

**Date:** Monday, October 24, 2005

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

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



## AGENDA

Orange County Transportation Authority Board Meeting  
OCTA Headquarters, First Floor - Room 154,  
600 South Main Street, Orange, California  
***Monday, October 24, 2005, at 9:00 a.m.***

ACTIONS

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

### **Invocation**

Director Duvall

### **Pledge of Allegiance**

Director Monahan

### **Agenda Descriptions**

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

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

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



## AGENDA

ACTIONS

### Special Matters

1. **Presentation of Resolutions of Appreciation for Employees of the Month for October 2005**

Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-115, 2005-116, and 2005-117, respectively, to Coach Operator Elisha Rainwaters, Jeffrey Ferree of Maintenance, and Rick Smith of Administration, as Employees of the Month for October 2005.

2. **Sacramento Legislative Update**  
Chris Kahn/Richard J. Bacigalupo

Sacramento Representative's legislative update.

### Consent Calendar (Items 3 through 10)

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

### Orange County Transportation Authority Consent Calendar Matters

3. **Approval of Minutes**

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of October 14, 2005.

4. **Approval of Resolutions of Appreciation for Employees of the Month of October 2005**

Approval of Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-115, 2005-116, and 2005-117, respectively, to Coach Operator Elisha Rainwaters, Jeffrey Ferree of Maintenance, and Rick Smith of Administration, as Employees of the Month for October 2005.



## AGENDA

ACTIONS

5. **Summary of Federal Advocacy Strategic Planning Session**

Kristine Murray/Richard J. Bacigalupo

***Overview***

Summary of the Orange County Transportation Authority's federal affairs staff and Washington, D.C. legislative advocates presentation of legislative goals and objectives for the Orange County Transportation Authority's 2006 federal advocacy program.

***Recommendation***

Review strategic planning session and provide direction to staff for incorporation in the Orange County Transportation Authority's 2006 Federal Legislative Platform.

6. **Orange County Transportation Authority's Draft 2006 Federal Legislative Platform**

Kristine Murray/Richard J. Bacigalupo

***Overview***

An initial draft of the Orange County Transportation Authority's 2006 Federal Legislative Platform has been prepared for consideration by the Legislative and Government Affairs/Public Communications Committee and to direct staff to circulate for further review and comment by interested parties.

***Recommendation***

Authorize staff to circulate copies of the Draft 2006 Federal Legislative Platform to advisory groups, Orange County legislative delegations, cities, and interested members of the public.



## AGENDA

ACTIONS

7. **Right-of-Way Administration Review**  
Robert A. Duffy/Richard J. Bacigalupo

**Overview**

Internal Audit has completed a review of the Right-of-Way Administration. The review concluded that the controls are adequate to ensure the safeguarding over Orange County Transportation Authority owned properties. Right-of-way staff has implemented many improvements to the management of properties since the last audit in October of 2001.

**Recommendation**

Receive and file the Review of Right-of-Way Administration, Internal Audit Report No. 05-012.

8. **Cooperative Agreement for the Garden Grove Freeway (State Route 22) Design-Build Project between the Orange County Transportation Authority and the City of Orange**  
Rick Grebner/Stanley G. Phernambucq

**Overview**

A cooperative agreement is required with the City of Orange outlining responsibilities between the Orange County Transportation Authority and the City of Orange for the implementation of the Garden Grove Freeway (State Route 22) Design-Build Project and related city improvements.

**Recommendation**

Authorize the Chief Executive Officer to execute Cooperative Agreement C-4-0940 between the Orange County Transportation Authority and the City of Orange, in amount not to exceed \$185,000 for the City's costs associated with traffic management and police services for improvements to Garden Grove Freeway (State Route 22) Design-Build Project.



## AGENDA

ACTIONS

9. **Amendment to Agreement for Plan Check and Construction Management Services for Santa Ana Bus Base**

James J. Kramer/Stanley G. Phernambucq

***Overview***

On March 25, 2002, the Orange County Transportation Authority Board of Directors approved an agreement with MARRS Services, in the not-to-exceed amount of \$1,399,962, to provide plan check and construction management services for construction of the Santa Ana Bus Base. MARRS Services was retained in accordance with the Orange County Transportation Authority's procurement procedures for architectural and engineering services.

***Recommendation***

Authorize the Chief Executive Officer to execute Amendment No. 8 to Agreement C-1-2282 between the Orange County Transportation Authority and MARRS Services, in an amount not to exceed \$125,000, for construction management services for the Santa Ana Bus Base, and extend the contract period to June 2006.

10. **Third Quarter 2005 Debt and Investment Report**

Kirk Avila/James S. Kenan

***Overview***

The California Government Code requires that the Orange County Transportation Authority Treasurer submit a quarterly investment report detailing the Authority's investment activity for the period. This investment report covers the third quarter of 2005, July through September, and includes a discussion on the Authority's debt portfolio.

***Recommendation***

Receive and file the Quarterly Debt and Investment Report prepared by the Treasurer as an information item.



## AGENDA

ACTIONS

### Regular Calendar

#### Orange County Transportation Authority Regular Calendar Matters

11. **Agreement for Operation and Management of the 91 Express Lanes**  
Daryl Watkins/Paul C. Taylor

***Overview***

The current agreement for operation and management of the 91 Express Lanes expires on January 3, 2006. The Orange County Transportation Authority issued a Request for Proposals and received offers in accordance with procurement procedures for professional and technical services.

***Recommendation***

Authorize the Chief Executive Officer to execute Agreement C-5-0300 between the Orange County Transportation Authority and Cofiroute USA, LLC, in an amount not to exceed \$30,800,854, to operate and manage the 91 Express Lanes for a five-year term. The recommended agreement would include two, 24-month option terms to be exercised at the conclusion of the initial five-year term at the sole discretion of the Board of Directors.

12. **Garden Grove Freeway (State Route 22) Design-Build Project Update**  
Rick Grebner/Stanley G. Phernambucq

***Overview***

On August 23, 2004, the Orange County Transportation Authority Board of Directors awarded a design-build contract to improve 12 miles of the Garden Grove Freeway (State Route 22) from Valley View east to the Costa Mesa Freeway (State Route 55) interchange. Now halfway through construction, staff presents an update on the first project in the State of California to be constructed on an active freeway using the design-build delivery method.

***Recommendation***

Receive and file as an information item.



## AGENDA

ACTIONS

### 13. Measure M Extension Policy Guidance Monte Ward

#### *Overview*

Pursuant to Board direction, staff is in the process of developing a draft Transportation Investment Plan as the basis for a potential ballot measure for extension of the Measure M one-half cent local transportation sales tax. A draft plan will be presented to the Board of Directors in December. A series of recommendations is presented to provide policy guidance for preparation of the draft.

#### *Recommendations*

- A. Direct staff to use 30-year duration, from 2011 to 2041, for purposes of developing a draft Transportation Investment Plan for an extension of Measure M.
- B. Direct staff to use a 30-year sales tax revenue estimate of \$11.862 billion in 2005 dollars based upon an average of projections prepared by Chapman University, California State University Fullerton and the University of California, Los Angeles.
- C. Direct staff to maintain the current overall Measure M percentage allocation of funds for highways at 43 percent; streets and roads at 32 percent; and transit at 25 percent for purposes of developing an initial draft Transportation Investment Plan.
- D. Direct staff to integrate the existing taxpayer and funding safeguards with the draft Transportation Investment Plan and seek further input prior to final adoption of the plan.
- E. Direct staff to exclude from the initial draft Measure M Transportation Investment Plan "Tier III" Long Range Transportation Plan proposals for which costs, funding and project feasibility has yet to be determined.



# AGENDA

ACTIONS

## Other Matters

14. **Measure M Poll Update**  
Monte Ward
15. **Chief Executive Officer's Report**
16. **Directors' Reports**
17. **Public Comments**

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

18. **Closed Session**
19. **Bus Communications Workshop**
20. **Adjournment**

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





**Orange County Transportation Authority**

**Board of Directors' Meeting**

**Agenda**

**October 24, 2005**

1. Wrap-up of Legislative Year
2. Eminent Domain Legislation / Possible Initiative
3. Late Breaking Developments
4. Questions/Comments



**THE MINUTES OF THE  
REGULAR MEETING OF THE OCTA BOARD OF  
DIRECTORS HELD ON OCTOBER 14, 2005,  
WILL BE PROVIDED TO YOU UNDER SEPARATE  
COVER PRIOR TO THE NEXT BOARD MEETING ON  
OCTOBER 24, 2005.**

**THANK YOU.**





ORANGE COUNTY  
TRANSPORTATION AUTHORITY

RESOLUTION

*ELISHA RAINWATERS*

*WHEREAS, the Orange County Transportation Authority recognizes and commends Elisha Rainwaters; and*

*WHEREAS, Elisha Rainwaters has earned twenty-eight years of Safe Driving and has maintained an exceptional attendance record; and*

*WHEREAS, Elisha Rainwaters is recognized for providing excellent customer service throughout his career; he greets every customer with a smile and demonstrates the value of "putting customers first" approach each day; and*

*WHEREAS, Elisha Rainwaters is a true professional and a dedicated employee. He is always willing to go the extra mile for his supervisors, co-workers and customers, he is a valuable asset to OCTA.*

**NOW, THEREFORE, BE IT RESOLVED** that the Authority does hereby declare Elisha Rainwaters as the Orange County Transportation Authority Coach Operator Employee of the Month for October 2005; and

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

Dated: October 24, 2005

\_\_\_\_\_  
Bill Campbell, Chairman  
Orange County Transportation Authority

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

OCTA Resolution No. 2005-115





ORANGE COUNTY  
TRANSPORTATION AUTHORITY

RESOLUTION

**JEFFREY FERREE**

WHEREAS, the Orange County Transportation Authority recognizes and commends Jeffrey Ferree; and

WHEREAS, be it known that Jeffrey Ferree is a valued member of the Maintenance Department. His diligence, industriousness and conscientiousness in performing all tasks are recognized;

WHEREAS, Jeff consistently demonstrates a high level of achievement in assisting the Garden Grove Base meet mission goals, Jeff's expertise in the maintenance and repair of all bus systems is exceptional, his skills and superb attitude in performing all facets of vehicle maintenance have earned him the respect of all that work with him.

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

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

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

Dated: October 24, 2005

\_\_\_\_\_  
Bill Campbell, Chairman  
Orange County Transportation Authority

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

OCTA Resolution No. 2005-116





ORANGE COUNTY  
TRANSPORTATION AUTHORITY

RESOLUTION

**RICK SMITH**

**WHEREAS**, the Orange County Transportation Authority recognizes and commends Rick Smith; and

**WHEREAS**, Rick's excellent performance as System Software Analyst has added tremendous value allowing the Information Systems Department to meet their goals of providing a very robust and reliable computing infrastructure to the Authority; and

**WHEREAS**, Rick's attention to detail and thorough planning in support of the Lawson HRIS application has allowed the Authority to have virtually no significant downtime or interruptions to our payroll processing and operations; and

**WHEREAS**, be it known that Rick places the integrity and reliability of our systems software and hardware at his highest priority, at times working late in the evening and on the weekends resolving issues; and

**WHEREAS**, Rick's continued research and education of the Information Technology industry, playing a key leadership role in the evaluation and selection of new technology; and

**WHEREAS**, Rick's positive attitude, commitment to outstanding customer service, "can do" attitude and teamwork standards epitomize the Orange County Transportation Authority's core values.

**NOW, THEREFORE, BE IT RESOLVED** that the Authority does hereby declare Rick Smith as the Orange County Transportation Authority Administrative Employee of the Month for October 2005; and

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

**Dated:** October 24, 2005

\_\_\_\_\_  
Bill Campbell, Chairman  
Orange County Transportation Authority

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

OCTA Resolution No. 2005-117





BOARD COMMITTEE TRANSMITTAL



**October 24, 2005**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** Summary of Federal Advocacy Strategic Planning Session

This item will be considered by the Legislative and Government Affairs/Public Communications Committee on October 20, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

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



**October 20, 2005**

**To:** Legislative and Government Affairs/ Public Communications  
Committee

**From:** Arthur T. Leahy, Chief Executive Officer

**Subject:** Summary of Federal Advocacy Strategic Planning Session

### **Overview**

Summary of the Orange County Transportation Authority's federal affairs staff and Washington, D.C. legislative advocates presentation of legislative goals and objectives for the Orange County Transportation Authority's 2006 federal advocacy program.

### **Recommendation**

Review strategic planning session and provide direction to staff for incorporation in the Orange County Transportation Authority's 2006 Federal Legislative Platform.

### **Background**

The strategic planning session with the Orange County Transportation Authority (OCTA) staff and federal advocates was held at the Legislative and Government Affairs/Public Communications Committee on September 20. The strategic planning session was intended to serve as a forum to generate measurable performance goals and broad policy direction for the advocacy team in Washington, D.C.

### **Discussion**

While, the OCTA Federal Legislative Platform provides guidance on federal statutory, regulatory, and administrative policies for staff and its legislative advocates to pursue in the subsequent year, there have been limited opportunities for the Legislative and Government Affairs/Public Communications Committee to provide direction to the advocacy team prior to the convening of the congressional session. The strategic planning session

was intended to provide broad policy direction, as well as advocacy positions on bills early in the legislative planning process.

Based on the discussion at the strategic planning session, staff incorporated the goals and objectives into the draft 2006 Federal Legislative Platform for consideration by the Legislative and Government Affairs/Public Communications Committee on October 20, 2005.

The entire OCTA federal advocacy team attended the strategic planning session, including: Rick Alcalde and Julie Willis-Leon, Potomac Partners; Jim McConnell, James F. McConnell, Attorney-at-Law; Peter Peyser, Blank Rome Government Relations, LLC; and Scott Baugh, Mayer, Brown, Rowe & Maw LLP.

The recommendations made by the OCTA federal affairs staff and legislative advocates for the 2006 federal advocacy program included:

- Maximize programs in Safe Accountability Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) - formula and discretionary;
- Secure a greater level of funding for Orange County in the annual appropriations bills - transportation, homeland security, etc.;
- Increase authorization and funding for transit systems from Homeland Security programs;
- Pursue authorization/funding for the Riverside Freeway (State Route 91) Projects via the corrections bill or other legislative vehicle;
- Work with the Orange County congressional delegation and the Federal Transit Administration on future Orange County Rapid Transit Project;
- Communicate Measure M extension to Members of Congress– which is currently targeted for November 2006;
- Advocate Southern California East-West corridor planning (Goods Movement, State Route (SR-91) projects, Riverside/Orange County Corridor study)
- Support OCTA transit program (Metrolink commuter rail service, Inter-county bus service, Bus Rapid Transit)

- Coordinate on regional and intercounty issues of importance to Orange County including: improvements to San Diego Freeway (Interstate 405) North and South, Santa Ana Freeway (Interstate 5) North and South, Orange Freeway (State Route 57), and SR-91.

Recommendations were made by federal affairs staff and the legislative advocates to conduct outreach meetings with members of the OCTA Board in Washington, D.C. and to a greater degree in their districts. It was also recommended that the OCTA should team up with businesses, community groups, and other transportation stakeholders to advocate for a greater return of federal funding to Orange County.

Items discussed and recommended that would have an impact on the annual OCTA budget include: an annual Board Member trip to Washington, D.C. to meet with the members of the Administration, Orange County congressional delegation, as well as, House and Senate committee leadership. In addition, federal affairs staff would like to host an annual trip for congressional transportation staff to come to Orange County for a focused orientation of current projects and to meet with members of the OCTA Board and senior staff.

Committee members reaffirmed the need to build stronger relationships with the Congressional delegation, to develop support for OCTA sponsored projects, and to focus on regional transportation projects that would provide relief to Orange County transit and highway infrastructure systems.

### ***Summary***

The Federal Strategic Planning Session was intended to provide direction for the 2006 Federal Legislative Platform. The recommendations included in the advocate's presentations and discussions with committee members were incorporated formally in the federal legislative platform for use in directing the OCTA's federal goals and objectives for fiscal year 2006.

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**Attachment**

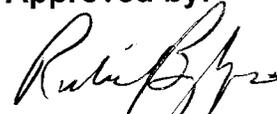
None.

**Prepared by:**



Kristine Murray  
Manager, Federal Relations  
(714) 560-5906

**Approved by:**



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



BOARD COMMITTEE TRANSMITTAL



**October 24, 2005**

**To:** Members of the Board of Directors  
**From:** Wendy Knowles, Clerk of the Board  
**Subject:** Orange County Transportation Authority's Draft 2006 Federal Legislative Platform

This item will be considered by the Legislative and Government Affairs/Public Communications Committee on October 20, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

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



**October 20, 2005**

**To:** Legislative and Government Affairs/Public Communications Committee

**From:** Arthur T. Leahy, Chief Executive Officer

**Subject:** Orange County Transportation Authority's Draft 2006 Federal Legislative Platform

### **Overview**

An initial draft of the Orange County Transportation Authority's 2006 Federal Legislative Platform has been prepared for consideration by the Legislative and Government Affairs/Public Communications Committee and to direct staff to circulate for further review and comment by interested parties.

### **Recommendation**

Authorize staff to circulate copies of the Draft 2006 Federal Legislative Platform to advisory groups, Orange County legislative delegations, cities, and interested members of the public.

### **Background**

Each year, federal relations' staff develops the federal legislative platform outlining the Orange County Transportation Authority's (OCTA) legislative goals for the coming year. This document describes OCTA's legislative priorities and objectives and directs staff on bills to introduce, as well as positions to take with regard to federal regulatory changes. The legislative platform also provides guidelines for future recommended positions on other bills of interest to OCTA.

### **Discussion**

The Draft 2006 Federal Legislative Platform, presented as Attachment A, is proposed to update the Board-adopted 2005 program based upon what has transpired in Washington, D.C. this year and what is anticipated to be the key issues next year.

Given that the previous two federal legislative platforms focused primarily on TEA-21 reauthorization, next year's draft platform contains very little carry over from the past two Board-adopted platforms. The newly drafted federal legislative platform shifts the federal focus to the annual appropriations process, homeland security, goods movement, regulatory matters, and a continued position on employment issues.

The attachment incorporates new suggestions and initiatives solicited by OCTA staff and from the discussion held during the Legislative and Government Affairs/Public Communications Committee's federal advocacy strategic planning session on September 15, 2005.

Over 300 groups and individuals were asked to consider issues important to OCTA or problems currently affecting Orange County transportation which might be addressed by legislative solutions. Federal relations' staff considered the ideas and input received when drafting the Draft 2006 Federal Legislative Platform.

***Summary***

Upon the Committee and Board authorization, staff will circulate the Draft 2006 Federal Legislative Platform to key audiences for additional comment and revision. After further staff refinement, the Legislative and Government Affairs/Public Communications Committee will provide a final review and make a final recommendation to the Board of Directors. The federal platform is scheduled for adoption by the Board of Directors on December 12, 2006.

***Attachment***

- A. Draft Orange County Transportation Authority 2006 Federal Legislative Platform

**Prepared by:**



Kristine Murray  
Manager, Federal Relations  
(714) 560-5906

**Approved by:**



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

**DRAFT**  
**Orange County Transportation Authority**  
**2006 Federal Legislative Platform**

**INTRODUCTION**

With a population of over three million, Orange County is the second largest county in California and the fifth largest county in the nation. In fact, Orange County has more residents than 21 states. Orange County is also one of the most densely populated areas in the country and is second only to San Francisco for the most densely populated county in the state of California. National and global attractions include Disneyland, Knott's Berry Farm, and over 42 miles of beaches, making Orange County a worldwide vacation destination.

Among metro areas in the United States, Orange County has the 11th largest gross domestic product and is home to the 12th busiest airport in the nation. In addition, Orange County provides highway and rail corridors that facilitate an increasing level of international trade entering the Southern California ports. With regard to federal revenues, Orange County is consistently a donor county within a donor state.

The OCTA Federal Legislative Platform outlines the statutory, regulatory, and administrative goals and objectives of the transportation authority. The following platform was adopted by the OCTA Board of Directors on \_\_\_\_\_ to provide direction to staff and federal legislative advocates for the second session of the 109<sup>th</sup> Congress.

**I. Fiscal Year 2007 Transportation Appropriations**

The annual appropriations process will play a significant roll in the OCTA 2006 federal legislative platform. OCTA will focus on highway and transit infrastructure, homeland security, environmental streamlining and stewardship, and goods movement. As part of the fiscal year 2007 transportation appropriations bill, OCTA will work to:

- a) Support appropriations and additional funding of transit security grant programs for the Department of Homeland Security to protect county surface transportation systems, including highways, transit facilities, rail lines, and related software systems.
- b) Support New Start funding for the Orange County Bus Rapid Transit project adopted by the Board of Directors, as well as seek funding available through the newly authorized Small Starts program.
- c) Support full funding of Section 5309 (m)(1)(a) rail modernization grant funds.
- d) Support bus and bus-related OCTA projects under Section 5309 (m)(1)(c).

- e) In concert with regional transportation agencies, seek funding for the Southern California Regional Training Consortium to develop bus maintenance training information to the transit agencies throughout Southern California.

In addition, OCTA will work to secure the following project earmarks in the fiscal year 2007 transportation appropriations bill:

- f) State Route-91 widening and Orange County/Riverside chokepoint projects
- g) Grade separation improvements along Orangethorpe corridor in north orange county.
- h) Interstate-405 widening and improvements.
- i) Interstate-5 and Ortega highway chokepoint and interchange improvements.
- j) Improvements to relieve chokepoint congestion at the I-5 and SR-55.
- k) Phase one of the Interstate-5 South high occupancy lane (HOV) project.
- l) The Orange County Rapid Transit project.
- m) Improvements along the Bristol Street multi-modal corridor.
- n) Inter-county express bus service to assist commuters between Orange County and Los Angeles and Riverside.

## **II. Highways, Transit, and Rail**

The federal surface transportation bill passed in July 2005 (SAFETEA-LU), included a significant level of funding for OCTA and authorized funding for critical highway and transit projects. However, there are a number of vital infrastructure projects – both highway and rail – that continue to require authorization to address specific highway, rail, and transit needs throughout the county and Southern California region. OCTA will seek authorization and funding for the following projects:

- a) Support legislative efforts to authorize the State Route-91 congestion relief projects.
- b) Seek support from the Federal Transit Administration and Orange County Congressional delegation for the Orange County Rapid Transit Project.
- c) Support authorization and funding for the Anaheim Regional Transportation Intermodal Center (ARTIC).
- d) Pursue funding for applicable transit programs newly authorized by SAFETEA-LU, including Small Starts, Jobs Access Reverse Commute (JARC), and New Freedom program for new transportation services and public transportation alternatives beyond those required by the Americans with Disabilities Act (ADA).
- e) Support efforts to authorize and fund Maglev transportation from Anaheim to Ontario and Ontario to Las Vegas. Support funding to augment state and local efforts for High Speed rail service to and from Anaheim.
- f) Support additional funding for grade-separations, pedestrian trails, and at-grade rail crossings to improve vehicle-driver and pedestrian safety.

- g) Support environmental streamlining and stewardship efforts by the relevant federal agencies.
- h) Support expedited federal review and payments to local agencies and their contractors for project development, right-of-way acquisition, and construction activities.
- i) Seek funding for soundwall mitigation measures and retrofit projects.
- j) Support bond measures for Amtrak improvements in high-speed rail corridors.

### **III. Homeland Security**

OCTA continues to work cooperatively with neighboring transit agencies, Urban Area Security Initiative (UASI) partners, state Homeland Security grant partners and local jurisdictions to develop regional and countywide strategic plans for terrorism preparedness. Last year, the Department of Homeland Security (DHS) released the first level of federal funding to enhance the security of regional bus and rail systems as part of the FY05 Transit Security Grant Program (TSGP). In addition to seeking additional grant funding in fiscal year 2007 to secure the county's highways, rail and transit systems, OCTA will pursue the following regulatory and statutory changes to address homeland security needs:

- a) Support increased federal funding to transit agencies for operational security improvements for highways, transit, and rail security in the United States.
- b) Support a fair distribution of grant funds based on the risk of terrorism as estimated by the Department of Homeland Security, in lieu of formulas based solely on size of population.
- c) Support programs that reach out to state homeland security officials to improve information exchange protocols, refine the Homeland Security Advisory System, and support state and regional data coordination.

### **IV. Goods Movement**

OCTA will continue to support Southern California regional goods movement efforts to ease congestion and facilitate the significant international trade entering the Southern California ports. OCTA will seek funding for the following goods movement projects:

- a) Support additional funding for Alameda Corridor East (ACE) grade separation projects in Orange County, including the OnTrac initiative and Orangethorpe Corridor.
- b) Support funding for highway improvements along Orange County trade corridors, including the State Route-91, State Route-57, Interstate-5, and Interstate-405.

### **V. Environmental Policy and Regulatory Requirements**

Federal environmental laws and regulations affecting OCTA include the National Environmental Protection Act (NEPA), the Federal Clean Air Act, Federal Water Pollution Control Act, and the Endangered Species Act. OCTA's historical positions with regard to these acts and related regulations include:

- a) Seek opportunities to streamline the environmental process for federally funded projects.
- b) Support implementation of a NEPA pilot project, authorized by SAFETEA-LU, to apply to OCTA federally-funded projects.
- c) Support legislation and federal grant programs that encourage ridesharing and related congestion relief programs for Orange County commuters.

In addition, OCTA takes the following positions with regard to U.S. Departments providing federal oversight, specifically:

- a) Support efforts to work with the Administration to equitably resolve the Federal Highway Administration's (FHWA) interpretation of the Americans with Disabilities Act (ADA) compliance guidelines that retroactively requires the implementation of costly curb-ramp upgrades within the boundaries of federally-funded projects. According to state officials implementing these regulations on behalf of FHWA, the requirements apply even if curb ramps are already in place but considered to be out of date according to the most recent ADA guidelines or when the project would not require ground disturbance (i.e. signal synchronization projects funded with Congestion Mitigation and Air Quality funds).
- b) Oppose any regulations or administrative guidance seeking to extend through administrative actions the statutory requirements of ADA.
- c) Support expanded design-build authorization for federally-funded highway and surface transportation projects.
- d) Support expedited federal review and payments to local agencies and their contractors for project development, right-of-way acquisition, and construction activities.
- e) Support streamlined federal reporting and monitoring requirements to ensure efficiency and usefulness of data and to eliminate redundant state and federal requirements.

## **VI. Employment Issues**

Federal employment laws affecting OCTA include the Fair Labor Standards Act, Family and Medical Leave Act, Occupational Safety and Health Act and the Omnibus Transportation Employee Testing Act of 1991. While there is not anticipated to be significant changes to these federal laws next year, OCTA historical positions have included:

- a) Support income tax reductions for employees receiving employer-provided transit passes, vanpool benefits, or parking spaces currently counted as income.
- b) Oppose legislation and regulations adversely affecting the agency's ability to effectively and efficiently address labor relations, employee rights, benefits, and working conditions including health, safety, and ergonomics standards in the workplace.



BOARD COMMITTEE TRANSMITTAL



*October 24, 2005*

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject:** Right-of-Way Administration Review

This item will be considered by the Finance and Administration Committee on October 20, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

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



*October 20, 2005*

**To:** Finance and Administration Committee  
**From:** <sup>ATL/EL</sup> Arthur T. Leahy, Chief Executive Officer  
**Subject:** Right-of-Way Administration Review

**Overview**

Internal Audit has completed a review of the Right-of-Way Administration. The review concluded that the controls are adequate to ensure the safeguarding over Orange County Transportation Authority owned properties. Right-of-way staff has implemented many improvements to the management of properties since the last audit in October of 2001.

**Recommendation**

Receive and file the Review of Right-of-Way Administration, Internal Audit Report No. 05-012

**Background**

The Right-of-Way Section and the Project Controls Section together comprise the Construction Services Department, which is within the Construction and Engineering Division. Right-of-Way Administration coordinates real estate acquisitions, operationally relocates displaced individuals and businesses, coordinates utility relocations, disposes of excess land, and provides property management services.

The major categories of properties that are managed by this section are 59 miles of rail corridor, 70.1 acres at four bus bases, 11.98 acres of Park 'N Ride facilities, 8.33 acres of transportation centers, a .44 acre bus station and a three acre transit terminal. Right-of-Way staff managed the collection of \$971,810 in revenue for the fiscal year ending June 30, 2005.

**Discussion**

Internal Audit's objective was to review procedures in place to safeguard assets and to ensure that a process was in place to collect rents and license fees due. In addition follow-up was done on findings reported in the prior audit report dated October 31, 2005, to see what actions had been taken to improve controls.

**Summary**

There is no response required from management on this report.

**Attachment**

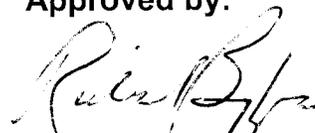
- A. Review of Right-Of-Way Administration, Internal Audit Report No. 05-012.

**Prepared by:**



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

**Approved by:**



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



INTEROFFICE MEMO

September 27, 2005

To: Stan Phernambucq, Executive Director  
Construction and Engineering

From: Robert A. Duffy, Manager *RAD*  
Internal Audit

Subject: **Review of Right-of-Way Administration, Internal Audit  
Report No. 05-012**

***Conclusion***

The Internal Audit Department has completed a review of the Right-Of-Way Administration section. **In Internal Audit's opinion**, the controls are adequate to ensure the safeguarding over Orange County Transportation Authority (OCTA) owned properties. The Right-of-Way staff has implemented many improvements to the management of OCTA properties since the last audit in October of 2001.

***Background***

The Right-of-Way (ROW) Section and the Project Controls Section together comprise the Construction Services Department, which is within the Construction and Engineering (C&E) Division. This review is limited to the ROW section. The ROW section handles real estate (RE) acquisitions, operationally relocates displaced individuals and businesses, coordinates utility relocations, disposes of excess land, and provides property management services. Currently, the ROW section is staffed with a section manager, four ROW administrators, an office specialist and a part-time intern.

Major properties owned and managed by OCTA include the following:

- Orange & Olive Subdivisions of the Los Angeles to San Diego Rail Corridor, consisting of 47 miles for commuter and freight operation in Orange County.
- Pacific Electric ROW, consisting of 12 miles for potential future transit use.
- Irvine, Garden Grove, Anaheim and Santa Ana Bus Bases, 70.1 acres.
- Brea and Fullerton Park 'N Ride facilities, 11.98 acres.

- Fullerton, Laguna Hills, Newport and Golden West Transportation Centers, 8.33 acres.
- Laguna Beach Bus Station, .44 acres.
- Santa Ana Transit Terminal, 3 acres.
- Miscellaneous properties acquired for freeway and highway projects.

The last Internal Audit report issued on the ROW section was "Property Management Audit," dated October 31, 2001. The major recommendations were to create written policies and procedures for the section's guidance, to establish a complete inventory of Orange County Transportation Authority (OCTA) owned properties, and to improve the controls over the property management function, which would ensure that fair market value was being received in the rents and license fees being collected. The ROW revenue collected for the fiscal year ending June 30, 2005, was \$971,810.

### ***Purpose & Scope***

The audit focused specifically on the ROW section of Construction Services.

The objectives of the audit were as follows:

- To verify that procedures are in place to safeguard and maintain assets;
- To ensure that assets are properly recorded and accounted for;
- To verify that an accurate inventory of assets is maintained and managed;
- To ensure that leases/licenses are properly managed and fair market revenues are collected when due;
- To follow-up on findings reported in the prior audit report dated October 31, 2001;

The audit reviewed actions taken from October 31, 2001, to August 31, 2005.

### ***Discussion***

Management has implemented corrective action on the recommendations issued in Report 02-012 dated October 31, 2001. These actions have resulted in improved management of the OCTA ROW and compliance with OCTA policies and procedures.

Specific actions that management has taken are as follows:

- ROW Management developed written Policies and Procedures, adopted by the OCTA Board of Directors on October 28, 2002.

- ROW staff developed an inventory database to track the properties managed by the section.
- ROW staff monitors accounts receivable and collects fees for late lease payments.
- ROW staff has developed a monthly Consumer Price Index (CPI) tickler checklist to ensure CPI increases are applied consistently per the terms of the agreements.
- ROW management contracted with a third party consultant in November 2003, for an independent review of ROW files with site visits to properties and enhancements to the ROW inventory database. This review is continuing with the contract extended through September 30, 2006.

These actions have resulted in improved management of the OCTA ROW department and compliance with OCTA policies and procedures.

During the course of our review, we interviewed ROW staff, reviewed policies and procedures and reviewed supporting documentation in ROW files that support the implementation of the policies and procedures that are in use.

### ***Summary***

The ROW section has made many improvements in the management of OCTA assets since the last audit in October 2001.

### ***Management Response***

There is no response required from management on this report.

Internal Audit appreciates the cooperation and assistance that we received from the ROW staff that provided information for this review.

Audit performed by: Gerry Dunning, In-Charge Auditor  
Maria Robledo

c: Rick Bacigalupo  
Jim Kenan  
Dinah Minter  
Min Saysay  
Bill Mock





BOARD COMMITTEE TRANSMITTAL

October 24, 2005

**To:** Members of the Board of Directors  
**From:** WK  
Wendy Knowles, Clerk of the Board  
**Subject** Cooperative Agreement for the Garden Grove Freeway (State Route 22) Design-Build Project between the Orange County Transportation Authority and the City of Orange

Regional Planning and Highways Committee

October 17, 2005

**Present:** Directors Norby, Cavecche, Rosen, Dixon, Brown, Green, Monahan, Pringle, and Ritschel  
**Absent:** None

**Committee Vote**

This item was passed by all Committee Members present.

Director Cavecche was not present to vote.

**Committee Recommendation**

Authorize the Chief Executive Officer to execute Cooperative Agreement C 4-0940 between the Orange County Transportation Authority and the City of Orange, in amount not to exceed \$185,000 for the City's costs associated with traffic management and police services for improvements to Garden Grove Freeway (State Route 22) Design-Build Project.



**October 17, 2005**

**To:** Regional Planning and Highways Committee

**From:** Arthur T. Leahy, <sup>Mr</sup> Chief Executive Officer

**Subject:** Cooperative Agreement for the Garden Grove Freeway (State Route 22) Design-Build Project between the Orange County Transportation Authority and the City of Orange

**Overview**

A cooperative agreement is required with the City of Orange outlining responsibilities between the Orange County Transportation Authority and the City of Orange for the implementation of the Garden Grove Freeway (State Route 22) Design-Build Project and related city improvements.

**Recommendations**

Authorize the Chief Executive Officer to execute Cooperative Agreement C-4-0940 between the Orange County Transportation Authority and the City of Orange, in amount not to exceed \$185,000 for the City's costs associated with traffic management and police services for improvements to Garden Grove Freeway (State Route 22) Design-Build Project.

**Background**

On October 11, 2001, the Orange County Transportation Authority (Authority) Board of Directors (Board) approved the implementation of the Garden Grove Freeway (State Route 22) improvements using the design-build approach. Design-build is an innovative system of contracting where one entity performs both final engineering design and construction under one contract. In a traditional delivery scenario, these two elements are performed consecutively. In a design-build project they are performed concurrently resulting in significant time savings.

The State Route 22 (SR-22) Design-Build Project (project) is a partnership between the Authority, the California Department of Transportation (Caltrans), the Federal Highway Administration, the joint venture design builder, Granite-Myers-Rados (GMR), and the corridor cities, including the

**Cooperative Agreement for the Garden Grove Freeway  
(State Route 22) Design-Build Project between the  
Orange County Transportation Authority and the City of  
Orange**

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*Page 2*

Cities of Orange, Santa Ana, Garden Grove, Westminster, Seal Beach, and Los Alamitos. The SR-22 project begins at the Valley View interchange in Garden Grove, and continues east to the Costa Mesa Freeway (State Route 55) interchange.

On August 23, 2004, the Board awarded the SR-22 design-build contract to GMR. The Authority has executed numerous cooperative agreements for the implementation of the SR-22 project including those between the Authority and the Cities of Santa Ana and Westminster, Caltrans, the Orange County Flood Control District, and the Department of California Highway Patrol.

***Discussion***

The City of Orange (City) approved and executed Agreement C-4-0940 on August 23, 2005. The purpose and content of the agreement is summarized below. The responsibilities of both the Authority and the City are identified for implementation of the SR-22 project.

The cooperative agreement requires the City to:

- Collaborate and cooperate with Authority staff, contractors, and consultants during the design and construction of the project and commit to participate in various partnering and project meetings
- Perform design reviews and issue permits to accommodate the design process and schedule
- Provide traffic engineering and police services as requested during construction to ensure safety and the maintenance of traffic, and for closures and detours
- Reimburse the Authority for the City portion of The City Drive, Metropolitan Drive, and Tustin Avenue improvements
- Fund any portion of City directed changes

The cooperative agreement requires the Authority to:

- Have the design-build contractor obtain permits and receive design approval for work done within the City's jurisdiction
- Coordinate development of project with the City and hold various, regular meetings to brief staff on project status, solicit their input, and to provide forums to discuss and resolve any project or local agency issues

**Cooperative Agreement for the Garden Grove Freeway  
(State Route 22) Design-Build Project between the  
Orange County Transportation Authority and the City of  
Orange**

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**Page 3**

- Implement a traffic management plan that addresses, to the extent practicable, construction-related impacts to existing city street traffic
- Implement a public awareness campaign that advises the City staff, local businesses, residents, elected officials, motorists, and media on construction status, street detours, ramp and freeway closures, etc.
- Pay the City a lump sum payment of \$135,000, for traffic management services and modifications required to address impacts to city streets during construction
- Reimburse the City for police on-call services on an hourly basis during construction. Police services are in an amount not to exceed \$50,000

**Fiscal Impact**

Funds are included in the Authority's Fiscal Year (FY) 2004-05 Budget, Account 0010-9017/F7100-9MQ for the City cooperative agreement for estimated expenditures this FY. Funds required for future fiscal years will be requested in future FY budgets.

**Summary**

Staff requests Board approval of a cooperative agreement between the Authority and the City of Orange outlining specific responsibilities for the implementation of the Garden Grove Freeway (State Route 22) Design-Build Project and related city improvements.

**Attachment**

None.

**Prepared by:**



T. Rick Grebner, P.E.  
Program Manager  
(714) 560-5729

**Approved by:**



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





BOARD COMMITTEE TRANSMITTAL

**October 24, 2005**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject** Amendment to Agreement for Plan Check and Construction Management Services for Santa Ana Bus Base

Transit Planning and Operations Committee

October 13, 2005

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

**Committee Vote**

This item was passed by all Committee Members present.

Committee Vice Chairman Pulido was not present for this vote.

**Committee Recommendation**

Authorize the Chief Executive Officer to execute Amendment No. 8 to Agreement C-1-2282 between the Orange County Transportation Authority and MARRS Services, in an amount not to exceed \$125,000, for construction management services for the Santa Ana Bus Base, and extend the contract period to June 2006.



**October 13, 2005**

**To:** Transit Planning and Operations Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Amendment to Agreement for Plan Check and Construction Management Services for Santa Ana Bus Base

**Overview**

On March 25, 2002, the Orange County Transportation Authority Board of Directors approved an agreement with MARRS Services, in the not-to-exceed amount of \$1,399,962, to provide plan check and construction management services for construction of the Santa Ana Bus Base. MARRS Services was retained in accordance with the Orange County Transportation Authority's procurement procedures for architectural and engineering services.

**Recommendation**

Authorize the Chief Executive Officer to execute Amendment No. 8 to Agreement C-1-2282 between the Orange County Transportation Authority and MARRS Services, in an amount not to exceed \$ 125,000, for construction management services for the Santa Ana Bus Base, and extend the contract period to June 2006.

**Background**

On March 25, 2002, the Orange County Transportation Authority (Authority) Board of Directors (Board) selected MARRS Services to provide independent third party plan checking services and construction management of the Santa Ana Bus Base. The original MARRS Services agreement was for \$1,399,962.

On April 28, 2003, the Board awarded the construction contract for the Santa Ana Bus Base to Swinerton Builders in the amount of \$35,653,000. The construction agreement specified that the construction work was to be completed within 550 calendar days from the Notice to Proceed, which equated to November 26, 2004. The Santa Ana Bus Base was substantially completed on April 29, 2005; however, offsite construction work remains to be completed

with a tentative completion date of December 2005. Construction management services will be required beyond the construction completion date to address construction claim issues. The construction management services agreement is a time and materials contract and available funds will be depleted in November 2005. In order to complete the offsite work and address potential construction claims, the agreement needs to be amended at this time.

***Discussion***

This procurement was originally handled in accordance with the Authority's procedures for architectural and engineering services. The original agreement was awarded on a competitive basis and was previously amended on May 2, 2005 (Attachment A), to increase the agreement value by \$100,000, for a total contract value of \$1,499,962. It has become necessary to amend the agreement again, due to an extended construction time period and to address anticipated construction claims prior to project closeout.

The proposed amendment would increase the agreement by \$125,000. The total amount after approval of Amendment No. 8 will be \$1,624,962. The contract period will also be extended from December 2005, to June 30, 2006.

**Fiscal Impact**

The additional work described in Amendment No. 8 to Agreement C-1-2882 was approved in the Authority's Fiscal Year (FY) 2005-06 Budget, Construction & Engineering, Account 1722-9011, and is 100 percent funded through the Local Transportation Fund. Additional funds in excess of the amount included in the FY 2005-06 budget have been transferred from Account 1722-9022, Capital Improvements, to Account 1722-9011, Work in Progress.

***Summary***

Staff recommends approval of Amendment No. 8, in the amount of \$125,000, to Agreement C-1-2882 with MARRS Services to continue construction management services and to address anticipated construction claims on the Santa Ana Bus Base.

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***Attachment***

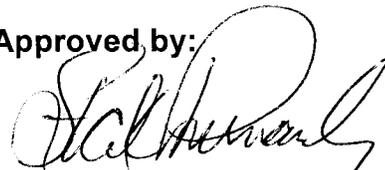
- A. MARRS Services Agreement C-1-2282 Fact Sheet

**Prepared by:**



James J. Kramer  
Principal Civil Engineer  
(714) 560-5866

**Approved by:**



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

## ATTACHMENT A

### **MARRS Services Agreement C-1-2282 Fact Sheet**

1. March 25, 2002, Agreement C-1-2282, \$1,399,962, approved by Board of Directors.
  - Plan check and construction management services for the Santa Ana Base.
2. September 16, 2003, Amendment No. 1 to Agreement C-1-2282, \$0, approved by Procurement Administrator.
  - Administrative change only. No changes made to term or dollar amount.
3. October 13, 2003, Amendment No. 2 to Agreement C-1-2282, \$0, approved by Procurement Administrator.
  - Administrative change only. No changes made to term or dollar amount.
4. August 4, 2004, Amendment No. 3 to Agreement C-1-2282, \$0, approved by Procurement Administrator.
  - Administrative change only. No changes made to term or dollar amount.
5. November 29, 2004, Amendment No. 4 to Agreement C-1-2282, \$0, approved by Procurement Administrator.
  - Administrative change only. No changes made to term or dollar amount.
6. December 29, 2004, Amendment No. 5 to Agreement C-1-2282, \$0, approved by Procurement Administrator.
  - Extend term of Agreement to April 30, 2005.
7. May 2, 2005, Amendment No. 6 to Agreement C-1-2282, \$100,000, approved by Procurement Administrator.
  - Extend term of Agreement to September 30, 2005 and increase maximum obligation to \$1,499,962.
8. September 22, 2005, Amendment No. 7 to Agreement C-1-2282, \$0, approved by Procurement Administrator.
  - Extend term of Agreement to December 31, 2005.
9. October 24, 2005, Amendment No. 8 to Agreement C-1-2282, \$125,000, pending approval by Board of Directors.
  - Extend term of Agreement to June 30, 2006 and increase maximum obligation to \$1,624,962.

Total committed to MARRS Services, Agreement C-1-2282: \$1,624,962.



BOARD COMMITTEE TRANSMITTAL



**October 24, 2005**

**To:** Members of the Board of Directors  
**From:** Wendy Knowles, Clerk of the Board <sup>wk</sup>  
**Subject:** Third Quarter 2005 Debt and Investment Report

This item will be considered by the Finance and Administration Committee on October 20, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

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



**October 20, 2005**

**To:** Finance and Administration Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Third Quarter 2005 Debt and Investment Report

**Overview**

The California Government Code requires that the Orange County Transportation Authority Treasurer submit a quarterly investment report detailing the Orange County Transportation Authority's investment activity for the period. This investment report covers the third quarter of 2005, July through September, and includes a discussion on the Orange County Transportation Authority's debt portfolio.

**Recommendation**

Receive and file the Quarterly Debt and Investment Report prepared by the Treasurer as an information item.

**Background**

The Treasurer is currently managing the Orange County Transportation Authority's (Authority) investment portfolio totaling \$1 billion as of September 30, 2005. 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 \$664.7 million as of September 30, 2005. Approximately 66 percent of the outstanding balance is comprised of Measure M fixed rate debt, 5 percent is comprised of Measure M variable rate debt, 28 percent is associated with the 91 Express Lanes, and 1 percent was issued as fixed rate debt for the Orange County Transit District.

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**Discussion****Economic Summary:**

The Federal Open Market Committee (Fed) raised rates for the eleventh straight time, signaling that further hikes are likely, due to only temporary economic setbacks resulting from hurricanes along the Gulf Coast. The benchmark Fed Funds rate has now reached 3.75 percent from a low of only 1 percent in May of 2004.

The devastation in the Gulf region, the disruption of economic activity, and the well documented boost in energy prices imply that spending, production and employment will slow down in the near term. Large pledges of government spending combined with healthy expansion during the first eight months of 2005, however, indicate that the economy is poised to grow at a solid pace throughout the year.

Inflation is the chief concern for Fed Chairman Alan Greenspan, as he navigates the final months of his historic term ending January 31, 2006. Mr. Greenspan has led the central bank for 18 years, an era that included the longest economic expansion and two eight-month recessions. Producer Prices rose 5.1 percent in the 12 months ended August 2005, up from 4.1 percent from the previous trailing 12 months. The Consumer Price Index rose 3.6 percent on a year-over-year basis, up from 3.2 percent the previous month. All indications are that the Fed will continue its current trend in an effort to keep these numbers under control.

**Debt Portfolio Activity:** On July 1, 2005, the Authority remitted a debt service payment to Series 1993 Certificates of Participation (COP) investors in the amount of \$1.3 million. Of this amount, \$1.2 million was used to retire COP principal.

On August 15, 2005, the Authority remitted a debt service payment to Measure M investors in the amount of \$12.2 million. The total amount remitted represented interest on the Measure M debt. Principal payments for the Measure M program are paid in February of each year. The Authority also retired \$6.4 million in principal from the Tax-Exempt Commercial Paper (TECP) program during the month of August.

Also occurring on August 15, 2005, was the Authority's debt service payment for the 91 Express Lanes in the amount of \$8.2 million. Of this amount, \$4 million was used to retire principal. Currently, there remains \$187.6 million outstanding on the 91 Express Lanes Tax-Exempt Bonds (Bonds). In addition

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to the amounts due on the Bonds, the Authority has subordinated debt outstanding related to the acquisition of the 91 Express Lanes. The remaining outstanding principal balance (which will be repaid with 91 Express Lanes net revenues) totals approximately \$56.4 million. The outstanding balances for each of the Authority's debt securities are presented in Attachment A.

During the refinancing of the 91 Express Lanes Bonds, the Authority entered into an interest rate swap agreement with two counterparties to synthetically fix the variable portion of the outstanding bonds. The swap agreement outlines the monthly payments the Authority will receive from the counterparties to offset the variable portion of the Authority's debt. Through September 30, 2005, the Authority has received approximately \$82,373, more from the counterparties than the Authority has paid as part of the variable rate bonds. This is referred to as "positive basis." The Authority will accumulate these funds, whenever there is positive basis, in a trust account to offset those periods when there is negative basis.

**Investment Portfolio Compliance:** As of September 30, 2005, the Authority's portfolio is in compliance with its 2005 Investment Policy. The Authority continues its policy of reviewing the contents of the investment portfolio on a daily basis to ensure compliance. Attachment B provides a comparison of the portfolio holdings as of September 30, 2005, to the diversification guidelines of the Investment Policy.

As a result of the devastation in New Orleans, and the likelihood of further weather-related damage, the corporate debt rating of Allstate Life Global Funding was placed on negative credit watch by Standard & Poor's and Fitch Ratings indicating a possible ratings downgrade. The security, a \$2,250,000, par value Corporate Medium Term Note maturing July 30, 2007, is held in the Authority's short-term investment portfolio managed by Bear Stearns Asset Management.

The security is currently rated a solid AA by both Standard & Poor's and Fitch, well within the minimum credit rating required by the Authority's 2005 Annual Investment Policy. Staff has evaluated the security and discussed the sound financial strength of Allstate Life extensively with the investment manager and Sperry Capital, the Authority's financial advisor and has elected to keep the security in the portfolio while continuing to closely monitor the credit as well as any market price fluctuation.

**Investment Portfolio Activity:** The Authority periodically transfers funds from the Short-term Investment Portfolio to the Liquid Portfolio to meet increased cash flow demands related to the improvements along Garden Grove Freeway

(State Route 22). Transfers for the quarter totaled \$60 million. The Treasury/Public Finance Department works closely with Construction and Engineering staff members to ensure adequate liquidity to meet the cash flow demands of the State Route 22 improvement project.

**Investment Portfolio Performance Versus Selected Benchmarks:** The Authority's investment managers provide the Authority and its financial advisor, Sperry Capital, with monthly performance reports. The investment managers' performance reports calculate monthly total rates of return based upon the market value of the portfolios they manage at the beginning of the month versus the market value at the end of the month. The market value of the portfolio at the end of the month includes the actual value of the portfolio based upon prevailing market conditions as well as the interest income accrued during the month. Yields are calculated using the average yield of the portfolio weighted by market value.

The Authority has calculated the returns for each of the investment managers for short-term operating moneys and compared the returns to specific benchmarks as shown in Attachment C.

The returns for the Authority's short-term operating moneys are compared to the Merrill Lynch 1-3 year Treasury Index benchmark. The Merrill Lynch 1-3 year Treasury Index is one of the most commonly used short-term fixed income benchmarks. Each of the four managers invest in a combination of securities that all conform to the Authority's 2005 Annual Investment Policy. For the quarter ending September 30, 2005, the weighted average total return for the Authority's Short-term Portfolio was 0.20 percent, 11 basis points above the benchmark return of 0.09 percent. For the 12 month period ending September 2005, the portfolio's return totaled 1.38 percent, 40 basis points above the benchmark return of 0.98 percent for the same period.

Investment managers were able to add value by continuing to invest in higher yielding investments such as high quality asset-backed securities and corporate medium-term notes. The weighted average yield reached 4.28 percent by quarter-end. Additionally, each investment manager has shortened the average maturity of their respective portfolios in anticipation of continued market volatility prompted by Fed activity and mixed signals regarding the strength of the economy.

The performance during the third quarter of 2005 has been driven both up and down by a combination of Fed activity, economics and natural disasters. As the Fed continues to raise short-term rates, demand on the short end of the yield curve decreases (six month to five years). As yields rise in the two to five

year range, the fixed income market and Authority's portfolio decrease in market price. Higher consumer prices, including increasingly rising energy costs, promote further restrictive action by the Fed that will continue the trend of rising bond yields.

**Investment Portfolios:** A summary of each investment manager's investment diversification, performance, and maturity schedule is provided in Attachment D. These summaries provide a tool for analyzing the different returns for each manager.

A complete listing of all securities is provided in Attachment E. Each portfolio contains a description of the security, maturity date, book value, market value and current yield provided by the custodial bank.

**Cash Availability for the Next Six Months:** The Authority has reviewed the cash requirements for the next six months. It has been determined that the Liquid and the Short-term Portfolios can fund all projected expenditures during the next six months.

### ***Summary***

As required under the California Government Code, the Orange County Transportation Authority is submitting its quarterly investment report to the Board of Directors. The investment summarizes the Orange County Transportation Authority's Treasury activities for the period July 2005 through September 2005.

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**Attachments**

- A. Orange County Transportation Authority Outstanding Debt September 30, 2005.
- B. Orange County Transportation Authority Investment Policy Compliance September 30, 2005.
- C. Orange County Transportation Authority Short-term Portfolio Performance Review Quarter Ending September 30, 2005.
- D. Investment Manager Diversification and Maturity Schedules September 30, 2005.
- E. Orange County Transportation Authority Portfolio Listing as of September 30, 2005.

**Prepared by:**



Kirk Avila  
Treasurer  
Treasury/Public Finance  
(714) 560-5674

**Approved by:**



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

**Orange County Transportation Authority  
Outstanding Debt  
September 30, 2005**

**Orange County Local Transportation Authority (OCLTA)**

	<u>Issued</u>	<u>Outstanding</u>	<u>Final Maturity</u>
2001 Second Senior Sales Tax Revenue Bonds	\$ 48,430,000	\$ 48,430,000	2011
1998 Second Senior Sales Tax Revenue Bonds	213,985,000	122,955,000	2011
1997 Second Senior Sales Tax Revenue Refunding Bonds	57,730,000	57,415,000	2011
1995 Tax-Exempt Commercial Paper	74,200,000	34,500,000	2011
1994 Second Senior Sales Tax Revenue Bonds	200,000,000	41,690,000	2011
1992 Second Senior Sales Tax Revenue Bonds	190,000,000	23,755,000	2011
1992 First Senior Sales Tax Revenue Bonds	350,000,000	144,645,000	2011
<b>Sub-total</b>	<b>\$ 1,134,345,000</b>	<b>\$ 473,390,000</b>	

**Orange County Transportation District (OCTD)**

	<u>Issued</u>	<u>Outstanding</u>	<u>Final Maturity</u>
1999 Refunding Certificates of Participation	\$ 7,925,000	\$ 1,260,000	2005
1993 Certificates of Participation	21,100,000	2,470,000	2007
<b>Sub-total</b>	<b>\$ 29,025,000</b>	<b>\$ 3,730,000</b>	

**91 Express Lanes \***

	<u>Issued</u>	<u>Outstanding</u>	<u>Final Maturity</u>
2003 Toll Road Revenue Refunding Bonds	\$ 195,265,000	\$ 187,625,000	2030

\* Not reflected is the intra-agency borrowing (subordinated debt) for the purchase of the 91 Express Lanes in the amount of \$56,396,537.

<b>TOTAL ISSUED TO DATE</b>	<b>\$ 1,358,635,000</b>
<b>TOTAL OUTSTANDING BALANCE</b>	<b>\$ 664,745,000</b>

**Orange County Transportation Authority**  
**Short-term Portfolio Performance Review\***  
**Quarter Ending September 30, 2005**

Month Ending	Merrill Lynch Treasury 1-3 Year Index Benchmark		Bear Stearns		Payden & Rygel		Citigroup		State Street Global Advisors	
	Monthly Return	Duration	Monthly Return	Duration	Monthly Return	Duration	Monthly Return	Duration	Monthly Return	Duration
7/31/2005	-0.28%	1.68 years	-0.18%	1.43 years	-0.29%	1.72 years	-0.23%	1.56 years	-0.28%	1.67 years
8/31/2005	0.62%	1.71 years	0.59%	1.34 years	0.63%	1.63 years	0.63%	1.51 years	0.62%	1.54 years
9/30/2005	-0.25%	1.68 years	-0.12%	1.45 years	-0.21%	1.70 years	-0.14%	1.59 years	-0.24%	1.65 years
Jul 05 - Sep 05 Total Return		0.09%	0.29%		0.13%		0.26%		0.10%	

**HISTORICAL QUARTERLY RETURNS**

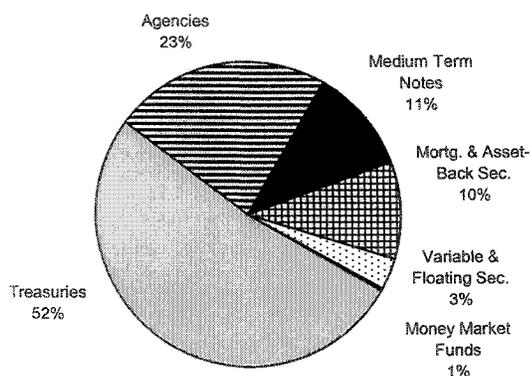
Oct 04 - Dec 04 Total Return	0.02%	0.20%	0.09%	0.13%	0.09%
Jan 05 - Mar 05 Total Return	-0.26%	-0.13%	-0.12%	-0.06%	-0.26%
Apr 05 - Jun 05 Total Return	1.14%	1.22%	1.18%	1.16%	1.22%
Jul 05 - Sep 05 Total Return	0.09%	0.29%	0.13%	0.26%	0.10%
<b>12-Month Total Return</b>	<b>0.98%</b>	<b>1.59%</b>	<b>1.28%</b>	<b>1.50%</b>	<b>1.15%</b>

\* - Month End Rates of Return are Gross of Fees

# Bear Stearns

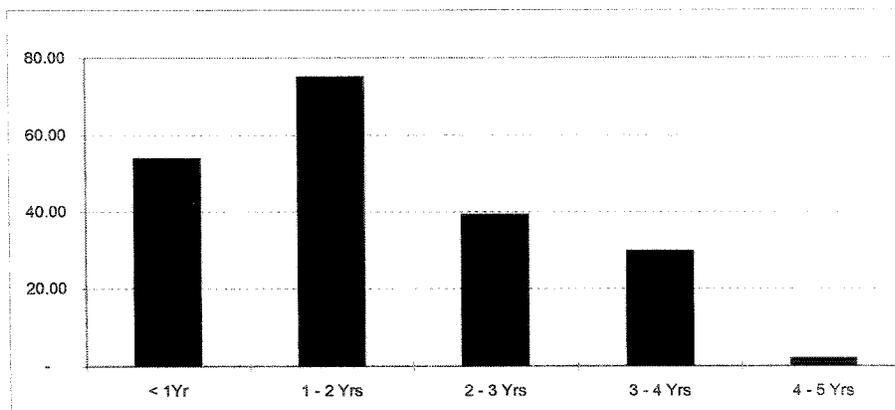
## September 30, 2005

### SHORT-TERM PORTFOLIO ( \$199.5 M)



	<u>Book Value</u>	<u>Market Value</u>
Treasuries	\$103,814,299	\$102,488,633
Agencies	45,710,696	44,890,321
Medium Term Notes	22,085,257	20,968,076
Mortg. & Asset-Back Sec.	20,506,879	20,265,032
Variable & Floating Sec.	6,899,813	6,897,999
Money Market Funds	<u>469,789</u>	<u>469,789</u>
	<u>\$199,486,732</u>	<u>\$195,979,850</u>

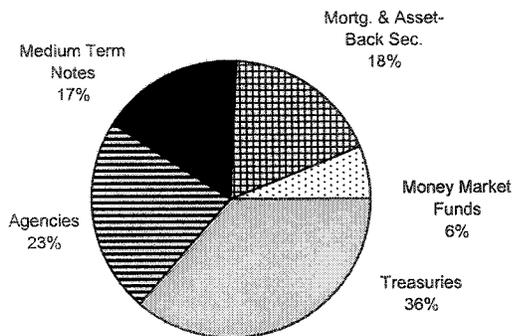
Wtd Avg Maturity	1.76 Yrs
Duration	1.45 Yrs
Quarter-end Yield	4.27%
Benchmark Comparison	4.17%
Quarter Return	0.29%
Benchmark Comparison	0.09%
12 Month Return	1.59%
Benchmark Comparison	0.98%



# Citigroup

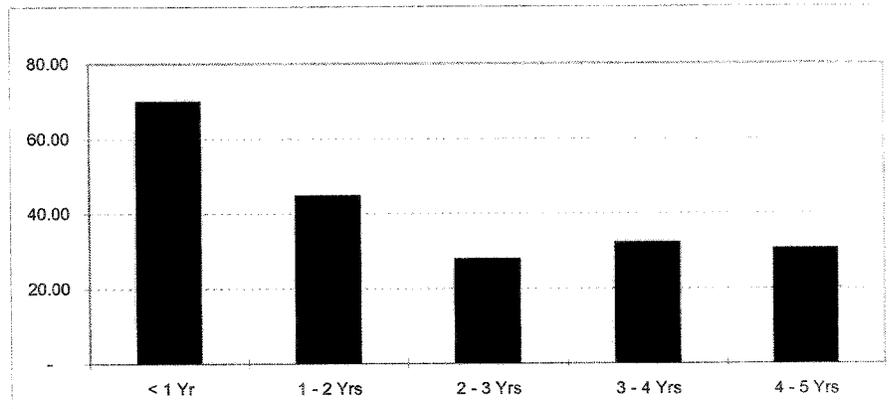
## September 30, 2005

### SHORT-TERM PORTFOLIO ( \$204.8 M)



	<u>Book Value</u>	<u>Market Value</u>
Treasuries	\$74,471,476	\$73,899,983
Agencies	46,513,518	43,703,656
Medium Term Notes	34,142,955	32,784,017
Mortg. & Asset-Back Sec.	37,250,924	36,502,515
Money Market Funds	<u>12,461,959</u>	<u>12,461,959</u>
	<u>\$204,840,832</u>	<u>\$199,352,130</u>

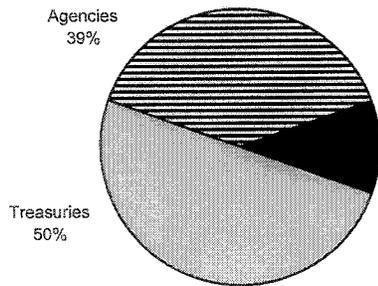
Wtd Avg Maturity	1.96 Yrs
Duration	1.59 Yrs
Quarter-end Yield	4.27%
Benchmark Comparison	4.17%
Quarter Return	0.26%
Benchmark Comparison	0.09%
12 Month Return	1.50%
Benchmark Comparison	0.98%



# State Street

## September 30, 2005

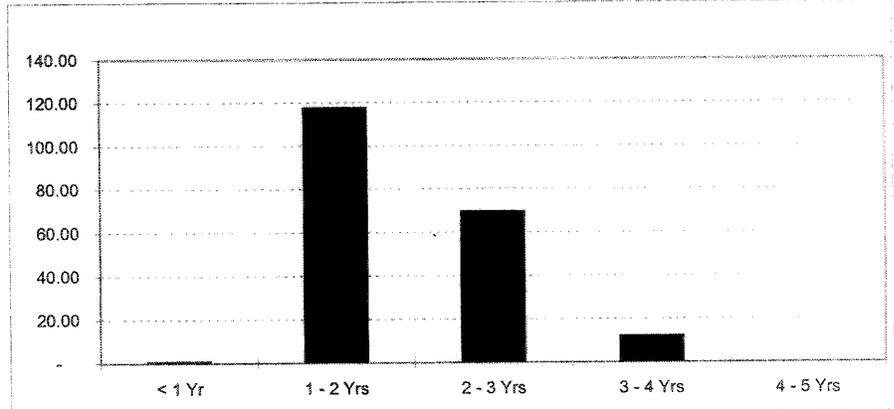
### SHORT-TERM PORTFOLIO (\$199.5 M)



Mortg. & Asset-Back Sec.  
11%

	Book Value	Market Value
Treasuries	\$99,833,383	\$98,546,728
Agencies	78,292,672	76,989,219
Mortg. & Asset-Back Sec.	21,250,249	20,944,983
Money Market Funds	<u>105,098</u>	<u>105,098</u>
	<u>\$199,481,401</u>	<u>\$196,586,027</u>

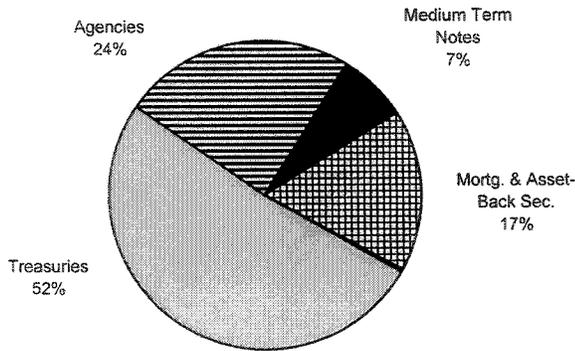
Wtd Avg Maturity	2.04 Yrs
Duration	1.65 Yrs
Quarter-end Yield	4.27%
Benchmark Comparison	4.17%
Quarter Return	0.10%
Benchmark Comparison	0.09%
12 Month Return	1.15%
Benchmark Comparison	0.98%



# Payden & Rygel

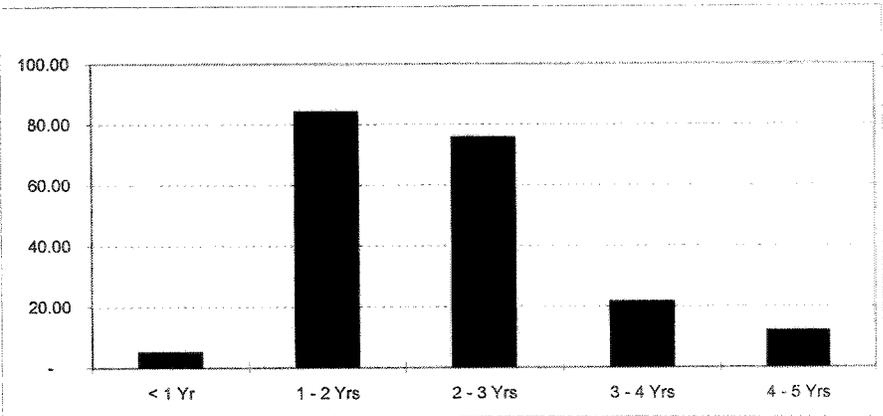
## September 30, 2005

### SHORT-TERM PORTFOLIO (\$198.2 M)



	Book Value	Market Value
Treasuries	\$102,108,956	\$101,266,456
Agencies	47,627,850	47,354,295
Medium Term Notes	14,232,552	13,778,919
Mortg. & Asset-Back Sec.	33,462,535	33,106,676
Money Market Funds	<u>795,030</u>	<u>795,030</u>
	<u>\$198,226,923</u>	<u>\$196,301,376</u>

Wtd Avg Maturity	2.26 Yrs
Duration	1.70 Yrs
Quarter-end Yield	4.32%
Benchmark Comparison	4.17%
Quarter Return	0.13%
Benchmark Comparison	0.09%
12 Month Return	1.28%
Benchmark Comparison	0.98%



**Orange County Transportation Authority  
Portfolio Listing  
As of September 30, 2005**

**LIQUID PORTFOLIO**

<u>Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Yield</u>
<i>Cash Equivalents</i>				
Repurchase Agreement	7/1/2005	\$ 6,445,176.36	\$ 6,445,176.36	3.25%
Evergreen Institutional Treasury Fund	N/A	122,198.55	122,198.55	3.09%
Fidelity Funds Treasury II	N/A	47,849,717.47	47,849,717.47	3.06%
Milestone Funds Treasury Obligations	N/A	20,619,630.45	20,619,630.45	3.02%
Wells Fargo Treasury Plus	N/A	19,846.42	19,846.42	2.63%
<i>Sub-total</i>		<u>75,056,569.25</u>	<u>75,056,569.25</u>	
<i>Local Agency Investment Fund (LAIF)</i>	N/A	24,388,400.45	24,388,400.45	2.86%
<i>Orange County Investment Pool (OCIP)</i>	N/A	15,376,070.27	15,376,070.27	2.75%
<b>Liquid Portfolio - Total</b>		<b><u>\$ 114,821,039.97</u></b>	<b><u>\$ 114,821,039.97</u></b>	

**SHORT-TERM PORTFOLIO**

<u>Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Yield</u>
<i>Cash Equivalents</i>				
Milestone Funds Treasury Obligations	N/A	13,831,875.09	13,831,875.09	3.02%
<i>Sub-total</i>		<u>13,831,875.09</u>	<u>13,831,875.09</u>	
<i>U.S. Government &amp; Agency Obligations</i>				
FHLB	3/6/2006	33,807,042.69	31,346,250.00	5.10%
FHLB	11/29/2006	6,596,700.00	6,513,375.00	3.24%
FHLB	2/15/2007	10,336,026.00	10,062,500.00	4.84%
FHLB	5/8/2007	5,994,000.00	5,975,625.00	4.26%
FHLB	6/13/2007	6,251,650.00	6,203,125.00	4.03%
FHLB	9/14/2007	2,491,290.00	2,453,906.25	3.43%
FHLB	4/7/2008	9,988,500.00	9,943,750.00	4.45%
FHLB	6/13/2008	4,250,000.00	4,191,562.50	4.15%
FHLMC	4/15/2006	496,270.00	495,000.00	2.39%
FHLMC	6/30/2006	8,000,000.00	7,906,720.00	2.73%
FHLMC	8/15/2006	10,094,300.00	9,865,625.00	2.78%
FHLMC	4/15/2007	16,406,461.50	16,350,468.75	3.78%
FHLMC	5/23/2008	5,508,580.00	5,449,070.00	4.28%
FHLMC	6/15/2008	5,851,065.40	5,820,718.75	3.92%
FHLMC	8/4/2008	4,492,395.00	4,477,545.00	4.52%
FNMA	6/28/2006	5,030,500.00	4,960,937.50	3.27%
FNMA	4/18/2007	6,500,000.00	6,461,406.25	4.12%
FNMA	8/15/2007	19,950,440.00	19,506,250.00	3.07%
FNMA	1/18/2008	5,944,860.00	5,910,000.00	3.85%
FNMA	2/15/2008	26,452,250.00	25,734,375.00	5.58%
FNMA	5/15/2008	12,706,474.90	12,357,406.25	5.77%
FNMA	7/28/2008	4,998,750.00	4,959,375.00	4.43%
FNMA	8/25/2008	5,997,180.00	5,992,500.00	4.75%
US Treasury Note	2/28/2006	12,559,187.50	12,486,348.00	1.63%
US Treasury Note	8/15/2006	23,702,786.67	23,505,367.50	2.40%
US Treasury Note	9/30/2006	2,794,640.63	2,756,250.00	2.53%
US Treasury Note	10/31/2006	16,911,679.69	16,709,810.00	2.54%

**Orange County Transportation Authority  
Portfolio Listing  
As of September 30, 2005**

US Treasury Note	11/15/2006	23,065,695.80	22,868,554.69	2.66%
US Treasury Note	1/31/2007	15,928,308.59	15,884,904.00	3.16%
US Treasury Note	2/15/2007	9,981,510.42	9,746,500.00	2.30%
US Treasury Note	3/31/2007	19,012,617.19	18,878,281.25	3.77%
US Treasury Note	5/15/2007	15,521,953.13	15,245,703.13	3.17%
US Treasury Note	5/31/2007	89,586,201.96	88,778,905.00	3.53%
US Treasury Note	8/15/2007	25,979,420.44	25,612,081.75	2.82%
US Treasury Note	11/15/2007	29,983,299.91	29,809,570.31	3.07%
US Treasury Note	2/15/2008	6,314,765.63	6,133,365.00	3.08%
US Treasury Note	2/15/2008	27,246,873.89	27,003,625.00	3.43%
US Treasury Note	5/15/2008	15,840,430.84	15,680,405.00	3.79%
US Treasury Note	9/15/2008	3,913,906.25	3,883,125.00	3.21%
US Treasury Note	12/15/2008	22,568,281.24	21,948,975.00	3.45%
US Treasury Note	10/15/2009	11,133,437.50	11,144,650.00	3.48%
US Treasury Note	4/15/2010	8,183,117.10	8,125,380.00	4.03%
	<i>Sub-total</i>	<u>598,372,849.87</u>	<u>589,139,291.88</u>	

Medium Term Notes

Abbott Labs	7/1/2006	1,886,517.50	1,766,679.69	5.57%
Allstate Life Global	7/30/2007	2,240,460.00	2,202,840.00	3.57%
Atlantic Richfield Company	4/15/2009	1,901,305.00	1,829,695.00	5.64%
Bank America Corp	2/1/2007	2,968,917.50	2,776,730.00	5.19%
Bank Boston NA	4/15/2008	2,202,315.00	2,132,758.50	6.12%
Bank One Corp	3/26/2007	2,220,015.00	2,127,069.00	5.43%
Banque Paribas	3/1/2009	1,718,104.50	1,679,312.25	6.44%
Berkshire Hathaway Financial Corp	10/15/2008	2,225,452.50	2,172,015.00	3.49%
Berkshire Hathaway Financial Corp	1/15/2010	1,999,400.00	1,958,520.00	4.21%
Citigroup Inc	2/1/2008	1,770,156.00	1,756,764.00	3.58%
Colgate-Palmolive Corp	3/27/2006	2,303,193.25	2,111,571.00	5.31%
Eli Lilly & Company	7/15/2006	2,078,100.00	2,016,980.00	5.45%
First Union National Bank Newark	10/15/2006	2,255,987.50	2,049,160.00	6.95%
General Electric Capital Corp	1/15/2008	3,136,425.10	3,111,157.40	4.27%
Goldman Sachs Group	10/27/2006	1,499,190.00	1,474,665.00	2.89%
Heller Financial Inc	3/15/2006	2,197,240.00	2,018,400.00	6.31%
Home Depot Inc	4/1/2006	2,171,920.00	2,008,640.00	5.35%
JP Morgan Chase & Co	5/1/2008	1,739,502.90	1,728,192.60	3.71%
Merck & Co Inc	7/1/2006	2,305,752.50	2,133,840.00	5.22%
Merrill Lynch & Co Inc	3/10/2006	1,125,663.75	1,116,607.50	2.48%
Morgan Stanley Co	4/15/2006	4,208,533.00	3,883,918.50	6.04%
Pfizer Inc.	2/1/2006	1,667,406.30	1,531,984.50	5.59%
Pharmacia Corp	12/1/2005	548,835.00	501,375.00	5.73%
Protective Life	11/24/2008	2,094,240.00	2,053,317.00	3.78%
Sunamerica Inc.	10/1/2007	2,209,234.50	2,100,593.25	6.50%
Suntrust Bank Atlanta	5/25/2009	2,123,250.00	2,075,423.75	4.65%
US Bancorp	8/23/2007	4,499,309.50	4,279,284.75	3.99%
US Bank National Association	2/1/2007	2,121,538.75	2,079,780.00	2.93%
Wal Mart Stores	8/10/2009	2,137,505.78	2,078,706.50	6.38%
Washington Mutual Financial Corp	5/15/2006	1,140,524.00	1,061,854.50	6.18%
Wells Fargo	4/4/2008	1,729,675.20	1,717,566.40	3.58%
Wells Fargo	8/9/2010	2,064,493.50	2,039,791.00	4.64%
World Savings Bank	12/15/2009	1,970,600.00	1,955,820.00	4.21%
	<i>Sub-total</i>	<u>70,460,763.53</u>	<u>67,531,012.09</u>	

Variable Rate Bonds

FHLMC	11/17/2006	6,899,812.50	6,897,999.00	4.55%
	<i>Sub-total</i>	<u>6,899,812.50</u>	<u>6,897,999.00</u>	

**Orange County Transportation Authority  
Portfolio Listing  
As of September 30, 2005**

Mortgage And Asset-Back Securities

American Honda Auto Lease Trust	3/16/2009	10,436,764.07	10,375,517.94	2.85%
Americredit Auto Receivable Trust	3/6/2007	245,931.61	221,306.80	2.97%
ARG FDG Corporate Trust	4/20/2009	4,999,569.00	5,017,950.00	4.00%
Bank One Issuance Trust	6/16/2008	5,707,125.00	5,698,174.29	2.94%
Bank One Issuance Trust	5/17/2010	5,951,250.00	5,893,981.20	3.65%
Capital One Prime Auto Trust	11/15/2007	1,187,885.69	1,189,514.04	2.03%
CARMAX Auto Owner Trust	10/15/2007	1,417,146.20	1,404,811.46	2.37%
Caterpillar Financial Asset Trust	12/26/2007	1,743,797.29	1,725,820.49	1.67%
Chase Issuance Trust	6/15/2010	5,956,847.27	5,898,689.61	3.30%
CIT Equipment Collateral Trust	4/20/2007	1,656,888.98	1,604,261.60	1.64%
CIT Equipment Collateral Trust	3/20/2008	1,732,709.58	1,704,618.72	2.23%
Citibank Credit Crd Issuance Trust	6/16/2008	3,635,898.44	3,528,756.00	5.60%
Citibank Credit Crd Issuance Trust	1/20/2009	10,504,654.50	10,294,967.02	2.61%
Citibank Credit Crd Issuance Trust	8/24/2009	1,998,860.00	1,951,732.80	3.27%
DaimlerChrysler Auto Trust	12/8/2007	2,247,956.27	2,226,856.46	2.01%
FHLMC Mortgage Pool	9/1/2007	649,653.94	637,160.70	4.95%
FHLMC Mortgage Pool	11/15/2008	5,122,656.25	4,987,103.50	3.50%
FHLMC Mortgage Pool	2/1/2009	1,192,778.90	1,160,593.12	4.50%
FHLMC Mortgage Pool	3/1/2009	1,255,990.77	1,241,359.81	4.50%
FHLMC Mortgage Pool	4/1/2009	4,165,167.17	4,071,883.76	4.05%
Fifth Third Bank Cincinnati	8/10/2009	1,954,118.13	1,899,902.51	2.99%
FNMA Mortgage Pool	7/1/2006	86,636.35	84,688.74	5.94%
FNMA Mortgage Pool	11/25/2008	1,957,277.11	1,833,318.57	5.96%
FNMA Mortgage Pool	1/1/2009	461,029.05	449,135.40	5.41%
FNMA Mortgage Pool	6/25/2009	3,816,903.12	3,754,391.73	5.90%
FNMA Mortgage Pool	1/25/2010	4,992,187.50	4,939,575.00	4.15%
Hertz Vehicle Financing LLC	5/25/2008	4,998,712.00	4,844,954.50	2.45%
M&I Auto Loan Trust	2/20/2008	1,302,014.38	1,294,001.28	2.33%
National City Auto Receivables Trust	7/15/2008	1,919,473.73	1,896,980.71	2.13%
Nordstrom Private Label Trust	4/15/2010	2,123,460.94	2,106,525.33	4.80%
Onyx Acceptance Owner Trust	8/15/2007	321,484.48	324,187.85	1.87%
PECO Energy Transition Trust	3/1/2009	1,960,142.87	1,939,509.91	5.96%
Regions Auto Receivables Trust	1/15/2008	1,978,862.98	1,961,297.18	2.32%
Regions Auto Receivables Trust	9/15/2009	5,922,187.50	5,876,977.20	2.39%
USAA Auto Owner Trust	4/15/2008	1,842,255.18	1,819,964.04	2.08%
USAA Auto Owner Trust	2/17/2009	4,599,197.07	4,532,862.54	3.20%
Whole Auto Loan Trust	10/15/2006	<u>425,114.17</u>	<u>425,872.97</u>	1.84%
<i>Sub-total</i>		<u>112,470,587.49</u>	<u>110,819,204.78</u>	

**Short-Term Portfolio - Total**

**\$ 802,035,888.48**      **\$ 788,219,382.84**

**DEBT SERVICE RESERVE FUNDS**

<u>Description</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Required Amount</u>	<u>Yield</u>
<u>1993 Bus COPs -</u>	2007		\$ 2,082,096.00	
Milestone Funds Treasury Obligations	N/A	\$ 2,098,237.58		3.02%
<u>1999 Refunding Bus COPs -</u>	2005		792,500.00	
AIG GIC	12/1/2005	792,500.00		4.61%
Wells Fargo Treasury Plus	N/A	23.57		2.63%
<u>91 Express Lanes 2003 Refunding Bonds</u>	2030		18,634,792.30	
AIG GIC - Supplemental Reserve Fund	8/15/2015	6,000,000.00		4.51%
Evergreen Institutional Treasury Fund	N/A	479,187.22		3.09%
MBIA GIC - Debt Service Reserve Fund	12/15/2030	12,634,792.30		5.13%

**Orange County Transportation Authority  
Portfolio Listing  
As of September 30, 2005**

<u>91 Express Lanes 2003 Refunding Bonds - Operating &amp; Maintenance Reserves</u>			4,540,000.00
Operating Reserve - Bank of the West CD		2,415,000.00	3.52%
Maintenance Reserve - Bank of the West CD		2,125,000.00	3.52%
 <u>Measure M Second Senior Sales Tax Bonds</u>			 56,910,357.63
<u>1992 Sales Tax Bonds -</u>			
	2011		
AIG GIC	2/15/2011	5,466,511.66	5.75%
FSA GIC	2/15/2011	8,998,875.61	3.88%
Fidelity Funds Treasury II	N/A	701,687.16	3.06%
 <u>1994 Sales Tax Bonds -</u>			
	2011		
CSFP Agmt - Various Treasury Securities		7,762,734.30	5.98%
Fidelity Funds Treasury II	N/A	4,605,903.21	3.06%
 <u>1997 Sales Tax Bonds -</u>			
	2011		
AIG GIC	2/15/2011	759,054.88	5.75%
FSA GIC	2/15/2011	1,249,542.82	3.88%
Fidelity Funds Treasury II	N/A	464,297.43	3.06%
 <u>1998 Sales Tax Bonds -</u>			
	2011		
AIG GIC	2/15/2011	22,567,222.63	5.79%
Fidelity Funds Treasury II		1,994,870.85	3.06%
 <u>2001 Sales Tax Bonds -</u>			
	2011		
Fidelity Funds Treasury II	2/15/2011	6,493,372.73	3.06%
 <b>Debt Service Reserve Funds - Total</b>		 <u><b>\$ 87,608,813.95</b></u>	

	<u>Book Value</u>	<u>Market Value</u>
<b>TOTAL PORTFOLIO</b>	<b><u>\$ 1,004,465,742.40</u></b>	<b><u>\$ 990,649,236.76</u></b>

FFCB - Federal Farm Credit Banks  
 FHLB - Federal Home Loan Banks  
 FHLMC - Federal Home Loan Mortgage Corporation  
 FNMA - Federal National Mortgage Association  
 SLMA - Student Loan Marketing Association



BOARD COMMITTEE TRANSMITTAL



**October 24, 2005**

**To:** Members of the Board of Directors  
**From:** Wendy Knowles, Clerk of the Board <sup>WK</sup>  
**Subject:** Agreement for Operation and Management of the 91 Express Lanes

This item will be considered by the Finance and Administration Committee on October 20, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

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



**October 20, 2005**

**To:** Finance and Administration Committee  
**From:** *RB* Richard J. Bacigalupo, Deputy Chief Executive Officer  
**Subject:** Agreement for Operation and Management of the 91 Express Lanes

### **Overview**

The current agreement for operation and management of the 91 Express Lanes expires on January 3, 2006. The Orange County Transportation Authority issued a Request for Proposals and received offers in accordance with procurement procedures for professional and technical services.

### **Recommendation**

Authorize the Chief Executive Officer to execute Agreement C-5-0300 between the Orange County Transportation Authority and Cofiroute USA, LLC, in an amount not to exceed \$30,800,854, to operate and manage the 91 Express Lanes for a five-year term. The recommended agreement would include two, 24-month option terms to be exercised at the conclusion of the initial five-year term at the sole discretion of the Board of Directors.

### **Background**

On January 3, 2003, the Orange County Transportation Authority (OCTA) acquired the assets and franchise rights to operate the 91 Express Lanes toll road from the California Private Transportation Company (CPTC). As a condition of the purchase, OCTA entered into an operating and management agreement with Cofiroute USA, LLC (Cofiroute). The OCTA Board of Directors (Board) approved a three-year operating and management agreement for the 91 Express Lanes with an initial term from January 3, 2003, to January 3, 2006. The agreement included two, 12-month renewal options, which OCTA elected not to exercise.

On July 16, 2004, the Board directed staff to develop a Request for Proposals (RFP) for a new operating agreement to determine whether OCTA could

achieve savings and efficiencies through a competitive procurement process. Two firms submitted proposals by the procurement deadline of June 9, 2005:

Firm and Location

Cofiroute USA, LLC  
Irvine, California

VESystems  
Irvine, California

Staff has completed the competitive procurement process (Attachment A) and is returning to the Board with a recommendation to award the contract for operation and management of the 91 Express Lanes. Chief Executive Officer Arthur T. Leahy recused himself from the procurement and selection process.

***Discussion***

The evaluation committee recommends award to the firm demonstrating the best overall capability and performance assurance using the four areas evaluated during the procurement process:

- Qualifications, Related Experience and References of Offeror
- Proposed Staffing and Project Organization
- Approach to Operations
- Cost and Price Proposal

Based on the proposals, interviews, site visits, and Best and Final Offers (BAFO), the evaluation committee recommends the following firm for selection and contract award:

Firm and Location

Cofiroute USA, LLC  
Irvine, California

Following is a discussion of the key items that differentiated the offerors in each of the areas evaluated by the committee.

1. Qualifications, Related Experience and References of Offeror

Qualifications, Related Experience and References of Offeror	
Percentage of overall score: 15 percent	
Cofiroute: 93 out of a possible 100	VESystems: 76 of 100

Qualifications, Related Experience and References of Offeror accounted for 15 percent of the offerors' overall score. Both firms and subcontractors have impressive toll industry credentials. However, the evaluation committee judged Cofiroute to have the more favorable presentation of their firm's credentials, capabilities, and understanding of comprehensive toll road operation and management. This was particularly borne out in the presentations, interviews, and site visits (Attachment B).

Cofiroute Global Mobility (CGM), Cofiroute's corporate parent, is a multi-billion dollar international corporation and has the depth of staff necessary to provide replacement staff if needed. CGM was part of the original consortium that financed, built, and operated the 91 Express Lanes and has comprehensive knowledge of every facet of past operations. In contrast, VESystems would have to increase its staff level considerably to be able to perform the 91 Express Lanes work.

2. Proposed Staffing and Project Organization

Proposed Staffing and Project Organization	
Percentage of overall score: 20 percent	
Cofiroute: 82 of 100	VESystems: 70 of 100

The evaluation committee graded Proposed Staffing and Project Organization for Cofiroute higher than for VESystems. The Cofiroute management personnel demonstrated a thorough understanding of their individual areas of expertise. Key personnel of VESystems and their subcontractor TransCore's management teams, other than the project manager, did not participate extensively in the presentation, questions, or site visits. The VESystems team recommended a

project staffing level that was 5.85 full-time equivalent employees less than the staffing proposed by Cofiroute. The committee felt that the Cofiroute staffing level was consistent with the level necessary to continue the high level of service the 91 Express Lanes currently provides our customers. VESystems did not demonstrate or explain how they would maintain equivalent service with fewer employees. Consequently, the evaluation committee more favorably rated the Cofiroute approach to Proposed Staffing and Project Organization (Attachment C).

VESystems proposed an alternate project manager, violations processing manager, and customer service supervisor in their BAFO. These substitute managers represent VESystems' primary area of expertise. They were evaluated based only on their resumes, as they did not participate in the interviews and site visits conducted by the evaluation committee. Furthermore, the BAFO contained no discussion of the impact of this substitution on the remainder of the VESystems' proposal.

3. Approach to Operations

Approach to Operations	
Percentage of overall score: 40 percent	
Cofiroute: 87 of 100	VESystems: 75 of 100

Both proposals were responsive to OCTA's request and documented a wide range of capabilities. VESystems was strong in their abilities and record for providing excellent customer account services and violations enforcement for the Transportation Corridor Agencies (TCA). However, VESystems' experience in operational components critical to the day-to-day operations of the toll facility was not demonstrated to the satisfaction of the evaluation committee. A comparison of the details and responsibilities between the proposals is provided in Attachment D. The evaluation committee's review of the proposals, oral interviews, and on-site visits determined that Cofiroute's personnel demonstrated a more thorough understanding of OCTA's requirements for toll road operations on the 91 Express Lanes.

4. Cost and Price Proposal

Cost and Price Proposal	
Percentage of overall score: 25 percent	
Cofiroute: 73 of 100	VESystems: 85 of 100

In evaluating the price proposals, the committee was looking for price competitiveness, reasonableness of the costs of proposed services, understanding of the requirements of the 91 Express Lanes, attention to detail, and the presence or absence of factors that might serve to increase the cost of the services over time.

The evaluation committee conducted in-depth financial analyses of the two proposals against the existing contract in an attempt to achieve accurate and defensible comparisons. A summary of the price proposals for each firm is presented in Attachment E. VESystems' proposed costs for year one are \$5,068,126 compared to \$5,743,786 for Cofiroute. VESystems proposed costs for years 1-5 are \$26.6 million compared to \$30.8 million for Cofiroute. The evaluation committee graded the VESystems price proposal to be more competitive, based on its total cost being lower by \$675,660 in year one and \$4.2 million over the base contract period.

The evaluation committee did express concerns that the VESystems price proposal missed cost elements captured in the Cofiroute price proposal. Consequently, the committee judged that VESystems' cost advantage would be less than represented above.

The Cofiroute proposal accurately described the expenses that OCTA expects the contractor to carry. The cost estimates clearly and accurately carried from each worksheet to the summary pages. In essence, Cofiroute's proposal demonstrated an attention to detail, which satisfied the evaluation committee that the cost proposal was sound.

The evaluation committee was not able to gain a similar level of comfort with the VESystems proposal. The lack of attention to detail in the pricing portion of the proposal was of concern to the evaluation committee. Certain expenses were missing altogether; some were misunderstood by the proposer; and others did not flow from worksheets to summary charts. The evaluation committee noted several discrepancies that may result in an increase in the base cost of

VESystems' services, as they pass those costs on to OCTA, or may result in VESystems' operating at an unrealistically low profit margin or at a loss.

Specific areas of concern in VESystems' pricing are:

- not including specific expenses related to office equipment and maintenance, utilities, and phone service in their pricing.
- omitting costs for the Southern California Association of Governments (SCAG) mandated Average Vehicle Occupancy reports. The Project manager stated that he did not understand the cost, so he left it out of the proposal.
- proposing unreasonably low workers' compensation expenses (\$17,000) at only 0.6 percent of payroll.
- proposing \$1 million crime insurance for the contractor instead of the \$5 million required by the RFP.

Furthermore, the evaluation committee calculated the average cost per unit of labor for each proposal.

Annual Cost Per Labor Unit (Base Labor Cost / Full-Time Employee)			
	<u>Cost</u>		<u>FTE</u>
Cofiroute	\$ 2,818,273	/	58.75
			= \$ 47,971
VESystems	\$ 2,658,206	/	52.90
			= \$ 50,250
Additional cost for 5.85 FTE at \$50,250 = \$293,960			

If the VESystems' staffing needed to be increased to achieve a higher level of performance, at their proposed average, the increase in cost would be \$293,960.

Finally, the evaluation committee also looked at the costs of transitioning operation and management services from Cofiroute to VESystems and noted:

- VESystems proposed transition costs of \$137,354 to offset costs incurred to start work.
- the current operation and management contract with Cofiroute allows for severance payments to Cofiroute employees. The amount of severance depends on a range of variables outlined in the current operation contract. Preliminary estimates range from \$500,000 to \$700,000.
- other transition costs, but the fiscal impacts of these costs are unknown. These transition costs would include the costs associated with vendor and

staff time to bring VESystems current on existing systems, policies, procedures, and practices.

- also unknown is the potential indirect impact to other 91 Express Lanes stakeholders – customers, bond holders, commuting public.

### Summary of Evaluation

OCTA should be willing to accept transition risk to a new vendor to achieve significant operating efficiencies and savings. Considering that only two bids were submitted, with one bid from the incumbent, the question becomes: did the challenger present a convincing proposal demonstrating that they could operate and manage the road better and cheaper?

The challenger did not present a proposal that unequivocally said yes to that question. The evaluation committee judged the Cofiroute proposal to be stronger in Qualifications, Related Experience and References of Offer; Proposed Staffing and Project Organization; and Approach to Operations. The evaluation committee judged the VESystems' Cost and Price Proposal to be more competitive with the notable caveat that the proposal was missing cost elements. Most importantly, the evaluation committee believed that the Cofiroute proposal carries less risk and contains fewer unknown elements.

In the event of a significant disturbance in the lanes, the experience of the operator can have major operational, customer service, and revenue implications. The operator is responsible for running and assisting with traffic breaks, removing debris from the lanes, responding to customer queries, notifying customers of issues, managing and responding to crises from the traffic management center, assisting disabled vehicles, and managing the systems for continued revenue collection. The operator cannot fail in these functions without creating the potential for a breakdown in customer service and revenue collection.

Cofiroute's experience and involvement in past operation led the financial community to highlight it as a favorable influence in their rating determination during the acquisition by OCTA. During the current evaluation process, the Cofiroute team successfully demonstrated their dedication and ongoing commitment to the 91 Express Lanes. Furthermore, their proposal offers a nearly risk-free transition to a new operating contract that will save nearly \$1.15 million per year (over the status quo pricing) while simultaneously increasing the scope of services.

By contrast, the only major contract for VESystems at this time is for certain functions at the Transportation Corridor Agencies. VESystems' staff lacks direct experience performing some of the critical operations that the contractor will be

expected to perform. This presents greater financial risk for OCTA in the event of a VESystems' operational failure. Some evaluation committee members were very concerned that the VESystems/TransCore personnel did not clearly demonstrate that they could make a smooth transition to operation and management without significant potential for service disruption.

#### Functional Options

The Board also directed staff to determine if the operating and management contractor could feasibly and cost effectively take over certain functions currently performed by OCTA. The evaluation committee sought input from Accounting, Marketing, Information Systems, and Toll Road and Motorist Services departments to evaluate the effectiveness and fit of each proposed option with OCTA objectives.

Based upon the RFP process, staff recommendations and justifications for the options are presented in Attachment F. Staff proposes the following determination regarding these options:

- Do not exercise the accounting or technology options.
- Exercise a limited scope of the marketing option. Staff recommends the operating contractor be limited to providing routine marketing services and that other marketing and communications be competitively procured separately.

#### Fiscal Impact

The Board approved the project in the OCTA Fiscal Year 2005-06 Budget, Planning, Development and Commuter Services Division, Account No. 0036-7350-B0100-A5H. The account is funded through the SR91 Enterprise Fund.

#### ***Summary***

Staff recommends award of Agreement C-5-0300 to Cofiroute USA, LLC, in an amount not to exceed \$30,800,854, to operate and manage the 91 Express Lanes for a five-year term. The recommended agreement would include two, 24-month option terms to be exercised at the conclusion of the initial five-year term at the sole discretion of the Board of Directors.

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***Attachments***

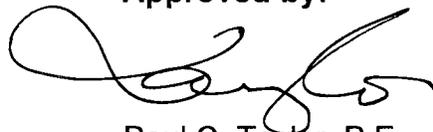
- A. Procurement Process for Request for Proposals 05-300
- B. Qualifications, Related Experience and References of Offeror
- C. Proposed Staffing and Project Organization
- D. Approach to Operations
- E. Cost Analysis for Request for Proposals 05-300
- F. Options Analysis for Request for Proposals 05-300

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**Procurement Process for Request for Proposals 05-300**

In September 2004, staff released a Request for Information (RFI) to members of the toll trade industry. The goal was to gain additional perspectives from toll industry experts on the scope of services and operating approaches that might be successful in the 91 Express Lanes environment.

Staff prepared an RFP that included several refinements to the existing operating and management approach, including information gleaned from the 11 responses to the RFI. The RFP requested vendors provide optional proposals for accounting, marketing, and software services. The proposed term of service for the agreement is January 3, 2006, through January 2, 2011, with two, 24-month option terms, potentially extending the agreement through January 2, 2015. The Board approved issuance of the RFP on February 14, 2005. OCTA advertised the procurement on February 24, 2005, and March 8, 2005, in a newspaper of general circulation and on CAMMNet, the OCTA online procurement website. Ten firms attended a pre-proposal meeting on March 9, 2005. Two firms submitted offers by the procurement deadline of June 9, 2005:

1. Cofiroute USA, LLC, Irvine, California 92618
2. VESystems, Irvine, California 92618

The procurement process was managed as a competitive, negotiated procurement in accordance with internal procedures for professional and technical services. The process included the following key steps:

- Notice to the worldwide community of toll road operators of the procurement;
- A comprehensive RFP document;
- A pre-proposal conference where OCTA personnel were available to elaborate and respond to the vendors' questions about the procurement;
- Responses to written questions submitted by potential vendors regarding the procurement; all responses were distributed to the attendees of the pre-proposal conference;
- Review of the submitted proposals by an evaluation committee consisting of OCTA personnel involved in the 91 Express Lanes program, a representative from California Department of Transportation (Caltrans), and representatives from San Diego Association of Governments (SANDAG), and Riverside County Transportation Commission who are familiar with toll road operations. The committee evaluated the offers based on qualification of the firm (15 percent), staffing and project organization (20 percent), approach to operations (40 percent), and cost (25 percent);

- Presentations by and interviews with the two proposers;
- Requests for Best and Final Offers (BAFOs), which were responded to by each offeror to further define and refine their proposals;
- Site visits to toll road operations currently under the management of each proposing team;
- Negotiation meetings with both proposers to clarify certain responses to the BAFO requests and to explore further refinements that might be pursued in final contract negotiations. For example, both firms agreed to an innovative performance management approach developed by OCTA;
- Reference checking of both proposers; and
- Financial and operational analysis of both proposals by OCTA staff to assess the relative benefits of both proposals.
- Chief Executive Officer Arthur T. Leahy recused himself from the procurement and selection process

**Qualifications, Related Experience and References of Offeror**

Comparison of proposal content\*

<b>Cofiroute USA, LLC</b>	<b>VESystems, LLC</b>
<b>Management Experience</b>	
<p>Cofiroute – Global presence in the tolling industry performing <u>every</u> aspect of toll road management.</p> <ul style="list-style-type: none"> <li>• Operations</li> <li>• Program management</li> <li>• Engineering</li> </ul> <p align="center">Additional experience:</p> <ul style="list-style-type: none"> <li>• Maintenance services</li> <li>• System design, development, and maintenance</li> <li>• Financial management</li> <li>• Research and development</li> <li>• Ownership</li> </ul>	<p>VESystems – National presence in tolling industry performing <u>certain</u> aspects of toll road management.</p> <ul style="list-style-type: none"> <li>• Operations</li> <li>• Program management</li> <li>• Engineering (software)</li> </ul> <p align="center"><b>TransCore (subcontractor)</b> Additional experience:</p> <ul style="list-style-type: none"> <li>• Maintenance services</li> <li>• Toll system design, integration and installation</li> </ul>
<b>Operational Support</b>	
<p>Cofiroute Global Mobility – multi-billion dollar company was part of original private consortium that financed, built, and operated the 91 Express Lanes (prior to OCTA's acquisition).</p>	<p>TransCore – Global provider of operational support is offered in this proposal to provide personnel and management for in-lane maintenance and the Customer Service Patrol.</p>
<b>Range of operational experience specific to 91 Express Lanes</b>	
<ul style="list-style-type: none"> <li>• Incumbent operating and management contractor with direct, relevant experience with unique aspects of the 91 Express Lanes</li> </ul>	<ul style="list-style-type: none"> <li>• Current business base consists of contract with the TCA and software development contracts.</li> </ul>
<b>Observations made by evaluation committee</b>	
<ul style="list-style-type: none"> <li>• Current staffing levels sufficient</li> <li>• Proposal demonstrated full range of experience and capabilities within tolling industry and responded specifically to RFP requirements</li> <li>• Presentation and site visit were consistent with written proposal</li> </ul>	<ul style="list-style-type: none"> <li>• Obtaining the 91 Express Lanes operation and management contract would nearly double the staffing and financial requirements of the company</li> <li>• Proposal demonstrated a range of experience and capabilities; however, RFP requirements regarding traffic operations management and customer assistance patrol were not adequately addressed in either the presentation or site visit</li> <li>• Presentation and site visit were not consistent with written proposal</li> </ul>

\* Organization and headings are provided for the reader's understanding. Staff has attempted to organize data sequentially for comparison purposes. Content is drawn from offerors' proposals.

**Proposed Staffing and Project Organization**

Demonstrated by Offerer to Evaluation Committee\*

<b>Cofiroute USA, LLC</b>	<b>VESystems, LLC</b>
<b>Supports 91 Express Lanes Operation and Management in Proposal</b>	
<ul style="list-style-type: none"> <li>• Emphasized experience working with 91 Express Lanes customers:               <ul style="list-style-type: none"> <li>◦ Customer service staff has an average of 3.5 years of service on 91 Express Lanes</li> <li>◦ Violations processing staff has an average of 5.5 years of service on 91 Express Lanes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Emphasized effective maintenance program for cash collection machines; however, this is not useful to OCTA since 91 Express Lanes is an all electronic tolling facility               <ul style="list-style-type: none"> <li>◦ Customer service center function supplied by TCA, and by SANDAG &amp; Caltrans for operation at I-15</li> </ul> </li> </ul>
<b>Interview</b>	
<ul style="list-style-type: none"> <li>• Project Manager demonstrated strong leadership and appropriate delegation skills               <ul style="list-style-type: none"> <li>◦ Demonstrated understanding of each functional area</li> <li>◦ Allowed individual managers to discuss own areas and offered detailed answers demonstrating areas of expertise at interview</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Project Manager offered in proposal, but later substituted, answered most questions</li> <li>• Key managers were substituted during BAFO response:               <ul style="list-style-type: none"> <li>◦ Project Manager</li> <li>◦ Violations Processing Manager</li> <li>◦ Customer Service Supervisor</li> </ul> </li> <li>• Capabilities of substituted personnel remain undocumented</li> <li>• TransCore personnel did not contribute significantly in discussions and presentations at oral interview</li> </ul>
<b>Site Visit</b>	
<ul style="list-style-type: none"> <li>• Tours of the Cofiroute-managed facilities (91 Express Lanes offices in Anaheim, Corona and Toll Zone)</li> <li>• Emphasized comprehensive understanding of range of services necessary to operate and manage the lanes</li> </ul>	<ul style="list-style-type: none"> <li>• Tours of the VESystems properties (TCA office in Irvine, corporate office in Irvine), and TransCore operation at I-15.</li> <li>• Showed reliance on TCA, SANDAG, and Caltrans for operation services</li> <li>• Substituted Violations Processing Manager &amp; Customer Service Supervisor did not contribute during site visit</li> <li>• Substituted Project Manager not present during site visit</li> </ul>

\*Evaluation Committee's judgments made on vendor-supplied personnel and information offered in proposal and observed during interviews and site visits.

**Approach to Operations**

Demonstrated by Offerer to Evaluation Committee\*

<b>Cofiroute USA, LLC</b>	<b>VESystems, LLC</b>
<b>Supports 91 Express Lanes Operation and Management in Proposal</b>	
<ul style="list-style-type: none"> <li>• Emphasized continuity of existing high level of customer service, violations processing, interoperability, and traffic operations management</li> <li>• Proposed continuity of experienced key personnel knowledgeable in the full range of 91 Express Lanes operational and governance requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasized “Nordstrom-level customer service” at an affordable price</li> <li>• Proposed TransCore as subcontractor to handle lane level equipment maintenance and customer assistance patrol</li> </ul>
<b>Interview</b>	
<ul style="list-style-type: none"> <li>• Project Manager demonstrated detailed understanding of governance requirements</li> <li>• Each key manager introduced himself or herself and responded to functional questions</li> <li>• Responses to road operations questions were thorough, specific, and relevant</li> <li>• Answers generally included examples of operations issues to back up their proposed approach</li> </ul>	<ul style="list-style-type: none"> <li>• VESystems President (proposed Project Manager) introduced team, made presentation, and responded to most questions.</li> <li>• Responses to road operations questions lacked detail, were superficial, and occasionally did not answer the specific question asked.</li> <li>• VESystems co-founder discussed technology options and demonstrated deep understanding of tolling technology issues</li> </ul>
<b>Site Visit</b>	
<ul style="list-style-type: none"> <li>• Cofiroute President and Project Manager introduced themselves and accompanied evaluation team</li> <li>• Functional managers discussed each functional area in detail and presented performance criteria and current results to highlight staff performance</li> <li>• Traffic Operations Center manager described roadway operations, described importance of experienced patrol personnel and “right-side” safety procedures</li> <li>• Traffic Operations personnel demonstrated initial and secondary reviews of license plate images</li> </ul>	<ul style="list-style-type: none"> <li>• VESystems President (previously proposed as Project Manager) discussed customer service and violations processing functional areas</li> <li>• TransCore personnel demonstrated the physical model system TransCore uses to lab test their in-lane equipment</li> <li>• TransCore maintenance personnel demonstrated maintenance on cash machines (not used on Express Lanes)</li> <li>• TransCore manager demonstrated software and explained I-15 customer service procedures</li> </ul>

\*Evaluation Committee’s judgments made on vendor-supplied personnel and information offered in proposal and observed during interviews and site visits.

<b>91 Express Lanes *</b>	<b>OCTA</b>	<b>Cofiroute</b>	<b>Caltrans</b>
Administration	x	x	
Human Resources Management		x	
Training	x	x	
Quality Control	x	x	
Disaster Recovery / Business Resumption	x	x	
Toll Operations		x	
Violations Processing		x	
Interoperability		x	
Customer Service	x	x	
Accounting	x	x	
Security and Investigations	x	x	
Customer Assistance Patrol		x	
Incident Management		x	x
Safety Program		x	
Customer Account Management		x	
Traffic Operations Center		x	
Lane Equipment Maintenance		x	
Variable Message Sign Management		x	
Coordination with CHP and Caltrans		x	

<b>241/261/133/73 **</b>	<b>TCA</b>	<b>VESystems</b>	<b>Transcore</b>	<b>Caltrans</b>
Administration	x	x	x	x
Human Resources Management	x	x	x	x
Training	x	x	x	x
Quality Control	x	x	x	x
Disaster Recovery / Business Resumption	x	x	x	x
Toll Operations	x	x	x	
Violations Processing	x	x	x	
Interoperability	x	x		
Customer Service	x	x		
Accounting	x	x	x	
Security and Investigations	x	x	x	
Customer Assistance Patrol				
Incident Management	x	x	x	x
Safety Program	x	x	x	x
Customer Account Management		x		
Traffic Operations Center			x	x
Lane Maintenance			x	
Variable Message Sign Management	x		x	x
Coordination with CHP and Caltrans	x	x	x	x

<b>I-15 ***</b>	<b>SANDAG</b>	<b>Transcore</b>	<b>Caltrans</b>	<b>CHP</b>
Administration	x			
Human Resources Management	x	x	x	
Training		x		
Quality Control	x	x		
Disaster Recovery / Business Resumption		x	x	
Toll Operations		x		
Violations Processing				x
Interoperability	x	x		
Customer Service		x		
Accounting	x	x		
Security and Investigations				
Customer Assistance Patrol	x			
Incident Management		x	x	x
Safety Program			x	x
Customer Account Management		x		
Traffic Operations Center			x	
Lane Maintenance			x	
Variable Message Sign Management		x		
Coordination with CHP and Caltrans	x	x		

\* - Completed by OCTA

\*\* - Completed by TCA

\*\*\* - Completed by SANDAG

The charts represent the range of services requested in proposal C-05-0300. Representatives from each toll road were asked to place an "x" in each column to describe what organization was responsible for each activity.

**Cost Analysis for Request for Proposals 05-300**

<b>Base Period</b>		<b><u>Year 1</u></b>	<b><u>Year 2-5</u></b>	<b><u>Total</u></b>
Cofiroute	BAFO	\$ 5,443,786	\$ 23,748,328	\$ 29,192,114
	Marketing Option	\$ 300,000	\$ 1,308,740	\$ 1,608,740
<b>Total</b>		<b>\$ 5,743,786</b>	<b>\$ 25,057,068</b>	<b>\$ 30,800,854</b>

VESystems	Base BAFO	\$ 4,598,008	\$ 20,058,656	\$ 24,656,664
	Marketing Option	\$ 332,764	\$ 1,451,670	\$ 1,784,434
	Transition Cost	\$ 137,354		
<b>Total</b>		<b>\$ 5,068,126</b>	<b>\$ 21,510,326</b>	<b>\$ 26,578,452</b>

<b>Option Period One</b>		<b><u>Year 6</u></b>	<b><u>Year 7</u></b>	<b><u>Total</u></b>
Cofiroute	BAFO	\$ 6,527,456	\$ 6,821,033	\$ 13,348,489
	Marketing Option	\$ 356,306	\$ 368,777	\$ 725,083
<b>Total</b>		<b>\$ 6,883,762</b>	<b>\$ 7,189,810</b>	<b>\$ 14,073,572</b>

VESystems	BAFO	\$ 5,460,990	\$ 5,652,127	\$ 11,113,117
	Marketing Option	\$ 395,219	\$ 409,051	\$ 804,270
<b>Total</b>		<b>\$ 5,856,209</b>	<b>\$ 6,061,178</b>	<b>\$ 11,917,387</b>

<b>Option Period Two</b>		<b><u>Year 8</u></b>	<b><u>Year 9</u></b>	<b><u>Total</u></b>
Cofiroute	BAFO	\$ 7,128,224	\$ 7,449,684	\$ 14,577,908
	Marketing Option	\$ 381,684	\$ 395,043	\$ 776,727
<b>Total</b>		<b>\$ 7,509,908</b>	<b>\$ 7,844,727</b>	<b>\$ 15,354,635</b>

VESystems	BAFO	\$ 5,849,951	\$ 6,054,698	\$ 11,904,649
	Marketing Option	\$ 423,368	\$ 438,187	\$ 861,555
<b>Total</b>		<b>\$ 6,273,319</b>	<b>\$ 6,492,885</b>	<b>\$ 12,766,204</b>

BAFO - Best and Final Offer  
Mktg. - Marketing

**Options Analysis for Request for Proposals 05-300**

The Board directed staff to determine if the operating and management contractor could feasibly and cost effectively take over central functions currently performed by OCTA. The evaluation committee sought input from OCTA Accounting, Marketing, Information Systems, and Toll Road and Motorist Services to evaluate the effectiveness and fit of each proposed option with OCTA objectives.

1. Marketing Option

- Exercise a limited-scope marketing option. Both firms proposed a broad scope of marketing services to be conducted by the offerors and subcontracted through professional marketing firms. Staff recommends that we negotiate a scope of routine marketing services that will limit the amount of subcontracted services.
- Using this approach, OCTA will competitively bid future 91 Express Lanes marketing and communications programs as annual needs, budgets and work plan elements evolve.
- Staff recommends focusing the operating contractor's marketing services on routine program elements such as customer communications, newsletters and statements, toll updates, website maintenance, customer roundtables, annual customer satisfaction surveys, and outreach support for Riverside County and Corona Chamber of Commerce and other meetings, and 91 Express Lane tours.
- Exercising this approach will provide OCTA with basic support for ongoing 91 Express Lanes marketing programs while offering flexibility to adapt, grow, or limit marketing activities as needed.

2. Accounting Option

- Staff recommends that the Board not exercise the accounting option. Both firms proposed a level of accounting in their base proposals similar to the level of accounting that has evolved over the past few years.
- The Accounting Department demonstrated that it would be infeasible for the contractor to perform many oversight functions that OCTA currently performs due to the unique reporting and governance requirements of fund accounting.

3. Technology Option

- Staff recommends that the Board not exercise the technology option. Each firm proposed infrastructure support as part of their base proposal.
- Each firm proposed replacing the account management software. The current software (Toll Pro) was implemented and enhanced over the past three years. Current operational needs do not warrant immediate replacement.
- A technology change coupled with the operator transition would unnecessarily complicate the transition process and increase risk in key areas of revenue collection, customer service, and violations processing.





BOARD COMMITTEE TRANSMITTAL

**October 24, 2005**

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject** Garden Grove Freeway (State Route 22) Design-Build Project Update

Regional Planning and Highways Committee

October 17, 2005

**Present:** Directors Norby, Cavecche, Rosen, Dixon, Brown, Green, Monahan, Pringle, and Ritschel  
**Absent:** None

**Committee Vote**

No action was taken.

**Staff Recommendation**

Receive and file as an information item.

**Staff Comments**

Staff made a correction to page three, fiscal impact and revised the fiscal year to 2005-06.



**October 17, 2005**

**To:** Regional Planning and Highways Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Garden Grove Freeway (State Route 22) Design-Build Project Update

**Overview**

On August 23, 2004, the Orange County Transportation Authority Board of Directors awarded a design-build contract to improve 12 miles of the Garden Grove Freeway (State Route 22) from Valley View east to the Costa Mesa Freeway (State Route 55) interchange. Now halfway through construction, staff presents an update on the first project in the State of California to be constructed on an active freeway using the design-build delivery method.

**Recommendation**

Receive and file as an information item.

**Background**

On October 11, 2001, the Orange County Transportation Authority (Authority) Board of Directors (Board) approved the implementation of the Garden Grove Freeway (State Route 22) improvements using the design-build approach. Design-build is an innovative system of contracting where one entity performs both final engineering design and construction under one contract. In a traditional delivery scenario, these two elements are performed consecutively. In a design-build project they are performed concurrently resulting in significant time savings.

The State Route 22 (SR-22) Design-Build Project (project) is a partnership between the Authority, the California Department of Transportation (Caltrans), the Federal Highway Administration, the joint venture design builder, Granite-Myers-Rados, and the corridor Cities of Orange, Santa Ana, Garden Grove, Westminster, Seal Beach and Los Alamitos. The SR-22 project begins at the Valley View Street interchange in Garden Grove, and continues east to the Costa Mesa Freeway (State Route 55) interchange. This 12-mile stretch of freeway includes the following major improvements:

- High Occupancy Vehicle lanes in each direction between Valley View Street and State Route 55
- Auxiliary lanes between interchanges at various locations and a continuous auxiliary lane in each direction between the Santa Ana Freeway (Interstate 5) and Beach Boulevard
- A braid between the southbound Orange Freeway (State Route 57) connector and The City Drive ramps on westbound SR-22 to eliminate the existing weave
- A collector-distributor road on eastbound SR-22 between The City Drive and the Interstate 5/SR-22/State Route 57 (SR-57) interchange
- Various interchange improvements, construction of additional soundwalls, replacement planting, and aesthetic enhancements

### ***Discussion***

On October 26, 2005, the first project ever to be constructed in the State of California using the innovative design-build project delivery methodology will be 50 percent complete. To commemorate this project milestone members of the state and federal legislative delegation are invited to a VIP tour and reception at The Block at Orange on October 25, 2005, to see firsthand the progress of this exciting design-build project. On October 26, 2005, elected officials and staff will be recognized for their ongoing support of the SR-22 project at an event to be held at the Garden Grove Community Center. Additionally, a brochure will be part of the October 22, 2005, edition of the Orange County Register celebrating the project's halfway milestone and informing the public about upcoming construction activities.

The SR-22 project is by far the largest single project contracted directly by the Authority. In fact, the SR-22 project is the largest freeway project currently in construction in the State of California. Construction activities began on the project almost immediately after the Notice to Proceed was issued on September 22, 2004. A number of major milestones and events have occurred during the first half of the project. They include the following:

- Design is currently 90 percent complete
- Metropolitan Drive realignment complete -- partially open to traffic in both directions
- Clearing and grubbing throughout the corridor complete
- 19 of the 35 bridges currently under construction
- Lewis Street demolition complete
- Haster Street off-ramp reconstructed
- Soundwall construction has begun
- Beach Boulevard interchange temporarily reconfigured

- SR-57 connector concrete poured
- Utility relocation nearly complete
- Concrete paving has begun

On August 23, 2004, the Board approved a project budget, in the amount of \$490 million. On May 9, 2005, the Board amended the SR-22 project budget from \$490 million to \$495 million using Federal Regional Surface Transportation Program (RSTP) funds for the addition of project aesthetics previously removed during the Best and Final Offer of the procurement process. This amended budget includes \$395 million for the design-build contract and \$100 million in other program costs including project management support, legal services, right-of-way (ROW), Caltrans oversight, other construction related costs, and \$16 million for a construction contingency allocation. The funding consists of a combination of Measure M freeway funds, State Traffic Congestion Relief Program (TCRP), Congestion Mitigation and Air Quality (CMAQ), contributions from the various cities, and federal RSTP funds.

The funding sources are provided in the chart below:

Funding Source	Contribution
Measure M	\$321,408,000
CMAQ	\$101,276,000
TCRP	\$56,316,000
Cities	\$11,000,000
RSTP	\$5,000,000
Total	\$495,000,000

On July 14, 2005, the California Transportation Commission approved the Authority's request for the final SR-22 allocation of \$123.7 million. Previously to provide sufficient funding for the overall project, the Board approved amending the Measure M Expenditure Plan to increase SR-22 funding by \$123.7 million to a total of \$327 million. The additional Measure M funding commitment was required in the event future TCRP funding was not available. With the new allocation, the Authority will experience a commensurate reduction in the use of Measure M funds.

One of the essential components of the SR-22 project is ROW acquisition. Fifty nine separate interests in real property have been identified for acquisition. This is comprised of two full take acquisitions, 55 partial take acquisitions, and temporary construction easements (TCE). All ROW required for the project has either been completed or legal possession has been obtained. The following summarizes the status of the ROW acquisitions:

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	<u>Parcels</u>
Total ROW Acquisitions	57
Full Take Acquisitions	2
Partial Take Acquisitions and TCE	55
Acquisitions Status	
Closed Escrow	41
In Escrow	2
Verbal Acceptances	5
In negotiations	9

The Authority is committed to minimize construction impacts and keep the local communities informed during the SR-22 improvements. An example of reducing impacts during construction is that only 11 of the 51 ramps to be reconstructed, will require closure. A critical tool to address the construction impacts is through an informative public awareness effort. The Authority is endeavoring to mitigate concerns of key constituencies and proactively inform the affected target audiences about the project activities, schedule, and ultimate project benefits.

When community members are notified of construction needs and benefits they typically are more tolerant of construction. Advance notification of impacts and communicating with the public has played an instrumental role in identifying and resolving sensitive issues before they become critical. To facilitate the public awareness effort, several outreach tactics are utilized including construction alerts, neighborhood meetings, and a transportation helpline. To date, over 70 different construction alerts have been delivered to more than 17,500 residents and businesses. Additionally, over 55 neighborhood meetings have been held and more than 700 helpline calls have been answered.

***Summary***

The Authority continues work on the first project in the State of California to be constructed on an active freeway using the innovative design-build delivery method. Authority staff will return periodically to provide project updates to the Board as construction continues and major milestones are reached.

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**Attachment**

None.

**Prepared by:**



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**Approved by:**



for Stanley G. Phernambucq  
Executive Director,  
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BOARD COMMITTEE TRANSMITTAL

October 24, 2005

**To:** Members of the Board of Directors  
**From:** <sup>WK</sup> Wendy Knowles, Clerk of the Board  
**Subject** Measure M Extension Policy Guidance

Transportation 2020 Committee

October 14, 2005

**Present:** Directors Pringle, Brown, Campbell, Cavecche, Correa, Green,  
and Winterbottom  
**Absent:** Director Dixon

**Committee Vote**

This item was passed by all Committee Members present.

**Committee Recommendations**

- A. Direct staff to use 30-year duration, from 2011 to 2041, for purposes of developing a draft Transportation Investment Plan for an extension of Measure M.
- B. Direct staff to use a 30-year sales tax revenue estimate of \$11.862 billion in 2005 dollars based upon an average of projections prepared by Chapman University, California State University Fullerton and the University of California, Los Angeles.
- C. Direct staff to maintain the current overall Measure M percentage allocation of funds for highways at 43 percent; streets and roads at 32 percent; and transit at 25 percent for purposes of developing an initial draft Transportation Investment Plan.
- D. Direct staff to integrate the existing taxpayer and funding safeguards with the draft Transportation Investment Plan and seek further input prior to final adoption of the plan.



*BOARD COMMITTEE TRANSMITTAL*

- E. Direct staff to exclude from the initial draft Measure M Transportation Investment Plan "Tier III" Long Range Transportation Plan proposals for which costs, funding and project feasibility has yet to be determined.



*October 14, 2005*

**To:** Transportation 2020 Committee  
**From:** Arthur T. Leahy, Chief Executive Officer  
**Subject:** Measure M Extension Policy Guidance

**Overview**

Pursuant to Board direction, staff is in the process of developing a draft Transportation Investment Plan as the basis for a potential ballot measure for extension of the Measure M one-half cent local transportation sales tax. A draft plan will be presented to the Board of Directors in December. A series of recommendations is presented to provide policy guidance for preparation of the draft.

**Recommendations**

- A. Direct staff to use 30-year duration, from 2011 to 2041, for purposes of developing a draft Transportation Investment Plan for an extension of Measure M.
- B. Direct staff to use a 30-year sales tax revenue estimate of \$11.862 billion in 2005 dollars based upon an average of projections prepared by Chapman University, California State University Fullerton and the University of California, Los Angeles.
- C. Direct staff to maintain the current overall Measure M percentage allocation of funds for highways at 43 percent; streets and roads at 32 percent; and transit at 25 percent for purposes of developing an initial draft Transportation Investment Plan.
- D. Direct staff to integrate the existing taxpayer and funding safeguards with the draft Transportation Investment Plan and seek further input prior to final adoption of the plan.
- E. Direct staff to exclude from the initial draft Measure M Transportation Investment Plan "Tier III" Long Range Transportation Plan proposals for which costs, funding and project feasibility has yet to be determined.

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***Background***

In January 2005, the Orange County Transportation Authority (OCTA) Board of Directors directed staff to begin the process for development of a Transportation Investment Plan to support a potential future extension of the Measure M one-half cent local transportation sales tax. This plan is being developed in the context of updating and preparing a Long-Range Transportation Plan (LRTP) and a program-level environmental analysis. The Transportation 2020 Committee was given lead responsibility in directing staff efforts on the Measure M extension.

Significant outreach efforts have been made to date to determine local preferences and priorities for a Measure M extension and a Transportation Investment Plan. This includes focus groups; two countywide public opinion surveys; completion of approximately 8,000 survey questionnaires by Orange County residents and commuters; more than 50 presentations and meetings with city councils, key stakeholder and community groups; formal surveys of Orange County city elected officials and technical staff; formation of and interaction/consultation with the League of Cities Measure M Super Committee; involvement by the 34-member OCTA Citizens Advisory Committee; and consultation with the OCTA Technical Advisory Committee.

Information and input is still being gathered as staff begins the preparation of a draft Transportation Investment Plan. Staff is seeking policy guidance as a framework for the plan in several key areas, including the duration of and anticipated revenues from a Measure M extension, the initial allocation of funding among transportation modes, the disposition of projects potentially beyond the capacity of Measure M, and the extension of existing Measure M policies and taxpayer safeguards.

A draft Transportation Investment Plan will be presented to the Board of Directors in December 2005, and if a strong consensus can eventually be reached, a final plan will be forwarded in April 2006 for consideration by city councils and the Board of Supervisors to be placed on the November 2006 ballot.

***Discussion*****Duration of Measure M Extension**

When Orange County voters passed Measure M in 1990, state law limited its duration to 20 years. Subsequent legislation lifted this limitation and the duration for an extension can be any period of time, as long as there is a

sunset date. Since then, successful local transportation sales tax extensions in other California counties have generally varied from 25 to 40 years, with 30 years being most common.

Focus groups and polling in Orange County have shown that the duration of a possible Measure M extension has no real impact on its acceptability to potential voters (Attachment A). At the same time, these same studies have shown that voters are strongly favorable toward controls and safeguards to assure funds will be spent as promised within whatever time frame is proposed.

A Measure M extension must be linked to a Transportation Investment Plan that is consistent with long-range transportation plans for Orange County and the southern California region. These long-range plans are based upon demographic, growth and revenue projections that generally extend out no more than 20 to 30 years.

Staff recommends that the initial policy guidance for the duration of a Measure M extension be 30 years (2011 to 2041). Over this period a significant program of projects can be defined, supported by available data. Voters appear no more likely to support a shorter duration, and the tools for projecting over a longer period are limited and increasingly less reliable.

#### Revenue Forecasts

Staff has sought the assistance in developing Measure M extension sales tax revenue forecasts from three universities as follows:

California State University Fullerton (CSUF)  
Chapman University (Chapman)  
University of California at Los Angeles (UCLA)

Of these, OCTA has the most experience with Chapman, which has provided revenue estimates for the existing Measure M program since its inception. The Chapman Twenty-Year Forecast of Taxable Sales for Orange County is used as the revenue basis for the OCTA Comprehensive Business Plan, the Quarterly Measure M Revenue & Expenditure Report to the Measure M Citizens Oversight Committee and other OCTA financial planning documents. However, it is common practice, particularly when looking further into the future, to rely on multiple sources of information to develop a likely revenue scenario.

A summary of sales tax revenue forecasts is shown in Attachment B.

Each university's growth forecast is applied to the 2004 actual sales tax revenue baseline and extended to fiscal year (FY) 2040-41. The (2005 dollars) forecast is derived by using each university's *nominal* forecast and subtracting the university's projected inflation rate to calculate a *real* economic growth rate. This real economic growth rate is then applied to the common baseline for each forecast. In addition to the three individual university forecasts, an average of the three is also presented. This 30-year average forecast totals \$11.862 billion.

The current dollar forecast (in 2005 dollars), as opposed to the *nominal* forecast, is used for Measure M extension revenue estimating purposes as a consistent benchmark by which to plan project expenditures. This is the same approach that was used in 1988 when the existing Measure M was developed.

The recommendation is to use the average of the three university forecasts, resulting in a 2005 buying power forecast of \$11.862 billion for a 30-year Measure M Extension.

#### The Percentage Split of Funds

Under the current Measure M spending plan, funds are allocated to major areas of spending as follows:

- Freeways 43 percent
- Streets and Roads 32 percent
- Transit 25 percent

These allocations represent a consensus on a balanced plan reached in 1990 factoring in transportation needs, program balance, political acceptability and voter support. A similar consensus will be needed today for a Measure M extension to be successful at the ballot.

Staff is seeking policy guidance on the overall split of funds for the development of the initial draft of a Transportation Investment Plan to be released in December 2005. It is recommended that the initial draft use the same split of funds as the existing Measure M plan. In doing so, the current allocation consensus and balance in Measure M would be used as an appropriate starting point for evaluation of possible changes in the split of funds. Project and program funding levels can be identified for each mode within a new proposed plan and then, subject to technical and policy review, adjusted as necessary by the Board of Directors in April 2006, before seeking the approval of city councils and the Board of Supervisors to place the plan on the ballot.

### Taxpayer and Funding Safeguards

The existing Measure M was adopted with a set of strong safeguards and taxpayer controls to ensure that funds would be spent as promised (Attachment C). These safeguards emerged as a necessary part of the consensus to gain community and voter support for Measure M in 1990. They have also contributed significantly to ensuring that the promises made to the voters have been kept. Some safeguards, such as the independent citizens oversight committee, were groundbreaking ideas that have since been replicated in other local tax and ballot measures.

Focus group and polling research done to date for consideration of an extension of Measure M indicate that Orange County voters continue to view these safeguards, favorably. Polling results also show that so-called "swing" voters, who indicate conditional approval of a Measure M extension, are more favorably disposed than average toward strong safeguards.

Staff recommends that these safeguards be continued and updated as part of the development of a draft Transportation Investment Plan for the extension of Measure M. Many of them can be brought forward without modification. Some, like the growth management program, should be updated in recognition of changes in state law, such as the superceding congestion management program requirements. For others, details such as the specification of nine members on the Citizens Oversight Committee might benefit from a change to assure geographic balance of the membership. Still others, such as the city maintenance of effort requirements, may elicit suggestions for review and modification based on the record of experience with the current safeguards.

There may be additional safeguards that should be considered. Results from focus groups and polling have indicated a favorable response to the concept of mandatory review of a voter-approved Transportation Investment Plan at least every 10 years with any major changes subject to ratification by the voters. This concept could have added benefits to ensure that a long-term 30 year plan is kept up-to-date and in accordance with the wishes of the voters.

With direction from the Committee and the Board, staff can begin integrating the existing safeguards into the draft Transportation Investment Plan and seek further input regarding any improved or new safeguards to be considered prior to action on a final plan in April 2006.

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### Status of Projects Beyond the Capacity of Measure M

As noted in the Background section of this report, development of a Transportation Investment Plan is being done concurrently with an update of the LRTP for Orange County. Both the final Measure M Plan proposal and the final LRTP will be recommended for adoption by the Board of Directors in Spring 2006.

The LRTP will include projects and programs that can be funded with existing and projected revenues, including an anticipated Measure M extension. It may also include projects, such as toll roads, that would not be funded with either traditional revenues or the sales tax extension. However, since the LRTP forms the basis for Orange County's input into the Southern California Association of Governments (SCAG) Regional Transportation Plan (RTP), certain provisions apply. One such provision is the requirement that the plan be financially constrained; meaning potential funding for improvements must be identified.

Staff presented to the Board of Directors on August 22, 2005, a report which identified three LRTP alternatives: 1) a "Tier I" alternative consisting only of projects funded by existing resources; 2) a "Tier II" alternative inclusive of a potential Measure M extension; and 3) an unconstrained "Tier III" alternative which included potential projects beyond foreseeable funding.

Examples of projects from the "Tier III" alternative are the following:

- A tunnel/expressway to extend the Costa Mesa Freeway (State Route 55) from its terminus near 19<sup>th</sup> Street in Costa Mesa to south of 17<sup>th</sup> Street near Newport Beach.
- An extension of the Orange Freeway (State Route 57) from the Orange Crush interchange to the San Diego Freeway (Interstate 405).
- A new roadway mainly in a tunnel connecting Orange and Riverside counties.
- An extension of the San Joaquin Hills Toll Road (State Route 73) from where it terminates at San Diego Freeway (Interstate 5) near San Juan Capistrano east to a future extension of the Foothill Toll Road (State Route 241).

Two of these examples – an extension of the State Route 55 (SR-55) and an extension of State Route 73 (SR-73) -- have not yet been subject to any real study or analysis. Costs, feasibility and project sponsorship are undefined for these proposals.

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proponents. However, neither yet has a source of funding or a sponsoring entity. Both projects also have potentially significant environmental, design/engineering, financial and political risks that have not yet been fully explored. Polling research indicates both projects have weak positives and strong negatives in the context of a Measure M extension. Strong localized community opposition to both projects has also surfaced during initial outreach efforts.

It is recommended that proposals from the "Tier III" LRTP alternative not be included in the initial draft Measure M Transportation Investment Plan, based upon a lack of sufficient information about costs, funding, feasibility and project sponsorship.

A key question will be whether any of the "Tier III" proposals will be sufficiently defined and analyzed to be considered for the current update of the LRTP. In large measure the answer will hinge on the extent to which sponsorship, feasibility and funding can be established within the context of current MIS studies and the timeline for LRTP/RTP development. For example, a decision point for the Riverside-Orange County roadway/tunnel will be in December when the Board of Directors adopts an MIS locally preferred strategy. However, even with this MIS milestone, project viability requires extensive engineering and environmental analysis as well as development of funding plans.

There is an opportunity to update the LRTP and RTP approximately every three years, and add new projects as they become better defined and their financial feasibility is established. In addition, projects can continue to be studied whether or not they are part of the LRTP and RTP.

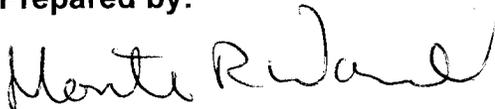
### ***Summary***

Recommendations for policy guidance in the preparation of the draft Measure M extension Transportation Investment Plan are presented for consideration by the Committee and the Board of Directors.

***Attachments***

- A. PowerPoint Slide, "Duration Makes No Difference"
- B. Orange County Transportation Authority Measure M Sales Tax Extension Revenue Forecasts (2005 dollars)
- C. Orange County Measure M Taxpayer and Funding Safeguards

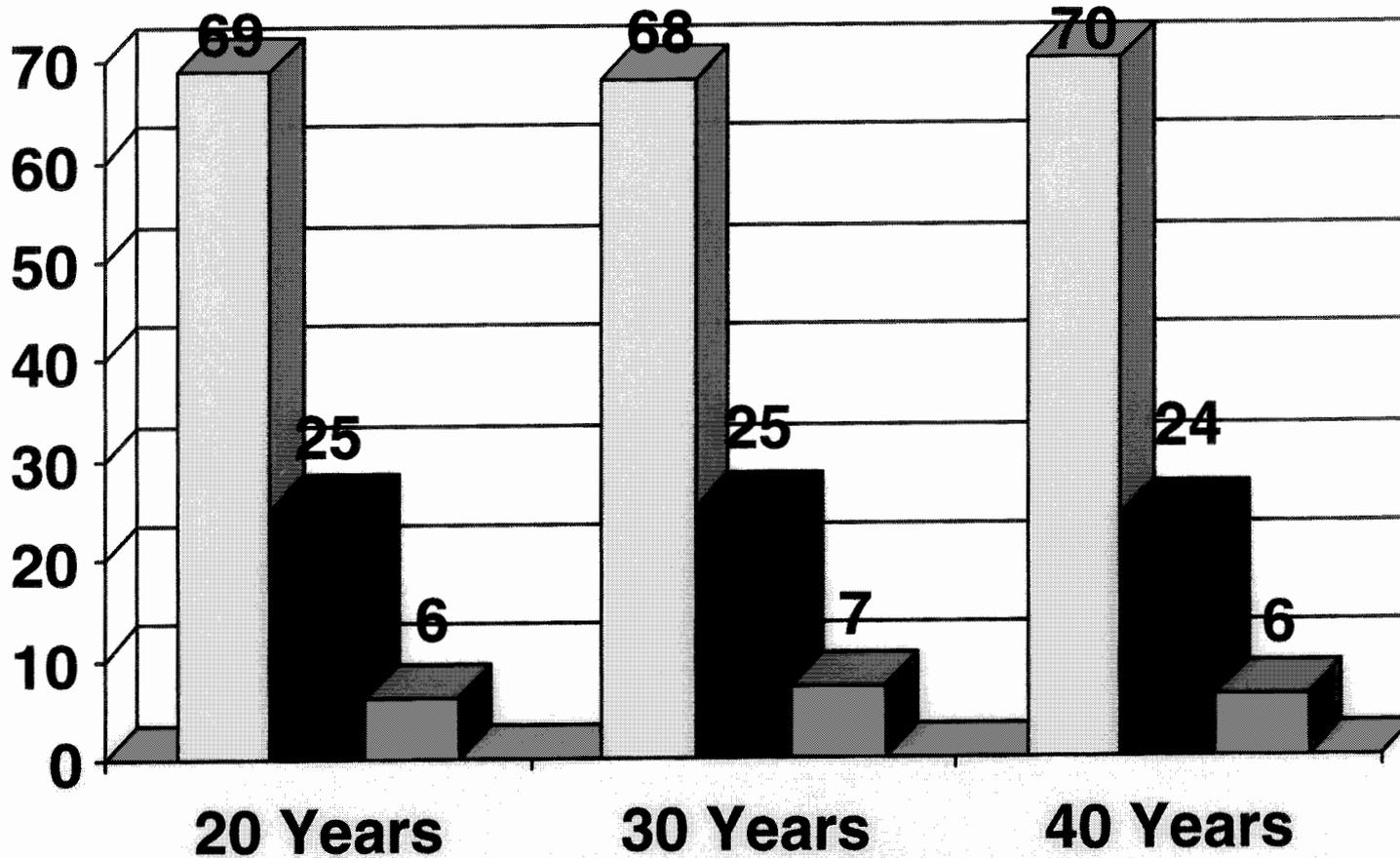
**Prepared by:**



Monte R. Ward  
Director of Special Projects  
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# Duration Makes No Difference



Support Oppose No Opinion

**Orange County Transportation Authority  
Measure M Sales Tax Extension Revenue Forecasts (2005 dollars)**

Fiscal Year	Chapman Forecast	Growth Rate^	UCLA Forecast	Growth Rate^	CSUF Forecast	Growth Rate^	University Average Forecast	Average Growth^
2010-11 *	\$ 67,255,255	2.08%	\$ 73,878,621	3.21%	\$ 69,649,874	1.91%	\$ 70,261,250	2.40%
2011-12	274,507,140	2.04%	305,230,852	3.29%	284,436,688	2.10%	287,998,458	2.47%
2012-13	280,080,475	2.03%	314,675,942	3.09%	290,673,798	2.19%	295,023,228	2.44%
2013-14	285,715,766	2.01%	323,695,530	2.87%	298,071,984	2.55%	302,323,598	2.47%
2014-15	291,330,981	1.97%	332,739,393	2.79%	305,854,372	2.61%	309,750,848	2.46%
2015-16	296,857,439	1.90%	341,269,471	2.56%	314,127,174	2.70%	317,149,120	2.39%
2016-17	302,364,092	1.85%	349,394,430	2.38%	321,977,917	2.50%	324,269,130	2.25%
2017-18	307,972,947	1.86%	358,115,377	2.50%	330,164,824	2.54%	331,720,521	2.30%
2018-19	313,666,199	1.85%	366,823,755	2.43%	338,253,972	2.45%	339,162,537	2.24%
2019-20	319,315,935	1.80%	375,772,254	2.44%	346,322,359	2.39%	346,653,453	2.21%
2020-21	324,836,579	1.73%	384,901,223	2.43%	354,350,613	2.32%	354,137,043	2.16%
2021-22	330,341,688	1.69%	392,995,486	2.10%	362,549,689	2.31%	361,351,415	2.04%
2022-23	335,940,096	1.69%	400,572,310	1.93%	371,242,947	2.40%	368,603,150	2.01%
2023-24	341,615,451	1.69%	408,844,708	2.07%	380,188,506	2.41%	376,176,916	2.05%
2024-25	347,320,785	1.67%	418,445,421	2.35%	389,709,885	2.50%	384,355,933	2.17%
2025-26	353,076,357	1.66%	427,601,727	2.19%	399,483,470	2.51%	392,495,592	2.12%
2026-27	359,012,346	1.68%	435,762,323	1.91%	409,608,730	2.53%	400,508,082	2.04%
2027-28	365,048,132	1.68%	443,028,485	1.67%	419,554,277	2.43%	408,220,185	1.93%
2028-29	371,185,393	1.68%	450,747,102	1.74%	429,723,853	2.42%	416,176,885	1.95%
2029-30	377,425,834	1.68%	458,320,286	1.68%	440,500,836	2.51%	424,319,033	1.96%
2030-31	383,771,191	1.68%	465,460,536	1.56%	451,636,218	2.53%	432,475,899	1.92%
2031-32	390,223,228	1.68%	472,238,479	1.46%	462,993,716	2.51%	440,623,953	1.88%
2032-33	396,783,737	1.68%	478,293,716	1.28%	474,307,473	2.44%	448,565,568	1.80%
2033-34	403,454,543	1.68%	483,745,275	1.14%	486,217,994	2.51%	456,538,301	1.78%
2034-35	410,237,500	1.68%	488,708,845	1.03%	498,770,436	2.58%	464,586,979	1.76%
2035-36	417,134,493	1.68%	493,237,976	0.93%	510,991,184	2.45%	472,420,146	1.69%
2036-37	424,147,440	1.68%	497,356,634	0.84%	520,412,196	1.84%	479,285,857	1.45%
2037-38	431,278,290	1.68%	500,979,665	0.73%	529,592,319	1.76%	485,953,820	1.39%
2038-39	438,529,025	1.68%	504,293,195	0.66%	538,763,637	1.73%	492,553,720	1.36%
2039-40	445,901,661	1.68%	507,530,345	0.64%	547,913,729	1.70%	499,156,382	1.34%
2040-41 *	340,048,685	1.68%	382,732,930	0.55%	416,121,011	1.26%	378,723,605	1.16%
<b>30-Year Total</b>	<b>\$ 10,726,378,686</b>		<b>\$ 12,637,392,293</b>		<b>\$ 12,294,165,683</b>		<b>\$ 11,861,540,608</b>	

\* Since Measure M went into effect 4/1/91 and will terminate 3/31/11, FY 2010-11 represents one quarter's collections and FY 2040-41 represents three quarter's collections.

^ Nominal Growth Rate less CPI

**Orange County  
Measure M  
Taxpayer and Funding Safeguards**

**Changes in Spending Plan**

- All changes require public hearing, majority approval of OCTA and 2/3 approval of independent Citizens Oversight Committee
- Major changes (i.e. highways to transit) also require approval of the voters.

**Citizen's Oversight Committee**

- Independently recruited and recommended by Retired Grand Jurors' Association
- Members are selected from recommended Grand Jurors' Association pool by lottery
- Members cannot be elected or appointed officials
- Members cannot be removed by OCTA
- Committee holds annual public hearing and finding of whether OCTA is proceeding in accordance with the spending plan
- Committee may conduct independent review, analysis and audits of spending.
- Committee reviews conformance of cities and county with growth management requirements

**Funding Eligibility Requirements of Cities and the County**

- Must adopt a growth management plan to keep traffic improvements in line with land use plans
- Must spend all sales tax funds within three years of receipt
- Must adopt a pavement management plan
- Must adopt a local circulation plan consistent with county standards
- Must have a seven-year capital improvement program, including all projects to be funded by sales tax funds
- Must maintain a minimum historical level of local funding on streets and roads (maintenance of effort)
- No use of funds for other than transportation purposes – penalty is loss of funding eligibility for five years

**Spending Restrictions**

- OCTA may not spend more than 1% of tax proceeds on administration
- No funds can be used to replace private developer funding committed to any project

**Fund Accounting**

- All funds deposited and maintained in a separate trust fund
- All interest earned maintained in trust fund
- Annual certification from elected Auditor/Controller that funds have been spent according to the spending plan