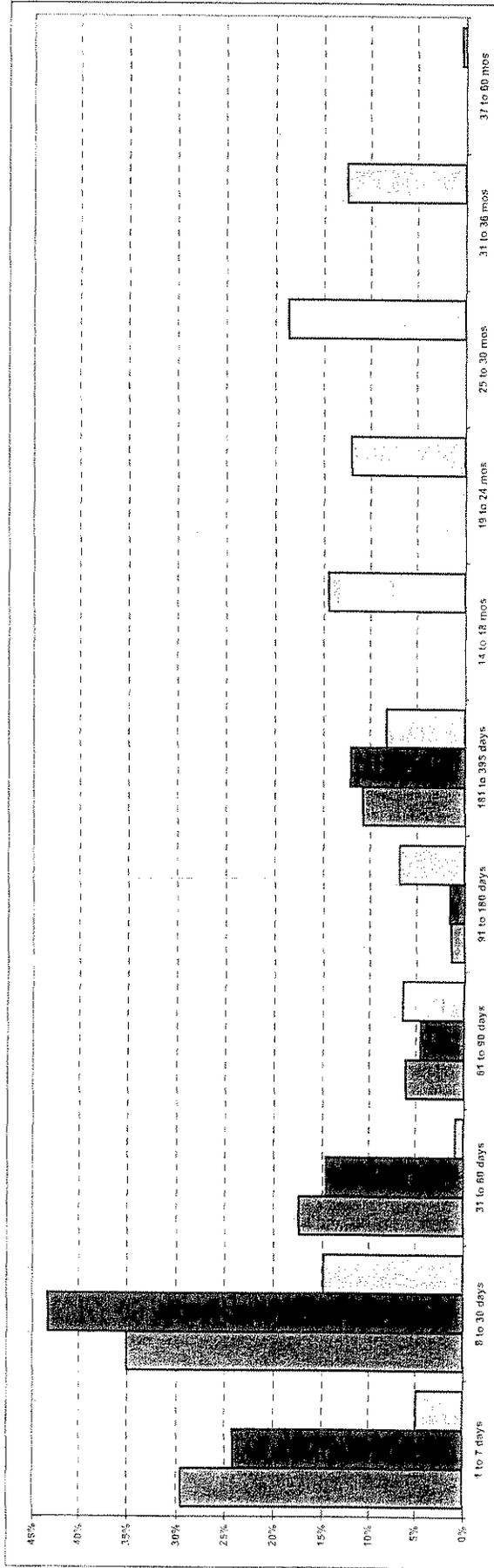
O.C. INVESTMENT POOL MONEY MARKET FUND		
	In Thousands	%
1 TO 7 DAYS	\$ 579,741	29.48%
8 TO 30 DAYS	568,325	35.05%
31 TO 60 DAYS	342,850	17.43%
61 TO 90 DAYS	117,250	5.96%
91 TO 180 DAYS	26,766	1.37%
181 TO 395 DAYS	219,565	10.71%
<b>TOTAL</b>	<b>\$ 1,965,487</b>	<b>100.00%</b>

O.C. EDUCATIONAL MONEY MARKET FUND		
	In Thousands	%
1 TO 7 DAYS	\$ 328,272	24.11%
8 TO 30 DAYS	590,376	43.22%
31 TO 60 DAYS	199,220	14.58%
61 TO 90 DAYS	61,170	4.48%
91 TO 180 DAYS	21,963	1.54%
181 TO 395 DAYS	164,874	12.07%
<b>TOTAL</b>	<b>\$ 1,365,975</b>	<b>100.00%</b>

*Maturity Limits Are In Compliance With The Orange County Treasurer's Investment Policy Statement*

Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 9/30/2009 Floating Rate Notes comprise 30.18% and 22.91% of the O.C. Money Market Fund and Educational Money Market Fund respectively.

**ORANGE COUNTY TREASURER - TAX COLLECTOR**  
**ORANGE COUNTY AND EDUCATIONAL INVESTMENT POOLS**  
**MATURITIES DISTRIBUTION**  
 September 30, 2009



O.C. INVESTMENT POOL MONEY MARKET FUND		
	In Thousands	%
1 TO 7 DAYS	\$ 216,741	22.45%
8 TO 30 DAYS	\$ 976,265	35.85%
31 TO 60 DAYS	\$ 342,840	17.43%
61 TO 90 DAYS	\$ 112,250	5.38%
91 TO 180 DAYS	\$ 110,500	5.33%
181 TO 395 DAYS	\$ 210,500	10.21%
TOTAL	\$ 2,989,196	100.00%

O.C. EDUCATIONAL MONEY MARKET FUND		
	In Thousands	%
1 TO 7 DAYS	\$ 328,273	34.11%
8 TO 30 DAYS	\$ 697,378	43.22%
31 TO 60 DAYS	\$ 198,220	14.35%
61 TO 90 DAYS	\$ 61,179	4.46%
91 TO 180 DAYS	\$ 21,882	1.58%
181 TO 395 DAYS	\$ 106,224	10.23%
TOTAL	\$ 1,353,976	100.00%

O.C. INVESTMENT POOL EXTENDED FUND (Included Extended Fund B)		
	In Thousands	%
1 TO 7 DAYS	\$ 125,000	4.88%
8 TO 30 DAYS	\$ 377,803	14.07%
31 TO 60 DAYS	\$ 22,360	0.87%
61 TO 90 DAYS	\$ 151,500	5.71%
91 TO 180 DAYS	\$ 175,235	6.78%
181 TO 395 DAYS	\$ 370,450	14.26%
14 TO 18 MONTHS	\$ 357,450	13.69%
19 TO 24 MONTHS	\$ 479,265	18.72%
25 TO 30 MONTHS	\$ 249,000	9.59%
31 TO 36 MONTHS	\$ 10,000	0.39%
TOTAL	\$ 2,651,927	100.00%

*Maturity Limits Are in Compliance With The Orange County Treasurer's Investment Policy Statement*

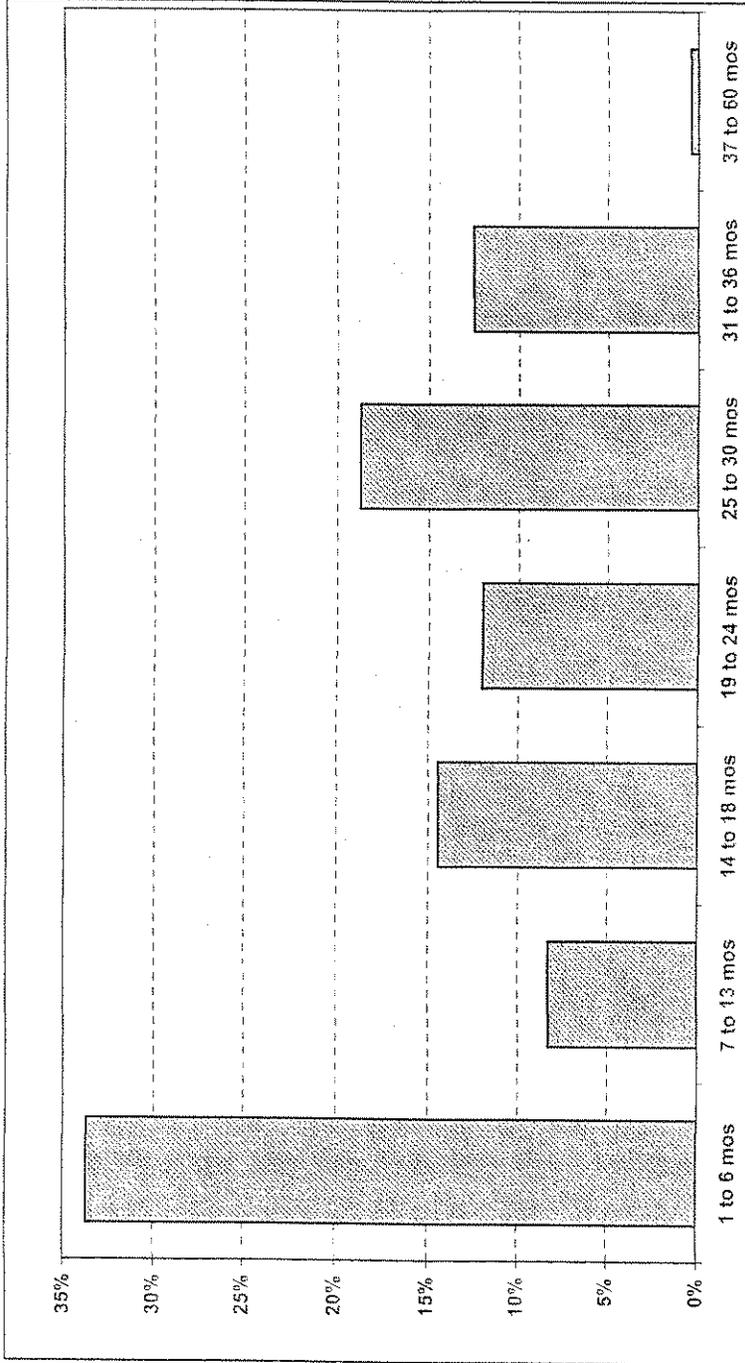
Flashing Cash Notes are deemed to have a maturity date equal to their next interest reset date.  
 At 09/30/2009, Flashing Cash Notes comprise 30.15%, 13.22%, and 27.31% of the O.C. Investment Pool, Extended Fund B, and Educational Money Market Fund, respectively.

ORANGE COUNTY TREASURER - TAX COLLECTOR

ORANGE COUNTY - EXTENDED FUND

MATURITIES DISTRIBUTION

September 30, 2009



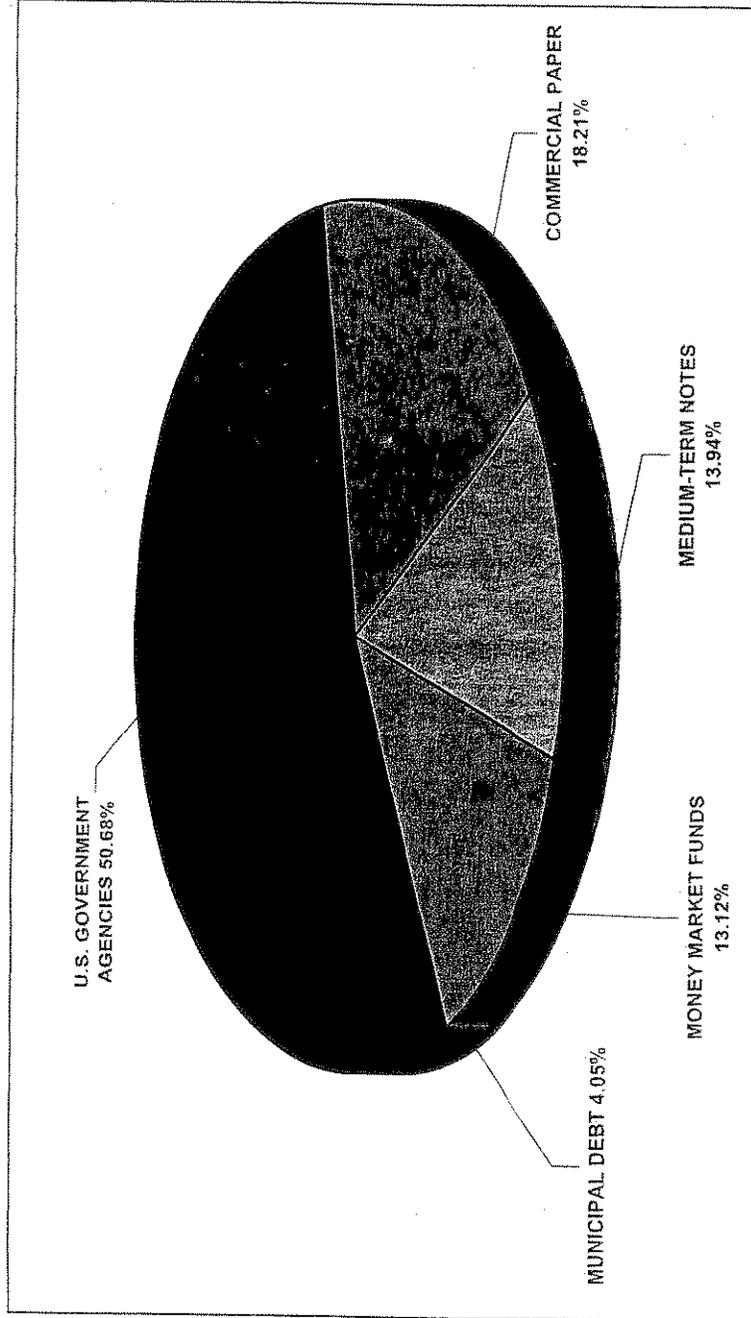
ORANGE COUNTY EXTENDED FUND (includes Extended Fund B)		In Thousands	%
1 TO 6 MOS	\$	862,238	33.67%
7 TO 13 MOS		212,014	8.28%
14 TO 18 MOS		370,000	14.45%
19 TO 24 MOS		307,450	12.00%
25 TO 30 MOS		479,325	18.72%
31 TO 36 MOS		320,000	12.49%
37 TO 60 MOS		10,000	0.39%
TOTAL	\$	2,561,027	100.00%

Maturity Limits Are In Compliance With The Orange County Treasurer's Investment Policy Statement

Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date.  
At 09/30/2009, Floating Rate Notes comprise 13.22% of the O.C. Extended Fund

ORANGE COUNTY TREASURER - TAX COLLECTOR  
 JOHN WAYNE AIRPORT INVESTMENT POOL  
 PORTFOLIO COMPOSITION \*\*

September 30, 2009



In Thousands

U.S. GOVERNMENT AGENCIES	\$ 25,042
COMMERCIAL PAPER	9,000
MUNICIPAL DEBT	2,000
MEDIUM-TERM NOTES	6,886
MONEY MARKET FUNDS	6,481
<b>TOTAL</b>	<b>\$ 49,409</b>

Investment Composition Is In Compliance With The Orange County Treasurer's Investment Policy Statement

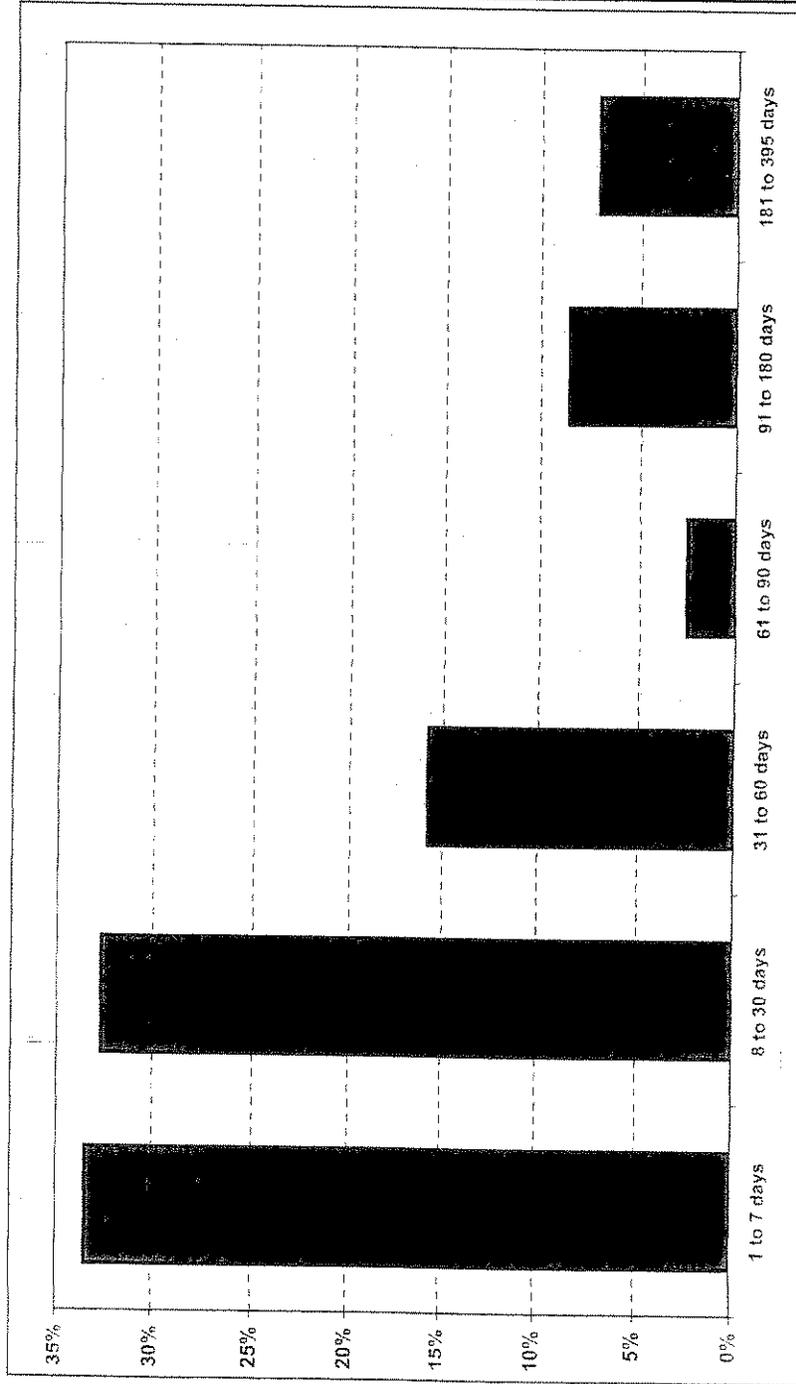
\*\* Calculated Using Market Value at 9/30/2009

ORANGE COUNTY TREASURER - TAX COLLECTOR

JOHN WAYNE AIRPORT INVESTMENT POOL

MATURITIES DISTRIBUTION

September 30, 2009



JOHN WAYNE AIRPORT		
	In Thousands	%
1 TO 7 DAYS	\$ 16,481	33.43%
8 TO 30 DAYS	16,100	32.65%
31 TO 60 DAYS	7,800	15.82%
61 TO 90 DAYS	1,230	2.49%
91 TO 180 DAYS	4,195	8.51%
181 TO 395 DAYS	3,500	7.10%
TOTAL	\$ 49,306	100.00%

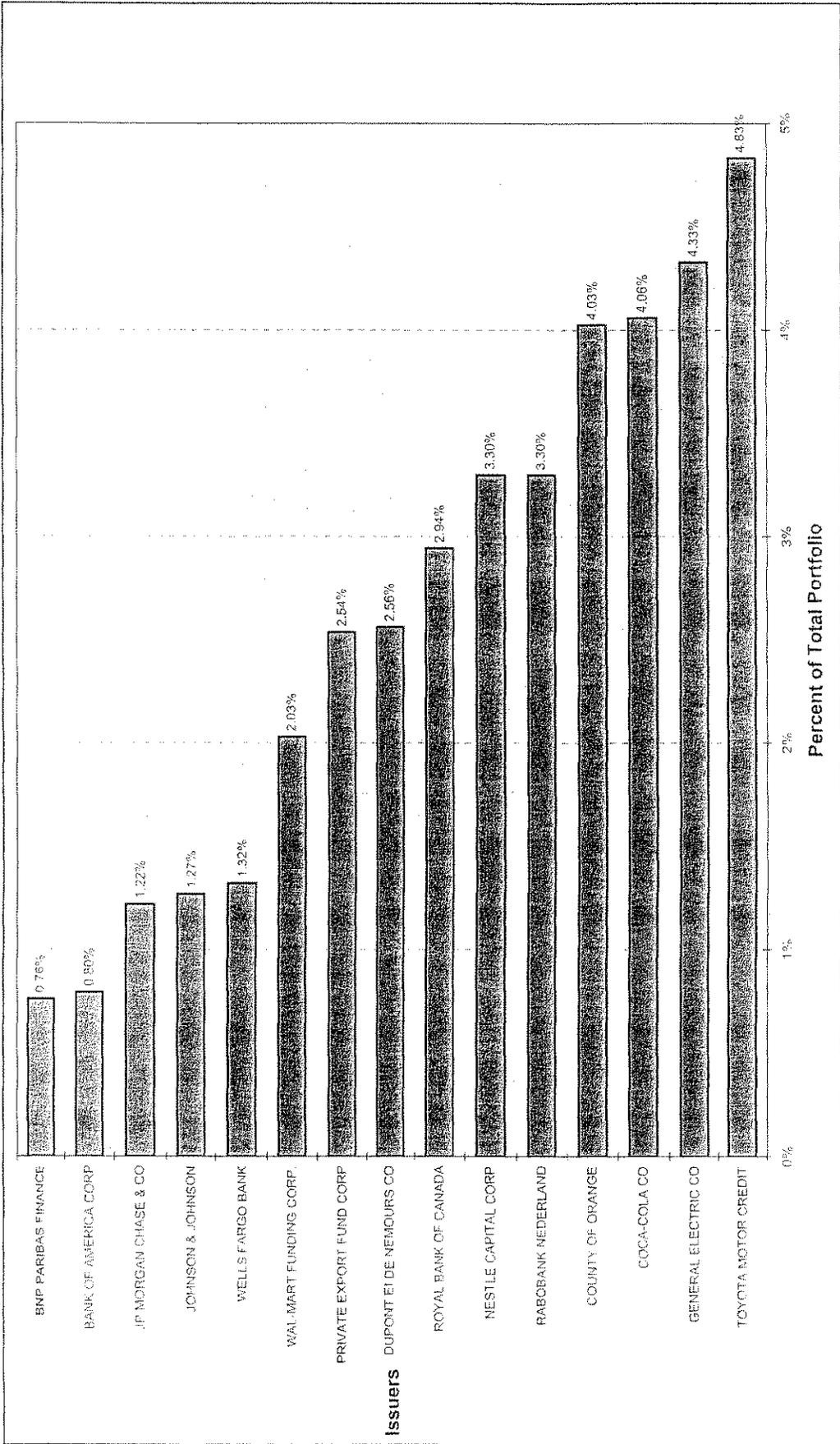
*Maturity Limits Are In Compliance With The Orange County Treasurer's Investment Policy Statement*

Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date.

At 9/30/2009, Floating Rate Notes comprise 37.58% of the John Wayne Airport

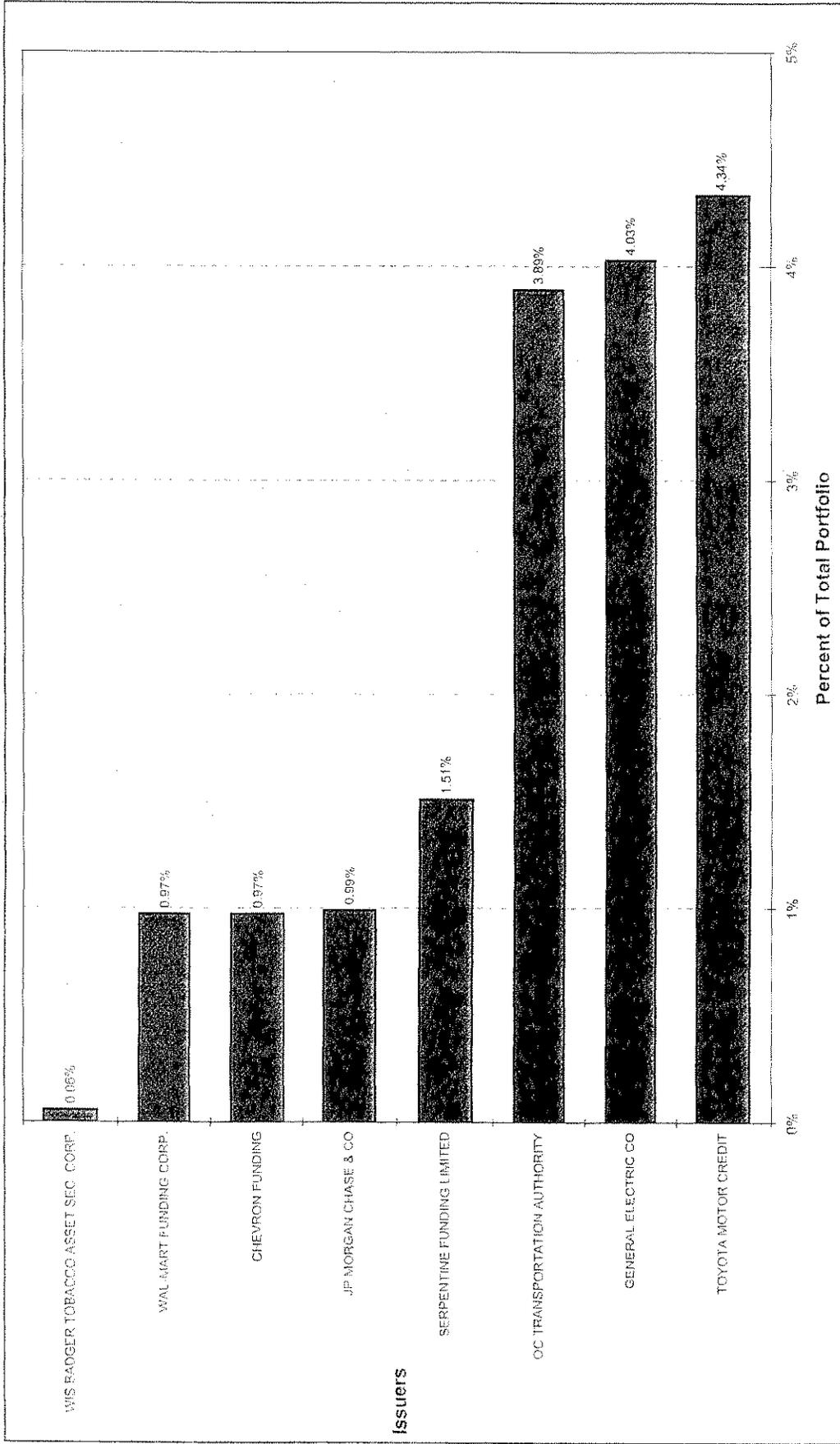
ORANGE COUNTY TREASURER - TAX COLLECTOR  
 ORANGE COUNTY MONEY MARKET FUND - ISSUER CONCENTRATION

September 30, 2009



ORANGE COUNTY TREASURER - TAX COLLECTOR  
 ORANGE COUNTY EXTENDED FUND - ISSUER CONCENTRATION

September 30, 2009

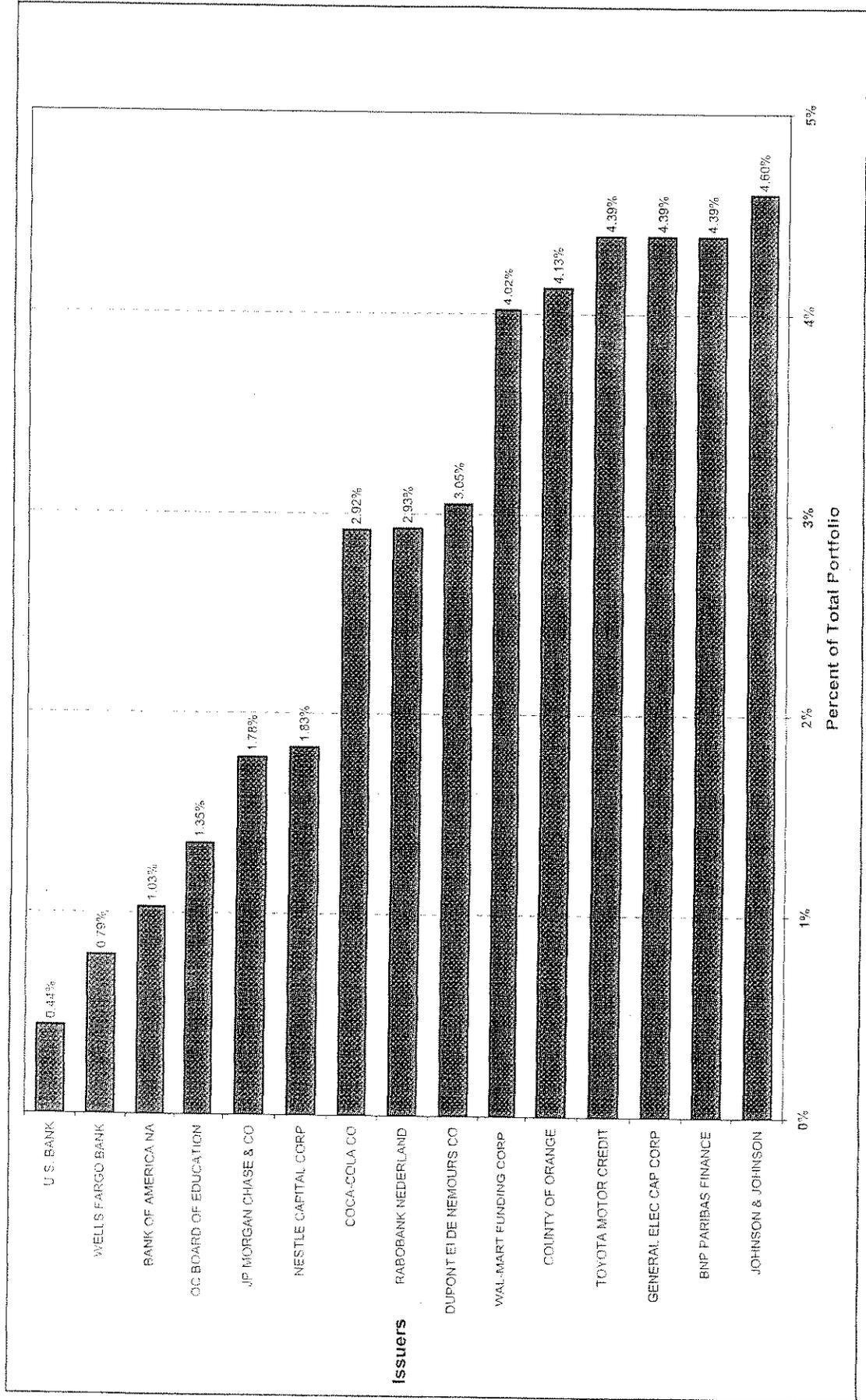


Note: Extended Fund includes Extended Fund B

# ORANGE COUNTY TREASURER - TAX COLLECTOR

## EDUCATIONAL MONEY MARKET FUND - ISSUER CONCENTRATION

September 30, 2009



**ORANGE COUNTY TREASURER-TAX COLLECTOR  
CASH AVAILABILITY PROJECTION  
FOR THE SIX MONTHS ENDING March 31, 2010**

Government Code Section 53646 (b) (3), effective on January 1, 1996, requires the Treasurer-Tax Collector to include a statement in the investment report, denoting the ability of the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP) to meet their expenditure requirements for the next six months.

The OCIP and OCEIP consist of funds in the treasury deposited by various entities required to do so by statute, as well as those entities voluntarily depositing monies in accordance with Government Code Section 53684.

The Treasurer-Tax Collector is required to disburse monies placed in the treasury as directed by the Auditor-Controller and the Department of Education, except for the making of legal investments, to the extent funds are transferred to one or more clearing funds in accordance with Government Code Section 29808.

The Treasurer-Tax Collector, in his projection of cash availability to disburse funds as directed by the Auditor-Controller and the Department of Education, is relying exclusively on historical activity involving deposits and disbursements and future cash flow projections. No representation is made as to an individual depositor's ability to meet their anticipated expenditures with anticipated revenues.

The Cash Availability Projection for the six months ending March 31, 2010, indicates the ability of the pools to meet projected cash flow requirements. However, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

<b>ORANGE COUNTY INVESTMENT POOL</b>				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
September 2009 - Ending Cash				\$ 3,041,552
October	\$ 1,372,752,025	\$ 503,661,569	\$ 355,842,599	1,523,612,546
November	190,221,656	679,197,810	519,900,993	1,873,131,019
December	274,359,702	2,004,162,894	1,860,718,422	2,290,935,194
January	164,539,707	328,508,184	685,991,989	2,097,991,096
February	168,032,987	306,229,277	323,803,831	2,248,449,530
March	158,937,209	675,616,339	518,823,200	2,564,179,878

<b>ORANGE COUNTY EDUCATIONAL INVESTMENT POOL</b>				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
September 2009 - Ending Cash				\$ 4,160,353
October	\$ 772,526,022	\$ 447,681,094	\$ 576,122,841	648,244,629
November	120,710,251	309,454,600	560,681,159	517,728,320
December	86,763,255	1,269,464,403	353,726,455	1,520,229,523
January	68,148,086	408,955,880	708,436,339	1,288,897,150
February	67,439,715	351,816,068	531,613,686	1,176,539,246
March	207,775	421,918,428	564,307,304	1,034,358,145

**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**STATEMENT OF ACCOUNTABILITY**  
**FOR THE MONTH AND QUARTER ENDED: SEPTEMBER 30, 2009**

	<u>Month</u>	<u>Quarter</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$6,134,836,036.13</u>	<u>\$5,963,577,928.07</u>
Cash Receipts:		
County	355,336,726.83	1,629,276,058.18
Schools	<u>424,496,702.62</u>	<u>1,265,692,261.66</u>
Total Cash Receipts	<u>779,833,429.45</u>	<u>2,894,968,319.84</u>
Cash Disbursements:		
County	417,408,080.05	1,558,458,038.95
Schools	479,447,613.32	1,287,024,254.24
Checks returned-non sufficient funds	<u>422,619.05</u>	<u>963,180.65</u>
Total Cash Disbursements	<u>897,278,312.42</u>	<u>2,846,445,473.84</u>
Net Change in Book Value of Pooled Assets	<u>(117,444,882.97)</u>	<u>48,522,846.00</u>
Net Increase in Specific Investments	<u>45,003.25</u>	<u>5,335,382.34</u>
Treasurer's Accountability at the End of the Period:	<u><u>\$6,017,436,156.41</u></u>	<u><u>\$6,017,436,156.41</u></u>
Assets in the Treasury at September 30, 2009		
O.C. Investment Pool		\$3,189,988,670.61
Specific investments		102,159,775.71
Cash in banks(including Schools)		7,199,256.47
Cash in vault		2,648.48
O.C. Educational Investment Pool		<u>2,718,085,805.14</u>
		<u><u>\$6,017,436,156.41</u></u>

**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**INVESTMENT POLICY COMPLIANCE**  
 September 30, 2009

Investment Policy Guidelines	Investment Type	Orange County Money Market Fund		Extended Fund		Orange County Educational Money Market Fund		John Wayne Airport Investment Pool	
		Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio
100% (See Notes)	U.S. Treasuries	\$ -	-	\$ 139,895,195	5.44%	\$ -	-	\$ -	-
40%	Bankers' Acceptances	-	-	-	-	-	-	-	-
30%	Negotiable Certificates of Deposit	115,026,850	5.84%	-	-	40,017,325	2.92%	-	-
45%	Commercial Paper	430,442,696	21.85%	99,992,514	3.89%	359,656,521	26.29%	8,999,538	18.21%
100%	U.S. Government Agencies	837,259,322	42.50%	1,999,606,725	77.80%	536,145,203	39.19%	25,042,374	50.68%
20%	Money Market Funds	358,740,773	18.21%	-	-	256,872,447	18.78%	6,481,418	13.12%
30%	Medium-Term Notes	149,232,566	7.57%	190,405,313	7.41%	100,369,064	7.34%	6,885,504	13.94%
50%	Repurchase Agreements	-	-	-	-	-	-	-	-
30%	Municipal Debt	79,324,995	4.03%	101,455,044	3.95%	74,997,423	5.48%	2,000,000	4.05%
10%	Asset Backed Securities	-	-	38,725,414	1.51%	-	-	-	-
		\$ 1,970,027,204	100.00%	\$ 2,570,080,204	100.00%	\$ 1,368,057,984	100.00%	\$ 49,408,835	100.00%

Compliance Category (Yes/No)	Orange County Money Market Fund		Extended Fund		Orange County Educational Money Market Fund		John Wayne Airport Investment Pool	
	Yes	No	Yes	No	Yes	No	Yes	No
Percentage Limits	Yes		Yes		Yes		Yes	
Maturity Limits	Yes		Yes		Yes		Yes	
Quality Limits	Yes		Yes		Yes		Yes	
Net Asset Value Limits	Yes		Yes		Yes		Yes	

- Notes: (1) The Money Market Fund (MMF) is authorized to purchase an additional 5-percent of its total assets in any authorized investment type, except commercial paper, for a period not to exceed 30 business days.
- (2) The Money Market Fund (MMF) is authorized to purchase up to 12.5 percent of its total assets in any authorized issuer for a period not to exceed 3 business days.
- (3) The Extended Fund includes the Extended Fund and OC Extended Fund B.
- (4) The Extended Fund is limited to Commercial Paper holdings of 40%, while the Money Market Fund is limited to Commercial Paper holdings of 45%.

**Noncompliance Report Summary  
For the Month Ended September 30, 2009**

During September, the Orange County Money Market Fund, Educational Money Market Fund, Extended Fund, John Wayne Airport, and the Children and Families Commission Investment Pools were all free of noncompliance incidents.

**ORANGE COUNTY TREASURER-TAX COLLECTOR**

**APPROVED ISSUER LIST**

**COMMERCIAL PAPER / MEDIUM TERM NOTES**

AS OF: 9/30/2009

ISSUER (Shared Structure)	CR #	S/T RATINGS			L/T RATINGS			PROG RATINGS			PARENT/ADMINISTRATOR	IND CODE
		S&P	MDY	FI	S&P	MDY	FI	S&P	MDY	FI		
ADP TAX SERVICES INC	1	A-1+	P-1	NR	AAA	Aaa	NR	A-1+	P-1	NR	AUTO DATA PROCES	4.4
ALCON CAPITAL CORP	4	A-1+	P-1	NR	AA	Aa1	AA+	A-1+	P-1	F1+	NESTLE SA	4.7
AUTOMATIC DATA PROCESSNG	1	A-1+	P-1	NR	AAA	Aaa	NR	A-1+	P-1	NR	AUTOMATIC DATA PROCESSING	4.4
BANK OF AMERICA CORP	10	A-1	P-1	F1+	A	A2	A+	A-1	P-1	F1+		7.1
BNP PARIBAS FINANCE INC	4	A-1+	P-1	F1+	AA	Aa1	AA	A-1+	P-1	NR	BNP PARIBAS	7.4
CATERPILLAR FIN SERV CRP	11	A-1	P-1	F1	A	A2	A	A-1	P-1	F1	CATERPILLAR INC	8.8
CATERPILLAR INC	11	A-1	P-1	F1	A	A2	A	A	A2	A		8.8
CHEVRON FUNDING CORP	4	A-1+	P-1	F1+	NR	NR	NR	A-1+	P-1	F1+	CHEVRON CORP	6.4
CHEVRON CORPORATION	4	A-1+	P-1	F1+	AA	Aa1	AA	A-1+	P-1	F1+	CHEVRON CORP	6.4
COCA-COLA CO	8	A-1	P-1	F1	A+	Aa3	A+	A-1	P-1	F1		4.2
DANSKE CORPORATION	8.33	A-1	P-1	NR	A+	NR	NR	A-1	P-1	NR	DANSKE BANK A/S	7.4
DEUTSCHE BANK FINL LLC	6.33	A-1	P-1	F1+	A+	Aa1	AA-	A-1	P-1	F1+	DEUTSCHE BK AG	7.1
DEXIA DELAWARE LLC	9	A-1	P-1	F1+	A	A1	AA-	A-1	P-1	F1+	DEXIA CRDT LOCAL	7.4
DUPONT EI DE NEMOURS CO	11	A-1	P-1	F1	A	A2	A	A-1	P-1	NR		1.1
GENERAL ELEC CAP CORP	4	A-1+	P-1	NR	AA+	Aa2	NR	A-1+	P-1	NR	GENERAL ELECTRIC	8.11
GENERAL ELEC CAP SVCS	4	A-1+	P-1	NR	AA+	Aa2	NR	A-1+	P-1	NR	GENERAL ELECTRIC	8.11
GENERAL ELECTRIC CO	4	A-1+	P-1	NR	AA+	Aa2	NR	A-1+	P-1	NR		8.11
GREENWICH CAPITAL HLDGS	8	A-1	P-1	F1+	A+	Aa3	AA-	A-1	P-1	F1+	ROYAL BK OF SCOT	7.4
IBM CORP	9	A-1	P-1	F1	A+	A1	A+	A-1	P-1	F1		9.1
IBM CAPITAL INC	9	A-1	P-1	NR	NR	NR	NR	A-1	P-1	NR	IBM CORP	9.1
IBM INTL GROUP CAPITAL	9	A-1	P-1	F1	NA	A1	A+	A-1	P-1	F1	IBM CORPORATION	9.1
JOHNSON & JOHNSON	1	A-1+	P-1	F1+	AAA	Aaa	AAA	A-1+	P-1	F1+		4.7
J P MORGAN CHASE & CO	8	A-1	P-1	F1+	A+	Aa3	AA-	A-1	P-1	F1+		7.1
KFW INTERNATL FINANCE	1	A-1+	P-1	F1+	AAA	Aaa	AAA	A-1+	P-1	F1+	KREDIT WIEDERAUF	7.4
L'OREAL USA INC	3	A-1+	P-1	F1+	NR	NR	NR	A-1+	P-1	F1+	L'OREAL SA	4.5
MICROSOFT CORP	2	A-1+	P-1	F1+	AAA	Aaa	AA+	A-1+	P-1	NR		9.4
MINNESOTA MINING & MANUF	6	A-1+	P-1	NR	AA-	Aa2	NR	A-1+	P-1	NR		8.11
NESTLE CAPITAL CORP	4	A-1+	P-1	F1+	AA	Aa1	AA+	A-1+	P-1	F1+	NESTLE SA	4.6
NORDEA NORTH AMERICA INC	6	A-1+	P-1	F1+	NR	NR	NR	A-1+	P-1	F1+	NORDEA BANK AB	7.4
PACCAR FINANCIAL CORP	8	A-1+	P-1	NR	AA-	A1	NR	A-1+	P-1	NR	PACCAR INC	3.3
PRIVATE EXPORT FUND CORP	5	A-1	P-1	NR	A+	Aaa	NR	A-1	P-1	NR		7.4
PROCTER & GAMBLE CO	7	A-1+	P-1	NR	AA-	Aa3	NR	A-1+	P-1	NR	Procter & Gamble Co.	4.5
RABOBANK USA FIN CORP	2	A-1+	P-1	F1+	AAA	Aaa	AA+	A-1+	P-1	NR	RABOBANK NED	7.4
SOCIETE GENERALE N AMER	6	A-1	P-1	F1+	AA-	Aa2	AA-	A-1	P-1	NR	SOC GENERALE	7.4
SVENSKA HANDELSBANK INC	7	A-1+	P-1	F1+	AA-	NR	AA-	A-1+	P-1	F1+	SVENSKA HNDELSBKN	7.4
TOYOTA MOTOR CREDIT CORP	6	A-1+	P-1	NR	AA	Aa1	A+	A-1+	P-1	NR	TOYOTA MOTOR CORP	3.3
WAL-MART FUNDING CORP	5	A-1	P-1	NR	NR	NR	NR	A-1	P-1	NR	WAL-MART STORES INC	7.4 AB
WAL-MART STORES INC	5	A-1+	P-1	F1+	AA	Aa2	AA	A-1+	P-1	F1+		3.14

**ORANGE COUNTY TREASURER-TAX COLLECTOR  
APPROVED ISSUER LIST**

**DOMESTIC BANKS**

BANK	CR #	S/T RATING			L/T RATING			PARENT COMPANY	IND. CODE
		S&P	MDY	FI	S&P	MDY	FI		
BANK OF AMERICA NA	8	A-1	P-1	F1+	A+	Aa3	AA-	Bank of America Corp	7.1
BANK OF NEW YORK	4	A-1+	P-1	F1+	AA	Aaa	AA	Bank of New York Mellon Corp/T	7.1
CHASE BANK USA NA	5	A-1+	P-1	F1+	AA-	Aa1	AA	JPMorgan Chase & Co	7.1
HSBC BANK USA NA	5	A-1+	P-1	F1+	AA	Aa3	AA+	HSBC Holdings PLC	7.1
JPMORGAN CHASE BANK	5	A-1+	P-1	F1+	AA-	Aa1	AA	JPMorgan Chase & Co	7.1
US BANK NA CINCINNATI	5	A-1+	P-1	F1+	AA-	Aa1	AA	US Bancorp	7.1
WELLS FARGO BANK NA	6	A-1+	P-1	F1+	AA	Aa2	AA-	Wells Fargo & Co	7.1

**ORANGE COUNTY TREASURER-TAX COLLECTOR  
APPROVED ISSUER LIST**

**FOREIGN BANKS**

BANK	CR #	S/RATING			L/RATING			PARENT COMPANY	IND CODE	
		S&P	MDY	FI	S&P	MDY	FI			
BNP PARIBAS NY BRANCH	4	A-1+	P-1	F1+	AA	Aa1	AA	BNP Paribas	7.1	FR
CREDIT SUISSE NEW YORK	6	A-1	P-1	F1+	A+	Aa1	AA-	Credit Suisse	7.1	SW
DEUTSCHE BANK NY	6	A-1	P-1	F1+	A+	Aa1	AA-	Deutsche Bank AG	7.1	GR
DEXIA BANK NY BRANCH	9	A-1	P-1	F1+	A	A1	AA-	Dexia Bank NV	7.1	BE
NORDEA BANK FINLAND NY	6	A-1+	P-1	F1+	AA-	Aa2	AA-	Nordea Bank Finland ABP	7.1	NE
RABOBANK NEDERLAND NV NY	2	A-1+	P-1	F1+	AAA	Aaa	AA+	Rabobank Nederland NV	7.1	NE
ROYAL BANK OF CANADA NY	4	A-1+	P-1	F1+	AA-	Aaa	AA	Royal Bank of Canada	7.1	CN
SOCIETE GENERALE	6	A-1+	P-1	F1+	AA-	Aa2	AA-	Societe Generale	7.1	FR
TORONTO DOMINION BANK NY	5	A-1+	P-1	F1+	AA-	Aaa	AA-	Toronto-Dominion Bank/The	7.1	CN

**MUNICIPAL BONDS  
APPROVED ISSUER LIST**

**MUNICIPAL BONDS**

NAME	CR #	S/I RATING			L/R RATING			BANK
		S&P	MDY	FI	S&P	MDY	FI	
ORANGE CNTY CALIF TRANSN AUTH	8	A-1+	SG	#N/A	AA	A1/SG	A	JP MORGAN/DEXIA
ORANGE CNTY CALIF TRANSN AUTH	8	A-1+	SG	#N/A	AA	A1/SG	A	JP MORGAN/DEXIA
ORANGE CNTY CALIF BRD ED CTFS	2	A-1	VMIG1	#N/A	AAA	Aa3	AA+	DEXIA CREDIT LOCAL
ORANGE CNTY CALIF TEETER PLAN	3	A-1+	P-1	F1+	#N/A N/A	P-1	F1+	DEXIA CREDIT LOCAL
NEW MEXICO EDL ASSISTANCE FNDD	2	#N/A N/A	VMIG1	F1+	#N/A N/A	Aaa	AAA/F1+	ROYAL BANK OF CANADA



**OFFICE OF THE TREASURER-TAX COLLECTOR**

HALL OF FINANCE & RECORDS  
 11 CIVIC CENTER PLAZA, SUITE G76  
 POST OFFICE BOX 4515  
 SANTA ANA, CA 92702  
 www.ftc.ocgov.com

CHRISS W. STREET  
 TREASURER-TAX COLLECTOR  
  
 PAUL C. GORMAN, C.P.A., CTP  
 CHIEF ASSISTANT TREASURER-TAX COLLECTOR  
  
 JENNIFER BURKHART, CFA  
 ASSISTANT TREASURER-TAX COLLECTOR  
  
 ROBIN RUSSELL  
 ASSISTANT TREASURER-TAX COLLECTOR  
 ADMINISTRATION

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**MEMORANDUM**

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**CHANGES IN ELIGIBLE CREDITS**

In the month of September, there was one change to the Treasurer's approved list of issuers.

The following was added to the approved list:

- 1) New Mexico Educational Assistance Foundation

The following are Asset Backed Securities that the County holds as pass-thru notes from the restructuring of WhistleJacket.

OC Extended Fund B	Security Type	Maturity Date	Market Value	% of Fund	ST Ratings, LT Ratings
Serpentine Funding	US Notes	6/05/10	\$7,409,841.65		N/R
Serpentine Funding	US Notes	6/05/10	5,823,830.45		N/R
Serpentine Funding	US Notes	6/05/10	14,523,047.56		N/R
Serpentine Funding	US Notes	6/05/10	5,893,657.46		N/R
Serpentine Funding	US Notes	6/05/10	5,075,037.05		N/R
			<u>\$38,725,414.17</u>	1.51%	



OFFICE OF THE TREASURER-TAX COLLECTOR  
COUNTY OF ORANGE

HALL OF FINANCE & RECORDS  
11 CIVIC CENTER PLAZA, ROOM G76  
P.O. BOX 4515  
SANTA ANA, CA 92701

**NEW-MEXICO EDUCATIONAL ASSISTANCE FOUNDATION**

**Date:** September 30<sup>th</sup>, 2009  
**Analyst:** Fahad Haider  
**Industry:** Education, Non-Profit  
**Credit Ratings:** Aaa/AAA VMIG 1/F1+  
**TIC Score:** N/A

**Subject:** New Mexico Educational Assistance Foundation  
**Recommendation:** Add Senior Series 2001A, 2002A, 2003A, 2004A and 2009A  
(Variable Rate Demand Bonds)

**New Mexico Educational Assistance Foundation**

New Mexico Educational Assistance Foundation (NMEAF) was created by the state legislature in 1981 as a quasi-government, not-for-profit, to make higher education affordable for the residents of New Mexico. The proceeds of the above mentioned bonds issued by the foundation are used to refund the auction rate securities and originate or acquire student loans. The loans acquired or originated with the proceeds of the bond are used as collateral of the bonds.

NMEAF holds assets of \$796 million of which 98.3% are Federal Family Education Loan Program (FFELP) student loans. FFELP is a federal government program and currently the Department of Education reinsures 97% of the defaulted principal and accrued interest. Hence, 95.35% of the entire portfolio is backed the Department of Education.

The remaining 1.7% of the student loan portfolio consists of private student loans originated by NMEAF.

***Credit Enhancement***

With \$751.5 million of outstanding debt (see table), the asset coverage ration stands at 105.9%, of which 100.97% is reinsured by Department of Education. NMEAF holds a reserve fund for the purpose of liquidity. It is required to be maintained at the greater of (a) the sum of each individual series debt service reserve requirement, and (b) 0.75% of the principal amount of all bonds outstanding, and (c) \$500,000. The debt service reserve fund can be used to cover interest payment or principal payments on stated maturity or mandatory sinking fund payment on the bonds. According to Moody's NMEAF is expected to generate approximately 80bps excess spread per year. This spread will be retained in the restricted fund account of NMEAF until the senior obligation coverage reaches 112%.

Post Issuance and Conversion	Balance	Percentage
Senior fixed rate bonds	\$256,835,000.00	34.17%
Senior variable rate demand bonds	\$261,600,000.00	34.81%
Senior SIFMA rate reset notes	\$113,430,000.00	15.09%
Senior Libor rate rest notes	\$62,000,000.00	8.25%
Senior auction rate notes	\$50,950,000.00	6.78%
First subordinate fixed rate bonds	\$6,715,000.00	0.89%
	\$751,530,000.00	100.00%

***Liquidity (Letter of Credit)***



OFFICE OF THE TREASURER-TAX COLLECTOR  
COUNTY OF ORANGE

HALL OF FINANCE & RECORDS  
11 CIVIC CENTER PLAZA, ROOM G76  
P.O. BOX 4515  
SANTA ANA, CA 92701

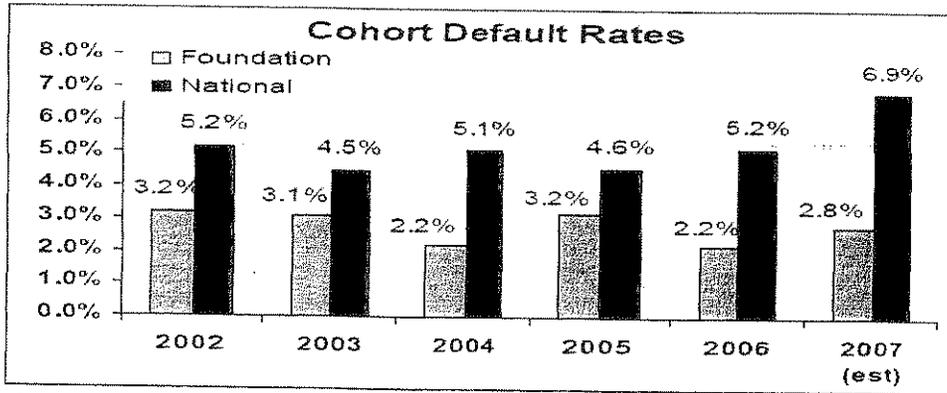
Royal Bank of Canada (Aaa/AA-/AA) provides the Letter of Credit for the Variable Rate Demand Bonds. Initially the bonds will be in a weekly mode and can be put back to Royal Bank of Canada on any business day that is at least 7 days prior to the tender date.

The VRDB bonds are subject to mandatory tender on the following dates: (i) each interest rate mode change date; (ii) the letter of credit substitution date; (iii) the fifth business day following the trustee's receipt of notice stating (a) the occurrence of an event of default under the reimbursement agreement and direction to tender the bonds or (b) the drawing under the letter of credit will not be reinstated; (iv) the fifth business day prior to the termination of the letter of credit, 09/14/2012 and (v) the rate adjustment date immediately following a VRDB trigger event.

**Our Opinion**

**Strengths:**

- FFELP student loans comprise of 98.3% of total student loan
- RBC provides liquidity to redeem the bond at par on a weekly basis
- Experienced debt issuer, loan originator and servicer in business since 1981
- The default rate on the foundations loan portfolio has remains well below the national average of FFELP (Federal Family Education Loan Program), as shown by the graph below



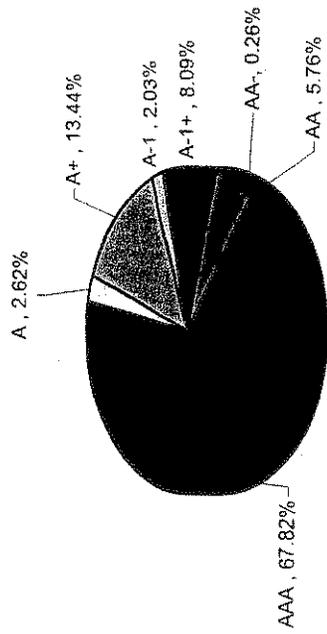
Source: U.S. Department of Education.

**Challenges:**

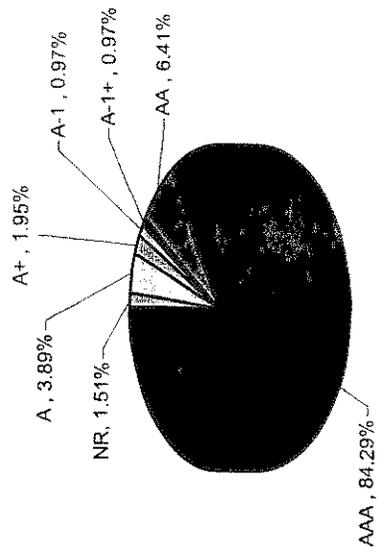
- Liquidity reserve can be only 0.75% of all outstanding bonds

**CREDIT QUALITY  
BY MARKET VALUE AS OF 09/30/2009**

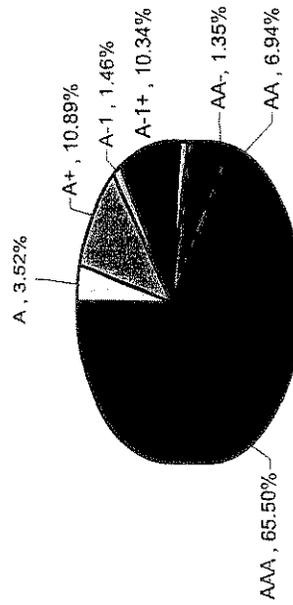
**Money Market Fund**



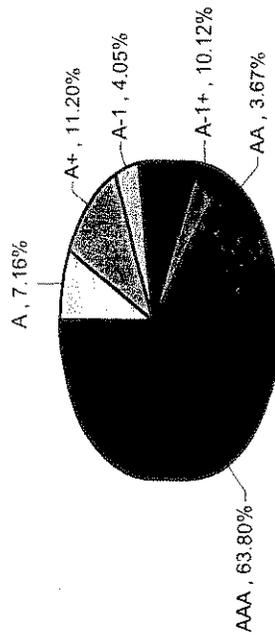
**Extended Fund**



**School's Fund**



**John Wayne Airport**



# MONTHLY TREASURER'S MANAGEMENT REPORT

## Distribution List

### The Orange County Board of Supervisors

Hon. Janet Nguyen – 1<sup>st</sup> District  
Hon. John M. W. Moorlach – 2<sup>nd</sup> District  
Hon. Bill Campbell – 3<sup>rd</sup> District  
Hon. Chris Norby – 4<sup>th</sup> District  
Hon. Pat Bates – 5<sup>th</sup> District  
Darlene Bloom, Clerk of the Board

### The Orange County Electeds

Hon. Tom Daly, Clerk-Recorder  
Hon. Webster J. Guillory, Assessor  
Hon. Anthony J. Rackauckas, District Attorney  
Hon. David Sundstrom, Auditor-Controller  
Hon. John S. Williams, Public Administrator

### The State of California Officials

Hon. Bill Lockyer, State Treasurer  
John Decker, CDIAC

### The Orange County Grand Jury

### Treasury Oversight Committee

Hon. Bill Habermehl  
Thomas G. Mauk  
Hon. David Sundstrom  
George Jeffries  
Dr. Raghu Mathur

### Treasurer's Advisory Committee

Dr. Wendy Benkert  
Blake Christian  
Jerry Slusiewicz  
Timothy Tunney  
Jack Wu  
Carol Rudat  
David Padilla

### The County of Orange Departments

Chief Executive Officer  
Children & Families Commission  
Child Support Services  
Civic Center Commission  
Community Services Agency  
County Counsel  
Fire Authority  
Health Care Agency  
Housing & Community Development  
Human Resources  
Integrated Waste Management  
Internal Audit  
John Wayne Airport  
Law Library  
Local Agency Formation Commission  
Orange County Employees Retirement System  
Orange County Cemetery District  
Orange County Library  
Orange County Marina Agency  
Orange County Transportation Authority  
Planning & Development Services  
Probation

Public Defender  
Public Facilities & Resources  
Registrar of Voters  
Social Services Agency  
Superior Court  
Victim/Witness Program  
Transportation Corridor Agencies

### The Orange County School Districts

Orange County Department of Education  
Anaheim City  
Anaheim Union High  
Brea-Olinda Unified  
Buena Park  
Capistrano Unified  
Centralia  
Cypress  
Fountain Valley  
Fullerton  
Fullerton Joint Union High  
Garden Grove Unified  
Huntington Beach City  
Huntington Beach Union High  
Irvine Unified  
Laguna Beach Unified  
La Habra City  
Los Alamitos Unified  
Lowell Joint  
Magnolia  
Newport-Mesa Unified  
Ocean View  
Orange Unified  
Placentia-Yorba Linda Unified  
Saddleback Valley Unified  
Santa Ana Unified  
Savanna  
Tustin Unified  
Westminster  
North Orange County CCD  
Rancho-Santiago CCD  
South Orange County CCD  
Coast Community CCD

### The Voluntary Participants (date approved)

Serrano County Water District (6-22-99)  
Costa Mesa Sanitary District (12-7-99)  
Mesa Consolidated Water District (9-12-00)  
City of Villa Park (10-2-01)  
City of Tustin (5-21-02)  
Yorba Linda Water District (8-12-03)  
Orange County Water District (3-30-04)  
Municipal Water District of Orange County (7-27-04)  
City of San Clemente (5-17-05)  
Orange County Vector Control District (11-14-06)  
South Coast Water District (6-16-09)





**October 28, 2009**

**To:** Finance and Administration Committee  
**From:** Will Kempton <sup>JK</sup> Chief Executive Officer <sup>WJK</sup>  
**Subject:** Orange County Transportation Authority Investment and Debt Programs Report - September 2009

**Overview**

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending September 30, 2009.

**Recommendation**

Receive and file as an information item.

**Discussion**

As of September 30, 2009, the Orange County Transportation Authority's (Authority) outstanding investments totaled \$940,169,634. The portfolio is divided into two managed portfolios: the liquid portfolio for immediate cash needs and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, the Authority has funds invested in debt service reserve funds for the various outstanding debt obligations.

The Authority's debt portfolio had an outstanding principal balance of \$381.6 million as of September 30, 2009. Approximately 42 percent of the outstanding balance is comprised of Measure M debt, 13 percent is associated with the Renewed Measure M Program, and the remaining 45 percent is for the 91 Express Lanes.

**Summary**

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending September 30, 2009.

**Attachment**

- A. Orange County Transportation Authority Investment and Debt Programs  
– For the Period Ending September 30, 2009

**Prepared by:**

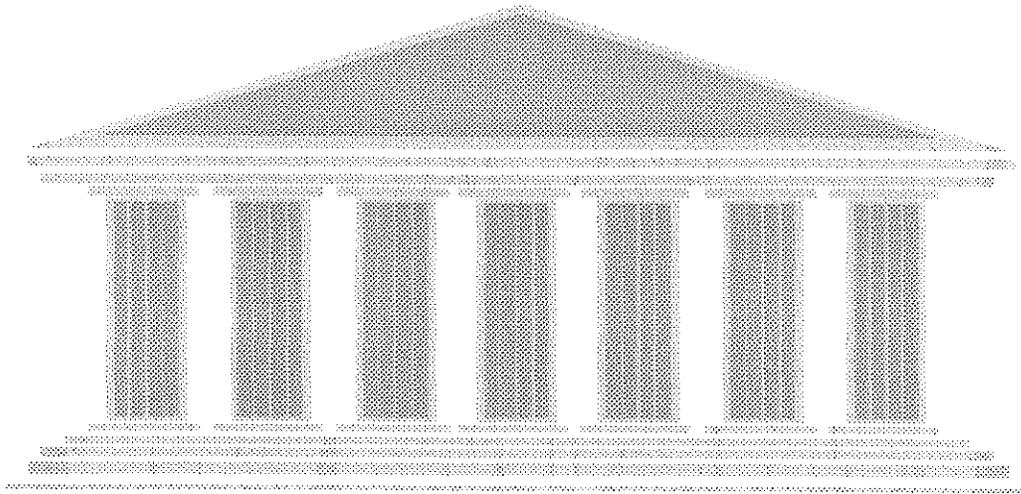
  
Rodney Johnson  
Deputy Treasurer  
Treasury/Public Finance  
(714) 560-5675

**Approved by:**

  
Kenneth Phipps  
Executive Director,  
Finance and Administration  
(714) 560-5637

**Treasury/Public Finance Department's  
Report On**

**Orange County Transportation Authority  
Investment and Debt Programs**



**Presented to the  
Finance and Administration Committee**

**For The Period Ending  
September 30, 2009**

# INVESTMENT PROGRAM

# Investment Profile

## As of 9/30/09

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>ACTIVELY MANAGED INVESTMENTS</i>				
JP Morgan	Bank of New York	Custodian	Short-Term Operating	165.9
State Street Global Advisors	Bank of New York	Custodian	Short-Term Operating	168.9
Payden & Rygel Investment Counsel	Bank of New York	Custodian	Short-Term Operating	169.3
Western Asset Management	Bank of New York	Custodian	Short-Term Operating	173.4
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	0.0
Orange County Treasurer	OCIP	Custodian	Legal Requirement	4.7
<i>CASH INVESTMENTS</i>				
OCTA	Bank of New York	Trustee	Liquid	133.6
OCTA	Bank of the West	Broker	Liquid	21.2
OCTA	U.S Bank	Trustee	Liquid	0.2
OCTA	Deutsche Bank	Trustee	M2 TECP Funds	5.4
<i>DEBT SERVICE RESERVE FUNDS</i>				
1992 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	5.6
1992 LTA Sales Tax Bonds	Bank of New York	Trustee	Guaranteed Inv. Contract	9.0
1994 LTA Sales Tax Bonds	Bank of New York	Trustee	Put Agreement	11.7
1997 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	0.8
1997 LTA Sales Tax Bonds	Bank of New York	Trustee	Guaranteed Inv. Contract	1.2
1998 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	24.6
2001 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	6.3
91 Express Lanes 2003 Ref. Bonds	U.S Bank	Trustee	Liquid	0.8
91 Express Lanes 2003 Ref. Bonds	U.S Bank	Trustee	FNMA Disc. Notes	24.2
91 Express Lanes 2003 Ref. Bonds	Bank of the West	Trustee	BofW Certificate of Dep.	10.1
91 Express Lanes 2003 Ref. Bonds	Bank of the West	Trustee	BofW Certificate of Dep.	3.2
<b>TOTAL</b>				<b>\$940.1</b>

# Short-Term Portfolio - \$677 M

## As of 9/30/09

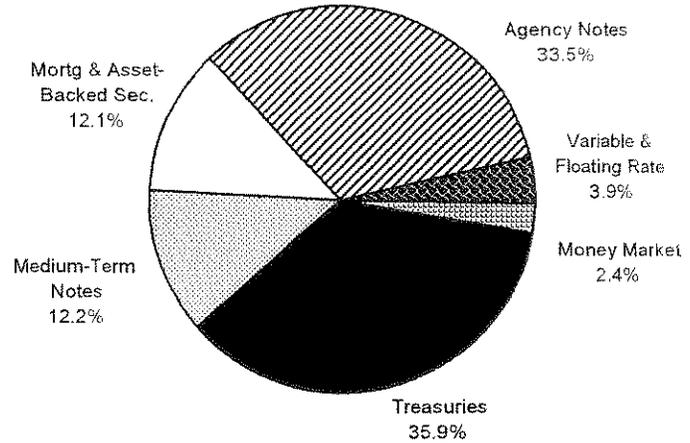
### Part 1 of 2

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#### JP Morgan

Book Value           \$   165,897,389

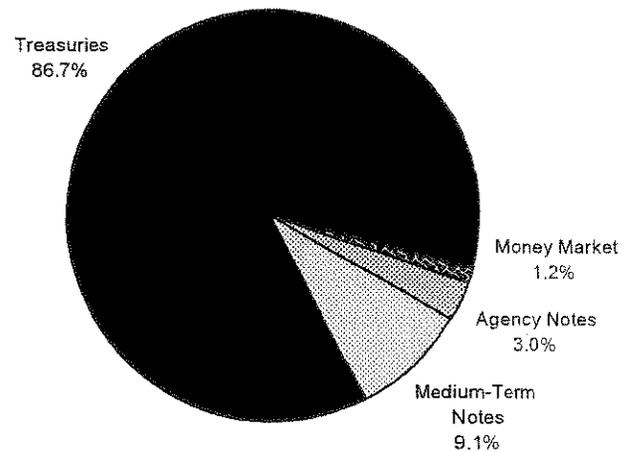
Market Value         \$   168,956,706



#### State Street Global

Book Value           \$   168,853,422

Market Value         \$   169,300,613



*Market Value Reported By Custodial Bank*

# Short-Term Portfolio - \$677 M

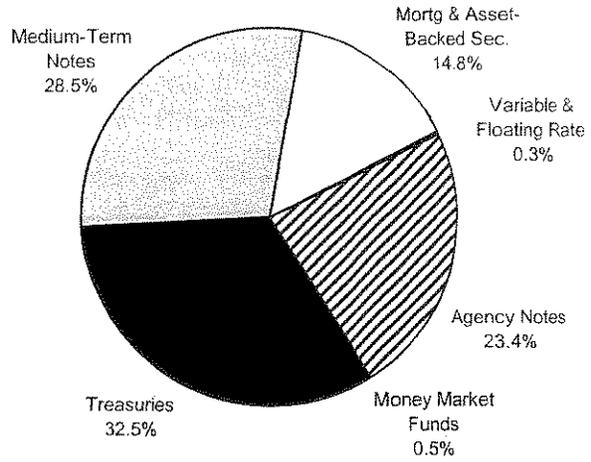
As of 9/30/09

Part 2 of 2

## Payden & Rygel

Book Value \$ 169,340,105

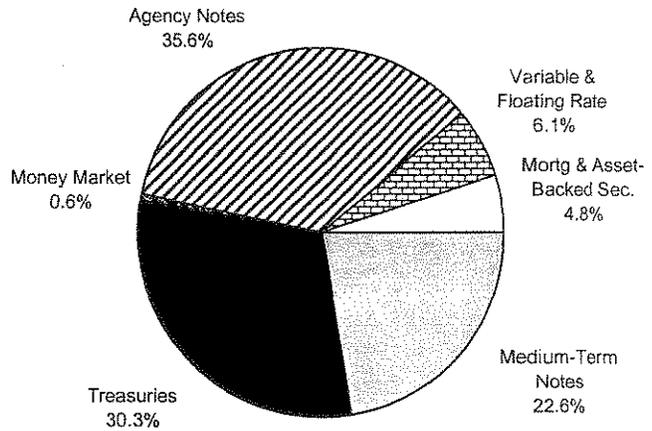
Market Value \$ 171,245,932



## Western Asset Management

Book Value \$ 173,228,419

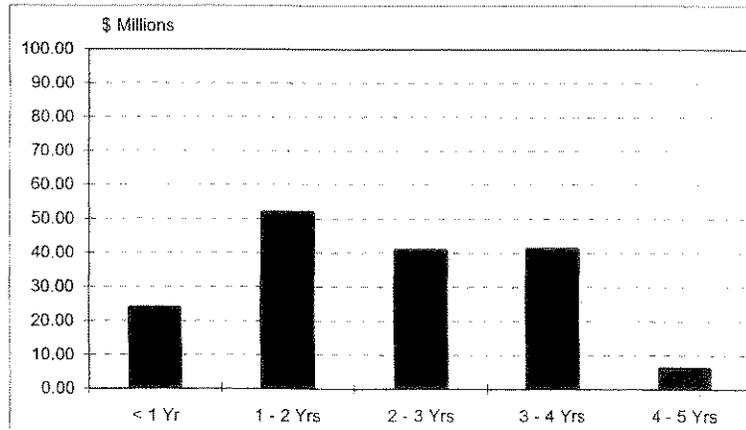
Market Value \$ 174,842,040



# Short-Term Portfolio Maturity Schedule As of 9/30/09

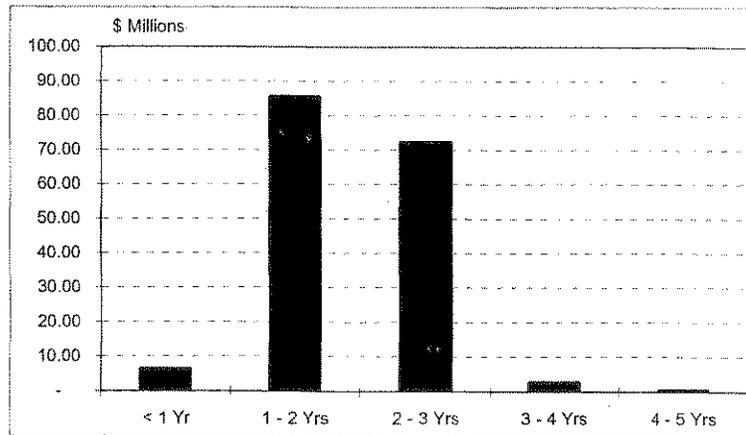
## JP Morgan (\$165.3 M)

Monthly Return	0.36%
Benchmark Comparison	0.24%
Fiscal YTD Return	1.18%
Benchmark Comparison	0.78%
12 Month Return	6.06%
Benchmark Comparison	3.46%



## State Street Global (\$168.7 M)

Monthly Return	0.28%
Benchmark Comparison	0.24%
Fiscal YTD Return	0.85%
Benchmark Comparison	0.78%
12 Month Return	3.79%
Benchmark Comparison	3.46%



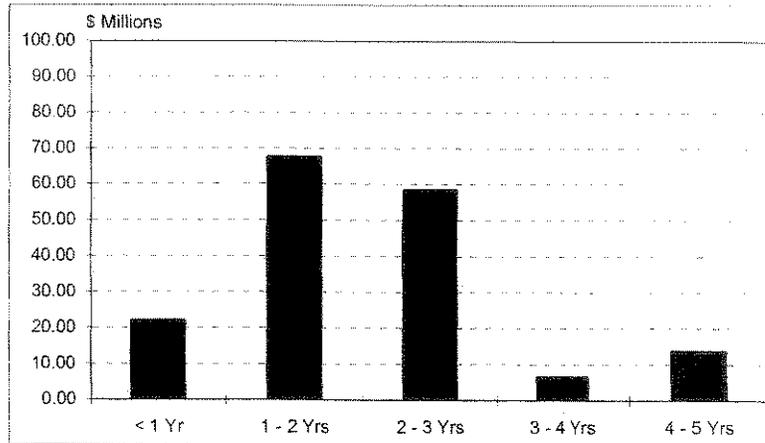
<b>Yield Curve Change From 8/31/09 to 9/30/09</b>			
	<u>8/31/09</u>	<u>9/30/09</u>	<u>Change</u>
1 Year	0.415%	0.380%	-0.0350%
2 Year	0.968%	0.945%	-0.0230%
3 Year	1.468%	1.424%	-0.0440%
5 Year	2.385%	2.312%	-0.0730%
30 Year	4.178%	4.050%	-0.1280%

# Short-Term Portfolio Maturity Schedule

As of 9/30/09

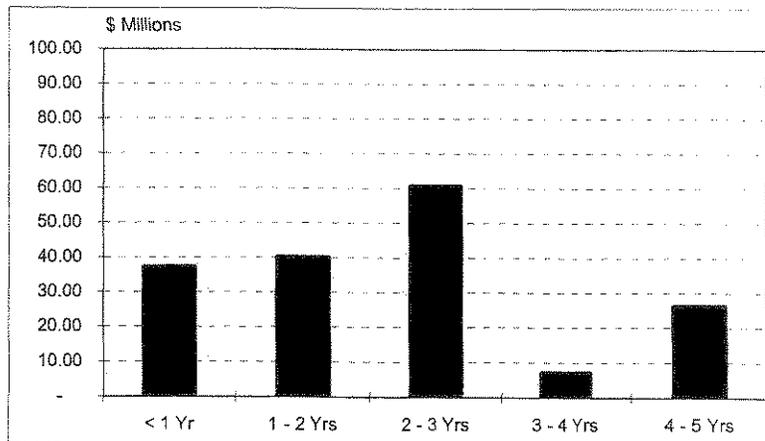
## Payden & Rygel (\$169.0 M)

Monthly Return	0.34%
Benchmark Comparison	0.24%
Fiscal YTD Return	1.17%
Benchmark Comparison	0.78%
12 Month Return	5.68%
Benchmark Comparison	3.46%



## Western Asset Management (\$173.2 M)

Monthly Return	0.32%
Benchmark Comparison	0.24%
Fiscal YTD Return	1.34%
Benchmark Comparison	0.78%
12 Month Return	6.04%
Benchmark Comparison	3.46%

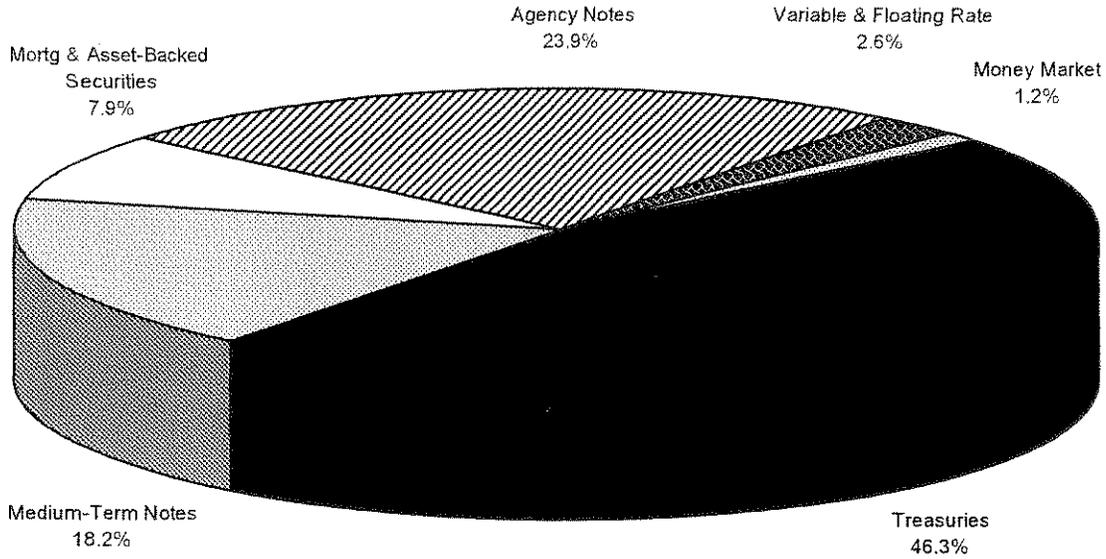


Yield Curve Change From 8/31/09 to 9/30/09			
	8/31/09	9/30/09	Change
1 Year	0.415%	0.380%	-0.0350%
2 Year	0.968%	0.945%	-0.0230%
3 Year	1.468%	1.424%	-0.0440%
5 Year	2.385%	2.312%	-0.0730%
30 Year	4.178%	4.050%	-0.1280%

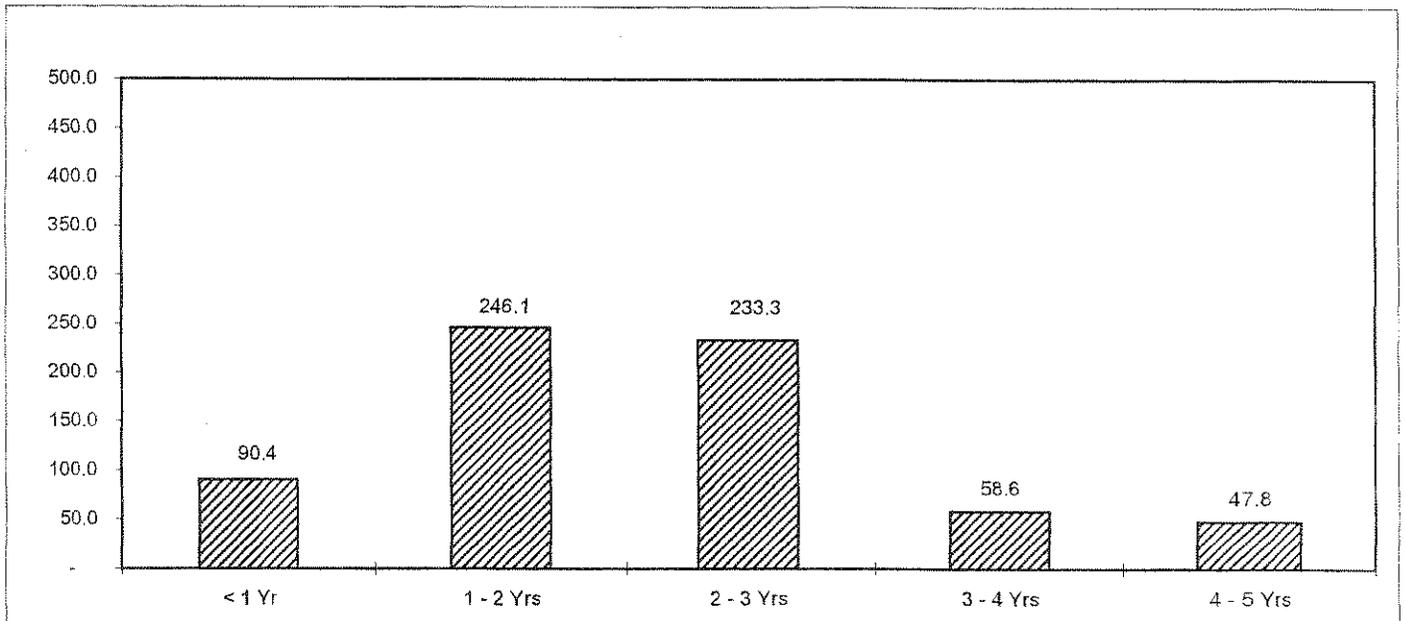
# Short-Term Portfolio

## As of 9/30/09

### Total Portfolio Composition

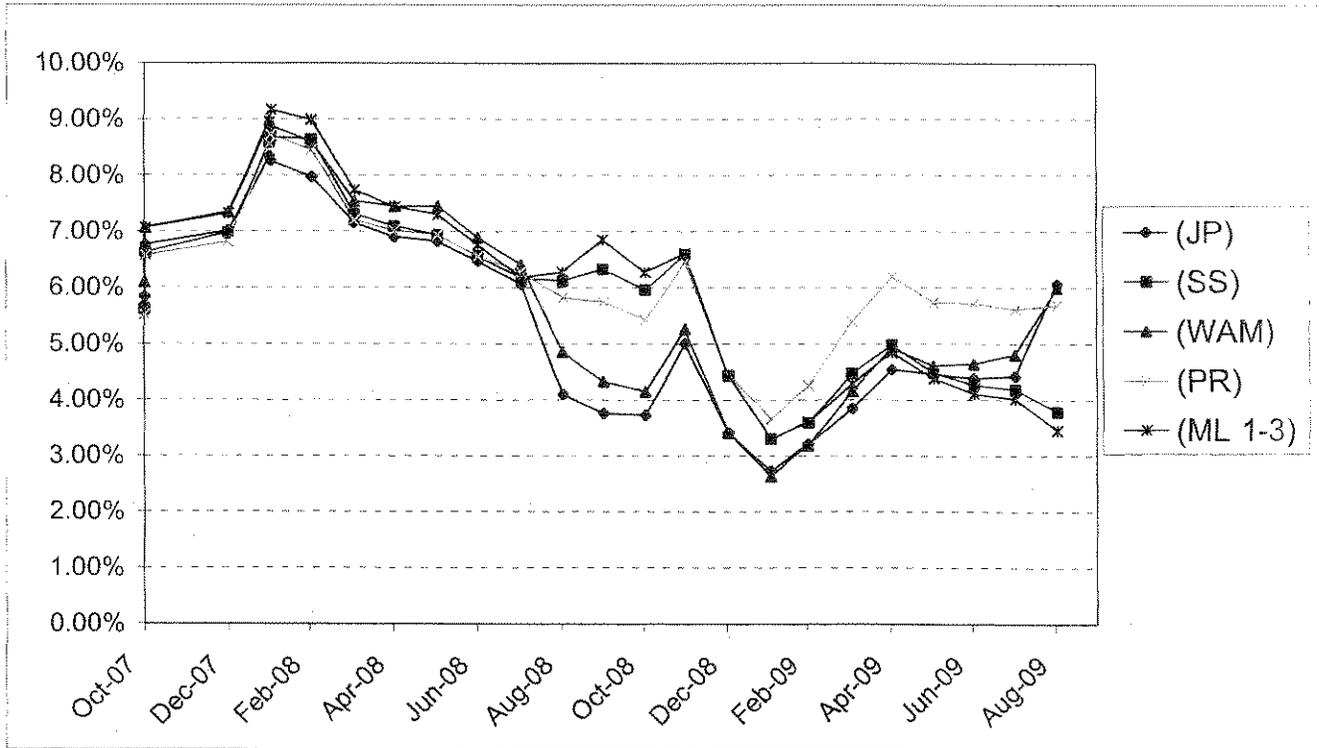


### Total Portfolio Maturity Schedule



# Short-Term Portfolio Performance As of 9/30/09

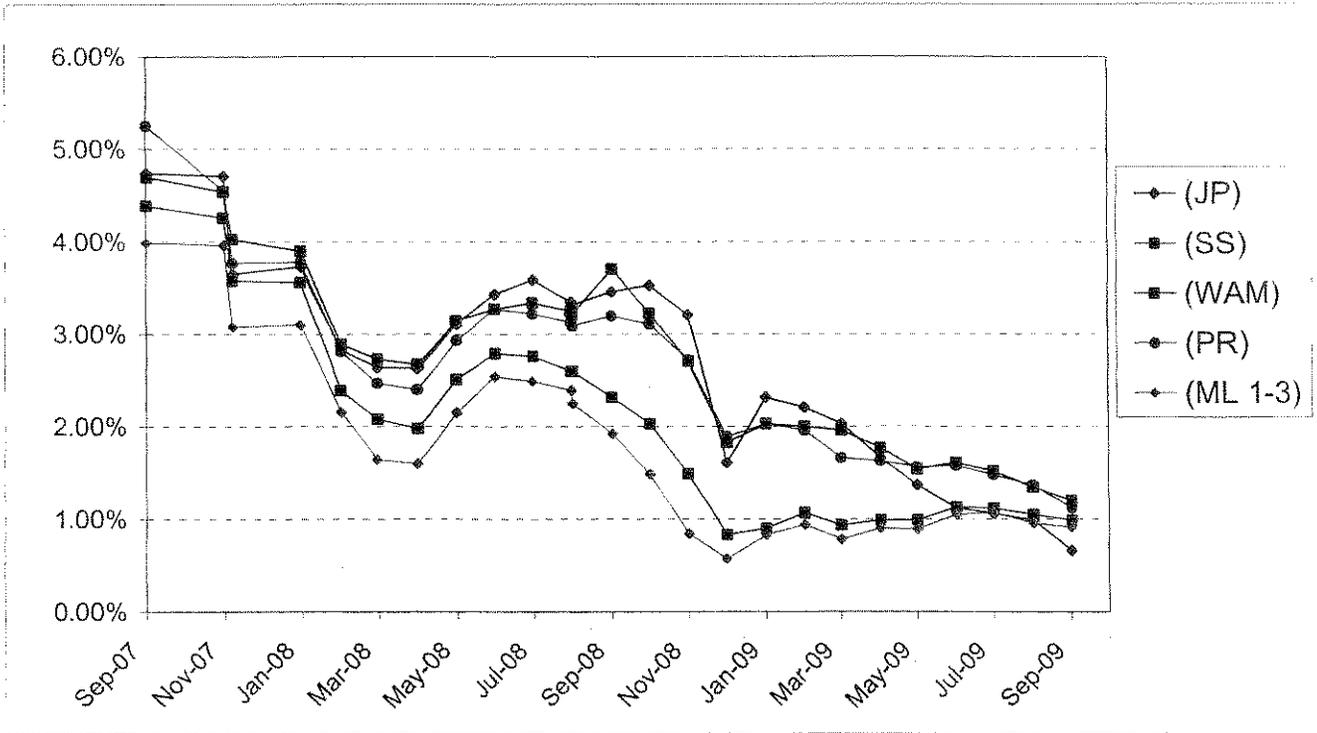
## Trailing 1-Year Total Return Vs. The Merrill Lynch 1-3 Treasury Benchmark



	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	Merrill Lynch 1-3 Yr (ML 1-3)
Oct-07	5.84%	5.62%	6.10%	5.52%	5.78%
Nov-07	6.76%	6.63%	7.07%	6.57%	7.06%
Dec-07	7.01%	6.97%	7.35%	6.81%	7.32%
Jan-08	8.34%	8.59%	8.99%	8.57%	8.95%
Feb-08	8.26%	8.69%	8.89%	8.73%	9.17%
Mar-08	7.97%	8.64%	8.60%	8.45%	8.99%
Apr-08	7.15%	7.31%	7.54%	7.20%	7.74%
May-08	6.90%	7.09%	7.45%	7.02%	7.44%
Jun-08	6.82%	6.94%	7.45%	6.94%	7.30%
Jul-08	6.47%	6.56%	6.89%	6.56%	6.76%
Aug-08	6.05%	6.17%	6.41%	6.29%	6.18%
Sep-08	4.10%	6.12%	4.86%	5.82%	6.27%
Oct-08	3.76%	6.33%	4.33%	5.75%	6.85%
Nov-08	3.73%	5.96%	4.15%	5.43%	6.27%
Dec-08	5.01%	6.59%	5.27%	6.46%	6.61%
Jan-09	3.41%	4.44%	3.42%	4.45%	4.43%
Feb-09	2.73%	3.31%	2.64%	3.66%	3.30%
Mar-09	3.21%	3.59%	3.19%	4.25%	3.61%
Apr-09	3.85%	4.48%	4.16%	5.40%	4.29%
May-09	4.55%	4.98%	4.93%	6.19%	4.85%
Jun-09	4.46%	4.49%	4.62%	5.74%	4.39%
Jul-09	4.39%	4.27%	4.65%	5.72%	4.11%
Aug-09	4.43%	4.19%	4.81%	5.62%	4.02%
Sep-09	6.06%	3.79%	6.00%	5.68%	3.46%

# Comparative Yield Performance As of 9/30/09

## Historical Yields Vs. The Merrill Lynch 1-3 Treasury Benchmark



	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	Merrill Lynch 1-3 Yr (ML 1-3)
Sep-07	4.74%	4.39%	4.70%	5.25%	3.99%
Oct-07	4.71%	4.26%	4.54%	4.55%	3.96%
Nov-07	3.65%	3.58%	4.03%	3.77%	3.08%
Dec-07	3.73%	3.56%	3.90%	3.78%	3.10%
Jan-08	2.83%	2.39%	2.89%	2.81%	2.16%
Feb-08	2.64%	2.08%	2.73%	2.47%	1.64%
Mar-08	2.63%	1.98%	2.67%	2.40%	1.60%
Apr-08	3.11%	2.51%	3.14%	2.93%	2.15%
May-08	3.43%	2.79%	3.27%	3.27%	2.54%
Jun-08	3.59%	2.76%	3.34%	3.22%	2.49%
Jul-08	3.35%	2.60%	3.25%	3.13%	2.40%
Aug-08	3.32%	2.60%	3.21%	3.09%	2.25%
Sep-08	3.46%	2.32%	3.71%	3.20%	1.92%
Oct-08	3.53%	2.03%	3.23%	3.11%	1.49%
Nov-08	3.21%	1.49%	2.71%	2.72%	0.84%
Dec-08	1.61%	0.83%	1.83%	1.89%	0.57%
Jan-09	2.32%	0.90%	2.03%	2.03%	0.83%
Feb-09	2.21%	1.07%	2.00%	1.96%	0.94%
Mar-09	2.03%	0.93%	1.96%	1.66%	0.78%
Apr-09	1.66%	0.99%	1.77%	1.63%	0.90%
May-09	1.37%	0.99%	1.54%	1.56%	0.89%
Jun-09	1.12%	1.13%	1.61%	1.58%	1.05%
Jul-09	1.06%	1.12%	1.52%	1.48%	1.07%
Aug-09	0.99%	1.05%	1.35%	1.37%	0.96%
Sep-09	0.66%	0.99%	1.20%	1.12%	0.91%

# Liquid Funds Portfolio - \$165.2 M

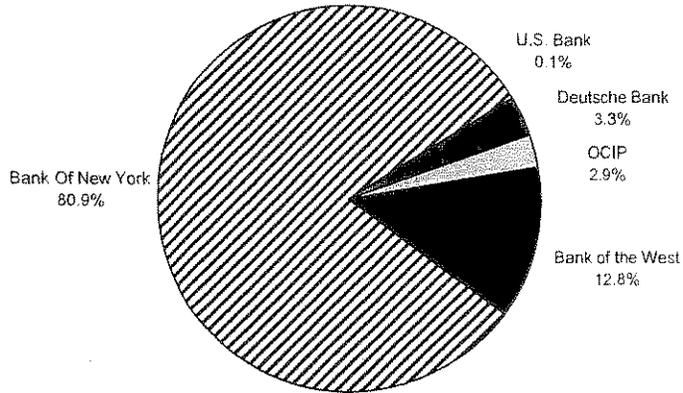
## As of 9/30/09

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### Other Liquid Funds

Book Value       \$       165,194,184

Market Value     \$       165,336,986



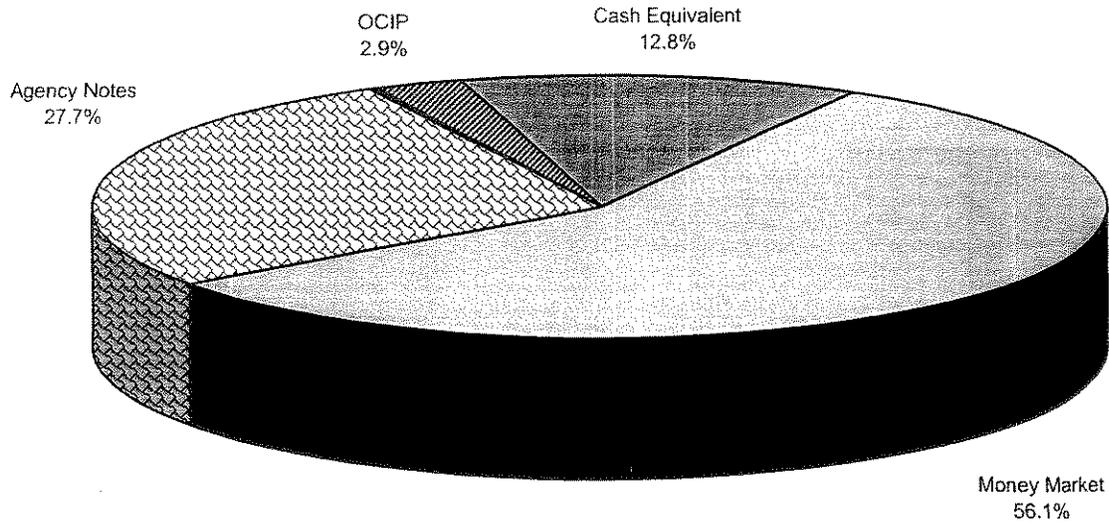
<b>Yield Curve Change From 8/31/09 to 9/30/09</b>			
	<u>8/31/09</u>	<u>9/30/09</u>	<u>Change</u>
1 Month	0.096%	0.052%	-0.0440%
3 Month	0.127%	0.108%	-0.0190%
6 Month	0.223%	0.168%	-0.0550%

*Market Value Reported By Custodial Bank*

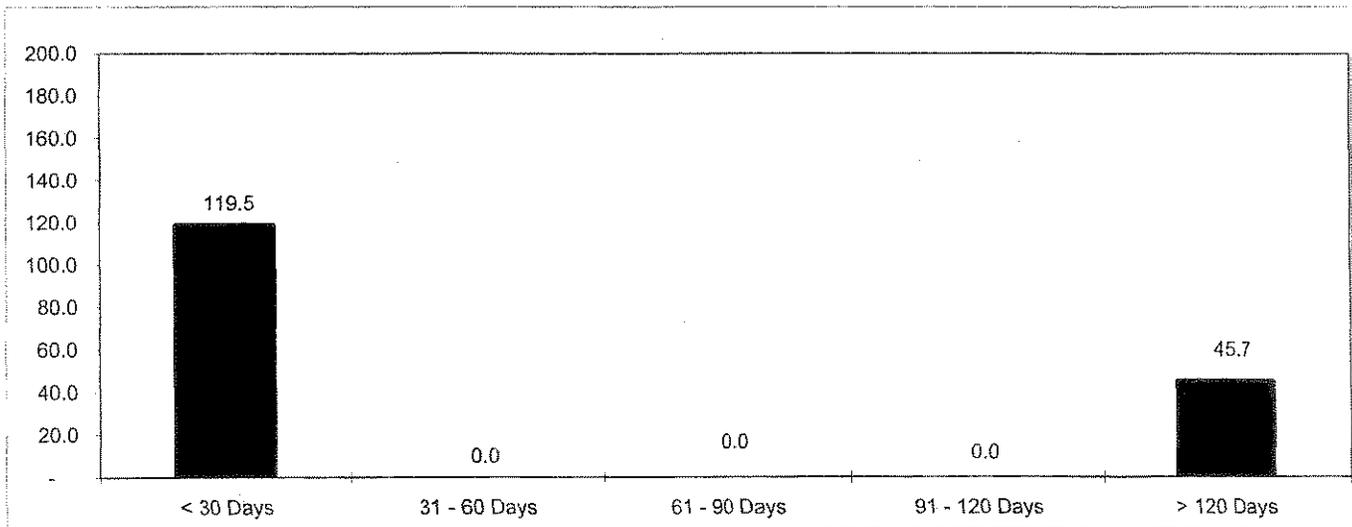
# Liquid Portfolio

## As of 9/30/09

### Total Portfolio Composition



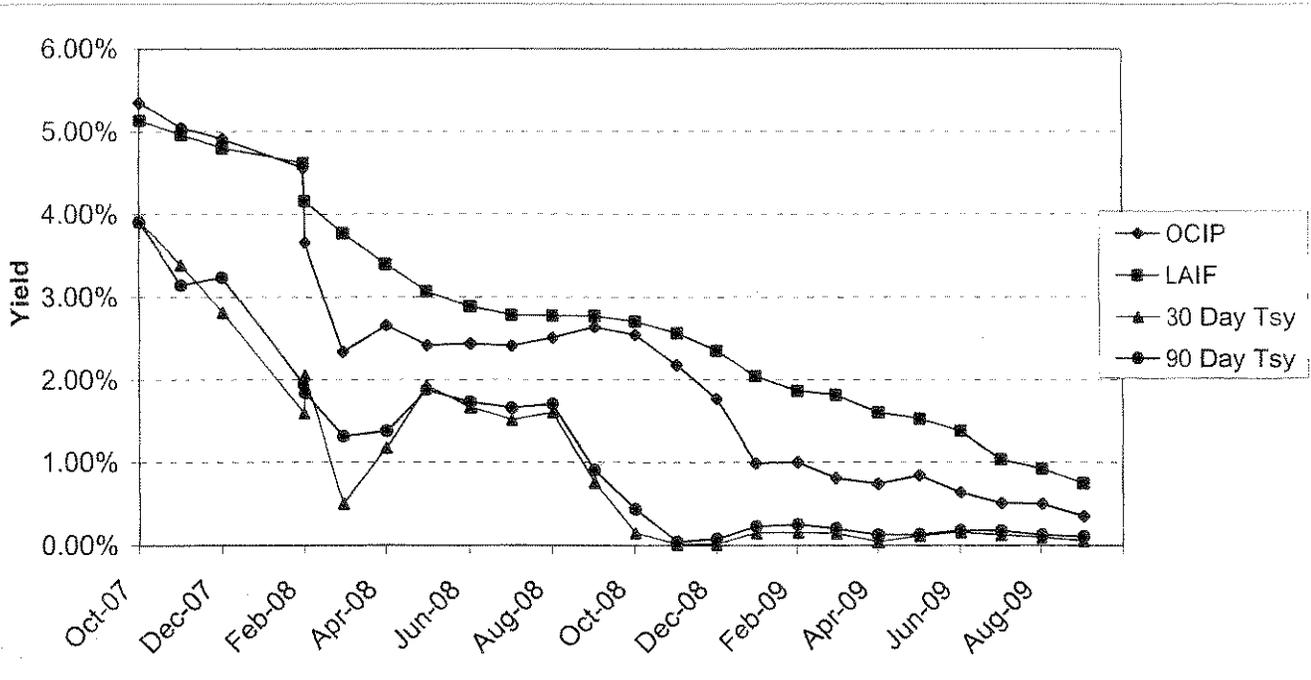
### Maturity Schedule For Liquid Portfolio



# Liquid Portfolio Performance

## As of 9/30/09

**Trailing 2-Year Yield**  
**OCIP, LAIF, 30 & 90 Day Treasury Bills**

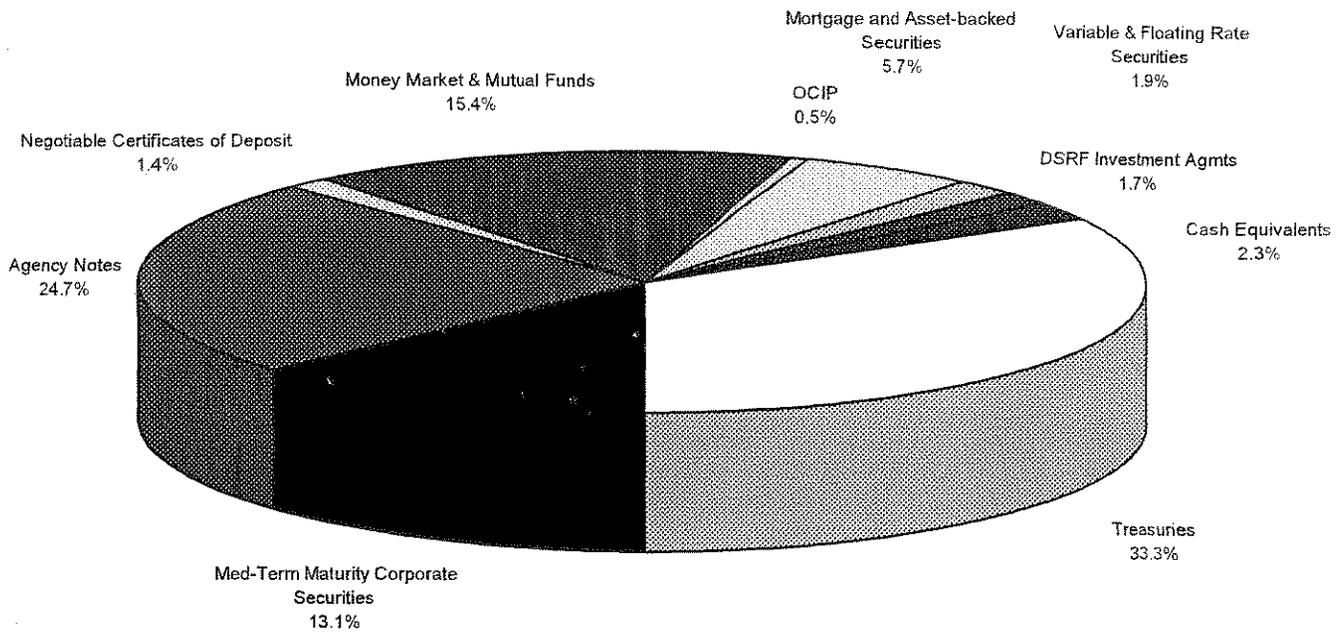


	<u>OCIP</u>	<u>LAIF</u>	<u>30 Day Tsy</u>	<u>90 Day Tsy</u>
Oct-07	5.35%	5.14%	3.92%	3.91%
Nov-07	5.05%	4.96%	3.40%	3.14%
Dec-07	4.91%	4.80%	2.82%	3.24%
Jan-08	4.56%	4.62%	1.60%	1.94%
Feb-08	3.66%	4.16%	2.06%	1.84%
Mar-08	2.34%	3.78%	0.50%	1.32%
Apr-08	2.66%	3.40%	1.18%	1.38%
May-08	2.42%	3.07%	1.94%	1.88%
Jun-08	2.44%	2.89%	1.67%	1.73%
Jul-08	2.41%	2.79%	1.52%	1.66%
Aug-08	2.51%	2.78%	1.61%	1.71%
Sep-08	2.64%	2.77%	0.76%	0.90%
Oct-08	2.55%	2.71%	0.15%	0.44%
Nov-08	2.18%	2.57%	0.02%	0.04%
Dec-08	1.77%	2.35%	0.02%	0.08%
Jan-09	0.99%	2.05%	0.15%	0.23%
Feb-09	1.00%	1.87%	0.15%	0.25%
Mar-09	0.81%	1.82%	0.15%	0.20%
Apr-09	0.74%	1.61%	0.04%	0.13%
May-09	0.84%	1.53%	0.11%	0.13%
Jun-09	0.64%	1.38%	0.16%	0.18%
Jul-09	0.51%	1.04%	0.13%	0.18%
Aug-09	0.50%	0.93%	0.10%	0.13%
Sep-09	0.35%	0.75%	0.05%	0.11%

# Investment Allocation

## As of 9/30/09

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# Investment Policy Compliance

## As of 9/30/09

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	313,525,118	33.3%	100%
Federal Agencies & U.S. Government Sponsored *	232,033,354	24.7%	100%
State of California & Local Agencies **	-	0.0%	25%
Money Market Funds & Mutual Funds *	145,221,856	15.4%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	13,330,707	1.4%	30%
Commercial Paper	0	0.0%	25%
Medium Term Maturity Corporate Securities	122,977,288	13.1%	30%
Mortgage and Asset-backed Securities	53,415,410	5.7%	20%
Repurchase Agreements	0	0.0%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	53,706	0.0%	\$ 40 Million
Orange County Investment Pool (OCIP)	4,708,096	0.5%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	17,555,668	1.9%	30%
Debt Service Reserve Funds - Investment Agreements	16,148,012	1.7%	Not Applicable
Cash Equivalents	21,200,419	2.3%	Not Applicable
Derivatives (hedging transactions only)	0	0.0%	5%
<b>TOTAL</b>	<b>940,169,634</b>	<b>100.0%</b>	

\* See attached page for a detailed listing of this category

\*\* Balance does not include intra-agency borrowing for the purchase of the 91 Express Lanes in the amount of \$25,621,645

# Investment Policy Compliance

## As of 9/30/09

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### Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<u>Federal Agencies &amp; U.S. Government Sponsored</u>			
Federal Home Loan Bank (FHLB)	84,082,708	8.9%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	74,399,047	7.9%	35%
Federal Farm Credit Bank (FFCB)	3,919,783	0.4%	35%
Student Loan Marketing Association (SLMA)	0	0.0%	35%
Federal National Mortgage Association (FNMA)	<u>80,630,539</u>	<u>8.6%</u>	35%
	243,032,077 *	25.8%	

\* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

### Money Market Funds (MMF) & Mutual Funds

Fidelity Funds Treasury I MMF	56,216,425	6.0%
First American Obligations Treasury Fund	971,994	0.1%
Goldman Sach Fin. Square Govt. MMF	5,433,421	0.6%
Milestone Funds Treasury Obligations MMF	<u>82,600,016</u>	8.8%
	145,221,856	15.4%

# DEBT PROGRAM

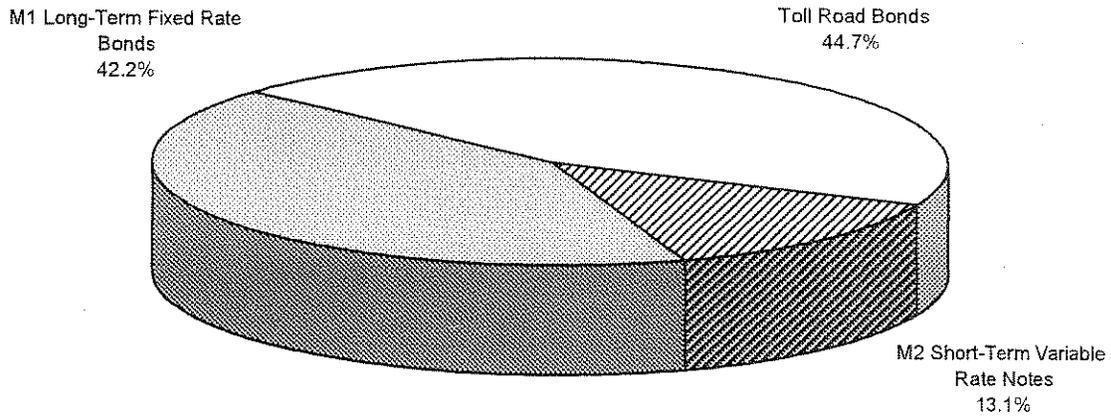
DEBT

# Total Outstanding Debt

## As of 9/30/09

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### Outstanding Debt



**TOTAL OUTSTANDING DEBT:     \$381,625,000**

# Outstanding Debt

## As of 9/30/09

### Orange County Local Transportation Authority (OCLTA-M1)

#### 2001 Second Senior Sales Tax Revenue Refunding Bonds

Issued:	\$	48,430,000
Outstanding:		32,970,000
Debt Service FY 2010:		17,668,500
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings		Aa3/AA/AA-
Final Maturity		2011

#### 1998 Second Senior Sales Tax Revenue Bonds

Issued:	\$	213,985,000
Outstanding:		45,385,000
Debt Service FY 2010:		24,581,175
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings		Aa3/AA/AA-
Final Maturity		2011

#### 1997 Second Senior Sales Tax Revenue Refunding Bonds

Issued:	\$	57,730,000
Outstanding:		30,145,000
Debt Service FY 2010:		16,418,265
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings		Aa3/AA/AA-
Final Maturity		2011

# Outstanding Debt

## As of 9/30/09

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### Orange County Local Transportation Authority (OCLTA-M1) - Continued

#### 1992 First Senior Sales Tax Revenue Bonds

Issued:	\$	350,000,000
Outstanding:		52,700,000
Debt Service FY 2010:		28,736,791
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings		Aa2/AAA/AA
Final Maturity		2011

### Orange County Local Transportation Authority (OCLTA-M2)

#### 2008 Tax-Exempt Commercial Paper

Issued:	\$	50,000,000
Outstanding:		50,000,000
Estimated Interest Debt Service FY 2010:		375,000
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings		A-1+ / P-1 / F1+

# Outstanding Debt

## As of 9/30/09

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### 91 Express Lanes \*

#### 2003 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	195,265,000
Outstanding:		170,425,000
Debt Service FY 2010:		15,000,000
Pledged Revenue Source:		Toll Road Revenues
Underlying Ratings		A1/A/A
Final Maturity		2030

\* Not reflected is the intra-agency borrowing (subordinated debt) for the purchase of the 91 Express Lanes in the amount of \$25,621,645





**October 28, 2009**

**To:** Finance and Administration Committee  
**From:** Will Kempton, <sup>WJK</sup>Chief Executive Officer  
**Subject:** First Quarter Fiscal Year 2009-10 Procurement Status Report

**Overview**

The first quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from July 1, 2009 through September 30, 2009, with a dollar value greater than \$250,000. The first quarter procurement status report also projects future procurement activity for the second quarter as identified in the fiscal year 2009-10 annual budget.

**Recommendation**

Receive and file as an information item.

**Background**

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2009-10 Budget, which identifies the goods and services that will be purchased during the fiscal year. A quarterly procurement report has been prepared detailing the procurement activity greater than \$250,000 that occurred during the first quarter of FY 2009-10. The report also provides a "look-ahead" of upcoming procurement activity by the Board committee. The quarterly procurement report identifies contractual activity, not dollars spent.

**Discussion**

During the first quarter of FY 2009-10, the Contracts Administration and Material Management Department handled 289 different contractual documents, valued at \$70,517,302. During this period, there were 22 procurements completed with dollar values greater than \$250,000. The 22 procurements included six new agreements valued at \$11,405,260, five

cooperative agreements valued at \$10,137,600, three purchase orders valued at \$1,525,000, one sole source agreement valued at \$250,000, and two amendments valued at \$1,350,000. Five option terms were exercised during this period for a total value of \$1,833,944. Attachment A shows a list of all procurements executed during the first quarter that have a value greater than \$250,000.

Looking forward to the second quarter of FY 2009-10 (October through December), the Board committees will be asked to take action on several consultant selections for right-of-way services, architectural and engineering services, freeway service patrol services, cooperative agreements with several cities for Go Local bus shuttle service, and sole source for farebox upgrades. Estimated value of these upcoming procurements is \$23,687,222. Attachments B through E identify procurement activity anticipated in the second quarter of FY 2009-10 by the committee that will review the items.

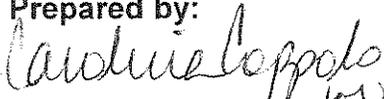
### **Summary**

This report provides an update of the procurement activity for the first quarter of FY 2009-10, July through September 2009, as well as a look ahead at anticipated procurement activity for the second quarter of FY 2009-10. Staff recommends that this report be received and filed as an information item.

### **Attachments**

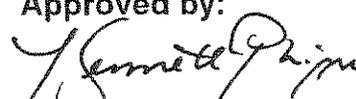
- A. Contracts Over \$250,000 Awarded During First Quarter Fiscal Year 2009-10
- B. Highway Committee – Second Quarter Outlook (October 1, 2009 – December 31, 2009)
- C. Transit Committee – Second Quarter Outlook (October 1, 2009 – December 31, 2009)
- D. Finance and Administration Committee – Second Quarter Outlook (October 1, 2009 – December 31, 2009)
- E. Transportation 2020 Committee – Second Quarter Outlook (October 1, 2009 – December 31, 2009)

Prepared by:



Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
714-560-5623

Approved by:



Kenneth Phipps  
Executive Director,  
Finance and Administration  
714-560-5637

**Contracts Over \$250,000 Awarded During First Quarter FY 2009-2010**

**AGREEMENTS**

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
DALKE & SONS CONSTRUCTION, INC	C90212	Contract for construction of steam clean vehicle lifts at Anaheim, Garden Grove and Irvine Sand Canyon bases	9/11/2009	7/31/2010	\$ 699,800
PADILLA & ASSOCIATES, INC	C90253	Consultant to assist with implementation of Disadvantaged Business Enterprise (DBE) program	7/1/2009	6/30/2012	250,000
L H ENGINEERING	C90397	Contract for Workers' Fall Protection Systems	9/11/2009	3/31/2010	670,000
INLAND PETROLEUM EQUIPMENT & REPAIR	C81351	Underground tank testing and repairs	7/1/2009	6/30/2012	600,000
DIAMOND CONTRACT SERVICES, INC	C90259	Janitorial services	8/17/2009	7/13/2013	4,097,939
COUNTY OF ORANGE - SHERIFF	C81022	Contract for law enforcement services - Orange County Sheriff	7/2/2009	6/30/2013	5,087,521
<b>TOTAL</b>					<b>\$ 11,405,260</b>

**COOPERATIVE AGREEMENTS**

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
CITY OF ANAHEIM	C90448	Cooperative Agreement for ARTIC funding with the City of Anaheim, Phase I	7/1/2009	3/31/2011	\$ 6,000,000
CITY OF ANAHEIM	C90413	Cooperative Agreement with the City of Anaheim for traffic engineering, environmental re- evaluation, project support and police services for the railroad grade separation projects	7/13/2009	8/1/2016	370,000
CITY OF PLACENTIA	C90412	Cooperative Agreement with the City of Placentia for traffic engineering, environmental re- evaluation, project support and police services for the railroad grade separation projects	8/10/2009	8/1/2016	537,500
SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY (SCRRA)	C90429	Cooperative Agreement with Southern California Regional Rail Authority to fund grade monitors in Orange County through Prop 1B California Transit Security Grant Program	7/21/2009	3/31/2011	273,100
CALTRANS DISTRICT 12	C90320	Cooperative Agreement with Caltrans to fund the construction capital cost of the Garden Grove additional soundwalls	8/27/2009	6/30/2012	2,957,000
<b>TOTAL</b>					<b>\$ 10,137,600</b>

**Contracts Over \$250,000 Awarded During First Quarter FY 2009-2010**

**PURCHASE ORDERS**

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
MARSH RISK & INSURANCE SERVICES	A14027	Insurance brokerage services for excess workers' compensation through ACE American Insurance Company	10/1/2009	10/1/2010	\$ 500,000
MARSH RISK & INSURANCE SERVICES	A14151	Insurance brokerage services for excess liability insurance policy (insurance company to be selected at 10/28/09 F & A Committee)	11/1/2009	11/1/2010	550,000
MARSH RISK & INSURANCE SERVICES	A14591	Insurance brokerage services for property insurance policy (insurance company to be selected at 11/18/09 F & A Committee)	12/1/2009	12/1/2010	475,000
<b>TOTAL</b>					<b>\$ 1,525,000.00</b>

**SOLE SOURCES**

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
TELVENT	A14021	Maintenance and support for the toll pro customer account management system for 91 Express Lanes	7/1/2009	6/30/2010	\$ 250,000
<b>TOTAL</b>					<b>\$ 250,000</b>

**AMENDMENTS**

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
CALTRANS DISTRICT 12	C71152	Real estate support services for the Riverside Freeway eastbound plan, specifications & estimates (PS&E)	12/1/2008	12/31/2012	\$ 350,000
MIRALLES ASSOCIATES, INC	C60085	Amendment to reimburse for plan check fees	7/1/2006	6/30/2010	1,000,000
<b>TOTAL</b>					<b>\$ 1,350,000</b>

Contracts Over \$250,000 Awarded During First Quarter FY 2009-2010

OPTION YEARS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
IMARCH NETWORKS CORPORATION	C60142	Exercise third option term for on-board video surveillance retrieval system	8/1/2009	7/31/2010	\$ 425,000
ORANGE COUNTY ASSOCIATION FOR DISABLED ADULTS	C70693	Exercise first option term for transportation services for disabled adults	7/1/2009	6/30/2010	396,165
SOUTH COUNTY SENIOR SERVICES	C70689	Exercise first option term for transportation services for South County Adult Day Healthcare Center	7/1/2009	6/30/2010	286,104
GALLS, AN ARAMARK COMPANY, LLC	C70614	Exercise first option term for uniforms for coach operators, instructors and field supervisors	7/1/2009	6/30/2010	307,166
TRISTAR RISK MANAGEMENT	C52590	Exercise second option term for workers' compensation claims administration	11/1/2009	10/31/2010	419,509
<b>TOTAL</b>					<b>\$ 1,833,944</b>

**HIGHWAY COMMITTEE - Second Quarter Outlook (October 1, 2009 - December 31, 2009)**

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
October 5, 2009	Committee meeting was cancelled		
October 19, 2009	Cooperative Agreement with City of Fullerton for Railroad Grade Separation Projects	\$487,000	Development
	Consultant Selection for On-Call Utility Coordination and Support	\$900,000	Development
	Consultant Selection for On-Call Right-of-Way Services	\$1,000,000	Development
November 2, 2009	Cooperative Agreement with California Department of Transportation for Constructing the Santa Ana Freeway Gateway Project Landscaping and a Maintenance Agreement with the City of Buena Park for the Gateway Monument Sign	\$1,279,000	Development
	Cooperative Agreement with the City of Long Beach for the San Diego Freeway West County Connectors Project	\$2,000,000	Development
	Cooperative Agreement with the California Department of Transportation for the San Diego Freeway West County Connectors Project	\$874,000	Development

**HIGHWAY COMMITTEE - Second Quarter Outlook (October 1, 2009 - December 31, 2009)**

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
November 16, 2009	No Procurement Items on Agenda		
December 7, 2009	No Procurement Items on Agenda		
December 21, 2009	No Procurement Items on Agenda		

**TRANSIT COMMITTEE - Second Quarter Outlook (October 1, 2009 - December 31, 2009)**

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
October 8, 2009	Amendment to Agreement with Cingular Wireless for Callbox Digital Wireless Service	\$75,000	Executive
	Consultant Selection for Bus Stop Maintenance Program	\$2,013,113	Transit
	Cooperative Agreement with City of Laguna Beach for Go Local Step Two Bus/Shuttle Service Planning	\$100,000	Rail
	Cooperative Agreement with the City of Orange and the Orange Redevelopment Agency for Parking Expansion at the Orange Transportation Center	\$200,000	Rail
October 22, 2009	Cooperative Agreement with Fullerton and Santa Ana for Transit Center Expansions	\$1,600,000	Development
	Cooperative Agreement with the City of La Habra for Go Local Step Two Bus/Shuttle Service Planning	\$300,000	Rail
	Project Management, Technical Consulting and Support for the Procurement and Implementation of the Intelligent Transit Management System	\$427,507	Transit
	Approval to Release Request for Proposals for 89 Low-Emission Vehicles	\$2,250,000	Transit

**TRANSIT COMMITTEE - Second Quarter Outlook (October 1, 2009 - December 31, 2009)**

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
November 12, 2009	Amendment to Agreement for Bus System Schedule Checking	\$720,000	Transit
	Cooperative Agreement with the City of Orange for the Design of a Parking Structure at the Orange Transportation Center	\$2,000,000	Rail
	Cooperative Agreement with the Cities of Irvine and Laguna Woods for Go Local Step Two Bus/Shuttle Service Planning	\$997,000	Rail
	Consultant Selection for On-Call Architectural and Engineering Services for Facility Modifications	\$2,000,000	Rail
	Project Management, Technical Consulting and Support for the Procurement and Implementation of the Intelligent Transit Management System	\$427,507	Transit
November 25, 2009	No procurement items on agenda		
December 10, 2009	Consultant Selection for the Design and Installation of a Video Surveillance System at the Santa Ana Regional Transportation Center	\$150,000	Rail
	Agreement for the Construction of a Pedestrian Access and Fencing at the Tustin Metrolink Station	\$260,000	Rail
December 17, 2009	No procurement items on agenda		

**FINANCE and ADMINISTRATION COMMITTEE - Second Quarter Outlook (October 1, 2009 - Decemberr 31, 2009)**

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
October 14, 2009	Sole Source Agreement for GFI Data Systems Upgrade	\$475,000	F&A
	Purchase Microsoft Enterprise Software	\$782,095	F&A
	Agreement for Information Systems Disaster Recovery Solutions	\$370,000	F&A
October 28, 2009	Agreements for Health Insurance Services and Health Brokerage Services	various rates based on per enrollee	HR0D
November 18, 2009	91 Express Lanes Property Insurance Renewal	\$500,000	HR0D
December 9, 2009	No Procurement Items on Agenda		
December 23, 2009	No Procurement Items on Agenda		

**TRANSPORTATION 2020 COMMITTEE - Second Quarter Outlook (October 1, 2009 - December 31, 2009)**

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Budget</u>	<u>Division</u>
November 16, 2009	Amendment to Cooperative Agreement with the City of Anaheim to Transfer Responsibility for the Environmental Compliance and to assign the Agreement with Jones & Stokes to the City of Anaheim	\$1,500,000	Rail





**October 28, 2009**

**To:** Finance and Administration Committee  
**From:** Will Kempton <sup>WR, JK</sup> Chief Executive Officer  
**Subject:** Agreements for Health Insurance Services and Health Insurance Brokerage Services

**Overview**

The Orange County Transportation Authority currently has agreements with various companies to provide medical, dental, and vision services for administrative employees and employees represented by the Transportation Communications Union.

The Orange County Transportation Authority currently has an agreement with Mercer, the insurance Broker of Record, to assist the Human Resources Department in placing coverages for its employees' health benefits. This agreement expires November 30, 2009.

**Recommendations**

- A. Authorize the Chief Executive Officer to execute Amendment No. 5 to Agreement No. C-5-0455 between the Orange County Transportation Authority and Kaiser Foundation Health Plan, Inc., on a cost per employee basis for prepaid medical services through December 31, 2010. The annual 2010 Kaiser Foundation Health Plan, Inc., premium costs will vary in accordance with actual enrollment.
- B. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-1054 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for prepaid medical services through December 31, 2010. The annual 2010 Aetna health maintenance organization premium costs will vary in accordance with actual enrollment.

- C. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-1055 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for open access managed choice medical services through December 31, 2010. The annual 2010 Aetna open access managed choice premium costs will vary in accordance with actual enrollment.
- D. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-5-2862 between the Orange County Transportation Authority and MetLife Insurance Company, on a cost per employee basis, for preferred provider organization dental services through December 31, 2010. The annual 2010 MetLife Insurance Company dental preferred provider organization premium costs will vary in accordance with actual enrollment.
- E. Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-6-0657 between the Orange County Transportation Authority and Vision Service Plan, on a cost per employee basis, for vision services through December 31, 2012. The annual 2010 Vision Service Plan premium costs will vary in accordance with actual enrollment.
- F. Authorize the Chief Executive Officer to execute Amendment No. 6 to Agreement No. C-4-1271 to exercise a second option term between the Orange County Transportation Authority and Mercer through November 30, 2010, for an amount not to exceed \$80,000, to continue to provide health insurance brokerage services.

***Discussion***

Request for renewals was conducted to obtain competitive pricing on behalf of the Orange County Transportation Authority (Authority) by Mercer, the Authority's health insurance Broker of Record. The renewals are for medical, dental, and vision service for administrative employees as well as employees represented by the Transportation Communications Union (TCU). Mercer sent a request for renewals to Kaiser Foundation Health Plan, Inc. (Kaiser), Aetna, MetLife Insurance Company (MetLife), and Vision Service Plan (VSP).

On June 1, 2009, initial renewal quotes were received from Kaiser, Aetna, MetLife, and VSP. Representatives from the Human Resources Department met with Mercer on June 22, 2009, to evaluate the renewals and proposals. Mercer negotiated with each of the current providers to ensure the best possible renewal and proposal rates for the Authority (Attachment A, Summary of Renewals 2010).

The annual premiums are estimates due to the fact the actual total annual premium will vary in accordance with actual enrollment. In addition, it should be noted that it is difficult for the Authority to seek competitive rates due to the small population of administrative and TCU employees covered under these plans (approximately 500 employees) coupled with large claims during the first five months of the plan year.

#### **Medical Services**

Kaiser provided a 3.7 percent premium renewal increase or approximately \$45,000, which is lower than last year's 10.2 percent increase for calendar year 2009. Effective January 1, 2007, Kaiser changed its rating methodology, applying higher group-specific risk adjustment factors rather than spreading the risk among many employers. This change was the main contributor to the relatively higher premium increases for the past three years, which were 17.3 percent in 2007, 13.2 percent in 2008, and 10.2 percent in 2009. The premium increase for 2010 is significantly lower than the previous three years, which seems to be a leveling off of the change in Kaiser's rating methodology. A one-year amendment to the contract is requested as Kaiser allows only a one-year term extension.

The Aetna plans were implemented January 1, 2009; the renewal rate is based on the claims experience during the period of January 1, 2009 through May 31, 2009. Aetna provided a renewal premium increase of 15 percent, or approximately \$608,000 for calendar year 2010. One of the main reasons for the significant increase was due to several large claims this year which have not yet fully matured. As a result, Aetna applied very conservative factors when developing the renewal rates. A one-year amendment to the contract is requested as Aetna allows only a one-year term extension.

#### **Dental Services**

The Authority offers two choices of dental plans to its employees and their families. The Preferred Provider Organization (PPO) Plan is offered through MetLife and the HMO plan is offered through SmileSaver. For calendar year 2007, the dental rates for both the PPO and HMO plans remained the same. For calendar year 2008, the Authority made changes to the plan design of the PPO plan. The current plan design did not differentiate the benefits between in-network and out-of-network services. In an effort to lower the overall renewal increase, the Authority reduced the benefits for out-of-network services. This resulted in an overall increase of 18.2 percent for calendar year 2008. For calendar year 2009, Mercer solicited proposals from the carriers for both a PPO plan and a HMO plan. Mercer received proposals

from CIGNA, Delta Dental, MetLife/Safeguard, SmileSaver and United Healthcare. SmileSaver, the incumbent, offered a decrease of 5.6 percent below the current rate, guaranteed through December 31, 2010. MetLife, the incumbent, provided no rate increase and guaranteed rates for one year. For calendar year 2010, MetLife provided a premium renewal increase of 9.2 percent, or approximately \$55,700. A one-year amendment to the contract is requested.

#### Vision Services

The vision plan provided by VSP is self-funded. An administrative and claims fee are paid on a monthly basis, and monthly claims expenses vary from month to month. For 2010, VSP provided an overall rate increase of 10.4 percent or approximately \$11,000. Based on the current headcount, the annual cost will be \$119,000. Mercer requested VSP to provide a rate quote on the same plan but under a fully-insured contract. The rate increase for a fully-insured contract is 7.4 percent or approximately \$8,000. Based on current headcount, the annual cost will be approximately \$116,000. The fully-insured plan provides the same benefit as the self-funded plan with a \$3,000 cost reduction and stability in the monthly budgeting, as the Authority will not be required to make claims payments each month. The premium rates will be guaranteed for three years. Due to competitive costs, administrative simplification, and stability in monthly budgeting, staff recommends contracting with VSP on a full-insured basis beginning on January 1, 2010 through December 31, 2012.

#### Health Insurance Brokerage Services

Mercer provides the following services in addition to marketing and placing coverages: assists the Authority in developing a comprehensive, cost-effective health and welfare program, and informs of new legislation that may affect the Authority.

This procurement for services provided by Mercer was originally handled in accordance with the Authority's procedures for professional and technical services. The agreement provided for an initial term of three years with two option terms.

The original agreement awarded on March 14, 2005, was for a contract maximum of \$265,000 for the period March 14, 2005 through November 30, 2008. Two additional amendments were approved by the purchasing agent to add \$31,000 to the contract. On September 8, 2008, Amendment No. 5 was approved by the Board of Directors (Board) to exercise the first option term of December 1, 2008 through November 30, 2009, and

to increase the contract amount by \$80,000. Pending Board approval, Amendment No. 6, will exercise the second option term between the Authority and Mercer from December 1, 2009 through November 30, 2010, for an amount not to exceed \$80,000. The contract maximum obligation after approval of Amendment No. 6 will be \$456,000.

Staff is very satisfied with the services provided as outlined in Attachment A, Mercer's Stewardship Report, and recommends exercising the second option term with Mercer to maintain health insurance brokerage services.

#### **Employee Contributions**

As approved by the Board, the Authority implemented a benefits program designed to attract and retain a productive workforce in a competitive labor market. In order to offer a competitive benefits program, the Authority has made changes to the various health and welfare plans over the past few years. Plan design changes were made as well as changes to the employee cost sharing of premiums. No changes are being recommended for the contribution percentages paid by administrative employees and employees represented by the TCU for calendar year 2010.

#### **Financial Impact**

Brokerage services costs for health insurance were approved in the fiscal year 2009-10 (FY 2010) budget, Human Resources and Organizational Development, Account 1330-7519-A2307-FBE.

The costs for health care benefits were also approved in the FY 2009-10 budget. It is anticipated there will be an overall increase of 11.2 percent or approximately \$688,000 in calendar year 2010 to the cost of the health insurance benefit plans, which is consistent with the budgeted amount for FY 2009-10. Since the renewal rates are on a calendar year basis, the Authority will address the FY 2010-11 amounts, along with the other assumptions utilized in the budget, during the next budgeting cycle.

#### **Summary**

Based on the information provided, staff recommends approval of amending existing contracts with Kaiser Foundation Health Plan, Inc., Aetna, MetLife Insurance Company, Mercer, and Vision Service Plan to provide continuity of health coverages for employees and their families.

**Attachments**

- A. Summary of Renewals 2010
- B. Orange County Transportation Authority 2010 Employee Contributions Effective January 1, 2010
- C. Fact Sheet Kaiser Foundation Health Plan, Inc., Agreement No. C-5-0455
- D. Fact Sheet Aetna, Agreement No. C-8-1054
- E. Fact Sheet Aetna, Agreement No. C-8-1055
- F. Fact Sheet MetLife, Agreement No. C-5-2862
- G. Fact Sheet Vision Service Plan, Agreement No. C-6-0657
- H. Fact Sheet Mercer, Agreement No. C-4-1271
- I. Mercer Stewardship Report, Orange County Transportation Authority, February 26, 2009

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## Summary of Renewals 2010

Plan Coverages	2009		2010		Total % Change
			Negotiated	Total \$ Change	
Medical	Kaiser Permanente HMO	\$1,333,000	\$1,383,000	\$50,000	3.8%
	Aetna HMO & OAMC	\$4,054,000	\$4,662,000	\$608,000	15.0%
Dental	MetLife	\$606,000	\$662,000	\$56,000	9.2%
	SmileSaver <sup>1</sup>	\$22,000	\$22,000	\$0	0.0%
Vision	VSP	\$108,000	\$116,000	\$8,000	7.4%
FSA	WageWorks	\$12,000	\$15,000	\$3,000	25.0%
Life	Basic <sup>1</sup>	\$126,000	\$126,000	\$0	0.0%
AD&D	Basic <sup>1</sup>	\$29,000	\$29,000	\$0	0.0%
Disability	STD <sup>1</sup>	\$29,000	\$29,000	\$0	0.0%
	LTD <sup>1</sup>	\$146,000	\$146,000	\$0	0.0%
<b>Total Gross Costs</b>		\$6,465,000	\$7,190,000	\$725,000	11.2%
<b>Total Employee Contributions</b>		\$337,000	\$374,000	\$37,000	11.0%
<b>Total Net Costs</b>		\$6,128,000	\$6,816,000	\$688,000	11.2%

<sup>1</sup> Existing contracts with rate guarantees through December 31, 2010

**Orange County Transportation Authority  
2010 Employee Contributions  
Effective January 1, 2010**

Plan	Monthly Premium		Proposed Employee Bi-Weekly Contribution	Employee Share (%)
	Plan Cost	Proposed Employee Contribution		
<b>Kaiser HMO</b>				
Employee Only	\$ 383.51	\$ 38.35	\$ 17.70	10%
Employee + 1 Dependent	\$ 767.02	\$ 115.05	\$ 53.10	15%
Employee + Family	\$ 1,085.34	\$ 162.80	\$ 75.14	15%
<b>Aetna HMO</b>				
Employee Only	\$ 390.46	\$ 39.05	\$ 18.02	10%
Employee + 1 Dependent	\$ 839.49	\$ 125.92	\$ 58.12	15%
Employee + Family	\$ 1,132.34	\$ 169.85	\$ 78.39	15%
<b>Aetna OAMC</b>				
Employee Only	\$ 607.55	\$ 60.76	\$ 28.04	10%
Employee + 1 Dependent	\$ 1,306.23	\$ 195.93	\$ 90.43	15%
Employee + Family	\$ 1,761.88	\$ 264.28	\$ 121.98	15%
<b>SmileSaver Dental HMO</b>				
Employee Only	\$ 10.35	\$ 1.04	\$ 0.48	10%
Employee + 1 Dependent	\$ 16.00	\$ 2.40	\$ 1.11	15%
Employee + Family	\$ 21.00	\$ 3.15	\$ 1.45	15%
<b>MetLife Dental PPO</b>				
Employee Only	\$ 64.47	\$ 6.45	\$ 2.98	10%
Employee + 1 Dependent	\$ 138.49	\$ 20.77	\$ 9.59	15%
Employee + Family	\$ 186.11	\$ 27.92	\$ 12.88	15%
<b>Vision Service Plan</b>				
Employee Only	\$ 13.17	\$ 1.32	\$ 0.61	10%
Employee + 1 Dependent	\$ 26.34	\$ 3.95	\$ 1.82	15%
Employee + Family	\$ 38.19	\$ 5.73	\$ 2.64	15%

**Fact Sheet  
Kaiser Foundation Health Plan, Inc.  
Agreement No. C-5-0455**

1. May 23, 2005, Agreement No. C-5-0455, \$850,000, approved by Board of Directors.
  - To provide prepaid medical services for the Authority's administrative employees and employees represented by Transportation Communications Union for the period July 1, 2005 through June 30, 2006.
2. November 14, 2005, Amendment No. 1 to Agreement No. C-5-0455, \$450,000, approved by Board of Directors.
  - To extend the termination date to December 31, 2006.
3. September 25, 2006, Amendment No. 2 to Agreement No. C-5-0455, \$881,000, approved by Board of Directors.
  - To extend contract for period January 1, 2007 through December 31, 2007.
4. September 26, 2007, Amendment No. 3 to Agreement No. C-5-0455, \$1,100,000, approved by Board of Directors.
  - To extend contract for period January 1, 2008 through December 31, 2008.
5. November 11, 2008, added \$99,000 to account for fluctuation in employee enrollment.
6. September 8, 2008, Amendment No. 4 to Agreement No. C-5-0455, \$1,232,000, approved by Board of Directors.
  - To extend contract for period January 1, 2009 through December 31, 2009.
7. November 9, 2009, Amendment No. 5 to Agreement No. C-5-0455, \$1,500,000, pending approval by Board of Directors.
  - To extend contract for period January 1, 2010 through December 31, 2010.

Total committed to Kaiser Foundation Health Plan, Inc., Agreement No. C-5-0455 for the amount of \$6,112,000.

**Fact Sheet  
Aetna  
Agreement No. C-8-1054**

1. September 8, 2008, Agreement No. C-8-1054, \$1,250,000, approved by Board of Directors.
  - To provide prepaid medical services for OCTA's Administrative employees and employees represented by Transportation Communications Union for the period January 1, 2009 through December 31, 2009.
2. August 11, 2009, added \$99,000 to the contract for the period January 1, 2009 through December 31, 2009, to account for fluctuation in employee enrollment.
3. November 9, 2009, Amendment No. 1 to Agreement No. C-8-1054, \$1,756,000, pending approval by Board of Directors.
  - To extend contract for period January 1, 2010 through December 31, 2010.

Total committed to Aetna, Agreement No. C-8-1054 for the amount of \$3,105,000.

**Fact Sheet  
Aetna  
Agreement No. C-8-1055**

1. September 8, 2008, Agreement No. C-8-1055, \$2,900,000, approved by Board of Directors.
  - To provide open access managed choice medical services for the Authority's administrative employees and employees represented by the Transportation Communications Union for the period January 1, 2009 through December 31, 2009.
  
2. November 9, 2009, Amendment No. 1 to Agreement No. C-8-1055, \$3,400,000, pending approval by Board of Directors.
  - To extend contract for period January 1, 2010 through December 31, 2010.

Total committed to Aetna, Agreement No. C-8-1055 for the amount of \$6,300,000.

**Fact Sheet  
MetLife  
Agreement No. C-5-2862**

1. November 14, 2005, Agreement No. C-5-2862, \$880,000, approved by Board of Directors.
  - To provide preferred provider organization dental services for the Authority's administrative employees and employees represented by the Transportation Communications Union for the period January 1, 2006 through December 31, 2007.
2. October 5, 2007, Amendment No. 1 to Agreement No. C-5-2862, \$570,000, approved by Board of Directors.
  - To extend contract for period January 1, 2008 through December 31, 2008.
3. November 17, 2007, added \$75,000 to the contract to account for fluctuation of employee enrollment.
4. September 8, 2008, Amendment No. 2 to Agreement No. C-5-2862, \$592,000, approved by Board of Directors.
  - To extend contract for period January 1, 2009 through December 31, 2009.
5. November 9, 2009, Amendment No. 3 to Agreement No. C-5-2862, \$753,000, pending approval by Board of Directors.
  - To extend contract for period January 1, 2010 through December 31, 2010.

Total committed to MetLife, Agreement No. C-5-2862 for the amount of \$2,870,000.

**Fact Sheet  
Vision Service Plan  
Agreement No. C-6-0657**

1. September 25, 2006, Agreement No. C-6-0657, \$126,000, approved by Board of Directors.
  - To provide vision services for the Authority's administrative employees and employees represented by Transportation Communications Union for period January 1, 2007, through December 31, 2009.
2. January 28, 2008, added \$111,000 for enrollment period January 1, 2008 through December 31, 2008.
3. January 6, 2009, added \$114,000 for enrollment period January 1, 2009 through December 31, 2009.
4. November 9, 2009, Amendment No. 1 to Agreement No. C-6-0657, \$410,000.
  - To change from self-insured to fully-insured and to extend contract for period January 1, 2010 through December 31, 2012.

Total committed to Vision Service Plan, Agreement No. C-6-0657 for the amount of \$761,000, from January 1, 2006 through December 31, 2012.

**Fact Sheet  
Mercer  
Agreement No. C-4-1271**

1. March 14, 2005, Agreement No. C-4-1271, \$265,000, approved by Board of Directors.
  - To provide health insurance brokerage services for the Authority's administrative employees and employees represented by Transportation Communications Union for the period March 14, 2005 through November 30, 2008.
2. March 7, 2006, Amendment No. 1 to Agreement No. C-4-1271, \$23,500, approved by purchasing agent.
  - To conduct additional marketing for the conversion of the Authority's self-funded to fully-insured health plan.
  - To revise agreement's designated key personnel.
3. September 11, 2006, Amendment No. 2 to Agreement No. C-4-1271, \$7,500, approved by purchasing agent.
  - To add flexible spending account to health brokerage services.
4. February 1, 2008, Amendment No. 3 to Agreement No. C-4-1271, approved by purchasing agent.
  - To change consultant name from Mercer Human Resource Consulting to Mercer. No increase in the cumulative payment obligation.
5. June 11, 2008, Amendment No. 4 to Agreement No. C-4-1271, approved by purchasing agent.
  - To add the Business Associate Agreement for Health Insurance Portability and Accountability Act (HIPAA). No increase in the cumulative payment obligation.
6. September 8, 2008, Amendment No. 5 to Agreement No. C-4-1271, \$80,000, approved by Board of Directors.
  - To exercise first option term to Agreement No. C-4-1271 to continue to provide health brokerage services for period December 1, 2008 through November 30, 2009.

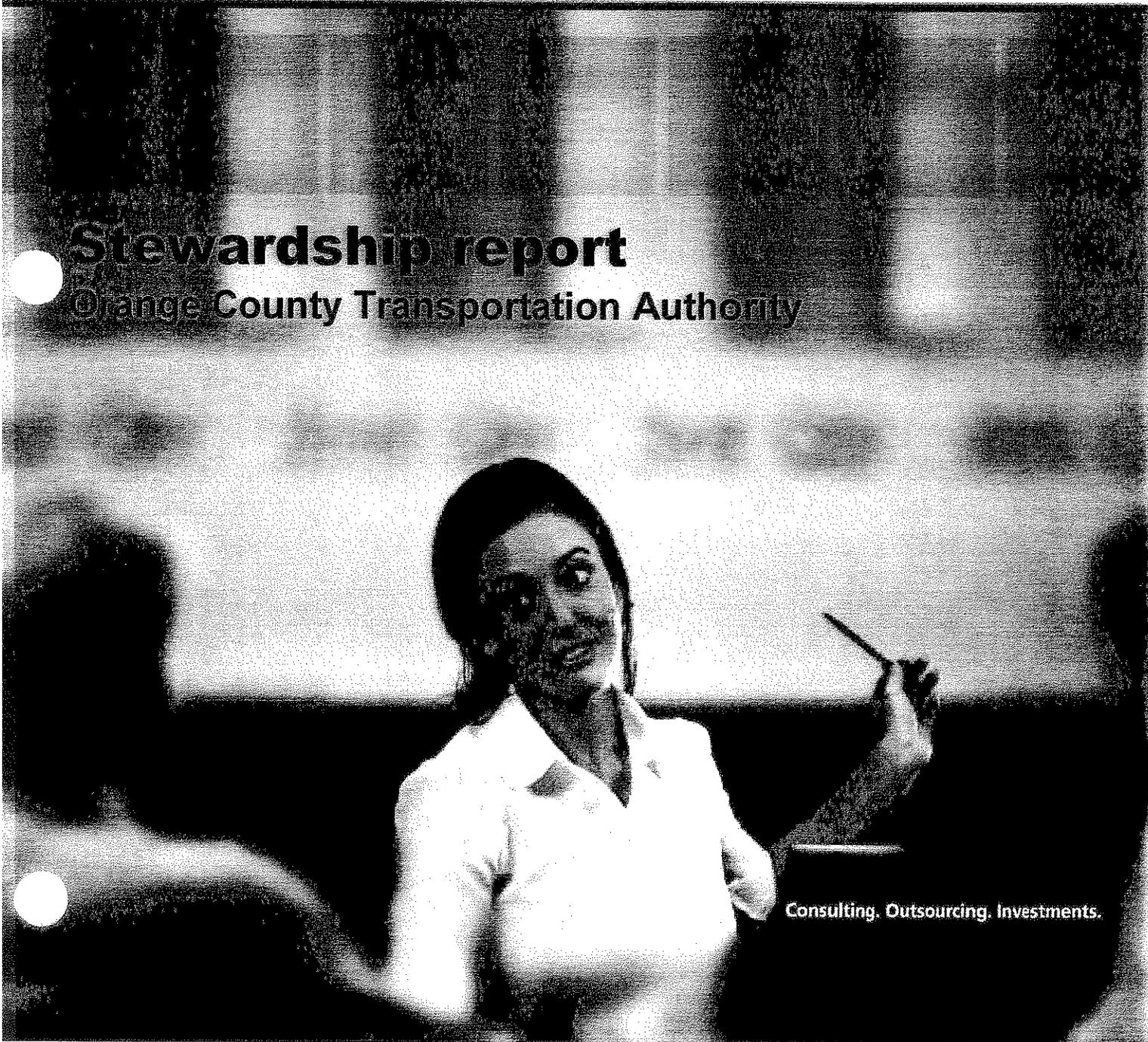
7. November 9, 2009, Amendment No. 6 to Agreement No. C-4-1271, \$80,000, pending approval by Board of Directors.
  - To exercise second option term to Agreement No. C-4-1271 to continue to provide health brokerage services for period December 1, 2009 through November 30, 2010.

Total committed to Mercer, Agreement No. C-4-1271 for the amount of \$456,000.

# MERCER

 MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

February 26, 2009



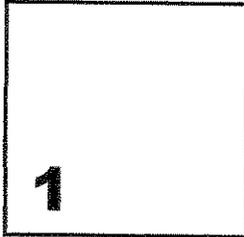
## Stewardship report

Orange County Transportation Authority

Consulting. Outsourcing. Investments.

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## **Market update**

### **Introduction**

We are pleased to provide our annual Stewardship Report to Orange County Transportation Authority (OCTA) related to our work on your behalf.

Mercer's annual consulting process helps you manage and monitor your programs and evaluate their effectiveness against your annual benefits program goals. The intent of this Stewardship Report is to give OCTA an overview of the current health care market, provide a regulatory and market innovation outlook, and review OCTA's health and benefits objectives, outcomes and achievements.

The Mercer/OCTA team takes great pride in its work with OCTA over the past several years. Through this Stewardship Report, we will detail our accomplishments and seek your direction with respect to future goals.

We look forward to continuing our work with OCTA and thank you for your confidence in allowing us to be your trusted adviser.

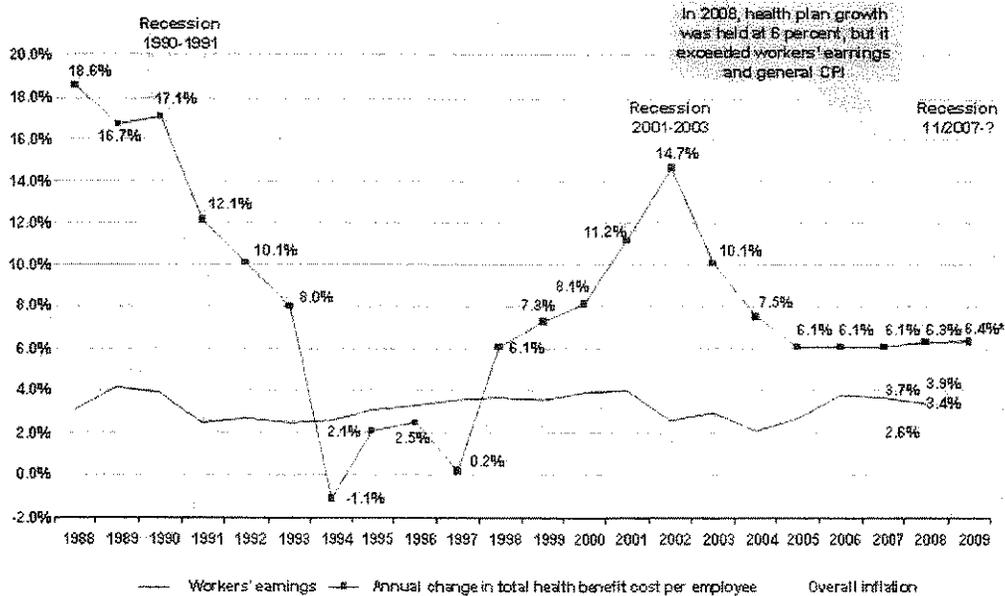
## The market outlook

Mercer has monitored health care costs for over 20 years and this has given us a credible perspective on economic changes and their impact on health care costs. There are a lot of uncertainties in today's economic environment, not least of which is the impact of the economy on health plans and other benefits costs. If we look to past recessions, we have often seen spikes in health care costs and disability claims. This is because employees, fearful of layoffs, may seek discretionary medical, dental and vision care. In addition, employees and families may experience more colds, flu and stress-related illnesses, including musculoskeletal and behavioral issues. Employers need to understand the driving forces and be financially prepared for unexpected spikes in trends.

Findings from Mercer's *National Survey on Employer Sponsored Health Plans* indicate that employers continue to use cost shifting to employees and the introduction of lower-cost plans as key ways to control trend. Yet, trend continues to outpace inflation.

For four years through 2008, total health benefit costs rose by about 6 percent each year, reaching an average of \$8,482 per employee. During the summer of 2008, employers predicted an average increase of 6.4 percent for 2009, after plan design and other changes aimed at cost reduction have been implemented. However, actual costs may climb higher, given the economic situation.

### Economic downturns lead to a spike followed by a reduction in trend



Source: Mercer's National Survey of Employer-Sponsored Health Plans;  
 Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1988-2008;  
 Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 1988-2006.

Employers have been focusing on both short- and longer-term approaches to manage their program costs. Large employers (with 500+ employees) continue to rely on cost shifting to control costs through raising premium contributions, deductibles, co-pays, and out-of-pocket maximums. However, employers also find promise in introducing lower-cost plans including catastrophic and consumer-directed health plans (CDHPs). Employers who struggle to offer some basic level of coverage to employees currently lacking access to a plan are looking closely at other options, such as limited benefits policies.

Many employers are reporting success with various longer-term cost management strategies. Health management and wellness programs are now in place at 80 percent of large employers. Of those, 63 percent believe that the programs have been very or somewhat successful in controlling their health benefit costs or improving employee health and productivity. Large employers, in particular, are adding incentives to encourage employees not only to use health management programs but also to improve health habits.

As we look forward, we see these trends continuing with a renewed focus on short-term cost containments, given the economic environment. Short-term cost reductions, even during a plan year, can come from bidding contracts and obtaining early renewals, conducting financial audits of all self-insured plans and particularly dependent eligibility audits, adding or improving medical and pharmacy clinical programs, tightening disability plan management and plan design, and modifying retiree medical program eligibility and design.

## **Legislative and regulatory outlook**

The health and benefits market continues to be influenced by legislative and regulatory activity at the local and national levels.

### **Health care reform**

During the past year, many states expanded access to insured plans for dependents, and San Francisco joined Massachusetts and Vermont in implementing a controversial health reform program that includes an employer “pay or play” mandate.

Although few new major national initiatives were enacted this past year, health reform efforts drew considerable attention and emerged as a significant Presidential election issue. In 2009, health reform efforts are likely to shift from the local to the national level. Key variables that are expected to be focused on by the Obama administration include mandatory coverage for children, access to more affordable coverage for individuals and small employers through the use of exchanges, support for health information technology and pay-or-play approaches to improving employer participation.

### **Increased mandates and reporting**

Among this year's developments are mental health and substance abuse parity, new mandatory reporting for Medicare Secondary Payer purposes, employer plan coordination with TRICARE, extension of health plan coverage to college students on medical leave and COBRA subsidies for involuntary terminations. The effective dates of these new mandates vary.

### **Leave laws**

Issued in late 2008, the new federal Family and Medical Leave Act regulations require employer action. In addition, paid time-off mandates were expanded during the year. For example, paid sick leave mandates were enacted in Washington, DC, and Milwaukee, WI, modeled on the existing San Francisco paid sick leave ordinance. New Jersey joined California and Washington in mandating paid family leave. Employers with a large percentage of part-time and seasonal employees are most concerned with new state and local mandates for paid family leave.

Going forward, we expect these trends to continue. In this uncertain economic climate, it's difficult to predict what initiatives will actually become law. However, we do expect to see activity around comprehensive cafeteria plan rules that may require new plan documents and operational changes, as well as nondiscrimination testing and guidance on new mental health and substance abuse parity requirements.

## **Market and vendor innovation**

### ***Health care vendors***

Today we see three general types of vendor strategies: transactional, market-competitive and "transformational". Transactional vendors continue to focus on their current business methods by improving service, administration, discounts and basic disease and care management. Market-competitive vendors are focusing on improving overall delivery through service integration and want to be the sole provider for large employers.

The newest and not yet fully realized model is "transformational". These future vendors will be fully integrated health delivery systems focused on cost, quality and access, rather than basic price discounts. They will offer a more provider-driven care management approach, value-based benefits design, and will focus on consumer engagement and incentives to use "medical homes" and integrated specialist delivery systems. The plans that have the best opportunity for achieving this status are those that have significant financial and management control over the providers.

Elements of the "transformational" model emerging today include health IT, employer-owned clinics and medical home programs.

The new health IT standard is being set by plans that are offering:

- Personal health records created by the individual for storing history and sending information to providers
- Electronic medical records managed by the health plan for sharing medical results across a team of providers
- Virtual house calls and online medical visits

Employer-owned clinics are also emerging as a new or perhaps revitalized health strategy. Ideally, these clinics operate as an integrated extension of the health plan's network. They can be used for preventive care services (e.g., flu shots), primary care, and support of wellness and chronic condition coaching, and as a source of referrals to high-performing physicians and Centers of Excellence.

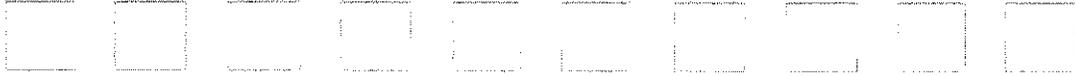
"Medical home" pilot programs (multi-provider team, integrated ambulatory care management programs) are showing promise to reduce cost and improve patient satisfaction for expensive, complex cases – the highest cost driver for most employers.

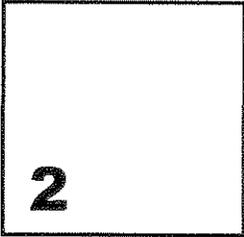
### ***Group benefit vendors***

In addition to health care benefits, employers have increasingly offered a wide array of group insurance benefits to their employees. Similar to the health care vendor marketplace, the group insurance marketplace has evolved into three different types of vendors:

- Vendors who provide health care and group insurance benefits – Most vendors who provide health care benefits also provide a wide array of group insurance benefits. At the most basic level, this type of vendor is most attractive to employers who want to limit the number of vendors they manage. On a more strategic level, vendors who provide health care and group insurance benefits are best positioned to integrate them to optimize savings opportunities (e.g., integrated health and disability, integrated health and dental). On the other hand, vendors who provide health care and group benefits tend to focus their efforts on the health care side, leaving their group insurance offerings lacking for some employers.
- Vendors with robust group insurance offerings, not in the health care business – These vendors offer a wide array of life, accident, disability, leave administration and other group benefits, but are not in the health care business. By focusing on group benefits, these vendors tend to be able to offer competitive, flexible, cutting-edge solutions for employers of all sizes.
- Vendors specializing in group insurance niche – There are several group insurance vendors who specialize in only one or two group insurance benefit offerings. For employers with interest in working with specialists in particular group insurance plans, these vendors can provide unique, robust offerings that other vendors are not capable of providing.

In contrast to the health care vendors, costs for many group insurance benefits have been declining, not increasing, in recent years. Employers who have not reviewed their group insurance vendor relationships in recent years may find attractive vendors who can meet their unique requirements.



2

## **Executive summary**

The intent of the Stewardship Report is to briefly review the last three year's major goals and accomplishments as well as to collaborate in the development and ongoing implementation of goals and objectives for OCTA's Employee Benefits Program. It is our expectation this process will not only validate our prior deliverables and the extension of our current contract, but also more importantly, set the stage for enhance our understanding of OCTA's future business needs and provide a framework for establishing our Employee Benefits Service Plan commitments.

Mercer, with services provided by Mercer Health & Benefits, remains committed to its extensive efforts in keeping OCTA fully informed of critical issues and developments impacting its programs. Before reviewing the materials herein, we wish to reflect on a few characteristics of the 2008 employee benefits market and provide some indicative trends for the coming year.

The market conditions during 2008 were characterized by:

- Cost increases moderating, but are still twice general inflation
- Strong regional variations in medical delivery model and cost
- Consumer directed health plans are still emerging, less adoption in Southern California
- Growing focus towards improving employee health
- Cost sharing strategies are still necessary to minimize cost trends
- HMO's are the primary model in Southern California, but are losing ground
- Employer sponsored health care will remain primary model for near term

Economics continued to play a critical factor for healthcare. Recessions lead to increased cost and use of benefits.

- Employees and dependents will increase their use of health care services:
  - Discretionary services such as dental, vision, prescription refills, preventive care, screenings and lab tests

- Stress-related claims for behavioral health and related medical conditions (e.g., back pain)
- Disability and workers' comp expense also tend to rise as employees seek cover from being laid off
- Carriers are increasing rates based on expected rise in utilization and cost
  - Increase administrative fees and premiums to offset investment losses
  - Exercise right to adjust rates if an employer has a significant enrollment drop
- Providers are finding new sources of revenue
  - Provide more complex services
  - Ask for payment in full at time of service, challenging carrier payment arrangements
  - Negotiate higher rate increases

We believe Mercer has demonstrated a very solid track record during its four-years working with OCTA to 1) Keep program offerings competitive and meaningful for your employees; 2) helped to identify efficiencies in how you administer the plans; and 3) help you cut costs significantly.

- With some basic recommendations, reduced July 1, 2005 renewal to +5%, from prior double digit increases
- Reduced benefit costs over \$843,000 for January 1, 2006
- Moved from self-funded TPA to fully insured programs through CIGNA
- Developed a three-year (2007 – 2010) Healthcare Strategy for 2007 with estimated savings impact
- Provided in depth modeling and discussion with Consumerism Specialist, Sander Domaszewicz
- Reviewed Flex Credit model applicability to OCTA
- Assisted with the implementation of outsourced FSA administrator
- Negotiated January 1, 2007 renewal increase down \$142,000 to +15% overall increase
- Negotiated January 1, 2008 renewal increase down \$136,000 to +8% overall increase
- Negotiated January 1, 2009 renewal increase down \$395,000 to +2.6% overall increase

Based on the amount of savings achieved versus the total Mercer fees, OCTA's return-on-investment (ROI) is 1:4.4. Meaning, OCTA has saved nearly five times the amount paid for consulting fees.

In summary, Mercer believes health care costs will continue to outpace the rate of inflation and wage increases. We also fully understand the impact that will have on California public agencies faced with significant budget pressures and uncertain funding from Sacramento. We are committed to continuing support of OCTA in mitigating the immediate and future economic impact on its employee benefits programs, updating the 3-year model, and look forward to continuing to partner with OCTA in the future.

# 3

## **OCTA's benefit strategies and tactics**

In order to help OCTA with setting future objectives, we have outlined your key past health and benefits decisions and successes, and Mercer's role in helping you meet your short- and long-term goals.

### **OCTA's key accomplishments**

#### ***July 1, 2005 renewal***

Within a very short timeframe, Mercer accomplished the following:

- For the July, 2005 renewal, Mercer conducted a marketing of OCTA's medical, dental and stop loss coverage
- Final fixed cost increases were estimated at 2.3% or approximately \$58,000 gross annual increase
- Gross cost increases were estimated at 3.9% or approximately \$253,000 gross annual increase
- The most significant increases were on the self-funded medical and dental plans
- Mercer suggested several plan design which OCTA implemented on July 1, 2005 which include:
  - Unbundling the medical and dental plans
  - Increasing the out-of-network coinsurance to 40% for employees
  - Preventive care covered at 100%, not subject to the deductible, for the dental PPO plan
  - Introduced employee only contribution of 10%
- The overall impact to OCTA's net cost was a 5% increase, significantly below what was achieved previously

### ***January 1, 2006 renewal***

- Mercer recommended OCTA transition the self-funded medical and dental programs to a fully-insured basis to reduce costs and stabilize funding
- Since the ASO contracts would expire December 1, 2005, Mercer also recommended transitioning all health and welfare plans to a January 1 contract period
- Again, Mercer conducted a marketing for the medical and dental programs and obtained competitive bids
- Based on the bids received, CIGNA Healthcare was implemented as the medical carrier for both HMO and PPO, MetLife was implemented as the dental PPO carrier
- No changes to the benefits design was made and contributions remained the same
- Results of the marketing resulted in a gross savings of 14.4% or gross annual reduction in costs of \$843,000

### ***January 1, 2007 renewal***

- Developed a three-year strategy with elements of medical management as well as consumerism
- Provided in depth modeling and discussion with Consumerism Specialist, Sander Domaszewicz
- Reviewed flex credit model and its applicability to OCTA
  - Will not work due to size of population with more than seven years of service
- Marketed and implemented outsourced vendor for flexible spending account
- Marketed life/accidental death & dismemberment and disability coverage with no cost increase and improved benefit levels on the life and accidental death and dismemberment plans
- Negotiated renewal increase down from 17.2% to 15% for a reduction of \$142,000
- Provided a number of consumerism strategies for consideration

### ***January 1, 2008 renewal***

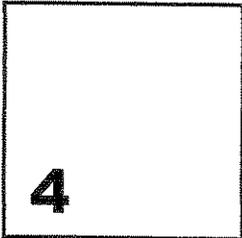
- Updated three-year strategy
- Full review by CIGNA of their medical management results were obtained and presented
- Recommended modifications to the dental PPO out-of-network plan design to improve network utilization and achieve significant cost savings
- Negotiated renewal down from 10.4% to 8% for a reduction of approximately \$136,000
- Provided some revised consumerism strategies as well as a number of care management approaches
- Provided ideas around incentives to encourage employee health improvement

### ***January 1, 2009 renewal***

- Marketed medical and dental plan options
- Based on the bids received, Aetna was implemented as the medical carrier for both HMO and OAP and MetLife/SmileSaver was retained as the dental carriers
- Minor changes to the medical benefit designs were made and contribution methodology remained the same
- Results of the marketing provided a reduction in costs of approximately \$399,000
- Marketed life/accidental death & dismemberment and disability coverage and improved benefit levels on the long-term disability plan
- Results of the marketing and plan design change provided a reduction in costs of approximately \$42,000
- Total overall gross increase was reduced by approximately 6% or 395,000 by moving to Aetna for the medical plans

### ***January 1, 2010 renewal development***

- Review past 3-year strategy and develop new strategy using Mercer's MedForecast modeling tool
  - Analyze contribution modeling
  - Revisit credit based flex programs
  - Review wellness initiatives



## **Mercer relationship**

**Your health and benefits team**

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Relationship Contact**

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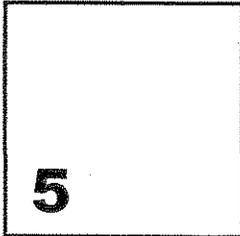
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## Mercer scope of services calendar

<b>January</b>	<b>February</b>	<b>March</b>
<p>Review status of plan documents, contracts and SPDs</p> <p>Quarterly carrier meeting</p>		<p>Renewal planning discussion</p>
<b>April</b>	<b>May</b>	<b>June</b>
<p>Request renewals from carriers</p> <p>Market plans as necessary</p> <p>Quarterly carrier meeting</p>	<p>Preliminary renewal projections and marketing results (if plans marketed)</p>	
<b>July</b>	<b>August</b>	<b>September</b>
<p>Final renewal and marketing results</p> <p>Quarterly carrier meeting</p>	<p>Contribution strategy</p> <p>Open enrollment assistance and communication discussion</p>	<p>Final renewal projections and rates</p> <p>Final employee contributions</p>
<b>October</b>	<b>November</b>	<b>December</b>
<p>Annual health fair</p> <p>Quarterly carrier meeting</p>	<p>Annual enrollment</p> <p>Transparency documentation</p>	<p>Plan communication/ education programs for following year</p>



## **Appendix**

### **Services and Fees**

The terms of the agreement between OCTA and Mercer state the firm-fixed-price of:

First Year – March 1, 2005 through November 30, 2006	\$120,000
Second Year – December 1, 2006 through November 30, 2007	\$ 70,000
Third Year – December 1, 2007 through November 30, 2008	\$ 75,000
Fourth Year – December 1, 2008 through November 30, 2009	\$ 80,000
Fifth Year – Option to extend on December 1, 2009	\$ 80,000

Payment made at 50% upon fully-executed agreement by both parties for 6 months and the remaining 50% on September 1, 2005 for 15 months. Future payments are to be made every six months on December 1st and June 1st of each contract year.

This pricing included, but was not limited to, Mercer marketing OCTA's insurance coverage/policies in anticipation of the expiration date of those policies as outlined in the Scope of Services. In addition, the agreement also indicates that if the Scope of Services should change and the resulting change would increase the pricing of the agreement, Mercer should notify OCTA within ten (10) calendar days after the change and an equitable adjustment shall be negotiated.

Mercer requested an increase in the year one fees of \$23,500 for activities related to the second marketing performed to transition plans to a January effective date, converting the self-funded plans to fully-insured and consolidating the number of plan administrators. This was approved and amended in the contract. The contract was also amended in 2006 to include the additional fees of \$7,500 to modify the "Scope of Work" to include the marketing and consulting for the flexible spending account administration.

Additionally, Mercer was hired in 2007 to perform a review and analysis of OCTA's FMLA related leaves. The work performed was under a separate contract awarded to Mercer through a competitive bidding process and was separate from our ongoing consulting relationship.

OCTA extended the Mercer contract for the first option year with Board approval. This new contract extension began on December 1, 2008.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Mercer Health & Benefits LLC  
4695 MacArthur Court, Suite 600  
Newport Beach, CA 92660  
949 222 1300

Consulting. Outsourcing. Investments.

Services provided by Mercer Health & Benefits LLC.  
California Insurance License 0E75483





*October 28, 2009*

**To:** Finance and Administration Committee

**From:** Will Kempton, Chief Executive Officer

**Subject:** Bus Service Scenarios

**Overview**

Rapidly declining revenues have forced the Orange County Transportation Authority to reduce operating costs. The Board of Directors has approved a bus service reduction plan that has already reduced 233,000 revenue vehicle hours with an additional 300,000 revenue vehicle hours planned for March 2010. An update on projected revenues and the feasibility of using one-time funds to sustain higher levels of bus operations, as proposed by the Transit Advocates of Orange County, is presented here.

**Recommendations**

- A. Approve a service reduction plan that eliminates 150,000 annual revenue vehicle hours in March 2010.
- B. Approve a service reduction plan that eliminates 150,000 annual revenue vehicle hours in March 2012 if the State Transit Assistance Program, or an equivalent funding source, is not restored by July 2011.
- C. Authorize the Chief Executive Officer to execute an internal transfer of up to \$68 million from the Commuter and Urban Rail Endowment Fund to the Bus Operations Fund.

**Background**

On November 24, 2008, the Board of Directors (Board) approved a budget amendment that, among other things, began a bus service reduction program based on anticipated attrition among coach operators. Service level reductions were necessitated primarily because of declining sales tax revenue and reduced operating assistance from the State Transit Assistance (STA) Program. Moderate reductions totaling 133,000 vehicle revenue hours were achieved from December 2008 to June 2009. Since November, sales tax

revenues have continued to decline and the State of California has eliminated the entire STA Program for at least five years. Significantly lower ongoing revenues required a more severe reduction in service. The Board approved an additional reduction of 400,000 hours of service on March 23, 2009. These cuts were planned to be implemented in 100,000 hour increments. On June 8, 2009, the Board approved the first 100,000 hour reduction to be implemented with the September 2009 service change. Subsequently, the Board further directed staff to plan the remaining 300,000 hour reduction for one service change instead of spreading it over three service changes. Logistics related to service planning and public outreach necessitated that this 300,000 hour reduction take place in March 2010.

***Discussion***

Since the decision was made to reduce bus service by 400,000 revenue vehicle hours, economic conditions have worsened. Sales tax receipts have not kept pace with projections and ridership has not met expectations. However, there has recently been favorable news related to the possible restoration of the STA Program, which has traditionally provided annual operating revenue of approximately \$20 million, and a potential that up to \$111 million of previously diverted funds be repaid to Orange County Transportation Authority (OCTA) in the future.

Despite the worsening economic conditions, the prospect of repayment of lost STA funds and the potential that this ongoing source of revenue could realistically be restored in the near term, it is prudent to evaluate different bus service reduction scenarios. Staff has evaluated the sustainable level of service if the ongoing STA funds are restored and the feasibility of using one-time funds to reduce the reductions that are necessary in the short-term.

There are some general assumptions included independent of the assumptions related to the future of the STA Program. Sales tax receipts, which provide the primary source of revenue for bus operations, continue to fall below expectations. However, projections provided by averaging forecasts from three universities (University of California, Los Angeles, Chapman University, and California State University, Fullerton) predict that sales tax receipts will grow moderately by 1.1 percent in fiscal year (FY) 2011, then rebound substantially by growing 6.2 percent in FY 2012.

Ridership and corresponding fare revenue collections have also not kept pace with forecasts. As a means to boost revenues to help maintain service levels, fare increases are assumed in FY 2011 and FY 2013.

It is also assumed that the Alternative Fuel Tax Credit, which brings approximately \$4 million to OCTA on an annual basis, expires in December 2009. Also, there are no savings assumed related to ACCESS service as a result of any service reductions.

It is assumed that OCTA will undertake a multi-faceted campaign to make the bus system more efficient. Over the next several months, staff will look at potentially restructuring the entire system to develop a delivery model that best suits the affordable levels of service. This process will also attempt to incorporate the impacts of new transit services allowable through Renewed Measure M (M2), which will commence in April 2011. Administrative costs and staffing levels will be thoroughly reviewed to appropriately match the services provided, with reductions expected. The upcoming collective bargaining process will aim to control costs, and explore the proper mix of contracted and directly operated services. Lastly, staff will explore the cost benefit of an early retirement incentive in order to accelerate attrition so savings can be realized earlier.

Utilization of \$46 million from the Commuter and Urban Rail Endowment Fund (CURE), as authorized by the Board on November 24, 2008, and supported by the Transit Advocates of Orange County is assumed. An additional \$22 million of CURE funds are assumed to be swapped with Section 5307 capital grant funding through the rail program. It is also assumed that Congestion Mitigation and Air Quality dollars and Proposition 1B transit dollars will be dedicated to the rail program so the Metrolink Service Expansion Program (MSEP) can continue at planned levels.

Funds from the CURE would be deposited into the Bus Operations Fund (BOF). Transferring funds from the CURE to the BOF to sustain higher levels of bus service for a given period of time is similar to the action taken by the OCTA Board of Directors in 1995. At that time, funds were transferred to the BOF to sustain services for the 15-year period of the Orange County bankruptcy recovery plan. While today's scenario is less defined and is a much shorter time interval, the concept is the same.

#### Option #1 – 150,000 hour reduction – STA restored in two years

As a result of the aforementioned drop in sales tax and farebox revenues, pure economics would dictate that even the planned reduction of 300,000 revenue vehicle hours is not enough. Based on current assumptions, a reduction of approximately 500,000 revenue vehicle hours would be needed. However, this would ignore some recent developments that could be extremely positive for the transit system and the benefits of buying some time.

The biggest unanswered question related to the long-term health of the transit program is the future of the STA Program. The recent decision by the California Supreme Court not to hear the state's appeal provides legitimate hope that this funding source will be restored in the near term.

If STA funds are restored by FY 2012, it would be feasible to only reduce 150,000 revenue vehicle hours in March 2010 and utilize approximately \$36 million in reserves over the next two years to sustain service levels. In the event that STA funds, or other equivalent funds, are not restored by March 2012, another 150,000 revenue vehicle hour reduction will need to be implemented at that time with the potential of further reductions required.

While this course of action has risks, there are also several benefits. Specifically, in the short-term this option preserves the maximum amount of service, has the least impact to customers, and preserves the most jobs. Additionally, this plan buys time as we look forward to a recovering local economy as forecast by local universities.

In addition to finding out the long-term status of the STA Program, including a potential payback of previously diverted funds, buying time could be beneficial in other areas. Specifically, buying some time will allow for issues related to the Alternative Fuel Tax Credit, sales tax collections, M2 transit programs, ACCESS impacts, the Bristol Street Widening Project, and an internal efficiency campaign to sort themselves out.

Within the next several months, it is likely that OCTA will learn if the Alternative Fuel Tax Credit, which provides approximately \$4 million annually to OCTA, will be continued beyond its current expiration in December 2009. Also, buying time for the economy, specifically sales tax collections, to rebound has potential advantages.

In April 2011, the M2 Program begins to collect sales tax revenue. At that time, local transit programs under Projects S and V (transit extensions to Metrolink and community-based circulators) will be commencing. While these services are not likely to be directly operated by OCTA, incorporating these services with OCTA's transit system will provide efficiencies.

No savings related to ACCESS services have been assumed despite the reduction of 233,000 revenue vehicle hours on the fixed route system. Buying some time to evaluate if there are any savings related to ACCESS, based on the prior service cuts or the proposed service cuts in March, would help to provide a more accurate long-term service target.

Over the last several months, dialogue has occurred at the staff level between OCTA and the City of Santa Ana regarding funding options for the Bristol Street Widening Project. Currently, OCTA is funding this project with gas tax funds which have historically been exchanged with local agencies for general funds used for bus service. Buying some time to find an alternate funding source for the project could be beneficial to the transit program.

Lastly, as mentioned, OCTA will be aggressively looking at ways to make the system more efficient for the taxpayer and more effective for the customer. Even with only a 150,000 revenue vehicle hour reduction in March, combined with the previous reductions of 233,000 revenue vehicle hours, service will return to FY 2001 levels. While also being cognizant of the impact that M2 transit programs may have on OCTA's core system, it is prudent to rethink how the system is structured.

Since there are many unknown variables, staff recommends utilizing one-time funds to limit the reduction in revenue vehicle hours as part of the March 2010 service change to 150,000. This reduction, when combined with the 233,000 revenue vehicle hours already eliminated from the system, is still significant. However this action would preserve the most service, and buy time for positive developments to materialize. Additionally, this would put OCTA at a sustainable level of service, assuming the STA Program is restored at approximately \$18 million per year. If the STA Program is not restored by July 2011, another service reduction of at least 150,000 would be likely as part of the March 2012 service change.

#### Option #2 – 300,000 hour reduction

If STA funds are not assumed to be restored in FY 2012, a reduction of 300,000 revenue vehicle hours would be necessary as part of the March service change. This scenario would utilize \$53 million over the next four years, when the State has opined that STA funds will resume.

This scenario is less risky financially than Option #1 and is consistent with both current Board direction and State budget action. However, this scenario creates much more disruption to the customer and the OCTA workforce than Option #1. Additionally, this scenario does not allow for some potentially positive occurrences (STA resumption, STA repayment, Alternative Fuel Tax Credit continuation, potential benefit of restructuring service delivery and collective bargaining agreements, etc.) to develop.

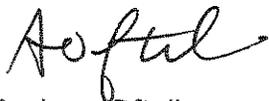
**Summary**

The OCTA Board has approved a service reduction plan that would eliminate 300,000 revenue vehicle hours as part of the March 2010 service change. Staff recommends utilizing one-time funds from the CURE fund in order to decrease the planned March 2010 service reduction to 150,000 revenue vehicle hours. This will lessen the immediate impact on OCTA's customers and provide additional time to evaluate future action. During that time, a restructuring of the bus system will be planned, efficiency measures will be implemented and OCTA will gain a better understating of whether major revenue items, including STA funds and the Alternative Fuel Tax Credit, will be restored.

**Attachment**

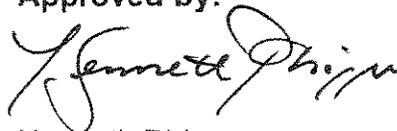
None.

**Prepared by:**



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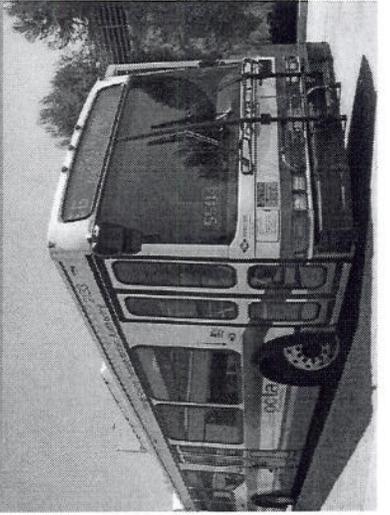
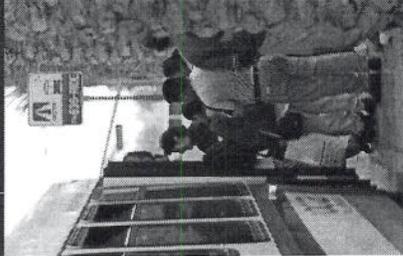
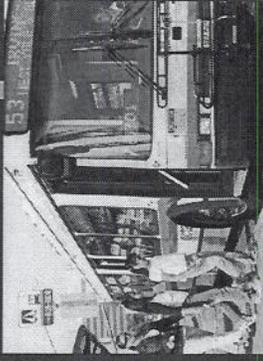
**Approved by:**



Kenneth Phipps  
Executive Director,  
Finance and Administration  
(714) 560-5637

# **PowerPoint Presentation**

# **Orange County Transportation Authority Bus Service Scenarios**



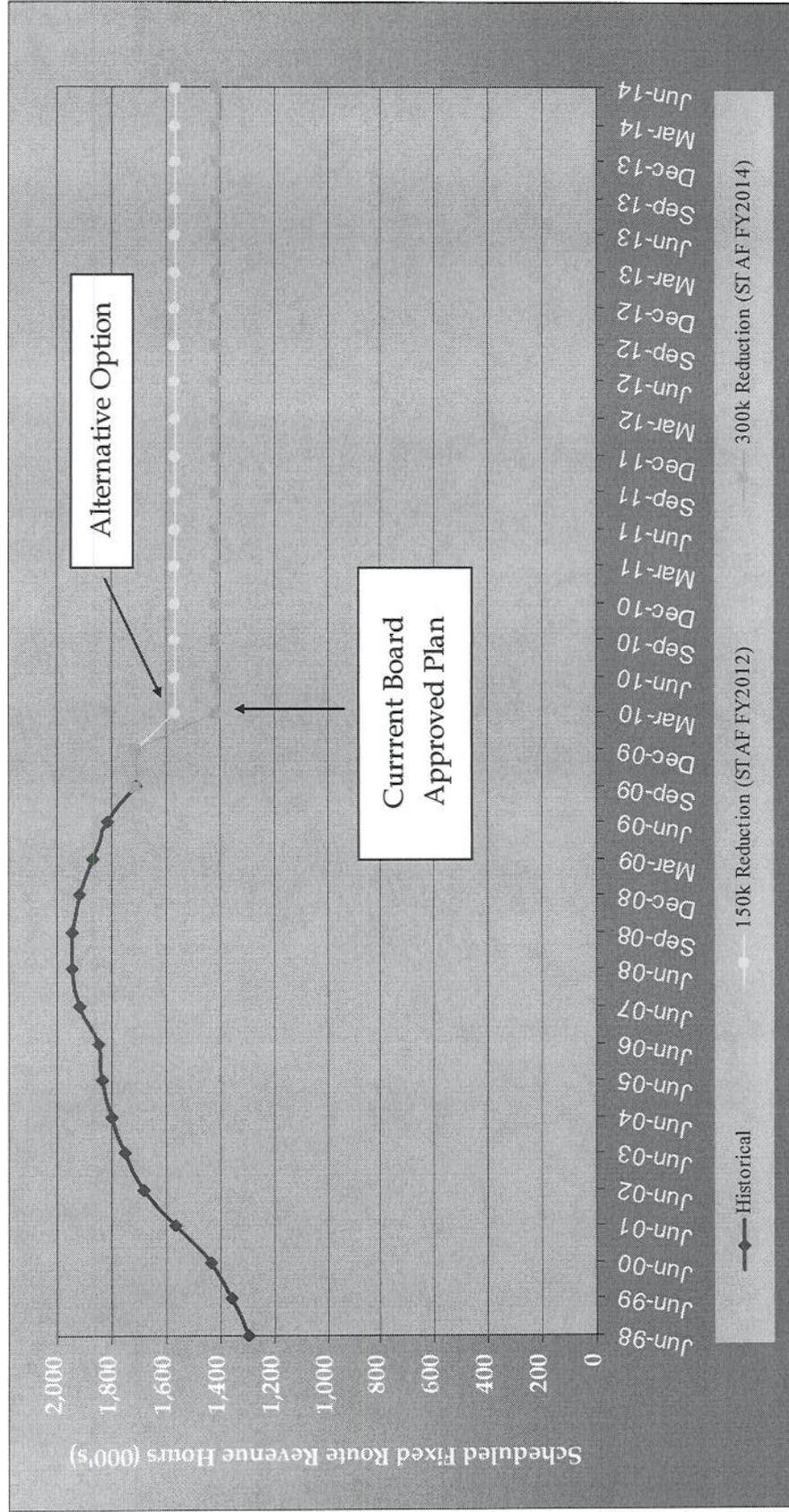
Finance and Administration Committee  
October 28, 2009

# General Assumptions

- Revenue
  - Sales tax revenue growth rates
    - FY 2010 @ - 7.5%, FY 2011 @ 1.1%, FY 2012 @ 6.2%
    - FY 2010 actual sales tax \$5.2 million less than budgeted through October
  - Fare revenue
    - Fare increases in FY 2011 and FY 2013 then every four years thereafter
    - FY 2010 actual fare revenue \$1.2 million less than budgeted through September
  - Alternative fuel tax credit expires in December 2009
  - CURE funds transferred for bus operations
- Restructure bus service delivery model
  - Develop a delivery model to suit affordable levels of service
  - Determine proper mix of contracted and directly operated service
  - Match administrative costs and staffing levels to service levels
  - Incorporate impacts of new transit services allowable through Renewed Measure M (M2)
- Labor
  - Upcoming collective bargaining process will aim to control costs
  - Ongoing union reductions to match in-house staff reductions
  - Administrative reductions to match with service reductions

# Scenarios Overview

Fixed Route Revenue Hours By Service Change: FY1998 – FY2014



# Revenue Hours, CURE funds & Use of Reserves

	150k Reductions (STAF - FY 2012)	300k Reduction (STAF - FY2014)
<b>Revenue Hours</b>		
Total revenue hour reduction	150,000	300,000
Timing of revenue reductions Mar. 2010	150,000	300,000
Remaining fixed route revenue hours	1,562,000	1,412,000
<b>Amount of CURE funds transferred</b>		
Dollar amount transferred	\$68 million	\$68 million
<b>Reserves</b>		
Use of reserves through FY 2014	\$36 million	\$53 million
Cash balance at end of FY 2014	\$45 million	\$28 million

# **Scenario Pros & Cons**

- Scenario: 150k reduction – STAF returns (FY 2012)
  - Pros
    - Preserves maximum amount of service in short term
    - Least impact to customers in short term
    - Buys time
  - Cons
    - Riskiest scenario financially
    - Could lead to lower ongoing service levels in future

## ***What time buys...***

- Preserves most service for customer today
- Allows OCTA to plan a multi-faceted campaign to make the bus system more efficient
- Allows OCTA to assess impacts of new transit services allowable through M2
- When/if resumption of STA program will occur
- When/if repayment of lost STA program funds will occur
- Whether the Alternative Fuel Tax Credit will be continued
- Impacts of service reductions on both ACCESS and fixed route services
- Assess the direction of the economy and its impact on sales tax receipts

# Scenario Pros & Cons

- Scenario: 300k reduction – STAF returns (FY 2014)
  - Pros
    - Current Board direction
    - Consistent with State budget action
    - Less financial risk than 150k reduction scenario
  - Cons
    - Significant disruption to customer
    - Larger impact to OCTA workforce
    - Unknown impact to ACCESS customers

# Next Steps

- |   |                   |
|---|-------------------|
| ▪ Staff recommends F&A Committee approve 150k service hour reduction for March 2010 | October 28, 2009  |
| ▪ Board meeting to approve service levels for March 2010                            | November 9, 2009  |
| ▪ Transit Committee to recommend specific service scenario                          | November 12, 2009 |
| ▪ Board approves specific service scenario  | November 23, 2009 |
| ▪ Staff to monitor financial assumptions  | Ongoing           |