Date:	**Monday, February 12, 2007**
Time:	**9:00 a.m.**
Where:	**Orange County Transportation Authority Headquarters** **600 South Main Street, First Floor - Conference Room 154** **Orange, California 92868**

OCTA

BOARD AGENDA

ACTIONS

Orange County Transportation Authority Board Meeting
OCTA Headquarters
First Floor - Room 154, 600 South Main Street
Orange, California
Monday, February 12, 2007, at 9:00 a.m.

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

Invocation
Director Green

Pledge of Allegiance
Director Amante

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.

ACTIONS

Special Matters

1. **Administration of Oath of Office to New Board Member**

1a. **Presentation of Resolutions of Appreciation for Employees of the Year for 2006**

Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2007-04, 2007-05, 2007-06 to Mary Blum, Coach Operator; Leo Diza, Maintenance; and Christina Byrne, Administration, as Employees of the Year for 2006.

Consent Calendar (Items 2 through 27)

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

Orange County Transportation Authority Consent Calendar Matters

2. **Approval of Minutes**

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 22, 2007.

3. **Approval of Board Member Travel Requests**

Approval of requests by Board Member Arthur C. Brown for travel February 27 - March 1, 2007, to attend the Southern California Association of Governments' Consensus Meeting in Washington, D.C., and Board Members Jerry Amante, Bill Campbell, Carolyn Cavecche, and Chris Norby to travel June 4-7, 2007, to New York to participate in the Annual Rating Agency trip.

4. **Approval of Resolutions of Appreciation for Employees of the Year for 2006**

Adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2007-04, 2007-05, 2007-06 to Mary Blum, Coach Operator; Leo Diza, Maintenance; and Christina Byrne, Administration, as Employees of the Year for 2006.

ACTIONS

5. Fiscal Year 2005-06 Annual Financial Reports
Kathleen M. O'Connell

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various fund financial statements, schedules, and agreements. Macias Gini & O'Connell LLP, an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's financial records and systems for fiscal year 2005-06, and its reports are included herein.

Recommendation

Receive and file the fiscal year 2005-06 annual financial reports as information items.

6. Selection of a Consultant to Conduct the Annual Financial Audits of the Orange County Transportation Authority
Kathleen M. O'Connell

Overview

The Orange County Transportation Authority requires the services of an independent public accounting firm to perform the annual financial audits of the Orange County Transportation Authority and related agencies for fiscal years ending June 30, 2007, 2008, and 2009. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Committee Recommendations

A. Recommend the selection of Mayer Hoffman McCann P.C. to conduct the Annual Financial Auditing Services set forth in the Request For Proposals 6-0667.

B. Recommend to the Board of Directors to authorize the Chief Executive Officer to negotiate and execute an agreement with the selected consultant to perform the annual financial auditing services for the Orange County Transportation Authority.

ACTIONS

7. **Investment Activities April 1 through September 30, 2006, Financial and Compliance Review**
Kathleen M. O'Connell

Overview

The Internal Audit Department has completed a review of investment activities for the period April 1, 2006, through September 30, 2006. Based on this review, it appears that the Orange County Transportation Authority is generally in compliance with its debt, investment and accounting objectives, policies and procedures. However, the Internal Audit Department did identify a repurchase agreement collateralized with Federal Home Loan Bank securities, which is not a permitted repurchase agreement collateral under the 2006 Investment Policy.

Recommendation

Receive and file the Investment Activities April 1 through September 30, 2006, Financial and Compliance Review, Internal Audit Report No. 07-013.

8. **Fiscal Year 2006-07 Internal Audit Plan, Second Quarter Update**
Kathleen M. O'Connell

Overview

The Orange County Transportation Authority Board of Directors adopted the Fiscal Year 2006-2007 Internal Audit Plan on July 12, 2006. This update is for the second quarter of the fiscal year.

Recommendation

Receive and file the Second Quarter Update to the Fiscal Year 2006-2007 Internal Audit Plan.

ACTIONS

9. Reports on the Annual Transportation Development Act Audits for Fiscal Year 2005-06
Kathleen M. O'Connell

Overview

Pursuant to Sections 6663 and 6751 of the California Code of Regulations, audits of Transportation Development Act Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2006, by Mayer Hoffman McCann P.C.

Recommendation

Receive and file the Transportation Development Act audit reports for fiscal year 2005-06.

10. State Legislative Status Report
Wendy Villa/P. Sue Zuhlke

Overview

The Governor's budget proposed shifting over $1.1 billion of transportation funding to fulfill General Fund obligations and recommends a permanent postponement of the $9.95 billion high-speed rail bond. The Governor also indicates support for increased design-build authority and additional public private partnership opportunities.

Committee Recommendations

A. Oppose any shift of transportation funding away from designated purposes to fulfill General Fund obligations.

B. Reaffirm support for expanded design-build and public-private partnership opportunities.

ACTIONS

11. Federal Legislative Status Report
Richard J. Bacigalupo

Overview

The Federal Legislative Status Report provides a summary of activities which have begun in preparation for the federal transportation reauthorization as well as a preliminary list of issues likely to be considered as a part of this process.

Recommendation

Receive and file as an information item.

12. Fiscal Year 2008 Transportation Appropriations Project List
Ric Teano/Richard J. Bacigalupo

Overview

The Orange County Transportation Authority recommends transportation projects totaling $51.6 million be submitted to the Orange County Congressional Delegation for consideration in the Fiscal Year 2008 Transportation Appropriations Bill.

Recommendation

Review and approve the recommended list of transportation projects to be submitted for the fiscal year 2008 federal appropriations process.

13. Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 8)
Dipak Roy/Paul C. Taylor

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board of Directors approved construction of Americans with Disabilities Act improvements at the Orange County Transportation Authority's bus stops countywide. Bids were received in accordance with the Orange County Transportation Authority's public works procurement procedures.

ACTIONS

13. **(Continued)**

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0780 between the Orange County Transportation Authority and LH Engineering Company, Inc., the lowest responsive, responsible bidder, in an amount not to exceed $787,845, for Americans with Disabilities Act bus stop modifications in the cities of Tustin and Irvine.

14. **Rail Program Status Update**
Abbe McClenahan/Paul C. Taylor

Overview

Staff is providing an update on the Orange County Transportation Authority rail program, including the Metrolink commuter rail program, grade crossing improvements, and capital improvements underway in Orange County.

Recommendation

Receive and file as an information item.

15. **2007 Technical Steering Committee Membership**
Jennifer Bergener/Paul C. Taylor

Overview

The Orange County Transportation Authority's Technical Advisory Committee provides feedback and direction on many streets and roads-related items, including the allocation of the Combined Transportation Funding Program funds. A Technical Steering Committee is annually nominated to review major technical issues before they are presented to the larger group. The list of the 2007 Technical Steering Committee membership is submitted for Board of Directors' approval.

ACTIONS

15. **(Continued)**

Committee Recommendations

A. Select and approve Option B of the 2007 Technical Steering Committee member roster.

B. Approve the Policies and Procedures for the Technical Steering Committee membership with the revision of bullet point seven under TSC Membership Process.

16. **Development of a Countywide Pavement Management Program**
Kanwal J. Singh/Paul C. Taylor

Overview

Renewed Measure M requires establishment of a common countywide pavement management practice as a requirement for receipt of funds for local streets and roads projects. The Orange County Transportation Authority is ready to procure consultant services to assess available systems and develop recommendations. Evaluation criteria for consultant selection is provided for Board of Directors approval

Recommendation

Approve the proposed consultant selection evaluation criteria.

17. **Chokepoint Program Status Report**
Arshad Rashedi/Paul C. Taylor

Overview

The Orange County Transportation Authority and the California Department of Transportation are jointly developing concepts to alleviate localized freeway congestion areas known as chokepoints. The objective of the freeway Chokepoint Program is to develop projects that can be brought forward in the near-term as funding becomes available. Current status of the program is provided.

17. **(Continued)**

Recommendations

A. Authorize the Chief Executive Officer to execute a cooperative agreement with the California Department of Transportation to perform oversight for the Project Report/Environmental Document phase of the Orange Freeway (State Route 57) northbound widening project between Orangethorpe Avenue and Lambert Road.

B. Approve evaluation criteria and authorize staff to proceed with issuance of a Request for Proposals to procure services for the preparation of a Project Report/Environmental Document for the Riverside Freeway (State Route 91) westbound between the Orange Freeway (State Route 57) and the Santa Ana Freeway (Interstate 5).

18. **Agreement for a Replacement Phone System for the 91 Express Lanes Offices Located in Anaheim and Corona**
Lloyd Sullivan/James S. Kenan

Overview

As part of the fiscal year 2007 budget, the Board approved the purchase of a replacement phone system for the 91 Express Lanes offices located in Anaheim and Corona. Proposals were received in accordance with the Orange County Transportation Authority's fixed assets procurement procedures.

Recommendation

Authorize the Chief Executive Officer to issue Agreement C-6-0675 between the Orange County Transportation Authority and Integrated Technology, whose offer best meets the Orange County Transportation Authority's requirements, in an amount not to exceed $631,491, for a replacement phone system to include hardware, software, and associated implementation services.

19. Amendment to Agreement for Ellipse Software Implementation Services
Annette L. Hess/James S. Kenan

Overview

On May 12, 2004, the Board of Directors approved an agreement with Mincom, for $3,088,920, to provide services and software for the replacement and implementation of the Orange County Transportation Authority's maintenance, inventory, and purchasing software. Mincom was retained in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Amendment 3 to Agreement C-3-0776 between the Orange County Transportation Authority and Mincom, in an amount not to exceed $150,000, for additional training services.

20. 91 Express Lanes Transponders
Kirk Avila/James S. Kenan

Overview

After acquiring the 91 Express Lanes in January 2003, the Orange County Transportation Authority negotiated a three-year contract with the vendor, Sirit Corporation, to provide transponders. Staff is requesting authorization to enter into a new contract to provide transponders over the next 42 months. A sole source agreement is necessary to procure the purchase of these transponders.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0802 between the Orange County Transportation Authority and Sirit Corporation, in an amount not to exceed $2,241,147, for the purchase and two-year warranty of approximately 105,000 internal transponders and 200 external transponders. The $2,241,147 includes sales tax.

21. Purchase Order for 91 Express Lanes Property Insurance
Al Gorski/James S. Kenan

Overview

The Orange County Transportation Authority has a property insurance policy for the 91 Express Lanes with AXIS Reinsurance Company which expires on February 28, 2007.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order C-7-0030 between the Orange County Transportation Authority and Marsh Risk & Insurance Services, in an amount not to exceed $500,000, to purchase property insurance for the period of March 01, 2007, to February 29, 2008.

Orange County Local Transportation Authority Consent Calendar Matters

22. Consultant Selection for the 2007 Congestion Management Program Traffic Data Collection
Anup Kulkarni/Paul C. Taylor

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board of Directors approved the collection of traffic counts to support the traffic monitoring requirements of Measure M and state-mandated programs. Offers were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0812 between the Orange County Transportation Authority and Fehr and Peers Associates, Incorporated, in an amount not to exceed $349,500, for the collection of traffic data for the Measure M Growth Management Program and the Orange County Congestion Management Program.

ACTIONS

23. Measure M Quarterly Progress Report
Norbert Lippert/Paul C. Taylor

Overview

Staff has prepared a Measure M progress report for the fourth quarter of 2006. This is a regular report that highlights the Measure M projects and programs currently under development.

Recommendation

Receive and file as an information item.

Orange County Transit District Consent Calendar Matters

24. Agreement for Radio Repair Service
Al Pierce/John D. Byrd

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board approved radio repair services for the Community Transportation Services 500 megahertz radio system. One offer was received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0498 between the Orange County Transportation Authority and Advanced Electronics, in an amount not to exceed $75,000, for radio repair services.

25. Agreement for the Purchase and Placement of Solar Lighting Units
Al Pierce/John D. Byrd

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board approved the purchase and placement of 700 solar lighting units which will be placed at selected bus stop locations throughout Orange County. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0578 between the Orange County Transportation Authority and Carmanah Technologies, Inc., in an amount not to exceed $500,000, for manufacturing and installing 700 solar lighting units.

26. Agreement to Lease Antenna Site on Santa Catalina Island
Al Pierce/John D. Byrd

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board approved funds for equipping Santa Catalina Island as an additional Integrated Transportation Communication System radio site. A proposal was received in accordance with the fixed assets sole source procurement procedures for the annual lease of equipment rack and tower space.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order 06-77039 between the Orange County Transportation Authority and the Santa Catalina Island Conservancy, in an amount not to exceed $24,240 for the first year, with automatic renewal at an increase of 5 percent per year for subsequent years, for the lease of equipment rack and tower space on Santa Catalina Island.

Orange County Service Authority for Abandoned Vehicles Consent Calendar Matters

27. Service Authority for Abandoned Vehicles Audit Report Findings and Proposed Legislative Changes
Iain C. Fairweather/Paul C. Taylor

Overview

At the direction of the Orange County Transportation Authority Board of Directors, staff retained an auditor to evaluate compliance with abatement criteria by member agencies of the Orange County Service Authority for Abandoned Vehicles. A high level of non-compliance was found due to narrower abatement criteria defined by the California Highway Patrol. The recently narrowed standards could threaten program funding in the future.

Committee Recommendations

A. Seek legislative change to broaden the allowable types of abatements that qualify for funding within the Abandoned Vehicle Program.

B. Direct staff to return to the Finance and Administration committee with more information regarding the reimbursement of funds from member agencies.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

28. Cooperative Agreement with the California Department of Transportation for the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Access Pilot Study

Barry Engelberg/Paul C. Taylor

Overview

The Orange County Transportation Authority Board of Directors has requested that the California Department of Transportation investigate and evaluate peak period-only operations and entry/exit changes for Orange County's high occupancy vehicle lanes. The California Department of Transportation responded with a proposal to evaluate all such changes and permit, as a pilot test, continuous entry and exit from the Garden Grove Freeway (State Route 22) high occupancy vehicle lanes rather than at restricted locations. This report provides a proposed cooperative agreement regarding the pilot study.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute a cooperative agreement with the California Department of Transportation for the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Access Pilot Study.

Orange County Local Transportation Authority Regular Calendar Matters

29. Garden Grove Freeway (State Route 22) Design-Build Project Update and Construction Contract Change Order No. 10
T. Rick Grebner/Paul C. Taylor

Overview

The Garden Grove Freeway (State Route 22) widening project did not originally include a full replacement of the Magnolia Street bridge to permit a widening of the local street. The City of Garden Grove requested incorporation of complete reconstruction of the Magnolia Street bridge into the current Garden Grove Freeway (State Route 22) widening project as a result of receiving federal funding through reauthorization of the highway bill in July 2005.

Staff seeks approval of a revised change order to incorporate the Magnolia Street bridge reconstruction into the project. Also, an overall project schedule change to reflect this work is requested.

Recommendations

A. Authorize the Chief Executive Officer to execute revised Contract Change Order No. 10 to Agreement C-3-0663 with Granite-Myers-Rados for full replacement of the Magnolia Street bridge.

B. Authorize the Chief Executive Officer to execute Contract Amendment No. 1 to Agreement C-3-0663 to update the contract language to reflect the addition of Substantial Completion No. 2.

C. Amend the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, Revenue Account 0010-6062-F7100 by the value of revised Change Order No. 10 to Agreement C-3-0663.

Orange County Transit District Regular Calendar Matters

30. Amendment to Agreement for the Purchase of 299 Compressed Natural Gas 40-Foot Buses
Al Pierce/John D. Byrd

Overview

On June 13, 2005, the Board of Directors approved Agreement C-5-0746 with New Flyer of America, Incorporated, for the purchase of 50 buses. On May 8, 2006, the Board of Directors approved Amendment No. 1 to accelerate the purchase of an additional 249 buses. The agreement currently has a not-to-exceed value of $123,750,000. Recent requests for agreement adjustments and beyond scope equipment require additional approval of funds, amending the current fiscal year budget, and authorization to execute Amendment No. 2 to bring the not-to-exceed value to $130,227,018.

Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-5-0746 between the Orange County Transportation Authority and New Flyer of America, Incorporated, increasing the amendment by $6,477,018, resulting in a total not-to-exceed $130,227,018 for the agreement.

B. Amend the fiscal year 2006-07 approved budget by $2,371,202 to accommodate Amendment No. 2, resulting in a total not-to-exceed budget of $130,227,018.

Other Matters

31. ACCESS Service Update
Erin Rogers/John D. Byrd

32. Chief Executive Officer's Report

33. Directors' Reports

ACTIONS

34. 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.

35. Closed Session

A Closed Session is not scheduled.

36. Adjournment

The next regularly scheduled meeting of the OCTA/OCTD/OCLTA/ OCSAFE/OCSAAV Board will be held at **9:00 a.m. on February 26, 2007,** at OCTA Headquarters at 600 South Main Street, First Floor - Room 154, Orange, California.

2.

Minutes of the Meeting of the
Orange County Transportation Authority
Orange County Service Authority for Freeway Emergencies
Orange County Local Transportation Authority
Orange County Transit District
Board of Directors
January 22, 2007

Call to Order

The January 22, 2007, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Cavecche at 9:52 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

Roll Call

Directors Present:	Carolyn Cavecche, Chairman Chris Norby, Vice Chair Jerry Amante Patricia Bates Arthur C. Brown Peter Buffa Bill Campbell Richard Dixon Paul Glaab Cathy Green Allan Mansoor John Moorlach Curt Pringle Miguel Pulido Mark Rosen Thomas W. Wilson Gregory T. Winterbottom Cindy Quon, Governor's Ex-Officio Member
Also Present:	Arthur T. Leahy, Chief Executive Officer Richard J. Bacigalupo, Deputy Chief Executive Officer Wendy Knowles, Clerk of the Board Laurena Weinert, Assistant Clerk of the Board Kennard R. Smart, Jr., General Counsel Members of the Press and the General Public
Directors Absent:	None

Invocation

Director Buffa gave the invocation.

Pledge of Allegiance

Chairman Cavecche led the Board and audience in the Pledge of Allegiance to the Flag of the United States of America.

Public Comments on Agenda Items

Chairman Cavecche announced that members of the public who wished to address the Board of Directors regarding any item appearing on the agenda would be allowed to do so by completing a Speaker's Card and submitting it to the Clerk of the Board.

Special Matters

1. Administration of Oaths of Office to OCTA Board Members

Oaths of Office were administered by General Counsel, Kennard R. Smart, Jr., to Directors Bates, Mansoor, Moorlach, and Norby.

2. Message from the Chairman of the Board

Chairman Cavecche presented her major goals for 2007, which include:

- Delivering a five-year plan that includes defining project priorities and establishing policies to responsibly and rapidly implement Renewed Measure M that voters overwhelmingly approved;
- Continuing to actively monitor progress toward completion of the Garden Grove Freeway (SR-22) improvements and securing state transportation bond funds to accelerate work on phase two of SR-22 and widening of the Riverside Freeway (SR-91);
- Developing enhancement programs for commuter rail that include:
  - Initiating a countywide quiet zone and grade crossing program that benefits local communities
  - Developing a goods movement strategy that mitigates impacts on local communities
  - Researching possible service consolidation of the Los Angeles – San Diego Corridor to enhance commuter rail in Southern California;

2. **(Continued)**

- Collaborating with transportation officials in Los Angeles County and Riverside County to coordinate intercounty transportation solutions;
- Refining the legislative strategy with Orange County's state and federal delegation to maximize Orange County's fair share of transportation funds;
- Developing transportation solutions by continuing to work on the South Orange County Major Investment Study and launching the Central County Corridor Major Investment.

3. **Special Recognition of Board Member with Ten Years of Service**

Chairman Cavecche presented a service award pin to Director Pulido for ten years of service on the OCTA Board of Directors.

4. **Presentation of Resolutions of Appreciation for Employees of the Month for January 2007**

Chairman Cavecche presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2007-01, 2007-02, 2007-03 to Walter Kowalchuk, Coach Operator; Gilberto Anaya, Maintenance; and Jane Swanson, Administration, as Employees of the Month for January 2007.

5. **Sacramento Advocate Presentation**

Moira Topp, representing the offices of Sloat Higgins Jensen, provided a verbal update on goings-on in Sacramento as issues relate to OCTA.

Ms. Topp provided an overview of the Governor's State of the State address, California's budget, Proposition 1B, the Transportation and Infrastructure Bond, sponsor legislation, and recent developments in the Capitol.

Consent Calendar (Items 6 through 20)

Chairman Cavecche stated that all matters on the Consent Calendar would be approved in one motion unless a Board Member or a member of the public requested separate action on a specific item.

Director Bates pulled item 13; Director Moorlach pulled items 18 and 19 for discussion.

Orange County Transportation Authority Consent Calendar Matters

6. **Board Committee Assignments for 2007**

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to approve the proposed 2007 roster of Board of Directors' Committee assignments.

7. Approval of Travel Authorization for Director Peter Buffa

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to approve a request for Director Peter Buffa to travel March 11-14, 2007, to Washington, D.C., to attend the 2007 American Public Transportation Association (APTA) Legislative Conference.

8. Approval of Minutes

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 8, 2007.

Directors Bates and Mansoor abstained from voting on this item, having not been present at the January 8 Board meeting.

9. Approval of Resolutions of Appreciation for Employees of the Month for January 2007

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2007-01, 2007-02, and 2007-03 to Walter Kowalchuk, Coach Operator, Gilberto Anaya, Maintenance, and Jane Swanson, Administration, as Employees of the Month for January 2007.

10. National Environmental Policy Act Delegation Pilot Program

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to:

A. Authorize the Chief Executive Officer to sign a letter of agreement with the California Department of Transportation to participate in the National Environmental Policy Act delegation pilot program.

B. Approve the use of $170,591 of Regional Surface Transportation Program funds for the above action.

11. Update on Proposition 1B Corridor Mobility Improvement Account Project Submissions

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

12. Amendment to Cooperative Agreement with the City of Laguna Hills for Construction of the Southbound San Diego Freeway (Interstate 5)/Aliso Creek Soundwall

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to:

A. Authorize the Chief Executive Officer to execute Amendment No. 1 to Cooperative Agreement C-5-2951 between the Orange County Transportation Authority and the City of Laguna Hills, in an amount not to exceed $961,000, to provide additional funding for construction and construction management of the San Diego Freeway (Interstate 5)/Aliso Creek community soundwall.

B. Amend by increasing the Measure M portion of the 1996 Freeway Strategic Plan budget by $961,000, for the Aliso Creek soundwall project feasibility study, design, construction, and construction management.

13. Funding Agreement with the Los Angeles County Metropolitan Transportation Authority for a Joint Transportation Study

Director Bates pulled this item and asked if there are plans to have a cooperative agreement with San Diego on the issues that are relevant to the Metrolink and the rail lines.

Chief Executive Officer (CEO), Arthur T. Leahy, responded that a few meetings have taken place over the past year, and that will continue. He further stated that there is a great deal of interest in issues related to the Interstate 5, State Route 91, and the Interstate 15 as a system, along with interest in looking at the Los Angeles to San Diego Corridor as a system which may have some possible service consolidation and improvements.

A motion was made by Director Buffa, seconded by Director Moorlach, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute a funding agreement with the Los Angeles County Metropolitan Transportation Authority for an amount not to exceed $250,000.

14. Amendment to the Master Plan of Arterial Highways

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to approve amendment of the Master Plan of Arterial Highways to add Cow Camp Road between Antonio Parkway and the future extension of the Foothill Transportation Corridor South (State Route 241) as a major (six-lane divided) arterial and as a primary (four-lane divided) arterial easterly to Ortega Highway (State Route 74) in the County of Orange.

15. Riverside County Highway Plan to Extend 91 Express Lanes

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to:

A. Provide guidance to staff and members of the State Route 91 Advisory Committee in preparation for their meeting of February 2, 2007.

B. Authorize the Chief Executive Officer to enter into a cost-sharing arrangement with the Riverside County Transportation Commission to advance an interim Riverside Freeway (State Route 91) improvement project, in an amount not to exceed $250,000, from 91 Express Lanes funds.

C. Approve "Revised Attachment B", which incorporates the Regional Planning and Highways Committee's comments.

16. Combined Transportation Funding Program Semi-Annual Review

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to:

A. Approve adjustments to the Combined Transportation Funding Programs project allocations.

B. Authorize the Chief Executive Officer to execute amendments to local agency master funding cooperative agreements as necessary with each of the 34 cities and the County of Orange.

17. Orange County Employees Retirement System Early Payment for Fiscal Year 2008

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, to authorize the early payment of approximately $14.7 million by January 31, 2007, to the Orange County Employees Retirement System for member contributions for fiscal year 2008.

18. Fourth Quarter 2006 Debt and Investment Report

Director Moorlach pulled this item and inquired if these reports are typically reviewed by the Finance and Administration (F&A) Committee. Kirk Avila, Treasurer and Public Finance Manager, responded they do go through the F&A Committee, but for this particular report, there was no Committee meeting during the first weeks of January to vet this item prior to sending to the full Board. Mr. Avila reported that staff prefers to share this item within 30 days of the conclusion of the end of the quarter.

18. (Continued)

Director Moorlach asked if staff can provide yield performance on a regular basis, and Mr. Avila responded that can be done, and it can be provided in one graph and one chart.

Director Moorlach also inquired that since an inverted yield curve is presently being enjoyed, and there is very little money in money market funds, if staff could provide a report as to why OCTA is not taking advantage of the "short end of the curve". Mr. Avila stated that can be done.

A motion was made by Director Moorlach, seconded by Director Buffa, and declared passed by those present, to receive and file the Quarterly Debt and Investment Report prepared by the Treasurer as an information item.

Orange County Local Transportation Authority Consent Calendar Matters

19. Amendment to Agreement for Highways and Facilities Project Management Consultant Services

Director Moorlach pulled this item and noted that there are two construction managers what worked on the State Route 22 project. He mentioned that he wonders if this firm is adding value, and if – based on issues discussed earlier in Closed Session – if OCTA is getting its money's worth.

Paul Taylor, Executive Director of Development, stated that OCTA uses this firm in an "extension of staff", or staff augmentation role and the firm provides two resident engineers who are in the field augmenting OCTA's staff. Mr. Taylor further stated that these people are providing staff services in the field; they are not managers, but are construction engineers who are providing information to Mr. Grebner, the Program Manager.

A motion was made by Director Brown, seconded by Director Pulido, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 6 to Agreement C-3-0994 between the Orange County Transportation Authority and Hatch Mott MacDonald, in an amount not to exceed $568,000, for continued project management services and to extend the contract period to August 31, 2007.

Director Moorlach voted in opposition of this recommendation.

Regular Calendar

Orange County Local Transportation Authority Regular Calendar Matters

20. Garden Grove Freeway (State Route 22) Design-Build Project Update and Construction Contract Change Order No. 10

Chief Executive Officer, Arthur T. Leahy, provided opening comments on this item and explained that before the Board at this time is a recommended Change Order to deal with issues all flowing from the widening and lengthening of the Magnolia bridge. He stated that basically, this change order separates the State Route 22 (SR-22) project into two pieces – the piece east of Magnolia, having been completed substantially, and the portion west which is not yet complete due to issues with the construction and widening of the bridge.

Paul Taylor, Executive Director of Development, addressed the Board and noted that the SR-22 widening project did not originally include full replacement of the Magnolia Street bridge, and after receiving a federal grant, the City of Garden Grove requested incorporation of the bridge work to permit future widening of Magnolia Street.

Mr. Taylor summarized the major components of the proposed change order: accept Granite-Myer-Rados' (GMR) cost proposal of $5,307,424 for accelerated construction; accept the 102-day schedule impact proposed by GMR, allowing additional days to be claimed for delays caused by utilities, weather, and unknown conditions; maintain November 30, 2006, as the date by which all lanes east of Magnolia have to be open; allow a penalty of $5,000 per day if work west of Magnolia is not completed on schedule; reserve the rights of GMR to make claims and of OCTA to reject claims for additional costs; and open lanes on all City streets on a specified schedule.

The proposed revised change order establishes the baseline contract date for completing work under this change. However, the actual date for opening all traffic lanes will depend on possible additional days claimed due to utilities, weather, and unknown conditions.

Mr. Taylor stated that GMR is presently updating its construction schedule and was present today to report on that schedule. The current forecast is for opening all traffic lanes in April. OCTA staff and their consultant, Parsons, are reviewing that updated schedule and in addition to issuing a change order, staff needs to amend the GMR contract and to amend the OCTA budget to accept the federal grant obtained by the City.

20. (Continued)

Rick Grebner, SR-22 Project Manager, advised the Board that there was an extensive discussion at the Regional Planning and Highways (RPH) Committee meeting, and highlighted a couple of the questions that came up and some of the revisions that were in the current staff report.

Mr. Grebner stated that at the RPH Committee meeting, one of the issues was that further clarification was requested regarding the three milestones, and indicated he was adding a fourth.

He explained the first milestone in the contract is "substantial completion", generally is defined as a point in the progress of the work at which the project can be used for its intended purpose. In the instance of a freeway, that would mean that lanes would be open. The second contract milestone is "project completion". That occurs 90 days after the determination of "substantial completion", and states that the contractor will complete all construction work; a punch list of work will remain to be done, including landscape work. The third milestone in the contract occurs 120 days after that point in time, and is referred to as "project acceptance". That is the point at which the landscaping is done, and the contractor is mobilized or demobilized. A term that many are familiar with is "project completion".

Mr. Grebner added a fourth milestone, which is called "final project acceptance". There is a one-year warranty period after completion, and then the three-year warranty period for the plant establishments. After the years of the warranty period, there is "final project acceptance".

Mr. Grebner reported that another issue which arose at RPH was that of the reduction of liquidated damages, which is a proportion taken as to the original contract value, and the work remaining, and apply that to the original penalty.

Another area of focus is the schedule for work on side streets. Mr. Grebner stated there was lengthy discussion at RPH as to when the side streets will be done. In the current staff report, a listing of dates is provided for that work.

Mr. Grebner introduced Jim Laing, Western Regional Director for Granite Construction, who stated that one of the issues that came up at the RPH meeting was concerning major congestion occurring in Garden Grove, specifically at Euclid, Harbor, and Brookhurst, and about staffing levels and congestion on the city streets.

20. (Continued)

Mr. Laing stated that as a project team, GMR identified certain congestion on city streets affected by the k-rail and other non-striped lanes that were down there, and they were able to make some progress on the majority of the streets that are in Garden Grove. These areas were affected because during the reconstruction of those bridges over the top, the streets were widened underneath, and there were additional lanes that were required. In many of the other city streets, the lanes weren't widened underneath, and it was the same configuration as planned after the project is complete as-is, so the crews just had to clean up those areas and make it possible for traffic able to flow through those city streets. Most of those areas have been completed; there is major reconstruction work being done on Brookhurst, Harbor, and Euclid, but the lanes have been increased. He stated that at this time, at Brookhurst, the work is scheduled to be completed by the end of the month.

Director Rosen stated this is a $400 million project and the Magnolia change was $5 million. He asked if the delay on the project east of Magnolia was caused by the Magnolia change. Mr. Grebner responded that issue will be addressed in the future and is the contractor's reason for the delay.

Director Rosen asked if this also reduces liquidated damages from $50,000/day to $5,000/day, and Mr. Grebner responded that is the proposal.

Director Rosen stated that he has a problem understanding how that pertains to Magnolia. He stated that he felt liquidated damages are from delay in completion, and liquidated at the end of the contract, as opposed to the beginning of the contract.

General Counsel, Kennard R. Smart, Jr., responded that liquidated damages are in a situation where two parties to a contract agree in advance that if the one party that is supposed to perform does not perform what they are supposed to do, and that causes damage to the other party, rather than have a dispute when there is a failure to perform as to the dollar value of the damages caused, because under some circumstances, those are very difficult to calculate. So, the parties do agree in advance that if one fails to perform, then both parties agree to a dollar value of damages that the other party will suffer.

He stated that in this case, for this contract, the parties agreed in advance that if, in fact, substantial completion was not reached at the point in time when it was supposed to, OCTA would suffer dollar damages in the amount of $50,000 per day for the failure to perform in a timely manner. At that time point in time, which was November 30, 2006, that contemplated the entire freeway - the entire project. The situation at this time is that a great percentage of the project been completed – is, in fact, operational; the traffic lanes are being used. The remaining portion of the contract – the remaining work to be performed – is substantially less than the entire project.

20. (Continued)

Mr. Smart stated that the rationale as to the justification for possibly reducing the amount of liquidated damages is, there is a substantial lesser amount of work to be performed. Therefore, the dollar damages for that lesser amount would be less.

Discussion followed, and Director Moorlach asked Mr. Leahy if staff could get back to him regarding how staff dealt with this situation as it relates to the specifics of the contract.

Director Pringle stated that it needs to be put into context as to the point of the scope of work. The project was increased at the request of OCTA, who went to the contractor and requested more work, namely widening the bridge at Magnolia; therefore, the question is how the increased scope affected schedules.

Director Pringle stated that he was concerned if staff is fully providing the level of information to the public that should be done. He inquired if any of those contacts – neighborhood meetings or otherwise – was done after November 30.

Ellen Burton, Executive Director, External Affairs, responded that some was done before, and some was done after. Director Pringle stated that the level of communication to the Board has been a consistent concern of his, and he is also concerned about how information is being shared, and that he wants to make sure staff is consistent in what people are being told. He requested the contractor inform the Board as to when specifically all of the driving lanes on the SR-22 will be open.

Mr. Laing stated that GMR had a $393 million contract, and that was to be completed in 800 days. At the end of November, the billings were over $400 million; GMR completed more work than was originally intended on this job. There has been additional work that has been added to this job, and Magnolia happens to be an area that is visible to changing the completion. He stated that GMR is working diligently to get all of the improvements on the job completed. He added that the change order actually solidifies contractually what dates GMR would be obligated to finish by.

Mr. Laing commented that if the change order is executed, GMR will be obligated to complete the rest of the work, including all of the city streets, by the contractual dates that are included in the change order, and they believe an April 4 date is achievable. There will be punch list of work that will continue, namely the landscaping, and they had a large addition to the landscaping and some of the other aesthetic treatments on the project that will continue. When the final project acceptance is done, GMR expects that to be done.

20. (Continued)

Director Amante stated that he had concerns about this change order and wants to see changes made to it, but that on balance, he was happy with the performance of the contractor and OCTA with respect to delivering a design-build project that has been unheard of anywhere else and is unparalleled. He noted he had expressed concerns at the RPH Committee meeting, and he was unprepared to support this change order at this time.

Director Amante stated that he feels we are contemplating moving the penalties for failure to perform from its current mark at $50,000 in liquidated damages to a smaller mark of $5,000, and that he rejects the idea of proportionality with respect to liquidated damages.

Director Moorlach stated that he sees several questions with this whole process: issues with staff, issues with management companies like Parsons and their role, etc. He inquired as to what the specific clause which allows us to re-negotiate the contract?

General Counsel, Kennard R. Smart, Jr., responded that OCTA had made a decision after the contract was executed to make a change in the work (the Magnolia Street bridge) and that is the source and the cause of the need for – or the consideration of – a change order.

Director Pulido proposed a motion that the Board continue this for two weeks, then send it back to the RPH Committee and discuss this further, and include discussions about city streets. He suggested the Committee also discuss the liquidated damages issue and bring back a recommendation to the Board on these topics. Chairman Cavecche seconded the motion.

Chairman Cavecche noted that some of the concerns which should be brought back to RPH are the liquidated damages, look at hard dates and the definition of project completion – for the city local streets, include some sort of program or dates for public communication, as well as additional time extensions made that GMR's requesting as far as rain dates and utility hits

Other Matters

21. ACCESS Service Update

CEO, Arthur T. Leahy, provided opening comments and introduced Erin Rogers, Manager, Community Transportation Services, who gave a verbal presentation updating the Board Members on issues related to the service being provided by Veolia.

21. (Continued)

Ms. Rogers informed the Board that:

- √ OCTA implemented a plan to increase staff on-site management of this contract at the San Canyon Base;
- √ Additional OCTA staff will be working side-by-side with Veolia staff in the areas of scheduling, dispatching, and field operations;
- √ A consultant was hired to work on short-term initiative that will look at operational review of processes and policies and to assist in long-term contract strategies in terms of the service plan for ACCESS as well as the projected growth;
- √ Staff is working on contingency planning in the event a decision is made to terminate the contract with Veolia.

Ms. Rogers updated the Board on the Trapeze system issues, stating that a number of changes were made to the system, servers were replaced and added, and old data has been archived.

Director Amante requested information as to what has been other agencies' experience when they adjusted the number of days for reservations on ACCESS trips.

Director Brown stated that he is taking an ACCESS tour which was recently offered and encouraged other Directors to do the same if their schedules allow.

22. Chief Executive Officer's Report

CEO, Arthur T. Leahy, informed the Board:

- √ That a meeting was recently held with Members of the Los Angeles Metropolitan Transportation Authority regarding the Pacific Electric Right-of-Way, Metrolink, and the LOSSAN Corridor. Another meeting will be scheduled in several weeks.

- √ That the State Route 91 Advisory Committee will meet on February 2 at the OCTA. Agendized for that meeting is a discussion relating to a proposed extension of the State Route 91 Express Lanes and legislative issues in conjunction with that extension.

23. Directors' Reports

Director Brown noted a new Metrolink calendar has been provided.

Director Winterbottom advised that the Transit Planning and Operations Committee will meet on January 25 at 9:30 a.m.

Director Mansoor requested an update on information relating to a proposed extension of State Route 55 southbound.

24. 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.

25. Closed Session

A Closed Session was not conducted at this meeting.

26. Adjournment

The meeting adjourned at 11:55 a.m. Chairman Cavecche announced that the next regularly scheduled meeting of the OCTA/OCTD/OCLTA/ OCSAFE/OCSAAV Board will be held at **9:00 a.m. on February 12, 2007,** at OCTA Headquarters at 600 South Main Street, First Floor - Room 154, Orange, California.

ATTEST

_____

Wendy Knowles
Clerk of the Board

_____

Carolyn V. Cavecche
OCTA Chairman

3.

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

Attach copy of the **Travel Worksheet**, **Registration Forms**, and other pertinent documentation for this claim. Travel **will not** be processed until all information is received.

CONFERENCE/SEMINAR INFORMATION

Name: Director Arthur C. Brown **Job Title:** Board Member

Department: Board of Directors **Destination:** Washington, D.C.

Program Name: 2007 Southern California Association of Governments (SCAG) Consensus Meeting

Description/Justification: The annual SCAG Consensus Trip provides an opportunity to meet with the congressional delegation and federal policy officials to deliver a clear unified message on transportation/goods movement issues and funding facing the region.

COMMENTS

Other - Airport parking and ground transportation
Meal Rate- $64-$3=$61

Conference/Seminar Date:	2/27/07	**Departure Date:**	2/27/07	☐ **Mail**	☐ **Hand Carry**
Payment Due Date:		**Return Date:**	3/1/07	**Course Hours:**	

ESTIMATED EXPENDITURES

Transportation	$277.30
Meals	$183.00
Lodging	$558.00
Registration	$0.00
Other	$50.00
Total	$1,068.30

APPROVALS

Please Initial:

JV — Finance* — 1/30/07 — Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board — Date

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** EC8

Ref #: Jan 2007	**Board Date:** February 12, 2007	**T/A #:** FY 06/07- 155

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

Attach copy of the **Travel Worksheet**, **Registration Forms**, and other pertinent documentation for this claim. Travel **will not** be processed until all information is received.

CONFERENCE/SEMINAR INFORMATION

Name: Director Amante **Job Title:** Board Member

Department: **Destination:** New York, NY

Program Name: New York Annual Rating Agency Trip

Description/Justification: Each year the Orange County Transportation Authority conducts a series of meetings with rating agencies, insurance companies, and investors in New York. The Authority representatives will be discussing project delivery schedules for the Renewed Measure M program, performance of sales tax collections, the 91 Express Lanes, progress on the current Measure M program, and the Orange County economy. Meetings will be scheduled with Moody's Investor Services, Standard & Poor's, Fitch, Financial Guaranty Insurance Company, Ambac, MBIA, Financial Security Assurance, Dexia Public Finance Bank, J.P. Morgan, and a number of institutional investors.

COMMENTS

Other- Airport parking and ground transportation
Meal Rate- $64 - $3 = $61 per day

Conference/Seminar Date:	**Departure Date:**	6/4/07	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:	**Return Date:**	6/8/07	**Course Hours:**

ESTIMATED EXPENDITURES

Transportation	$400.00
Meals	$305.00
Lodging	$1,320.00
Registration	$0.00
Other	$50.00
Total	$2,075.00

APPROVALS

Please Initial:

MV — Finance*

1/31/07 — Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board — Date

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** EBE

Ref #: January 2007	**Board Date:** February 12, 2007	**T/A #:** FY 06/07- 164

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

Attach copy of the **Travel Worksheet**, **Registration Forms**, and other pertinent documentation for this claim. Travel **will not** be processed until all information is received.

CONFERENCE/SEMINAR INFORMATION

Name: Director Campbell **Job Title:** Board Member

Department: **Destination:** New York, NY

Program Name: New York Annual Rating Agency Trip

Description/Justification: Each year the Orange County Transportation Authority conducts a series of meetings with rating agencies, insurance companies, and investors in New York. The Authority representatives will be discussing project delivery schedules for the Renewed Measure M program, performance of sales tax collections, the 91 Express Lanes, progress on the current Measure M program, and the Orange County economy. Meetings will be scheduled with Moody's Investor Services, Standard & Poor's, Fitch, Financial Guaranty Insurance Company, Ambac, MBIA, Financial Security Assurance, Dexia Public Finance Bank, J.P. Morgan, and a number of institutional investors.

COMMENTS

Other- Airport parking and ground transportation
Meal Rate- $64 - $3 = $61 per day

Conference/Seminar Date:	**Departure Date:**	6/4/07	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:	**Return Date:**	6/8/07	**Course Hours:**

ESTIMATED EXPENDITURES

Transportation	$400.00
Meals	$305.00
Lodging	$1,320.00
Registration	$0.00
Other	$50.00
Total	$2,075.00

APPROVALS

Please Initial:

MV	1/31/07
Finance*	Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board	Date

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** EBE

Ref #: January 2007	**Board Date:** February 12, 2007	**T/A #:** FY 06/07- 162

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

Attach copy of the **Travel Worksheet**, **Registration Forms**, and other pertinent documentation for this claim. Travel **will not** be processed until all information is received.

CONFERENCE/SEMINAR INFORMATION

Name: Chairman Cavecche **Job Title:** Board Member

Department: **Destination:** New York, NY

Program Name: New York Annual Rating Agency Trip

Description/Justification: Each year the Orange County Transportation Authority conducts a series of meetings with rating agencies, insurance companies, and investors in New York. The Authority representatives will be discussing project delivery schedules for the Renewed Measure M program, performance of sales tax collections, the 91 Express Lanes, progress on the current Measure M program, and the Orange County economy. Meetings will be scheduled with Moody's Investor Services, Standard & Poor's, Fitch, Financial Guaranty Insurance Company, Ambac, MBIA, Financial Security Assurance, Dexia Public Finance Bank, J.P. Morgan, and a number of institutional investors.

COMMENTS

Other- Airport parking and ground transportation
Meal Rate- $64 - $3 = $61 per day

Conference/Seminar Date:	**Departure Date:**	6/4/07	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:	**Return Date:**	6/8/07	**Course Hours:**

ESTIMATED EXPENDITURES

Transportation	$400.00
Meals	$305.00
Lodging	$1,320.00
Registration	$0.00
Other	$50.00
Total	$2,075.00

APPROVALS

Please Initial:

RV — Finance*

1/31/07 — Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board — Date

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** EBE

Ref #: January 2007	**Board Date:** February 12, 2007	**T/A #:** FY 06/07- 161

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

Attach copy of the **Travel Worksheet**, **Registration Forms**, and other pertinent documentation for this claim. Travel **will not** be processed until all information is received.

CONFERENCE/SEMINAR INFORMATION

Name: Vice-Chairman Norby **Job Title:** Board Member

Department: **Destination:** New York, NY

Program Name: New York Annual Rating Agency Trip

Description/Justification: Each year the Orange County Transportation Authority conducts a series of meetings with rating agencies, insurance companies, and investors in New York. The Authority representatives will be discussing project delivery schedules for the Renewed Measure M program, performance of sales tax collections, the 91 Express Lanes, progress on the current Measure M program, and the Orange County economy. Meetings will be scheduled with Moody's Investor Services, Standard & Poor's, Fitch, Financial Guaranty Insurance Company, Ambac, MBIA, Financial Security Assurance, Dexia Public Finance Bank, J.P. Morgan, and a number of institutional investors.

COMMENTS

Other- Airport parking and ground transportation
Meal Rate- $64 - $3 = $61 per day

Conference/Seminar Date:	**Departure Date:**	6/4/07	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:	**Return Date:**	6/8/07	**Course Hours:**

ESTIMATED EXPENDITURES

Transportation	$400.00
Meals	$305.00
Lodging	$1,320.00
Registration	$0.00
Other	$50.00
Total	$2,075.00

APPROVALS

Please Initial:

RV — Finance*

1/31/07 — Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board — Date

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** EBE

Ref #: January 2007	**Board Date:** February 12, 2007	**T/A #:** FY 06/07- 165

4.

OCTA

ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

MARY BLUM

WHEREAS, *the Orange County Transportation Authority Board of Directors recognizes and commends Mary Blum; and*

WHEREAS, *be it known that Mary Blum has been with the Authority since July 9, 1990 and has earned fourteen years of safe driving; and*

WHEREAS, *Mary Blum has distinguished herself by maintaining an outstanding record for safety, attendance and customer relations; and*

WHEREAS, *Mary Blum takes great pride in giving extraordinary service to all customers; and*

WHEREAS, *Mary Blum maintains a professional demeanor at all times and is well respected by her customers, peers and supervisors; and*

WHEREAS, *Mary Blum's unselfish dedication to the Authority, her customers and the citizens of Orange County is recognized and appreciated.*

NOW, THEREFORE, BE IT RESOLVED *that the Authority does hereby declare Mary Blum as the Orange County Transportation Authority Coach Operator Employee of the Year for 2006; and*

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

Dated: February 12, 2007

Carolyn V. Cavecche, Chairman
Orange County Transportation Authority

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

OCTA Resolution No. 2007-04

OCTA

ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

LEO DIZA

WHEREAS, *the Orange County Transportation Authority Board of Directors recognizes and commends Leo Diza; and*

WHEREAS, *Leo is a key member of the Authority's bus maintenance program, improving service reliability and safety; and*

WHEREAS, *Leo's expertise in the diagnosis, maintenance and repair of electrical and LNG bus systems is exceptional; and*

WHEREAS, *his skills and superb attitude in performing all facets of vehicle maintenance have earned him the respect of all that work with him; and*

WHEREAS, *his commitment to provide the highest quality of service to our customers, teamwork, and professionalism and his desire to excel are duly noted.*

NOW, THEREFORE, BE IT RESOLVED *that the Authority does hereby declare Leo Diza as the Orange County Transportation Authority Maintenance Employee of the Year for 2006; and*

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

Dated: February 12, 2007

Carolyn V. Cavecche, Chairman
Orange County Transportation Authority

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

OCTA Resolution No. 2007-05

OCTA

ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

CHRISTINA BYRNE

WHEREAS, *the Orange County Transportation Authority Board of Directors recognizes and commends Christina Byrne; and*

WHEREAS, *be it known that Christina her performed her duties as Community Relations Officer demonstrating the highest professional standards and dedication to excellence by developing superb communications programs to enhance the Garden Grove Freeway (SR-22) Improvement Project; and*

WHEREAS, *Christina has been an outstanding leader on the Garden Grove Freeway team and her customer-service focus has helped inform more than 178,302 residents and businesspeople through hosting more than 95 neighborhood meetings and 8 open houses and responding to more than 2,086 inquiries about construction on the freeway project; and*

WHEREAS, *Christina played a critical role in the success of the "Countdown To Completion" event, attended by Governor Schwarzenegger, elected officials and 350 other dignitaries that resulted in a record number of media coverage from 20 different media organizations; and*

WHEREAS, *Christina has served as the primary community outreach liaison with internal and external team members providing critical communication support and presenting accurate and timely responses to people impacted by the construction that enabled the project to move forward smoothly.*

NOW, THEREFORE, BE IT RESOLVED *that the Authority does hereby declare Christina Byrne as the Orange County Transportation Authority Administrative Employee of the Year for 2006; and*

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

February 12, 2007

Carolyn V. Cavecche, Chairman
Orange County Transportation Authority

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

OCTA Resolution No. 2007-06

5.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Fiscal Year 2005-06 Annual Financial Reports

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Cavecche, Buffa, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Director Bates was not present to vote on this item.

Committee Recommendation

Receive and file the fiscal year 2005-06 annual financial reports as information items.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Fiscal Year 2005-06 Annual Financial Reports

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various fund financial statements, schedules, and agreements. Macias Gini & O'Connell LLP, an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's financial records and systems for fiscal year 2005-06, and its reports are included herein.

Recommendation

Receive and file the fiscal year 2005-06 annual financial reports as information items.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting results of operations during the preceding fiscal year and OCTA's financial position at year end. These financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR), which was presented to the Board of Directors on December 11, 2006.

In connection with the preparation of the CAFR, Macias Gini & O'Connell LLP (MGO) prepares other financial reports required by OCTA. These audits were performed using current standards and guidelines, and in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's *Governmental Auditing Standards* (as amended), the provisions of the federal Single Audit Act of 1984 (as amended) and U.S. Office of Management and Budget Circular A-133, *Audits of States,*

Local Governments, and Non-Profit Organizations, as well as the following additional requirements, where applicable:

- *State of California Transportation Development Act (TDA),* including the requirements of the *Southern California Association of Governments' Transportation Development Act Conformance Auditing Guide;*
- *Revised Traffic Improvement and Growth Management Ordinance* (Measure M);
- *National Transit Database Reporting* (formerly Section 15); and
- *Special District* and *Transit District Reporting Requirements*, as specified by the California State Controller.

Discussion

MGO, an independent accounting firm, has completed its annual audit of OCTA's financial records and systems and has issued its independent auditor's opinion on OCTA's financial statements for the fiscal year ended June 30, 2006. The CAFR for OCTA, which contains the fiscal year 2005-06 financial statements and the unqualified opinion on the basic financial statements, was prepared and presented to the Board of Directors on December 11, 2006.

MGO has issued a Management Letter, as required by the contract. MGO made recommendations for management to ensure that data recorded in the National Transit Database is accurate and that reporting requirements be incorporated into all applicable service contracts. They have also recommended that procedures be established to ensure there are no duplicate vendor identification numbers in the vendor master file. Management is planning appropriate corrective action. MGO also indicated that prior recommendations either have been, or are being, satisfactorily implemented by management (Attachment A).

The Schedule of Expenditures of Federal Awards was prepared as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and an unqualified opinion was issued (Attachment B).

The Annual Financial Report, Orange County Local Transportation Authority for the Fiscal Year Ended June 30, 2006, with Independent Auditor's Report was prepared in accordance with *Governmental Auditing Standards,* and an unqualified opinion was issued (Attachment C).

Fund financial statements were prepared and an unqualified opinion was issued for the 91 Express Lanes Fund (Attachment D). The Franchise Agreement schedules of OCTA's 91 Express Lanes Fund were prepared as required by Section 3.6(b) of the Amended and Restated Development Franchise Agreement for State Route 91 Median Improvements dated June 30, 1993, and amended December 20, 2002, between OCTA and the State of California Department of Transportation, and an unqualified opinion was issued (Attachment E).

Agreed-upon procedures were performed on the Federal Funding Allocation Statistics Form FFA-10 for the year ended June 30, 2006, to assist OCTA in ensuring compliance with the regulations of *National Transit Database Reporting* and 49 CFR Part 630 of the *Federal Register,* dated January 15, 1993 (Attachment F).

The Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service was prepared for the year ended June 30, 2006, and was found in compliance with Section 3.01(D) of the Indenture Agreement between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A., dated August 15, 1992, as amended on December 1, 1996, to appoint the Bank of New York Western Trust Company as the successor trustee (Attachment G).

Agreed-upon procedures were performed, as agreed to by the Audit Subcommittee of the Citizens Oversight Committee of the Orange County Local Transportation Authority, to assist them in their assessment of the Measure M Status Report For the Year Ended June 30, 2006 (Attachment H).

Agreed-upon procedures were performed, as agreed to by the Joint Audit Oversight Committee of the Orange County Local Transportation Authority, to assist with the review of a selected sample of city recipients' level of compliance with the provisions of Measure M, Local Transportation Ordinance No. 2, for the fiscal year ended June 30, 2006 (Attachment I).

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Governmental Auditing Standards* and the *Transportation Development Act* for the year ended June 30, 2006, was prepared and there were no material weaknesses or instances of noncompliance reported (Attachment J).

Fund financial statements were prepared and an unqualified opinion was issued for the Local Transportation Fund for the year ended June 30, 2006

(Attachment K), and the State Transit Assistance Fund for the year ended June 30, 2006 (Attachment L), in accordance with their respective state requirements.

Summary

Macias, an independent accounting firm, has audited the financial statements contained in the CAFR and has issued its unqualified opinion as to the fairness of the financial statement presentation. The auditor has also issued its unqualified opinions on various other fund financial statements, schedules, and agreements, as requested by OCTA, which are attached hereon.

Attachments

A. Orange County Transportation Authority - Management Letter For the Fiscal Year Ended June 30, 2006
B. Orange County Transportation Authority - Single Audit Reports For the Year Ended June 30, 2006
C. Annual Financial Report – Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) For the Fiscal Year Ended June 30, 2006, with Independent Auditor's Report
D. Annual Financial Report – 91 Express Lanes Fund (An Enterprise Fund of the Orange County Transportation Authority) For the Fiscal Year Ended June 30, 2006, with Independent Auditor's Report
E. Franchise Agreement Report – 91 Express Lanes Fund (An Enterprise Fund of the Orange County Transportation Authority) For the fiscal year ended June 30, 2006
F. Orange County Transportation Authority – National Transit Database Reporting For the Year Ended June 30, 2006
G. Debt Service Coverage Tests – Orange County Local Transportation Authority Year Ended June 30, 2006
H. Measure M Agreed-Upon Procedures Reports – Orange County Transportation Authority For the Year Ended June 30, 2006
I. Measure M Status Report Agreed-Upon Procedures Report – Orange County Local Transportation Authority For the Year Ended June 30, 2006
J. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Governmental Auditing Standards* and the Transportation Development Act
K. Orange County Transportation Authority – Local Transportation Fund (A Special Revenue Fund of the Orange County Transportation Authority)

Fund Financial Statements and Independent Auditor's Report For the Year Ended June 30, 2006

L. Orange County Transportation Authority State Transit Assistance Fund (A Special Revenue Fund of the Orange County Transportation Authority) Fund Financial Statements and Independent Auditor's Report For the Year Ended June 30, 2006

Prepared by:

Kathleen M. O'Connell
Manager, Internal Audit
(714) 560-5669

ATTACHMENT A

ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT LETTER
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

MACIAS GINI & O'CONNELL LLP
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San Diego, CA 92101

October 9, 2006

Members of the Board of Directors
Orange County Transportation Authority

In planning and performing our audit of the basic financial statements of the Orange County Transportation Authority (Authority) for the fiscal year ended June 30, 2006, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the various opinion units that comprise the basic financial statements, and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that present opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We have previously reported on the Authority's internal control in our report dated October 9, 2006. This letter does not affect our report dated October 9, 2006, on the basic financial statements of the Authority.

We will review the status of these conditions during our next audit engagement. We have already discussed these comments and suggestions with various Authority personnel. We will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Macias Gini & O'Connell LLP

Certified Public Accountants

CURRENT YEAR COMMENTS

06 – 1 VENDOR MASTER FILE

CONDITION

During our analysis of the vendor master data file, we found numerous instances of multiple vendor identification numbers (ID) for the same vendor. This has occurred over time as a result of the Authority's staff establishing new vendor IDs while processing vendor payments, without first verifying if a vendor ID already exists. We also noted that some of the vendors in the vendor master data file did not have an address on record because the vendor either physically picked up the check from the Authority or the vendor had a change of address. The IFAS system has the capability to denote a vendor address as "Inactive"; however, this process is currently not in use.

RECOMMENDATION

The Authority should establish procedures to ensure that duplicate vendors do not exist in the vendor master file. Duplicate vendor IDs should be purged from the vendor master data file. Vendors with no address on record should either be purged from the vendor master data file, or designated as inactive.

MANAGEMENT RESPONSE

There is a verification feature in IFAS that when activated, will require a Taxpayer Identification Number (TIN) for each unique vendor ID setup in IFAS. This feature will only allow one TIN to be associated with one vendor ID. The system will not allow a new vendor to be setup with the same TIN, and will flag the IFAS user. The Authority has activated this feature to ensure that multiple vendor ID's are not issued for the same vendor. Furthermore, the Authority will review the vendor database to merge duplicate vendors, update all vendors with their current TIN and address on file, and will inactivate old vendors that are no longer used and have no address on file.

06 – 2 NTD VEHICLE MILE DATA

CONDITION

In performing the National Transit Database (NTD) Agreed Upon Procedures, we noted several instances where data accumulated by the Authority's management for NTD reporting purposes had been improperly accumulated and/or calculated. These errors were discovered and corrected prior to releasing the final Federal Funding Allocation Statistic Schedules. Furthermore, we were unable to substantiate the data collected for Vehicle Revenue Miles and Passenger Miles for several trip sheets because proper supporting documentation was not available for our review.

RECOMMENDATION

The Authority should establish policies and procedures to ensure that NTD data reported is accurate, and these policies and procedures should be incorporated into the service provider contracts responsible for NTD data reporting requirements.

MANAGEMENT'S RESPONSE

Formula errors in data calculation will be resolved in Fiscal Year 2006-07 with the implementation of 100% reporting and the utilization of reports generated by the Trapeze software. Additionally, CTS has taken steps to ensure formula calculations have been adjusted to eliminate errors in the Fiscal Year 2006-07 reporting data. Furthermore, CTS has notified contracted service providers about errors and has taken steps to ensure that all operators providing services within this program document all required information properly.

06 – 3 BUDGETARY COMPARISON INFORMATION

CONDITION

During our audit of the Authority's basic financial statements for the fiscal year-ended June 30, 2006, we noted that the original and final budget columns presented in the budgetary comparison information did not include amounts for prior year encumbrances in accordance with U.S. generally accepted accounting principles.

RECOMMENDATION

The Authority should include amounts for prior year encumbrances in the original and final budget columns presented in the basic financial statements budgetary comparison information in accordance with generally accepted accounting principles.

MANAGEMENT'S RESPONSE

The Authority will update its FY 2007 basic financial statements to include amounts for prior year encumbrances in the original and final budget columns presented in the basic financial statements budgetary comparison information in accordance with U.S. generally accepted accounting principles.

STATUS OF PRIOR YEAR COMMENTS

05 – 1 NTD VEHICLE MILE DATA

CONDITION

In performing the National Transit Database (NTD) Agreed Upon Procedures, Macias, Gini & O'Connell LLP noted that a contracted service provider, South County Senior Services (SCSS), failed to report actual Vehicle Revenue Miles (VRM) to the Authority as required by the NTD. As a result, the Authority was unable to substantiate the 90,000 VRM reported by SCSS. In perspective, the VRM reported for SCSS represents less than 1.0% of the 9,232,372 total Demand Response Purchased Transportation (DRPT) VRMs reported. Subsequent to submission of the NTD report, actual VRM data was obtained from SCSS by the Authority. Based on the testwork performed on the data received, the procedures used by the Authority for accumulating DRPT vehicle revenue miles was in accordance with the NTD requirements.

STATUS

The Authority's staff has worked directly with SCSS staff to ensure that proper data collection and reporting procedures are in place. There have been significant improvements in the data collection and reporting procedures; however, these procedures can be strengthened. Please see current year comment 06-2.

05 – 2 CLAIMS LIABILITY RESERVE

CONDITION

The Authority currently lacks the level of communication needed to ensure that the Authority's actuarially determined claims liability is consistent with Risk Management's estimated claims reserves. Due to the timing of the actuary reports and the nature of litigation, the status of certain claims may change substantially from the date the claims information was submitted to the actuary to the date the Authority's financial statements are issued. If significant changes in the Authority's claims reserves are not communicated effectively to the Accounting and Financial Reporting department, it could lead to the underreporting of the Authority's claims liability in its financial statements.

STATUS

The Authority's accounting staff conferred with the Authority's risk management department during 2006 fiscal year-end closing to discuss outstanding claims and liabilities, as well as to discuss the current actuarially determined claims liability. The information provided by the risk management department should include the most recent information available. For fiscal year 2007 year end, the Authority's accounting staff will continue to confer with risk management staff, and will also confirm directly with the Authority's legal department to ensure that accounting has received the most recent information available.

ATTACHMENT B

ORANGE COUNTY TRANSPORTATION AUTHORITY

Single Audit Reports

For the Year Ended June 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

ORANGE COUNTY TRANSPORTATION AUTHORITY

For the Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Orange County Transportation Authority

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated October 9, 2006.

This report is intended solely for the information and use of Authority management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

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

Board of Directors
Orange County Transportation Authority

Compliance

We have audited the compliance of the Orange County Transportation Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated October 9, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Authority, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

Program Name	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500		$ 2,776,801
Federal Transit - Formula Grants	20.507		28,415,886
Total Federal Transit Cluster			31,192,687
Federal Transit - Transit Planning College Intern	20.515		2,660
Total direct from U.S. Department of Transportation			31,195,347
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	IVH-9406(310)	56,476
Highway Planning and Construction	20.205	CMLN-6071(023)	70,157,013
Total passed through California Department of Transportation			70,213,489
Total U.S. Department of Transportation			101,408,836
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS):			
Passed through County of Orange Community Services Agency			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	22-0203	362,711
Total U.S. Department of Health and Human Services			362,711
TOTAL FEDERAL AWARDS			**$ 101,771,547**

See Notes to Schedule of Expenditures of Federal Awards

ORANGE COUNTY TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

1. GENERAL

The Orange County Transportation Authority (Authority) receives federal grants for capital projects and other reimbursable activities, which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on the Authority's financial position or changes in financial position.

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

2. BASIS OF ACCOUNTING

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

3. RELATION TO FEDERAL FINANCIAL REPORTS

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

4. DEFINITION OF MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM

The Single Audit Act Amendments of 1996 defines major federal award programs based upon total federal expenditures of the grantee during the period reported and inherent risk of the programs audited. The Highway Planning and Construction (CFDA 20.205) is considered to be a major federal financial assistance program for the year ended June 30, 2006. (See summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.)

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2006

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness identified?	____ yes	__X__ no
• Reportable conditions identified that are not considered to be material weaknesses?	____ yes	__X__ none reported
Noncompliance material to financial statements noted?	____ yes	__X__ no

Federal Awards

Internal control over major program:		
• Material weaknesses identified?	____ yes	__X__ no
• Reportable conditions identified that are not considered to be material weaknesses?	____ yes	__X__ none reported

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

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

Continued

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2006

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

Identification of major program:

CFDA Number	*Name of Federal Program*
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

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

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

ATTACHMENT C

ANNUAL FINANCIAL REPORT

Orange County Local Transportation Authority

(A Component Unit of the Orange County Transportation Authority)

For the Fiscal Year Ended June 30, 2006
with Independent Auditor's Report



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Local Transportation Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2006, which collectively comprise the OCLTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCLTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCLTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Orange County Local Transportation Authority as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 9, 2006, on our consideration of the OCLTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 29 through 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information on financial performance presented here in conjunction with the financial statements that begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets of the OCLTA were $736,119 and consisted of net assets invested in capital assets, net of related debt, of $545,145; restricted net assets of $545,795; and unrestricted (deficit) of ($354,821).

- The unrestricted net assets (deficit) from governmental activities of ($354,821) represents liabilities in excess of assets. This results primarily from the recording of debt issued for Measure M projects, the assets for which title vests with the California Department of Transportation (Caltrans). Accordingly, the OCLTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when due.

- Beginning net assets were restated $17,672 (see note 9). Net assets increased $254,758 during fiscal 2006. This increase was primarily attributable to Congestion Mitigation Air Quality (CMAQ) funds received from the federal government to assist with funding of the Garden Grove Freeway/State Route 22 (SR-22) project.

- Total capital assets, net of accumulated depreciation, were $545,145 at June 30, 2006.

- The OCLTA's governmental funds reported combined ending fund balances of $553,601, a decrease of $66,900 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the OCLTA's basic financial statements, which are comprised of three components including government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Because the OCLTA is a governmental activity of the Orange County Transportation Authority, governmental funds are used to account for its Measure M program activities. These basic financial statements include only the activities for the OCLTA.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the OCLTA's finances using the accrual basis of accounting, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the OCLTA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCLTA is improving or deteriorating.

The statement of activities presents information showing how the OCLTA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements can be found on pages 9-10 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with Measure M finance-related legal requirements. The OCLTA uses governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the OCLTA's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the OCLTA's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The OCLTA maintains two individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the OCLTA's major governmental funds.

The governmental funds financial statements can be found on pages 11-14 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-28 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 29 and the LTA debt service fund as other supplementary information on page 31 to demonstrate compliance with the annual appropriated budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2006, the OCLTA's assets exceeded liabilities by $736,119, a $254,758 increase from June 30, 2005. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the OCLTA's governmental activities.

The most significant portion of the OCLTA's net assets represents restricted net assets of $545,795, which are resources subjected to external restrictions on how they may be used.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day Measure M operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets was a $354,821 deficit at June 30, 2006. This deficit results primarily from the recording of debt issued for Measure M projects, the assets for which title vests with Caltrans. Accordingly, OCLTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when due.

Table 1
Orange County Local Transportation Authority
Net Assets

	Governmental Activities	
	2006	2005
Current and other assets	$ 574,210	$ 674,348
Restricted assets	74,890	72,673
Capital assets, net	545,145	253,427
TOTAL ASSETS	1,194,245	1,000,448
Current liabilities	82,883	97,781
Long-term liabilities	375,243	438,978
TOTAL LIABILITIES	458,126	536,759
Net assets:		
Invested in capital assets, net of related debt	545,145	253,427
Restricted	545,795	620,501
Unrestricted (deficit)	(354,821)	(410,239)
TOTAL NET ASSETS	$736,119	$463,689

Governmental activities increased the OCLTA's net assets by $254,758. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, increased by $18,709, or 7.5%, from the prior year as a result of a stabilized economy. Capital grants and contributions significantly decreased $43,519, or 29%, from the prior year primarily due to the receipt of Transportation Congestion Relief (TCR) funding received in the prior fiscal year.

OCLTA expenses of $135,646 shown on the statement of activities consist of:

Supplies and services	$ 20,839
Contributions to other local agencies	63,466
Infrastructure	25,174
Depreciation expense	39
Gain on sale of capital assets	2,155
Interest expense	23,973
TOTAL EXPENSES	$135,646

Total expenses decreased $5,341, or 3.8% from the prior year primarily due to a $17,672 prior period adjustment related to a capital expense recorded as a supply and service. Additionally, the decrease is offset by an increase in contributions to other agencies. This is a direct result of the increase in sales taxes, of which 14.6 % of net sales tax revenues are paid to local agencies for local street improvements.

Table 2
Orange County Local Transportation Authority
Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	$ 199	$ 182
Capital grants and contributions	106,582	150,101
General revenues:		
Taxes	268,118	249,409
Unrestricted investment earnings	15,490	15,173
Other miscellaneous revenue	15	-
Total revenues	390,404	414,865
Expenses:		
Measure M program	135,646	140,987
Increase in net assets	254,758	273,878
Net assets (deficit)—beginning as restated	481,361	189,811
NET ASSETS—END OF YEAR	$736,119	$463,689

FINANCIAL ANALYSIS OF THE OCLTA'S FUNDS

As of June 30, 2006, the OCLTA's governmental funds reported combined ending fund balances of $553,601, a decrease of $66,900 compared to 2005. The total amount constitutes reserved fund balance to indicate that it is not available for new spending because of the following commitments:

- $175,929 to liquidate contracts and purchase orders of the current and prior periods;
- $112,863 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects; and
- $264,809 for transportation programs related to Measure M projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2006, the OCLTA had $545,145, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings, and machinery and equipment. A summary of the OCLTA's Measure M capital assets, net of depreciation, follows:

Land	$ 129,910
Construction in progress held for Department of Transportation	414,267
Buildings	1,086
TOTAL CAPITAL ASSETS	545,263
Less accumulated depreciation	(118)
TOTAL CAPITAL ASSETS, NET	$545,145

Total capital assets increased $291,718 or 115%, from the prior year primarily due to the construction on the SR-22 freeway. More detailed information about the OCLTA's capital assets is presented in Note 6 to the financial statements.

OCTA has outstanding construction contracts, the most significant of which are: $79,658 for the SR-22 project, $14,568 for the I-5 far north project, $5,298 for the I-405/SR-73 transitway project, $18,600 for the I-405/SR-55 transitway project, and $27,600 for the I-55 17th street to Fairhaven project.

DEBT ADMINISTRATION

As of June 30, 2006, the OCLTA had $409,670 in sales tax revenue bonds and commercial paper notes outstanding. All sales tax revenue bonds mature by 2011 when the OCLTA authority to collect the local sales tax expires. In February 2006, the OCLTA made $63,720 in principal payments. The OCLTA retired $6,400 in commercial paper notes in August 2005.

The OCLTA maintains a "AA+" rating from Standard & Poor's, a "AA" rating from Fitch and a "Aa2" rating from Moody's for its Measure M 1st Senior Sales Tax Revenue Bonds and a "AA-" rating from Standard & Poor's, a "AA-" rating from Fitch and a "Aa3" rating from Moody's for its Measure M 2nd Senior Sales Tax Revenue Bonds.

Additional information on the OCLTA's short-term debt and long-term debt can be found in Notes 7 and 8 to the financial statements, respectively.

ECONOMIC AND OTHER FACTORS

The OCLTA is committed to providing coordinated, efficient and accountable transportation within Orange County. Sound financial management during the period since the Orange County bankruptcy has put the OCLTA in a strong position to deliver Measure M projects.

The OCLTA adopted the 2007 Annual Budget on June 12, 2006. This $327.9 million balanced budget includes payments to cities and the County of Orange for the turnback and competitive programs, transfers to the Commuter and Urban Rail Endowment fund for Metrolink expansion, Measure M debt service payments and rights-of-way acquisition and construction costs for the I-5 Far North projects.

CONTACTING THE OCLTA'S MANAGEMENT

This financial report is designed to provide a general overview of the OCLTA's finances for all those with an interest in the OCLTA's finances and to show the OCLTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF NET ASSETS

JUNE 30, 2006

(thousands)	Governmental Activities
ASSETS	
Cash and investments	$ 494,081
Receivables:	
Interest	3,875
Capital grants	6,391
Other	2,271
Due from other governments	35,835
Condemnation deposits	18,490
Note receivable	8,587
Restricted cash and investments	74,890
Other assets	2,070
Land held for resale	2,610
Capital assets:	
Nondepreciable	544,177
Depreciable, net	968
TOTAL ASSETS	1,194,245
LIABILITIES	
Accounts payable	29,669
Accrued interest payable	7,806
Due to other governments	10,887
Other liabilities	21
Commercial paper notes	34,500
Noncurrent liabilities:	
Due within one year	67,340
Due in more than one year	307,903
TOTAL LIABILITIES	458,126
NET ASSETS	
Invested in capital assets, net of related debt	545,145
Restricted for:	
Measure M program	440,738
Debt service	105,057
Unrestricted (deficit)	(354,821)
TOTAL NET ASSETS	$ 736,119

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

(thousands)	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net Revenue and Changes in Net Assets: Governmental Activities
PROGRAM GOVERNMENTAL ACTIVITIES:				
Measure M program	$ 135,646	$ 199	$ 106,582	$ (28,865)
TOTAL GOVERNMENTAL ACTIVITIES	$ 135,646	$ 199	$ 106,582	$ (28,865)
GENERAL REVENUES:				
Sales taxes				268,118
Unrestricted investment earnings				15,490
Other miscellaneous revenue				15
TOTAL GENERAL REVENUES				283,623
Change in net assets				254,758
Net assets - beginning, as restated				481,361
NET ASSETS - ENDING				$ 736,119

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

BALANCE SHEET--GOVERNMENTAL FUNDS

JUNE 30, 2006

(thousands)	LTA	LTA Debt Service	Total OCLTA
ASSETS			
Cash and investments	$ 457,081	$ 37,000	$ 494,081
Receivables:			
Interest	2,902	973	3,875
Capital grants	6,391	-	6,391
Other	2,271	-	2,271
Due from other governments	35,835	-	35,835
Condemnation deposits	18,490	-	18,490
Note receivable	8,587	-	8,587
Restricted cash and investments:			
Cash equivalents	-	28,354	28,354
Investments	-	46,536	46,536
Other assets	1,775	-	1,775
TOTAL ASSETS	$ 533,332	$ 112,863	$ 646,195
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 29,669	$ -	$ 29,669
Due to other governments	10,887	-	10,887
Deferred revenue	17,517	-	17,517
Other liabilities	21	-	21
Commercial paper notes	34,500	-	34,500
TOTAL LIABILITIES	92,594	-	92,594
FUND BALANCES			
Reserved for:			
Encumbrances	175,929	-	175,929
Debt service	-	112,863	112,863
Transportation programs	264,809	-	264,809
TOTAL FUND BALANCES	440,738	112,863	553,601
TOTAL LIABILITIES AND FUND BALANCES	$ 533,332	$ 112,863	$ 646,195

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

(thousands)

Amounts reported for governmental activities in the statement of net assets (page 9) are different because:

TOTAL FUND BALANCES (PAGE 11)	$	553,601
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		545,145
Land held for resale is not a financial resource and therefore is not reported in the funds.		2,610
Other long-term assets related to cost of issuance are not financial resources and therefore, is not reported in the funds.		295
Earned but unavailable revenue is not available to liquidate current liabilities and therefore is deferred in the funds.		17,517
Interest payable on bonds outstanding is not due and payable in the current period and therefore is not reported in the funds.		(7,806)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(375,243)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 9)	$	736,119

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

(thousands)	LTA	LTA Debt Service	Total OCLTA
REVENUES			
Sales taxes	$ 268,118	$ -	$ 268,118
Contributions from other agencies	44,077	-	44,077
Interest	11,485	4,005	15,490
Federal capital assistance grants	70,467	-	70,467
Miscellaneous	213	-	213
TOTAL REVENUES	394,360	4,005	398,365
EXPENDITURES			
Current:			
General government:			
Supplies and services	20,628	152	20,780
Contributions to other local agencies	63,466	-	63,466
Capital outlay	299,259	-	299,259
Debt service:			
Principal payments on long-term debt	-	63,720	63,720
Interest on long-term debt and commercial paper	840	24,466	25,306
TOTAL EXPENDITURES	384,193	88,338	472,531
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,167	(84,333)	(74,166)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,461	88,224	89,685
Transfers out	(88,224)	(1,461)	(89,685)
Proceeds from sale of land held for resale	7,266	-	7,266
TOTAL OTHER FINANCING SOURCES (USES)	(79,497)	86,763	7,266
Net change in fund balances	(69,330)	2,430	(66,900)
Fund balances-beginning	510,068	110,433	620,501
FUND BALANCES-ENDING	$ 440,738	$ 112,863	$ 553,601

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2006

(thousands)

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental funds (page 13)	$	(66,900)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		274,046
The net effect of various miscellaneous transactions involving the sale of land held for resale is to decrease net assets.		(9,420)
Deferred revenues received in the current year are reported as revenues in the funds and not reported in the statement of activities.		(7,962)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		64,994
Change in net assets of governmental activities (page 10)	$	254,758

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program, which commenced on April 1, 1991 for a period of 20 years. Under the Measure M program, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and functions as the OCLTA governing board. Measure M requires that a nine-member Citizen's Oversight Committee (COC) monitors the use of Measure M funds and ensures that all revenue collected from Measure M is spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of OCTA.

BASIS OF PRESENTATION

The OCLTA's basic financial statements consist of authority-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE STATEMENTS: The statement of net assets and the statement of activities report information on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with Measure M, and allocated indirect expenses. Interest expense related to the sales tax revenue bonds and commercial paper is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the year ended June 30, 2006, interest expense of $23,974 was included as Measure M program costs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M and 2) grants and contributions that are restricted to meeting the

operational or capital requirements of the Measure M program. Taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

FUND FINANCIAL STATEMENTS: The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds. They are comprised of the following:

- *LOCAL TRANSPORTATION AUTHORITY (LTA) FUND* - This special revenue fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing is provided by a one-half percent sales and use tax assessed for twenty years pursuant to Measure M, which became effective April 1, 1991. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.

- *LTA DEBT SERVICE FUND* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the OCLTA.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCLTA considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt of governmental funds are recorded only when payment is due.

Those revenues susceptible to accrual are sales taxes collected and held by the state at year-end on behalf of the OCLTA, intergovernmental revenues, and interest revenue. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the OCLTA; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

When both restricted and unrestricted resources are available for use, it is the OCLTA's policy to use restricted resources first and then unrestricted resources as they are needed.

CASH AND INVESTMENTS

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with an investment policy adopted initially by the Board on May 8, 1995, and most recently amended March 13, 2006. The investment policy complies with, or is more restrictive than, applicable state statutes. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

The investment policy authorizes investments in obligations of the U.S. Treasury and U.S. agencies, deposits in California banks and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., bankers' acceptances, certificates of deposit, variable and floating rate securities in permitted securities, mortgage and asset-backed securities, corporate notes, repurchase agreements, and guaranteed investment contracts. Derivative products of any otherwise eligible investment are permitted but only with prior Board authorization. Investments in reverse repurchase agreements are prohibited. Other allowable investment categories include money market funds, mutual funds (allowed under section 53601 of the government code), and certain state or local agency investment pools. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the California Government Code.

Investments in U.S. government securities are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date which are carried at cost. Guaranteed investment contracts are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. The OCLTA's share of pooled cash and investments with OCTA is carried at fair value.

INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered and transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances are reported as due to/from other funds. Any residual balances outstanding between the Measure M program governmental activities and other OCTA funds are reported in the government-wide financial statements as due to other OCTA funds.

OCTA allocates costs related to administrative services from certain funds to benefiting funds. For fiscal year 2006, $7,718 of administrative services were charged to the OCLTA and are reported as general government expenditures in the governmental funds.

RESTRICTED CASH AND INVESTMENTS

Certain proceeds of the OCLTA's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted cash and investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

CAPITAL ASSETS

Capital assets, which include land, buildings, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than $5 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (Caltrans), are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where the OCLTA does not have title to such assets or rights-of-way.

Buildings and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:

ASSET TYPE	USEFUL LIFE
Buildings	10-30 years
Machinery and equipment	3-10 years

LAND HELD FOR RESALE

OCLTA has received title to property in connection with the purchase of rights-of-way for infrastructure not held by OCLTA (see above). This land is reported as Land held for resale in the government-wide financial statements and will be sold and the proceeds reimbursed to the project that funded the expenditure.

LONG-TERM DEBT

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net assets. Bond premiums and discounts and bond refunding costs, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount and deferred bond refunding loss. Bond issuance costs are reported as other assets and amortized over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CONTRIBUTIONS TO OTHER AGENCIES

Contributions to other agencies primarily represent sales tax revenues received by the OCLTA disbursed to cities for competitive projects and the turnback program, which is in accordance with the Measure M ordinance.

NET ASSETS

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified into three categories:

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT* - This reflects the net assets of the OCLTA that are invested in capital assets, net of related debt. This indicates that these net assets are not accessible for other purposes.

- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports $440,738 of restricted net assets, of which all is restricted by enabling legislation.

- *UNRESTRICTED NET ASSETS* - This represents those net assets that are available for general use.

FUND BALANCES

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. As such, actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this $545,145 difference are as follows:

Capital assets	$ 545,263
Less accumulated depreciation	(118)
NET ADJUSTMENT TO INCREASE FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL	**$545,145**

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this ($375,243) difference are as follows:

Bonds payable	$ (375,170)
Less deferred loss on refunding (to be amortized as interest expense)	1,682
Plus unamortized bond issuance premium (to be amortized as interest expense)	(1,755)
NET ADJUSTMENT TO DECREASE FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL	**$ (375,243)**

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and change in net assets - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this $274,046 difference are as follows:

Capital outlay	$274,085
Depreciation expense	(39)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	**$ 274,046**

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $64,994 difference are as follows:

Principal repayments - sales tax revenue bonds	$ 63,720
Change in accrued interest	1,318
Amortization of deferred loss on refunding	(336)
Amortization of premium	351
Amortization of issuance costs	(59)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS -GOVERNMENTAL ACTIVITIES	**$64,994**

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2006:

With Commingled Investment Pool	$ 451,255
With Trustee	117,716
TOTAL CASH AND INVESTMENTS	**$ 568,971**

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	$ 494,081
Restricted Cash and Investments	74,890
TOTAL CASH AND INVESTMENTS	**$ 568,971**

As of June 30, 2006, OCLTA had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	$ 451,255	$ 458,258	Discount, 1.52%-7.125%	7/1/06-4/1/11	2.22
Money Market Mutual Funds	59,123	59,123	Variable	7/11/06-7/16/06	.03
Investment Agreements	58,593	46,536	Discount, 3.877%-5.791	8/15/06-2/15/11	4.41
TOTAL INVESTMENTS	$568,971	$563,917			

INTEREST RATE RISK

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore less sensitive to interest rate changes.

OCTA did not have any asset-backed securities or variable or floating rate securities at year end.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2006, OCTA did not have any securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The Annual Investment Policy (Policy) sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "AA". LAIF and OCIP are not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2006. (NR means Not Rated):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF
OCTA Commingled Investment Pool	NR	NR	NR	79%
Money Market Mutual Funds	AAA	Aaa	NR	11%
Investment Agreements	NR	NR	NR	10%
TOTAL				100%

CONCENTRATION OF CREDIT RISK

At June 30, 2006, OCTA did not exceed the Policy limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises.

- 20% may be invested in any money market mutual fund.

The Policy limitation excludes investment agreements pursuant to the bond indenture. As of June 30, 2006, OCLTA had $39,041 held with AIG.

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2006 are $35,835 and are comprised of $9,864 related to sales taxes, $22,598 for project reimbursements and $3,373 for condemnation deposits.

5. RELATED PARTY TRANSACTIONS AND INTERFUND TRANSFERS

RELATED PARTY TRANSACTIONS:

Resource flows of $2,123 from the OCLTA to OCTA have been reported as program expenses in the statement of activities and as expenditures in the LTA Fund to other OCTA funds. These transfers were made for the following purposes, in accordance with the Measure M program:

Supplies and services:	
Fare stabilization and ACCESS	$ 1,000
Capital outlay:	
Capital projects	1,123
TOTAL	$ 2,123

Additionally, $41 was transferred from other OCTA funds to OCLTA as contributions for program expenses/expenditures.

INTERFUND TRANSFERS:

During fiscal year 2006, the LTA Fund transferred $88,224 to the LTA Debt Service Fund for debt service payments, and the LTA Debt Service Fund transferred $1,461 to the LTA Fund for excess debt service available for operations.

6. CAPITAL ASSETS

Capital assets activity for the OCLTA Measure M governmental activities for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 129,910	$ -	$ -	$ 129,910
Construction in progress held for Department of Transportation	140,213	274,054	-	414,267
TOTAL MEASURE M CAPITAL ASSETS, NOT BEING DEPRECIATED	**$ 270,123**	**$ 274,054**	**$ -**	**$ 544,177**
Capital assets, being depreciated:				
Buildings	$ 1,055	$ 31	$ -	$ 1,086
Total capital assets, being depreciated	1.055	31	-	1,086
Less accumulated depreciation for:				
Buildings	(79)	(39)	-	(118)
Total accumulated depreciation	(79)	(39)	-	(118)
TOTAL MEASURE M CAPITAL ASSETS, BEING DEPRECIATED, NET	**$ 976**	**$ (8)**	**$ -**	**$ 968**

Depreciation expense charged to the Measure M program was $39. The beginning balance for Construction in Progress of $140,213 includes a prior period adjustment of $17,672 for construction management costs related to the SR-22 freeway project that should have been recorded as a capital asset. Refer to footnote #9.

7. SHORT-TERM DEBT

On March 13, 1995, the OCLTA was authorized to issue up to $115,000 in Tax-Exempt Commercial Paper Notes (Notes). As a requirement for the issuance of the Notes, the OCLTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement with a financial institution as liquidity support for the Notes. On August 30, 1999, the OCLTA transferred the Letter of Credit to Dexia Bank. The authorized amount was reduced to $74,200 with the available amount totaling $80,787. The OCLTA did not draw on this Letter of Credit authorization during the year ended June 30, 2006, nor were there any amounts outstanding under this Letter of Credit agreement at June 30, 2006.

As of June 30, 2006, the OCLTA had outstanding Notes in the amount of $34,500. There were no additional Notes issued; $6,400 in Notes was retired in August 2005. On August 31, 2006, the OCLTA retired $5,400 in Notes, which reduced the outstanding principal balance to $29,100. The source of revenue to repay the Notes is the Measure M sales taxes. Interest is payable on the respective maturity dates of the Notes, which are the earlier of 270 days from date of issuance or program termination. The

maximum allowable interest rate on the Notes is 12.0%, with issuance rates at June 30, 2006 ranging from 3.49% to 3.50%.

Short-term debt activity for the year ended June 30, 2006, was as follows:

	BEGINNING BALANCE	ISSUED	REDEEMED	ENDING BALANCE
Tax exempt commercial paper	$ 40,900	$ -	$ 6,400	$ 34,500

8. LONG-TERM DEBT

SALES TAX REVENUE BONDS

During fiscal years 1993, 1994 and 1998, the OCLTA issued sales tax revenue bonds to assist in the financing of various highway, local street and road and transit projects in Orange County. The Measure M sales tax is the source of revenue for repaying this debt.

On August 26, 1997, the OCLTA issued $57,730 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $57,600 of outstanding 1992 Second Senior Bonds (1992 Second Senior Series). The net proceeds plus additional 1992 Second Senior Series sinking fund moneys and release of funds from the Bond Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Second Senior Series. In February 2002, the advance refunded 1992 Second Senior Bonds, which have been eliminated in the financial statements, were paid.

On March 24, 1998, the OCLTA issued $20,270 (1998 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund $19,885 of outstanding 1992 First Senior Bonds (1992 First Senior Series). In addition to the refunding, OCLTA also issued $213,985 in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 First Senior Series. In February 2002, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In February 2005, the 1998 First Senior Series Bonds, which have also been eliminated in the financial statements, were paid.

On October 10, 2001, the OCLTA issued $67,335 (2001 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund $18,805 of the 1992 First Senior Bonds and $48,400 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. In February 2004, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In February 2004, the 2001 First Senior Series bonds, which have also been eliminated in the financial statements, were paid.

A summary of the bonds outstanding is as follows:

	1992 1ST SENIOR BOND	1992 2ND SENIOR BOND	1994 2ND SENIOR BOND	1997 2ND SENIOR BOND	1998 2ND SENIOR BOND	2001 2ND SENIOR BOND
Issuance date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	$ 350,000	$ 190,000	$ 200,000	$ 57,730	$ 213,985	$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
NET BOND PROCEEDS	$ 347,388	$ 189,273	$ 199,835	$ 61,530	$ 225,672	$ 51,940
Issuance costs	$ 3,508	$ 2,323	$ 2,535	$ 780	$ 2,194	$ 590
Reserve requirements	$ -	$ 14,465	$ 11,535	$ 2,009	$ 22,567	$ 6,334
Interest rate	2.8%-12.23%	2.9%-12.03%	2.8%-12.55%	3.8%-5.7%	3.9%-5.5%	4.0%-5.0%
Annual principal payment	$22,290-27,200	$12,185	$13,905-14,585	$85-15,445	$18,860-23,300	$15,460-16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	$ 123,615	$ 12,185	$ 28,490	$ 57,400	$ 105,050	$ 48,430
Less deferred loss on refunding	-	-	-	-	-	$ (1,682)
Plus unamortized premium	-	-	-	-	-	$ 1,755
TOTAL	$ 123,615	$ 12,185	$ 28,490	$ 57,400	$ 105,050	$ 48,503

The sales tax revenue bonds contain certain financial covenants, and management believes OCLTA is in compliance with such covenants as of June 30, 2006.

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2006, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST
2007	67,325	20,994
2008	71,290	17,168
2009	75,355	13,202
2010	78,405	9,000
2011	82,795	4,627
TOTAL	$ 375,170	$ 64,991

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2006, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Measure M program activities:					
Sales tax revenue bonds	$ 438,890	$ -	$ 63,720	$ 375,170	$ 67,325
Unamortized deferred loss on refunding	(2,018)	-	(336)	(1,682)	(336)
Unamortized premium	2,106	-	351	1,755	351
TOTAL MEASURE M PROGRAM ACTIVITIES LONG-TERM	$438,978	$ -	$ 63,735	$375,243	$67,340

ARBITRAGE REBATE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in all interest paid to bondholders retroactively rendered taxable. Arbitrage calculations are to be made every five years subsequent to the bond issue date. There were no arbitrage calculations due for fiscal year 2006.

9. PRIOR PERIOD ADJUSTMENT

Expenditures for the SR-22 freeway project were erroneously coded as an operating expenditure in prior years. As this project is a capital asset, the related construction management costs should be recorded as a capital asset. An adjustment was made to the beginning net assets for the government wide statements.

The following is a summary for the effect of this adjustment:

	GOVERNMENTAL ACTIVITIES NET ASSETS
Beginning balance, as previously reported	$ 463,689
Adjustment	17,672
BEGINNING BALANCE, AS RESTATED	**$ 481,361**

10. COMMITMENTS AND CONTINGENCIES

PURCHASE COMMITMENTS

OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2006, were $175,929, the majority of which relate to the expansion of Orange County's freeway and road systems.

FEDERAL GRANTS

The OCLTA receives Federal grants for capital projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on the OCLTA's financial position or changes in financial position.

11. EFFECT OF NEW PRONOUNCEMENTS

GASB STATEMENT NO. 46

In December 2004, GASB issued Statement No. 46, Net Assets Restricted by Enabling Legislation - an amendment of GASB 34. This statement imposes limitations on the use of restricted net assets. GASB Statement No. 46 clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as its citizens, public interest groups, or the judiciary, can compel a government to honor. This statement requires governments to disclose the portions of total net assets that are restricted by enabling legislation. Disclosing the amount of net assets restricted by enabling legislation will allow users of the financial statements to distinguish qualifying restrictions on resource use imposed through a government's own action from other types of net asset restrictions. OCTA has implemented this new reporting requirement for fiscal year 2006.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - LTA SPECIAL REVENUE FUND (BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2006

(thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales taxes	$ 261,721	$ 261,721	$ 268,118	$ 6,397
Contributions from other agencies	-	7,723	44,036	36,313
Interest	12,400	12,400	11,485	(915)
Federal capital assistance grants	5,000	5,000	70,467	65,467
Miscellaneous	75	75	213	138
TOTAL REVENUES	279,196	286,919	394,319	107,400
EXPENDITURES:				
Current:				
General government:				
Supplies and services	35,523	39,523	20,848	18,675
Contributions to other local agencies	94,841	92,841	63,466	29,375
Capital outlay	64,355	96,355	86,105	10,250
Debt service:				
Interest on long-term debt and commercial paper	540	540	840	(300)
TOTAL EXPENDITURES	195,259	229,259	171,259	58,000
Excess (deficiency) of revenues over (under) expenditures	83,937	57,660	223,060	165,400
OTHER FINANCING SOURCES (USES):				
Transfers in from other OCLTA funds	-	-	1,461	1,461
Transfers in from other OCTA funds	2,943	2,943	41	(2,902)
Transfers out to other OCLTA funds	(88,186)	(88,186)	(88,225)	(39)
Transfers out to other OCTA funds	(8,134)	(8,134)	(2,123)	6,011
Proceeds from sale of land held for resale	-	-	7,266	7,266
TOTAL OTHER FINANCING SOURCES (USES)	(93,377)	(93,377)	(81,580)	11,797
Net change in fund balances	$ (9,440)	$ (35,717)	$ 141,480	$ 177,197

See accompanying notes to the required supplementary information.

1. BUDGETARY DATA

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA special revenue and the debt service governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2006 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

2. BUDGETARY BASIS RECONCILIATION

For the budgeted LTA special revenue governmental fund, the following schedule reconciles the budgetary expenditure amounts on the Budgetary Comparison Schedule to the GAAP expenditure amounts on the statement of revenues, expenditures and changes in fund balances:

Total expenditures (budgetary basis)	$ 171,259
Less fiscal year 2006 encumbrances outstanding at June 30	(47,188)
Plus expenditures against prior year encumbrances	257,999
Plus resource flows to other OCTA funds shown as expenditures for GAAP	2,123
TOTAL EXPENDITURES (GAAP)	$ 384,193

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - LTA DEBT SERVICE FUND (BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2006

(thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest	$ 3,302	$ 3,302	$ 4,005	$ 703
TOTAL REVENUES	3,302	3,302	4,005	703
EXPENDITURES:				
Current:				
General government:				
Supplies and services	152	152	152	-
Debt service:				
Principal payments on long-term debt	63,720	63,720	63,720	-
Interest on long-term debt and commercial paper	24,466	24,466	24,466	-
TOTAL EXPENDITURES	88,338	88,338	88,338	-
Excess (deficiency) of revenues over (under) expenditures	(85,036)	(85,036)	(84,333)	703
OTHER FINANCING SOURCES (USES):				
Transfers in from other OCLTA funds	88,186	88,186	88,224	38
Transfers out to other OCLTA funds	-	-	(1,461)	(1,461)
TOTAL OTHER FINANCING SOURCES (USES)	88,186	88,186	86,763	(1,423)
Net change in fund balances	$ 3,150	$ 3,150	$ 2,430	$ (720)

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Orange County Local Transportation Authority

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2006, which collectively comprise the OCLTA's basic financial statements and have issued our report thereon dated October 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the OCLTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCLTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of OCLTA management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

ATTACHMENT D

ANNUAL FINANCIAL REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

For the Fiscal Year Ended June 30, 2006
with Independent Auditor's Report



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Audited Financial Statements

For the Fiscal Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the 91 Express Lanes enterprise fund (91 Express Lanes Fund) of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting relating to the 91 Express Lanes Fund. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 91 Express Lanes Fund and do not purport to, and do not, present fairly the financial position of the Authority, as of June 30, 2006, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 91 Express Lanes Fund of the Authority, as of June 30, 2006, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Fund Net Assets
June 30, 2006

Assets		
Current Assets:		
Cash and investments	$	29,998,979
Receivables:		
Interest		549,358
Violations		3,808,970
Allowance for doubtful accounts		(1,414,446)
Other		1,870,845
Other assets		304,819
Noncurrent Assets:		
Restricted cash and investments:		
Cash equivalents		7,248,515
Investments		18,634,792
Cost of issuance		3,475,336
Capital assets, net:		
Nondepreciable		13,235
Depreciable and amortizable		185,638,783
Total Assets		250,129,186
Liabilities		
Current Liabilities:		
Accounts payable		1,781,617
Accrued interest payable		3,074,614
Due to others		17,222
Unearned revenue		4,841,219
Other liabilities		391,338
Bonds payable - due within one year		3,299,735
Noncurrent Liabilities:		
Advances from other OCTA funds - due in more than one year		52,377,754
Bonds payable - due in more than one year		166,910,768
Total Liabilities		232,694,267
Net Assets		
Invested in capital assets, net of related debt		15,441,515
Restricted		25,883,307
Unrestricted (Deficit)		(23,889,903)
Total Net Assets	$	17,434,919

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

Operating revenues:	
User fees and charges	$ 44,231,308
Operating expenses:	
Contracted services	5,499,905
Administrative services	1,449,589
Insurance claims	249,285
Professional services	5,723,719
General and administrative	1,015,107
Other	569,859
Depreciation and amortization	9,145,645
Total operating expenses	23,653,109
Operating income	20,578,199
Nonoperating revenues (expenses):	
Investment earnings	1,888,478
Interest expense	(10,035,452)
Other	44,120
Total nonoperating revenues (expenses)	(8,102,854)
Change in net assets	12,475,345
Total net assets - beginning	4,959,574
Total net assets - ending	$ 17,434,919

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2006

Cash flows from operating activities:		
Receipts from customers and users	$	44,027,869
Payments to suppliers		(13,028,432)
Payments for interfund services used		(1,449,589)
Miscellaneous		48,135
Net cash provided by operating activities		29,597,983
Cash flows from capital and related financing activities:		
Payment on advances from other funds		(10,000,000)
Proceeds from sale of capital assets		950
Payment of long term debt		(4,005,000)
Interest paid		(8,252,968)
Acquisition and construction of capital assets		(1,316,996)
Net cash used for capital and related financing activities		(23,574,014)
Cash flows from investing activities:		
Interest received		1,835,108
Net cash provided by investing activities		1,835,108
Net increase in cash and cash equivalents		7,859,077
Cash and cash equivalents at beginning of year, as restated		29,388,417
Cash and cash equivalents at end of year	$	37,247,494
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	20,578,199
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		1,814,800
Amortization of franchise agreement		7,330,845
Amortization of cost of issuance		142,335
Miscellaneous		48,135
Change in assets and liabilities:		
Receivables		(655,295)
Other assets		816,957
Accounts payable		(929,849)
Due to others		(171,499)
Unearned revenue		630,001
Other liabilities		(6,646)
Total adjustments		9,019,784
Net cash provided by operating activities	$	29,597,983
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and investements		29,998,979
Restricted cash and cash equivalents		7,248,515
Total cash and cash equivalents	$	37,247,494
Schedule of noncash activities:		
Increase in interest expense incurred on advances from other OCTA funds	$	1,004,766

See accompanying notes to the financial statements.

1. Reporting Entity

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10 mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR 55. The purchase was enabled by State Assembly Bill 1010 (Correa), which was passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs no later than 2030 and eliminated noncompete provisions in the franchise agreement for needed improvements on SR 91. OCTA purchased the assets and liabilities of the franchise interest for $207,500,000, consisting of cash of $72,500,000 and certain assets and the assumption of certain liabilities.

The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of the OCTA. These financial statements are not intended to present the activities of OCTA.

2. Summary of Significant Accounting Policies

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The financial statements of the 91 Express Lanes Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll amounts are collected from customers on a prepaid basis, and unearned tolls are reported as deferred revenue.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The 91 Express Lanes Fund has elected not to follow subsequent private-sector guidance.

CASH AND INVESTMENTS

OCTA maintains cash and investments in accordance with an investment policy adopted initially by the OCTA Board on May 8, 1995, and most recently amended March 13, 2006. The investment policy complies with, or is more restrictive than, applicable state statutes. The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2006, the investment portfolios were maintained at The Bank of New York Trust Company, N.A. as custodial bank. Cash from all OCTA revenue sources, excluding proceeds of bond issues and related earnings, is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily dollar account balances.

OCTA's investment policy authorizes it to invest in obligations of the U. S. Treasury, U. S. agencies, commercial paper rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc., bankers' acceptances, certificates of deposit, variable and floating rate securities, mortgage and asset backed securities, corporate notes, repurchase agreements, and guaranteed investment contracts. Derivative products of any otherwise eligible investment are permitted but only with prior Board of Directors' authorization. Investments in reverse repurchase agreements are prohibited. Other allowable investment categories include money market funds, mutual funds as permitted by the California government code, and the state-managed Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

Investments in U.S. government and U.S. agency securities, repurchase agreements, variable and floating rate securities in permitted securities, mortgage and asset backed securities, and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Guaranteed investment contracts are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

Bank balances are secured by the pledging of a pool of eligible securities to collateralize OCTA deposits with the bank in accordance with the California Government Code.

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents.

RESTRICTED INVESTMENTS

Certain resources set aside for capital maintenance and debt service coverage are classified as restricted investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

RECEIVABLES

Violations receivable represent an estimate of the total outstanding unpaid violations that the 91 Express Lanes anticipate to collect. This estimate is based upon twelve month average collections on outstanding unpaid violations. Violations receivable also represent customer account balances that have gone negative and un-replenished over 45 days. The 91 Express Lanes contracts with an outside collection agency to assist in the recovery of unpaid violations over 90 days, as well as customer negative balance accounts over 45 days.

Allowance for doubtful accounts represent the amount anticipated uncollectible for those violations receivable related to unpaid violations with a due date of less than 90 days. It also represents an estimated uncollectible amount related to customer receivable balances whose accounts have gone to collections and are over 45 days.

Other receivables include amounts due from other California toll road agencies related to their customers who use the 91 Express Lanes as well as customer fees, interest, and other.

OTHER ASSETS

Other assets include prepaid expenses and deposits.

COSTS OF ISSUANCE

Costs of issuance represent issuance costs associated with refinancing the $135,000,000 taxable debt and are deferred and amortized over the life of the debt.

CAPITAL ASSETS

Capital assets include the toll facility franchise, building improvements, equipment, furniture and fixtures, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Type	Useful Life
Building improvements	10-30 years
Equipment, furniture, and fixtures	3-10 years
Transponders	5 years

The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2030. Construction in process primarily represents costs related to communications equipment upgrades.

RISK MANAGEMENT

The 91 Express Lanes Fund has obtained commercial property insurance including earthquake, flood, and terrorism coverage related to the toll facility. Additionally, the 91 Express Lanes Fund is part of OCTA's self-insurance general liability program. The liability for such claims, including claims incurred but not reported, is transferred to OCTA in consideration of self-insurance premiums to be paid by the 91 Express Lanes Fund.

NET ASSETS

Net assets represent the difference between assets and liabilities and is classified into three categories:

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT* - This reflects the net assets of the 91 Express Lanes Fund that are invested in capital assets, net of related debt. Usually this indicates that these net assets are not accessible for other purposes; however, a deficit indicates that the related debt exceeds the capital assets.

- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use, because their use is subject to restrictions enforceable by third parties. The statement of net assets reports $25,883,307 of restricted net assets, all of which is restricted by enabling legislation.

- *UNRESTRICTED NET ASSETS* - This represents those net assets that are available for general use.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. As such, actual results could differ from those estimates.

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2006:

Deposits:	
Petty cash	$ 150
Deposits	691,729
Total deposits	691,879
Investments:	
With OCTA Commingled Investment Pool	29,239,979
With Trustee	25,950,428
Total investments	55,190,407
Total cash and investments	$ 55,882,286

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	$ 29,998,979
Restricted Cash and Investments:	
Cash equivalents	7,248,515
Investments	18,634,792
Total Restricted Cash and Investments	25,883,307
Total Cash and Investments	$ 55,882,286

As of June 30, 2006, the 91 Express Lanes Fund had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	$ 29,239,979	$ 29,564,677	Discount, 1.520%-7.125%	7/1/06-4/1/11	2.22
Money Market Mutual Funds	1,303,373	1,303,373	Variable	7/3/06	3 Days
Negotiable Certificates of Deposit	6,012,263	6,012,263	4.98%	7/3/06	3 Days
Investment Agreements	18,634,792	18,634,792	4.51%-5.125%	8/15/15-12/15/30	19.54
Total Investments	$ 55,190,407	$ 55,515,105			

INTEREST RATE RISK

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities, with the exception of investment agreements which are not subject to term restrictions due to the bond indenture. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore less sensitive to interest rate changes.

As of June 30, 2006, the 91 Express Lanes Fund was a participant in OCTA's commingled investment pool which had asset-backed securities totaling $114,706,690. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services. OCTA did not have any variable or floating rate changes.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2006, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The Annual Investment Policy (Policy) sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "AA".

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2006. (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	52.98%
Money Market Mutual Funds	AAA	Aaa	NR	2.36%
Negotiable Certificates of Deposit	AA	Aa2	AA	10.89%
Investment Agreements	NR	NR	NR	33.77%
Total				100.00%

CONCENTRATION OF CREDIT RISK

At June 30, 2006, OCTA did not exceed the Policy limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises.

- 20% may be invested in money market mutual funds.

This Policy limitation excludes investment agreements pursuant to the bond indenture. The 91 Express Lanes Fund had the following investment agreements outstanding as of June 30, 2006:

Investment Agreements	Amount
MBIA Incorporated	$12,634,792
AIG Matched Funding Corporation	6,000,000

4. CAPITAL ASSETS

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2006 is as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Construction in process	$ 225,837	$ -	$ 212,602	$ 13,235
Total capital assets, not being depreciated	$ 225,837	$ -	$ 212,602	$ 13,235

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated and amortized:				
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Building improvements	394,329	293,212	-	687,541
Communications equipment	4,039,254	-	-	4,039,254
Computer hardware and software	939,702	141,091	143,695	937,098
Transponders	3,904,124	1,057,375	-	4,961,499
Equipment, furniture and fixtures	50,482	37,920	9,269	79,133
Total capital assets, being depreciated and amortized	214,591,559	1,529,598	152,964	215,968,193
Less accumulated depreciation and amortization for:				
Toll facility franchise	(18,327,113)	(7,330,845)	-	(25,657,958)
Building improvements	(111,761)	(75,270)	-	(187,031)
Communications equipment	(761,525)	(592,176)	-	(1,353,701)
Computer hardware and software	(544,519)	(266,509)	(143,695)	(667,333)
Transponders	(1,575,796)	(872,906)	-	(2,448,702)
Equipment, furniture and fixtures	(11,050)	(7,939)	(4,304)	(14,685)
Total accumulated depreciation and amortization	(21,331,764)	(9,145,645)	(147,999)	(30,329,410)
Total capital assets, being depreciated and amortized, net	$ 193,259,795	$ (7,616,047)	$ 4,965	$ 185,638,783

5. Bonds Payable

Taxable Senior Secured Bonds

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed $135,000,000 of taxable 7.63% Senior Secured Bonds. The taxable bonds mature on August 15, 2028. Semi-annual interest payments are due on the taxable bonds on February 15 and August 15 of each year, and semi-annual principal payments are due beginning February 15, 2004. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the indenture, OCTA paid $26,428,197 Yield Maintenance Premium which is deferred and amortized over the life of the bonds.

Toll Road Revenue Refunding Bonds

On November 12, 2003, the OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003 A, Series 2003 B-1 and Series 2003 B-2 to refinance the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse the OCTA for a portion of its prior payment of the costs of

acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003 A Bonds were issued as fixed rate bonds, the Series 2003 B-1 Bonds and the Series B-2 Bonds were issued as adjustable rate bonds.

INTEREST RATE SWAPS

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in September 2003, OCTA entered into two parity interest rate swaps totaling $100,000,000 in connection with its $195,265,000 Toll Road Revenue Refunding Bonds. Of the original issue, $95,265,000 was issued on a fixed rate basis and $100,000,000 was issued on a variable rate basis. The Series 2003-B-1 swap was for $75,000,000 and the counterparty is Lehman Brothers Special Funding Incorporated (Lehman Brothers). The Series-B-2 swap was for $25,000,000 and the counterparty is Bear Stearns Capital Markets Incorporated (Bear Stearns) The effective rate on the parity swaps was to effectively change OCTA's variable rate bonds to a synthetic fixed rate of 4.06227%.

TERMS

The bonds and the related parity swap agreements mature on December 15, 2030. The parity swaps notional amount of $100,000,000 matches the $100,000,000 variable rate bonds. The parity swaps were entered into at the same time the bonds were sold (November 2003). Starting in fiscal year 2022, the notional amount of the parity swaps declines and the principal amount of the associated variable rate bonds declines an identical amount. Under the parity swaps, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of one month LIBOR index if one month LIBOR index is equal to or greater than 4.0% or the BMA Municipal Swap Index if LIBOR is less than 4.0%.

FAIR VALUE

As of June 30, 2006 the negative fair value for the $75,000,000 swap with Lehman Brothers was estimated by Lehman Brothers to be $2,247,698. As of June 30, 2006 the negative fair value for the $25,000,000 swap with Bear Stearns was estimated by Bear Stearns to be $408,748. Therefore, if the swaps were terminated on June 30, 2006, the OCTA would have made a termination payment of $2,247,698 and $408,748 to Lehman Brothers and Bear Stearns, respectively. The termination payments that would have been owed by the OCTA if the swaps were terminated on June 30, 2006 are a result of the change in interest rate levels and certain interest rate relationships. The rate used to calculate the fixed swap payment owed by the OCTA to the swap providers is 4.06227%. As of June 30, 2006, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The fair values were estimated by the counterparties using proprietary methodologies. Although the interest rates on the variable rate bonds have also declined since the execution of swaps, the variable swap payments paid to the OCTA by the swap providers have declined as well.

CREDIT RISK

To mitigate the potential for credit risk, the $75,000,000 swap with Lehman Brothers and the $25,000,000 swap with Bear Stearns is collateralized with U.S. government securities at all times.

BASIS RISK

Basis risk is the risk that the variable rate paid to a borrower by a swap counterparty does not completely offset, or equal the borrower's variable rate payment to bondholders. This may result in positive or negative basis differential. In order to minimize basis risk, OCTA selected a swap structure that pays a variable receiver rate based on a percentage of LIBOR in high interest rate environments where rate compression should be less of an issue, but pays a BMA receiver rate in low interest rate environments, where rate compression has historically been at its highest.

Under the parity swap agreements, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of LIBOR if LIBOR is equal to or greater than 4.0% or the BMA Municipal Swap Index if LIBOR is less than 4.0%. As of June 30, 2006, OCTA experienced $53,094 in cumulative positive basis differential.

TERMINATION RISK

Termination risk is the risk that an event occurs that causes a termination of the parity swaps and the OCTA would incur replacement costs. The Lehman Brothers and Bear Stearns have posted collateral pursuant to the parity swap agreements to guarantee replacement at no cost to OCTA.

SWAP PAYMENTS AND ASSOCIATED DEBT

	$75,000,000 Series 2003-B-1 (1)			$25,000,000 Series-B-2 (1)			
Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	Interest Rate Swaps, Net	Total
2007	$ -	$ 2,940,000	$ 357,953	$ -	$ 980,000	$ 119,318	$ 4,397,271
2008	-	2,940,000	357,953	-	980,000	119,318	4,397,271
2009	-	2,940,000	357,953	-	980,000	119,318	4,397,271
2010	-	2,940,000	357,953	-	980,000	119,318	4,397,271
2011	-	2,940,000	357,953	-	980,000	119,318	4,397,271
2012-2016	-	14,700,000	1,789,763	-	4,900,000	596,588	21,986,351
2017-2021	-	14,700,000	1,789,763	-	4,900,000	596,588	21,986,351
2022-2026	32,440,000	11,131,232	1,355,256	10,815,000	3,710,868	451,808	59,904,164
2027-2031	42,560,000	3,514,084	427,849	14,185,000	1,170,708	142,537	62,000,178
	$ 75,000,000	$ 58,745,316	$ 7,152,396	$ 25,000,000	$ 19,581,576	$ 2,384,111	$ 187,863,399

(1) Assumes an interest rate swap rate of 4.06227% per annum for the Series 2003-B-1 Bonds and the Series-B-2 Bonds based on the Series 2003-B Parity Swap Agreements.

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

Issuance date	11/12/03
Original issue amount	$195,265,000
Cash reserve requirements	$18,634,792
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$187,625,000
Unamortized premium	$6,166,218
Deferred amount on refunding	($23,580,715)

* 2003 Series B-1 and B-2 are issued as variable rate revenue bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Both the $75,000,000 Series B-1 bonds and the $25,000,000 Series B-2 bonds were swapped to a fixed rate of 4.06227%.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2006, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2007	$ 4,115,000	$ 8,142,389	$ 12,257,389
2008	4,225,000	8,027,714	12,252,714
2009	4,345,000	7,909,876	12,254,876
2010	4,515,000	7,742,901	12,257,901
2011	4,740,000	7,517,170	12,257,170
2012-2016	27,695,000	33,576,666	61,271,666
2017-2021	35,825,000	25,450,894	61,275,894
2022-2026	45,420,000	16,306,697	61,726,697
2027-2031	56,745,000	5,980,305	62,725,305
	$ 187,625,000	$ 120,654,612	$ 308,279,612

The Bonds contain certain financial covenants, and management believes the 91 Express Lanes Fund is in compliance with such covenants as of June 30, 2006.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2006, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Tax-exempt bonds	$ 191,630,000	$ -	$ 4,005,000	$ 187,625,000	$ 4,115,000
Unamortized premium	6,418,759	-	252,541	6,166,218	252,541
Unamortized deferred amount on refunding	(24,648,521)	-	(1,067,806)	(23,580,715)	(1,067,806)
TOTAL LONG-TERM LIABILITIES	$ 173,400,238	$ -	$ 3,189,735	$ 170,210,503	$ 3,299,735

6. ADVANCES FROM OTHER OCTA FUNDS

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,640,595 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (1.79% at June 30, 2006). Interest accrues monthly, and the advances from other OCTA funds plus accrued interest will be repaid on an annual basis with net revenues or as a result of a refinancing. Total interest of $1,004,766 accrued on the advances as of June 30, 2006. At June 30, 2006, these advances were $52,377,754 and are reported as advances from other OCTA funds.

7. COMMITMENTS AND CONTINGENCIES

OPERATOR AGREEMENT

In connection with the purchase of the toll facility interest, the 91 Express Lanes Fund entered into an operating agreement with Cofiroute Global Mobility (Cofiroute), to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through December 31, 2005. Cofiroute is responsible for the day-to-day operations of the toll facility. On January 6, 2006, the 91 Express Lanes Fund entered into a second operating agreement with Cofiroute, effective through January 1, 2011. The annual amount of the contract is $6,160,170 plus inflation adjustments after the first year. The agreement carries two two-year extension options through January 2, 2015, subject to Board of Directors approval.

LEASE COMMITMENTS

The 91 Express Lanes Fund is committed under various leases for office space and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2006 were $330,983.

Future minimum payments for these leases approximate the following:

for the year ending June 30	
2007	$ 361,349
2008	370,119
2009	295,129
2010	273,626
	$ 1,300,223

ATTACHMENT E

FRANCHISE AGREEMENT REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

For the fiscal year ended June 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Franchise Agreement Report

For the fiscal year ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying special-purpose Franchise Agreement schedules of the Orange County Transportation Authority 91 Express Lanes Fund (91 Express Lanes Fund), an enterprise fund of the Orange County Transportation Authority (Authority) as of and for the year ended June 30, 2006, as listed in the table of contents. These special-purpose financial schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance that the special-purpose financial schedules are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting relating to the 91 Express Lanes Fund. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial schedules, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial schedules. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying special-purpose Franchise Agreement schedules were prepared for the purpose of complying with Section 3.6(b) of the Amended and Restated Development Franchise Agreement for State Route 91 Median Improvements dated June 30, 1993 and amended December 20, 2002, between the Authority and the State of California Department of Transportation (Caltrans), and are not intended to present the 91 Express Lanes Fund's financial position as of June 30, 2006, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special-purpose Franchise Agreement schedules referred to above, as of June 30, 2006 and for the year then ended, are fairly presented, in all material respects, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Board of Directors, Authority management, and Caltrans, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Changes in Capital Costs
For the Year Ended June 30, 2006

Asset Category	Beginning Balance	Additions	Dispositions	Ending Balance	Accumulated Amortization and Depreciation
Toll Facility Franchise	$ 205,263,668	$ -	$ -	$ 205,263,668	$ (25,657,958)
Leasehold improvements and equipment	9,553,728	1,316,996	152,964	10,717,760	(4,671,452)
Total	$ 214,817,396	$ 1,316,996	$ 152,964	$ 215,981,428	$ (30,329,410)

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Available Cash Flow - Base Return on Investment
For the Year Ended June 30, 2006

Total Revenues:		
Tolls and related customer revenues	$	44,231,308
Interest on reserves		1,147,649
Interest on cash and investment balances		740,829
Other income		44,120
Total revenues		46,163,906
Operating costs:		
Contracted services		5,499,905
Administrative services		1,449,589
Professional services and fees		5,723,719
General and administrative		1,015,107
Insurance		249,285
Other		569,859
Net operating reserve contribution		2,093,625
Total operating costs		16,601,089
Excess of total revenues over operating costs		29,562,817
Capital costs:		
Captial acquisition costs		1,316,996
Net captial reserve contribution/(distribution)		893,371
Total capital costs		2,210,367
Available cash flow, current period		27,352,450
Base return rate		17%
Present value of available cash flow at base return rate, current period		5,244,546
Cumulative present value of available cash flow retained by OCTA as base return on investment, beginning of period		26,894,217
Cumulative present value of available cash flow, end of period	$	32,138,763
Available cash flow, current period	$	27,352,450
Change in working capital, current period		(55,866)
Other non-cash operating costs, current year		142,335
Available cash flow, current period, calculated on the cash basis	$	27,438,919

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Available Cash Flow - Reasonable Return on Investment
For the Year Ended June 30, 2006

Peak hour vehicle count	9,958
Estimate of average vehicle occupants	1.23
Annual peak hour vehicle occupant volume	12,248
Base peak hour vehicle occupant volume	13,358
Percentage change in annual peak hour vehicle occupant volume over base peak hour occupant volume	(8.3%)
Adjustment to base return rate for incentive return on investment	0.0%
Incentive return rate	17%
Available cash flow, current period, calculated on the cash basis	$ 27,352,450
Present value of available cash flow at incentive return rate, current period	5,244,546
Cumulative present value of available cash flow retained by OCTA as reasonable return on investment (discounted at incentive return rate), beginning of period	26,894,217
Cumulative present value of available cash flow, end of period	$ 32,138,763

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Return on Investment
For the Year Ended June 30, 2006

	Base Return on Investment	Reasonable Return on Investment
Cumulative present value of available cash flow, end of period	$ 32,138,763	$ 32,138,763
Less: captial cost at end of period	(215,981,428)	(215,981,428)
Base net present value and total net present value, respectively, end of period	$ (183,842,665)	$ (183,842,665)
Cumulative present value of available cash flow retained by OCTA, beginning of period	$ 26,894,217	$ 26,894,217
Present value of available cash flow retained by OCTA, current period	5,244,546	5,244,546
Cumulative present value of available cash flow retained by OCTA, end of period	$ 32,138,763	$ 32,138,763

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Project Funds Distribution and Reconciliation of Cash Balances
For the Year Ended June 30, 2006

		Retained by OCTA		Paid to Caltrans		
	Available Cash Flow	Base Return	Incentive Return	Variable Franchise Fee	Excess Franchise Fee	Total
Balances, beginning of period	$ 26,894,217	$ 26,894,217	$ -	$ -	$ -	$ 26,894,217
Available cash flow, current period	5,244,546	5,244,546	-	-	-	5,244,546
Balances, end of period	$ 32,138,763	$ 32,138,763	$ -	$ -	$ -	$ 32,138,763

Reconciliation of cash balances:	
Cash, beginning of period	$ 25,126,899
Total revenues	46,163,906
Total operating costs	(16,601,089)
Less:	
Capital costs	(1,316,996)
Interest expense during operations	(10,035,452)
Payment of long-term debt	(4,005,000)
Amortized premium on Toll Road Revenue Refunding Bonds	(252,541)
Increase in capital reserves	(893,371)
Payment on advances from other funds	(10,000,000)
Add:	
Deferred interest on subordinated debt due to other OCTA funds	1,004,766
Amortized deferred amount on refunding of taxable debt	1,067,806
Amortized cost of issuance on Toll Road Revenue Refunding Bonds	142,335
Other changes in assets and liabilities	(402,284)
Cash, end of period	$ 29,998,979

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Changes in Reserve Balances
For the Year Ended June 30, 2006

Description:	Beginning Balance	Additions	Reductions	Ending Balance	Interest Earned
Operating:					
SR 91 major maintenance reserve	$ 1,822,670	$ 1,298,315	$ (75)	$ 3,120,910	$ 98,315
SR 91 operating reserve	2,095,971	795,460	(75)	2,891,356	105,460
Capital:					
SR 91 bond reserve	12,634,812	647,533	(647,533)	12,634,812	647,533
SR 91 supplemental reserve	6,342,858	893,371	-	7,236,229	293,371
Total	$ 22,896,311	$ 3,634,679	$ (647,683)	$ 25,883,307	$ 1,144,679

See accompanying notes to the franchise agreement schedules.

1. BASIS OF PRESENTATION

The accompanying schedules have been prepared in accordance with Section 3.6(b) of the Franchise Agreement between the California Private Transportation Company, L.P. (CPTC) and the State of California Department of Transportation (Caltrans). On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in the Franchise Agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between Interstate 15 and the Costa Mesa Freeway/SR 55.

These schedules are not intended to be a presentation in conformity with accounting principles generally accepted in the United States; however, certain financial information has been derived from the audited financial statements of the 91 Express Lanes Fund, an enterprise fund of the Orange County Transportation Authority which accounts for the toll facility operations. The accompanying schedules have been prepared using the accrual basis of accounting, except for interest expense and depreciation and amortization expense which are not included in operating costs, and have been reconciled to the cash basis of accounting where appropriate.

AVAILABLE CASH FLOW

Available Cash Flow, as defined by the Franchise Agreement, is revenue less operating costs and capital costs, as defined. A reconciliation of Available Cash Flow, calculated using the accrual basis of accounting, to Available Cash Flow, calculated using the cash basis of accounting, has been presented in accordance with the Franchise Agreement. Available Cash Flow may be retained by OCTA, as successor interest to CPTC, until such time as the Base Net Present Value, as defined, is zero or greater, after which OCTA must pay a portion of these excess amounts to Caltrans as franchise fees.

BASE RETURN RATE

The Base Return Rate, as defined by the Franchise Agreement, is 17% adjusted annually by 20% of the increase in the average yield of five-year United States Treasury securities between December 1995 (acceptance date of the toll facility) and the end of each fiscal year following the acceptance date, if applicable. No adjustment was made to the Base Return Rate for the year ended June 30, 2006.

INCENTIVE RETURN RATE

As defined by the Franchise Agreement, Incentive Return Rate represents the Base Return Rate plus an increase, if Annual Peak Hour Vehicle Occupant Volume for the current period exceeds the Base Peak Hour Vehicle Occupant Volume, which represents the average levels experienced during the first two years of operations (1996 and 1997) of 13,358. The Annual Peak Hour Vehicle Occupant Volume for the current period is less than the Base Peak Hour Vehicle Occupant Volume, primarily due to the

introduction in 1998 of discounted tolls on carpools of three or more occupants. As a result, the Incentive Return Rate equals the Base Return Rate.

Annual Peak Hour Vehicle Occupant Volume is the product of multiplying the Peak Hour Vehicle Count and the Estimate of Average Vehicle Occupants. The Peak Hour Vehicle Count is defined as the total number of vehicles passing through the toll facility during the 50th busiest hour of the period, and the Estimate of Average Vehicle Occupants is the average number of persons per vehicle. The Peak Hour Vehicle Count is determined by OCTA, as calculated by its contracted operator. The Estimate of Average Vehicle Occupants is calculated by OCTA's contracted operator.

2. Summary of Significant Accounting Policies

Capital Costs

Capital costs, as defined by the Franchise Agreement, includes costs related to the acquisition of the toll facility. Leasehold improvements and equipment include the costs to construct the electronic toll and traffic management system (ETTM) replacement, which identifies and reports traffic statistics generated from customer travel through the toll facility, and the costs to acquire transponders, which are electronic tags issued to customers for individual toll tracking by the ETTM.

Capital costs at acquisition represents OCTA's purchase price of $207,500,000 for the toll facility interest, adjusted for certain assets acquired and the assumption of certain liabilities at the acquisition date.

3. Reserves

Section 9.7 of the Franchise Agreement allows for the establishment of limited cash reserves for major maintenance, debt service, capital improvements and working capital needs. On January 3, 2003, OCTA acquired certain restricted investments set aside for capital maintenance and debt service coverage in accordance with certain debt indenture requirements. On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003 A, Series 2003 B-1 and Series 2003 B-2 to refinance the $135,000,000 million taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its prior payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003 A Bonds were issued as fixed rate bonds, the Series 2003 B-1 Bonds and the Series 2003 B-2 Bonds were issued as adjustable rate bonds.

Four reserve funds were created per the Revenue Refunding Bonds indenture agreement, which includes the Bond Reserve Fund, Supplemental Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund. The Bond Reserve Fund must maintain a minimum amount equal to the lessor of 10% of the principal amount of any Series of Bonds determined as of the date of initial issuance of such Series of Bonds, or 125% of average annual debt service, or the maximum annual debt service. The Supplemental Reserve Fund must maintain a balance of $6,000,000, which may be released to OCTA if OCTA maintains minimum debt service coverage ratios for two consecutive years. The Major Maintenance Reserve Fund is required to receive $100,000 per month, $200,000 commencing January 2007 through December 2009 or until the Fund acquires a balance of $10,000,000, to be used for the payment of capital expenditures only.

The Operating Reserve Fund is required to receive $115,000 per month, commencing January 2004 through December 2006 or until the Fund acquires a balance of $2,750,000, to be used for the payment of current operating expenses only. This balance requirement was met January 2006. The Supplemental Reserve Fund is required to receive $100,000 per month, commencing January 2006 through January 2012 or until the Fund acquires a balance equal of $12,634,792.30. Such reserve amounts have been deducted from operating costs in the calculation of Available Cash Flow for purposes of determining Base and Reasonable Returns on Investment.

Detailed information on debt and reserves may be found in OCTA's Comprehensive Annual Financial Report, which may be obtained from its executive office: 550 South Main Street, Orange, CA 92863.

4. Operator Agreement

In connection with the purchase of the toll facility interest, the 91 Express Lanes Fund entered into an operating agreement with Cofiroute Global Mobility (Cofiroute), to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through December 31, 2005. Cofiroute is responsible for the day-to-day operations of the toll facility. On January 6, 2006, the 91 Express Lanes Fund entered into a second operating agreement with Cofiroute, effective through January 1, 2011. The annual amount of the contract is $6,160,170 plus inflation adjustments after the first year. The agreement carries two two-year extension options through January 2, 2015, subject to Board of Directors approval.

5. Amounts Paid to Governmental Entities

For the year ended June 30, 2006, OCTA paid $373,560 to the California Highway Patrol for police services and $195,506 to Caltrans for repairs and other road maintenance costs.

ATTACHMENT F

ORANGE COUNTY TRANSPORTATION AUTHORITY

NATIONAL TRANSIT DATABASE REPORTING

For the Year Ended June 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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Independent Accountant's Report on Applying Agreed-up on Procedures

Board of Directors
Orange County Transportation Authority

We understand that Orange County Transportation Authority (Authority) is eligible to receive grants under Section 9 of the Urban Mass Transportation Act of 1964, as amended, and in connection therewith, the Authority is required to report certain information to the Federal Transit Administration (FTA).

FTA has established standards (the standards) with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) of the Authority's annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions.

2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.

3. Source documents are available to support the reported data and are maintained for the FTA's review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.

4. A system of internal controls is in place to ensure the accuracy of the data collection process and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.

5. The data collection methods are those suggested by FTA or meet FTA requirements.

6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles are measured.

7. Data are consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures described in Attachment I of this report, which were agreed to by the Authority and the FTA and specified in the declarations section of the *2006 Reporting Manual*, solely to assist you in evaluating whether the Authority complied with the standards and that the information included in the NTD report, FFA-10, for the year ended June 30, 2006, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2006 Reporting Manual*. The Authority's management is responsible for the Authority's compliance with those standards.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures described in Attachment I of this report, which are referenced in order to correspond to the *2006 Reporting Manual* procedures, were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of the Authority for the year ended June 30, 2006, for each of the following modes: (1) Motor Bus – directly operated, (2) Motor Bus – purchased transportation, and (3) Demand Response – purchased transportation.

The results of performing the procedures described in Attachment I are summarized below:

- While performing procedure k., which states *"Select a random sample of the source documents for accumulating passenger mile data and determine that they are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization."* the following was noted:

  1. Our calculation of Demand Response Purchased Transportation (DRPT) Passenger Miles (PM) collected for Laidlaw was 266,640 less than recorded. This is largely due to improper accumulation of Vehicle Revenue Mile (VRM) data by counting PM instead of VRM for some trips. DRPT PM for Laidlaw is calculated using average miles per passenger. VRM is used to calculate PM for passengers with same pick-up and drop-off points. We calculated VRM to be 71 less than used by the Authority for the PM calculation. This variance caused the actual average mile per passenger to be less than used by the Authority to calculate Laidlaw's DRPT PM. The Authority's Community Transportation Services (CTS) department has corrected the error in the NTD report. Formula errors in data calculation will be resolved in Fiscal Year 2006-07 with the implementation of 100% reporting and the utilization of reports generated by the Trapeze software.

  2. Our calculation of DRPT PM collected for South County Senior Services (SCSS) was 3,422 more than reported. This is due to calculation errors in the Authority's data accumulation spreadsheet whereby the PM calculation column for some trips were not included in the total. CTS has corrected the error in the NTD report. Additionally, CTS has taken steps to ensure formula calculations have been adjusted to eliminate errors in the Fiscal Year 2006-07 reporting data.

  3. One trip sheet out of six tested for California Yellow Cab (CYC) included odometer recordings only for the first pick up and last drop off, but not readings for each passenger; therefore, verification of PM for that trip sheet was not possible. On the Authority's accumulation spreadsheet, PM for this trip sheet was recorded at 30 miles, the same as VRM for the trip sheet; however, there were 13 passengers with different pick up locations, so PM is understated for this trip sheet by an unknown amount. There are no changes to the NTD report as the understated amount is not known. CTS has notified CYC about the error and has taken steps to ensure all operators providing service within this program document all required information on the trip sheet.

- While performing procedure m., which states *"For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation...If actual vehicle revenue miles (VRM) are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions."* the following was noted:

  1. VRM reported by SCSS for two trip sheets out of 6 tested were not reported for trips made after mid-day breaks by the drivers. Total VRM understated is 9. There were no changes made to the NTD report. CTS has notified SCSS about the error and has taken steps to ensure SCSS modifies their reporting method to accurately report VRM.

- While performing procedures k. and m. described above, the following was noted:

  1. We were unable to substantiate the data collected for DRPT VRM and PM for Orange County ARC (OCARC) based on a review of six trip sheets. Specifically:

     - We could not verify two of the six trip sheets selected for testing to the data accumulation spreadsheets;
     - The trip sheets do not identify Authority passengers from other passengers, therefore we were unable to determine if eligible trips were properly reported on the data accumulation spreadsheets;
     - Odometer readings were not present on one of the trip sheets;
     - For two trip sheets, all pick up and drop off odometer readings were recorded as pick up readings;
     - One instance was noted where VRM and PM were recorded for a passenger on the data accumulation spreadsheet, but the passenger was labeled on the trip sheet as a no-show; and
     - The data accumulation spreadsheet for June only identifies passengers by an ID number; therefore, we could not verify the information to the trip sheets, which identify passengers by name.

     Additionally, VRM reported for OCARC is based on an average per passenger calculation rather than actual VRM, as required. DRPT VRM recorded for OCARC was 26,255, which is 0.3% of the total reported of 8,880,190. DRPT PM recorded for OCARC was 50,151, which is 0.4% of the total reported of 12,294,540.

     Fiscal Year 2005-06 was the first year of collecting and reporting NTD data for the OCARC program. CTS has taken steps to ensure data is accurately reported and submitted with monthly invoices throughout the fiscal year.

  2. Some odometer readings recorded on one out of six trip sheets for CYC did not agree to the numbers reported on the Authority's data accumulation spreadsheets. This appears to be due to manual recording errors. There were no resulting VRM or PM calculation errors. CTS has notified CYC of the errors and has taken steps to ensure CYC accurately transfers trip sheet information to its electronic data files.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the FFA-10. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, the Board of Directors and the FTA and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 24, 2006

Attachment I

FTA has specified and agreed to a set of procedures for the independent auditor to perform and satisfy the requirements of the Federal Funding Allocation data review. Several of the procedures below require the auditor to select a random sample of documents or data. The procedures do not specify the number to be selected (i.e., the percentage of the total documents/data). The auditor should use professional judgment to determine the percentage that will enable the auditor to make the required assurances. The source documents and other records (such as data summaries) may be in the form of computerized data files. The auditor should ensure that these files are securely stored and that the backup procedures are in place to ensure that source documents are retained by the transit agency for a minimum of three years. The procedures, to be applied to each applicable mode and type of service (TOS) (directly operated (DO) and purchased transportation (PT)), are:

a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2006 Reporting Manual*. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:

   - The extent to which the transit agency followed the procedures on a continuous basis, and
   - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2006 Reporting Manual*.

c. Inquire of the same person concerning the retention policy that is followed by the transit agency with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).

d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents which are to be retained by the transit agency for a minimum of three years. For each type of source document, select three months out of the year (months selected were August, December and March) and determine whether the document exists for each of these periods (fiscal years 2003-04, 2004-05, and 2005-06).

e. Discuss the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire whether individuals, independent of the individuals preparing source documents and posting data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed.

f. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how the supervisors' reviews are documented.

g. Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics form (FFA-10). Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summarizations.

h. Discuss the transit agency's procedure for accumulating and recording passenger mile (PM) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure used is (1) a 100% count of actual passenger miles (PM) or (2) an estimate of passenger miles (PM) based on statistical sampling meeting FTA's 95% confidence and 10% precision requirements. If the transit agency conducts a statistical sample for estimating passenger miles (PM), inquire whether the sampling procedure is (1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A or 2710.2A; or (2) an alternative sampling procedure if the transit agency uses an alternative sampling procedure, inquire whether the procedure has been approved by FTA or whether a qualified statistician has determined that the procedure meets FTA's statistical requirements. Note as a negative finding in the report use of an alternative sampling procedure has not been approved in writing by a qualified statistician.

i. Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for passenger mile (PM) data every third year. Determine whether the transit agency meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating passenger mile (PM) data every third year rather than annually. Specifically:

   1. According to the 2000 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
   2. The public transit agency directly operates fewer that 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size urbanized area (UZA)).
   3. The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service, and is included in the transit agency's NTD report.

   For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2005) and determine that statistical sampling was conducted and meets the 95% confidence and +/- 10% precision requirements.

   Determine how the transit agency estimated annual passenger miles (PM) for the current report year.

j. Obtain a description of the sampling procedure for estimation of passenger mile (PM) data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording passenger mile (PM) data. If the average trip length was used, determine that the universe of runs was used as the sampling frame. Determine that the methodology to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determine that a replacement sample run was randomly selected. Determine that the transit agency followed the stated sampling procedure.

k. Select a random sample of the source documents (we selected trip sheets for August 13, 2005, September 30, 2005, November 17, 2005, January 4, 2006, May 20, 2006, and June 5, 2006) for accumulating passenger mile (PM) data and determine that they are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that stated procedures are followed. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

m. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual vehicle revenue miles (VRM) are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated (for MBDO we selected August 13, 2005, September 30, 2005, November 17, 2005, January 4, 2006, May 20, 2006, and June 5, 2006) and re-compute the daily total of missed trips and missed vehicle revenue miles. Test the arithmetical accuracy of the summarization.

- If actual vehicle revenue miles (VRM) are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations.

- If actual vehicle revenue miles (VRM) are calculated from vehicle logs, select random samples of the vehicle logs (for DRPT we selected August 13, 2005, September 30, 2005, November 17, 2005, January 4, 2006, May 20, 2006, and June 5, 2006) and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.

n. For rail modes, review the recording and accumulation sheets for actual vehicle revenue miles (VRM) and determine that locomotive miles are not included in the computation.

o. If fixed guideway directional route miles (FG DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet FTA's definition of fixed guideway (FG) in that the service is:

- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or

- Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and

  - Access is restricted

  - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and

  - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP) carpools) must demonstrate safe operation (see Fixed Guideway Segments form (S-20))

  - High Occupancy/Toll (HO/T) lanes meet FTA requirements for traffic flow of transit vehicles and for transit use of toll revenues.

p. Discuss the measurement of fixed guideway directional route miles (FG DRM) with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of fixed guideway (FG) and directional route miles. Inquire whether there were service changes during the year that resulted in an increase or decrease in directional route miles (DRM). If a service change resulted in a change in overall directional route mileage (DRM), re-computer the average monthly directional route miles (DRM), and reconcile the total to the fixed guideway directional route miles (FG DRM) reported on the Federal Funding Allocation Statistics from (FFA - 10).

The auditor should inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a fixed guideway (FG) segment(s), the following apply:

- Directional route miles (DRM) for the segment(s) should be reported for the entire year if the interruption is less than 12 months in duration. The months of operation on the Fixed Guideway Segments form (S-20) should be reported as 12. The transit agency should have completed a Form Note describing the interruption.

- If the improvements cause a service interruption on the fixed guideway segment(s) directional route miles (DRM) lasting more than 12 moths, the transit agency should contact the validation analyst to discuss. FTA will make a determination on how the directional route miles (DRM) should be reported.

q. Measure fixed guideway direction route miles (FG DRM) from maps or by retracing route.

r. Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same fixed guideway (FG) as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency(ies) such that the directional route miles (DRM) for the segment of fixed guideway (FG) are reported only once to the NTD on the Federal Funding Allocation Statistics form (FFA-10). Each transit agency should report the actual vehicle revenue miles (VRM), passenger miles (PM) and operating expense (OE) for the service operated over the same fixed guideway.

s. Review the Fixed Guideway Segments form (S-20). Discuss the commencement date of revenue service for each fixed guideway (FG) segment with the person reporting the NTD data and determine that the date is reported as when revenue service began. This is the opening date of revenue service, even thought the transit agency may not have been the original operator. Review the form in Internet Reporting and determine that the information has been properly entered. There should be a date for segments put into revenue service on or after September 30, 1998. If the segments opened earlier, the date may be left blank indicating segments older than seven years. However, if a date was entered in the prior report year, it should not be removed. Segments are summarized by like characteristics.

t. Compare operating expenses with audited financial data, after reconciling items are removed.

u. If the transit agency purchases transportation services, interview the personnel reporting the NTD data regarding the amount of purchased transportation (PT) generated fare revenues. The purchased transportation (PT) fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

v. If the transit agency's report contains data for purchased transportation (PTP services and assurances of the date for those services is not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation data of the purchased transportation (PT) service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement (IAS) for the purchase transportation (PT) data.

w. If the transit agency purchases transportation (PT) services, obtain a copy of the purchased transportation (PT) contact and determine that the contract (1) specifies the specific public transportation services to be provided: (2) specifies the monetary consideration obligated by the transit agency or governmental unit contracting for the service; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by the transit agency's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible for maintaining the NTD data regarding the retention of the executed contract, and determine that the copies of the contacts are retained for three years.

x. If the transit agency provides service in more than one urbanized area (UZA), or between an urbanized area (UZA) and a (non-UZA), inquire of the person responsible for maintaining the NTDA data regarding the procedures for allocation of statistics between urbanized area (UZA) and non-urbanized areas (non-UZA). Obtain and review the fixed guideway (FG) segment worksheets, route maps and urbanized area (UZA) boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

y. Compare the data reported on the Federal Funding Allocation Statistics form (FFA-10) to comparable data for the prior year and calculate the percentage change from the prior year to the current year. For actual vehicle revenue mile (VRM) passenger mile (PM), or operating expense (OE) data that have increased or decreased by more than 10% or fixed guideway directional route mile (FG DRM) data that have increased or decreased by more than 1%, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor, but not by FTA.

ATTACHMENT G

DEBT SERVICE COVERAGE TESTS

Orange County Local Transportation Authority

Year ended June 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

Orange County Local Transportation Authority

Debt Service Coverage Tests

Year ended June 30, 2006

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Report of Independent Auditor on Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service

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

We have audited the accompanying Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority (the Authority) for the year ended June 30, 2006. This Schedule is the responsibility of the Authority's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with the method of calculating the debt service coverage test as prescribed by Section 3.01(D) of the Indenture Agreement (Indenture Agreement) between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A. dated August 15, 1992 as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor trustee, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the net Measure M sales tax revenue compared to the maximum annual debt service of the Orange County Local Transportation Authority for the year ended June 30, 2006 on the basis of the requirement described in Note 1.

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Transportation Authority, the Orange County Local Transportation Authority Citizens Oversight Committee, the BNY Western Trust Company, and Nossaman, Guthner, Knox & Elliott and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

Orange County Local Transportation Authority

Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service

Year ended June 30, 2006

Measure M sales tax revenue:	
Measure M sales tax revenue received	$ 263,377,834
Less: Local revenues	(38,453,164)
Net Measure M sales tax revenue *(Note 2)* (A)	224,924,670
Senior maximum annual debt service *(Note 3)*	88,556,533
Multiplied by the debt factor *(Note 4)*	1.30
130% coverage required (B)	115,123,493
Excess of net Measure M sales tax revenue over 130% coverage requirement [(A) – (B)]	$ 109,801,177

See accompanying notes.

Orange County Local Transportation Authority

Notes to Schedule of Net Measure M Sales Tax
Revenue Compared to Maximum Annual Debt Service

Year ended June 30, 2006

1. Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate Authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a .5% county sales tax (.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The Schedule presents the debt service coverage test in accordance with the Section 3.01 (D) of the Indenture Agreement (Indenture Agreement) between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A. dated August 15, 1992 as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

The Schedule does not purport to, and does not, present fairly the financial position of the OCLTA as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

2. Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Indenture Agreement. Measure M Sales Tax Revenue Received represents amounts collected by the State of California and forwarded to the OCLTA in conjunction with the .5% Sales Tax. Local Revenues represent the portion of the .5% Sales Tax distributed to local governments in accordance with the requirements of Measure M. Management believes that the interest earned on the investment of the .5% Sales Tax Revenues has no significant impact on the debt service coverage test, therefore, such amounts have been excluded.

3. Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for the Orange County Local Transportation Authority Measure M Sales Tax Revenue Bonds (Limited

Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

4. Debt Factor

The debt factor is defined as 130% of Maximum Annual Debt Service for all sales tax revenue indebtedness outstanding, as defined in Section 3.01(D) of the Indenture Agreement.

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Report of Independent Auditor on Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service

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

We have audited the accompanying Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority (the Authority) for the year ended June 30, 2006. This Schedule is the responsibility of the Authority's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with the method of calculating the debt service coverage test as prescribed by Section 1(a) of Schedule 2 of the $74,200,000 Letter of Credit Agreement (Agreement) between Dexia Credit Local (formerly known as Credit Local De France) and Orange County Local Transportation Authority dated August 1, 1999, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Sales Tax Revenue compared to the projected maximum annual debt service of the Orange County Local Transportation Authority for the year ended June 30, 2006 on the basis of the requirement described in Note 1.

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Transportation Authority, the Orange County Local Transportation Authority Citizens Oversight Committee, Dexia Credit Local (formerly known as Credit Local De France), and Nossaman, Guthner, Knox & Elliott and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

Orange County Local Transportation Authority

Schedule of Sales Tax Revenue
Compared to Projected Maximum Annual Debt Service

Year ended June 30, 2006

Measure M sales tax revenue:	
Measure M sales tax revenue received	$ 263,377,834
Less: Local revenues	(38,453,164)
Net Measure M sales tax revenue *(Note 2)* (A)	224,924,670
Projected maximum annual debt service:	
Senior maximum annual debt service *(Note 3)*	88,556,533
Maximum commercial paper debt service *(Note 4)*	9,945,544
Letter of credit fees *(Note 5)*	93,154
Total projected maximum annual debt service	98,595,231
Multiplied by the debt factor *(Note 6)*	1.10
110% coverage required (B)	108,454,754
Excess of net Measure M sales tax revenue over 110% coverage requirement [(A) – (B)]	$ 116,469,916

See accompanying notes.

Orange County Local Transportation Authority

Notes to Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service

Year ended June 30, 2006

1. Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate Authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a .5% county sales tax (.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The accompanying Schedule was prepared to present the debt service coverage test in conformity with Section 1(a) of Schedule 2 of the $74,200,000 Letter of Credit Agreement (Agreement) between Dexia Credit Local (formerly known as Credit Local De France) and Orange County Local Transportation Authority dated August 1, 1999, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

The Schedule does not purport to, and does not present fairly the financial position of the OCLTA as of June 30, 2006 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2. Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Agreement. Measure M Sales Tax Revenue Received represents amounts collected by the State of California and forwarded to the OCLTA in conjunction with the .5% Sales Tax. Local Revenues represent the portion of the .5% Sales Tax distributed to local governments in accordance with the requirements of Measure M.

3. Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for the Orange County Local Transportation Authority Measure M Sales Tax Revenue Bonds (Limited

Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

4. Maximum Commercial Paper Debt Service

Maximum Commercial Paper Debt Service represents the maximum annual debt service related to the outstanding commercial paper amount of $34,500,000 at June 30, 2006, at an interest rate equal to the maximum interest rate of 12% through March 31, 2011.

5. Letter of Credit Fees

Letter of Credit Fees are calculated on outstanding balances multiplied by a rate of .0023, as described in Section 2.2a of the Agreement, and the drawing fees for the period. For the year ended June 30, 2006, fees were calculated on outstanding balances of $44,530,575 for 62 days and $37,562,466 for 303 days.

6. Debt Factor

The Debt Factor is 110% of Projected Maximum Annual Debt Service for all sales tax revenue indebtedness outstanding as defined in Section 1(a) of Schedule 2 of the Agreement.

ATTACHMENT H

MEASURE M
AGREED-UPON PROCEDURES REPORTS

Orange County Transportation Authority

For the Fiscal Year Ended June 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

MEASURE M
AGREED-UPON PROCEDURES REPORTS

Orange County Transportation Authority

For the Fiscal Year Ended June 30, 2006

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1.

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Brea

For the Fiscal Year Ended June 30, 2006

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Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Brea

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating the City of Brea's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be accounted for.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $703,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 110 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2006 (see item B 4).

3. We inquired and management of the City informed us that MOE expenditures are identified in the general ledger by object numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $1,256,503, which is $553,503 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $332,625, representing 47% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. Based on our review of the general ledger and discussion with the fiscal services manager we noted, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the City informed us that code 7190 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $614,859 for the year.

2. We selected four expenditures from code 7190 from the general ledger for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the City's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $565,625, or 92% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $1,757,397 of Ordinance monies for the three years ended June 30, 2006, including $659,153 for the year ended June 30, 2006. We obtained from the City a general ledger for Fund 132, and determined that the cash balance was $788,809 at June 30, 2006.

7. Based on our review of the general ledger and discussion with the fiscal services manager we noted, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the fiscal services manager we noted, that the Ordinance monies are accounted for in the City's Measure M Transport Tax Fund, with a separate accounting of expenditures' source of funding. Interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 6, 2006

2.

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Buena Park

For the Fiscal Year Ended June 30, 2006

MACIAS GINI & O'CONNELL LLP
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Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Buena Park

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating the City of Buena Park's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be accounted for.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $3,526,282 in MOE expenditures.

2. We obtained and reviewed the City's Fund 11 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2006 (see item B 4).

3. We inquired and management of the City informed us that MOE expenditures are identified in the general ledger by object numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $4,459,447, which is $933,165 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $112,229, representing 3% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. Based on our review of the general ledger and discussion with the fiscal services manager we noted, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the City informed us that Fund 26 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $1,956,852 for the year.

2. We selected five expenditures from Fund 26 for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the City's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $1,618,479, or 83% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $2,860,025 of Ordinance monies for the three years ended June 30, 2006, including $990,418 for the year ended June 30, 2006. We obtained from the City a general ledger for Fund 132, and determined that the cash balance was $1,902,023 at June 30, 2006.

7. Based on our review of the general ledger and discussion with the fiscal services manager we noted, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the fiscal services manager we noted, that the Ordinance monies are accounted for in the City's Measure M Turnback Fund, with a separate accounting of expenditures' source of funding. Interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 2, 2006

3.

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Garden Grove

For the Fiscal Year Ended June 30, 2006

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816

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Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Garden Grove

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating the City of Garden Grove's (City's) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be accounted for

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $2,732,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 111 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2006 (see item B 4).

3. We inquired and management of the City informed us that MOE expenditures are identified in the general ledger by program numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $3,457,031, which is $725,031 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected eight MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $1,631,266, representing 47% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the check copies and vendor invoices, of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. Based on our review of the general ledger and discussion with the finance officer we noted, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the City informed us that Fund 421 and 423 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $4,388,249 for the year.

2. We selected six expenditures in Fund 421 and 423 from the general ledger for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the City's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $3,356,559, or 76% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $7,051,140 of Ordinance monies for the three years ended June 30, 2006, including $1,834,426 for the year ended June 30, 2006. We obtained from the City a general ledger for Fund 421 and 423, and determined that the combined funds cash balance was $4,417,897 at June 30, 2006.

7. Based on our review of the general ledger and discussion with the finance officer we noted, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the finance manager we noted, that two separate general ledger funds have been established for the Ordinance monies and that interest earned on these monies was returned to the funds.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 9, 2006

4.

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of La Palma

For the Fiscal Year Ended June 30, 2006

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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Independent Accountant's Report on Applying Agreed-Upon Procedures- City of La Palma

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating to the City of La Palma's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be accounted for.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $156,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 1 (General Fund) and Funds 35 and 41 (Capital Projects Funds) general ledger detail of expenditures for the fiscal year ended June 30, 2006 (see item B 4).

3. We inquired and management of the City informed us that MOE expenditures are identified in the general ledger by account. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $471,522, which is $315,522 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $58,473, representing 37% of the total MOE benchmark.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. Based on our review of the general ledger and discussion with the finance director we noted, that the MOE expenditures included allocated indirect costs. We reviewed the City's indirect cost allocation plan and determined that the City's methodology for allocating indirect costs is reasonable.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the City informed us that Fund 12 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $151,028 for the year.

2. We selected five expenditures from Fund 12 for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the City's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the check copies and vendor invoices description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $135,364, or 90% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $618,748 of Ordinance monies for the three years ended June 30, 2006, including $219,612 for the year ended June 30, 2006. We obtained from the City a general ledger for Fund 132, and determined that the cash balance was $537,036 at June 30, 2006.

7. Based on our review of the general ledger and discussion with the finance director we noted, that a portion of the Ordinance expenditures included allocated indirect costs. We reviewed the City's indirect cost allocation plan and determined that the City's methodology for allocating indirect costs appears reasonable.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the finance director, we noted that the Ordinance monies are accounted for in the City's Measure M Turnback Fund, with a separate accounting of expenditures' source of funding. Interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 8, 2006

5.

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Laguna Hills

For the Fiscal Year Ended June 30, 2006

MACIAS GINI & O'CONNELL LLP
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Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Laguna Hills

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating the City of Laguna Hill's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be accounted for.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $268,106 in MOE expenditures.

2. We obtained and reviewed the City's Fund 001 (General Fund) and Fund 600 (Capital Improvement Projects Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2006 (see item B 4).

3. We inquired and management of the City informed us that MOE expenditures are identified in the general ledger by department numbers and project numbers. We obtained a summary of total expenditures listed for each account related to local streets and roads and noted the total was $2,444,584, which is $2,176,478 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected nine MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $649,363, representing 27% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. Based on our review of the general ledger and discussion with the accountant we noted, that the MOE expenditures did include allocated indirect costs. We reviewed the City's indirect cost allocation policy/plan, and determined that the City's methodology for allocating indirect costs is reasonable.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the City informed us that Fund 600 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $1,201,747 for the year.

2. We selected five expenditures in Fund 600 from the general ledger for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the City's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Six-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $409,243, or 34% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $1,326,518 of Ordinance monies for the three years ended June 30, 2006, including $460,794.01 for the year ended June 30, 2006. We obtained from the City a general ledger for Fund 212, and determined that the cash balance was $442,540 at June 30, 2006.

7. Based on our review of the general ledger and discussion with the finance manager we noted, that the Ordinance expenditures did include allocated indirect costs. We reviewed the City's indirect cost allocation policy/plan, and determined that the City's methodology for allocating indirect costs is reasonable.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the finance manager we noted, that a separate general ledger fund has been established for the Ordinance monies and that interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 8, 2006

6.

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Laguna Woods

For the Fiscal Year Ended June 30, 2006

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Laguna Woods

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating the City of Laguna Woods (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be accounted for.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $77,769 in MOE expenditures.

2. We obtained and reviewed the City's Fund 110 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2006 (see item B 4).

3. We inquired and management of the City informed us that MOE expenditures are identified in the general ledger by program numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $80,745, which is $2,976 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $27,560, representing 34% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. Based on our review of the general ledger and discussion with the finance officer we noted, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the City informed us that Fund 110 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $206,701 for the year.

2. We selected five expenditures in Fund 110 from the general ledger for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the City's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the supporting documentation of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $108,529, or 53% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $436,269 of Ordinance monies for the three years ended June 30, 2006, including $159,825 for the year ended June 30, 2006. We obtained from the City a general ledger for Fund 110, and determined that the cash balance was $0 at June 30, 2006.

7. Based on our review of the general ledger and discussion with the finance officer we noted, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the finance officer we noted, that the Ordinance monies are accounted for in the City's Measure M Fund, which is Fund 110. Interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 15, 2006

7.

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Tustin

For the Fiscal Year Ended June 30, 2006

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Tustin

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating to the City of Tustin's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be accounted for.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $1,119,535 in MOE expenditures.

2. We obtained and reviewed the City's Fund 2 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2006 (see item B 4).

3. We inquired and management of the City informed us that MOE expenditures are identified in the general ledger by object numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $3,326,715 which is $2,207,180 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $680,295, representing 61% of the total MOE benchmark.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. Based on our review of the general ledger and discussion with the senior management analyst we noted, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the City informed us that Fund 9 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $1,216,936 for the year.

2. We selected five expenditures from Fund 9 for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the City's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $562,252, or 46% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $2,898,813 of Ordinance monies for the three years ended June 30, 2006, including $998,721 for the year ended June 30, 2006. We obtained from the City a general ledger for Fund 132, and determined that the cash balance was $1,972,943 at June 30, 2006.

7. Based on our review of the general ledger and discussion with the senior management analyst we noted, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the senior management analyst we noted, that Ordinance monies are accounted for in the City's Measure M Turnback Fund, with a separate accounting of expenditures' source of funding. Interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 7, 2006

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

County of Orange

For the Fiscal Year Ended June 30, 2006

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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Independent Accountant's Report on Applying Agreed-Upon Procedures- County of Orange

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

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you in evaluating the County of Orange's (County) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2006. The County's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the County was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the County adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the County adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the County adhered to the Ordinance requirements regarding how the monies should be accounted for.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the County was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). As approved by the Orange County Local Transportation Authority on June 10, 1991, the County does not have an annual MOE requirement, and thus we did not perform any testing procedures related to MOE expenditures.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the COC to determine if the County was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2006 were as follows:

1. We inquired and management of the County informed us that Fund 115 expenditures relate to Ordinance monies spent by the County, and that the amount spent was $2,359,444 for the year.

2. We selected five expenditures in Fund 115 from the general ledger for the year ended June 30, 2006.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including the County's check copies and vendor invoices, noting no exceptions.

4. We noted that based on the check copies and vendor invoices of the work performed or materials purchased, the expenditures appeared to relate to projects included in the County's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $178,304, or 8% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the County and calculated from the listing that the County received $6,036,420 of Ordinance monies for the three years ended June 30, 2006, including $2,071,739 for the year ended June 30, 2006. We noted that the County fully expends all Ordinance monies received each year.

7. Based on our review of the general ledger and discussion with the planning and road accounting manager we noted, that the Ordinance expenditures did include allocated indirect costs. We reviewed the County's indirect cost allocation plan and determined that the County's methodology for allocating indirect costs is reasonable.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the County is no longer required to maintain a separate bank account for Ordinance funds. However, the County is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the County was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. Based on our review of the general ledger and discussion with the planning and road accounting manager we noted, that the Ordinance monies are accounted for in the County's Road Fund, with a separate accounting of expenditures' source of funding, and that interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 1, 2006

ATTACHMENT I

MEASURE M STATUS REPORT
AGREED-UPON PROCEDURES REPORT

Orange County Local Transportation Authority

For the Year Ended June 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

MEASURE M STATUS REPORT
AGREED-UPON PROCEDURES REPORT

Orange County Local Transportation Authority

For the Year Ended June 30, 2006

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Independent Accountant's Report on Applying Agreed-Upon Procedures to the Measure M Status Report

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

We have performed the procedures enumerated below, which were agreed to by the Audit Subcommittee of the Citizens Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published, board approved documents or internal documents, for the year ended June 30, 2006. The Measure M Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M Status Report is separated into the three following sections: Section (A) describes our procedures on Schedule 1; Section (B) describes our procedures on Schedule 2; and Section (C) describes our procedures on Schedule 3.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared Year to Date June 30, 2006 amounts (column A) to the audited financial statements included as part of the Comprehensive Annual Financial Report (financial statements) for the combined special revenue and debt service funds of the OCLTA and additional detailed information from the underlying accounting records.

2. Recalculated Period from inception through June 30, 2006 amounts (column B) by adding the prior year's Period from inception through June 30, 2005 amounts with Year to Date June 30, 2006 amounts (column A).

3. Recomputed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared Year ended June 30, 2006 amounts (columns C.1 and C.2) to Schedule 1, column A. For the Professional services, non-project related amounts, we compared the sum of this caption allocated to Tax revenues and to Bond revenues at June 30, 2006 (columns C.1 and C.2) to Schedule 1, column A.

2. Compared Period from inception through June 30, 2006 amounts (columns D.1 and D.2) to Schedule 1, column B. For the Orange County bankruptcy recovery, Professional services, non-project related, Orange County bankruptcy loss, and Other, non-project related amounts, we compared the total of the amounts allocated to Tax revenues and to Bond revenues at June 30, 2006 (columns D.1 and D.2) to Schedule 1, column B. For the Payment to refunded bond escrow, we compared the Period from inception through June 30, 2006 amount (column D.2) to the total of the Advance refunding escrow and Payment to refunded bond escrow agent amounts at Schedule 1, column B.

3. Compared forecast amounts (columns E.1 and E.2) to Measure M Forecast Schedule.

4. Recomputed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Total Measure M Program Net tax revenues program to date actual (column H) and Total net tax revenues (column I) amounts to Schedule 2, Column D.1 and Column F.1, Net tax revenues (totals) respectively.

2. Recalculated Net tax revenues program to date actual (column H) and Total net tax revenues (column I) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).

3. Compared the Total cost estimate project budget amounts (column J) for Freeways to the Measure M Project Funding Responsibility 1996 Strategic Plan in January 2006 dollars. Regional streets and road projects, local streets and road projects, and certain transit projects are not budgeted due to the fact that these projects are funded on a "pay as you go" basis. Therefore, funds are budgeted as they are allocated to projects.

4. Compared the Total estimate at completion (column K) to supporting budget documents.

5. Recalculated the "Variance Total Net Tax Revenues to Estimate at Completion" (column L) by subtracting column K from column I and the "Variance Project Budget to Estimate at Completion" (column M) by subtracting column K from column J.

6. Reconciled Expenditures through June 30, 2006 (column N) to Schedule 1, column B noting a $11 difference. Agreed column N, by project description, to the project job ledger.

7. We judgmentally selected a sample of 13 expenditures from column N and compared them to invoices and supporting documentation. We concluded that the sampled expenditures were properly classified.

8. Agreed Total Measure M "Program Reimbursements through June 30, 2006" (column O) to Schedule 1, column B, the combined total of Other agencies' share of Measure M costs, Capital grants, Right-of-way leases, Proceeds from sale of capital assets, Interest, Transfers in, and current year Miscellaneous revenues, noting a $14 difference.

9. We judgmentally selected a sample of 11 reimbursements from column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.

10. Recalculated the "Net project cost" (column P) by subtracting Column O from Column N.

11. Recalculated the Percent of budget expended (column Q) by dividing Column P by Column J.

12. Recomputed totals and subtotals.

Except as noted in procedures C.6 and C.8, the above procedures were performed without exception.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Measure M Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

This report is intended solely for the information and use of the OCLTA's management, Board of Directors, and the Committee and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 14, 2006

Measure M
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2006
(Unaudited)

($ in thousands)	Year to Date June 30, 2006 *(A)*	Period from Inception to June 30, 2006 *(B)*
Revenues:		
Sales taxes	$ 268,118	$ 2,797,028
Other agencies share of Measure M costs		
Project related	44,035	360,714
Non-project related	-	97
Interest:		
Operating:		
Project related	282	282
Non-project related	11,054	170,313
Bond proceeds	1	136,067
Debt service	4,006	65,593
Commercial paper	148	5,695
Orange County bankruptcy recovery	-	42,268
Capital grants	70,466	115,754
Right-of-way leases	199	3,516
Miscellaneous	15	801
Total revenues	398,324	3,698,127
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	4,192	43,736
Professional services:		
Project related	6,441	130,741
Non-project related	2,140	22,858
Administration costs:		
Project related	1,788	11,775
Non-project related	5,930	61,919
Orange County bankruptcy loss		78,618
Other:		
Project related	88	1,056
Non-project related	200	14,867
Payments to local agencies:		
Turnback	38,139	412,207
Competitive projects	25,328	363,071
Capital outlay	297,134	1,687,164
Debt service:		
Principal payments on long-term debt	63,720	628,785
Interest on long-term debt and commercial paper	25,307	493,747
Total expenditures	470,408	3,950,543
Excess (deficiency) of revenues over (under) expenditures	(72,084)	(252,416)
Other financing sources (uses):		
Transfers out:		
Project related	(2,070)	(222,190)
Non-project related	(53)	(5,100)
Transfers in project related	41	1,565
Proceeds on sale of capital assets	7,265	15,604
Bond proceeds	-	1,169,999
Advance refunding escrow	-	(931)
Payment to refunded bond escrow agent	-	(152,930)
Total other financing sources (uses)	5,184	806,017
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other sources (uses)	$ (66,900)	$ 553,601

See Notes to the Measure M Status Report

Measure M
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2006
(Unaudited)

($ in thousands)	Year Ended June 30, 2006 (actual)	Period from Inception through June 30, 2006 (actual)	Period from 1-Jul-06 through March 31, 2011 (forecast)	Total
	(C.1)	*(D.1)*	*(E.1)*	*(F.1)*
Tax revenues:				
Sales taxes	$ 268,118	$ 2,797,028	$ 1,188,684	$ 3,985,712
Other agencies share of Measure M costs	-	97	-	97
Operating interest	11,054	170,313	44,695	215,008
Orange County bankruptcy recovery	-	20,683	-	20,683
Miscellaneous	15	801	-	801
Total tax revenues	279,187	2,988,922	1,233,379	4,222,301
Administrative expenditures:				
SBOE fees	4,192	43,736	17,660	61,396
Professional services, non-project related	1,984	14,304	5,901	20,205
Administration costs, non-project related	5,930	61,919	20,220	82,139
Operating transfer out, non-project related	53	5,100	-	5,100
Orange County bankruptcy loss	-	29,792	-	29,792
Other, non-project related	200	5,768	5,962	11,730
Total Administrative expenditures	12,359	160,619	49,743	210,362
Net tax revenues	$ 266,828	$ 2,828,303	$ 1,183,636	$ 4,011,939
	(C.2)	*(D.2)*	*(E.2)*	*(F.2)*
Bond revenues:				
Proceeds from issuance of bonds	$ -	$ 1,169,999	$ -	$ 1,169,999
Interest revenue from bond proceeds	1	136,067	-	136,067
Interest revenue from debt service funds	4,006	65,593	13,959	79,552
Interest revenue from commercial paper	148	5,695	-	5,695
Orange County bankruptcy recovery	-	21,585	-	21,585
Total bond revenues	4,154	1,398,939	13,959	1,412,898
Financing expenditures and uses:				
Professional services, non-project related	156	8,554	-	8,554
Payment to refunded bond escrow	-	153,861	-	153,861
Bond debt principal	63,720	628,785	345,850	974,635
Bond debt interest expense	25,307	493,747	43,405	537,152
Orange County bankruptcy loss	-	48,826	-	48,826
Other, non-project related	-	9,099	-	9,099
Total financing expenditures and uses	89,183	1,342,872	389,255	1,732,127
Net bond revenues (debt service)	$ (85,028)	$ 56,067	$ (375,296)	$ (319,229)

See Notes to the Measure M Status Report

Measure M
Schedule of Revenues and Expenditures Summary
as of June 30, 2006
(Unaudited)

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2006	Reimbursements through June 30, 2006	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Freeways (43%)										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	$ 688,398	$ 976,491	$ 810,010	$ 801,777	$ 174,714	$ 8,233	$ 727,263	$ 75,771	$ 651,492	80.40%
I-5 between I-5/I-405 Interchange and San Clemente	47,729	67,703	56,875	58,979	8,724	(2,104)	68,014	10,358	57,656	101.40%
I-5/I-405 Interchange	60,579	85,931	72,802	73,075	12,856	(273)	98,157	25,082	73,075	100.40%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	40,386	57,287	44,511	50,176	7,111	(5,665)	55,194	6,172	49,022	110.10%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	20,193	28,644	24,128	22,750	5,894	1,378	25,609	2,859	22,750	94.30%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	87,197	123,689	116,136	105,639	18,050	10,497	123,915	18,606	105,309	90.70%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	271,688	385,388	244,460	247,852	137,536	(3,392)	423,934	255,045	168,889	69.10%
Subtotal Projects	1,216,170	1,725,133	1,368,922	1,360,248	364,885	8,674	1,522,086	393,893	1,128,193	
Net (Bond Revenue)/Debt Service			268,631	268,631	(268,631)	-	278,777		278,777	
Total Freeways	$ 1,216,170	$ 1,725,133	$ 1,637,553	$ 1,628,879	$ 96,254	$ 8,674	$ 1,800,863	$ 393,893	$ 1,406,970	
%									52.9%	
Regional Street and Road Projects (11%)										
Smart Streets	$ 106,667	$ 151,307	$ 149,232	$ 149,232	$ 2,075	$ -	$ 117,435	$ 3,489	$ 113,946	76.40%
Regionally Significant Interchanges	62,223	88,263	88,263	88,263	-	-	40,109	146	39,963	45.30%
Intersection Improvement Program	88,890	126,090	126,090	126,090	-	-	55,886	56	55,830	44.30%
Traffic Signal Coordination	44,445	63,045	63,045	63,045	-	-	29,485	132	29,353	46.60%
Transportation Systems Management and Transportation Demand Management	8,889	12,609	12,609	12,609	-	-	6,646	149	6,497	51.50%
Subtotal Projects	311,114	441,314	439,239	439,239	2,075	-	249,561	3,972	245,589	
Net (Bond Revenue)/Debt Service			2,075	2,075	(2,075)	-	2,153		2,153	
Total Regional Street and Road Projects	$ 311,114	$ 441,314	$ 441,314	$ 441,314	$ -	$ -	$ 251,714	$ 3,972	$ 247,742	
%									9.3%	

Measure M
Schedule of Revenues and Expenditures Summary
as of June 30, 2006
(Unaudited)

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2006	Reimbursements through June 30, 2006	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	$ 91,376	$ 159,233	$ 159,233	$ 159,233	$ -	$ -	$ 53,916	$ 99	$ 53,817	33.80%
Streets and Roads Maintenance and Road Improvements	411,192	583,274	583,274	583,274	-	-	412,222	-	412,222	70.70%
Growth Management Area Improvements	91,376	100,000	100,000	100,000	-	-	53,796	461	53,335	53.30%
Subtotal Projects	593,944	842,507	842,507	842,507	-	-	519,934	560	519,374	
Net (Bond Revenue)/Debt Service							-		-	
Total Local Street and Road Projects	$ 593,944	$ 842,507	$ 842,507	$ 842,507	$ -	$ -	$ 519,934	$ 560	$ 519,374	
%									19.5%	
Transit Projects (25%)										
Pacific Electric Right-of-Way	$ 13,685	$ 19,413	$ 15,000	$ 13,760	$ 5,653	$ 1,240	$ 15,955	$ 2,285	$ 13,670	91.10%
Commuter Rail	250,898	355,898	355,898	355,898	-	-	314,434	54,064	260,370	73.20%
High-Technology Advanced Rail Transit	310,201	440,019	440,019	464,580	(24,561)	(24,561)	33,054	6,024	27,030	6.10%
Elderly and Handicapped Fare Stabilization	18,247	25,883	20,000	20,000	5,883	-	14,010	-	14,010	70.10%
Transitways	114,044	161,772	146,381	124,679	37,093	21,702	159,159	36,666	122,493	83.70%
Subtotal Projects	707,075	1,002,985	977,298	978,917	24,068	(1,619)	536,612	99,039	437,573	
Net (Bond Revenue)/Debt Service			48,523	48,523	(48,523)	-	50,355		50,355	
Total Transit Projects	$ 707,075	$ 1,002,985	$ 1,025,821	$ 1,027,440	$ (24,455)	$ (1,619)	$ 586,967	$ 99,039	$ 487,928	
%									18.3%	
Total Measure M Program	$ 2,828,303	$ 4,011,939	$ 3,947,195	$ 3,940,140	$ 71,799	$ 7,055	$ 3,159,478	$ 497,464	$ 2,662,014	

See Notes to the Measure M Status Report

MEASURE M SUMMARY

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax, which commenced on April 1, 1991 for a period of 20 years. Under Measure M, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

Demonstrating accountability for the receipt and expenditure of Measure M funds has been accomplished by the issuance of quarterly reports on Measure M activities. The reports for Measure M activities through June 30, 2006 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule.

SCHEDULE 1—SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined OCLTA special revenue and debt service funds. Such financial information has been derived from audited financial statements with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year ended June 30, 2006 (Column A): This column presents the revenues, expenditures, and other financing sources (uses) of the combined OCLTA special revenue and debt service funds for the fiscal year ended June 30, 2006. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from audited financial statements, while detailed amounts for certain revenue sources and expenditures by major object have been obtained from the general ledger.

The net change in fund balance of $(66,900,000) agrees with the year ended June 30, 2006 audited financial statements.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2.

Period from inception through June 30, 2006 (Column B): This column presents the revenues, expenditures, and other financing sources (uses) of the combined OCLTA special revenue and debt service funds for the period from inception through June 30, 2006. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from audited financial statements, while detailed amounts for certain revenue sources and expenditures by major object have been obtained and summarized from the general ledger.

The net change in fund balance of $553,601,000 agrees with the combined ending fund balances of $440,738,000 in the OCLTA special revenue fund and $112,863,000 in the OCLTA debt service fund, as presented in the audited financial statements for the year ended June 30, 2006.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues are presented as "reimbursements" in Schedule 3. Project related expenditures and other financing uses are included as "expenditures" in Schedule 3.

SCHEDULE 2—SCHEDULE OF CALCULATIONS OF NET TAX REVENUES AND NET BOND REVENUES (DEBT SERVICE)

This schedule presents calculations of net tax revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Measure M modes described above.

Net tax revenues are calculated as tax revenues including sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenues less administrative expenditures that are not project or financing related.

Net bond revenues (debt service) are bond revenues comprised of proceeds from bond issuances, interest, and Orange County bankruptcy recovery less financing expenditures and uses.

Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from amounts on Schedule 1. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years through the expiration of Measure M, and for the combined total of actual and forecast amounts for the period from inception through the expiration of Measure M.

CALCULATION OF NET TAX REVENUES

Year ended June 30, 2006 [actual (Column C.1)]: Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the year ended June 30, 2006 were obtained from Column A in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the Orange County Investment Pool (OCIP) at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total tax revenues less total administrative expenditures for year ended June 30, 2006.

Period from inception through June 30, 2006 [actual (Column D.1)]: Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the period from inception through June 30, 2006 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net tax revenues represent total cumulative tax revenues less total cumulative administrative expenditures.

Period from July 1, 2006 through March 31, 2011 [forecast (Column E.1)]: Tax revenues consisting of projected sales taxes and operating interest and administrative expenditures which are non-project and non-financing related for subsequent years from July 1, 2006 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model which is updated annually. Net tax revenues represent total projected tax revenues less total projected administrative expenditures.

Total Measure M Program (Column F.1): Total amounts related to the net tax revenues calculation are determined as the sum of columns D.1 and E.1. The total net tax revenues is used in Schedule 3 as "Total net tax revenues."

CALCULATION OF NET BOND REVENUES (DEBT SERVICE)

Year ended June 30, 2006 [actual (Column C.2)]: Bond revenues consisting of interest revenue from bond proceeds, debt service funds, and commercial paper (financing interest revenue) and financing expenditures and uses consisting of debt principal payments, interest expenditures, and other non-project and non-operating related expenditures for the year ended June 30, 2006 were obtained from Column A in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total bond revenues less financing expenditures and uses for the year ended June 30, 2006.

Period from inception through June 30, 2006 [actual (Column D.2)]: Bond revenues consisting of proceeds from the bond issuances, financing interest revenue, and Orange County bankruptcy recovery and financing expenditures and uses which are non-project and non-operating related for the period from inception through June 30, 2006 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net bond revenues (debt service) represent total cumulative bond revenues less total cumulative financing expenditures and uses.

Period from July 1, 2006 through March 31, 2011 [forecast (Column E.2)]: Bond revenues consisting of financing interest revenue and financing expenditures and uses primarily related to principal payments and interest expenditures on long-term debt for subsequent years from July 1, 2006 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model. Net bond revenues (debt service) represent total projected bond revenues less total projected financing expenditures and other uses.

Total Measure M Program (Column F.2): Total amounts related to the net bond revenues (debt service) calculation are determined as the sum of columns D.2 and E.2. The total net bond revenues (debt service) is used in Schedule 3 as a component of "total cost estimate project budget."

SCHEDULE 3—SCHEDULE OF REVENUES AND EXPENDITURES SUMMARY

This schedule presents a summary of actual and projected revenues and expenditures by mode and project description as specified in the Traffic Improvement and Growth Management Plan, as amended (Expenditure Plan). Total Measure M program amounts materially agree with amounts on Schedules 1 and 2; however, amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project description (Column G): The project descriptions by mode are in accordance with the Expenditure Plan.

Net tax revenues program to date actual (Column H): The total Measure M Program net tax revenues for the period from inception through June 30, 2006 agree with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues have been allocated to each of the four modes based on the allocation percentages specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Total net tax revenues (Column I): The total actual and projected net tax revenues (total net tax revenues) during the 20-year life of Measure M agree with total net tax revenues in Column F.1 in Schedule 2. Such total net tax revenues have been allocated to each of the four modes based on the allocations specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Total cost estimate project budget (Column J): In accordance with Measure M, bond financing authority was approved as an alternative to the "pay as you go" financing method. As a result, all freeway mode, certain regional street and road mode, and certain transit mode projects have been accelerated using bond financing, while all local street and road and remaining regional street and road mode and transit mode projects have been funded on the "pay as you go" financing method.

Total cost estimates for each "pay as you go" project are based on the total net tax revenues presented in Column I, except for Growth Management Area (GMA) Improvements in the local street and road projects mode and Fare Stabilization in the transitway projects mode. GMA Improvements and Fare Stabilization are subject to a maximum funding of $100 million and $20 million respectively per Measure M. Total cost estimates for the freeway mode and transitway projects included in the transit mode are based on amounts obtained from the 1996 Freeway Strategic Plan, adjusted to 2006 dollars. Smart street cost estimates and net (bond revenue) debt service costs for regional street and road mode projects comprise the total smart street cost estimates, as such projects have been accelerated using bond financing. Pacific Electric Right-of-Way cost estimates are in accordance with the Expenditure Plan. The total net (bond revenue) debt service cost estimates agree with the total amount from Column F.2 in Schedule 2, and such amounts were allocated based on the projects subject to bond financing.

Total estimate at completion (Column K): Total estimate at completion represents current estimates of costs to complete the projects.

Variance Total Net Tax Revenues to Estimate at Completion (Column L): This is a calculation of Column I minus Column K.

Variance Project Budget to Estimate at Completion (Column M): This is a calculation of Column J minus Column K.

Expenditures through June 30, 2006 (Column N): Total expenditures less net (bond revenue) debt service materially agree with the sum of project related expenditures and net operating transfers out from Column B in Schedule 1. Project related expenditures are comprised of professional services, administrative costs, payments to local agencies for turnback and competitive projects, capital outlay, and other, noting an $11 difference. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger. The total net (bond revenue) debt service expenditures through June 30, 2006 from Column N in Schedule 3 agree with the sum of non-project related expenditures from Column D.2 in Schedule 2. Non-project related expenditures are comprised of all financing interest revenues, Orange County bankruptcy recovery and loss amounts, Professional services, Bond debt interest expense and Other non-project related financing expenditures.

Reimbursements through June 30, 2006 (Column O): Total reimbursements materially agree with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies share of Measure M project costs, capital grants, right-of-way leases, proceeds on sale of capital assets, interest, transfers in, and current year miscellaneous revenues, noting a $14 difference. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

Net project cost (Column P): This is a calculation of Column N minus Column O. For each mode, a percentage amount has been calculated as the net project cost per mode divided by the total Measure M Program net project cost. Such percentage can be compared to the required percentage included in Measure M as an indication of the progress to date for each mode.

Percent of budget expended (Column Q): This is a calculation of Column P divided by Column J.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS* AND THE TRANSPORTATION DEVELOPMENT ACT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (Authority) as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 9, 2006. Included in the Orange County Transportation Authority's basic financial statements is the Orange County Transit District (OCTD), which is responsible for bus services in Orange County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Authority in a separate letter dated October 9, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit

was further made to determine that Transportation Development Act funds allocated to and received by OCTD were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Authority as required by Section 6667 of the Title 21 of the California Code of Regulations. The OCTD has chosen to be subject to Section 99268.2 of the Transportation Development Act, which requires that the ratio of fare revenues and local support to operating costs not be less than 24.42%, representing the OCTD's 1978-79 fiscal year ratio. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the Transportation Development Act.

This report is intended solely for the information and use of management, the Board of Directors, the California State Department of Transportation, and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

ATTACHMENT K

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
(A Special Revenue Fund of the Orange
County Transportation Authority)

Fund Financial Statements
and Independent Auditor's Report

For the Years Ended June 30, 2006 and 2005



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
(A Special Revenue Fund of the Orange County Transportation Authority)

For the Years Ended June 30, 2006 and 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the Local Transportation Fund (Fund), a special revenue fund of the Orange County Transportation Authority (Authority), as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over financial reporting, relating to the Fund. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2006 and 2005, and the respective changes in financial position or its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of the Authority as of June 30, 2006 and 2005, and the changes in financial position thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
BALANCE SHEETS
JUNE 30, 2006 AND 2005

ASSETS	**2006**	**2005**
Cash and investments (Note 1)	$ 12,791,587	$ 19,766,808
Interest receivable	100,493	7,364
Due from other governments (Note 2)	3,563,328	3,144,580
Total assets	$ 16,455,408	$ 22,918,752
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to other funds (Note 3)	$ -	$ 6,410,868
Due to other governments (Note 4)	1,170	927,398
Total liabilities	1,170	7,338,266
Fund balance:		
Reserved for transportation programs	16,454,238	15,580,486
Total fund balance	16,454,238	15,580,486
Total liabilities and fund balance	$ 16,455,408	$ 22,918,752

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

REVENUES	**2006**	**2005**
Local transportation sales tax allocations	$ 105,166,320	$ 94,971,323
Interest and investment income	(540,131)	1,274,536
Miscellaneous	14,265	3,441
Total revenues	104,640,454	96,249,300
EXPENDITURES		
Supplies and services	1,127,537	1,256,298
Contributions to other agencies	2,806,074	2,474,124
Total expenditures	3,933,611	3,730,422
Excess of revenues over expenditures	100,706,843	92,518,878
OTHER FINANCING SOURCES (USES)		
Transfers out	(99,833,091)	(89,669,854)
Net change in fund balance	873,752	2,849,024
Fund balance, beginning of year	15,580,486	12,731,462
Fund balance, end of year	$ 16,454,238	$ 15,580,486

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORATION AUTHORITY
Local Transportation Fund
For the Years Ended June 30, 2006 and 2005

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Local Transportation Fund (LTF) is a special revenue fund of the Orange County Transportation Authority (OCTA). This fund is used to account for revenues received and expenditures made for use on certain transit projects within Orange County.

The LTF was created by the Transportation Development Act (TDA) for specific transportation purposes. Revenues to the LTF are derived from ¼ cent of the 7¼ cent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county.

Annually, the Transportation Planning Agency (TPA) determines each area's apportionment of LTF revenues. Generally, County LTF revenues are apportioned by population to areas within the County. Where there is a transit district, separate apportionments are made to areas within and outside the district. The Orange County Transit District (OCTD) of OCTA is a transit district and OCTA is the regional TPA. Once funds are apportioned, they are only available for allocation to claimants in that area. Payments from the LTF are made by the Auditor-Controller of Orange County in accordance with allocation instructions issued by OCTA.

Article 3 of the TDA stipulates that, based on Orange County's population of more than 500,000, OCTA is eligible to and receives LTF revenues solely for claims for the following, which are respectively allocated in specific priority order: administration, planning and programming; Section 99234 of Article 3, which are claims for pedestrian and bicycle facilities; Article 4.5, which are claims for community transit services; and Article 4, which are claims for public transportation systems.

Diversion of TDA Funding

In September 1995, as a result of and to assist the County of Orange in recovering from its December 1994 bankruptcy, the California State Legislature adopted legislation diverting $38 million annually to the County from OCTA's TDA sales tax revenue. In return, $23 million in annual County gasoline tax revenue is being diverted to OCTA. Diversion from OCTA of the TDA revenue began on July 1, 1996, for a 15-year period. Diversion to OCTA of the gasoline tax revenue began on July 1, 1997, for a 16-year period.

Basis of Presentation – Fund Accounting

LTF activities and transactions are recorded and accounted for in a special revenue fund within OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The financial statements are intended to present the financial position and changes in financial position of the LTF only, and are not intended to present and do not present, the financial position and changes in financial position of OCTA.

Basis of Accounting

The LTF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 180 days after year-end. Expenditures are recorded when a liability is incurred. Liabilities are considered current when they are expected to be liquidated with available financial resources.

Cash and Investments

The LTF maintains its deposits in the Orange County Investment Pool (OCIP), as required by state statute. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. The fair value of the position in the pool is the same as the value of the pool shares. Investment income earned by the pooled cash and investments in the OCIP is allocated to the LTF based on the LTF's average cash and investment balance.

For information on Governmental Accounting Standards Board Statement No. 40 disclosures relating to LTF's deposits in the OCIP, please see the Orange County Transportation Authority's Comprehensive Annual Financial Report (CAFR). The weighted average maturity of the OCIP was 55 days or 0.15 years at June 30, 2006. The OCIP does not maintain a credit rating.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. As such, actual results could differ from those estimates.

NOTE 2 – DUE FROM OTHER GOVERNMENTS

Due from other governments of $3,563,328 and $3,144,580 represents a TDA receivable due from the State of California at June 30, 2006 and 2005, respectively.

NOTE 3 – INTERFUND PAYABLES AND TRANSFERS

Due to other funds of $0 and $6,410,868 represent amounts payable to the Orange County Transit District (OCTD) enterprise fund at June 30, 2006 and 2005, respectively, for certain transit projects within Orange County. During the fiscal year ended June 30, 2006, LTF transferred $99,833,091 to the OCTD enterprise fund.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of $1,170 and $927,398 represent amounts payable to claimants for LTF allocations at June 30, 2006 and 2005, respectively.

ATTACHMENT L

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND

(A Special Revenue Fund of the Orange County Transportation Authority)

Fund Financial Statements
and Independent Auditor's Report

For the Year Ended June 30, 2006



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
(A Special Revenue Fund of the Orange County Transportation Authority)

For the Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the State Transit Assistance Fund (Fund), a special revenue fund of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over financial reporting, relating to the Fund. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2006, the changes in its financial position, or its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Transit Assistance Fund of the Authority as of June 30, 2006, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 31, 2006

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS	
Cash and investments (Note 1)	$ 615,766
Interest receivable	9,985
Due from other governments (Note 2)	3,002,881
Total assets	$ 3,628,632
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to other funds (Note 3)	$ 3,183,858
Due to other governments (Note 4)	180
Total liabilities	3,184,038
Fund balance:	
Reserved for transportation programs	444,594
Total liabilities and fund balance	$ 3,628,632

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES		
State Transit Assistance sales tax allocations	$	11,805,542
Interest and investment income		(245,129)
Total revenues		11,560,413
EXPENDITURES		
Miscellaneous		1,030
Total expenditures		1,030
Excess of revenues over expenditures		11,559,383
OTHER FINANCING SOURCES (USES)		
Transfers out		(11,817,860)
Net change in fund balance		(258,477)
Fund balance, beginning of year		703,071
Fund balance, end of year	$	444,594

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund
For the Year Ended June 30, 2006

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The State Transit Assistance Fund (STAF) is a special revenue fund of the Orange County Transportation Authority (OCTA). This fund is used to account for revenues received and expenditures made for Orange County Transit District operations and fare assistance for seniors and disabled persons.

STAF provides a second source of Transportation Development Act (TDA) funding for transportation planning and mass transportation purposes as specified by the State of California Legislature. Funds for the program are derived from statewide sales tax on gasoline and diesel fuel.

STAF funds are allocated through an appropriation to the State Controller by the Legislature for allocation by formula to each Transportation Planning Agency (TPA). OCTA is the regional TPA. The formula allocates 50 percent of the funds according to population and the remaining 50 percent is allocated according to operator revenues from the prior fiscal year. The allocations are based on the operator's share of revenues compared to all of the other operators in the State. STAF allocations are deposited in the OCTA's STAF fund, which is maintained by the Auditor-Controller of the County of Orange, California. The allocation must be made in a resolution adopted by the OCTA's governing Board. Payments from the STAF are made by the County of Orange Auditor-Controller in accordance with the allocation instructions in the allocation resolution.

STAF funds may not be allocated to fund administration or streets and roads projects. Operators receiving STAF funds must meet qualifying criteria based on the subsidy per revenue vehicle hour received in the previous year taking into consideration the change in the Consumer Price Index within the operator's region.

Basis of Presentation – Fund Accounting

STAF activities and transactions are recorded and accounted for in a special revenue fund within OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The financial statements are intended to present the financial position and changes in financial position of STAF only, and are not intended to present and do not present, the financial position and changes in financial position of OCTA.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The STAF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 180 days after year-end. Expenditures are recorded when a liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with available financial resources.

Cash and Investments

STAF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. The fair value of the position in the pool is the same as the value of the pool shares. Investment income earned by the pooled cash and investments in the OCIP is allocated to STAF based on STAF's average cash and investment balance.

For information on Governmental Accounting Standards Board Statement No. 40 disclosures relating to STAF's deposits in the OCIP, please see the Orange County Transportation Authority's Comprehensive Annual Financial Report (CAFR). The weighted average maturity of the OCIP was 55 days or 0.15 years at June 30, 2006. The OCIP does not maintain a credit rating.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. As such, actual results could differ from those estimates.

NOTE 2– DUE FROM OTHER GOVERNMENTS

Due from other governments of $3,002,881 represents a TDA receivable due from the State of California.

NOTE 3 – INTERFUND PAYABLES AND TRANSFERS

Due to other funds of $3,183,858 represents amounts payable to the Orange County Transit District (OCTD) enterprise fund for transit operations and fare assistance for seniors and disabled persons. During the fiscal year ended June 30, 2006, STAF transferred $11,817,860 to the OCTD enterprise fund.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of $180 represents amounts payable to the County of Orange for administrative fees.

6.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Selection of a Consultant to Conduct the Annual Financial Audits of the Orange County Transportation Authority

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Directors Cavecche and Moorlach were not present to vote on this item.

Committee Recommendations (reflects change from staff recommendations)

A. Recommend the selection of Mayer Hoffman McCann P.C. to conduct the Annual Financial Auditing Services set forth in the Request For Proposals 6-0667.

B. Recommend to the Board of Directors to authorize the Chief Executive Officer to negotiate and execute an agreement with the selected consultant to perform the annual financial auditing services for the Orange County Transportation Authority.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Selection of a Consultant to Conduct the Annual Financial Audits of the Orange County Transportation Authority

Overview

The Orange County Transportation Authority requires the services of an independent public accounting firm to perform the annual financial audits of the Orange County Transportation Authority and related agencies for fiscal years ending June 30, 2007, 2008, and 2009. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendations

A. Recommend the selection of a consultant to conduct the Annual Financial Auditing Services set forth in the Request For Proposals 6-0667.

B. Recommend to the Board of Directors to authorize the Chief Executive Officer to negotiate and execute an agreement with the selected consultant to perform the annual financial auditing services for the Orange County Transportation Authority.

Background

The Orange County Transportation Authority (Authority) requires an independent public accounting firm to perform annual fiscal and conformance audits for the Authority and its affiliated agencies for an initial term of three consecutive years beginning with audits for the fiscal year ending June 30, 2007. Following the initial term there will be two additional option years. The auditing firm will also perform the annual fiscal and compliance examinations and certifications required by the Single Audit Act of 1984 as amended, and the National Transit Database Reporting formerly Section 15 of the Federal Transit Act.

Discussion

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

The project was advertised on November 15, 2006, and November 20, 2006, in a newspaper of general circulation, and on CAMMNET. A pre-proposal meeting was held on November 28, 2006, and was attended by representatives of five public accounting firms.

On December 21, 2006, six offers were received. An evaluation committee composed of staff from Contracts Administration and Materials Management, Internal Audit Department, Accounting and Financial Reporting Department, Finance Planning and Analysis, and a member of the audit sub-committee of the Measure M Citizens' Oversight Committee was established to review all offers submitted.

On January 9, 2007, the evaluation committee met to discuss and evaluate the proposals submitted. The offers were evaluated on the basis of qualifications, related experience and references of the offeror; proposed staffing and project organization; work plan; and cost and price. Each member on the evaluation team prepared an evaluation for each proposal using a weighted score as indicated for each of the following criteria:

-	Qualifications of the firm	25 percent
-	Staffing and Project Organization	30 percent
-	Work Plan	30 percent
-	Cost and Price	15 percent

Based on the evaluation committee's findings, the following two firms were selected that best met the requirements of the Request For Proposals and are presented for review by the Finance and Administration Committee.

Firm and Location

Macias, Gini and O'Connell LLP
Los Angeles, California

Mayer Hoffman McCann P.C.
Irvine, California

Fiscal Impact

The project was approved in the Authority's Fiscal Year 2006-2007 Budget, Internal Audit Department, Account 1610-7512-A0001-D3D, 0010-7512-A0001-D1G and 0036-7512-B0001-CHF, and is funded through the General Fund.

Summary

The firms Macias Gini & O'Connell and Mayer Hoffman McCann are being presented to the Finance and Administration Committee. After considering the results of the interviews and the proposal submitted by each firm, the Finance and Administration Committee is requested to make a selection of a firm to perform the annual financial auditing services for the Authority. The recommended firm will be submitted for selection at the February 12, 2007 meeting of the Board of Directors. The Board of Directors will also be requested to authorize the Chief Executive Officer to negotiate and execute an agreement with the selected consultant.

Attachment

None.

Prepared by:

Kathleen O'Connell
Manager, Internal Audit
(714) 560-5669

7.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Investment Activities April 1 through September 30, 2006, Financial and Compliance Review

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Director Bates was not present to vote on this item.

Committee Recommendation

Receive and file the Investment Activities April 1 through September 30, 2006, Financial and Compliance Review, Internal Audit Report No. 07-013.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Investment Activities April 1 through September 30, 2006, Financial and Compliance Review

Overview

The Internal Audit Department has completed a review of investment activities for the period April 1, 2006, through September 30, 2006. Based on this review, it appears that the Orange County Transportation Authority is generally in compliance with its debt, investment and accounting objectives, policies and procedures. However, the Internal Audit Department did identify a repurchase agreement collateralized with Federal Home Loan Bank securities, which is not a permitted repurchase agreement collateral under the 2006 Investment Policy.

Recommendation

Receive and file the Investment Activities April 1 through September 30, 2006, Financial and Compliance Review, Internal Audit Report No. 07-013.

Background

According to the Orange County Transportation Authority (Authority) Treasury/Public Finance's Debt and Investment Management Manual, Internal Audit is tasked with the responsibility of conducting performance reviews of the Authority's debt and investment activities.

The Treasury Department is responsible for management of the Authority's investment portfolio. On September 30, 2006, the investment portfolio's book value approximated $1.002 billion. The portfolio consists of two managed portfolios: liquid assets for the Authority's daily operations, and the short-term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and the Authority's Treasurer manages the liquid assets portfolio. The Authority also has funds invested in debt service reserve funds for various outstanding debt obligations. The Authority's

Accounting Department is responsible for recording all debt and investment transactions and reconciling all bank accounts monthly.

Discussion

The Authority's investment activities are reviewed on a periodic basis by Internal Audit. The objective of the review is to determine if the Authority is in compliance with the Authority's debt, investment and accounting objectives, policies and procedures. The investment review for April 1, 2006, through September 30, 2006, indicated that the Authority's investments are in compliance, with the exception of a repurchase agreement collateralized with Federal Home Loan Bank (FHLB) securities maturing the next business day.

The Authority's 2006 Annual Investment Policy describes permitted repurchase agreements as those being collateralized by U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities. FHLB securities, which are AAA-rated agency securities, are not included in the Investment Policy as permitted collateral for repurchase agreements. Therefore, the repurchase agreement collateralized by FHLB securities did not comply with the Authority's Investment Policy. Additionally, the amended Annex 1 "Securities Sold Under Agreement to Repurchase Plan" between the Authority and Bank of the West, signed in August 2006, does not list FHLB securities as a collateral type for repurchase agreements. The Internal Audit Department made a recommendation that the Authority's Investment Policy and the Annex 1 be revised to allow FHLB securities as collateral for repurchase agreements if FHLB securities are considered acceptable collateral. Management is currently evaluating a change to the Investment Policy that permits the use of FHLB securities as well as other agency securities as collateral.

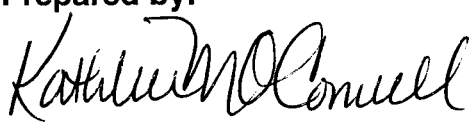
Summary

Based on the review, investments were generally in compliance with the Authority's debt, investment and accounting objectives, and policies and procedures. The Internal Audit Department made one recommendation, and management staff is currently evaluating a change to the Investment Policy.

Attachment

A. Investment Activities April 1 through September 30, 2006, Financial and Compliance Review, Internal Audit Report No. 07-013

Prepared by:



Kathleen M. O'Connell
Manager, Internal Audit
(714) 560-5669

ATTACHMENT A

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

OCTA

Investment Activities
April 1 through September 30, 2006

Financial and Compliance Review

INTERNAL AUDIT REPORT NO. 07-013

Report Date: January 11, 2007



Audit Performed by: OCTA Internal Audit Department
Internal Audit Project Manager: Serena Ng, CPA, CIA
Senior Internal Auditor

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Investment Activities April 1 through September 30, 2006
Financial and Compliance Review
January 11, 2007

CONCLUSION

The Internal Audit Department has completed a review of investment activities for the period April 1, 2006 through September 30, 2006. Based on this review, it appears that the Orange County Transportation Authority (Authority) is generally in compliance with its debt, investment and accounting objectives, policies and procedures. However, the Internal Audit Department did identify a repurchase agreement collateralized with Federal Home Loan Bank securities, which is not a permitted repurchase agreement collateral under the Authority's 2006 Investment Policy.

BACKGROUND

According to the Authority's Treasury/Public Finance's Debt and Investment Management Manual, Internal Audit is tasked with the responsibility of conducting performance reviews of the Authority's debt and investment activities.

The Treasury Department is responsible for management of the Authority's investment portfolio. On September 30, 2006, the investment portfolio's book value approximated $1.002 billion. The portfolio consists of two managed portfolios: liquid assets for the Authority's daily operations, and the short term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and the Treasurer manages the liquid assets portfolio. The Authority also has funds invested in debt service reserve funds for various outstanding debt obligations. The Authority's Accounting Department is responsible for recording all debt and investment transactions and reconciling all bank accounts monthly.

PURPOSE AND SCOPE

The objective of the audit was to determine if the Authority was in compliance with the Authority's debt, investment and accounting objectives, policies and procedures.

In conjunction with the objective, Internal Audit:

- assessed the adequacy of internal controls over the Authority's investment activities;
- determined if the Authority was in compliance with its annual investment policy and the government code;
- determined if investment activities were adequately supported;
- determined the propriety of investment manager and custodial bank transactions; and
- determined the appropriateness of debt service allocations on the Authority's debt issuances.

Investment Activities April 1 through September 30, 2006
Financial and Compliance Review
January 11, 2007

The scope of the review consisted of reviewing worksheets prepared by Accounting and Treasury, verifying investment transactions, and reviewing bank reconciliations, investment manager transactions, and custodial activities.

AUDIT COMMENTS AND RECOMMENDATIONS

Repurchase Agreement with Federal Home Loan Bank Collateral

Internal Audit identified one repurchase agreement collateralized by Federal Home Loan Bank (FHLB) securities with a trade date of April 7, 2006, that matured the next business day on April 10, 2006. The Authority's 2006 Annual Investment Policy describes permitted repurchase agreements as being collateralized by U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities. FHLB securities, which are Aaa-rated agency securities, are not included in the Investment Policy as collateral for permitted repurchase agreements. Therefore, the repurchase agreement collateralized by FHLB securities did not comply with the Authority's Investment Policy. Additionally, the amended Annex 1 "Securities Sold Under Agreement to Repurchase Plan" between the Authority and Bank of the West, signed in August 2006, does not list FHLB securities as a collateral type for repurchase agreements.

Recommendation 1: If FHLB securities are considered acceptable collateral for repurchase agreements, the Authority's Investment Policy and Annex 1 "Securities Sold Under Agreement to Repurchase Plan" should be revised to include FHLB securities as collateral for repurchase agreements.

Management Response: The Treasury/Public Finance Department is currently evaluating a change to the Investment Policy that permits the use of FHLB securities, as well as other agency securities, as collateral. FHLB securities are currently permitted as direct investments by the Authority and are rated AAA by both Standard & Poor's and Moody's. The California Government Code allows the type of collateral to be any investment authorized under Code Section 53601. Additionally, the new contract entered into between the Authority and Bank of the West on June 21, 2006, contains language regarding proper collateralization and associated damages related to non-compliance.

8.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Fiscal Year 2006-07 Internal Audit Plan, Second Quarter Update

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the Second Quarter Update to the Fiscal Year 2006-2007 Internal Audit Plan.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Fiscal Year 2006-07 Internal Audit Plan, Second Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Fiscal Year 2006-2007 Internal Audit Plan on July 12, 2006. This update is for the second quarter of the fiscal year.

Recommendation

Receive and file the Second Quarter Update to the Fiscal Year 2006-2007 Internal Audit Plan.

Background

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

Discussion

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

The Fiscal Year 2006-2007 Internal Audit Plan

The Fiscal Year 2006-2007 Internal Audit Plan (Plan), Second Quarter Update is included as Attachment A and reflects the status of each of the planned audit projects.

At December 31, 2006, Internal Audit has consumed approximately 2,800 hours, or 36.6 percent, of total mid-year budgeted hours of 3,832. The difference of 1,032 hours represents vacancies in the department throughout the first and second quarters of fiscal year 2006-2007. Those vacancies have now been filled and the department is fully staffed.

Despite these staffing shortages, Internal Audit is committed to completing all work contemplated in the Plan. This will be accomplished through the following:

(1) Increased Efficiency. Internal Audit has completed several audits under budget due to the experience of staff. This has been particularly true for the assistance Internal Audit provides external auditors during the annual financial statement audits.

(2) Audit Scope Adjustments. While Internal Audit has made several adjustments to the Plan, the most significant relates to the planned outsourced audit of the contract for paratransit and fixed route services. Outsourced audits of OCTA's former paratransit and fixed route service contractor, Laidaw Transit Services, were recently completed for the 39 months ended June 30, 2006. The Plan calls for an outsourced audit during the first six months of the new contract with Veolia. Internal Audit has been engaged with the Contracts Administration and Materials Management Department, as well as the Community Transportation Services Department, in a review of new contract terms, including penalty assessments. Internal Audit will continue to monitor these contract revisions, and during the third and fourth quarters, perform sample testing of Veolia's contract compliance as it relates to service invoices. Internal Audit will recommend suitable timing for an outsourced audit in the Fiscal Year 2007-2008 Internal Audit Plan.

(3) Routine Audits. Internal Audit believes that more efficient and effective audit procedures should be designed for several routine audits included in the Plan. Internal Audit will suspend the practice of testing a small sample of paychecks and, instead, include a full scope audit of Payroll in the Fiscal Year 2007-2008 Internal Audit Plan. Similarly, Internal Audit will

amend procedures for the parts inventory cycle counts. During the third quarter audit, Internal Audit will review the controls and procedures in place to ensure counts are conducted regularly and accurately by staff, without a continued reliance on Internal Audit to identify discrepancies in inventory counts.

(4) Contract Audits. Internal Audit will outsource one or two of the audits contemplated in the Plan. Candidates for outsourcing have been identified and are indicated on the Plan update in Attachment A. Several factors were considered during this selection, including Internal Audit's ability to easily "scope" the audit for outside auditors and potential efficiencies which might be achieved in the selection of auditors with expertise in specific fields, familiarity with relevant laws, regulations, and/or industry practices.

There are no other significant deviations to the Plan contemplated at this time.

Internal Audit Initiatives

Internal Audit is also engaged in several initiatives which have been included on the Chief Executive Officer's Goals for fiscal year 2007-2008:

(1) Audit Software. Internal Audit is in the process of identifying audit software to assist us in the development of risk assessments and our annual audit plan, monitoring the status of audit findings and recommendations, tracking staff time and productivity, and standardizing workpapers and reports.

(2) Policies and Procedures. Internal Audit is reviewing, updating, and revising its policies and procedures which include, among other things, audit protocols, training, audit planning and management, audit supervision, and quality assurance practices. It is Internal Audit's long-term goal to participate in a professional peer review program that will inspire greater confidence in the quality of Internal Audit's work by the Board of Directors, OCTA's external financial statement auditors, other agency auditors, and the public.

(3) Audit Standards. Internal Audit is identifying and incorporating into policies and procedures authoritative guidance promulgated by various standards setting agencies and boards including, but not limited to, the following:

a. American Institute of Certified Public Accountants (AICPA)
b. United States Government Accountability Office (GAO)
c. Institute of Internal Auditors (IIA)

Summary

The Internal Audit Department will continue to implement the Fiscal Year 2006-2007 Internal Audit Plan, and report to the Board of Directors on a quarterly basis the status of the Plan.

Attachment

A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2006-07 Internal Audit Plan, Second Quarter Update

Prepared by:

Kathleen M. O'Connell
Manager, Internal Audit
(714) 560-5669

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
FISCAL YEAR 2006-07 INTERNAL AUDIT PLAN
Second Quarter Update

Audit	Description	Minimum Frequency	Audit Type	Quarter Work Starts	Internal Staff Planned Hours	Internal Staff Hours To Date	Under (Over)	Contract Hours	Status	Notes
Mandatory External Independent Audits										
Annual Financial Audit	Annual financial audit for fiscal year 2005-06; contracted to a CPA firm with oversight and assistance provided by Internal Audit. Includes financial statements for LTF, STAF, and SR-91; NTD compliance; Single Audit.	Annually	Fiscal	1st	455	199	256		Complete	Underbudget due to auditor experience and efficiency
Annual Transportation Development Act Audits	Coordination of legally required annual audits of the recipients of Local Transportation Funds for fiscal year 2005-06, in accordance with the Transportation Development Act.	Annually	Fiscal / Compliance	1st	200	65	135		Complete	Underbudget due to auditor experience and efficiency
State Triennial Performance Audit	Coordination of legally required triennial performance audit of OCTA as the Regional Transportation Planning Entity and of all transit operators in the County of Orange for fiscal years 2003-04 through 2005-06, in accordance with the Transportation Development Act.	Triennially	Performance	1st	150	28	122		In Process	Audit has been outsourced
Federal Triennial Audit	Legally required triennial performance audit to be conducted by the Federal Transit Administration on the OCTA in 2007.	Triennially	Performance	4th	50	-	50			
Internal Audits										
Authority-Wide										
Price Reviews	Cost and price analyses as required per OCTA procurement policies and procedures.	As needed	Cost avoidance	All	500	458	42	500	In Process	Completed 14 Price Reviews In-House
System-Wide Purchasing and Payment Cycle	To ensure procedures are in place and operating effectively and efficiently.	As needed	Internal Controls / Operational / Fiscal	3rd	88	-	88	350		
System-Wide Policies and Procedures	To assess OCTA's system of policies and procedures to ensure procedures are in place and operating effectively and efficiently.	As needed	Internal Controls / Operational	1st	125	20	105		In Process	
System-Wide Record Retention Policies	To ensure procedures are in place and operating effectively and efficiently.	As needed	Internal Controls / Operational	2nd	125	-	125		In Process	
Risk Assessment/Annual Audit Plan	Annual review to prepare the audit plan for next fiscal year; periodic assessment of risk throughout the year.	Annually	Risk Assessment	4th	130	-	130			
Special Requests and Unscheduled Reviews	Time allowed for requests from management and reviews identified during the year.	As needed	Varies	All	388	232	156			
Deputy CEO										
Environmental Safety	Review to improve efficiencies and ensure compliance with external regulations and established practices.	As needed	Compliance / Operational / Internal Controls	1st	228	117	111		In Process	Expect to be over budget due to staff turnover
Transit										
Buy America Reviews	Pre-award and post-delivery reviews to ensure vendor is in compliance with federal Buy America requirements.	As needed	Mandatory	All	142	-	142			
Farebox Operations/GFI Application System	Operational review to improve efficiencies and to analyze the accuracy of GFI fareboxes.	As needed	Internal Controls / Operational	3rd	195	-	195			

ATTACHMENT A

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
FISCAL YEAR 2006-07 INTERNAL AUDIT PLAN
Second Quarter Update

Audit	Description	Minimum Frequency	Audit Type	Quarter Work Starts	Internal Staff Planned Hours	Internal Staff Hours To Date	Under (Over)	Contract Hours	Status	Notes
Applied LNG Technology Contract	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	As needed	Compliance / Fiscal	2nd	125	33	92		In Process	
Operations Training	Review to improve efficiencies and ensure compliance with regulations and established practices.	As needed	Compliance / Operational	3rd	175	-	175			
Laidlaw Close-out Audit	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	At close-out	Compliance / Cost Recovery	1st	80	388	(308)	1,600	Complete	Overbudget due to finalization of several Laidlaw audits concurrently
Veolia Contract Audit	Review halfway through first contract year to ensure contract stipulations are being complied with and to verify the propriety of payments.	Annually	Compliance / Cost Recovery	2nd	96	25	71	400		Sample test in-house during 3rd & 4th Qtr. Outsource audit FY 2007-2008
ACCESS Eligibility Administration	Review to improve efficiencies and ensure compliance with ADA regulations and established practices.	As needed	Compliance / Operational	4th	190	-	190			**Outsource Candidate**
Development										
CTFP Project Audits/CTFP System	Review of selected projects funded by the CTFP and review of the related CTFP database.	Annually	Compliance / Internal Controls	All	188	4	184	600	In Process	Procurement has been initiated
OCTAP	Compliance and operational review to improve efficiencies and ensure compliance with external regulations and established practices.	As needed	Compliance / Operational / Internal Controls	2nd	175	132	44		In Process	Expect to issue by 02/28/07
Freeway Service Patrol	Compliance and operational review to improve efficiencies and ensure compliance with external regulations and established practices.	As needed	Compliance / Operational / Internal Controls	3rd	153	122	31		Complete	Expect to issue by 01/31/07
SR-22 Contract Close-out Audit	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	At close-out	Compliance / Fiscal	2nd	100	4	96	300		Moved to 4th Quarter
I-5 Gateway Contract Audits	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	During construction	Compliance / Fiscal	4th	116	-	116	300		
External Affairs										
Bus Advertising Revenue Contract	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	Annually	Compliance / Fiscal / Operational	4th	200	-	200			**Outsource Candidate**
Finance, Administration & Human Resources										
Fixed Asset Inventory Observation	Observation of the annual physical inventory of fixed assets to verify the existence and working condition of assets and ensure they are properly recorded.	Annually	Compliance / Internal Controls / Operational	4th	140	-	140			
Payroll Reviews	Unannounced payroll reviews to ensure the accuracy of the payroll files.	Semi-annually	Internal Controls	2nd & 4th	80	-	80			Eliminated reviews and plan full scope audit 2007-2008
Treasury	Financial and compliance reviews of the treasury function, including investment and bond compliance.	Quarterly	Compliance / Internal Controls / Operational	All	178	105	73		In Process	Audits through 9/30/06 complete
Cycle Counts	Unannounced inventory cycle counts to ensure the accuracy of inventory balances.	Semi-annually	Internal Controls / Performance	1st & 3rd	184	13	171		In Process	Amended scope to evaluate policies and procedures

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
FISCAL YEAR 2006-07 INTERNAL AUDIT PLAN
Second Quarter Update

Audit	Description	Minimum Frequency	Audit Type	Quarter Work Starts	Internal Staff Planned Hours	Internal Staff Hours To Date	Under (Over)	Contract Hours	Status	Notes
Grant Close-out Audits	Fiscal and compliance audits of grants at close-out to ensure propriety of expenditures.	As needed	Compliance / Internal Controls	2nd, 3rd, & 4th	127	29	98		In Process	
Legal Counsel and Legal Services Contracts	Review to ensure contract stipulations are being complied with and to verify the propriety of payments.	As needed	Compliance / Fiscal / Internal Controls	3rd	94	24	70	250		Will be done in-house
Access Card Key Program	Operational review to improve efficiencies and ensure compliance with established practices.	As needed	Internal Controls / Operational	1st	140	249	(109)		Complete	Overbudget due to expanded scope (lease provisions)
Database Management	Operational review to improve efficiencies and ensure compliance with established practices.	As needed	Operational / Performance / Internal Controls	1st	268	-	268		In Process	**Outsource candidate**
HIPPA Compliance	Review to ensure compliance with HIPPA regulations.	As needed	Compliance / Internal Controls	4th	200	-	200			**Outsource candidate**
OCERS	Compliance and operational review to improve efficiencies and ensure compliance with external regulations and established practices.	As needed	Compliance / Operational / Internal Controls	4th	288	-	288			Added 75 hours to budget. Scope to include OPEBs
In-house Liability Claims Administration	Compliance and operational review to improve efficiencies and ensure compliance with external regulations and established practices.	As needed	Compliance / Operational / Internal Controls / Cost Recovery	1st	298	112	186		In Process	Expect to issue by 02/28/07
Employee & Labor Relations and Civil Rights										
DBE Program	Compliance and operational review to improve efficiencies and ensure compliance with external regulations and established practices.	As needed	Compliance / Operational / Internal Controls / Performance	3rd	148	12	136		In Process	
Carryover Projects from FY2005-06										
General Accounting	Review of National Transit Database procedures.	As needed	Compliance / Internal Controls	1st	50		50		Cancelled.	Reviewed during financial audit. Issues identified in management letter.
Cofiroute Contracts Audit	Compliance and operational review of contracted operations.	As needed	Compliance / Operational	1st	60	98	(38)		Complete	
Other Carryover Projects						145				
Monitoring Projects										
Transportation Development Act	On-going compliance review and follow up of recommendations made in previous Transportation Development Act audits.	Continuous		All	60	6	54		In Process	
Measure M COC	Coordination of audit activities with the Audit Committee of the Measure M Citizens Oversight Committee.	Continuous		All	115	13	103		In Process	
Bus Camera Surveliance System	On-going monitoring to keep apprised of activities and significant issues.	During planning and implementation		All	96	-	96			
91 Express Lanes	On-going monitoring of 91 Express Lanes activities and participation in roundtables.	Continuous		All	58	15	43		In Process	
SR-22 Project	On-going monitoring to keep apprised of activities and significant issues.	During construction		All	48	16	32		In Process	

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
FISCAL YEAR 2006-07 INTERNAL AUDIT PLAN
Second Quarter Update

Audit	Description	Minimum Frequency	Audit Type	Quarter Work Starts	Internal Staff Planned Hours	Internal Staff Hours To Date	Under (Over)	Contract Hours	Status	Notes
I-5 Gateway Project	On-going monitoring to keep apprised of activities and significant issues.	During construction		All	48	2	46		In Process	
CNG Station Project	On-going monitoring to keep apprised of activities and significant issues.	During construction		All	80	-	80			
Mincom Implementation	On-going monitoring of the implementation of the new inventory, maintenance and procurement system to help ensure proper internal controls are established.	During implementation		All	67	13	54		In Process	
BRT	On-going monitoring to keep apprised of activities and significant issues.	During planning and implementation		All	80	39	41		In Process	
ITCS Radio System	On-going monitoring to keep apprised of activities and significant issues.	Continuous		All	60	13	47		In Process	
Measure M Compliance Review	Recommendations were made to ensure compliance with the Measure M Ordinance and to improve procedures.			All	100	31	69	300	In Process	
Follow-up Reviews										
Lawson System	Follow-up on the fairly new system.			1st	23	-	23			
Project Controls	Recommendations were made to strengthen internal controls and make operations more efficient.			1st	20	5	15		Completed	
Maintenance Tire Lease	Recommendations were made to strengthen internal controls.			2nd	20	-	20			
Employee Expense Reports	Recommendations were made to strengthen internal controls, make operations more efficient, and ensure compliance with applicable policies.			2nd	20	-	20		In Process	
Santa Ana Base Construction	Recommendations were made to improve management oversight of the applicable contract.			2nd	20	-	20			
DMV Pull Notice	Recommendations were made to strengthen internal controls and make operations more efficient.			3rd	20		20			
Pass Sales	Recommendations were made to strengthen internal controls and make operations more efficient.			3rd	20	-	20			
Transit Police Services	Recommendations were made to strengthen internal controls, make operations more efficient, and ensure contract compliance.			3rd	20	-	20		In Process	
Payroll Reviews	Recommendations were made to strengthen internal controls.			3rd	20	-	20			
Bus Advertising	Recommendations were made to collect monies owed to OCTA and to strengthen internal controls.			3rd	20	-	20			Follow-up will be conduted during 4th quarter audit
Cofiroute Contract Audits	Recommendations were made to improve management oversight, make operations more efficient, and ensure contract compliance.			3rd	20	-	20			
Other Follow-ups				All		43	(43)			
Total Audit Hours					**7,664**	**2,809**	**4,856**	**4,600**		
				Internal Staff Hours		**36.6%**				

9.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles (WK), Clerk of the Board

Subject: Reports on the Annual Transportation Development Act Audits for Fiscal Year 2005-06

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Director Bates was not present to vote on this item.

Committee Recommendation

Receive and file the Transportation Development Act audit reports for fiscal year 2005-06.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Reports on the Annual Transportation Development Act Audits for Fiscal Year 2005-06

Overview

Pursuant to Sections 6663 and 6751 of the California Code of Regulations, audits of Transportation Development Act Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2006, by Mayer Hoffman McCann P.C.

Recommendation

Receive and file the Transportation Development Act audit reports for fiscal year 2005-06.

Background

The Transportation Development Act (TDA) provides, as a source of funding for public transportation, the Local Transportation Fund (LTF), which came into existence in 1972. The LTF revenues are derived from one quarter-cent of the retail sales tax. The one quarter-cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county.

On July 1, 1988, the Orange County Transportation Authority (OCTA) assumed responsibility for administering the TDA's various components under the LTF, which include Article 3 Funds for the Pedestrian and Bicycle Facilities Program and Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs. An important aspect of this responsibility is to ensure that the allocated and dispersed LTF funds were used in accordance with applicable TDA rules and regulations and OCTA policies and procedures.

Discussion

A total of 25 entities in Orange County, including the County of Orange and OCTA, received a TDA audit under one or more of the Articles referenced above. Please see the attached Listing of Transportation Development Act Audits Performed for FY 2005-06 (Attachment A). Thirteen of the 34 cities in Orange County did not receive any TDA funding and did not have any activity related to TDA funding in fiscal year 2005-06; therefore, audits of programs for these cities were not conducted.

In general, the audits found that the entities used the LTF funds allocated and dispersed to them in accordance with applicable TDA rules and regulations, and OCTA policies and procedures. There were instances of non-compliance with contract specifications and funding allocation instructions. Mayer Hoffman McCann, P.C. made recommendations for improvement in internal controls to ensure that TDA funds are expended in accordance with TDA rules and regulations, and OCTA policies and procedures. Please see the attached Summary of Audit Findings - Transportation Development Act Audits for FY 2005-06 (Attachment B). Additionally, the audit results are detailed in the individual audit reports on file with the Clerk of the Board. OCTA staff is working with the entities with reported findings to ensure adequate corrective actions are implemented.

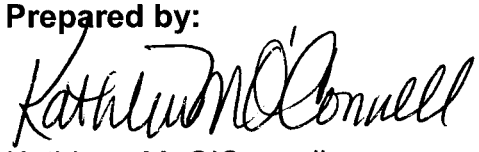
Summary

Audits of TDA Article 3 Funds for the Pedestrian and Bicycle Facilities Program and audits of Articles 4 and 4.5 Funds for the Transit and Paratransit Operating and Capital Programs were conducted for the fiscal year ended June 30, 2006, by Mayer Hoffman McCann P.C. The individual audit reports for fiscal year 2005-06 are on file with the Clerk of the Board.

Attachments

A. Listing of Transportation Development Act Audits Performed for FY 2005-06
B. Summary of Audit Findings – Transportation Development Act Audits for FY 2005-06

Prepared by:



Kathleen M. O'Connell
Manager, Internal Audit
(714) 560-5669

ATTACHMENT A

Listing of Transportation Development Act Audits Performed for FY 2005-06

Article 3 Audits

1. County of Orange
2. City of Fullerton
3. Orange County Transportation Authority

Article 4 Audit

4. Laguna Beach Municipal Transit Lines

Article 4.5 Audits

5. City of Anaheim
6. City of Brea
7. City of Buena Park
8. City of Costa Mesa
9. City of Huntington Beach
10. City of Irvine
11. City of La Habra
12. City of Laguna Niguel
13. City of Laguna Woods
14. City of Lake Forest
15. City of Newport Beach
16. City of Placentia
17. City of Rancho Santa Margarita
18. City of San Clemente
19. City of Santa Ana
20. City of Seal Beach
21. City of Westminster
22. City of Yorba Linda
23. Abrazar Inc. (passed through the City of Westminster)
24. Korean-American Senior Association (passed through the City of Garden Grove)
25. Vietnamese Community of Orange County (passed through the City of Santa Ana)

Cities that not Receive TDA Funding in FY 2005-06

1. Aliso Viejo
2. Cypress
3. Dana Point
4. Fountain Valley
5. La Palma
6. Laguna Hills
7. Los Alamitos
8. Mission Viejo
9. Orange
10. San Juan Capistrano
11. Stanton
12. Tustin
13. Villa Park

Summary of Audit Findings – Transportation Development Act Audits for FY 2005-06

Agency	Audit Finding	Agency Response
Abrazar Inc, passed through the City of Westminster – Article 4.5	1. The agency needs to charge actual, rather than estimated, salary costs to the program. Salary costs charged to the program were $46,938, which is 85% of total charges of $55,134.	Concurrence – improvements have been implemented.
Orange County Transportation Authority – Article 3	1. The agency submitted a duplicate claim to the County of Orange for one city in the amount of $43,962.	Concurrence – the duplicate claim was an oversight and the amount will be offset in the next claim.
Vietnamese Community of Orange County (VNCOC), passed through the City of Santa Ana – Article 4.5	1. OCTA sent funds directly to the VNCOC, rather than passing it through the City of Santa Ana, as required by the contract. 2. The VNCOC needs to ensure trips made for the purposes of matching funds are within the local area. *(A management letter comment was provided to the VNCOC for this issue; no response was required.)*	Concurrence – OCTA will resume passing the funding through the City of Santa Ana to the VNCOC.

PREPARED BY INTERNAL AUDIT

ATTACHMENT B

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: State Legislative Status Report

Legislative and Government Affairs/Public Communications Committee — February 1, 2007

Present: Directors Bates, Buffa, Campbell, Mansoor, and Rosen
Absent: Director Glaab

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations (reflects change from staff recommendations)

The Committee recommended deleting staff's recommendation to oppose permanent deferral of the high-speed rail bond until there is more information regarding the deferral of the bond.

The Committee approved the following recommendations:

A. Oppose any shift of transportation funding away from designated purposes to fulfill General Fund obligations.

B. Reaffirm support for expanded design-build and public-private partnership opportunities.

OCTA

February 1, 2007

To: Legislative and Government Affairs/Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: State Legislative Status Report

Overview

The Governor's budget proposed shifting over $1.1 billion of transportation funding to fulfill General Fund obligations and recommends a permanent postponement of the $9.95 billion high-speed rail bond. The Governor also indicates support for increased design-build authority and additional public-private partnership opportunities.

Recommendations

A. Oppose any shift of transportation funding away from designated purposes to fulfill General Fund obligations.

B. Oppose permanent deferral of the high-speed rail bond.

C. Reaffirm support for expanded design-build and public-private partnership opportunities.

Discussion

The Governor's budget released on January 10, 2007, while only the beginning of the budget negotiation process, outlined some concerns related to transportation funding in fiscal year (FY) 2007-2008.

The proposed budget recommends significant reallocation and permanent diversion of spillover funding (the difference between one-quarter percent of the state sales tax on all goods and the state sales tax on gasoline which is statutorily dedicated to fund transit) to fulfill General Fund obligations such as school transportation and bond debt service.

Spillover revenues are estimated to be $617 million in FY 2007-2008. This amount, plus unprogrammed State Transportation Improvement Program (STIP) transit capital funding in the amount of $398 million, and $102 million in over-allocated funds from FY 2006-2007 are being re-directed to General Fund obligations as follows:

- Home-to-School Transportation (General Fund obligation previously budgeted in the Department of Education) - $627 million
- Existing Transportation Bond Debt Service (General Fund obligation) - $340 million
- Developmental Services/Regional Center Transportation (General Fund obligation) - $144 million

This loss of spillover funding is proposed to be "backfilled" by Proposition 1B transit funds, as $600 million of the $3.6 billion statewide transit formula funds are proposed to be allocated in FY 2007-2008.

It is worth noting, however, that these bond funds are funds transit agencies should be receiving on top of, not in lieu of, current dollars. Additionally, Proposition 1B transit funds are restricted entirely to capital projects, whereas spillover can be used for operating expenses.

If the proposal were approved by the Legislature, the permanent loss of spillover and the one-time diversion of STIP transit capital funding would create a loss of approximately $17 million in operating funds and $26 million in capital funds for Orange County Transportation Authority (OCTA) for FY 2007-2008. Although there would not be cuts in service or deprogramming of projects since these funds were not included in project budgets, there would be a loss of the ability to use these funds for additional projects and services.

The proposal to include a portion of the Proposition 1B transit funds in the FY 2007-2008 budget would provide approximately $33 million for transit capital projects at OCTA.

For reference, an overview of major state transportation funding sources and programs is provided in Attachment A to assist in understanding the transportation funding shifts being proposed above.

High-Speed Rail

In the Governor's budget, the High-Speed Rail Authority is proposed to be budgeted at $1.2 million, a decrease of $13.2 million from FY 2006-2007. The additional funds provided in FY 2006-2007 were allocated for initial environmental work which will continue. The lower FY 2007-2008 budget provides minimal funding for staffing for this effort. The Governor also recommends that the $9.95 billion general obligation high-speed rail bond originally scheduled for the November 2004 ballot, postponed until 2006 and then 2008, should be postponed indefinitely.

Design-Build and Public-Private Partnerships

Both in the Governor's State of the State address supporting documents and in the proposed budget, Governor Schwarzenegger advocated for expanded design-build authority and additional opportunities for public-private partnerships. These tools would help facilitate more timely delivery of the transportation projects approved by the voters through Proposition 1B and also to better leverage state and local investments in the transportation system.

Summary

The Governor's budget proposed shifting over $1.1 billion of transportation funding to fulfill obligations of the General Fund, proposes a permanent postponement of the $9.95 billion high-speed rail bond, and advocates for increased design-build authority and additional public-private partnership opportunities.

Attachment

A. State Transportation Funding

Prepared by:

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Manager, State Relations
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Approved by:

P. Sue Zuhlke
Chief of Staff
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ATTACHMENT A

State Transportation Funding

An Overview of sources related to the State Budget

The majority of state transportation funding comes from funds that are designated for a particular purpose. Below is a quick overview of the various funding sources that are typically referred to at the state level during the budget process.

Major Revenue Sources

Fuel Excise Tax

This is the primary source of revenue for transportation in California. The fuel excise tax is a per-gallon tax on gasoline, diesel fuel, and alternative fuel. The State Fuel Excise Tax is 18 cents per gallon for both gasoline and diesel fuels. The Federal Fuel Excise Tax is 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel. Approximately 65 percent of the State Fuel Excise Tax is allocated to the State Highway Account (SHA), with the remainder going to cities and counties for streets and roads. The Federal Excise Tax is collected by the state and sent to the Federal Highway Trust Fund where it is redistributed back to the states through the six-year federal transportation program. Approximately 92 percent of these funds will be returned to the state from this source in 2008.

Truck Weight Fees

Revenues based on declared truck weights paid by commercial truckers is typically the second major source of transportation revenue in California. These fees are allocated to the SHA.

State Sales Tax on Gasoline and Diesel Fuel

The state charges a sales tax on gasoline and diesel fuel to fund transportation. The majority of the sales tax on gasoline is allocated to the Transportation Investment Fund (Proposition 42). Revenues from the sales tax on diesel fuel and the sales tax on the gasoline excise tax are allocated to the Public Transportation Account (PTA).

State Sales Tax on all goods

A portion (one-quarter percent) of the state sales tax on all goods is exclusively dedicated to transportation, mainly transit operations.

Major Transportation Accounts

State Highway Account (SHA)

This account is mostly funded through the excise tax, weight fees, and sales taxes. This is the major funding account for the State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP).

Transportation Development Act (TDA)

Enacted in 1971, the TDA was designed to enhance transportation funding in California without increasing the overall sales tax rate by reducing the state sales tax on all goods by one-quarter percent and allowing each county to impose a one-quarter percent sales tax for local transportation purposes. All 58 counties chose to enact the one-quarter percent sales tax. These funds flow to the Local Transportation Fund (LTF).

Public Transportation Account (PTA)
The PTA was established in 1971 to support public transportation projects and is primarily funded through the state sales tax on diesel fuel and a portion of the state sales tax on gasoline. This account also receives funding from the "spillover" calculation explained in the next section. Revenues received in this account are allocated 50 percent to Caltrans for capital projects and 50 percent to the STA, which is distributed by formula to regional transportation planning agencies (RTPA's) where it is typically used for operations, but can also be used for capital investments.

Spillover
To offset the loss to the General Fund when the state sales tax reduction occurred to fund the TDA (described above), sales tax was imposed on gasoline and diesel fuels. At the time, the amount of revenue generated by imposing the state sales tax on gasoline was equivalent to the one-quarter percent sales tax on all goods thus holding harmless the General Fund from any loss of revenue. As gas prices increased, the state sales tax on gasoline generated more revenue than the state lost through the diversion of the one-quarter cent sales tax on all goods to counties. The imposition of the state sales tax on gasoline was not intended to create a windfall for the General Fund, so legislation was enacted that required any excess revenue be transferred to what is now known as PTA to be used for transit purposes. This excess revenue has become known as "spillover."

Transportation Investment Fund (Proposition 42)
Proposition 42, approved by the voters in 2002, dedicates the state sales tax on gasoline that is transferred to the General Fund to transportation. Proposition 1A, passed in 2006, further protects these funds by restricting how and when the state can borrow the funds for other purposes. In order to fund the Traffic Congestion Relief Program (TCRP) that was approved by the Legislature in 2000, the first five years of Proposition 42 required that $678 million be set aside per year to fund the projects in the TCRP. The remaining Proposition 42 funds are distributed 40 percent to the STIP, 20 percent to cities, 20 percent to counties, and 20 percent to the PTA. Beginning in fiscal year (FY) 2008-2009, TCRP funding will no longer be taken off the top of Proposition 42 and those additional funds will fully flow into the formula described above.

Major State Transportation Programs

State Transportation Improvement Program Account
The STIP is a five-year capital improvement plan, updated every even numbered year, for transportation projects throughout the state. STIP funds are distributed by formula to regional (75 percent) and interregional (25 percent) projects. The regional funds are then divided further by what is called the "north/south split," which directs 60 percent of the funding to southern counties and 40 percent of the funds to northern counties. Each county's share is based on a formula that considers population and center lane miles. Major funding for the STIP comes from the SHA, PTA, and Proposition 42.

State Highway Operation and Protection Program
The SHOPP is a four-year capital improvement plan, updated every two years, for the rehabilitation and operational improvement of the state's highway system. SHOPP projects have the first call on transportation dollars. The SHOPP includes schedules and cost estimates for all highway rehabilitation needs, including safety. SHOPP projects are funded based on statewide need, rather than through a formula. Major funding for the SHOPP comes from the fuel excise taxes and weight fees in the SHA. The rehabilitation and operation needs of the state highway system are growing at such a rapid pace, that the SHOPP program consumes most or all of the excise taxes and weight fees in the SHA leaving only the sales tax funding for the STIP program.

Traffic Congestion Relief Program
Expiring at the end of FY 2007-2008, this was an approximately $5.3 billion program to fund 141 specific transportation projects and is funded separately from the STIP. Orange County received $206.5 million for the State Route 22 project through this program. Additionally, $28 million was received for grade separations along the Orangethorpe Corridor.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: WK
Wendy Knowles, Clerk of the Board

Subject: Federal Legislative Status Report

Legislative and Government Affairs/Public Communications Committee — February 1, 2007

Present: Directors Bates, Buffa, Campbell, Mansoor, and Rosen
Absent: Director Glaab

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file as an information item.

OCTA

February 1, 2007

To: Legislative and Government Affairs/Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Federal Legislative Status Report

Overview

The Federal Legislative Status Report provides a summary of activities which have begun in preparation for the federal transportation reauthorization as well as a preliminary list of issues likely to be considered as a part of this process.

Recommendation

Receive and file as an information item.

Background

The Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA- LU) is the multi-year federal transportation act signed into law on August 10, 2005, which authorizes the federal highway and transit programs. SAFETEA–LU establishes program requirements and authorizes funds to be expended from the highway trust fund for highway and transit purposes. The amounts authorized for fiscal year (FY) 2007 are $ 39.1 billion for highways and $8.9 billion for transit. Revenues into the trust fund come primarily from the per gallon tax paid on gasoline (18.4 cents per gallon) and diesel fuel (24.4 cents per gallon). These excise taxes were last adjusted in 1993.

SAFETEA-LU is set to expire on September 30, 2009. It is estimated that in approximately the same timeframe, current trust fund balances will be spent down and incoming revenues will no longer be able to sustain current authorized expenditure levels.

Several efforts have been initiated to gather input into the next reauthorization bill. First, Section 1909 of SAFETEA-LU establishes a National Surface Transportation Policy and Revenue Study Commission (Commission)

comprised of 12 members from the public, private, and academic transportation fields, to identify future highway and transit needs and develop financing recommendations for reauthorization. SAFETEA-LU calls for the Commission to consult with highway and transit stakeholders nationwide, prepare a report, and submit it to Congress by July 1, 2007.

To date the Commission has held field hearings in Dallas, New York, and Memphis. Future field hearings are scheduled for Los Angeles, Atlanta, Minneapolis, and Chicago. The Los Angeles hearing will take place on February 21-22, 2007. A proposed agenda of topics and speakers for the Los Angeles hearing has been sent to the Commission for review and approval. The proposal includes participation by Orange County Transportation Authority's (OCTA) Chief Executive Officer on a panel discussing "Partnership and Collaboration" to speak on "Private Sector Roles, Opportunities and Limitations".

Second, in December 2006, the California Department of Transportation (Caltrans) initiated a series of conference calls to seek a California consensus on the future of the federal program. As a result of the first call, they have created working groups on goals, communications, and freight movement. OCTA is participating on the Freight Movement Working Group and has raised with this group the need to consider mitigation of impacts as a part of any federal transportation program or national freight trust fund.

Finally, the national transportation trade associations and interest groups have begun organizing their members in discussions regarding reauthorization. The American Association of State Highway Transportation Officials (AASHTO) plans to convene a national transportation "visioning" conference in the spring of 2007 which would develop a proposal addressing structure and funding for intermodal freight systems, highways, transit and intercity rail and bus, and address metropolitan congestion, energy, and the environment.

The American Public Transportation Association (APTA) has begun drafting a statement of national purpose and is examining APTA's program proposals from SAFETEA-LU to determine if they should be modified or reconsidered for the upcoming reauthorization. They will be focusing on reauthorization principles at their upcoming Legislative Conference.

There is general belief that the next reauthorization bill will be much different from SAFETEA-LU. Highway trust fund balances will no longer be sufficient to augment incoming revenues to grow the program. Moreover, gas tax revenues themselves have eroded, possibly due to greater fuel efficiency and other conservation activities. The January 18, 2007, issue of *Transportation Weekly*

provides recent numbers indicating that less gasoline was purchased in the first six months of 2006 than was purchased in the same time period in 2005. These flat or declining revenues, when coupled with the annual loss of purchasing power of the gas tax due to inflation, have lead many to believe that a complete overhaul of the current funding mechanism may be required.

There are many other policy issues which will be discussed by these groups in the upcoming months. For example, what should be the proper federal role regarding freight movement and intercity rail? Should there continue to be a "firewall" around the highway trust fund which guarantees that the revenues cannot be used to fund any other federal expenditure? What should be the appropriate return of funds to the states, particularly donor states like California with great transportation needs? Is the present funding split of 80/20 between highway and transit appropriate for the future? What role will the greater emphasis on greenhouse gas reduction have on the environmental conformity of transportation projects?

Beyond that, individual funding programs within SAFETEA-LU will be analyzed to determine how effective each program is in achieving its promised result, how efficient the program is in delivering with minimum program requirements, and how fair the program is in funding projects in all parts of the country.

Summary

Efforts have begun to examine the issues surrounding reauthorization of the federal transportation program. A Commission authorized by SAFETEA-LU will be holding a field hearing in Los Angeles next month in which OCTA intends to participate. Both AASHTO and APTA have organized their membership to begin addressing reauthorization.

Attachment

None.

Prepared by:



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

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Fiscal Year 2008 Transportation Appropriations Project List

Legislative and Government Affairs/Public Communications Committee — February 1, 2007

Present: Directors Bates, Buffa, Campbell, Mansoor, and Rosen
Absent: Director Glaab

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Review and approve the recommended list of transportation projects to be submitted for the fiscal year 2008 federal appropriations process.

NOTE: Please note that the description of the Bristol Street project on page 4 of the staff report and page 2 of Attachment B should reflect right-of-way acquisition from "St. Andrews to Warner Avenue", instead of "McFadden to Pine".

OCTA

February 1, 2007

To: Legislative and Government Affairs/Public Communications Committee

From: ATL by RB
Arthur T. Leahy, Chief Executive Officer

Subject: Fiscal Year 2008 Transportation Appropriations Project List

Overview

The Orange County Transportation Authority recommends transportation projects totaling $51.6 million be submitted to the Orange County Congressional Delegation for consideration in the Fiscal Year 2008 Transportation Appropriations Bill.

Recommendation

Review and approve the recommended list of transportation projects to be submitted for the fiscal year 2008 federal appropriations process.

Background

Each year, in preparation for its annual appropriations process, the House and Senate Appropriations Committees request that congressional members submit a list of projects for consideration and possible inclusion in the legislation authorizing discretionary spending for federal programs.

Last February, the Orange County Transportation Authority (OCTA) submitted 14 projects for fiscal year (FY) 2007 at a requested federal funding level of $97 million as shown in Attachment A. The request list reflected OCTA's federal funding priorities for highways, goods movement, and transit projects. A full description of these projects is also found in Attachment A. Of the 14 project requests made by OCTA to our Congressional Delegation, six were formally submitted by the delegation to the House and Senate Appropriations Committees.

The FY 2007 Transportation Appropriation Bill passed the House with earmarks for four OCTA projects as follows: the San Diego Freeway (Interstate 405) Widening ($250,000); the Interstate 405 (I-405) Ortega

Highway Interchange ($750,000); the Bristol Street Multi-Modal Corridor ($350,000), and the Anaheim Regional Transportation Intermodal Center (ARTIC) ($400,000). In the Senate Committee version of the appropriations bill, the Bristol Street project received a $600,000 earmark. The full Senate did not pass a transportation appropriations bill and the 109th Congress adjourned without an enacted transportation appropriations for FY 2007. Funding for this year's transportation programs has been provided by a continuing resolution at the FY 2006 levels. The latest version of this Continuing Resolution funds the programs through February 15.

Current Status of FY 2007 Transportation Appropriation Process

In early December, the incoming leadership of the House and Senate Appropriations Committees of the 110th Congress announced their intention to fund programs presently under the Continuing Resolution by "passing a year-long joint resolution" and that there would be a "no congressional earmarks in the joint funding resolution". Congress indicated that they would place a moratorium on all earmarks until a reformed process is put in place. It is unclear at this point what the result of this will be for FY 2007 funding levels, but the earmarks found in the House and Senate Committee bills are no longer being considered as valid.

Discussion

The OCTA staff worked collaboratively across all departments to develop the recommended list of project funding requests for the FY 2008 federal appropriations. These recommendations were based on the benefits to the County, as well as the viable status of the project and the anticipated funds needed over the next fiscal year. In compiling the project list, an effort was made to consolidate requests and focus on projects which do not have other potential sources of funds. The list represents a total of $51.6 million in federal funds to support seven projects. The projects are described below and are contained in Attachment B.

A. Riverside Freeway (State Route 91) – Congestion Relief Projects

Funding is requested for State Route 91 (SR-91) and Eastern Toll Road (State Route 241) Interchange. A direct connection between high occupancy toll (HOT) lanes on SR-91 and the State Route-241 (SR-241) toll road will provide a new travel option for SR-91 commuters and allow for a more balanced distribution of travel along the highly congested SR-91 corridor. This request will fund examination of the technical feasibility of options to connect

SR-91 Express Lanes with SR-241. This project component is estimated to cost $200 million.

Funding is also requested for the SR-91 and the Costa Mesa Freeway (State Route 55) Interchange. Constructing this project will alleviate current and future congestion at the interchange of SR-91 and State Route (SR-55). The interchange serves Orange County commuters as well as motorists from the neighboring riverside County who are working in Orange county and motorists and goods movement traffic using SR-91 to reach destinations in Los Angeles County. This request will fund the preliminary engineering (Project Study Report) phase of the project. This project component is estimated to cost $206 million.

Total Project cost: $406 million
FY 2008 Request: $2.6 million

B. San Diego Freeway (Interstate 405) – Widening and Improvements

Funding is requested for the I-405, Corona Del Mar Freeway (State Route 73), and San Gabriel Freeway (Interstate 605) Widening Project. The OCTA has completed a major investment study (MIS) for this segment of the I-405. The preferred strategy calls for a 12-lane freeway plus such additional operational and capacity improvements as can be accommodated with the existing freeway right-of-way. The agency is preparing the engineering feasibility study for the preferred alternative. This request is to secure the necessary funding for the environmental review phase of the project.

Total Project Cost: $497 million
FY 2008 Request: $9 million

C. San Diego Freeway (Interstate 5) Segment Improvements

Funding is also requested for the Interstate 5 (I-5), Pacific Coast Highway (State Route 1) to Avenida Pico. The project is slated to add additional freeway capacity along I-5 in the South County region with consideration for a potential connection with planned San Diego County high-occupancy vehicles (HOV) lanes on I-5. For FY 2008 the requested funds will be used to complete the required technical studies, such as the environmental documents. This project component is estimated to cost $139 million.

Funding is also requested for the I-5 and Ortega Highway (State Route 74) Interchange. The project proposes to reconstruct the existing I-5 / State Route 74 (SR-74) interchange in San Juan Capistrano. Constructing

this project will facilitate traffic flows and ease congestion along Ortega Highway and the I-5 on/off ramps as well as accommodate an expected increase in traffic due to adjacent development. This project component is estimated to cost $75 million.

Total Project Cost: $214 million
FY 2008 Request: $7 million

D. Santa Ana Freeway (Interstate 5) Segment Improvements

Funding is requested for Interstate 5 (I-5) / SR-55) Interchange, on I-5 between Fourth Street and Newport Avenue and on SR-55 between Fourth Street and Edinger Avenue. This project will reconstruct the I-5 southbound entrance ramp at First Street to a loop ramp thereby providing more merging room for traffic getting on and off the freeway. Also, the project calls for construction of a new lane on southbound SR-55 through McFadden Avenue exit ramp to Edinger Avenue to eliminate the current weaving movement between the I-5 southbound connection and SR-55 southbound McFadden exit ramp. For FY 2008 the requested funds will be used for the preliminary design and other technical studies to prepare for the design phase. The overall project is estimated to cost $54 million.

Total Project Cost: $54 million
FY 2008 Request: $5 million

E. Bristol Street Widening

Bristol Street is a major north/south arterial street through the heart of Orange County from the Garden Grove Freeway (State Route 22) on the north to South Coast Plaza at the City of Costa Mesa's southern city limit. The project includes completion of the widening between 17th Street and Warner Avenue. The street will be widened from two to three lanes in each direction and includes landscaped median and parkways/greenbelts, improved intersections, undergrounding of utilities, storm drain improvements, upgraded street lighting, and soundwalls. The FY 2008 request would provide funding for right-of-way acquisition from McFadden avenue to Pine Street.

Total Project cost: $236 million
FY 2008 Request: $5 million

F. Anaheim Regional Transportation Intermodal Center (ARTIC)

The ARTIC is an intermodal transportation center located in the City of Anaheim, along the Los Angeles to San Diego (LOSSAN) rail line. The project is bounded by the Orange Freeway (State Route 57), the Santa Ana River, and Katella Avenue, and is in close proximity to the Santa Ana Freeway (Interstate 5). ARTIC will serve as a hub for many transit modes providing everything from conventional bus service to planned regional high technology transportation systems. In addition, ARTIC will strategically facilitate the proposed California high-speed rail alignment, as well as the Anaheim to Ontario International Airport segment of the California-Nevada Interstate High-Speed Rail project. This project expands existing transportation infrastructure for Amtrak intercity rail, Metrolink commuter rail, Orange County bus rapid transit, and Anaheim Resort shuttles. OCTA and the City of Anaheim have acquired the necessary property for the project with local funds.

Total Project Cost: $245 million
FY 2008 Request: $9.5 million

G. Grade Separations – Orangethorpe Corridor

The Orangethorpe Corridor is a five-mile long Burlington Northern Santa Fe railroad corridor through the cities of Placentia, Anaheim, and Fullerton with 11 at grade crossings. Recent activities include the completion of one grade crossing (Melrose Street in Placentia), closure of one crossing (Bradford Avenue in Placentia), safety improvements at eight crossings in the City of Placentia, and the construction of a pedestrian bridge (Bradford Avenue in Placentia). Another grade separation project at Imperial Highway is currently underway. As part of the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETE-LU), both the City of Fullerton and the City of Placentia received funds for grade separation projects in the Orangethorpe Corridor. This request would supplement those funds and assist in completion of the right-of-way acquisition phase of the selected project in each city.

Total Project Cost: $400 – 500 million
FY 2008 Request: $10 million

H. Inter-County Express Bus Service

OCTA has implemented Inter-County Express Bus Routes 757, 758, and 794 linking employment centers in Orange County with Los Angeles County and Riverside County. OCTA plans to introduce three additional bus routes along

the SR-91 corridor linking Orange County employment centers with Riverside County. The FY 2008 request would provide funding toward the purchase of up to 22 vehicles to implement these routes.

Total Project Cost: $4.5 million
FY 2008 Request: $3.5 million

Once this list of projects is approved, Federal Relations staff will work with OCTA Washington consultants to submit the projects to the Orange County Congressional Delegation and advocates for inclusion in the FY 2008 Transportation Appropriations Act.

Summary

It is recommended that the OCTA Board of Directors adopt the FY 2008 Transportation Appropriations Project List contained in Attachment B.

Attachments

A. Summary of the FY07 OCTA Federal Transportation Appropriations Project List
B. OCTA's FY 2008 Transportation Appropriations Project List

Prepared by:

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Approved By:

Richard J. Bacigalupo
Deputy Chief Executive Officer
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Summary of FY07 OCTA Federal Transportation Appropriations Project List

	Project Name	FY07 Status	FY07 Request	Previous Appropriation/FY	Submitted to Appropriations	Congressional District
	HIGHWAYS					
1	State Route 91 Widening*	$0	$7,500,000	$1,000,000 /06	Y	40,42,44
2	SR-91 Truck Storage Lane	$0	$1,000,000		Y	
3	I-405 Widening & Improvements	$250,000	$1,500,000	$1,500,000 /05	Y	46,48
				$1,000,000 /06		
4	I-5 & Ortega Highway Interchange Chokepoint	$750,000	$5,600,000	$800,000 /04	Y	44,48
5	I-5 & SR-55 Chokepoint	$0	$5,000,000		N	48
6	I-5 South HOV Lane - Phase I	$0	$12,000,000	$5,000,000 /05	N	44
	STREETS AND ROADS					
7	Bristol Street Multi-Modal Corridor Widening	$600,000	$25,000,000	$750,000 /05	Y	47
				$600,000 /06		
8	I-5/Gene Autry Way - HOV Ramps	$0	$10,700,000		N	40,47
	TRANSIT & GRADE SEPARATIONS					
9	Grade Separations - Orangethorpe Corridor	$0	$10,000,000		N	40, 42
	OC Rapid Transit Project:			$2,184,466 /04	N	40,42,47,48
10	1. Bus Rapid Transit	$0	$5,000,000	$1,500,000 /06	N	
11	2. Metrolink Track Capacity Improvements	$0	$5,000,000		N	
12	Inter-County Express Bus	$0	$3,380,000	$1,080,486 /04	N	42,44
13	ARTIC	$400,000	$5,000,000		Y	40,42,47
	INTELLIGENT TRANSPORTATION SYSTEMS (ITS)					
14	South County Demo/Signal Synch	$0	$500,000		N	44,48
	Total	$2,250,000**	$97,180,000			

*SR-91 FY07 request includes widening and chokepoint relief from SR-241 to the SR-71.
**Includes $250,000 for Edinger Corridor, appropriated but not requested by OCTA, and assumes Senate appropriation amount for Bristol Street project.

Congressional Districts:
CA-40 U.S. Representative Ed Royce
CA-42 U.S. Representative Gary Miller
CA-44 U.S. Representative Ken Calvert
CA-46 U.S. Representative Dana Rohrabacher
CA-47 U.S. Representative Loretta Sanchez
CA-48 U.S. Representative John Campbell

ATTACHMENT A

Orange County Transportation Authority
Fiscal Year 2007 Transportation Appropriations Project List

I. HIGHWAYS

1. State Route 91, Eastbound Widening from State Route 241 to State Route 71

This project will add one lane in the eastbound direction of SR-91 from the merge point of SR-241 northbound ramp to SR-91 eastbound, to the eastbound SR-91 connector leading to SR-71. Constructing this project will alleviate the current choke point due to the SR-241 merge to eastbound SR-91. It will also improve the weave to SR-71 from eastbound SR-91. The fiscal year 2007 request would provide funding for the design phase.

Total Project Cost: $63.1 million
FY 07 Request: $7.5 million

2. State Route 91 Eastbound Truck Storage Lane

This project would add a storage lane for trucks and provide for merge improvements at the eastbound SR-91 truck scales near Imperial Highway (SR-90). Total funding needed is $6 million. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $6 million
FY 07 Request: $1 million

3. Interstate 405 (I-405) Widening and Improvements

The Orange County Transportation Authority has recently completed a Major Investment Study (MIS) on I-405 between SR-73 and I-605. The fiscal year 2007 request would provide funding for preliminary engineering (Project Study Report) for the project.

Total Project Cost: $500 million
FY 07 Request: $1.5 million

4. San Diego Freeway (I-5) and Ortega Highway (SR-74) Interchange

This project proposes to reconstruct the existing San Diego Freeway (I-5) / Ortega Highway (SR-74) interchange in San Juan Capistrano. Constructing this project will facilitate traffic flows and ease congestion along Ortega Highway and the I-5 on/off ramps, accommodate an expected increase in traffic and traffic generated due to adjacent development. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $ 47.3 million
FY 07 Request: $ 5.6 million

5. I-5/SR-55 on I-5 between Fourth Street and Newport Avenue and on SR-55 between Fourth Street and Edinger Avenue

This project would reconstruct the I-5 southbound entrance ramp at First Street to a loop ramp thereby increasing the weaving distance. Also, construct an auxiliary lane extension on southbound SR-55 through McFadden exit ramp to Edinger which will eliminate the current weaving movement between the I-5 southbound connector and SR-55 southbound McFadden exit ramp. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $ 43.2 million
FY 07 Request: $ 5 million

6. San Diego Freeway (I-5), Pacific Coast Highway (SR-1) to Avenida Pico

Phase 1 of this project is to construct the last missing link in the Orange County High Occupancy Vehicle (HOV) system in the south county region to connect to the San Diego County HOV lane on I-5. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $132 million
FY 07 Request: $12 million

II. STREETS AND ROADS

7. Bristol Street Widening

Bristol Street is a major north/south arterial street through the heart of Orange County from the Garden Grove Freeway (State Route 22) on the north to South Coast Plaza at the city's southern city limit. The project includes completion of the widening between 17th Street and Warner Avenue. The street will be widened from two to three lanes in each direction and includes landscaped median and parkways/greenbelts, improved intersections, undergrounding of utilities, storm drain improvements, upgraded street lighting, and soundwalls. The fiscal year 2007 request would provide funding for right-of-way acquisition from McFadden Avenue to Pine Street.

Total Project Cost: $236 million
FY 07 Request: $25 million

8. Interstate 5 at Gene Autry Way – High Occupancy Vehicle Ramps

This project will complete the HOV drop ramps at Gene Autry Way in the City of Anaheim. These HOV drop ramps will provide direct access for carpools, public busses, tour busses and other high occupancy vehicles to the Anaheim Resort area. Total

funding needed is $29.2 million. The fiscal year 2007 request would provide funding for construction.

Total Project Cost: $49.1 million
FY 07 Request: $10.7 million

III. TRANSIT & GRADE SEPARATIONS

9. Orangethorpe Corridor

The Orangethorpe Corridor is along a five-mile Burlington Northern Santa Fe railroad corridor through the cities of Placentia, Anaheim and Fullerton with 11 at grade crossings. Recent activities include the completion of one grade crossing (Melrose St. in Placentia), closure of 1 crossing (Bradford Ave in Placentia), safety improvements at eight crossings in the City of Placentia, and the construction of a pedestrian bridge (Bradford Ave in Placentia). As part of SAFETEA-LU, both the City of Fullerton and the City of Placentia received funds for grade separation projects in the Orangethorpe Corridor. The fiscal year 2007 request would supplement previous federal funds and assist in completion of the right of way acquisition phase of the selected project in each city.

Total Project Cost: $500 million
FY 07 Request: $10 million

10. Orange County Rapid Transit Project: Bus Rapid Transit Service

Orange County Transportation Authority Board of Directors approved Implementation of countywide Bus Rapid Transit (BRT) and Bus shuttle services in October 2005. Service begins in 2008 with expectations that BRT services will significantly enhance fixed route service as a permanently integrated package of rapid transit elements. Orange County BRT and shuttle service distribution linkages incorporate four corridors, eleven cities and 70 miles of major arterials connecting Amtrak, Metrolink commuter rail service, major transportation centers, Fortune 500 business centers shuttles, colleges, shopping malls, a regional airport and other activity centers. The fiscal year 2007 request would provide funding for Plans, Specifications and Estimates (PS&E) for the BRT routes and Irvine Business Center Shuttle.

Total Project Cost: $125 million
FY 07 Request: $ 5 million

11. Orange County Rapid Transit Project: Metrolink Track Capacity Improvements

This project will provide a third main railroad track between Fullerton and Los Angeles Union station and will allow for the operation of additional Metrolink commuter trains and state sponsored intercity rail service trains. This project has cleared the environmental

and design phase and is now in the construction phase, with certain segments currently under construction. Eighty-six million dollars in state funds have been allocated and an additional $73 million in state funds is expected to be available through state and local sources. The five million dollars requested will be used for the next stage of construction in FY 07.

Total Project Cost: $339 million
FY 07 Request: $5 million

12. Inter-County Express Bus Service

In fiscal year 2007, OCTA plans to implement Inter-County Express Bus service linking employment centers in Orange County with both eastern Los Angeles County and western Riverside County. These bus routes are 757, 758, and 794. The purchase of vehicles for these services was partly funded by Congressman Gary Miller's fiscal year 2004 federal appropriations earmark of $1,080,486. In addition to these services, OCTA plans to introduce three additional bus routes along the SR-91 Corridor linking Orange County employment centers with Riverside County. The fiscal year 2007 request would provide funding toward the implementation of all three routes.

Total Project Cost: $8.4 to $9.2 million
FY 07 Request: $3.38 million

13. Anaheim Regional Transportation Intermodal Center (ARTIC)

The ARTIC is an intermodal transportation center located in the City of Anaheim, along the Los Angeles to San Diego (LOSSAN) rail line. The project is bounded by State Route 57, the Santa Ana River, and Katella Avenue, and in close proximity to I-5. ARTIC will serve as a hub for many transit modes providing everything from conventional bus service to planned regional high technology transportation systems. In addition, ARTIC will strategically facilitate the proposed California High Speed Rail alignment, as well as the Anaheim to Ontario International Airport segment of the California-Nevada Interstate high speed rail project. This project expands existing transportation infrastructure for Amtrak intercity rail, Metrolink commuter rail, Orange County rapid transit systems, and Anaheim Resort shuttles. OCTA and the City of Anaheim are cooperating on acquiring necessary property with local funds. In fiscal year 2007, OCTA and the City of Anaheim will commence preliminary design.

Total Project Cost: $245 million
FY 07 Request: $5 million

IV. Intelligent Transportation Systems (ITS)

14. South County Demonstration of Intelligent Traffic Signal Synchronization

OCTA's Technical Advisory Committee is defining an arterial roadway corridor in South Orange County to be the site of a demonstration of traffic signal synchronization, an intelligent transportation systems (ITS) project. The scope of work will be to develop new signal timing plans for up to 60 traffic signals, implement the new timing plans and monitor the plans to ensure a coordinated corridor. In fiscal year 2007, OCTA will engage consultant services to develop and implement the full project.

Total Project Cost: $625,000
FY07Request: $500,000

Total Funding Requested in Fiscal Year 2007: $97,180,000

Orange County Transportation Authority
Fiscal Year 2008 Transportation Appropriations Project List

Highways

A. Riverside Freeway (State Route 91) – Congestion Relief Projects

Funding is requested for State Route 91 (SR-91) and Eastern Toll Road (State Route 241) Interchange. A direct connection between high occupancy toll (HOT) lanes on SR-91 and the State Route-241 (SR-241) toll road will provide a new travel option for SR-91 commuters and allow for a more balanced distribution of travel along the highly congested SR-91 corridor. This request will fund examination of the technical feasibility of options to connect SR-91 Express Lanes with SR-241. This project component is estimated to cost $200 million.

Funding is also requested for the SR-91 and the Costa Mesa Freeway (State Route 55) Interchange. Constructing this project will alleviate current and future congestion at the interchange of SR-91 and State Route (SR-55). The interchange serves Orange County commuters as well as motorists from the neighboring riverside County who are working in Orange county and motorists and goods movement traffic using SR-91 to reach destinations in Los Angeles County. This request will fund the preliminary engineering (Project Study Report) phase of the project. This project component is estimated to cost $206 million.

Total Project cost: $406 million
FY 2008 Request: $2.6 million

B. San Diego Freeway (Interstate 405) – Widening and Improvements

Funding is requested for the I-405, Corona Del Mar Freeway (State Route 73), and San Gabriel Freeway (Interstate 605) Widening Project. The OCTA has completed a major investment study (MIS) for this segment of the I-405. The preferred strategy calls for a 12-lane freeway plus such additional operational and capacity improvements as can be accommodated with the existing freeway right-of-way. The agency is preparing the engineering feasibility study for the preferred alternative. This request is to secure the necessary funding for the environmental review phase of the project.

Total Project Cost: $497 million
FY 2008 Request: $9 million

C. San Diego Freeway (Interstate 5) Segment Improvements

Funding is also requested for the Interstate 5 (I-5), Pacific Coast Highway (State Route 1) to Avenida Pico. The project is slated to add additional freeway capacity along I-5 in the South County region with consideration for a potential connection with planned San Diego County high-occupancy vehicles (HOV) lanes on I-5. For FY 2008

the requested funds will be used to complete the required technical studies, such as the environmental documents. This project component is estimated to cost $139 million.

Funding is also requested for the I-5 and Ortega Highway (State Route 74) Interchange. The project proposes to reconstruct the existing I-5 / State Route 74 interchange in San Juan Capistrano. Constructing this project will facilitate traffic flows and ease congestion along Ortega Highway and the I-5 on/off ramps as well as accommodate an expected increase in traffic due to adjacent development. This project component is estimated to cost $75 million.

Total Project Cost: $214 million
FY 2008 Request: $7 million

D. Santa Ana Freeway (Interstate 5) Segment Improvements

Funding is requested for Interstate 5 (I-5) / SR-55) Interchange, on I-5 between Fourth Street and Newport Avenue and on SR-55 between Fourth Street and Edinger Avenue. This project will reconstruct the I-5 southbound entrance ramp at First Street to a loop ramp thereby providing more merging room for traffic getting on and off the freeway. Also, the project calls for construction of a new lane on southbound SR-55 through McFadden Avenue exit ramp to Edinger Avenue to eliminate the current weaving movement between the I-5 southbound connection and SR-55 southbound McFadden exit ramp. For FY 2008 the requested funds will be used for the preliminary design and other technical studies to prepare for the design phase. The overall project is estimated to cost $54 million.

Total Project Cost: $54 million
FY 2008 Request: $5 million

Streets and Roads

E. Bristol Street Widening

Bristol Street is a major north/south arterial street through the heart of Orange County from the Garden Grove Freeway (State Route 22) on the north to South Coast Plaza at the City of Costa Mesa's southern city limit. The project includes completion of the widening between 17th Street and Warner Avenue. The street will be widened from two to three lanes in each direction and includes landscaped median and parkways/greenbelts, improved intersections, undergrounding of utilities, storm drain improvements, upgraded street lighting, and soundwalls. The FY 2008 request would provide funding for right-of-way acquisition from McFadden avenue to Pine Street.

Total Project cost: $236 million
FY 2008 Request: $5 million

Transit and Grade Separations

F. Anaheim Regional Transportation Intermodal Center (ARTIC)

The ARTIC is an intermodal transportation center located in the City of Anaheim, along the Los Angeles to San Diego (LOSSAN) rail line. The project is bounded by the Orange Freeway (State Route 57), the Santa Ana River, and Katella Avenue, and is in close proximity to the Santa Ana Freeway (Interstate 5). ARTIC will serve as a hub for many transit modes providing everything from conventional bus service to planned regional high technology transportation systems. In addition, ARTIC will strategically facilitate the proposed California high-speed rail alignment, as well as the Anaheim to Ontario International Airport segment of the California-Nevada Interstate High-Speed Rail project. This project expands existing transportation infrastructure for Amtrak intercity rail, Metrolink commuter rail, Orange County bus rapid transit, and Anaheim Resort shuttles. OCTA and the City of Anaheim have acquired the necessary property for the project with local funds.

Total Project Cost: $245 million
FY 2008 Request: $9.5 million

G. Grade Separations – Orangethorpe Corridor

The Orangethorpe Corridor is a five-mile long Burlington Northern Santa Fe railroad corridor through the cities of Placentia, Anaheim, and Fullerton with 11 at grade crossings. Recent activities include the completion of one grade crossing (Melrose Street in Placentia), closure of one crossing (Bradford Avenue in Placentia), safety improvements at eight crossings in the City of Placentia, and the construction of a pedestrian bridge (Bradford Avenue in Placentia). Another grade separation project at Imperial Highway is currently underway. As part of the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETE-LU), both the City of Fullerton and the City of Placentia received funds for grade separation projects in the Orangethorpe Corridor. This request would supplement those funds and assist in completion of the right-of-way acquisition phase of the selected project in each city.

Total Project Cost: $400 – 500 million
FY 2008 Request: $10 million

H. Inter-County Express Bus Service

OCTA has implemented Inter-County Express Bus Routes 757, 758, and 794 linking employment centers in Orange County with Los Angeles County and Riverside County. OCTA plans to introduce three additional bus routes along the SR-91 corridor linking

Orange County employment centers with Riverside County. The FY 2008 request would provide funding toward the purchase of up to 22 vehicles to implement these routes.

Total Project Cost: $4.5 million
FY 2008 Request: $3.5 million

Once this list of projects is approved, Federal Relations staff will work with OCTA Washington consultants to submit the projects to the Orange County Congressional Delegation and advocates for inclusion in the FY 2008 Transportation Appropriations Act.

Total Funding Requested in Fiscal Year 2008: $51.6 million

13.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 8)

Transit Planning and Operations Committee — January 25, 2007

Present: Directors Brown, Dixon, Green, Moorlach, Norby, Pulido, and Winterbottom
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Director Pulido was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0780 between the Orange County Transportation Authority and LH Engineering Company, Inc., the lowest responsive, responsible bidder, in an amount not to exceed $787,845, for Americans with Disabilities Act bus stop modifications in the cities of Tustin and Irvine.

OCTA

January 25, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 8)

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board of Directors approved construction of Americans with Disabilities Act improvements at the Orange County Transportation Authority's bus stops countywide. Bids were received in accordance with the Orange County Transportation Authority's public works procurement procedures.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0780 between the Orange County Transportation Authority and LH Engineering Company, Inc., the lowest responsive, responsible bidder, in an amount not to exceed $787,845, for Americans with Disabilities Act bus stop modifications in the cities of Tustin and Irvine.

Background

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

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

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

The third phase of the BSAP is underway and engineering design is nearly complete for the remaining stops. Invitation for Bids (IFB) are planned to be issued incrementally for the remaining construction packages. A total of 12 packages are anticipated to be issued during Phase 3. This approach will allow the construction of ADA bus stop improvements to occur sooner and will provide more contracting opportunities with the Authority. This phase will address the remaining 3,000 stops in the County with an estimated cost of $7.5 million. Phase 3, Construction Package 8 will improve 85 intersections in the cities of Tustin and Irvine. Completion of Phase 3 will bring all bus stops into ADA compliance. The estimated time of completion for Phase 3 is December 2007.

Discussion

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

On October 26, 2006, IFB 6-0780 was released and posted on CAMMNET and an electronic notification was sent to 524 firms. The project was advertised on October 27 and 30, 2006, in a newspaper of general circulation. Addendum No. 1 was issued on November 16, 2006, to address administrative issues. On November 27, 2006, two bids were received. All bids were reviewed by staff from Development and Contracts Administration and

Materials Management to ensure compliance with the terms and conditions, specifications, and drawings.

Listed below are the two bids received. State law requires award to the lowest responsive, responsible bidder.

Firm and Location	Bid Price
LH Engineering Company Anaheim, California	$787,845
CJ Construction, Inc. Santa Fe Springs, California	$804,379

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2006-07 Budget, Development, Account 0051-9084-A4201-3TM, and is funded by BSAP Program Funds through Federal Transit Equity Act, TDA Article 3, and Grant CA-90-Y428, the Fiscal Year 2006 Formula Grant.

Summary

Staff has reviewed all bids received and has determined that LH Engineering Company, Inc., is the lowest responsive, responsible bidder for construction of ADA bus stop modifications for Phase 3, Construction Package 8 in the cities of Tustin and Irvine, in the not-to-exceed amount of $787,845.

Attachment

None.

Prepared by:

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Approved by:

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

14.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Rail Program Status Update

Transit Planning and Operations Committee — January 25, 2007

Present: Directors Brown, Dixon, Green, Moorlach, Norby, Pulido, and Winterbottom
Absent: None

Committee Vote

No action was taken on this receive and file informational item.

Committee Recommendation

Receive and file as an information item.

OCTA

January 25, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Rail Program Status Update

Overview

Staff is providing an update on the Orange County Transportation Authority rail program, including the Metrolink commuter rail program, grade crossing improvements, and capital improvements underway in Orange County.

Recommendation

Receive and file as an information item.

Background

The Southern California Regional Rail Authority (SCRRA) operates Southern California's five-county commuter rail system known as Metrolink. Metrolink is a joint powers authority whose membership includes participation from five agencies representing the counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura.

Three lines serve Orange County and provide a total of 44 trains daily serving ten city-owned Orange County stations. The eleventh station located in the City of Buena Park is currently under construction. Total ridership for the three lines serving Orange County is approximately 14,100 riders per day. The Orange County Transportation Authority (OCTA) owns 47.2 miles of the rail right-of-way in Orange County (known as the Orange/Olive subdivision) and operates over 68 route miles in Orange County.

On November 14, 2005, the OCTA Board of Directors (Board) authorized staff to begin implementation of the Metrolink Service Expansion (Expansion) by the year 2009, consisting of 36 more Metrolink trains serving Orange County, including service every 30 minutes between Laguna Niguel/Mission Viejo and Fullerton. As part of the Expansion, four new (two round trips) off-peak Inland Empire – Orange County (IEOC) trains began service between Oceanside and

Riverside on January 3, 2006. In addition, on June 3, 2006, weekend service began on the Orange County (OC) line and year round weekend service began on the IEOC line.

The OCTA rail program is comprised mainly of the Metrolink commuter rail program and associated capital improvements to support the Expansion and railroad grade crossing improvements.

Discussion

This report provides the Board a brief update of recent activity on the various elements of the rail program. Detailed information regarding new and ongoing program elements is delineated in Attachment A.

Metrolink Commuter Rail Program

- Weekday ridership continues to show positive quarterly and annual growth. Overall second quarter ridership is up 5.6 percent compared to the previous year's second quarter ridership and overall annual growth is 5.5 percent.

- Since the summer peak usage, weekend ridership has been holding steady on the OC line and is declining on the IEOC line. A weekend ridership study is currently underway to identify the weekend service customer base and provide a foundation for service planning, future marketing, and customer relations activities.

- Metrolink's fare policy allows for a reduced weekend fare up to 25 percent off the regular fare. OCTA in cooperation with Riverside County Transportation Commission and the San Bernardino Associated Governments proposed a special, new service, introductory, promotional fare at a reduced rate of 50 percent off regular fares through December 31, 2006. Metrolink's Board of Directors approved an extension of the weekend promotional fare through June 30, 2007, at the December 8, 2006, Board meeting.

Passenger Information/Station Signage/Banner Program

- Electronic Passenger Information System - The project is currently underway and the test station is scheduled to be operational by June 2007.

- Boarding Information Signage - Metrolink is in the process of evaluating current station sign criteria and will issue revised criteria for system-wide implementation in 2007.

- Banner Project – OCTA's Marketing Department developed a temporary information banner to inform passengers of the correct boarding platform for southbound and northbound Metrolink trains. This program is under review with the affected cities, which own the stations.

Metrolink Service Expansion

Renewal of Measure M has ensured continuation of service expansion beyond 2010. The project management consultant, Parsons Brinckerhoff Quade & Douglas, Inc., developed a master schedule for the Expansion and is currently developing conceptual design plans, and performing utility and right-of-way research for critical path items. Project definition reports have been completed for Laguna Niguel/Mission Viejo and Fullerton turnback and layover facilities. The initial phase of the Anaheim Regional Transportation Center (ARTIC) Gateway is underway and includes relocation of the existing Metrolink/Anaheim station. A separate bimonthly ARTIC report is forthcoming.

Capital Projects

- Buena Park station – Construction of the 11th Metrolink station in Orange County is proceeding to a May 2007 completion.

- Irvine station parking structure - Construction is anticipated to begin winter 2007, with completion by spring 2008.

- Orange pedestrian crossing - Design has been completed and is awaiting approval from the Office of the State Architect (OSA). On December 13, 2006, the California Transportation Commission (CTC) approved the construction funding allocation of $8 million for this project. The schedule calls for construction to begin by June 2007, pending approval the OSA.

- Santa Ana second main track – Utility work is underway; track construction is now underway and will be completed by June 2007. A track outage is scheduled for January 27 and January 28, 2007. Bus bridges will be provided between Orange and Santa Ana stations.

- Placentia Metrolink station - The City of Placentia is leading the effort to develop a Metrolink station located on the south side of the Burlington Northern Santa Fe (BNSF) railroad, between Melrose and Main streets. City of Placentia is under way with the environmental phase and expects the environmental impact report to be complete in May.

Rolling Stock

- Locomotives are expected to be delivered the fourth quarter of 2007.

- Cab Cars/Trailer Cars – A total of 59 passenger cab and trailer cars are required to support planned growth and the Expansion. Cab cars are passenger trailer cars with an additional cab space and train control to operate the locomotive in the push mode as opposed to pulling the train. The first pilot trailer and cab car is expected to be delivered December 2008.

Grade Crossing Improvements

- Safety Enhancement Program - Diagnostic meetings have occurred at all of the 55 crossings. The scopes of work are being finalized and cost estimating is in process.

- Quiet Zones - OCTA staff is in the process of developing a proposed OCTA quiet zone policy that will address both OCTA owned right-of-way and non-OCTA owned right-of-way.

- The City of Placentia has completed quiet zone improvements at eight crossings and is currently waiting for BNSF railroad to resolve outstanding radio telecommunications issues at the intersections of Lakeview Avenue and Kellogg Drive prior to filing the Notice of Establishment with the Federal Railroad Administration expected in April 2007.

Grade Separations

- Imperial Highway (State Route 90) – The California Department of Transportation (Caltrans) awarded a construction contract to Brutoco Engineering, for $30,963,653, on November 22, 2006. Construction of the railroad grade separation is scheduled to begin in February 2007 with an anticipated completion date by February 2011.

- The Jeffrey Road grade separation project received funding from the CTC on November 9, 2006. The City of Irvine advertised the project on December 21, 2006, with bid opening scheduled for January 21, 2007.

- State College Boulevard - The City of Fullerton is pursuing the grade separation at State College Boulevard and the BNSF railroad; the City of Fullerton has a funding shortfall of $40 million. Design is currently

90 percent complete and expected to be 100 percent complete in March. OCTA staff is conferring with city staff on next steps.

- Orangethorpe corridor railroad grade separations - The Orangethorpe corridor shared in a $125 million federal funding earmark to four counties that provides $31.25 million for Orange County. OCTA and the City of Placentia will need to work together to identify the 20 percent local match. On January 3, 2007, the formal application to the Federal Highway Administration was submitted by Caltrans and the other participating agencies.

Rail Program Challenges

While there have been many recent accomplishments, there are a number of potential challenges to be addressed over the next three months:

- Obtaining design approval from the OSA for the Orange pedestrian crossing.
- Initiation of environmental and design work for the turnback and layover facilities to support the Expansion schedule.
- Development of a grade crossing quiet zone policy.
- Maintaining Orange County and IEOC line weekend ridership during the winter months.

Summary

This report provides an update on the OCTA rail program, including the Metrolink commuter rail program and grade crossing improvements.

Attachment

A. Rail Program Status – As of January 11, 2007

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ATTACHMENT A

Rail Program Status – As of January 11, 2007

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Metrolink Commuter Rail Program

Weekday Ridership

Weekday ridership continues to show positive quarterly and annual growth. The Orange County (OC) line second quarter fiscal year (FY) to date 2006-07 ridership compared to second FY 2005-06 is up by 1.1 percent, averaging 6,317 riders per weekday. This increase does not include Rail 2 Rail Program ridership, which allows Metrolink monthly pass holders to ride Amtrak trains. The average ridership on the Inland Empire – Orange County (IEOC) line compared to the previous year's quarter is up 12.4 percent, averaging 4,488 riders per weekday. Lastly, the ridership on the 91 line is up 6.7 percent compared to last year, with 2,074 average weekday riders. Rail 2 Rail average weekday ridership of 1,272 is up 4.8 percent compared to the previous year's second quarter.

Total year-to-date weekday (July 1 through December 31, 2006) ridership on all three lines has increased by 5.5 percent from the previous year, for a total of 1,783,764 riders including Rail 2 Rail ridership on the OC line, and new weekend service ridership (Exhibit A).

StationLink Rail Feeder

There are currently 13 StationLink routes serving seven Orange County Metrolink stations. StationLink operates during peak rush hours and provides Metrolink passengers connecting bus service to major employment centers Monday through Friday. StationLink ridership increased by 20.8 percent year to date through November 2007 compared to FY 2005-06. In addition, Metrolink transfers to all Orange County Transportation Authority (OCTA) bus routes (including StationLink and local routes) showed an increase of 13.4 percent compared to the previous year's year-to-date statistics.

Weekend Service

Start-up of weekend service began on the OC line on Saturday, June 3, 2006, followed by Sunday service on July 2, 2006. The OC line includes six trains (three round trips) on both Saturday and Sunday.

Year-round weekend service began on the IEOC line on July 15, 2006. This service previously operated as a *summer-only* service known as the "Beach Train" and last year as the "Summerlink" service. The IEOC weekend service consists of six trains (three round trips) on Saturday and four trains (two round trips) on Sunday. OCTA, Riverside County Transportation Commission (RCTC), and San Bernardino Associated Governments (SANBAG) are partners in funding the IEOC weekend service.

Metrolink's fare policy allows for a reduced weekend fare up to 25 percent off the regular fare. OCTA in cooperation with RCTC and SANBAG proposed a special, new service, introductory, promotional fare at a reduced rate of 50 percent off regular fares through December 31, 2006. The Metrolink Board of Directors approved the special promotional weekend fare on April 21, 2006. On December 8, 2006 the Metrolink Board of Directors extended the weekend promotional fare through June 2007. In addition to the reduced fare, OCTA's station free ride day marketing campaign has attracted numerous riders and will continue throughout the year. The 2007 free ride day calendar is in development with events scheduled at the San Juan Capistrano, San Clemente, and Buena Park stations.

The first year daily weekend ridership goal is approximately 100 passengers per train on the OC line and 125 passengers per train on the IEOC line. Generally, weekend ridership drops in the fall season once school begins. The OC line weekend ridership has remained relatively stable with a higher drop in the IEOC line. Overall, Saturday ridership expectations are meeting the first-year ridership goal on the IEOC line, and are nearing forecasts on the Saturday OC line service. Sunday OC line service has not yet reached the forecast, but continues to increase each week (Exhibit B.) Staff will continue to monitor and report on weekend ridership.

Special Trains

Six round trip trains were offered on Thanksgiving day on the IEOC between Irvine and Riverside. Thanksgiving day ridership was down compared to the previous year by 4.2 percent and the Friday after Thanksgiving day ridership increased by 29 percent with a combined ridership increase of 9.74 percent for both days compared to the previous year. Due to the weekend service this was the first year service was offered on all four days over the holiday weekend resulting in an overall ridership increase The weekend fare discount was extended to Thanksgiving day riders; in addition, 3 kids up to 17 years of age rode free with one paying adult.

The Toy Train operated for the tenth year in support of the Southern California Firefighter's Spark of Love Toy Drive. This year the Toy Train made stops at all Orange County stations including a special stop this year to Camp Pendleton. Camp Pendleton was a huge success with over 4000 attendees.

Passenger Information/Station Signage

Electronic Passenger Information System (EPIS)

Metrolink stations are currently equipped with public address/changeable message signs which provide limited train status information to riders standing on the platform. This system is being upgraded with new equipment and technology

referred to as EPIS. The new EPIS system is web-based and can accept multiple source inputs through a central processing server and will provide real-time information including train number, destination, time, delay, track information, and specific service disruption information. Stations will be equipped with flat panel liquid crystal displays at the ticket vending machine and platform area in addition to the existing light-emitting diode displays currently at the platforms. Passengers will also be able to subscribe to real-time train information via email and/or cell phone paging. The project is currently underway and the test station is scheduled to be operational by June 2007. Phase 1 of the project includes availability of email and cell phone subscriber options and roll-out of the initial test station. This project is federally funded with a 50 percent local match provided by member agencies. The total project cost is $2,964,000 and OCTA's local share is $323,900. Funding for this project was approved as part of OCTA's FY 2005-06 Metrolink budget.

Boarding Information Signage

In addition to the EPIS system, Metrolink is installing interim boarding information signage at the stations. This project includes track identification, path finding signage, and boarding information signage. Phase 1 of this project is currently underway and is anticipated to be complete by the end of February 2007. Phase 2, which includes path finding and track boarding directory signage, is currently in planning and expected to be complete the third quarter of this FY. Metrolink is in the process of evaluating current station sign criteria and will issue revised criteria for systemwide implementation in 2007. This effort will be consistent with the interim boarding information signage at the Orange County stations.

Banner Project

OCTA's marketing department developed a temporary information banner to inform passengers of the correct boarding platform for southbound and northbound Metrolink trains. The banner project was presented to the Transit Planning and Operations Committee and the Legislative and Government Affairs Committee on September 18 and September 20, 2006, respectively. The banner project is being introduced to the cities and upon cities approval is expected to be in place by the end of March 2007.

Metrolink Service Expansion (Expansion)

On August 31, 2006, OCTA authorized the project management consultant, Parsons Brinckerhoff Quade & Douglas, Inc., to begin work as extension of staff for the Expansion. The contract for the interim consultant, Berg & Associates was maintained to assist the program manager in performing site utility investigation work to prepare for the upcoming track and signal projects. Since authorization, the program management team has worked closely with OCTA

staff to develop a master schedule and identify critical path items to support the Expansion.

Project Definition Reports

Reports have been completed for the Laguna Niguel/Mission Viejo turnback facility and the Fullerton turnback facility. These reports conceptually define the construction, environmental, and right-of-way elements as a basis for proceeding into preliminary engineering and design of these facilities, which are necessary to support the 30-minute Expansion service between Laguna Niguel/Mission Viejo and Fullerton; both of which are critical elements to the Expansion.

Operational Analysis and Parking Demand

An operational analysis is underway to confirm capacity requirements for the Expansion and define the operating and maintenance aspects of the program. Optional locations and conceptual layout options have been considered to accommodate storage and layover needs for the expanded service. Results from the study will assist in finalizing the site for layover facilities. Additionally, Metrolink station parking requirements in Orange County are being reviewed and validated. This analysis will be used to finalize the parking demand estimates for stations. Both studies should be completed by the end of February 2007.

Agency Coordination Efforts

A cooperative agreement is being finalized between SCRRA and OCTA regarding roles and responsibilities to support the design, construction, and construction management of turnback facilities, trackwork, signal and communications support, and other ancillary facilities associated with the operations and operating property. Coordination has also been initiated with each station city regarding track and parking expansion projects.

Anaheim Regional Transportation Intermodal Center (ARTIC) Gateway

Initial Phase

The initial phase of the ARTIC Gateway Project includes the relocation of the existing Metrolink/Amtrak station from its existing city-owned site at Anaheim Stadium which is planned for commercial development to an OCTA-owned site. A basis of design report is currently being prepared, along with surveying and mapping, which will provide a basis to enter into preliminary engineering and design of the initial facility.

Master Plan

OCTA and the City of Anaheim have launched a cooperative planning effort to identify ARTIC's short and long-term transit facility needs and alternative financing strategies, including private sector investment. The OCTA Board of Directors (Board) will receive a separate bimonthly ARTIC Gateway progress report on this effort.

Capital Projects

Buena Park Station

Construction for the 11th Orange County Metrolink station began on January 23, 2006. Completion date is extended from March to May 2007, due to work recently added to provide bus layover facilities and homeland security-funded video surveillance equipment. The City of Buena Park is the lead agency on the project, and OCTA is providing funding, project management oversight, and technical assistance through a cooperative agreement with the City of Buena Park.

Irvine Station Parking Structure

OCTA and the City of Irvine entered into a cooperative agreement to contract for design services and construction funding for a parking structure to provide 1,500 parking spaces at the Irvine station. OCTA is providing project management oversight, technical assistance, and State Transportation Improvement Program (STIP) funding in the amount of $24.9 million. On December 12, 2006, Irvine's City Council approved the design plans for issuance for bidding. In the same action, the Council approved amendments to The Irvine Company's deed which will enable the construction and operation of the parking structure to be consistent with transit-oriented design principals. Construction of a temporary parking lot will begin in early 2007. The main parking structure will be constructed starting in April 2007, with an estimated completion date of May 2008.

Orange Pedestrian Crossing

The project is funded with $8 million of STIP funds. On May 9, 2006, the Orange City Council approved their preference for an undercrossing with a northern platform extension. OCTA, the City of Orange, and Metrolink are working together to deliver this project by mid 2008. A community meeting was held in July 2006 and information regarding the project was also distributed on the Metrolink platforms to solicit input from riders and residents alike. Design was completed in December 2006 and is awaiting approval from the Office of the State Architect. The schedule calls for this project to be under construction by June 2007 and completion by summer 2008.

Santa Ana Second Main Track

Currently, there is 1.8-miles of single track between the Orange and Santa Ana stations. Completion of this project will facilitate the expansion of service between Fullerton and Laguna Niguel/Mission Viejo. A limited Notice to Proceed was issued in May 2006, and full Notice to Proceed was issued in June 2006. The contractor has mobilized the field office and is working with the cities of Orange and Santa Ana coordinating street closures, tree removal, and utility work. Track construction is now underway and will be completed by June 2007. The project is administered by Metrolink.

Placentia Metrolink Station

The City of Placentia is leading the effort to develop a Metrolink station located on the south side of the BNSF railroad, between Melrose and Main streets. The development of the station is one component of a larger downtown development plan. OCTA staff and Metrolink staff participated in a planning open house hosted by City of Placentia staff and attended by members of the public. The City of Placentia has estimated the total project cost at $31.7 million. The City of Placentia is currently proceeding with the environmental phase using $650,000 in developer fees. On June 26, 2006, the Board approved $2.5 million STIP funds for the plans, specifications, and estimates (PS&E) phase of the project. The California Transportation Commission (CTC) approved funding in September 2006. The City of Placentia is continuing their efforts on the environmental phase. This phase is expected to be complete by May 2007.

Rolling Stock

Locomotives

On March 24, 2006, Metrolink's Board approved acceptance of assignment of Utah Transit Authority's contract for the purchase of 11 remanufactured locomotives from the single proposer, MotivePower, Inc. On March 29, 2006, Metrolink and MotivePower, Inc., signed a purchase agreement for the locomotives, of which seven will support the Expansion in Orange County. On June 23, 2006, Metrolink's Board approved the option for four additional locomotives followed by CTC approval of funds. Locomotives are expected to be delivered in 2008.

Cab Cars/Trailer Cars

On April 13, 2006, Metrolink issued a Notice to Proceed to Rotem Company for the purchase of 87 trailer and cab cars, of which 52 trailer cars and seven cab cars will support the Expansion in Orange County. The kick-off meeting between

Metrolink and Rotem Company was held the first week in May 2006. The first trailer car is expected to be delivered December 2008. Metrolink and Rotem Company met in July 2006 to finalize and discuss the crash energy management/carbody structural design and schedule. Engineering and design for crushable tables is in progress with completion of an expected prototype by the end of FY 2006-07. These tables will be installed in all of the new trailer cars.

Grade Crossing Improvements

There are three main railroad lines providing passenger and freight railroad service in Orange County. There are a total of 64 at-grade highway-rail crossings on these three rail lines.

OCTA is the owner of the Orange and Olive subdivisions. The Orange subdivision stretches from the San Diego County line to the junction with the Burlington Northern Santa Fe (BNSF) in the City of Fullerton. Rail traffic on the Orange subdivision consists of Metrolink OC line and IEOC service, Amtrak Pacific Surfliner trains, and a minimal number of freight trains. There are 41 at-grade highway-rail crossings on the Orange subdivision. The Olive subdivision stretches from just north of the City of Orange Metrolink station to the junction with the BNSF in the City of Placentia. Rail traffic on the Olive subdivision consists of Metrolink IEOC line trains and a minimal number of freight trains. There are 11 at-grade highway rail crossings on the Olive subdivision.

The BNSF is the owner of the San Bernardino subdivision in Orange County. The San Bernardino subdivision stretches from the Orange County/Riverside County line near the City of Yorba Linda to the Orange County/Los Angeles County line in the City of Buena Park. The BNSF San Bernardino subdivision runs through the cities of Yorba Linda, Anaheim, Placentia, Fullerton, and Buena Park and is frequently referred to as the Orangethorpe Corridor or the Alameda Corridor East. Rail traffic on the BNSF San Bernardino subdivision consists largely of BNSF freight trains and a minimal number of Metrolink 91 line, IEOC line (over a portion of the line), and Amtrak trains. There are 12 at-grade highway-rail crossings on the San Bernardino subdivision in Orange County.

As a result of planned increases in passenger and freight rail traffic on the three rail lines described above, a renewed focus should be placed on grade crossing improvements. Improvements to at-grade highway-rail crossings can cover a wide spectrum, beginning with basic safety improvements (improving crossing surfaces, re-applying of pavement markings, and enhancing signing), to the installation of supplemental safety measures that allow for the discontinuance of locomotive horn blowing (quiet zones), to grade crossing closures and at-grade highway-railroad separations that completely separate rail traffic from vehicular and pedestrian traffic.

OCTA, the City of Placentia, and the members of the Orangethorpe Corridor (OCTA, City of Placentia, SANBAG, RCTC, Alameda Corridor East Construction Authority) have each conducted a number of studies over recent years addressing safety enhancements, quiet zones, and grade separations covering all three rail lines described above. These studies have provided significant amounts of data that has allowed each individual crossing to be examined for safety enhancements as well as the potential for separation. This existing data provides the ability to examine and prioritize grade crossing improvements on a countywide level.

Safety Enhancement Program

The OCTA Grade Crossing Safety Enhancement Program is underway with Metrolink, OCTA, and affected cities. Both kick-off and diagnostic meetings have occurred with the cities of Anaheim, Dana Point, Fullerton, Orange, Santa Ana, Tustin, Irvine, San Clemente, and San Juan Capistrano (Exhibit C.) During the diagnostic review the team meets in the field at the individual railroad grade crossing and finalizes the safety enhancement scope of work. A revised cost estimate is prepared and will be scheduled for individual city council approval following OCTA review. The diagnostic reviews also include defining additional scope of work that may be initiated by the city and is beyond the required safety enhancement. Lastly, a separate scope of work for quiet zone improvements is identified and tracked for cities to use in their consideration of quiet zones. To date all 55 field diagnostic review meetings have been completed with full participation from OCTA, Metrolink, the California Public Utilities Commission, and the local city in which the grade crossing is located. This program does not include eight crossings located in the City of Placentia, as they have been improved through a separate city-led program.

Quiet Zones

After years of development and 18 months of final review, the Federal Railroad Administration (FRA) released its Final Train Horn Rule (Final Rule) on June 24, 2005. The Final Rule establishes a basic requirement for trains to sound horns at all public at-grade highway-rail crossings except in quiet zones established under the procedures set forth in the Final Rule. During the development of the Final Rule, several jurisdictions within the Metrolink service area in Orange County began consideration of the establishment of quiet zones under the federal rule. During this time, Metrolink staff began the development of a set of policies and procedures which are intended to guide staff in discussions with public authorities to establish the roles and responsibilities of Metrolink and the public authorities in these matters.

On April 21, 2006, the Metrolink Board adopted the Southern California Regional Rail Authority Quiet Zone Implementation Guidelines and Procedures. These policies and procedures focus on diagnostic reviews, cost recovery, and liability

as the critical areas to be considered. The policies and procedures call for every crossing within the proposed quiet zone to be subject to diagnostic review. Secondly, the policy calls for the public authority designating the quiet zone (typically a city) to reimburse Metrolink for the full cost of designing and constructing improvements the public authority determines are required for the crossings within the quiet zone, and share in the ongoing maintenance costs. Finally, due to the unavailability of commercial railroad protective liability insurance (to the public authority), the policies and procedures call for adherence to a higher standard of safety in the design of grade crossings.

OCTA currently does not have a policy on the implementation, funding, or ongoing operating costs related to quiet zones. Staff is developing quiet zone policy options for Board consideration. The policy will need to address capital costs, ongoing operating and maintenance costs, liability, and funding sources. In addition, staff expects that two separate policies will be needed. One will likely address quiet zones on OCTA owned rail right-of-way. The other will address quiet zones on non-OCTA owned rail right-of-way.

Placentia Quiet Zone

The City of Placentia has completed quiet zone improvements at eight crossings along BNSF territory. The Kramer Boulevard crossing is currently working as designed. The BNSF railroad is resolving radio communications interference at the intersections of Lakeview Avenue and Kellogg Drive. Upon resolution of the technical issues the City of Placentia will file a notice of establishment with the FRA. The City of Placentia expects to have the quiet zone in place by April 2007.

Grade Separations

Imperial Highway

The Imperial Highway Grade Separation design is complete. The CTC approved the construction allocation of $39.1 million on June 8, 2006. The project was advertised for construction on July 24, 2006, followed by bid opening on November 3, 2006. Ten bids were received ranging in cost from $30.8 million to $37.4 million. The engineers estimate was $37.3 million. Caltrans awarded a construction contract to Brutoco Engineering for $30,963,653.01 on November 22, 2006. Construction is scheduled to begin February 2007 with an anticipated completion date by February 2011.

Jeffrey Road

The Jeffrey Road grade separation project in the City of Irvine was advertised for construction late last year. Only one bid was received by the city and was ultimately rejected for not being responsive to all federal requirements. In

addition, the one bid received exceeded the programmed amount by $24 million. City of Irvine staff has reviewed the engineers' estimate, compared it to the bid received, and believes that additional funding is needed to complete the project. On June 26, 2006, the Board approved $24 million in STIP funds for the project. The Jeffrey Road grade separation project received a $20.4 million allocation from the CTC on November 9, 2006. The City of Irvine issued Request for Proposals on December 21, 2006, with bids due January 21, 2007, and anticipates awarding a contract in February 2007.

State College Boulevard

The City of Fullerton is pursuing the grade separation of State College Boulevard and the BSNF railroad. The PS&E phase is expected to be completed in March 2007. The total estimated project cost is currently $57.8 million. The City of Fullerton received a federal earmark of $12.8 million and has programmed $5 million in developer fees. This leaves a funding shortfall of $40 million.

Orangethorpe Corridor

The Orangethorpe Corridor received a $125 million earmark in the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users. Agreement has previously been reached by the Alameda Corridor East Construction Authority, SANBAG, RCTC, the City of Placentia, and OCTA to evenly allocate the $125 million earmark. This provides $31.25 million for Orange County.

OCTA staff participated extensively with the other four parties and Caltrans to develop the required application to access the federal earmark to implement the project. The formal application was submitted to the Federal Highway Administration on January 3, 2007. Upon approval of the application, a 20 percent local match will be required. OCTA and the City of Placentia will need to work together to identify the 20 percent local match. Current plans by the City of Placentia call for the earmark to be used on the Kraemer Boulevard undercrossing project in the City of Placentia.

Rail Program Challenges

- Staff is resolving potential issues of the Rail Program and has highlighted challenges to be resolved over the next three months.

- Obtaining timely design approval from the Office of the State Architect for the Orange pedestrian crossing.

- Identification of right-of-way ownership at proposed turnback sites. Initiation of environmental and design work for the turnback and layover facilities to support the Expansion schedule.

- As this is the first year of weekend Metrolink service on the OC line and first year-round weekend service on the IEOC line, only minimal data exists on the weekend service customer base. In order to maintain OC and IEOC line weekend ridership during the winter months, staff, in partnership with RCTC, is conducting on-board surveys and a market research study. It is anticipated that the results of these efforts will identify the weekend service customer base and provide a foundation for future weekend service planning.

- Lastly, development of a grade crossing quiet zone policy is underway and will be presented to the Board for evaluation and approval.

EXHIBIT A

Metrolink Commuter Rail Program
Average Daily and Total Year to Date Ridership

Second Quarter Weekday Ridership	Orange County Line Daily Average	Inland Empire - Orange County Line Daily Average	91 Line Daily Average	Rail 2 Rail Daily Average	Total Weekday Average
2005	6,249	3,993	1,944	1,214	13,400
2006	6,317	4,488	2,074	1,272	14,151
Change	1.1%	12.4%	6.7%	4.8%	5.6%

Year to Date Total Ridership through December	Orange County Line	Inland Empire - Orange County Line	91 Line	Rail 2 Rail	Total Year to Date
2005-06	789,031	492,532	204,405	204,545	1,690,513
2006-07	*820,117	*595,291	245,718	209,179	1,783,764
Change	3.9%	20.9%	20.2%	2.3%	5.5%

* Includes Weekend Ridership

EXHIBIT B

Monthly Metrolink Weekend Ridership

	Orange County Line (Sat)	Orange County Line (Sun)	Inland Empire - Orange County Line (Sat)	Inland Empire - Orange County Line (Sun)
June	2,649	-	-	-
July	2,880	1,563	4,657	2,620
August	2,084	1,932	5,957	3,412
September	2,472	1,933	3,860	1,485
October	1,721	2,503	1,561	1,808
November	1,704	1,602	1,259	912
December	2,115	1,961	1,419	1,039
Subtotal	15,625	11,494	18,713	11,276
Total Ridership 2006 Per Line	27,119		29,989	

Year to Date Weekend Ridership Average Per Train

Year To Date	Orange County Line (Sat)	Orange County Line (Sun)	Inland Empire - Orange County Line (Sat)	Inland Empire - Orange County Line (Sun)
2006 Average per Day	504	426	749	451
2006 Average per Train	84	71	125	113

EXHIBIT C

PROGRAM STATUS SUMMARY SHEET

OCTA Grade Crossing Safety Enhancement Program

Contract Package	City	No. of Crossings	Kick-Off Meeting	Site Diagnostic Meeting(s)	MOU	Current Level of Completion
1	Santa Ana	10	4/3/2006	Completed 5/22/06-5/23/06	*In progress*	Scoping Complete 95%
	Tustin	1	4/13/2006	Completed 5/25/06	*In progress*	*Scoping Complete 95%*
	Irvine	3	*8/7/2006*	Completed 11/28/2006	*In progress*	Scoping Complete 50%
2	Orange	16	3/13/2006	Completed 4/24/06-4/26/06	*In progress*	*Scoping Complete 95%*
3	Anaheim	14	6/12/2006	*Completed 7/26/06-7/28/06*	*In progress*	*Scoping Complete 90%*
	Fullerton	3	6/19/2006	*Completed 7/26/06*	*In progress*	*Scoping Complete 90%*
4	Dana Point	1	5/3/2006	*Completed 5/24/06*	*In progress*	*Scoping Complete 85%*
	San Juan Capistrano	4	*8/31/2006*	Completed 11/28/2006	*In progress*	Scoping Complete 50%
	San Juan Capistrano (Private Crossing)	1		Completed 11/28/2006	Not initiated	Scoping Complete 50%
	San Clemente	2	*8/21/2006*	Completed 11/27/2006	*In progress*	Scoping Complete 50%
TOTALS		55				

15.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: 2007 Technical Steering Committee Membership

Regional Planning and Highways Committee — February 5, 2007

Present: Directors Amante, Cavecche, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: Director Dixon

Committee Vote

This item was passed by the Committee Members present.

Director Green opposed the vote.

Committee Recommendations (Reflects change from staff recommendation)

A. Select and approve Option B of the 2007 Technical Steering Committee member roster.

B. Approve the Policies and Procedures for the Technical Steering Committee membership with the revision of bullet point seven under TSC Membership Process.

Note: "Revised Attachment D" reflects the Committee's revision of bullet point seven.

REVISED
ATTACHMENT D

Policies and Procedures for Technical Steering Committee Membership

Overview

The Orange County Transportation Authority's (OCTA) Technical Steering Committee (TSC) is a subcommittee of the OCTA – Technical Advisory Committee. The TAC relies on the TSC to review and discuss technical issues prior to action by the TAC.

The Technical Steering Committee consists of nine voting members chosen by the Technical Advisory Committee and appointed by OCTA Board of Directors. There is one position representing each of Orange County's five Supervisorial Districts, two at-large positions, and the TAC Chairman and Vice-Chairman. The chairman and vice-chairman serve one-year terms while all other representatives serve two-year terms, with no limit on the number of terms. TSC tenure terms are staggered to ensure continuity and consistency. Current policy states that there are to be no more than 2 representatives from any District and there should be a balance between large and small cities.

TSC Membership Process

- OCTA provides a report to the TAC meeting about TSC positions that are up for consideration as well as the schedule for the selection process.

- TAC members interested in serving on the TSC must submit a letter of intent to the chairman of the Technical Advisory Committee (TAC), chairman of the City Engineers Association (CEA), and the OCTA department manager (no nominations shall be accepted from the floor).

- A critical success factor for selection to serve on the TSC is active participation at the TAC meetings over the preceding 12 months.

- The chairman of the CEA, in consultation with the chairman of the OCTA TAC shall review the letters of intent and provide a recommendation for the new TSC.

    - There shall be no more than two representatives from any one district, **exclusive of the chairman and vice-chairman positions***.

    - County of Orange can only serve in at-large or Chair/Vice-Chair positions.

    - There will be a balance between small and large jurisdictions (small jurisdictions defined as those with populations less than 62,000). ~~**and consideration will be given to balance North and South Orange County. Consideration will also be given to provide a balance of large/small between the chairman and vice-chairman positions***.~~

- The CEA recommendations are reviewed by the TSC and forwarded to the TAC for approval.

- The TAC recommendations for the new TSC appointments are approved by the OCTA Board of Directors.

*Proposed changes to the current policy are bolded.

Member Agency Definitions

	Member Agencies	City Size	Location
District 1	Garden Grove	Large	North
	Santa Ana	Large	North
	Westminster	Large	North
	County of Orange	Large	North/South
District 2	Costa mesa	Large	South
	Cypress	Small	North
	Fountain Valley	Small	North
	Huntington Beach	Large	North
	La Palma	Small	North
	Los Alamitos	Small	North
	Newport Beach	Large	South
	Seal Beach	Small	North
	Stanton	Small	North
	County of Orange	Large	North/South
District 3	Brea	Small	North
	Irvine	Large	South
	Orange	Large	North
	Tustin	Large	North
	Villa Park	Small	North
	Yorba Linda	Large	North
	County of Orange	Large	North/South
District 4	Anaheim	Large	North
	Buena Park	Large	North
	Fullerton	Large	North
	La Habra	Small	North
	Placentia	Small	North
	County of Orange	Large	North/South
District 5	Aliso Viejo	Small	South
	Dana Point	Small	South
	Laguna Beach	Small	South
	Laguna Hills	Small	South
	Laguna Niguel	Large	South
	Laguna Woods	Small	South
	Lake Forest	Large	South
	Mission Viejo	Large	South
	Rancho Santa Margarita	Small	South
	San Clemente	Large	South
	San Juan Capistrano	Small	South
	County of Orange	Large	North/South

OCTA

February 5, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: 2007 Technical Steering Committee Membership

Overview

The Orange County Transportation Authority's Technical Advisory Committee provides feedback and direction on many streets and roads-related items, including the allocation of the Combined Transportation Funding Program funds. A Technical Steering Committee is annually nominated to review major technical issues before they are presented to the larger group. The list of the 2007 Technical Steering Committee membership is submitted for Board of Directors' approval.

Recommendations

A. Select and approve the 2007 Technical Steering Committee member roster.

B. Approve the Policies and Procedures for the Technical Steering Committee membership.

Background

The Orange County Transportation Authority (OCTA) Technical Advisory Committee (TAC) was established under enabling legislation for the Orange County Transportation Commission. The TAC is comprised of representatives from all Orange County cities, the County of Orange, the California Department of Transportation, and the Transportation Corridor Agencies. The TAC relies on the Technical Steering Committee (TSC) to review major technical items before they are brought to the larger TAC.

The TSC consists of nine-voting members appointed by the TAC. There is one position representing each of Orange County's five supervisorial districts, two at-large positions, and the TAC chairman and vice-chairman. Current policy states that the representatives shall be balanced between the city size (large

and small), and there can be no more than two representatives from any one supervisorial district. In addition, there is consideration given to provide a balance between the north and south county representation. The TAC chairman and vice-chairman serve one-year terms with no limit on the number of terms. All other representatives serve two-year terms and must regularly attend TAC meetings in order to be a member of the TSC. Selection of the TSC members is overseen by the Orange County City Engineers Association chairman in consultation with the chairman of the TAC. Together, the two chairmen make a recommendation to the TAC for approval. There may be exceptions to these policies that are generated based on a lack of nominations from large or small cities or specific supervisorial districts.

Discussion

2007 Technical Steering Committee Membership

Staff previously brought this item to the Regional Planning and Highways Committee (Committee) in December 2006. At the Committee's request, staff reviewed the recommendation with the Orange County City Engineers Association chairman and the TAC and has brought back two potential rosters. The issues addressed during the reevaluation were district breakdown by city and number of representatives from each district. It should also be noted that the representative who was previously proposed to serve as the vice-chairman, has taken a new position with the City of Irvine. This means that the alternate will serve out the remaining term (one year), but will not be proposed to serve as the vice-chairman, which required the nomination of a different vice-chairman.

The Orange County City Engineers Association chairman and the TAC have reviewed the previously proposed roster and developed two additional options for the 2007 rosters. The proposed rosters are comprised of current eligible TAC members who submitted letters of interest for the TSC. In developing the proposed 2007 rosters, the long-standing tradition of the existing vice-chairman filling the chairman position was used in each of the options. These options are presented below.

Option A

The previously proposed roster did depart from the policy of no more than two representatives from any one district. This roster was redistributed to move the City of Anaheim's representative into the vice-chair position and the City of Irvine's representative back into the District 3 position. This roster is shown in Attachment A as Option A. This would address the Committee's concern

regarding the City of Anaheim being considered a District 3 city. It would also address the change of representative which has occurred since the last meeting. However, the end result would make no changes to the member composition of the roster, and there would still be three representatives from District 5. This year the nominations did not include any eligible representatives from Districts 1 or 3. In order to develop a roster from the eligible candidates and maintain a balance between large/small and north/south cities, the recommended roster includes three representatives from District 5.

Option B

The other potential roster would eliminate the Committee's concerns regarding the city breakdown by district as well as equal representation from each district, and a balance between small and large cities. However, the roster does depart from the traditional north/south split. This potential roster is presented in Attachment A, Option B.

Technical Steering Committee Membership Policies

The current Board policy for TSC membership includes the following:

- The Technical Steering Committee will consist of nine members (chairman, vice-chairman, one representative from each supervisorial district, two at-large positions).
- There shall be no more than two representatives from any one supervisiorial district.
- Each member will serve a two-year term with the exception of the chairman and vice-chairman who will serve one-year terms.
- There will be a balance made between small and large jurisdictions (small defined as those with populations less than 62,000).

The policies and procedures are further defined in Attachment D.

The existing policies and procedures have served OCTA well; however, staff recommends two changes to ensure the process remains effective and efficient. The first change is to the number of representatives from each supervisorial district. Staff proposes to change the policy to state: "There shall be no more than two representatives from any one supervisorial district, exclusive of the chairman and vice-chairman." The second change is to add that there should be an effort made to balance north and south county jurisdictions. These two changes will help ensure that the needs of agencies countywide are balanced and no advantage is given to any one region. These changes were discussed with and are supported by the TAC.

Summary

Representatives from the Orange County City Engineers Association and the TAC have provided two potential rosters for the 2007 TSC membership and a revised policy for TSC membership. These rosters and the updated policy are presented to the Board of Directors for final selection and approval.

Attachments

A. Proposed 2007 Technical Steering Committee Membership
B. Letter of Support from the Orange County City Engineers Association chairman, dated December 11, 2006
C. 2007 Technical Steering committee Membership (previous item dated December 4, 2006)
D. Policies and Procedures for Technical Steering Committee Membership

Prepared by:

Jennifer Bergener
Manager, Capital Programs
(714) 560-5462

Approved by:

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

ATTACHMENT A

PROPOSED 2007 Technical Steering Committee Membership

OPTION A

NAME	AGENCY	POPULATION	MEDIAN POPULATION SIZE	DISTRICT	NORTH/ SOUTH
Tom Wheeler	Rancho Santa Margarita	49,130	Small	Chair	South
Gary Johnson	Anaheim	342,410	Large	Vice-Chair	North
James Ross	Santa Ana	351,322	Large	1	North
Mark Lewis	Fountain Valley	57,045	Small	2	North
Manuel Gomez	Irvine	193,785	Large	3	South
Don Hoppe	Fullerton	136,428	Large	4	North
Steve May	Laguna Beach	24,963	Small	5	South
Ignacio Ochoa	County of Orange	120,174	Large	at Large	North/South
Ken Rosenfield	Laguna Hills	33,225	Small	at Large	South

OPTION B

NAME	AGENCY	POPULATION	MEDIAN POPULATION SIZE	DISTRICT	NORTH/ SOUTH
Tom Wheeler	Rancho Santa Margarita	49,130	Small	Chair	South
Gary Johnson	Anaheim	342,410	Large	Vice-Chair	North
James Ross	Santa Ana	351,322	Large	1	North
Mark Lewis	Fountain Valley	57,045	Small	2	North
Manuel Gomez	Irvine	193,785	Large	3	South
Don Hoppe	Fullerton	136,428	Large	4	North
Ken Rosenfield	Laguna Hills	33,225	Small	5	South
Ignacio Ochoa	County of Orange	120,174	Large	at Large	North/South
Ismile Noorbaksh	La Palma	25,298	Small	at Large	North

ATTACHMENT B

CITY OF DANA POINT

DEPARTMENT OF PUBLIC WORKS

December 11, 2006

RECEIVED
DEC 13 2006
PLANNING AND PROGRAMMING

Ms. Jennifer Bergener
Orange County Transportation Authority
600 S Main Street
PO Box 14184
Orange, CA 92863-1584

FROM: City Engineers Association of Orange County

Dear Jennifer:

Upon further review, this letter is provided in support of proposed 2007 TSC Membership that has been previously submitted to the Regional Planning and Highways Committee for review.

Having reviewed the list of applicants (noting that no new District Three applicants were submitted, and noting that District Three Representative Marty Bryant has been nominated to Vice-Chair and that part of Anaheim is in District Three) we believe the representation, as proposed, is fair given the circumstances. Also of note is that the balance of North/South representation has been maintained with this proposal.

I can be reached at (949) 248-3554 if you have further questions.

Sincerely,

Brad J. Fowler
President, CEAOC

Cc: Mark Lewis, Public Works Director, City of Fountain Valley

ATTACHMENT C

OCTA

December 4, 2006

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: 2007 Technical Steering Committee Membership

Overview

The Orange County Transportation Authority's Technical Advisory Committee provides feedback and direction on many streets and roads related items, including the allocation of the Combined Transportation Funding Program funds. A Technical Steering Committee is annually nominated to review major technical issues before they are presented to the larger group. The list of the 2007 Technical Steering Committee membership is submitted for Board approval.

Recommendation

Approve the 2007 Technical Steering Committee member roster as proposed.

Background

The Technical Advisory Committee (TAC) was established under enabling legislation for the Orange County Transportation Commission. The TAC is comprised of representatives from all Orange County cities, the County of Orange, the California Department of Transportation, and the Transportation Corridor Agencies. The TAC relies on the Technical Steering Committee (TSC) to review major technical items before they are brought to the larger TAC.

The TSC consist of nine voting members appointed by the TAC. There is one position representing each of Orange County's five supervisorial districts, two at-large positions, and the TAC chairman and vice-chairman. The representatives should be balanced between the city size (large and small) and location (north and south County). Additionally there can be no more than two representatives from any one supervisorial district. The TAC chairman and vice-chairman serve one-year terms with no limit on the number of terms. All other representatives serve two-year terms and must regularly attend TSC and TAC meetings in order to participate on the TSC.

Discussion

Representatives from the Orange County City Engineers Association and the TAC have prepared and approved a roster for the proposed 2007 Technical Steering Committee (Attachment A). The proposed roster is comprised of current TAC members who submitted letters of interest for the TSC. For 2007 there are five vacancies which needed to be filled: vice-chairman, two at large positions, and districts 2 and 5 positions. In developing the proposed 2007 roster, the long standing tradition of the existing vice-chairman filling the chairman position was used. The proposed TSC roster reflects a balance between both large and small cities as well as an even split between north and south county jurisdictions. The TAC approved this item on November 29, 2006. The attached proposed 2007 TSC membership provides a complete description of each member and the area and city size they represent.

Summary

Representatives from the Orange County City Engineers Association and the TAC have recommended candidates for to serve on the 2007 TSC. The TAC approved this roster in November 2006.

Attachment

A. Proposed 2007 Technical Steering Committee Membership

Prepared by:

for Jennifer Bergener
Manager, Capital Programs
(714) 560-5462

Approved by:

for Paul C. Taylor, P.E.
Executive Director, Development
(714) 560-5431

ATTACHMENT D

Policies and Procedures for Technical Steering Committee Membership

Overview

The Orange County Transportation Authority's (OCTA) Technical Steering Committee (TSC) is a subcommittee of the OCTA – Technical Advisory Committee. The TAC relies on the TSC to review and discuss technical issues prior to action by the TAC.

The Technical Steering Committee consists of nine voting members chosen by the Technical Advisory Committee and appointed by OCTA Board of Directors. There is one position representing each of Orange County's five Supervisorial Districts, two at-large positions, and the TAC Chairman and Vice-Chairman. The chairman and vice-chairman serve one-year terms while all other representatives serve two-year terms, with no limit on the number of terms. TSC tenure terms are staggered to ensure continuity and consistency. Current policy states that there are to be no more than 2 representatives from any District and there should be a balance between large and small cities.

TSC Membership Process

- OCTA provides a report to the TAC meeting about TSC positions that are up for consideration as well as the schedule for the selection process.

- TAC members interested in serving on the TSC must submit a letter of intent to the chairman of the Technical Advisory Committee (TAC), chairman of the City Engineers Association (CEA), and the OCTA department manager (no nominations shall be accepted from the floor).

- A critical success factor for selection to serve on the TSC is active participation at the TAC meetings over the preceding 12 months.

- The chairman of the CEA, in consultation with the chairman of the OCTA TAC shall review the letters of intent and provide a recommendation for the new TSC.

    - There shall be no more than two representatives from any one district, **exclusive of the chairman and vice-chairman positions***.

    - County of Orange can only serve in at-large or Chair/Vice-Chair positions.

    - There will be a balance between small and large jurisdictions (small jurisdictions defined as those with populations less than 62,000), **and consideration will be given to balance North and South Orange County. Consideration will also be given to provide a balance of large/small between the chairman and vice-chairman positions***.

- The CEA recommendations are reviewed by the TSC and forwarded to the TAC for approval.

- The TAC recommendations for the new TSC appointments are approved by the OCTA Board of Directors.

*Proposed changes to the current policy are bolded.

Member Agency Definitions

	Member Agencies	City Size	Location
District 1	Garden Grove	Large	North
	Santa Ana	Large	North
	Westminster	Large	North
	County of Orange	Large	North/South
District 2	Costa mesa	Large	South
	Cypress	Small	North
	Fountain Valley	Small	North
	Huntington Beach	Large	North
	La Palma	Small	North
	Los Alamitos	Small	North
	Newport Beach	Large	South
	Seal Beach	Small	North
	Stanton	Small	North
	County of Orange	Large	North/South
District 3	Brea	Small	North
	Irvine	Large	South
	Orange	Large	North
	Tustin	Large	North
	Villa Park	Small	North
	Yorba Linda	Large	North
	County of Orange	Large	North/South
District 4	Anaheim	Large	North
	Buena Park	Large	North
	Fullerton	Large	North
	La Habra	Small	North
	Placentia	Small	North
	County of Orange	Large	North/South
District 5	Aliso Viejo	Small	South
	Dana Point	Small	South
	Laguna Beach	Small	South
	Laguna Hills	Small	South
	Laguna Niguel	Large	South
	Laguna Woods	Small	South
	Lake Forest	Large	South
	Mission Viejo	Large	South
	Rancho Santa Margarita	Small	South
	San Clemente	Large	South
	San Juan Capistrano	Small	South
	County of Orange	Large	North/South

16.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Development of a Countywide Pavement Management Program

Regional Planning and Highways Committee — February 5, 2007

Present: Directors Amante, Cavecche, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: Director Dixon

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Approve the proposed consultant selection evaluation criteria.

OCTA

February 5, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Development of a Countywide Pavement Management Program

Overview

Renewed Measure M requires establishment of a common countywide pavement management practice as a requirement for receipt of funds for local streets and roads projects. The Orange County Transportation Authority is ready to procure consultant services to assess available systems and develop recommendations. Evaluation criteria for consultant selection is provided for Board of Directors approval.

Recommendation

Approve the proposed consultant selection evaluation criteria.

Background

The March 2006 Countywide Assessment of Existing and Future Pavement Needs report found that overall, countywide pavement conditions have gradually deteriorated since 1998, although cities and the County have been slightly more successful in maintaining and preserving arterials compared to residential streets. This report also recommended that all Orange County agencies (cities and the County) utilize common Pavement Management Program (PMP) software for maintaining, updating, and reporting to facilitate future regional projections. The Renewed Measure M allocates increased funding for street maintenance, provides matching incentives, and at the same time, establishes requirements for benchmarking and regular progress reporting using common standards.

On April 24, 2006, at the Orange County Transportation Authority (OCTA) Board of Directors (Board) meeting, the Chief Executive Officer was directed to provide a specific proposal for Board consideration concerning the development of a standard PMP software for use by all local jurisdictions in Orange County. The goal is to apply such a system for the Renewed

Measure M and perhaps for allocations of future federal funds for pavement rehabilitation.

Discussion

At present, 35 Orange County agencies (34 cities and the County) are using various PMP software. OCTA is proposing the use of common PMP software by all Orange County agencies eligible for participation in the Measure M program to assess and monitor countywide pavement conditions more efficiently. Staff presented the draft scope of work for the PMP software selection process to the Technical Steering Committee on July 12, 2006, and again on September 13, 2006, after incorporating comments. Staff also presented the proposed scope of work to the Technical Advisory Committee (TAC) on September 27, 2006. Some agencies have expressed a desire to see multiple PMP software usage. The scope of work for the software selection process includes performing qualitative analysis of multiple versus single PMP software.

Heightened interest is also developing in the need to identify the significant shortfall in funding for local streets and roads maintenance. Both the California State Association of Counties and the League of California Cities are requesting the assistance of the regional transportation agencies in developing a statewide local streets and roads assessment, which would result in a report to the governor and legislature. There is a growing need to have a credible, comprehensive process for quantifying local streets and roads funding needs. Development of regional consistency in pavement condition assessments would be a key element in securing adequate funding for maintenance of local streets and roads.

Staff is requesting Board approval of the evaluation criteria, which will be used to evaluate proposals received in response to a Request for Proposals (RFP). The RFP will be released after approval of the evaluation criteria. OCTA will be soliciting proposals to assist in evaluating the various PMP software available and assist in selecting a common software for use by Orange County local agencies. Particular consideration will be given to ease of use, transferability from current system, ability to equally fulfill small and large city needs, and ready availability of technical support. OCTA staff and the selected consultant will work actively with local agencies and the TAC in this software selection process.

Proposed Budget, Schedule, and Evaluation Criteria

OCTA will require consultant services to complete the software selection process and the cost is estimated at $225,000. Federal funds, in the amount of $200,000, and matching fiscal year 2006-07 local funds, in the amount of $25,000, will be utilized. The software selection process is anticipated to start in spring 2007 and completion of all work, including final report, by the end of 2007.

The following evaluation criteria weighting will is recommended to rate proposals received in response to the RFP for this purpose.

Qualifications of the Firm – 25 percent
Technical experience in evaluating and implementing standard pavement management programs for multiple jurisdictions and experience in dealing with multiple public agencies; strength and stability of the firm; and strength, stability, experience, and technical competence of subcontractors, if any.

Staffing and Project Organization – 25 percent
Qualifications of project staff, particularly key personnel and especially the project manager; key personnel's level of involvement in performing related work cited in "Qualifications of the Firm" section; logic of project organization; adequacy of labor commitment; and concurrence in the restrictions on changes in key personnel.

Work Plan – 25 percent
Depth of offeror's understanding of OCTA's requirements and overall quality of work plan; logic, clarity and specificity of work plan; appropriateness of labor distribution among the tasks; ability to meet the project deadline; reasonableness of proposed schedule; and utility of suggested technical or procedural innovations.

Cost and Price – 25 percent
Reasonableness of the total price and competitiveness of this amount with other offers received; adequacy of data in support of figures quoted; reasonableness of individual task budgets; cost effectiveness of labor hours; and basis on which prices are quoted.

Summary

A status report and the evaluation criteria for consultant services for the selection of common standard PMP software are provided for Board's review and approval.

Attachment

None.

Prepared by:

Kanwal J. Singh, P.E.
Section Manager, Project Delivery
(714) 560-5726

Approved by:

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

17.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Chokepoint Program Status Report

Regional Planning and Highways Committee — February 5, 2007

Present: Directors Amante, Cavecche, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: Director Dixon

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Authorize the Chief Executive Officer to execute a cooperative agreement with the California Department of Transportation to perform oversight for the Project Report/Environmental Document phase of the Orange Freeway (State Route 57) northbound widening project between Orangethorpe Avenue and Lambert Road.

B. Approve evaluation criteria and authorize staff to proceed with issuance of a Request for Proposals to procure services for the preparation of a Project Report/Environmental Document for the Riverside Freeway (State Route 91) westbound between the Orange Freeway (State Route 57) and the Santa Ana Freeway (Interstate 5).

OCTA

February 5, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Chokepoint Program Status Report

Overview

The Orange County Transportation Authority and the California Department of Transportation are jointly developing concepts to alleviate localized freeway congestion areas known as chokepoints. The objective of the freeway Chokepoint Program is to develop projects that can be brought forward in the near-term as funding becomes available. Current status of the program is provided.

Recommendations

A. Authorize the Chief Executive Officer to execute a cooperative agreement with the California Department of Transportation to perform oversight for the Project Report/Environmental Document phase of the Orange Freeway (State Route 57) northbound widening project between Orangethorpe Avenue and Lambert Road.

B. Approve evaluation criteria and authorize staff to proceed with issuance of a Request for Proposals to procure services for the preparation of a Project Report/Environmental Document for the Riverside Freeway (State Route 91) westbound between the Orange Freeway (State Route 57) and the Santa Ana Freeway (Interstate 5).

Background

Chokepoints are freeway locations where congestion occurs due to unusually heavy weaving or merging movements, such as backup at a freeway off-ramp that affects through traffic. The Orange County Transportation Authority (OCTA) has embarked on a program to identify such problem areas and develop solutions in conjunction with the California Department of Transportation (Caltrans). The goal of the program is to get projects ready for

funding; therefore, solutions can be quickly implemented as funding opportunities are identified. Getting a project ready is a two-step process. Initially, various concepts are analyzed for feasibility and effectiveness; this is referred to as the Project Study Report (PSR) phase. This is followed by the Project Report/Environmental Document (PR/ED) phase, where the preferred approach is refined and cleared environmentally.

Discussion

OCTA is the lead agency on preparing the technical work on some of the projects, and Caltrans is doing the technical work on other projects (in coordination with OCTA). Staff from both agencies collaborate and agree on assignment of projects depending on work load and staff availability. Since the last report to the Board of Directors (Board) in March 2006, there has been progress on several projects. The attached status report provides detailed information on the progress of each project under the Chokepoint Program (Attachment A). The report is organized by the following freeway corridors.

- Santa Ana/San Diego Freeway (Interstate 5)
- Costa Mesa Freeway (State Route 55)
- Orange Freeway (State Route 57)
- Riverside Freeway (State Route 91)
- San Diego Freeway (Interstate 405)

A map depicting the location of key chokepoint project areas is included for reference (Attachment B).

Since the last Chokepoint Program update, nine projects have made notable progress.

1. Interstate 5 (I-5) Southbound at Camino Capistrano

The PR/ED phase of the southbound I-5 at the Camino Capistrano off-ramp widening and auxiliary lane was completed on March 15, 2006. OCTA was the project lead and Caltrans provided quality assurance activities. The project design is fully funded through the Fiscal Year 2008-09 State Transportation Improvement Program (STIP) and project construction will begin in fiscal year 2010-11; however, staff proposes to advance the project by requesting funding from the California Transportation Commission (CTC) through the STIP augmentation process established by Proposition 1B. A separate staff report outlining the STIP augmentation process is scheduled for mid-April. The Board

will be asked to review and adopt the augmentation plan at that time. If the CTC approves OCTA's request, the design work could start by August 2007.

2. I-5 Southbound at Culver Drive

Work on the design phase, which includes plans, specifications, and estimates (PS&E) of the southbound I-5 off-ramp at Culver Drive is expected to be complete in February 2007. OCTA has engaged consultant services to prepare the PS&E for this project. Oversight for the design phase is being provided by Caltrans. The project is funded by the STIP and is expected to start construction by July 2007. Construction completion is expected by January 2008.

3. I-5 Southbound at Oso Parkway

This project is to widen southbound off-ramp to two lanes and construct a southbound auxiliary lane. Staff has hired consultant services to prepare the PS&E for this project. Oversight for the design phase is being provided by Caltrans. The PS&E is scheduled for completion by November 2007. The project is funded through the STIP and construction start date is scheduled for May of 2008, with construction duration expected to be 18 months.

4. I-5 at Avenida Pico

The project was approved for construction in November 2006. The construction contract for this project is being administered by Caltrans. The project is fully funded through the STIP and construction completion is estimated for summer 2008.

5. State Route 55 (SR-55)

The PR/ED phase to add an auxiliary lane on southbound SR-55 between Edinger Avenue and Dyer Road is on-going with completion expected by September 2008. The PR/ED is being prepared by Caltrans. This project is being funded with State Highway Operations and Protection Program funds with a construction start date of March 2010.

6. State Route 57 (SR-57)

The PR/ED phase of the northbound widening of SR-57 between Orangethorpe Avenue and Lambert Road is on-going with scheduled completion by November 2007. OCTA is the project lead and Caltrans is providing quality assurance of the project report activities. Under the California

Environmental Quality Act (CEQA) Caltrans is also the lead agency. OCTA is applying for funding from the Corridor Mobility Improvement Account (CMIA), established by Proposition 1B, to proceed with the final design and construction.

A cooperative agreement between Caltrans and OCTA was previously approved by the Board; however, Caltrans headquarters have made substantial changes to the agreement language. Revised cooperative agreement language has been agreed to for the PR/ED phase of this project (Attachment C). Staff is seeking Board approval to execute this agreement.

7. State Route 91 (SR-91) Eastbound

The PR/ED phase of the eastbound auxiliary lane project between the Eastern Toll Road (State Route 241) and the Chino Hills Expressway (State Route 71) began in December 2005 and is proceeding on schedule for completion in December 2007. OCTA is the project lead and Caltrans is providing oversight of all project report activities. Under CEQA, Caltrans is also the lead agency. This project is being coordinated with the Riverside County Transportation Commission (RCTC) and Caltrans District 8. Only $5 million is available from RCTC to proceed with the design at this stage; however, OCTA is anticipating full funding from CMIA to proceed with the final design and construction.

8. State Route 91 (SR-91) Westbound

The PSR for SR-91 westbound between SR-57 and the I-5 project was approved on June 10, 2004. Staff is requesting Board approval for procurement of services for the preparation of the PR/ED. Completion of the PR/ED will advance this project to the next phase of development in anticipation of funding from the CIMA established by Proposition 1B. As part of the Request for Proposals (RFP) process, staff is requesting Board approval of the proposal evaluation criteria prior to issuing the RFP (Attachment D).

9. Interstate 405 (I-405)

The design phase for an auxiliary lane in both directions on I-405 between Magnolia Street and Beach Boulevard was completed in November 2006 by Caltrans. Due to shortage of funding, project construction was postponed until 2008. In consultation with Caltrans, OCTA staff has proposed to the CTC to advance funding through the STIP augmentation process for the project construction phase. If the CTC approves OCTA's request, construction work could start by October 2007.

Summary

OCTA and Caltrans continue to work together to develop a slate of ready-for-funding projects, which can ease congestion at key freeway chokepoint locations throughout Orange County. A progress report on the status of these projects is presented for Board review. Staff will return to the Board with an update in six months.

Attachments

A. Chokepoint Program Status Report, February 2007
B. Orange County Freeway Chokepoint Projects Map
C. Cooperative Agreement between the Orange County Transportation Authority and the California Department of Transportation
D. Request for Proposals Evaluation Criteria

Prepared by:

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Approved by:

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ATTACHMENT A

Chokepoint Program Status Report
February 2007

San Diego Freeway/Santa Ana Freeway (Interstate 5)

Location	Description	Const. Cost	Phase	Status
Interstate 5 (I-5) southbound (SB) off-ramp at Culver Drive (OCTA)	Widen SB off-ramp to two lanes	$2,575,000	PS&E	February 2007
I-5 SB at Oso Parkway (OCTA)	Widen SB off-ramp to two lanes and construct SB auxiliary lane	$21,661,000	PS&E	November 2007
I-5 SB at Camino Capistrano (OCTA)	Widen SB off-ramp, widen Camino Capistrano and construct SB auxiliary lane	$13,616,000	PS&E	August 2007
I-5 SB at Avenida Pico (Caltrans)	Widen SB off-ramp	$3,270,000	Construction	July 2008

There are currently three chokepoint projects being developed along the I-5 that are managed by the Orange County Transportation Authority (OCTA).

Work on design phase (PS&E) of SB I-5 off-ramp at Culver Drive is expected to be complete February 2007. OCTA has hired consultant services to prepare the PS&E for this project. The California Department of Transportation (Caltrans) is providing oversight for the design phase.

In addition, the City of Irvine and California Department of Transportation (Caltrans) are moving ahead with other improvements within the vicinity of this chokepoint project. The limits of the City's improvements extend from the southbound I-5 ramp terminus to the intersection of Culver Drive and Escudero Drive (east of Trabuco Road). Given the overlap of OCTA's project with the City of Irvine's project, for reasons of economies of cost and time and to minimize disruption to public traffic, it was agreed to combine the portion of the City of Irvine's widening of the off-ramp into the OCTA project. This benefit was realized as a result of cooperative efforts with the City of Irvine. The project is funded through the State Transportation Improvement Program (STIP) and construction phase is expected to start in July 2007.

The Project Report/Environmental Document (PR/ED) for the SB I-5 at Oso Parkway project has been completed and an updated cost estimate has been developed. Staff has procured PS&E services and started the design phase. Staff expects to finish the design and right-of-way phase by November 2007. The project is funded through STIP and construction stage is expected to begin in May 2008.

Design work for the I-5 at Camino Capistrano to add a SB I-5 auxiliary lane and widen the SB off-ramp has not proceeded as planned due to lack of funding. The Project Report/Environmental Document (PR/ED) phase was completed on March 15, 2006. The design work was proposed for funding in the STIP program in June of 2006. The California Transportation Commission shifted the funding to the 2008 cycle. Staff proposes to advance the project design by requesting funding from the California Transportation Commission (CTC) through the STIP augmentation process established by Proposition 1B. If the CTC approves OCTA's request, the design work could start by August 2007.

Project construction on SB I-5 at Avenida Pico was approved in November 2006. Contract requires materials which had to be ordered with 6 months lead time. Actual construction scheduled to begin April 2007. The project was approved for construction in November 2006. The construction contract for this project is being administered by Caltrans. The project is fully funded through STIP and construction completion is estimated for summer 2008. Caltrans is administering the construction phase of the project.

Riverside Freeway (State Route 91)

Location	Description	Const. Cost	Phase	Status
State Route 91 (SR-91) eastbound (EB) from State Route 241 (SR-241) to State Route 71 (SR-71) (OCTA)	Add EB lane and improving SR-71 connector ramps	$65.6 M	PR/ED	PR/ED in progress scheduled completion December 2007
SR-91 westbound (WB) from the Costa Mesa Freeway (State Route 55) to Tustin Avenue (OCTA)	Extend WB auxiliary lane, ramp improvement	$76.4 M	PSR	PSR completed August 13, 2004
SR-91 WB from SR-57 to I-5 (OCTA)	Extend WB auxiliary lane	$57.4 M	PSR	Procuring consultant to begin PR/ED
SR-91 EB/WB from SR-241 to Imperial Highway: EB from State Route 55 (SR-55) to Imperial Highway (OCTA)	Adding 1 mixed flow lane / auxiliary lane	$72.9 M	PSR	PSR completed May 10, 2004

In April 2004, the Board authorized the use of 91 Express Lanes' toll revenues to fund the PR/ED phase for the eastbound widening on SR-91 between SR-241 and SR-71 project. The PR/ED phase began in December 2005 and is scheduled for completion in December 2007. Because OCTA has proposed to deliver the project with the Corridor Mobility Improvement Account (CMIA) funding from Proposition 1B, OCTA staff anticipates on beginning the design phase simultaneously with the PR/ED phase to meet the CMIA criteria of project readiness by 2012.

Three PSRs along the SR-91 have been completed and are now ready for environmental clearance. The proposed improvements will enhance traffic operations

and relieve peak hour congestion. Staff proposed CMIA to fund the next phases of the project development.

Santa Ana Freeway (Interstate 5)/Costa Mesa Freeway (State Route 55) Interchange

Location	Description	Const. Cost	Phase	Status
I-5/SR-55 Interchange (OCTA)	Improve weaving and merging through interchange improvements	$12.9 M to 42 M	PSR	Completed 10/05

The PSR/PDS for the Interstate 5 (I-5)/State Route 55 (SR-55) interchange to identify potential improvements for the interchange area between the Fourth Street off-ramp to the north and Newport Boulevard to the south on the I-5, and on SR-55 from Fourth Street to the north and Edinger Avenue to the south was completed October 31, 2005. The planning effort is intended to surface reasonable and feasible improvements that will become part of an overall strategy to improve the Orange County freeway system.

Coordination with Caltrans technical staff and the cities of Tustin and Santa Ana have resulted in selection of three alternatives with minimum environmental impacts to the greatest extent feasible. The final PSR/PDS was approved by Caltrans on October 31, 2005. Staff is awaiting the completion of an operational improvement study for the entire SR-55 in order to ascertain the overall benefits of improvements before proceeding to the PR/ED phase.

Costa Mesa Freeway (State Route 55)

Location	Description	Const. Cost	Phase	Status
State Route 55 (SR-55) southbound Edinger Ave. to Dyer Road(OCTA)	Add Auxiliary Lane	$7.2 M	PSR	PSR completed September 1, 2005
State Route 55 (SR-55) northbound Dyer Rd. to Edinger Ave.(OCTA)	Add Auxiliary Lane	$8.0 M	PSR	PSR completed September 1, 2005

Caltrans recently completed two PSRs to enhance operations and ease congestion along both directions of SR-55. The PSRs recommended the addition of an auxiliary lane in each direction of the SR-55 between Dyer Road and Edinger Avenue. Both of the PSRs were completed on September 1, 2005. The south bound improvements between Edinger Ave to Dyer Road is funded with State Highway Operations and Preventative Maintenance funds . However, northbound improvements are not funded at this time.

Orange Freeway (State Route 57)

Location	Description	Const. Cost	Phase	Status
State Route 57 (SR-57) Lambert to N/O OC/LA County line (Caltrans)	Add a climbing lane	$115 M	PSR	Completed September 13, 2001
State Route 57 (SR-57) northbound (NB) Orangethorpe Ave to Lambert Road (OCTA)	Adding NB through lane	$ 105 M	PR/ED	Targeting November 2007 for completion
SR-57 NB Katella Avenue to Lincoln Avenue (OCTA)	Add auxiliary lane and fully standard median	$31 M	PSR/PDS	PSR completed June 2003

The PSRs for three chokepoint projects along State Route 57 (SR-57) are complete.

The proposed widening of the NB SR-57 from Orangethorpe Avenue to Lambert Road PR/ED is underway with target completion of November 2007. The project proposes to add a NB mixed-flow lane, widen medians and shoulders to standard widths, as well as widen the NB off-ramps at Imperial Highway, Lambert Road, and adding northbound auxiliary lane in advance of the off-ramps. Staff is working to expedite design phase activities simultaneously with the PR/ED phase in an effort to expedite delivery. OCTA expects the three projects on SR-57 to be funded with CMIA funds.

San Diego Freeway (Interstate 405)

Location	Description	Const. Cost	Phase	Status
I-405 Magnolia Ave. to Beach Bl. (Caltrans)	Add auxiliary lanes both direction of I-405	$17.2 M	PSR/PDS	Completed 10/05

The PS&E phase started in October 2004 by Caltrans for auxiliary lanes along both directions of Interstate 405 (I-405) between Magnolia Avenue and Beach Boulevard. The final design of the project is expected to be completed by March 2007. The construction phase is programmed in the STIP for the fiscal year (FY) 2007-08. The total project cost including engineering, right-of-way, and construction is $17.2 million. The proposed improvements were included in the I-405 MIS, which was approved in February 2006.

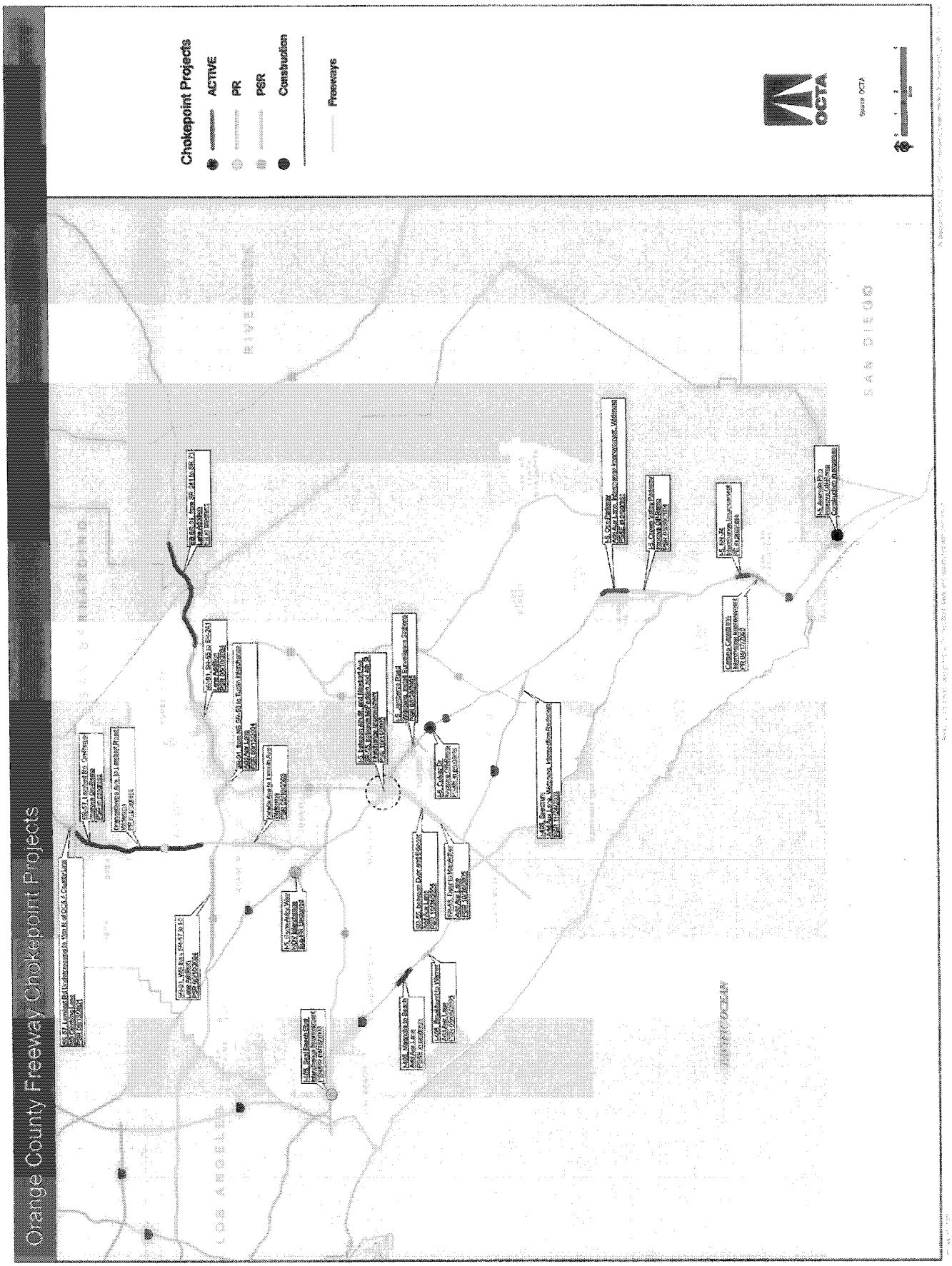
Caltrans Chokepoint Projects

In addition to the chokepoint projects noted above, the following table highlights some of the chokepoint projects being led by Caltrans.

Location	Improvement Concept	Status
I-5 SB at La Paz Road	The interchange reconstruction project was down scoped to a smaller project aimed at operational improvements	City of Laguna Hills is the local agency leading the PR/ED phase which is targeted to complete July 2006
I-5 NB/SB at Avery Parkway	Reconstruct under crossing/local street widening	PSR is on hold with no current activity
I-5 SB at Jamboree Road	Add auxiliary lane before off-ramp and widen off-ramp to two lanes	Construction scheduled for FY 07/08 (STIP)
I-5 NB at Jamboree Road	Widen access from Jamboree Road to NB on-ramp	PSR was approved October 2005 (SHOPP)
I-5 El Toro interchange	Add SB off-ramp, new SB on-ramp at Laguna Hills Mall	PSR on hold with no current activity
I-405 NB Irvine Center Dr. to Laguna Canyon Road.	Add second truck bypass lane from I -5 NB to I-405 NB	Construction was completed December 2006 (SHOPP)
SR-57 NB Lambert interchange	New NB on-ramp	PSR complete. City and Caltrans to discuss funding & next steps (T21 $0.9M is insufficient)
I-405 SB Irvine Center Drive	Add 2nd auxiliary lane - SR-133 to Irvine Center	PSR complete Proposed for 2008 SHOPP
I-405 NB SR-133 to Jeffrey	Auxiliary Lane	Was advertised and bids received with low bid higher than the voted amount. Seeking supplemental funds to award project.
I-405 NB Jeffrey to Culver	Auxiliary Lane	Awaiting negotiation with Transportation Corridor Agency.
I-5 / SR-74 Interchange	Reconstruct interchange	In PR/ED phase to complete environmental and project approval by April 2008. City of San Juan Capistrano is the lead.

ATTACHMENT B

ORANGE COUNTY FREEWAY CHOKEPOINT PROJECTS MAP



ATTACHMENT C

District Agreement No. **12-536**

12-ORA-57, KP 24.4/34.0
Orange Freeway (SR-57)
Widening Project
12-0F0300
District Agreement No. 12-536

THIS AGREEMENT, ENTERED INTO ON (Execution Date), is between the STATE OF CALIFORNIA, acting by and through its Department of Transportation, referred to herein as STATE, and

ORANGE COUNTY TRANSPORTATION AUTHORITY, a body politic and a municipal corporation of the State of California, referred to herein as AUTHORITY.

RECITALS

1. The STATE and AUTHORITY pursuant to Streets and Highways Code Section 130, are authorized to enter into a Cooperative Agreement for improvements to State highways within the Authority of ORANGE COUNTY TRANSPORTATION AUTHORITY in the County of ORANGE.

2. The AUTHORITY desires State highway improvements consisting of WIDENING NORTHBOUND State Route 57 from 0.7km south SR-91 in the City of Anaheim to 0.2 km north of Lambert Road in the City of Brea, referred to herein as "PROJECT", and is willing to fund one hundred percent (100%) of all costs of the preparation of Project Report (PR) and Environmental Document (ED), except for costs of STATE's quality assurance of environmental and preliminary Engineering study activities.

3. The agreement will define the California Environmental Quality Act (CEQA) lead agency, CEQA responsible agency, and the roles and responsibility of the CEQA lead agency and CEQA responsible agency regarding environmental document, studies and reports and compliance with CEQA.

4. This Agreement supersedes any prior Memorandum of Understanding (MOU) relating to PROJECT.

5. Construction and preparation of detailed Plans, Specifications and Estimate (PS&E) of PROJECT will be the subject of a separate future Agreement.

6. The parties hereto intend to define herein the terms and conditions under which PROJECT is to be developed, designed, and financed.

SECTION I

AUTHORITY AGREES:

1. To fund one hundred percent (100%) of all the preliminary engineering costs for PROJECT.

2. To have a Project Report (PR), including all necessary environmental documentation (ED), at no cost to STATE, and to submit to STATE for STATE's review and concurrence at appropriate stages of development. The PR for PROJECT shall be signed by a Civil Engineer registered in the State of California.

3. To permit STATE to monitor and participate in the selection of personnel who will prepare the PR, conduct environmental studies and obtain approval for PROJECT, provide the right of way engineering services, and to permit STATE to oversee the performance of right of way activities. The AUTHORITY agrees to consider any request by STATE to discontinue the services of any personnel considered by STATE to be unqualified on the basis of credentials, professional expertise, failure to perform in accordance with the scope of work and/or other pertinent criteria.

4. To make written application to STATE for necessary encroachment permits authorizing entry of AUTHORITY onto the State highway right of way to perform surveying and other investigative activities required for preparation of the PR and ED.

5. To identify and locate all high and low risk underground facilities within the area of PROJECT and to protect or otherwise provide for such facilities, all in accordance with STATE's "Manual on High and Low Risk Underground Facilities Within Highway Rights of Way". AUTHORITY hereby acknowledges receipt of STATE's "Manual on High and Low Risk Underground Facilities Within Highway Rights of Way".

6. To be responsible, at AUTHORITY's expense, for the investigation of potential hazardous material sites within and outside of the existing State highway right of way that would impact PROJECT as part of the responsibility for the ED for PROJECT. If AUTHORITY encounters hazardous material or contamination within the existing State highway right of way during said investigation, AUTHORITY shall immediately notify STATE and responsible control agencies of such discovery.

7. To obtain, at AUTHORITY's expense all necessary permits and/or agreements from appropriate regulatory agencies. All mitigation, monitoring, and/or remedial action required by said permits shall constitute parts of the cost of PROJECT.

8. All aerial photography and photogrammetric mapping shall conform to STATE's latest standards.

9. A electronic (compatible with STATE software) and paper copy of the Project Report, Environmental Documents and original survey documents resulting from surveys performed for PROJECT, including original field notes, adjustment calculations, final results, and appropriate intermediate documents, shall be delivered to STATE and shall become property of STATE. For aerial mapping, survey documents to be furnished are three sets of contract prints, with one set showing control, a complete photo index - two prints and a copy of the negative, and the original aerial photography negative.

10. STATE's quality assurance activities referred to in Article I of Section II of this Agreement does not include performance of any engineering services required for PROJECT. These services are to be performed by AUTHORITY. If AUTHORITY requests STATE to perform any of these services, AUTHORITY shall reimburse STATE for such services. An Amendment to this Agreement authorizing STATE's performance of such services will be required prior to performance of any engineering work by STATE.

11. To provide, at no cost to STATE, survey and mapping services necessary to perpetuate existing land net and alignment monumentation in accordance with Sections 8771 and 8765 of the Business and Professions Code; and to permanently monument the location of all roadway alignments, realignments, and right of way acquisitions. All of the above are to be shown on a Record of Survey filed with the County Surveyor. AUTHORITY shall deliver one copy of any field notes, filed Corner Records, and the Record of Survey required for execution of the above obligation, to STATE's District 12 Survey Branch.

12. The term "oversight" has been replaced by "quality assurance activities" to conform with revised Department Policies DD-23 and DD-53.

SECTION II

STATE AGREES:

1. At no cost to AUTHORITY, to provide quality assurance activities of all work on PROJECT done by AUTHORITY, including, but not limited to, investigation of potential hazardous material sites and all right of way activities undertaken by AUTHORITY or its designee, to provide prompt reviews and approvals, as appropriate, of submittals by AUTHORITY, and to cooperate in timely processing of PROJECT.

2. Upon proper application by AUTHORITY, to issue, at no cost to AUTHORITY, an encroachment permit to AUTHORITY authorizing entry onto the State highway right of way to perform survey and other investigative activities required for preparation of the PR and ED. If AUTHORITY uses consultants rather than its own staff to perform required work, the consultants will also be required to obtain a separate encroachment permit. These permits will be issued at no cost upon proper application by the consultants.

SECTION III

IT IS MUTUALLY AGREED:

1. All obligations of STATE under the terms of this Agreement are subject to the appropriation of resources by the Legislature to STATE for the purposes of fulfilling STATE's obligations herein.

2. The parties hereto will carry out PROJECT in accordance with the Scope of Work, attached and made a part of the Agreement, which outlines the specific responsibilities of the parties hereto. The attached Scope of Work may be modified in writing in the future to reflect changes in the responsibilities of the respective parties. Such modifications shall be concurred with by AUTHORITY's Engineering and Building Director or other official designated by AUTHORITY and STATE's District Director for District 12 and become a part of this Agreement after execution of the amending document by the respective officials of the parties.

3. The Project Study Report (PSR) for PROJECT, approved on 3/10/03 is by this reference, made an express part of this Agreement.

4. The basic design features as defined in Section 3, need and purpose for PROJECT shall comply with those addressed in the approved PSR, unless modified as required for environmental compliance and/or FHWA approval of PROJECT.

5. The preparation of PR and ED for PROJECT shall be performed in accordance with STATE's standards and practices current as of the date of performance. Any exceptions to applicable design standards shall first be approved by STATE via the processes outlined in STATE's Highway Design Manual and appropriate memorandums and design bulletins published by STATE. In the event that STATE proposes and /or requires a change in design standards, implementation of new or revised design standards shall be done as part of the work on PROJECT in accordance with STATE's current Highway Design Manual Section

82.5, "Effective Date for Implementing Revisions to Design Standards". STATE shall consult with AUTHORITY in a timely manner regarding effect of proposed and/or required changes on PROJECT.

6. AUTHORITY's share of all changes in development costs associated with modifications to the basic design features as described above shall be in the same proportion as described in this Agreement, unless mutually agreed to the contrary by STATE and AUTHORITY in a subsequent amendment to this Agreement.

7. Any hazardous material or contamination of an HM-1 category found within the existing State highway right of way during investigative studies requiring remedy or remedial action, as defined in Division 20, Chapter 6.8 et seq. of the Health and Safety Code, shall be the responsibility of STATE. Any hazardous material or contamination of an HM-1 category found within the local road right of way during investigative studies requiring the same defined remedy or remedial action shall be the responsibility of AUTHORITY. For the purpose of this Agreement, hazardous material or contamination of HM-1 category is defined as that level or type of contamination which State or Federal regulatory control agencies having jurisdiction have determined must be remediated by reason of its mere discovery, regardless of whether it is disturbed by PROJECT or not. If AUTHORITY decides to not proceed with PROJECT, STATE shall sign the HM-1 manifest and pay all costs for required remedy or remedial action within the existing State highway right of way and AUTHORITY shall sign the HM-1 manifest and pay all costs for required remedy or remedial action within the local road right of way. If AUTHORITY and STATE decide to proceed with PROJECT, STATE shall sign the HM-1 manifest and pay all costs for required remedy or remedial action within the existing State highway right of way, except that if STATE determines, in its sole judgment that STATE's cost for remedy or remedial action is increased as a result of AUTHORITY decision to proceed with PROJECT, that additional cost identified by STATE shall be deemed a part of the costs of PROJECT. AUTHORITY shall sign the HM-1 manifest and pay all costs for required remedy or remedial action within the local road right of way. STATE will exert every effort to fund the remedy or remedial action for which STATE is responsible. In the event STATE is unable to provide funding, AUTHORITY will have the option to either delay PROJECT until STATE is able to provide funding or AUTHORITY may proceed with the remedy or remedial action at AUTHORITY expense without any subsequent reimbursement by STATE.

8. The remedy or remedial action with respect to any hazardous material or contamination of an HM-2 category found within the existing State highway right of way during investigative studies shall be the responsibility of AUTHORITY, at AUTHORITY expense, if AUTHORITY decides to proceed with PROJECT. For the purposes of this Agreement, hazardous material or contamination of HM-2 category is defined as that level or type of contamination which said regulatory control agencies would have allowed to remain in place if undisturbed or otherwise protected in place should PROJECT not proceed. AUTHORITY shall sign any HM-2 storage manifest if PROJECT proceeds and HM-2 material must be removed in lieu of being treated in place. If AUTHORITY decides to not proceed with PROJECT, there will be no obligation to either AUTHORITY or STATE other than AUTHORITY duty to cover and protect HM-2 material left in place.

9. If hazardous material or contamination of either HM-1 or HM-2 category is found on new right of way to be acquired by AUTHORITY for PROJECT, AUTHORITY, as between AUTHORITY and STATE only, shall be responsible, at AUTHORITY expense, for all required remedy or remedial action and/or protection and shall guarantee STATE that said

new right of way is clean prior to transfer of title to STATE in accordance with Article 15 of Section I of this Agreement. The generator of the hazardous material or, if none can be identified or found, the present property owner, whether a private entity or a local public AUTHORITY, or AUTHORITY, as a last resort, shall sign the manifest.

10. Locations subject to remedy or remedial action and/or protection include utility relocation work required for PROJECT. Costs for remedy and remedial action and/or protection shall include, but not be limited to, the identification, treatment, protection, removal, packaging, transportation, storage, and disposal of such material.

11. The party responsible for funding any hazardous material cleanup shall be responsible for the development of the necessary remedy and/or remedial action plans and designs. Remedial actions proposed by AUTHORITY on the State highway right of way shall be pre-approved by State and shall be performed in accordance with STATE's standards and practices and those standards mandated by the Federal and State regulatory agencies.

12. A separate Cooperative Agreement will be required to cover responsibilities and funding for the detailed design engineering and construction phase of PROJECT.

13. Nothing in the provisions of this Agreement is intended to create duties or obligations to or tie third parties not parties to this Agreement or to affect the legal liability of either party to the Agreement by imposing any standard of care with respect to the development, design, construction, operation or maintenance of State highways and public facilities different from the standard of care imposed by law.

14. Neither STATE nor any officer or employee thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction delegated to AUTHORITY under this Agreement. It is understood and agreed that, pursuant to Government Code Section 895.4, AUTHORITY shall fully defend, indemnify and save harmless STATE and all its officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by AUTHORITY under or in connection with any work, authority or jurisdiction delegated to AUTHORITY under this Agreement.

15. Neither STATE nor any officer or employee thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by STATE under or in connection with any work, authority or jurisdiction delegated to STATE under this Agreement. It is understood and agreed that, pursuant to Government Code Section 895.4, AUTHORITY shall fully defend, indemnify and save harmless STATE and all its officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by STATE under or in connection with any work, authority or jurisdiction delegated to STATE under this Agreement.

16. This Agreement may be terminated or provisions contained herein may be altered, changed, or amended by mutual consent of the parties hereto.

17. Except as otherwise provided in Article 8 above, this Agreement shall terminate upon completion of the Project Report and Environmental Document for PROJECT, or on 06/30/2009, whichever is earlier in time.

STATE OF CALIFORNIA

Department of Transportation
Will Kempton
Director of Transportation

By _____
Jim Beil
Deputy District Director
Project Delivery
District 12

APPROVED AS TO FORM AND PROCEDURE

By:_____
Attorney
Department of Transportation

CERTIFIED AS TO FINANCIAL TERMS AND CONDITIONS

By:_____
Accounting Administrator

CERTIFIED AS TO FUNDS

By:_____
District Budget Manager

ORANGE COUNTY TRANSPORTATION ATHORITY

By _____
Arthur T. Leahy
Chief Executive Officer, OCTA

By _____
Kennard R. Smart
AUTHORITY, General Counsel

Approved : Date:

_____
Paul C. Taylor
Executive Director,
Planning, Development and Commuter Services

SCOPE OF WORK

This Scope of Work outlines the specific areas of responsibility for various project development activities for the proposed widening of Northbound SR-57 between 0.7 km south of SR-91 and 0.2 km north of Lambert Road.

1. STATE will be the Lead Agency for CEQA. The Federal Highway Administration (FHWA) will be the Federal Lead Agency for NEPA. AUTHORITY will assess impacts of PROJECT on the environment and AUTHORITY will prepare the Environmental Document(s) (ED) to meet the requirements of CEQA and NEPA. The draft and final ED will require STATE's review and approval prior to public circulation. AUTHORITY will provide all data for and prepare drafts of the Draft Project Report (DPR) and the Project Report (PR). STATE will review and process the reports and request approval of PROJECT and ED by the FHWA. AUTHORITY will be responsible for the public hearing process.

2. AUTHORITY and STATE concur that the proposal is a Category 4A as defined in STATE's Project Development Procedures Manual.

3. AUTHORITY will submit drafts of environmental technical reports and individual sections of the draft environmental documents to STATE, as they are developed, for review and comment. Traffic counts and projections to be used in the various reports shall be supplied by STATE if available, or by AUTHORITY. Existing traffic data shall be furnished by AUTHORITY.

4. STATE will review, monitor, and approve all project development reports, studies, and plans, and provide all necessary implementation activities up to but not including advertising of PROJECT.

5. STATE will prepare the revised freeway agreement..

6. All phases of PROJECT, from inception through construction, whether done by AUTHORITY or STATE, will be developed in accordance with all policies, procedures, practices, and standards that STATE would normally follow.

7. Detailed steps in the project development process are attached to this Scope of Work. These Attachments are intended as a guide to STATE's and AUTHORITY's staff.

ATTACHMENT D

Request for Proposals
Evaluation Criteria

For the procurement of consultant services to prepare Project Report and Environmental Document (PR/ED) on the Riverside Freeway (State Route 91) westbound widening between the Orange Freeway (State Route 57) and the Santa Ana Freeway (Interstate 5), The Orange County Transportation Authority (Authority) will evaluate the offers received based on the following criteria:

1. Qualifications of the Firm **15 %**

Technical experience in the preparation of PR/ED documents; number of years in business, experience working with local agencies, cities, and railroads; financial strength and stability of the firm; strength, stability, experience, and technical competence of subcontractors; and assessment by client references.

2. Staffing and Project Organization **25%**

Qualifications of key personnel, especially the project manager, and environmental task manager, including their relevant past experience with project management and PR/ED, Initial Study/Environmental Assessment, and Environmental Impact Study/Environmental Impact Report; key personnel's level of involvement in performing related work cited in "Qualifications of the Firm" section and number of years; adequacy of labor commitment; references from past projects; logic of project organization; and concurrence in the restrictions on changes in key personnel

3. Work Plan **25%**

Depth of proposal's understanding of Authority's requirements and overall quality of work plan; logic, clarity, and specificity of work plan; appropriateness of labor distribution among the tasks; ability to meet the project deadline; and reasonableness of proposed schedule;

4. Project Specific Response **35%**

Each proposal will need to answer a specific project related question based upon crucial project needs as part of their written response. Competitive offerors, based on written proposal scores, will be asked additional project specific questions as part of an oral exercise.

18.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement for a Replacement Phone System for the 91 Express Lanes Offices Located in Anaheim and Corona

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach,
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Director Bates was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to issue Agreement C-6-0675 between the Orange County Transportation Authority and Integrated Technology, whose offer best meets the Orange County Transportation Authority's requirements, in an amount not to exceed $631,491, for a replacement phone system to include hardware, software, and associated implementation services.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for a Replacement Phone System for the 91 Express Lanes Offices Located in Anaheim and Corona

Overview

As part of the fiscal year 2007 budget, the Board approved the purchase of a replacement phone system for the 91 Express Lanes offices located in Anaheim and Corona. Proposals were received in accordance with the Orange County Transportation Authority's fixed assets procurement procedures.

Recommendation

Authorize the Chief Executive Officer to issue Agreement C-6-0675 between the Orange County Transportation Authority and Integrated Technology, whose offer best meets the Orange County Transportation Authority's requirements, in an amount not to exceed $631,491, for a replacement phone system to include hardware, software, and associated implementation services.

Background

The current 91 Express Lanes phone system has reached the end of its useful life. Much of the technology assets in the 91 Express Lanes phone system are not replaceable with the same technology purchased five years ago. Neither servers nor the supporting software will be serviceable by the end of 2007, and support from the software and hardware vendors will cease. The current system requires excessive attention to ensure continuous operation. Accordingly, these assets must be replaced with new technology and new service agreements must be negotiated.

On February 17, 2006, a contract was executed between the Orange County Transportation Authority (Authority) and Tech/Knowledge for a not-to-exceed amount of $50,000. There were five tasks associated with this contract, with the primary task being the development of the scope of work for the 91 Express Lanes Phone System Replacement project. This contract was

amended on October 24, 2006, to add an additional $7,500 for additional work by Tech/Knowledge to reposition the scope of work to reflect the Authority's desire to have a Nortel only solution, the Authority's documented technology standard for phone equipment. The Authority currently uses Nortel products and staff are well trained in and familiar with their products. Using a Nortel solution at the 91 Express Lanes increases the Authority's options for future phone systems integration and disaster recovery between the Authority's properties including the 91 Express Lanes, and allows the Authority to leverage its existing knowledge and training in Nortel products.

The final draft of the scope of work was received from Tech/Knowledge on October 27, 2006, and the Request for Proposals (RFP) was issued on October 30, 2006.

Discussion

This procurement was handled in accordance with the Authority's procedures for fixed assets which permits the use of competitive negotiated procurement depending on the technical requirements of the item being procured.

Due to sophisticated technical requirements, the purchase of the replacement phone system was handled as a competitive negotiated procurement and award is recommended to the firm which most closely meets the Authority's technical requirements at the most competitive cost. The requirement was sent to 521 firms and advertised on November 1, 2006 and November 8, 2006, in a newspaper of general circulation and on CAMMNET.

Due to the technical nature of the requirement, a pre-proposal meeting was held on November 6, 2006, and was attended by eight firms.

On December 4, 2006, four offers were received. An evaluation committee composed of staff from Information Technology, Finance, Administration, and Human Resources, and outside evaluators from the 91 Express Lanes, and Tech/Knowledge was established to review the offers submitted by each firm. The offers were evaluated on the basis of qualifications of the firm, staffing and project organization, work plan, and cost and price. Based on these findings, the evaluation committee recommended the following short-listed firms for consideration of an award:

Firm and Location

Verizon
Thousand Oaks, California

Integrated Technology
Orange, California

The two short-listed firms demonstrated a clear understanding of the Authority's requirements and are of sufficient size to ensure adequate support to the Authority during implementation and post implementation period.

Integrated Technology's total firm fixed price is approximately 10 percent less than Verizon's proposal. During the interview phase of the procurement, Integrated Technology did an outstanding job explaining and demonstrating their proposed solution to the Authority's scope of work. Integrated Technology's project team presented a well defined and realistic project schedule and clearly understood the Authority's requirements and the needs of the 91 Express Lanes Call Center.

Integrated Technology was ranked as the number one service provider nationally among all of Nortel's "elite" partners and has a proven track record working for local and city governments with clients that include the San Bernardino County, and the cities of Anaheim and Mission Viejo.

Fiscal Impact

The project was approved in the Authority's Fiscal Year 2007 Budget, Finance, Administration and Human Resources/91 Express Lanes, Account 0036-9027-B0001-CV9 in the amount of $260,000. An additional $490,000 was transferred from the Authority's Fiscal Year 2007 Budget Finance, Administration and Human Resources/91 Express Lanes, Account 0036-9030-B0001-AD4 to Account 0036-9027-B0001-CV9. This project is funded through the 91 Express Lanes toll revenues.

Summary

The evaluation committee met and reviewed this item. The evaluation committee recommends approval of Agreement C-6-0675, in an amount not to exceed $631,491, with Integrated Technology, the offer which most closely meets the Orange County Transportation Authority's technical requirements.

Attachment

None.

Prepared by:

Lloyd Sullivan
Project Manager III
Information Systems
(714) 560-5957

Approved by:

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

-

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for Ellipse Software Implementation Services

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment 3 to Agreement C-3-0776 between the Orange County Transportation Authority and Mincom, in an amount not to exceed $150,000, for additional training services.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Agreement for Ellipse Software Implementation Services

Overview

On May 12, 2004, the Board of Directors approved an agreement with Mincom, for $3,088,920, to provide services and software for the replacement and implementation of the Orange County Transportation Authority's maintenance, inventory, and purchasing software. Mincom was retained in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Amendment 3 to Agreement C-3-0776 between the Orange County Transportation Authority and Mincom, in an amount not to exceed $150,000, for additional training services.

Background

In May 2004, the Board of Directors approved the selection of Mincom to provide the license to their Ellipse software package and the consulting services to implement it at the Orange County Transportation Authority (Authority).

The new system provides the Authority with a proven state-of-the-art enterprise asset management functionality. Ellipse will enhance staff's ability to plan, control, track and account for maintenance, purchasing, and materials management activities. Implementing a new system will also allow for a clean sweep of business practices and replaces them with technology developed for a transit industry increasingly reliant on electronic transactions and information flow.

On January 19, 2006, in response to project delays and difficulties experienced by both parties in implementing the Ellipse software application, the Authority issued a formal stop work notice to Mincom. The factors contributing to these difficulties related to the complexities associated with the technical and contractual requirements of the project.

In order to resolve any conflicts and move the project forward both parties agreed to stop work until an agreement could be reached that was acceptable to both parties. After several months of negotiations the Authority and Mincom reached an agreement that led to Amendment 2 which was approved by the Board on June 26, 2006, for $565,849.

Amendment 2 included:

- Nine-month project schedule with eight-month project and one-month post support
- Payment terms restructured into millstone payments
- Restructured retention plan
- Issue escalation process in place with Mincom senior management
- Commitment from both parties to provide dedicated resources to support the completion of this project
- New change control process and conditions of acceptance

The negotiations focused on the technical requirements of the project and did not address the training plan which was being drafted at the time. This amendment addresses training and finalizing the training plan.

To date the project has been progressing very well and both parties now fully understand the effort needed to provide adequate training for the Authority.

Discussion

This procurement was originally handled in accordance with the Authority's procedures for professional and technical services. The original agreement was awarded on a competitive basis. It has become necessary to amend the agreement due to an extended project implementation schedule.

Staff requested a price proposal from Mincom to perform this additional work. The internal auditor reviewed the proposal and the cost was found to be fair and reasonable for the work to be performed.

The current agreement allocated $194,700 for Mincom to provide 15 standard courses, representing all the modules licensed, and classroom delivery for

375 employees at the Authority's facilities using Mincom's standard training material.

The Mincom application has not been customized, however, the discovery and configuration process revealed that Mincom's standard training curriculum would not adequately train Authority staff. An independent assessment was conducted by the Authority's training department which identified the deficiencies in the standard training curriculum that would not provide the Authority an on-going, long-term training strategy.

The additional funds will ensure a smooth transition from the legacy application to Ellipse and compensate for the deficiencies identified by tailoring the course curriculum, enhancing the training materials and providing for additional training aids such as quick reference guides. The training materials can then be used for an on-going training program conducted internally for new users of Ellipse.

To supplement Mincom's training effort the Authority's Training Department will conduct a marketing campaign that will include "brown bag" Ellipse orientation sessions with staff prior to the training and will develop a post go-live program to audit the usage of the application and assess additional training needs.

The original agreement awarded on June 30, 2004, was in the amount of $3,088,920. This agreement has been amended previously (Attachment A). The total amount after approval of Amendment 3 will be $3,814,467.

Fiscal Impact

The additional work described in Amendment 3 to Agreement C-3-0776 can be accommodated within the fiscal year 2006-07 budget. Funds have been transferred from Account 1282-7612-IS210-9RS, Equipment Repair/Maintenance to Account 2927-9028-IX031-6DB, Contracts Administration and Materials Management Transit Assets, Capital Computer Hardware/Software.

Summary

Staff recommends approval of Amendment 3, for an amount not to exceed $150,000, to Agreement C-3-0776 with Mincom.

Attachment

A. Mincom Agreement C-3-0776 Fact Sheet

Prepared by:

Annette Hess
Project Manager
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Approved by:

James S. Kenan
Executive Director, Finance,
Administration, and Human Resources
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ATTACHMENT A

Mincom
Agreement C-3-0776 Fact Sheet

1. June 30, 2004, Agreement C-3-0776, $3,088,920, approved by Board of Directors.

   - To provide services and software to replace the Authority's existing maintenance, inventory and purchasing system.

2. June 30, 2005, Amendment 1 to Agreement C-3-0776, $9,698, approved by purchasing agent.

   - To license two new software modules for report writing and job dispatch functions.
   - To reallocate funds across existing contract tasks.

3. June 26, 2006, Amendment 2 to Agreement C-3-0776, $565,849.

   - To extend the terms of the agreement to June 30, 2007.
   - To increase the maximum cumulative payment obligation by $565,849, to cover Mincom consulting services to complete the project and implementation of their Ellipse software.
   - To amend the contract language to accommodate milestone payment terms, enhance the change clause, refine the acceptance criteria language and modify the retention language.

4. February 12, 2007, Amendment 3 to Agreement C-3-0776 for $150,000, pending approval by Board of Directors.

   - To provide additional services for training media development and training delivery.

Total committed to Mincom, Agreement C-3-0776: $3,814,467.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: 91 Express Lanes Transponders

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Director Bates was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0802 between the Orange County Transportation Authority and Sirit Corporation, in an amount not to exceed $2,241,147, for the purchase and two-year warranty of approximately 105,000 internal transponders and 200 external transponders. The $2,241,147 includes sales tax.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: 91 Express Lanes Transponders

Overview

After acquiring the 91 Express Lanes in January 2003, the Orange County Transportation Authority negotiated a three-year contract with the vendor, Sirit Corporation, to provide transponders. Staff is requesting authorization to enter into a new contract to provide transponders over the next 42 months. A sole source agreement is necessary to procure the purchase of these transponders.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0802 between the Orange County Transportation Authority and Sirit Corporation, in an amount not to exceed $2,241,147, for the purchase and two-year warranty of approximately 105,000 internal transponders and 200 external transponders. The $2,241,147 includes sales tax.

Background

On January 3, 2003, the Orange County Transportation Authority (Authority) acquired the assets and franchise rights to operate the 91 Express Lanes toll road from the California Private Transportation Company (CPTC). The franchise agreement with the California Department of Transportation (Caltrans) that enables the Authority to operate the 91 Express Lanes requires that all tolls be collected using transponders attached to customers' vehicles.

Transponders are the radio frequency transmitters which are used to enable 91 Express Lanes customers to legally use toll facilities throughout California. As a vehicle passes under a toll reading gantry device, the trip is recorded and the customer's account is charged for the trip. New transponders are issued when an account is opened and when the transponders stop working. Typically, the units last five years or longer and units fail due to battery

depletion. Functioning transponders are critical to generating and protecting toll revenues on the 91 Express Lanes.

Internal transponders are mounted on the windshield of the customers' vehicles while external transponders are attached to the exterior of the vehicle. External transponders are commonly used by motorcycle customers who have the transponders mounted on the license plates of the motorcycles. The transponders enable the road to operate without tollbooths or slowing of vehicles to process toll collection.

The Authority provides transponders to customers when they open an account and replaces the units as they fail. Customers must return the transponders as part of closing their account. Under California regulations, (Title 21 of the Department of Motor Vehicles Code), all transponders must comply with compatibility requirements which enables motorists to use their transponders on any toll facility (including bridges) throughout California. A 91 Express Lanes customer will be automatically billed by the Authority for trips taken in their vehicle on the Transportation Corridor Agencies, the Golden Gate Bridge, or other facilities across the state. Currently there are an estimated 1.5 to 2.0 million transponders in use throughout California (the 91 Express Lanes accounts for about 10 percent of this amount).

Discussion

Each year, the Authority spends approximately $750,000 on the purchase of about 35,000 internal transponders which are provided to new and existing customers. Shortly after acquiring the 91 Express Lanes in January 2003, the Authority negotiated a three-year contract with the vendor, Sirit Corporation (Sirit), to provide transponders. That contract saved over 30 percent on each unit compared to the price paid by the former owners, CPTC. Staff is requesting authorization to enter into a new contract to provide both internal and external transponders over the next 42 months. Sirit has proposed to provide the units at approximately 10 percent less than the current agreement and to improve the warranty replacement terms.

The proposed price offered by Sirit for 105,000 internal transponders is $19.75 per transponder and $31.00 per transponder for external transponders, plus applicable sales tax. Sirit will ship the transponders in increments of 5,000 within 60 days of each notification to ship. Staff has also negotiated advantageous warranty terms with Sirit which provide for replacement of any units failing within two years of receipt upon presentation of the units without any proof or testing of operating failure. Sirit has also agreed to provide the

units in the increments needed to enable OCTA to maintain a safe, but not overly large, inventory of units at our customer service center.

The Authority's transponders are customized with the 91 Express Lanes' logo and name. The procurement also includes windshield and license plate holder mounted units.

The Authority contacted officials at other California toll agencies and has determined that the proposed price is the lowest being paid for quantities similar to the Authority's requirements. The proposed price is approximately 10 percent under the prior contract price.

It is necessary to handle this as a sole source agreement because Sirit is the only provider of California Title 21 transponders that meet the infrastructure and reliability requirements of the electronic toll and traffic collection system on the 91 Express Lanes.

Summary

Based on the information provided, staff requests Board of Directors approval of Agreement C-6-0802 between Sirit Corporation and the Orange County Transportation Authority, in an amount not to exceed $2,241,147, for the purchase of 105,000 internal transponders and 200 external transponders for the 91 Express Lanes.

Attachment

None.

Prepared by:

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Treasurer
Treasury/Public Finance
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Approved by:

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

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Purchase Order for 91 Express Lanes Property Insurance

Finance and Administration Committee — January 24, 2007

Present: Directors Amante, Bates, Brown, Buffa, Cavecche, and Moorlach
Absent: Director Campbell

Committee Vote

This item was passed by all Committee Members present.

Director Bates was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to issue Purchase Order C-7-0030 between the Orange County Transportation Authority and Marsh Risk & Insurance Services, in an amount not to exceed $500,000, to purchase property insurance for the period of March 01, 2007, to February 29, 2008.

OCTA

January 24, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Purchase Order for 91 Express Lanes Property Insurance

Overview

The Orange County Transportation Authority has a property insurance policy for the 91 Express Lanes with AXIS Reinsurance Company which expires on February 28, 2007.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order C-7-0030 between the Orange County Transportation Authority and Marsh Risk & Insurance Services, in an amount not to exceed $500,000, to purchase property insurance for the period of March 01, 2007, to February 29, 2008.

Background

The Orange County Transportation Authority (OCTA) purchases property, earthquake, flood, and terrorism insurance for the roadway, structures, and business personal property, including business interruption coverage for the 91 Express Lanes. The 91 Express Lanes insurance policy currently consists of a primary property policy with AXIS Reinsurance Company, a primary difference-in-conditions (flood and earthquake) policy with Empire Indemnity Insurance Company, and a secondary difference-in-conditions policy with Glencoe Insurance. OCTA currently insures the 91 Express Lanes property for $112,243,232 for an annual premium of $372,783. The Risk Manager met with representatives from Marsh Risk & Insurance Services (Marsh), OCTA's Broker of Record on October 31, 2006, to discuss the renewal strategy for this coverage, as discussed in Attachment A.

The renewal values for the 91 Express Lanes have been increased 3 percent for the roadway and business personal property with an additional $755,097 for new camera equipment and software and $422,000 for tenant improvements to the Riverside Drive office. In addition, an estimated $640,000 for new

telephone equipment was equally divided and added to the equipment and software values at the Riverside Drive and Corona offices. The transponder inventory value was increased to $200,000 and the business interruption value was increased to $34 million to reflect current traffic and revenue volumes. Marsh Risk & Insurance Services is surveying the market to obtain the best possible rates for a total insurance coverage of $120,756,610 in insurable values for the 91 Express Lanes as outlined in Attachment B.

Discussion

The OCTA has purchased property insurance for the 91 Express Lanes at very reasonable rates in recent years due to a soft property insurance market and a favorable loss history. However, the overall property insurance market has become less competitive as many property insurers have sustained significant underwriting losses from their policies in the gulf coast two years ago. The OCTA should expect to see a continuation of this effect on premium quotes in this year's renewal.

The OCTA's Broker of Record, Marsh, is surveying the market to competitively obtain the lowest quotes. Marsh is being paid a flat fee of $55,000 to market and place property, crime, and liability insurance coverage for fiscal year 2007 per Agreement C-4-0275 approved by the OCTA Board of Directors on June 28, 2004.

In addition to AXIS Reinsurance Company, the current property provider, the following 12 other insurance companies are being contacted to provide property quotes:

AXIS Reinsurance Company
ACE American Insurance Company
Affiliated FM Insurance Company
Allianz Insurance Group
Continental Casualty Company (CNA)
Endurance Reinsurance Corporation of America
Hartford Casualty Insurance Company
Lexington Insurance Company
Liberty Mutual Insurance Company
St. Paul Travelers Insurance Company
XL Limited Insurance Company
Zurich American Insurance Company

In addition to those insurance companies listed above, the following 11 insurance companies are being contacted, including Empire Indemnity

Insurance Company and Glencoe Insurance, the current difference-in conditions providers to provide flood and earthquake insurance quotes:

ARCH Excess & Surplus Insurance Company
Chubb Custom Insurance Company
RSUI Group
James River Insurance Company
Clarendon National Insurance Company
Empire Indemnity Insurance Company
Insurance Company of the West
ACE/Westchester Specialty Insurance Company
Pacific Insurance Company
US Fire Insurance Company
RLI Insurance Company

Since Marsh is compensated on a flat fee basis, they will not earn commissions even if the carriers offer commissions as part of premium. Any commissions offered by carriers will reduce the premium cost to OCTA. Marsh is required to disclose all commissions to OCTA when quotes are received. As of January 8, 2007, no quotes have been received from the insurance market for this coverage.

It is the policy and procedure of the Finance, Administration, and Human Resources Division to obtain the best pricing from Marsh for property insurance.

Fiscal Impact

Funds of $166,667 are available in the fiscal year 2006–07 budget, and $333,333 will be requested in the fiscal year 2007–08 budget.

Summary

Marsh Risk & Insurance Services, Orange County Transportation Authority's Broker of Record, under Agreement C-4-0275 for marketing, placement, and administration of property and liability will obtain competitive quotes from the insurance market and award to the insurance firm providing the best pricing and property coverage to Orange County Transportation Authority.

Staff recommends the approval of Purchase Order C-7-0030 between the Orange County Transportation Authority and Marsh, in an amount not to exceed $500,000, to purchase 91 Express Lanes property insurance for the period of March 01, 2007 to February 29, 2008.

Attachments

A. Letter from Marsh Risk & Insurance Services Dated November 1, 2006, to Al Gorski, OCTA Risk Manager, regarding 91 Express Lanes Property Insurance Risk Identification and Renewal Strategy Confirmation
B. Orange County Transportation Authority Statement of Values SR 91 Orange County, CA March 1, 2007-08

Prepared by:

Al Gorski
Manager,
Risk Management
(714) 560-5817

Approved by:

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

ATTACHMENT A

MARSH

Craig Morris
Senior Vice President

Marsh Risk & Insurance Services
4695 MacArthur Court, Suite 700
Newport Beach, CA 92660
California Insurance License # 0437153
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craig.m.morris@marsh.com
www.marsh.com

November 1, 2006

Mr. Al Gorski
Risk Manager
Orange County Transportation Authority
550 S. Main Street
Orange, CA 92863-1584

Subject:
91 Express Lanes Property Insurance Risk Identification and Renewal Strategy Confirmation

Dear Al:

Thanks for meeting with me yesterday to plan for the March 1, 2007 91 Express Lanes property renewal. Here is a summary of our discussion and action items.

Risk Review

- OCTA continues to operate a safe, freely moving, 10 mile Toll Road along the SR-91 from Orange to Riverside County.
- The Board has approved funding to upgrade the 91 Express Lanes Traffic Operation Center. The upgrade includes replacing the current video camera system and improvements to the Traffic Operations Center (TOC). Approximately $755,097 has been approved to install 35 Delcan multi-function video camera's on existing poles down the middle of the Toll Road, as well as hardware and software upgrades at the TOC. An additional $422,000 has been approved for tenant improvements at the Riverside Drive office location.
- In October Caltrans began a major pavement maintenance project on the Express Lanes, the first in over a decade. This $1.4 million project will be funded using toll revenues and includes:
  - Grinding down excess asphalt in the buffer areas between the 91 Express Lanes and the general purpose lanes, improving water flow across the freeway and reducing the amount of debris on the Express Lanes
  - Replacing all the yellow channelizers along the entire length of the Express Lanes
  - Re-paving sections of the road where needed, making driving through the lanes smoother
  - Filling of pavement cracks and sealing of pavement surface to reduce the rate of deterioration
  - Re-stripping of the lanes throughout the length of the Express Lanes.

Renewal Strategy

- We reviewed the current program structure, limits and deductibles. The $100,000,000 policy limit is adequate, but the Business Interruption limit will need to increase at renewal due to the expected increase in the toll revenue. The $35,000,000 Earthquake limit appears sufficient, but consideration should be given to reduce the earthquake limit to $25,000,000, the same as the flood limit, if the earthquake renewal premium increases substantially. Terrorism coverage, as provided by the Terrorism Risk Insurance Act, should continue on the renewal program.
- The flat $1,000,000 earthquake deductible was included in the program last year. The previous deductible was 5% of the total insurable values at the time of loss. The change to a flat deductible lowered OCTA's earthquake deductible by approximately $4.6 million. We agreed this deductible should be maintained for the renewal due to the savings it produces.
- There have been no property losses on the 91 Express Lanes since OCTA's ownership.
- OCTA has a budget of $500,000 for the 91 Express Lanes property insurance. This is an increase from the current premium, but is expected to cover the potential increase due to the hardening of the property insurance marketplace. We expect AXIS, the primary insurance carrier, to offer a flat to a 5% increase in rates, while the earthquake and flood carrier's rates may increase 25-50%. The property insurance marketplace has seen increased rates since the hurricanes in 2005.
- You would like Marsh to obtain increased limits and time periods for Ingress/Egress, Civil Authority, Extended Period of Indemnity and Service Interruption.
- The attached statement of values is from the current year. Please review and make any necessary changes to reflect any new purchases, improvements or increased business interruption values. The real property values should be increased by 3% for inflation. Once updated, please return a signed copy of the values so we can negotiate agreed amount coverage for you.
- We will market the 91 Express Lanes to the following carriers:
    - AXIS
    - ACE
    - Affiliated FM
    - Allianz
    - CNA (your previous 91 Express Lane carrier and new Bus Base carrier)
    - Endurance
    - Hartford

- Lexington
- Liberty Mutual
- St. Paul Travelers
- XL Limited
- Zurich

Since some of these carriers are unable to provide Earthquake and Flood coverage in a combined program, we will approach the following markets and wholesalers:

- Arch E&S, Chubb Custom, RSUI, James River through Crump Insurance Services
- Clarendon, Empire Indemnity, Glencoe through Arrowhead Insurance Agency
- Insurance Company of the West
- ACE/Westchester Specialty
- Pacific Insurance Company
- Endurance
- US Fire
- RLI Insurance Company

Marsh is paid a fee by OCTA, as outlined in Agreement No.: C-4-0275, for the marketing and servicing of the 91 Express Lane's property insurance and will ask the carriers to quote net of commission. In the event a carrier includes commission in their renewal proposal, it will be disclosed to OCTA and if the carrier is unable to reduce their premium by the quoted commission, Marsh will credit OCTA for the amount of commission.

In approaching these markets you have authorized Marsh to disclose the following information as part of our negotiating process.

a. Disclose the names of the incumbent insurer and other prospective insurers to prospective insurer(s).
b. Provide a specific price, range of prices or prioritization of terms that OCTA seeks in purchasing insurance.
c. Disclose the structure, language and/or pricing of the expiring policy.
d. Disclose aspects of the quote (including price, structure, and/or policy language) of a prospective insurer to other prospective insurer(s)

If a prospective carrier provides a more competitive proposal than any of OCTA's current carriers, Marsh will not be authorized to give your current carriers a final chance to improve their

terms until we have presented all proposals to you. You may at that time ask us to give your current carriers an opportunity to improve their proposal.

- The timing of the renewal is shown on the attached Renewal Timeline.

Al, in order to proceed in the marketplace, please provide an updated and signed statement of values. We look forward to a successful renewal.

Sincerely,

Craig Morris
Senior Vice President

Orange County Transportation Authority
Statement of Values
SR 91 Orange County, CA
March 1, 2007-08

Name	Address	City	State	Zip	Roadway, Paving & Structures	Business Personal Property	Leasehold Improvements	Equipment/ Software	Inventory (Transponders)	Business Interruption	TOTAL
91 Express Lane	SR 91 Orange County		CA		71,001,260			6,219,581	Included	34,000,000	$111,220,841
Riverview Drive Office	180 North Riverview Drive, #290	Anaheim	CA	92808-1242		601,000	422,000	6,038,251	200,000	Included	$7,261,251
Corona Office	2275 Sampson Ave, #100	Corona	CA	92879		266,626	361,767	1,646,125		Included	$2,274,518
Totals					71,001,260	867,626	783,767	13,903,957	200,000	34,000,000	$120,756,610

Notes:

1) The values for "Roadway, Paving and Structures" and "Business Personal Property" were increased by 3 percent for inflation.
2) Included $422,000 for new "Tenant Improvements" at the Riverview Drive office.
3) Added $755,097 to "Equipment/Software" for the new 35 cameras to be installed along the 91 Express Lanes.
4) Added $320,000 to "Equipment/Software" at both the Riverview Drive and Corona office for new phone equipment.
5) Updated the "Transponder Inventory" from $146,404 to $200,000.
6) Increased "Business Interruption" from $29,450,584 to $34,000,000 to reflect current traffic and revenue volumes.

ATTACHMENT B

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Consultant Selection for the 2007 Congestion Management Program Traffic Data Collection

Regional Planning and Highways Committee — February 5, 2007

Present: Directors Amante, Cavecche, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: Director Dixon

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0812 between the Orange County Transportation Authority and Fehr and Peers Associates, Incorporated, in an amount not to exceed $349,500, for the collection of traffic data for the Measure M Growth Management Program and the Orange County Congestion Management Program.

OCTA

February 5, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Consultant Selection for the 2007 Congestion Management Program Traffic Data Collection

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board of Directors approved the collection of traffic counts to support the traffic monitoring requirements of Measure M and state-mandated programs. Offers were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0812 between the Orange County Transportation Authority and Fehr and Peers Associates, Incorporated, in an amount not to exceed $349,500, for the collection of traffic data for the Measure M Growth Management Program and the Orange County Congestion Management Program.

Background

The Measure M Growth Management Program (GMP) requires the biennial monitoring of traffic level of service (LOS) at 149 key intersections on the Master Plan of Arterial Highways network. The monitoring effort provides information on how local jurisdictions are fulfilling their General Plan – Growth Management Element requirements regarding LOS goals.

The Orange County Transportation Authority (OCTA) is also preparing the 2007 Orange County Congestion Management Program (CMP), a state-mandated report. A key requirement of the CMP is monitoring of traffic LOS standards for the Congestion Management Highway System. As the designated congestion management agency for Orange County, OCTA collects and compiles the traffic data to monitor local jurisdiction compliance with

LOS standards. The project involves collecting traffic data for 95 intersections. Counts are taken during the a.m. and p.m. peak period for three days for each intersection. Local compliance ensures their eligibility for state gas tax funds. The project schedule necessitates completion of the CMP-related tasks by the end of May 2007. A total of 244 CMP and GMP intersections will be counted. The CMP report will be issued by October 2007.

Discussion

This procurement was handled in accordance with OCTA's procedures for professional and technical services and was competitively bid. In addition to cost, other factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most effective overall proposal considering such factors as staffing, prior experience with similar projects, approach to the requirements, and technical expertise in the field.

A Request for Proposals (RFP) was sent on November 13, 2006, to 680 firms registered on CAMMNET. The project was advertised on November 13 and November 20, 2006, in a newspaper of general circulation. Addendum No. 1 to the RFP was issued on December 12, 2006, to provide responses to questions submitted by prospective bidders. Addendum No. 2 to the RFP was issued on December 13, 2006, to provide firms with the attendance list from the pre-proposal conference.

On December 28, 2006, four offers were received. An evaluation committee composed of staff representing the Planning and Analysis Department, Contracts Administration and Materials Management Department, and the California Department of Transportation was established to review all offers submitted. The offers were evaluated on the basis of the firm qualifications, staffing and project organization, work plan, and price.

The evaluation committee found two of the firms qualified for the work and interviewed each on January 15, 2007. Following is the ranking of the firms as determined by the combined scores of the proposal evaluation and interviews:

Firm and Location
Fehr and Peers Associates, Incorporated Irvine, California
Rick Engineering Company San Diego, California

Fehr and Peers Associates, Incorporated, demonstrated excellent technical knowledge of the project and provided the highest value for the price offered. Based on proposal reviews and interviews, the evaluation committee recommends that Fehr and Peers Associates, Incorporated, be retained to perform the collection of traffic data.

Fiscal Impact

Total funds, in the amount of $350,000, were approved in the OCTA's Fiscal Year 2006-07 Budget, Development Division, Planning and Analysis Department, Account 0010-7519-A4306-E67.

Summary

Based on the information provided, staff recommends award of Agreement C-6-0812 to Fehr and Peers Associates, Incorporated, in an amount not to exceed $349,500, to collect traffic data in support of the CMP and Measure M GMP.

Attachment

None.

Prepared by:

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Approved by:

Paul C. Taylor, P.E.
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OCTA

February 12, 2007

To: Members of the Board of Directors

From: Arthur T. Leahy, Chief Executive Officer

Subject: Measure M Quarterly Progress Report

Overview

Staff has prepared a Measure M progress report for the fourth quarter of 2006. This is a regular report that highlights the Measure M projects and programs currently under development.

Recommendation

Receive and file as an information item.

Background

Measure M Ordinance No. 2 requires quarterly reports to the Orange County Transportation Authority's (OCTA) Board of Directors (Board), which present the progress of implementing the Measure M Expenditure Plan. The first quarterly report was presented to the Board on October 26, 1992. Quarterly reports highlight accomplishments for the freeway, streets and roads, and transit programs within Measure M. Reports also include summary financial information for the period and total program to date.

Discussion

This quarterly report updates progress in implementing the Measure M Expenditure Plan during the fourth quarter of 2006 (October through December). Highlights and accomplishments of work-in-progress for freeway, streets and roads, and transit programs along with expenditure information are presented for Board review.

Freeway Program

Prior Measure M construction projects along the Santa Ana Freeway (Interstate 5), Costa Mesa Freeway (State Route 55), and the Riverside

Freeway (State Route 91) are essentially complete with the California Department of Transportation (Caltrans) continuing to negotiate final change orders and claims. The following are highlights and major accomplishments along each of the freeway corridors:

Interstate 5 (I-5), South Projects

Measure M provided funding for several high-occupancy vehicle lanes and related improvement projects along the I-5 between El Toro Road and Pacific Coast Highway (PCH)/(State Route 1). These projects included soundwalls for noise mitigation. Because of certain physical constraints, some areas did not receive a soundwall under the original construction contract. One of those areas remaining is the Aliso Creek community in the City of Laguna Hills (City).

On January 1, 2006, the Board approved the execution of a cooperative agreement between OCTA and the City, in the amount of $1,376,000, for the design and construction of the Aliso Creek soundwall project along the southbound I-5 between Los Alisos Boulevard and Alicia Parkway.

The initial independent cost estimate for the Aliso Creek soundwall was based on prefabricated soundwall panels; however, the City and the residents requested the soundwall be constructed of clear panels, supported by concrete masonry pilasters and a masonry wall combination to preserve the view to the creek. This resulted in an increase to the construction cost estimate. Moreover, during the design period general construction and material costs also increased. On November 16, 2006, the construction bids were opened. The lowest bid received and subsequently awarded by the City resulted in an increase to the project estimate at completion of $961,000. An amendment to the cooperative agreement with the City was taken to the Board on January 22, 2007, to incorporate this increase. The estimate at completion for the I-5 between the I-5/San Diego Freeway (Interstate 405) interchange and San Clemente, as shown in Attachment B, has been updated to reflect this cost increase; however, as Board approval of the budget increase took place after the report period, the increase will not be reflected in the Project Budget until the first quarter of 2007.

I-5, North Projects

Construction on the 13 I-5 projects from State Route 22 (SR-22) to just north of the I-5/State Route 91 (SR-91) interchange originally began in December 1996 and was substantially completed by the end of December 2000 as scheduled. The negotiating of final construction quantities, change orders, and construction claims for all of the completed I-5 projects is the responsibility of Caltrans. The

negotiation work continued during the report period. The total anticipated Measure M construction payments are currently estimated at $235.6 million, which includes an allowance of approximately $5 million to settle outstanding change orders and construction claims.

I-5, Gateway Project

The two-mile stretch of the I-5, from just north of the I-5/SR-91 interchange to the Los Angeles County line, is the last phase of the I-5 in Orange County to be improved. On February 27, 2006, the Board approved a revised funding plan and project estimate that increased the total project cost to $314.3 million, with $178.9 million coming from Measure M.

The freeway widening construction package was awarded to FCI Construction on April 18, 2006. Various construction activities continued during the report period. The construction of the soundwall located along the 8th Street neighborhood in the City of Buena Park continued. The excavation for other sound and retaining walls along the project has also begun. Pavement rehabilitation of the local streets surrounding the project also continued, with the City of Buena Park taking the lead on the rehabilitation efforts. The rehabilitation projects are necessary due to the additional traffic anticipated as a result of planned freeway closures to take place throughout the project duration. The first phase of the rehabilitation has been completed, with the second phase scheduled to begin in February 2007.

The demolition of the Western Avenue bridge and associated abutments was completed. With the demolition complete, pile-driving began for the reconstruction of this bridge. Additionally, the grade at the Artesia Boulevard interchange was raised to facilitate the eventual bridge expansion and new ramp construction.

The necessary work for the relocation of the various utilities is still in progress. Union Pacific Railroad (UPRR) track crews completed work associated with the first phase of the storage track relocation effort, completing the portion of the work that was required in Los Angeles County. The UPRR crews completed the removal of the existing storage track, beginning Phase 2 of their effort. The installation of fiber optic duct bank along the UPRR right-of-way in the City of Buena Park began with the removal of the old storage track. Coordination meetings with the various utility companies impacted by the construction continued throughout the report period.

The acquisitions and documentation necessary for the initial right-of-way certification have been completed. In addition to the coordination meetings with

the various partner cities and agencies, OCTA continues to meet with the local businesses and neighborhoods who will be affected to varying degrees by the project. During the report period, a door to door campaign was undertaken in the Western Avenue neighborhoods to alert the local residents to the pile driving operations that were to take place after the demolition of the Western Avenue bridge. Additionally, informational materials were prepared to alert residents to the future closure and demolition of the Stanton Avenue bridge. As the project progresses, additional local streets and bridges will be closed for periods of time as part of the overall construction effort. OCTA will continue its public outreach in an effort to mitigate any potential issues before they occur.

SR-22

On August 23, 2004, the Board approved awarding the SR-22 design-build contract to Granite-Meyers-Rados. Actual construction activities began October 5, 2004. The contract requires substantial completion within 800 calendar days after the notice to proceed, or November 30, 2006. The total Board-approved overall project budget is $549.6 million with $244.5 million coming from Measure M.

Progress on the SR-22 advanced significantly during the report period with the overall effort now 93.1 percent complete based on the contract billings to date. As of December 9, 2006, all lanes were opened to traffic along the mainline of the SR-22 from State Route 55 (SR-55) to Magnolia Street.

Construction activities continued during the report period. Asphalt and concrete paving along the mainline freeway as well as at the various on and off ramps was completed east of Magnolia Street. Pile driving began at the Magnolia Street bridge as did the foundation work. The reconstruction of local city streets began at Brookhurst Street and Beach Boulevard. The westbound off ramp at Valley View Street was also completed.

Street and Roads Programs

Substantial additional funding to cities and the County is provided by the various programs within the Measure M Local and Regional Streets and Roads Programs through OCTA's Combined Transportation Funding Program (CTFP). The CTFP encompasses Measure M streets and roads competitive programs, as well as federal sources such as the Regional Surface Transportation Program. Funds are awarded on a competitive basis within the guidelines of each program and are used to fund a wide range of transportation projects.

During the fourth quarter, the CTFP contributed approximately $18 million in Measure M funds for local streets and roads improvements throughout the County. Approximately 25 percent of this amount was directed towards the closeout of existing CTFP projects. This included several signal improvement projects in the cities of Anaheim, Irvine, Laguna Hills, and Laguna Niguel. Some highlights of the projects that received significant contributions during this period include: the Edinger Avenue smart street project in the cities of Tustin and Santa Ana received approximately $5.66 million; the Warner Avenue bridge widening project at the Santa Ana River received approximately $1.9 million; and the Weir Canyon widening project in the City of Yorba Linda received approximately $600,000.

Transit Programs

Rail Program

The OCTA rail program is comprised mainly of the Metrolink Commuter Rail Program and the associated capital improvements intended to support existing service as well as future service expansion. On November 14, 2005, the Board authorized the implementation of the Metrolink Service Expansion (Expansion) plan. Not all improvements associated with the Expansion plan are funded by Measure M. Only those elements which are supported by Measure M funding will be discussed here.

Metrolink Commuter Rail Operations

Orange County's commuter rail service is provided by Metrolink (under a joint powers agreement with OCTA). Metrolink is the service operated by the Southern California Regional Rail Authority (SCRRA). Formed in 1991, the SCRRA is a joint powers authority of five member agencies, representing the five Southern California counties of Ventura, Los Angeles, San Bernardino, Riverside, and Orange.

Commuter rail service in Orange County includes three routes: the Orange County (OC) Line operating from Oceanside to downtown Los Angeles, the Inland Empire – Orange County (IEOC) Line, serving passengers who travel from San Bernardino and Riverside to the County of Orange, and the 91 Line operating from Riverside to downtown Los Angeles via Fullerton. The OC Line provides 19 weekday and six weekend trips between the County of Orange and Los Angeles, including two reverse-commute roundtrips that offer service from Los Angeles to employment centers in Orange County. The IEOC Line provides 16 weekday trips and five weekend trips, and the 91 Line provides nine weekday trips. In addition, under the Rail 2 Rail program, monthly pass holders are allowed

to ride Amtrak trains providing weekday and up to 24 additional weekend trains for Orange County riders at no additional charge.

The expansion of the Rail 2 Rail program continues. Through the combined efforts of OCTA, Caltrans, Metrolink, and Amtrak, the Metrolink service area will be making a number of improvements. Currently, this program allows only those with a monthly Metrolink Pass to ride Amtrak trains within the service area at no additional fee; however, OCTA has continued to work with the various stakeholders to expand this to a new ten-trip ticket program. This new Amtrak ten-trip ticket will be usable on Metrolink trains in the service area. This effort has been on-going for some time, with quality assurance and audit compliance testing continuing.

In the fourth quarter of 2006, Metrolink ridership in Orange County experienced continued growth on all three lines. The OC Line, including the Metrolink riders on Amtrak trains under the Rail 2 Rail program, averaged 7,589 weekday passengers, which represents a 1.6 percent increase over the fourth quarter of 2005. The IEOC Line averaged 4,488 weekday passengers, which was a 12.4 percent increase over the fourth quarter of 2005. The 91 Line averaged 2,074 weekday passengers, which is also an 6.7 percent increase over the fourth quarter of 2005. Weekend service on the OC Line has remained steady since its peak during the warm summer months; however, the IEOC Line has experienced some decline in weekend ridership. A weekend ridership study is currently underway to identify the weekend service customer base and provide a foundation for service planning, future marketing, and customer relations activities.

Metrolink Capital Improvement Projects

Several capital improvement projects have reached milestones during this period. The pedestrian bridge at the Santa Ana Depot was completed when the inter-track fence was installed in October 2006. The SCRRA and the contractor are addressing close-out issues associated with the construction contract, which should be concluded in the next six months. The design for the pedestrian underpassing at the Orange Depot was completed in December 2006 and is currently under review at the Office of the State Architect. This project is primarily funded through State Transportation Improvement Program funds, but $562,000 Measure M funds were included in the design portion of the project. The California Transportation Commission granted construction authorization for this project at the meeting of December 14, 2006. Metrolink is the lead agency on this project, which must be awarded within six months of this authorization.

An on-going project, aimed at improving the efficiency and capacity on this corridor, is the second main line, or double track, in Santa Ana. Metrolink is the lead agency on this project, which is currently in construction. During this quarter, most of the sub-surface utility relocations, as well as retaining walls and pier protection walls were completed. Track and signal work is scheduled to begin in the first quarter of 2007.

During this period, OCTA's project management consultant completed project definition reports for turnback facilities in Fullerton and Laguna Niguel/Mission Viejo. These projects are on the critical path and must be constructed in order to implement 30 minute rail service in Orange County. Track projects will be constructed by Metrolink or their contractors. A cooperative agreement is being developed, which establishes roles, responsibilities, funding, and schedules for infrastructure rail improvements to support the 30 minute rail service. This agreement is scheduled for Board approval during the first quarter of 2007.

Another significant capital improvement project will be the addition of the Buena Park Intermodal Commuter Rail Facility (BPIF). The BPIF is the last station to be built on the OC Line, and will provide commuters with convenient bus and rail connections. The facility encompasses a 3.5-acre site located at Lakeknoll Drive and Dale Avenue in the City of Buena Park.

During the report period, the City of Buena Park continued to take the lead in managing the project's construction, and OCTA continued to provide project management oversight and technical assistance. General site work continued, as well as work on the access road, bus layover zone, the site parking area, miscellaneous structural steel fabrication, and painting. On November 13, 2006, the Board approved the funding of a redesign and expansion of the site parking and access road. This will provide needed room for the bus stop and bus layover operations. The project completion is scheduled for late spring 2007.

The commuter rail program was made possible by the rapid implementation of a comprehensive capital improvement plan made up of 36 percent Measure M funds. Also helping the commuter rail program is $115 million in the long-term rail operating fund, the Commuter Rail Endowment, established in 1992 and funded by Measure M.

City-Initiated Transit Extensions to Metrolink

On November 13, 2006, the Board approved six cooperative agreements and project concepts for the Go Local program: Aliso Viejo, Anaheim, Laguna Beach, Orange, San Clemente, and Villa Park. These cities will each

receive $100,000 to initiate local planning to launch the first step of the City-Initiated Transit Extensions to Metrolink. Anaheim, Orange and Villa Park are collaborating; San Clemente proposed a defined study area, which can be expanded if neighboring cities are interested; Aliso Viejo and Laguna Beach are pursuing needs assessments/planning focused on their city. An estimated 20 additional cities are currently preparing project concepts for OCTA's consideration.

Interstate 405(I-405)/ SR-55 Interchange and Transitway

In February 2001, the construction began on the second phase of the I-405/SR-55. The estimate at completion for the construction has been increased to $65.7 million. This increase was requested by Caltrans on December 6, 2006. The increase was necessary to pay for outstanding construction change orders and claims that have been identified and approved during the project closeout. The closeout is on-going, and Caltrans will continue to take the lead in the negotiation of the remaining change orders and claims.

On October 14, 2005, the Board approved the execution of cooperative agreements with the cities of Santa Ana and Costa Mesa (Cities) for a follow-on landscaping project at the interchanges at the I-405/Bristol Street and the SR-55/MacArthur Boulevard. Heavy use of these areas for construction staging made it difficult to maintain the existing landscaping during the four years of construction that were involved in both phases of the I-405/SR-55 interchange project. OCTA is funding the project, with the Cities implementing all elements of work.

Currently, the Cities are separately coordinating the work associated with their portion of the project. The City of Costa Mesa has completed the construction, and on December 15, 2006, their portion of the project entered the plant establishment period. The design for the City of Santa Ana's portion of the project has been completed. The construction contract has been advertised and the contract is anticipated to be awarded in the first quarter of 2007. Once the construction begins, it is expected to take approximately four months to complete. The project costs are estimated at $1,343,000, any increases will be the responsibility of the Cities.

Financial Status

As required in Measure M, all Orange County eligible jurisdictions receive 14.6 percent of the sales tax revenue based on population ratio, Master Plan of Arterial Highways miles, and total taxable sales. There are no competitive criteria to meet, but there are administrative requirements, such as having a Growth

Management Plan. This money can be used for local projects as well as on-going maintenance of local streets and roads. The total amount of Measure M turnback funds distributed since program implementation is $433.3 million. Distributions to individual agencies, from inception to-date and for the report period, are detailed in Attachment A.

Net Measure M expenditures through December 31, 2006, total $2.785 billion. Net expenditures include project specific reimbursements to Measure M from cities, local agencies, and Caltrans. Total net tax revenues consist primarily of Measure M sales tax revenues and non-bond interest minus estimated non-project related administrative expenses through 2011. Net revenues, expenditures, estimates at completion, and summary project budgets, per the Measure M Expenditure Plan, are presented in Attachment B. The basis for project budgets within each of the Measure M Expenditure Plan programs is identified in the notes section of Attachment B. Beginning with the current quarter, staff will be providing additional financial information in support of the consolidated Measure M Revenue and Expenditure Summary (Attachment B). The additional information is shown in Attachment C.

Budget Variances

Project budget versus estimate at completion variances generally relate to freeway and transitway elements as these programs have existing defined projects. Other programs, such as regional and local streets and roads, assume all net tax revenues will be spent on existing and yet to be defined future projects.

The Estimate at Completion for the I-5 between the I-5/I-405 interchange and San Clemente, as shown in Attachment B, has been increased by $961,000 for increased construction costs related to the Aliso Creek soundwall project. Although the estimate at completion has been updated, as the Board approval of the budget increase took place after the report period, the increase will not be reflected in the Project Budget until the first quarter of 2007.

The Estimate at Completion for transitways has been increased by $1.4 million to include the increased construction costs associated with construction change orders and claims that have been identified during the project close out process.

Summary

As required in Measure M Ordinance No. 2, a quarterly report is provided to update progress in implementing the Measure M Expenditure Plan. This report

covers freeways, streets and roads, transit program highlights, and accomplishments from October through December 2006.

Attachments

A. Measure M Local Turnback Payments
B. Measure M Revenue and Expenditure Summary as of December 31, 2006
C. Supporting Information to Measure M Revenue and Expenditure Summary

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Approved by:

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ATTACHMENT A

MEASURE M LOCAL TURNBACK PAYMENTS

Agency	Fourth Quarter 2006	Total Apportionment as of 12/31/06
Aliso Viejo	$ 174,357	$ 2,319,320
Anaheim	1,623,291	47,593,855
Brea	260,667	7,763,710
Buena Park	388,282	11,592,696
Costa Mesa	685,252	20,541,189
Cypress	261,926	7,617,364
Dana Point	158,224	4,882,584
Fountain Valley	303,042	9,414,583
Fullerton	612,903	18,757,600
Garden Grove	710,523	21,316,083
Huntington Beach	908,099	28,024,200
Irvine	1,140,600	29,829,104
Laguna Beach	124,281	3,641,095
Laguna Hills	177,202	5,120,737
Laguna Niguel	327,963	9,181,592
Laguna Woods	67,448	1,197,049
La Habra	253,233	7,250,079
Lake Forest	375,129	9,306,998
La Palma	89,324	2,410,493
Los Alamitos	62,920	2,066,315
Mission Viejo	466,800	13,479,862
Newport Beach	495,008	13,192,236
Orange	771,986	22,498,926
Placentia	227,017	6,739,634
Rancho Santa Margarita	206,617	3,105,176
San Clemente	263,959	6,697,195
San Juan Capistrano	189,367	5,333,774
Santa Ana	1,392,793	42,890,401
Seal Beach	115,457	3,422,657
Stanton	145,204	4,279,352
Tustin	389,961	11,743,484
Villa Park	25,568	784,944
Westminster	425,880	12,850,414
Yorba Linda	277,890	8,023,826
County Unincorporated	834,032	28,386,304
Total County:	***$ 14,932,204***	***$ 433,254,832***

Measure M Revenue and Expenditure Summary
as of December 31, 2006

Project Description *($ in thousands, escalated to year of expenditure/revenue)*	Total Net Tax Revenues A	Project Budget B	Estimate at Completion C	Variance Total Net Tax Revenues to Est at Completion (A - C)	Variance Project Budget to Est at Completion (B - C)	To Date Net Project Cost D	Percent Budget Expended (D / B)	Notes
Freeways (43%)								
I-5 between I-405 (San Diego Fwy) and I-605	$ 1,038,153	$ 810,010	$ 801,602	$ 236,551	$ 8,408	$ 661,537	81.7%	1
I-5 between I-5/I-405 Interchange and San Clemente	71,979	56,875	59,940	12,039	(3,065)	57,609	101.3%	1,3
I-5/I-405 Interchange	91,357	72,802	73,075	18,282	(273)	73,075	100.4%	1
S.R. 55 between I-5 and S.R. 91	60,905	44,511	50,176	10,729	(5,665)	49,110	110.3%	1
S.R. 57 between I-5 and Lambert Road	30,452	24,128	22,750	7,702	1,378	22,750	94.3%	1
S.R. 91 between Riverside Co. line & Los Angeles Co. line	131,499	116,136	105,639	25,860	10,497	105,309	90.7%	1
S.R. 22 between S.R. 55 and Valley View St.	409,724	244,460	247,852	161,872	(3,392)	219,977	90.0%	
Subtotal Projects	$ 1,834,069	$ 1,368,922	$ 1,361,034	$ 473,035	$ 7,888	$ 1,189,367	86.9%	
Net (Bond Revenue)/Debt Service		311,212	311,212	(311,212)	-	286,928		
Total Freeways	$ 1,834,069	$ 1,680,134	$ 1,672,246	$ 161,823	$ 7,888	$ 1,476,295	87.9%	
Expenditures as a Percent of Total Program						53.0%		
Regional Street and Road Projects (11%)								
Smart Streets	$ 160,862	$ 158,458	$ 158,458	$ 2,404	$ -	$ 118,568	74.8%	2
Regionally Significant Interchagnes	$ 93,836	93,836	93,836	-	-	42,350	45.1%	2
Intersection Improvement Program	$ 134,052	134,052	134,052	-	-	59,286	44.2%	2
Traffic Signal Coordination	$ 67,026	67,026	67,026	-	-	32,402	48.3%	2
Transportation Systems and Transporation Demand Mgmt	$ 13,405	13,405	13,405	-	-	6,637	49.5%	2
Subtotal Projects	$ 469,181	$ 466,777	$ 466,777	$ 2,404	$ -	$ 259,243	55.5%	
Net (Bond Revenue)/Debt Service		2,404	2,404	(2,404)	-	2,216		
Total Regional Street and Road Projects	$ 469,181	$ 469,181	$ 469,181	$ -	$ -	$ 261,459	55.7%	2
Expenditures as a Percent of Total Program						9.4%		

ATTACHMENT B

Measure M Revenue and Expenditure Summary
as of December 31, 2006

Project Description *($ in thousands, escalated to year of expenditure/revenue)*	Total Net Tax Revenues A	Project Budget B	Estimate at Completion C	Variance Total Net Tax Revenues to Est at Completion (A - C)	Variance Project Budget to Est at Completion (B - C)	To Date Net Project Cost D	Percent Budget Expended (D / B)	Notes
Local Street and Road Projects (21%)								
Master Plan of Arterial Highway Improvements	$ 175,603	$ 175,603	$ 175,603	$ -	$ -	$ 57,942	33.0%	2
Streets and Roads Maintenance and Road Improvements	620,106	620,106	620,106	-	-	425,009	68.5%	2
Growth Management Area Improvements	100,000	100,000	100,000	-	-	59,084	59.1%	2
Subtotal Projects	$ 895,709	$ 895,709	$ 895,709	$ -	$ -	$ 542,035	60.5%	
Net (Bond Revenue)/Debt Service						-		
Total Local Street and Road Projects	$ 895,709	$ 895,709	$ 895,709	$ -	$ -	$ 542,035	60.5%	
Expenditures as a Percent of Total Program						19.5%		
Transit Projects (25%)								
Pacific Electric Right-of-Way	$ 20,638	$ 15,000	$ 13,760	$ 6,878	$ 1,240	$ 13,728	91.5%	
Commuter Rail	378,372	370,519	385,687	(7,315)	(15,168)	259,343	70.0%	
High-Technology Advanced Rail Transit	467,805	458,206	464,580	3,225	(6,374)	43,385	9.5%	
Elderly and Handicapped Fare Stabilization	27,518	20,000	20,000	7,518	-	14,010	70.1%	
Transitways	171,987	146,381	126,079	45,908	20,302	123,082	84.1%	1,4
Subtotal Projects	$ 1,066,320	$ 1,010,106	$ 1,010,106	$ 56,214	$ -	$ 453,548	44.9%	
Net (Bond Revenue)/Debt Service		56,214	56,214	(56,214)	-	51,828		
Total Transit Projects	$ 1,066,320	$ 1,066,320	$ 1,066,320	$ -	$ -	$ 505,376	47.4%	
Expenditures as a Percent of Total Program						18.1%		
Total Measure M Program	$ 4,265,279	$ 4,111,344	$ 4,103,456	$ 161,823	$ 7,888	$ 2,785,165	67.7%	

Notes:
1. Project Budget based on escalated value of 1996 Freeway Strategic Plan plus subsequent Board approved amendments.
2. Project Budget and Estimate at Completion equal to Total Net Tax Revenues as all funds collected will be expended on future projects.
3. Estimate at Completion increased by $961,000 for Aliso Creek soundwall construction. Budget to be increased next quarter.
3. Estmate at Completion increased by $1,400,000 for construction change orders and claims associated with the I-405/SR-55 Interchange project.

ATTACHMENT C

Supporting Information to Measure M Revenue and Expenditure Summary

Schedule 1

Measure M
Statement of Revenues, Expenditures and Changes in Fund Balance
as of December 31, 2006

($ in thousands)	Quarter Ended Dec 31, 2006	Year to Date Dec 31, 2006 (A)	Period from Inception to Dec 31, 2006 (B)
Revenues:			
Sales taxes	$ 72,896	$ 132,245	$ 2,929,274
Other agencies share of Measure M costs			
Project related	1,470	3,714	364,428
Non-project related	-	-	97
Interest:			
Operating:			
Project related	91	91	372
Non-project related	4,968	9,414	179,727
Bond proceeds	-	-	136,067
Debt service	424	1,526	67,119
Commercial paper	27	80	5,775
Orange County bankruptcy recovery	-	-	42,268
Capital grants	10,649	6,490	122,244
Right-of-way leases	93	150	3,666
Miscellaneous	-	-	801
Total revenues	90,618	153,710	3,851,838
Expenditures:			
Supplies and services:			
State Board of Equalization (SBOE) fees	624	1,248	44,985
Professional services:			
Project related	2,660	3,570	134,311
Non-project related	679	754	23,611
Administration costs:			
Project related	485	957	12,731
Non-project related	1,445	2,902	64,822
Orange County bankruptcy loss	-	-	78,618
Other:			
Project related	6	11	1,067
Non-project related	-	77	14,944
Payments to local agencies:			
Turnback	6,622	12,785	424,993
Competitive projects	18,857	25,323	388,393
Capital outlay	54,658	81,597	1,768,763
Debt service:			
Principal payments on long-term debt	-	-	628,785
Interest on long-term debt and commercial paper	343	11,232	504,979
Total expenditures	86,379	140,456	4,091,002
Excess (deficiency) of revenues over (under) expenditures	4,239	13,254	(239,164)
Other financing sources (uses):			
Transfers out:			
Project related	(30)	(183)	(222,373)
Non-project related	(6,763)	(13,526)	(18,627)
Transfers in project related	-	2	1,567
Proceeds on sale of capital assets	537	551	16,155
Bond proceeds	-	-	1,169,999
Advance refunding escrow	-	-	(931)
Payment to refunded bond escrow agent	-	-	(152,930)
Total other financing sources (uses)	(6,256)	(13,156)	792,860
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	$ (2,017)	$ 98	$ 553,696

Measure M
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of December 31, 2006

($ in thousands)	Quarter Ended Dec 31, 2006 (actual)	Year Ended Dec 31, 2006 (actual)	Period from Inception through Dec 31, 2006 (actual)	Period from January 1, 2007 through March 31, 2011 (forecast)	Total
		(C.1)	*(D.1)*	*(E.1)*	*(F.1)*
Tax revenues:					
Sales taxes	$ 72,896	$ 132,245	$ 2,929,274	$ 1,324,557	$ 4,253,831
Other agencies share of Measure M costs	-	-	97	-	97
Operating interest	4,968	9,414	179,727	46,336	226,063
Orange County bankruptcy recovery	-	-	20,683	-	20,683
Miscellaneous	-	-	801	-	801
Total tax revenues	77,864	141,659	3,130,582	1,370,893	4,501,475
Administrative expenditures:					
SBOE fees	624	1,248	44,985	20,604	65,589
Professional services, non-project related	626	694	14,997	7,190	22,187
Administration costs, non-project related	1,445	2,902	64,822	23,248	88,070
Operating transfer out, non-project related	6,763	13,526	18,627	-	18,627
Orange County bankruptcy loss	-	-	29,792	-	29,792
Other, non-project related	-	77	5,845	6,086	11,931
	9,458	18,447	179,068	57,128	236,196
Net tax revenues	$ 68,406	$ 123,212	$ 2,951,514	$ 1,313,765	$ 4,265,279
		(C.2)	*(D.2)*	*(E.2)*	*(F.2)*
Bond revenues:					
Proceeds from issuance of bonds	$ -	$ -	$ 1,169,999	$ -	$ 1,169,999
Interest revenue from bond proceeds	-	-	136,067	-	136,067
Interest revenue from debt service funds	424	1,526	67,119	16,438	83,557
Interest revenue from commercial paper	27	80	5,775	-	5,775
Orange County bankruptcy recovery	-	-	21,585	-	21,585
Total bond revenues	451	1,606	1,400,545	16,438	1,416,983
Financing expenditures and uses:					
Professional services, non-project related	53	60	8,614	-	8,614
Payment to refunded bond escrow	-	-	153,861	-	153,861
Bond debt principal	-	-	628,785	375,170	1,003,955
Bond debt interest expense	343	11,232	504,979	57,479	562,458
Orange County bankruptcy loss	-	-	48,826	-	48,826
Other, non-project related	-	-	9,099	-	9,099
Total financing expenditures and uses	396	11,292	1,354,164	432,649	1,786,813
Net bond revenues (debt service)	$ 55	$ (9,686)	$ 46,381	$ (416,211)	$ (369,830)

Measure M
Schedule of Revenues and Expenditures Summary
as of December 31, 2006

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through Dec 31, 2006	Reimbursements through Dec 31, 2006	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Freeways (43%)										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	$ 718,386	$ 1,038,153	$ 810,010	$ 801,602	$ 236,551	$ 8,408	$ 737,987	$ 76,450	$ 661,537	81.7%
I-5 between I-5/I-405 Interchange and San Clemente	49,808	71,979	56,875	59,940	12,039	(3,065)	67,967	10,358	57,609	101.3%
I-5/I-405 Interchange	63,218	91,357	72,802	73,075	18,282	(273)	98,157	25,082	73,075	100.4%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	42,145	60,905	44,511	50,176	10,729	(5,665)	55,282	6,172	49,110	110.3%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	21,073	30,452	24,128	22,750	7,702	1,378	25,609	2,859	22,750	94.3%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	90,996	131,499	116,136	105,639	25,860	10,497	123,915	18,606	105,309	90.7%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	283,524	409,724	244,460	247,852	161,872	(3,392)	482,345	262,368	219,977	90.0%
Subtotal Projects	1,269,150	1,834,069	1,368,922	1,361,034	473,035	7,888	1,591,262	401,895	1,189,367	
Net (Bond Revenue)/Debt Service			311,212	311,212	(311,212)	-	286,928		286,928	
Total Freeways	$ 1,269,150	$ 1,834,069	$ 1,680,134	$ 1,672,246	$ 161,823	$ 7,888	$ 1,878,190	$ 401,895	$ 1,476,295	
%									53.0%	
Regional Street and Road Projects (11%)										
Smart Streets	$ 111,314	$ 160,862	$ 158,458	$ 158,458	$ 2,404	$ -	$ 122,057	$ 3,489	$ 118,568	74.8%
Regionally Significant Interchanges	64,933	93,836	93,836	93,836	-	-	42,496	146	42,350	45.1%
Intersection Improvement Program	92,762	134,052	134,052	134,052	-	-	59,342	56	59,286	44.2%
Traffic Signal Coordination	46,381	67,026	67,026	67,026	-	-	32,534	132	32,402	48.3%
Transportation Systems Management and Transportation Demand Management	9,276	13,405	13,405	13,405	-	-	6,786	149	6,637	49.5%
Subtotal Projects	324,666	469,181	466,777	466,777	2,404	-	263,215	3,972	259,243	
Net (Bond Revenue)/Debt Service			2,404	2,404	(2,404)	-	2,216		2,216	
Total Regional Street and Road Projects	$ 324,666	$ 469,181	$ 469,181	$ 469,181	$ -	$ -	$ 265,431	$ 3,972	$ 261,459	
%									9.4%	

Measure M
Schedule of Revenues and Expenditures Summary
as of December 31, 2006

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through Dec 31, 2006	Reimbursements through Dec 31, 2006	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	$ 95,357	$ 175,603	$ 175,603	$ 175,603	$ -	$ -	$ 58,041	$ 99	$ 57,942	33.0%
Streets and Roads Maintenance and Road Improvements	429,105	620,106	620,106	620,106	-	-	425,009	-	425,009	68.5%
Growth Management Area Improvements	95,357	100,000	100,000	100,000	-	-	59,515	431	59,084	59.1%
Subtotal Projects	619,819	895,709	895,709	895,709	-	-	542,565	530	542,035	
Net (Bond Revenue)/Debt Service							-		-	
Total Local Street and Road Projects	$ 619,819	$ 895,709	$ 895,709	$ 895,709	$ -	$ -	$ 542,565	$ 530	$ 542,035	
%									19.5%	
Transit Projects (25%)										
Pacific Electric Right-of-Way	$ 14,282	$ 20,638	$ 15,000	$ 13,760	$ 6,878	$ 1,240	$ 16,016	$ 2,288	$ 13,728	91.5%
Commuter Rail	261,828	378,372	370,519	385,687	(7,315)	(15,168)	316,384	57,041	259,343	70.0%
High-Technology Advanced Rail Transit	323,714	467,805	458,206	464,580	3,225	(6,374)	49,409	6,024	43,385	9.5%
Elderly and Handicapped Fare Stabilization	19,042	27,518	20,000	20,000	7,518	-	14,010	-	14,010	70.1%
Transitways	119,013	171,987	146,381	126,079	45,908	20,302	159,748	36,666	123,082	84.1%
Subtotal Projects	737,879	1,066,320	1,010,106	1,010,106	56,214	-	555,567	102,019	453,548	
Net (Bond Revenue)/Debt Service			56,214	56,214	(56,214)	-	51,828		51,828	
Total Transit Projects	$ 737,879	$ 1,066,320	$ 1,066,320	$ 1,066,320	$ -	$ -	$ 607,395	$ 102,019	$ 505,376	
%									18.1%	
Total Measure M Program	$ 2,951,514	$ 4,265,279	$ 4,111,344	$ 4,103,456	$ 161,823	$ 7,888	$ 3,293,581	$ 508,416	$ 2,785,165	

24.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement for Radio Repair Service

Transit Planning and Operations Committee — January 25, 2007

Present: Directors Brown, Dixon, Green, Moorlach, Norby, Pulido, and Winterbottom
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Director Pulido was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0498 between the Orange County Transportation Authority and Advanced Electronics, in an amount not to exceed $75,000, for radio repair services.

OCTA

January 25, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for Radio Repair Service

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board approved radio repair services for the Community Transportation Services 500 megahertz radio system. One offer was received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0498 between the Orange County Transportation Authority and Advanced Electronics, in an amount not to exceed $75,000, for radio repair services.

Background

The Orange County Transportation Authority (Authority) operates a 500 megahertz (MHz) voice radio system that communicates between the Community Transportation Services (CTS) dispatch center and the CTS bus fleet. The system utilizes radio equipment at two Authority sites and seven County of Orange sites. This contract establishes a maintenance agreement for regular preventive maintenance and emergency repair services on this equipment, as well as portable and mobile radio installation and repair. Additionally the Authority's microwave system, which provides inter-site communications for the CTS equipment and the Authority's Integrated Transportation Communication System (ITCS), is covered.

Discussion

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

requirement was handled as a competitive negotiated procurement. Award is recommended to the firm offering the most effective overall proposal considering such factors as staffing, prior experience with similar projects, approach to the requirement, and technical expertise in the field.

The project was advertised on July 13, 2006, on CAMMNET. A pre-proposal meeting was held on July 20, 2006, and was attended by one firm.

On August 22, 2006, one offer was received. The offer was evaluated based on adherence to scope, staffing, prior experience, technical expertise, and cost.

The Authority's Internal Audit Department conducted a price review and found that the price quoted by Advanced Electronics was fair and reasonable.

Based on our findings, staff recommends the following firm for consideration of the award:

Firm and Location

Advanced Electronics
Redondo Beach, California

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2006-07 Budget, Transit Division, Account 2185-7612-D1111-CVR, and is funded through the Local Transportation Fund.

Summary

Staff recommends award of Agreement C-6-0498 to Advanced Electronics, in an amount not to exceed $75,000, for radio repair services.

Attachment

None.

Prepared by:

Al Pierce
Manager, Maintenance
(714) 560-5975

Approved by:

John D. Byrd
General Manager, Transit
(714) 560-5341

25.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement for the Purchase and Placement of Solar Lighting Units

Transit Planning and Operations Committee — January 25, 2007

Present: Directors Brown, Dixon, Green, Moorlach, Norby, Pulido, and Winterbottom
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Director Pulido was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0578 between the Orange County Transportation Authority and Carmanah Technologies, Inc., in an amount not to exceed $500,000, for manufacturing and installing 700 solar lighting units.

OCTA

January 25, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for the Purchase and Placement of Solar Lighting Units

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board approved the purchase and placement of 700 solar lighting units which will be placed at selected bus stop locations throughout Orange County. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0578 between the Orange County Transportation Authority and Carmanah Technologies, Inc., in an amount not to exceed $500,000, for manufacturing and installing 700 solar lighting units.

Background

Since May 2005 the Orange County Transportation Authority (Authority) has purchased 710 solar lighting units and placed them at selected bus stop locations along each of the Authority's "Nite Owl" routes. In addition, solar lights were placed along ten of the Authority's most productive routes as determined by passenger usage and total hours of operation. The solar lights have been well received by both the general public and coach operators alike, which in turn has generated numerous requests for additional lights.

Discussion

This procurement for an additional 700 lights was handled in accordance with the Authority's procedures for professional and technical services. In addition to cost,

many other factors are considered in an award for professional and technical services. Therefore, the requirement was handled as a competitive negotiated procurement. Award is recommended to the firm offering the most effective overall proposal considering such factors as staffing, prior experience with similar projects, approach to the requirement, and technical expertise in the field.

The project was advertised on September 1, 2006, and September 8, 2006, in a newspaper of general circulation. An electronic notice was also sent to 309 firms registered on the Authority's CAMMNET. A pre-proposal meeting was held on September 14, 2006, in which four firms attended.

On October 6, 2006, three offers were received. An evaluation committee composed of staff from Stops and Zones, Service Planning and Customer Advocacy, Contracts Administration and Materials Management, and the City of Westminster was established to review all offers submitted. Based on the evaluation committee's findings, the following firm was selected and is recommended for consideration of the award:

Firm and Location

Carmanah Technologies, Inc.
Victoria, British Columbia, Canada

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2006-07 Budget, Transit Division/Maintenance Department, Account 9089, and is funded through the Local Transportation Fund.

Summary

Staff recommends award of Agreement C-6-0578 to Carmanah Technologies, Inc., in an amount not to exceed $500,000, to have 700 solar lighting units manufactured and installed at selected bus stop locations along various routes throughout Orange County.

Attachment

None.

Prepared by:

Al Pierce
Manager, Maintenance
714-560-5975

Approved by:

John D. Byrd
General Manager, Transit
714-560-5341

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement to Lease Antenna Site on Santa Catalina Island

Transit Planning and Operations Committee — January 25, 2007

Present: Directors Brown, Dixon, Green, Moorlach, Norby, Pulido, and Winterbottom
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Director Pulido was not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to issue Purchase Order 06-77039 between the Orange County Transportation Authority and the Santa Catalina Island Conservancy, in an amount not to exceed $24,240 for the first year, with automatic renewal at an increase of 5 percent per year for subsequent years, for the lease of equipment rack and tower space on Santa Catalina Island.

OCTA

January 25, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement to Lease Antenna Site on Santa Catalina Island

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, the Board approved funds for equipping Santa Catalina Island as an additional Integrated Transportation Communication System radio site. A proposal was received in accordance with the fixed assets sole source procurement procedures for the annual lease of equipment rack and tower space.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order 06-77039 between the Orange County Transportation Authority and the Santa Catalina Island Conservancy, in an amount not to exceed $24,240 for the first year, with automatic renewal at an increase of 5 percent per year for subsequent years, for the lease of equipment rack and tower space on Santa Catalina Island.

Background

The Orange County Transportation Authority's (Authority) Integrated Transportation Communications System (ITCS), providing voice and data to the fixed route buses, is currently serviced by four radio sites located at mountaintops provided via lease arrangements through the County of Orange. The current system has areas of poor coverage, specifically along a section of the Pacific Coast Highway in South County. This area of coastal coverage can best be improved by locating a radio site at Santa Catalina Island.

Discussion

The Authority has a frequency necessary for this additional site and has secured re-licensing through the Federal Communications Commission (FCC). The intent is to install radio frequency equipment at Black Jack Mountain on Santa Catalina Island, including a primary and back-up radio, such that this site will be an addition to the existing four-site ITCS infrastructure.

The Santa Catalina Black Jack Mountain site is controlled by the Santa Catalina Island Conservancy in cooperation with the County of Los Angeles. They have sole discretion over land use and site occupancy. As such, it was necessary to conduct this as a sole source procurement.

The Authority's Internal Audit Department conducted a price review and found that the price quoted by the Santa Catalina Island Conservancy was fair and reasonable.

Fiscal Impact

Funds for this project are available in Transit/Maintenance Department, Account 2185-7612-D1111-CVS, Fiscal Year 2006-07 Budget.

Summary

Staff recommends approval of Purchase Order 06-77039 with the Santa Catalina Island Conservancy, in an amount not to exceed $24,240 for the first year, with automatic renewal at an increase of 5 percent per year for subsequent years, unless terminated by either party with 60-day notice, for the lease of equipment rack and tower space at Santa Catalina Island.

Attachment

None.

Prepared by:

Al Pierce
Manager, Maintenance
(714) 560-5975

Approved by:

John D. Byrd
General Manager, Transit
(714) 560-5341

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Service Authority for Abandoned Vehicles Audit Report Findings and Proposed Legislative Changes

Legislative and Government Affairs/Public Communications Committee — February 1, 2007

Present: Directors Bates, Buffa, Campbell, Mansoor, and Rosen
Absent: Director Glaab

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations (reflects change from staff recommendations)

A. Seek legislative change to broaden the allowable types of abatements that qualify for funding within the Abandoned Vehicle Program.

B. Direct staff to return to the Finance and Administration committee with more information regarding the reimbursement of funds from member agencies.

OCTA

February 1, 2007

To: Legislative and Government Affairs/Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Service Authority for Abandoned Vehicles Audit Report Findings and Proposed Legislative Changes

Overview

At the direction of the Orange County Transportation Authority Board of Directors, staff retained an auditor to evaluate compliance with abatement criteria by member agencies of the Orange County Service Authority for Abandoned Vehicles. A high level of non-compliance was found due to narrower abatement criteria defined by the California Highway Patrol. The recently narrowed standards could threaten program funding in the future.

Recommendations

A. Proceed with seeking a legislative or administrative remedy to retain funding collected and distributed in Orange County as described in the 2007 State Legislative Platform, page 4, Section I (i).

B. Allow member agencies to retain payments from the Orange County Service Authority for Abandoned Vehicles Trust Fund for fiscal year 2005-06 despite their non-compliance.

Background

The Orange County Service Authority for Abandoned Vehicles (OCSAAV) was created pursuant to state legislation in 1990. The County of Orange and all cities within Orange County are members of OCSAAV. The Orange County Transportation Authority (Authority) is the administrator of OCSAAV and of the Orange County Abandoned Vehicle Trust Fund (Trust Fund), which is Enterprise Fund 14 in the Authority's chart of accounts. The OCSAAV raises revenue via a $1 per-vehicle registration fee collected by the Department of Motor Vehicles (DMV) and apportions the proceeds to member agencies to

fund abatement of abandoned vehicles. The fee raises approximately $2.4 million per year collected from and returned to Orange County for its use.

In June 2006, staff submitted a report to the Board of Directors (Board) describing the OCSAAV and its activities. The report indicated that some member agencies were reporting numbers of abatements that were out of proportion to those agencies' populations. At the request of the Board, the manager of the Motorist Services Department requested Robertson, Barnes & Associates conduct an audit of the member agencies to evaluate their adherence to standards defining what abatements were eligible for funding by abandoned vehicle authorities.

In addition, staff has found that among other abandoned vehicle authorities in California willing to share information there is a wide range of interpretation of the guidelines in terms of what types of abatement qualify for funding. In some cases, the standards applied are considerably less stringent than OCSAAV's.

Discussion

Three major findings emerged from the audit:

1. The abandoned vehicle authority (AVA) guidelines issued by the California Highway Patrol (CHP) were unclear in parts.

2. As a result of a new interpretation of applicable parts of the State of California Vehicle Code (Vehicle Code) made by the CHP during the course of the audit, the auditor determined that every member agency that reported abatements had submitted some that were non-qualifying.

3. Some member agencies had been reporting abatement activities that were ineligible for funding before the CHP issued its narrower interpretation of what qualified.

Vehicle Code Section 22710 gives the CHP the responsibility of providing guidelines for AVAs and requires local vehicle abatement programs to be consistent with those guidelines. Over the last few years, staff has been working with CHP for greater clarity in the guidelines and definitions of abatement and abandoned vehicles so that the program could be appropriately administered in Orange County. The 2006 audit process resulted in clarifications of the CHP guidelines that have narrowed the definition of how abatements are defined and qualify for funding beyond the purpose that has historically been understood.

The new interpretation that could threaten program funding is that to be eligible for payment from the Trust Fund, an abated, abandoned vehicle must be disposed of by a scrap yard or an automobile dismantler, not just removed (towed) from the location where it is has been left. Prior to this change, establishing a vehicle's status as abandoned required only that: (1) a member agency had issued a 10-day notice to the owner of an apparently abandoned vehicle and (2) the notice had expired without the vehicle's being voluntarily removed. Once those conditions were met under the previous interpretation, the vehicle was categorized as abandoned and the member agency could have the vehicle towed and submit a claim for OCSAAV funding.

With the new definition from CHP, the auditor concluded: "Virtually every city submitted some number of non-qualifying abatements for funding during the period covered by the audit." This referred to the member agencies' reporting as abandoned, abated vehicles that had not been either sent to a scrap yard or dismantled. However, by the time the CHP issued its clarification, OCSAAV staff had already paid member agencies for all reported abatements in fiscal year (FY) 2005-06, as is required. There were approximately 8,200 vehicle abatements reported in that year.

Given the CHP's guidelines overall lack of clarity and the difficulty of interpreting applicable Vehicle Code provisions, staff believes that all the non-qualifying, reported abatements were submitted with the understanding on the part of the agencies that they were valid, and thus cities should not be required to pay back amounts allocated to them for non-qualifying abatements. This applies to cases where some member agencies made claims for abatements in which the agency had not complied with previous interpretations of the Vehicle Code. Most of these cases involved member agencies reporting abatements without having issued a 10-day notice or not allowing the notice to expire. Given the lack of clarity in how the Vehicle Code provisions should be applied, it appears that these non-qualifying abatements were submitted in good faith.

Beginning FY 2006-07, the new requirement that vehicles be dismantled or destroyed will be applied to all abatement claims made. Staff estimates that this will reduce the number of annual claims to 100 to 500 vehicles. In turn, expenditures from the OCSAAV Trust Fund will be substantially reduced. By statute, one-half of the approximately $2.4 million in OCSAAV fee revenue must be allocated to member agencies based on their population. The other approximately $1.2 million must be allocated on the basis of each member agency's number of abatements. With approximately 8,200 abatements in the prior year, the average abatement-based payment per vehicle for FY 2005-06 was approximately $146.

If the number of abatements decreases to a mid-range number of 300, the average payment in FY 2006-07 using the allocation formula set forth in statute would be $2,400. If there are only 100 abatements, the average would be approximately $12,000. However, the Vehicle Code also requires the amount paid per abatement to be "reasonable." Since the cost to abate a vehicle is in the range of $200 to $400, a four or five figure payment per abatement would not meet the reasonableness standard.

In order to meet the reasonableness standard, OCSAAV could pay member agencies approximately $400 per abatement, leaving approximately $1.16 million to $1.2 million in AVA revenue unspent. Any unspent revenues can be retained as reserves in Enterprise Fund 14, but if the reserves exceed the amount expended in the previous FY, the State Controller is required to suspend the fee for a year.

The OCSAAV currently has reserves of approximately $750,000. If OCSAAV pays only 100 to 500 claims at $400 per claim, the reserves in FY 2006-07 will exceed the previous year's expenditures, therefore requiring the State Controller to suspend the fee at the beginning of FY 2008-09. While the Vehicle Code requires suspension of the fee for only a year, reinstituting the fee after a single year would involve two difficulties: (1) the DMV would have to cease collecting the fees and then reinstate them after a relatively short time, which might be impractical, and (2) as soon as the fee was reinstituted, the amount in the Trust Fund would immediately exceed its previous year's expenditures, triggering another suspension; thus, for practical purposes, the fee would have to be suspended for several years.

The $1 per-vehicle fee is only to be used to offset the cost of abatements and for State Controller and OCSAAV administration. Current law does not allow excess revenue to be used for other purposes.

Options

Staff has identified three options for dealing with the probable loss of revenue:

1. Expand allowable uses of the funds for motorist services -

   Seek a legislative change that allows excess AVA funds to be used for a range of motorist services such as Freeway Service Patrol (FSP) and 511 traveler information services. This would be similar to the provision that allows any of the annual revenue from the $1 per-vehicle call box fee that is not used for call boxes to be used for FSP and other motorist services.

2. Expand allowable uses of the funds for more types of abatements -

   Seek a legislative change that broadens the criteria applied to the use of AVA funds. One way would be to allow use of the funds for abatement of vehicles that have not been removed after the expiration of a 10-day notice. This option is probably the best way to reimburse local agencies for the actual costs of administering abandoned vehicle programs. Regardless of whether a vehicle is eventually dismantled, local agencies still have to maintain staffing and equipment to begin the abatement process. These expenses should be reimbursed under this program with this legislative remedy.

3. Repeal the program statewide -

   Seek legislation to repeal the program throughout the state. The rationale for this option is that, since there are apparently so few vehicles that meet the requirement for funding, the revenue associated with the $1 per-vehicle fee is far too high, and another way altogether to fund the abatement of abated abandoned vehicles should be applied.

4. Allow suspension of the fee -

   Allow the State Controller to suspend collection of the $1 per-vehicle fee in Orange County, use Enterprise Fund 14 reserves to pay member agencies for abatements as long as the reserves last, and then consider reinstituting the fee. Since payments would be a maximum of approximately $400 per abatement and only a few hundred abatements per year would be eligible, the reserves would last for several years. Staff estimates that they would be sufficient to cover abatements for at least ten years. The main disadvantage of this option is the loss of revenue to member agencies. The annual loss to cities would be over $2 million per year.

Option Nos. 1, 2, or 3 would require that the 37 counties that currently have AVAs agree on expanded uses for the funds and jointly pursue legislative change. Staff seeks Board direction and will continue to keep the Board informed of progress on whatever option is pursued.

Summary

Following an audit to determine compliance by member agencies of the Orange County Service Authority for Abandoned Vehicles with abatement

criteria, a high level of non-compliance was found due to increasingly narrow abatement definitions offered by the California Highway Patrol. This recently narrowed interpretation could threaten program funding in the future. Staff recommends modifying the interpretation so that funds to member agencies for abatement programs are not lost.

Attachments

A. Robertson, Barnes, & Associates letter - Final Report, Orange County Service Authority for Abandoned Vehicles (SAAV) Compliance Audit, dated December 28, 2006
B. Summary of Compliance Audit Findings
C. Summary of Vehicle Code Sections Governing Vehicle Abatements
D. Department of California Highway letter, dated July 19, 2006
E. Department of California Highway Patrol Information Bulletin, Abandoned Vehicle Abatement Program Clarification, dated October 16, 2006

Prepared by:

for Iain C. Fairweather
Manager, Motorist Services
(714) 560-5858

Approved by:

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

ATTACHMENT A

ROBERTSON, BARNES & ASSOCIATES
MANAGEMENT CONSULTANTS
4300 VIA MARISOL, SUITE 719
LOS ANGELES, CALIFORNIA 90042-5046

PHONE/FAX (323) 256-1881 / 256-8322

December 28, 2006

Mr. Iain C. Fairweather
Manager, Motorist Services
ORANGE COUNTY TRANSPORTATION AUTHORITY
550 South Main Street
Post Office Box 14184
Orange, CA 92863-1584

RE: FINAL REPORT, ORANGE COUNTY SERVICE AUTHORITY FOR ABANDONED VEHICLES (SAAV) COMPLIANCE AUDIT

Dear Mr. Fairweather:

Robertson Barnes & Associates has completed its compliance audit of member Orange County SAAV cities for the two fiscal years ending June 30, 2005 and June 30, 2006. This report transmits our findings and recommendations.

Background

Orange County Transportation Authority (OCTA), the Service Authority for Abandoned Vehicles (SAAV) Administrator for Orange County, is mandated by *California Vehicle Code* (CVC) Sections 9250.7 and 22710 to conduct annual financial audits, which are routinely performed and reported to the State.

Compliance audits are not required by the governing legislation. However, this compliance audit was undertaken in addition to the annual financial audit for a variety of reasons:

1. OCTA wanted to review the adequacy of member cities' records to support claimed abatements entered in the online reporting system implemented in Fiscal Year 2005.

2. To verify cities' compliance with applicable provisions of the *California Vehicle Code* and the California Highway Patrol's *Abandoned Vehicle Abatement Program Handbook*. The CHP administers the statewide abandoned vehicle abatement program, and issued the *Handbook* to interpret in more detail the language contained in the *Vehicle Code*.

3. In response to a request from OCTA's Board of Directors. A concern was raised that differing interpretations by member cities might result in some cities receiving funding for non-qualifying abatements.

Audit Scope and Methodology

The audit reviewed records of vehicle abatements from the fourth quarter of FY 2004-05 (April-June 2005) and the second quarter of FY 2005-06 (October-December 2005). All member cities reporting either public or private property abatements in either of those two quarters were audited. Twenty-six of the 34 cities in the County reported abatements during those quarters. Seven did not.

Four cities reporting abatements were not audited because they failed to provide contact information or respond to multiple requests to schedule an audit field visit. Those cities were Dana Point, Laguna Niguel, Rancho Santa Margarita, and Seal Beach.

To ensure the validity of data collected, the sample size necessary to achieve a 95% confidence level in the resulting data (± 5%) was determined. The audit was conducted during May and June, 2006 by personally visiting member cities, reviewing documents supporting online reporting, and interviewing program personnel. Records representing a total of 1,520 vehicle abatements were reviewed.

Reported Vehicle Abatements

For the year ending June 30, 2005, a total of 13,413 vehicle abatements were reported by member Orange County cities. For the year ending June 30, 2006, 8,256 abatements were reported, which represents a 38% decrease from the previous year. A portion of the decrease can likely be attributed to the fact that OCTA had sent notice to member cities that 72-hour parking violations did not qualify as abatements, although they had been being claimed for reimbursement by most cities.

Some cities reported no abatements in either year. As a result, Brea, Laguna Woods, La Palma, Los Alamitos, Mission Viejo, and Villa Park received no SAAV funding. The cities of Anaheim, Costa Mesa, San Clemente, and Santa Ana received the highest levels of payments for reported abatements for the two years covered by the audit.

Audit Findings

Some member Orange County cities had contended for some time that the provisions of the *California Vehicle Code* that pertain to the abatement of abandoned vehicles, as well as the guidelines provided by the California Highway Patrol in its *Abandoned Vehicle Abatement Program Handbook*, did not make clear what qualified as an abatement.

As a result, according to the Manager of Motorist Services, OCTA had sought written clarification of various provisions of the *Vehicle Code* and *Handbook* several times, but the CHP did not respond to the requests. Nonetheless, OCTA, in its role as the SAAV Program Administrator for Orange County, attempted to interpret the requirements in the governing documents to its member cities so their approach to claiming vehicle abatements would both conform to program requirements and be consistent from city to city.

When the new online reporting system was implemented in July 2004, and again in December, 2005, OCTA corresponded with its member cities, interpreting the guidelines governing funding for vehicle abatements. At the time the audit was conducted last spring, OCTA's interpretation of program requirements was that the following types of cases could be claimed for funding:

Vehicles Cited for a 72-Hour Parking Violations, providing that a ten-day notice of intention to abate was issued and allowed to expire before the vehicle was removed.

Vehicles Voluntarily Abated on Private Property by being moved or made operable by the vehicle or property owner, again provided a ten-day notice of intention to abate was issued and expired prior to removing the vehicle.

Inoperative Vehicles. Vehicles lacking an engine, transmission, wheels, tires, or other part or equipment necessary to operable safely on the highway could be immediately removed and claimed.

Virtually every city submitted some number of non-qualifying abatements for funding during the period covered by the audit. Further, at the time the audit was conducted, the CHP had not yet issued its interpretation that an abatement requires the vehicle to be scrapped or dismantled to qualify for funding. Utilizing that standard, no city passed the audit.

Post-Audit Developments

Due to the prevailing confusion about what could be claimed as a qualifying abatement, OCTA again sought clarification from the CHP. The CHP issued a letter on July 19, 2006 which offered a significantly narrower definition of what constitutes an abatement than either OCTA or its member cities had previously understood to be the case: An abandoned vehicle is abated only when it is "*removed and disposed of by a scrap yard or an automobile dismantler.*" A copy of the CHP letter appears as Attachment A to this report.

The letter specified that cities participating in the SAAV Program may report an abandoned vehicle to have been abated, and receive program funding, under one of the following circumstances:

1. The abandoned vehicle is located on public or private property, is issued a 10-day notice of intention to abate as required by CVC Section 22661(d), and is removed after the 10-day notice period has elapsed.

2. The abandoned vehicle is located on private property, and the property and vehicle owners have signed releases authorizing removal and waiving any further interest in the vehicle.

3. The vehicle is located on a highway or public right-of-way and lacks an engine, transmission, wheels, tires, or any other part or equipment necessary to operate safely on the highway pursuant to CVC Section 22669(d).

4. The vehicle is located on a parcel of land zoned for agricultural use or not improved with a residential structure containing one or more dwelling units, is inoperative (due to the absence of a motor, transmission, or wheels), and is incapable of being towed. Further, the vehicle is valued at less than $200 and has been determined by the local agency to be a public nuisance. The property owner must also have signed a release authorizing removal and waiving further interest in the vehicle.

The requirement that a vehicle be scrapped or dismantled to qualify for funding appears in CVC Section 22661, which establishes requirements for local ordinances governing the removal of abandoned vehicles. §22661(f) requires that, once removed, a vehicle not be reconstructed or made operable unless it qualifies for either horseless carriage or historical vehicle license plates. However, because the CHP interpretation was not available until after the audit field work was completed, it is not possible to know how many FY 2005 and FY 2006 reported abatements met the current criteria. Given FY 2007 reporting trends, we estimate that the number of abatements eligible for reimbursement would have amounted to perhaps 10% or 15% of the number actually claimed for 2005 and 2006.

The CHP also issued an *Information Bulletin* titled "Abandoned Vehicle Abatement Program Clarification" on October 16, 2006 and brought copies to the October 17th information workshop for member cities held at OCTA. A copy of the Bulletin appears as Attachment B to the report.

The only provision added since its July letter was that an abandoned vehicle which is voluntarily moved or relocated by the property owner or registered owner qualifies as a reimbursable

abatement. Presumably, this interpretation requires a ten-day notice of intention to abate to be issued and expire before the vehicle can be towed. Further, the vehicle must also be disposed of to qualify for funding. However, neither requirement is clearly stated, increasing the likelihood of member cities' misinterpreting the requirements.

Current Fiscal Year Implications

Initially, a total of 286 abatements were reported for the first quarter of FY 2007 (July – September). However, after OCTA held a workshop for member cities on October 17, 2006, the cities resubmitted a total of 30 abatements for the first quarter. To date, twelve abatements have been reported for the second quarter (October – December). Assuming that the current level of reporting remains constant, the number of abatements reported for the entire fiscal year might only be 150-200. That would represent only about 2% of the number reported for FY 2006. If that proves to be the case, OCTA needs to consider how best to proceed with the receipt and disbursement of SAAV funds during the current fiscal year. It should also evaluate the long-range impact the current CHP interpretations will have on the program.

Recommendations

Because of the significant changes in program guidelines, as well as the apparent effect those changes will have on future abatement activity, Robertson Barnes & Associates recommends that OCTA:

1. Seek a definitive interpretation of *California Vehicle Guide* provisions. The CHP's July 19, 2006 letter and October 16, 2006 *Information Bulletin* still leave room for differing interpretations of governing law. Because most provisions are directly from the *California Vehicle Code*, it would be useful to ask the CHP's legal counsel to review and confirm the Department's interpretation of the law.

2. Audit all FY 2007 reporting in June or July 2007 to confirm that reported abatements qualify for funding under current program guidelines.

3. Not issue FY 2007 payment to cities until after the close of the fiscal year and completion of the audit. In this and future fiscal years, consider making annual rather than quarterly payments to participating cities.

4. Consider seeking legislative changes to expand the interpretation of how the funds may be used. Poll other California counties with vehicle abatement programs and seek to establish a unified agenda.

5. Contact other counties to determine how they are interpreting current program guidelines and whether any have written opinions from their counsel which differ from the CHP's most recent interpretations. We are aware of at least one county in which the county counsel has issued a legal opinion with a broader interpretation of what constitutes a reimbursable abatement than those issued by the CHP.

We appreciate this opportunity to be of service to OCTA.

Sincerely,

Carla Barnes CM, CMC
Principal

SUMMARY OF COMPLIANCE AUDIT FINDINGS

ORANGE COUNTY SERVICE AUTHORITY FOR ABANDONED VEHICLES (SAAV)
Types of Non-Qualifying Abatements Claimed for Funding by Member Cities
During Fiscal Years 2005 and 2006

	PUBLIC PROPERTY ABATEMENTS					PRIVATE PROPERTY ABATEMENTS	
CITY	72-Hr. Parking Violation CVC 22651(k)	Expired Registration CVC 22651(o)	"Earmarks" of Abandonment CVC 22669(a) (See Note 1)	No/Insufficient 10-Day Notice CVC 22661	Other Non-Qualifying Types	Voluntary Abatements	No/Insufficient 10-Day Notice CVC 2661
Aliso Viejo	X	X	X	X	X	DNA	
Anaheim			X	X		X	
Buena Park	X	X	X	X		X	
Costa Mesa	X			X			
Cypress	X			X		DNA	
Fountain Valley	X			X		DNA	
Fullerton	X	X	X	X		X	
Garden Grove	X	X	X	X			
Huntington Beach	DNA	DNA	DNA			X	
Irvine	X	X		X			
Laguna Hills	X			X		DNA	
La Habra	X			X			
Lake Forest	X	X	X	X			
Newport Beach	X		X	X		DNA	
Orange	X	X	X	X		DNA	
Placentia	X	X		X		DNA	
San Clemente	X			X		X	X
Santa Ana	X	X	X	X		X	
Stanton		X	X	X		DNA	
Tustin	X	X		X		X	
Westminster	X			X		X	X
Yorba Linda						X	

"DNA" indicates the city did not submit a specific type of abatement.
Note 1: CVC § 22669(s) permits any peace officer to remove a vehicle from either public or private property with "reasonable grounds to believe the vehicle has been abandoned." In making the determination, the amount of time the vehicle has not been moved, its condition, and statements fro the owner and witnesses are to be considered.

ATTACHMENT B

SUMMARY OF VEHICLE CODE SECTIONS GOVERNING VEHICLE ABATEMENTS

NOTE: The term "abatement" applies only when an abandoned vehicle is removed and disposed of by a scrap yard or automobile dismantler as required by CVC §22661(f). A vehicle is considered "abandoned" if it is left on a highway, public property, or private property in such inoperative or neglected condition that the owner's intent to relinquish all further rights or interest in it may be reasonably concluded.

CVC §22651(k), 72-Hour Parking Violations: Permits removal of a vehicle parked on a highway for 72 or more hours in violation of a local ordinance.	**Interpretation:** 1. Both the CHP July 19, 2006 letter and October 16, 2006 *Information Bulletin* specify that 72-hour parking violation and expired registration abandoned vehicles cannot be claimed as abatements. 2. However, pp. 2-2 and 2-3 of the CHP program guidelines relative to CVC §22651 permit payment of towing fees by the AVA program if a 10-day notice of intention to abate is issued and allowed to expire prior to removal of the vehicle. 3. *Since payment is only made for vehicle abatements, presumably any such vehicle must also be scrapped pursuant to §22661(f) to be eligible for SAAV funding.*
CVC §22651(o), Expired Registration: Permits removal of a vehicle with a registration expired for longer than six months from public property or an off-street parking facility.	
CVC §22669(d), Inoperative Vehicle on a Highway or Public Right-of-Way: Permits immediate removal of a vehicle lacking an engine, transmission, wheels, tires, doors, windshield, or other equipment necessary to operate safely and that is declared a public hazard by a peace officer.	**Interpretation:** 1. May be removed from public property immediately and does not require a 10-day notice of intention to abate. 2. *Presumably the vehicle must be scrapped to be eligible for SAAV funding.*
CVC §22661(c), Inoperative Vehicle on Land Zoned for Agricultural Use or Not Improved With a Residential Structure: A vehicle valued at $200 or less may be immediately removed, provided the property owner has signed a release waiving further interest in the vehicle.	**Interpretation:** 1. Does not require a 10-day notice of intention to abate, provided the property owner has waived interest in the vehicle. 2. *Presumably the vehicle must be scrapped to be eligible for SAAV funding.*

CVC 22669(a), Removal of Apparently Abandoned Vehicles: Permits a peace officer with "reasonable grounds" to remove what appears to be an abandoned vehicle from the highway or from public or private property. In reaching such a conclusion, the officer must consider the amount of time the vehicle has not been moved, its condition, and statements from the vehicle owner and witnesses.	**Interpretation:** 1. *Neither the California Vehicle Code nor CHP guidelines specify whether a 10-day notice of intention to abate must be issued, and allowed to expire, before the vehicle may be removed.* 2. *Presumably the vehicle must be scrapped to be eligible for SAAV funding.*
Voluntary Abatements: The CHP 10/16/2006 *Information Bulletin* titled "Abandoned Vehicle Abatement Program Clarification" permits "a vehicle marked as abandoned...which is voluntarily moved or relocated by the property owner or registered owner" to be claimed as an abatement.	**Interpretation:** 1. *Presumably a 10-day notice of intention to abate must be issued.* 2. *The Information Bulletin does not specify whether the 10-day notice must expire before the vehicle is voluntarily moved or relocated.* 2. *Presumably the vehicle must be scrapped to be eligible for SAAV funding.*

State of California—Business, Transportation and Housing Agency ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL
444 North Third Street, Suite 310
Sacramento, CA 95814-0227
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July 19, 2006

File No.: 62.11537.2006-2-0276

Iain C. Fairweather
Manager, Motorist Services
Orange County Transportation Authority
550 South Main Street
Orange, CA 92863-1584

Dear Mr. Fairweather:

This is in response to your e-mail dated June 23, 2006, requesting clarification on abatement of abandoned vehicles in accordance with the state Abandoned Vehicle Abatement (AVA) Program.

The term "abatement" applies when an abandoned vehicle is removed and disposed of by a scrapyard or an automobile dismantler. Assignment of a vehicle to the AVA Program for reimbursement of expenses as an "abated" abandoned vehicle, occurs under one of the following circumstances:

- The abandoned vehicle is located on **public or private property** and issued a 10-day notice of intention to abate pursuant to Section 22661(d) of the California Vehicle Code (VC) and is removed after the 10-day period has elapsed.

- The abandoned vehicle is located on **private property** and the property owner and the abandoned vehicle owner have signed a release authorizing removal and have waived further interest in the vehicle.

- The vehicle is parked, resting, or otherwise immobilized **on any highway** or **public right-of-way** and lacks an engine, transmission, wheels, tires, or any other part or equipment necessary to operate safely on the highway pursuant to Section 22669(d) VC.

- The vehicle is located upon **a parcel zoned for agricultural use** or **not improved with a residential structure containing one or more dwelling units,** and is inoperable due to the absence of a motor, transmission, or wheels and incapable of being towed. Additionally, the vehicle must be valued at less than two hundred dollars by a person specified in Section 22855 VC, and is determined by the local agency to be a public nuisance, presenting an immediate threat to public health or safety, provided the property

owner has signed a release authorizing removal and waiving further interest in the vehicle.

A vehicle removed for the following reasons shall not qualify for reimbursement of expenses as an "abated" abandoned vehicle pursuant to the AVA program:

- A vehicle cited for a 72-hour parking violation pursuant to Section 22651(k) VC.
- A vehicle cited for expired registration longer than six months pursuant to Section 22651(o) VC.

I appreciate the opportunity to assist you with this matter. Should you require any further information, please contact Officer Gina Matteucci of my staff at (916) 445-1865.

Sincerely,

R. PATRICK, Captain
Commander
Commercial Vehicle Section

ATTACHMENT E

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

INFORMATION BULLETIN

October 16, 2006

ABANDONED VEHICLE ABATEMENT PROGRAM CLARIFICATION

Commercial Vehicle Section has received numerous requests for clarification on the abatement of abandoned vehicles in accordance with Section 22710 of the California Vehicle Code (VC) and the Abandoned Vehicle Abatement (AVA) Program.

Section 22710(f) VC provides a definition of an abandoned vehicle abatement. As defined, a vehicle marked as abandoned, by a member of a participating Service Authority, which is voluntarily moved or relocated by the property owner or registered owner of the vehicle qualifies as abatement. Subsequently, it is the responsibility of the Service Authorities to supervise their AVA Program to ensure the participating jurisdictions are not arbitrarily marking vehicles for abatement which do not qualify in order to artificially inflate their AVA Program count.

A vehicle removed for the following reasons shall not qualify as an abated abandoned vehicle pursuant to the AVA Program:

- A vehicle cited for a 72-hour parking violation pursuant to Section 22651(k) VC.
- A vehicle cited for expired registration longer than six months pursuant to Section 22651(o) VC.

Section 22710(c) VC restricts the money received by a Service Authority, pursuant to Section 9250.7 VC, to be used only for the **abatement**, **removal**, and **disposal** of any abandoned, wrecked, dismantled, or inoperative vehicle or part from public or private property when the vehicle is deemed a public nuisance. Assignment of a vehicle to the AVA Program occurs only under one of the following circumstances:

- The abandoned vehicle is located on **public** or **private property** and issued a 10-day notice of intention to abate pursuant to Section 22661(d) VC and is removed after the 10-day period has elapsed.

- The vehicle is parked, resting, or otherwise immobilized **on any highway** or **public right-of-way** and lacks an engine, transmission, wheels, tires, or any other part or equipment necessary to operate safely on the highway pursuant to Section 22669(d) VC.

- The vehicle is located upon **a parcel zoned for agricultural use** or **not improved with a residential structure containing one or more dwelling units**, and is inoperable due to the absence of a motor, transmission, or wheels and incapable of being towed. Additionally, the vehicle must be valued at less than two hundred dollars by a person specified in 22855 VC, and is determined by the local agency to be a public nuisance, presenting an immediate threat to public health and safety, provided the property owner has signed a release authorizing removal and waiving further interest in the vehicle.

Any questions concerning this Information Bulletin may be directed to Commercial Vehicle Section at (916) 445-1865.

ENFORCEMENT SERVICES DIVISION

OPI: 062
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28.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Cooperative Agreement with the California Department of Transportation for the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Access Pilot Study

Regional Planning and Highways Committee — February 5, 2007

Present: Directors Amante, Cavecche, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: Director Dixon

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to negotiate and execute a cooperative agreement with the California Department of Transportation for the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Access Pilot Study.

OCTA

February 5, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Cooperative Agreement with the California Department of Transportation for the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Access Pilot Study

Overview

The Orange County Transportation Authority Board of Directors has requested that the California Department of Transportation investigate and evaluate peak-period-only operations and entry/exit changes for Orange County's high-occupancy vehicle lanes. The California Department of Transportation responded with a proposal to evaluate all such changes and permit, as a pilot test, continuous entry and exit from the Garden Grove Freeway (State Route 22) high-occupancy vehicle lanes rather than at restricted locations. This report provides a proposed cooperative agreement regarding the pilot study.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute a cooperative agreement with the California Department of Transportation for the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Access Pilot Study.

Background

High-occupancy vehicle (HOV) lanes are those lanes especially set aside for vehicles with a driver and one or more passengers. These lanes are also reserved for use by vanpools and public transportation, usually buses. In certain cases, single occupant vehicles are allowed if they are hybrid vehicles or use alternative fuels.

In 2005, California's HOV system was comprised of 1,169 HOV lane-miles (2 percent of the system's total) with 803 miles in Southern California and 366 miles in the north. Orange County's HOV system spans 246 miles and covers all major freeways. The design and operation of HOV

facilities vary across the state. In the south, HOV lanes are often separated by a striped buffer. In Orange County, HOV lanes are located next to the center median and are separated from general-purpose lanes by two double yellow lines or a dashed white line at vehicle entry and exit locations. This type of HOV operation is referred to as limited access since entry and exit points are limited to specific locations. In the north, HOV lanes are not separated and vehicles may enter and exit at any place. This operation is known as continuous access. In the south, most HOV entry/exit restrictions are in place 24 hours a day, seven days a week with a minimum of two-person occupancy required per vehicle.

Discussion

In December 2005, the Orange County Transportation Authority (OCTA) Board of Directors (Board) opened a dialogue with the California Department of Transportation (Caltrans) regarding a request to revisit and review HOV operations policy in Orange County and by extension, Southern California. The Board believed that the HOV system could operate more effectively and safely if consideration were given to a consistent statewide policy that would:

- Apply occupancy requirements only during peak hours
- Allow constant entry/exit during hours of HOV operations
- Consider elimination of carpool bypass lanes on freeway ramps

In March 2006, Caltrans began a statewide evaluation of policy changes such as those requested by the OCTA Board. Further, Caltrans proposed that OCTA co-sponsor a two-year HOV Lane Access Pilot Study (Study) of continuous access HOV lanes along the Garden Grove Freeway (State Route 22) starting in December 2006 and ending in 2008. Following a directive from Caltrans and the Federal Highway Administration (FHWA), OCTA implemented a public information plan on the Study. The first part of the Study was implemented from May 16 to June 17, 2006. The plan's objective was to publicize the proposed effort. OCTA used media relations, advertising, and public communications to accomplish this goal. In 2007, OCTA will conduct a customer/user survey, which will be designed to sustain awareness of the Study and gauge public reaction to the new mode of operation.

While the HOV lanes will open when the Magnolia Street bridge is completed in April, the project's now 12-month evaluation period will not begin until a functional traffic detection system is operational, probably during the summer.

Given FHWA's approval of the Study in July 2006, the HOV lanes' completion in April 2007, and the anticipated installation of the traffic detection system, OCTA and Caltrans are ready to enter into a cooperative agreement. The project represents an important opportunity for Caltrans to carry out a comparative analysis of limited access versus continuous access HOV lanes operations, as well as concentrating in such areas as making the most effective use of available freeway capacity. In addition, staff believes the project provides further impetus for the two agencies to continue to work together.

The draft agreement is presented in Attachment A. Highlights of the terms of the agreement are presented in Attachment B.

Summary

With Board approval, the Chief Executive Officer will execute the terms of the cooperative agreement with Caltrans for the State Route 22 HOV Lane Access Pilot Study.

Attachments

A. Draft Cooperative Agreement between the Orange County Transportation Authority and the California Department of Transportation
B. Proposed Cooperative Agreement Terms for the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle (HOV) Lane Access Pilot Study

Prepared by:

Barry Engelberg
Manager of Regional Initiatives
(714) 560-5362

Approved by:

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

12-ORA-22 PM R0.92/13/17
State Route 22/West Orange County Connection

DRAFT

12-235-071611
District Agreement No. 12-563

COOPERATIVE AGREEMENT

THIS AGREEMENT, ENTERED INTO ON _____, is between the STATE OF CALIFORNIA, acting by and through its Department of Transportation, referred to herein as STATE, and

ORANGE COUNTY TRANSPORTATION AUTHORITY,
a public corporation of the State of California,
referred to herein as "AUTHORITY".

DRAFT

RECITALS

1. STATE and AUTHORITY, pursuant to Streets and Highways Code Sections 114 and 130, are authorized to enter into a Cooperative Agreement for improvements to State highways on State Route 22 (SR-22) from State Route 55 (SR-55) to Valley View Overcrossing within the cities of Westminster, Garden Grove, Orange and Santa Ana, County of Orange.

2. AUTHORITY desires a High Occupancy Vehicle (HOV) Lane Demonstration Project on SR-22 to evaluate the operational performance and safety of continuous access on a full-time HOV lane facility, referred to herein as "PROJECT". The evaluation guidelines for the PROJECT shall be as outlined in the "Monitoring and Evaluation Plan for SR-22 High Occupancy Vehicle Lane Demonstration Project", as shown in Exhibit A, attached hereto and made a part of this Agreement. Any amendments to the Monitoring and Evaluation Plan shall be processed as described in Article 1, Section II and made part of this Agreement. The term of this PROJECT will be as described in Articles 4, 5, and 6, Section II.

3. AUTHORITY also desires evaluation of operational performance and safety of continuous access on a part-time HOV lane facility, which may be the subject of a separate future Agreement.

4. There will be no Federal funds allocated for the PROJECT; however, Federal Highway Administration (FHWA) approval is required due to their responsibilities of full-oversight on the SR-22 widening project and their responsibilities for HOV connections into Interstate systems.

SECTION I

AUTHORITY AGREES:

1. To include PROJECT, by change order to the SR-22 widening project currently in construction by AUTHORITY, per the terms of the executed Cooperative Agreement No. 12-456, between AUTHORITY and STATE, dated November 18, 2002, for the SR-22 widening, except as noted in this cooperative agreement.

2. To have Contractor for SR-22 widening project prepare and submit for STATE and FHWA review and approval of PROJECT, detailed plans and specifications prior to beginning construction of PROJECT. Limits, typical sections, and signing and striping for PROJECT will be as directed by the STATE with FHWA concurrence.

3. To develop, prepare and distribute opinion surveys to collect and analyze customer and public feedback on a one-time basis, approximately six (6) months after the beginning of monitoring PROJECT as described in Article 4, Section II. Review and concurrence by STATE and FHWA will be required prior to distribution of survey.

4. To review and consult with STATE on the final report within 30 days of submittal.

5. To modify the continuous HOV lanes or restore to Buffered HOV lanes, if, during the term of PROJECT, or at the end of the demonstration period, STATE determines that this PROJECT is causing critical public safety and/or operational problems in accordance to the Monitoring and Evaluation Plan. The STATE will make the final decision, in consultation with AUTHORITY, to require that modification or restoration be executed. If only modification of signing and/or striping is required, the STATE will direct AUTHORITY of modifications. If full restoration is required, AUTHORITY will restore the lanes to Buffered HOV lanes in accordance with STATE "HOV Guidelines Manual," latest edition at time of determination.

6. If modification or restoration of lanes is required which results in median shoulders less than Caltrans' Highway Design Manual (HDM) requirements at the three specific locations identified in the SR-22 widening project, AUTHORITY will be responsible for preparing documents, obtaining approval and implementing improvements for mandatory design exceptions for non-standard horizontal clearance (HDM 309.1 (3)(a)). The locations are at the barriers at the median columns on the mainline SR-22 at Bedford Street Overcrossing, Main Street Overcrossing, and Cambridge Street Overcrossing. The improvements will include removing existing median concrete barrier and replacing with vertical face barrier at those locations. The CHP enforcement areas are also to be constructed as required in accordance with the Project Report approved in Cooperative Agreement No. 12-456.

7. For modifications or restoration of HOV lanes and/or design exception improvements, AUTHORITY will be responsible to fund one hundred percent (100%) of all costs required for the preparation and approval for detailed design exception documents, design plans, and specifications, and for construction activities which could include, at a minimum, re-striping, signing, traffic control and all other normal construction activities required to modify or restore lane and/or improve barriers. AUTHORITY may perform work directly under the existing encroachment permit for the SR-22 widening project or enter into a separate cooperative agreement for STATE to perform work. Construction for modifications or restoration of lanes and/or design exception improvements will begin no later than eighteen (18) months after concurrence by STATE, FHWA and AUTHORITY, of findings of final report.

SECTION II

STATE AGREES:

1. To amend Monitoring and Evaluation Plan, as required, during the term of this PROJECT and to submit for review by AUTHORITY and review and review and concurrence by FHWA requirements

2. To aide AUTHORITY in the development of the opinion surveys referred to in Article 2, Section I of this Agreement.

3. To be responsible to perform all activities required to monitor and evaluate the operational performance and safety of the PROJECT, including preparing two progress reports, one after 6 months of monitoring and one after 12 months of monitoring, and one final report, as described in the Monitoring and Evaluation Plan. The terms for monitoring and evaluating will be as described in Articles 4, 5, and 6 in this section.

4. To begin the one year (12 month) monitoring period from time of completion of the constructed HOV demonstration lanes. The completion of the HOV demonstration lanes will include placement of striping and signing, and a detection system fully operational for data collection for both mixed flow and HOV lanes on the mainline for the entire segment from SR-55 to Valley View Overcrossing.

5. To collect data, evaluate and submit results in a draft final report within 90 days (3 months), from the end of the monitoring period, to AUTHORITY for review and FHWA for review and concurrence.

6. To consult with FHWA and AUTHORITY within 30 days after submittal of final report to determine the final HOV configuration. If PROJECT is acceptable within the STATE's operational safety threshold and has concurrence by FHWA and AUTHORITY, PROJECT will be complete and configuration final. However, based on results, after consultation with FHWA and AUTHORITY, if any changes are required, they will be implemented according to Articles 5, 6 and 7, Section I. Upon completion of changes and STATE acceptance, PROJECT will be complete and configuration final.

7. To perform the design and construction activities for the modifications or restoration of HOV lanes, if requested by AUTHORITY, at AUTHORITY's expense.

SECTION III

IT IS MUTUALLY AGREED:

1. All obligations of STATE under the terms of this Agreement are subject to the appropriation of resources by the Legislature and the allocation of funds by the California Transportation Commission to STATE for the purposes of fulfilling STATE obligations herein.

2. Should any portion of PROJECT be financed with State gas tax funds, all applicable laws, regulations and policies relating to the use of such funds shall apply notwithstanding other provisions of this Agreement.

3. If AUTHORITY performs work stated in Article 5, 6 and 7, Section I, work will be completed in accordance with the terms of the executed Cooperative Agreement No. 12-456, between AUTHORITY and STATE, dated November 18, 2002, for the SR-2 widening project, except as noted in this cooperative agreement.

DRAFT

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

Will Kempton
Director of Transportation

By: _____
Jim Beil
Deputy District Director
Capital Projects Outlay Program

APPROVED AS TO FORM AND PROCEDURE:

By: _____
Attorney
Department of Transportation

CERTIFIED AS TO FUNDS:

By: _____
District Budget Manager

ORANGE COUNTY
TRANSPORTATION AUTHORITY

By: _____
Arthur T. Leahy
Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Kennard R. Smart, Jr.
AUTHORITY General Counsel

APPROVED:

By: _____
Paul Taylor
Director

CERTIFIED AS TO FINANCIAL TERMS AND CONDITIONS:

By: _____
Accounting Administrator

Monitoring and Evaluation Plan for SR-22 High Occupancy Vehicle Lane Demonstration Project

California Department of Transportation
Division of Traffic Operations



In Cooperation with

Orange County Transportation Authority



June 16, 2006

Monitoring and Evaluation Plan
for
the SR-22 High Occupancy Vehicle Lane Demonstration Project

OBJECTIVE

Evaluate the operational performance and safety of continuous access on a full-time High Occupancy Vehicle (HOV) lane facility as compared to the limited access on a full-time buffer separated HOV lane facility in Southern California. The objective is to be achieved through the following three tasks:

1. Collect operational performance and safety data and customer feedback on the proposed full-time continuous access HOV lane operation along the SR-22 corridor in Orange County. See Attachment I for the Demonstration Project limits.
2. Collect corresponding information on a selected comparable HOV lane facility in Southern California that features limited access between the HOV lane and adjacent general-purpose lanes. See Attachment II and Attachment III for the selected comparable facility limits.
3. Compare the SR-22 with the selected facility in terms of operational performance, safety and customer feedback.

KEY PERFORMANCE MEASURES

The following key performance measures will be collected during the "life" of the Demonstration Project (24 months):

1. Traffic volumes on a lane by lane basis, including the HOV lane;
2. Speed on a lane by lane basis, including the HOV lane;
3. Occupancy on a lane by lane basis, including the HOV lane;
4. Collision type, frequency, severity and distribution over the freeway cross-section;
5. HOV lane vehicle occupancy violation rate and vehicle occupancy rates across all other lanes during peak periods;
6. Customer perception about HOV facility safety and accessibility (ease of access, driving comfort, excessive weaving in or out and improper use as a passing lane) of the HOV lane based on customer survey.

EVALUATION AND COMPARATIVE ANALYSIS

Corresponding key performance measures from SR-22 and the selected comparable facility will be compared and evaluated either quantitatively or qualitatively. Performance thresholds are employed in the evaluation and comparative analysis.
That is, if performance thresholds are exceeded, certain corrective action will be warranted. The corresponding relationships are described in the following Table 1.

Table 1. Performance Measures, Indicators and Thresholds

Performance Measure		Performance Indicator	Threshold Condition	Action
Mobility	Travel Time Savings	Speed / Speed Differential	No travel time savings over the length of the corridor	Investigate cause, consult with CHP and recommend actions
Safety	Collision Distribution	Collisions per Lane and/or Lane Groupings (i.e. HOV Lane, #1 general purpose (GP) Lane, Interior Lanes, Right or Outside Lane)	When the percentage of collisions coded to the HOVL and the #1 GP lane exceeds the average calculated for the Southern California data sites (corridors) evaluated by PATH; Note: Need to consider / control for the total number of lanes	Investigate to determine cause; consult with CHP, and recommend actions to terminate the demonstration project and re-stripe with the buffer, if directly related to continuous access
	Collision Rate	Collisions / VMT – but limited to the collisions and volume in the HOV lane and #1 GP Lane)	When the rate significantly exceeds the average rate for the Southern California data sites (corridors) evaluated by PATH; Note: "significantly" refers to *statistical significance*	Investigate to determine cause, consult with CHP, and recommend actions
Compliance with Required Occupancy		Violation Rate (% of SOV's in HOV lane)	When violation rate exceeds 10%	Consult with CHP, adjust enforcement strategy
Customer Satisfaction		Survey Responses	67% "strongly oppose" continuous access	Consult with all stakeholders

Detailed comparative and evaluation analyses will be conducted at comparable cross sections or along the entire route during the peak periods of HOV facility operations. Locations of such analyses might be limited by the existing data collection infrastructure or site accessibility. For example, vantage locations for HOV occupancy violation data collection are typically pedestrian overcrossings; and traffic flow and speed information from freeway Performance Measurement System (PeMS) will have to come from cross sections where loop detectors are installed. Though every effort will be made to include strategic locations such as route termini and ingress/egress locations, or geometric and volume change points.

DATA COLLECTION/ANALYSIS PLAN

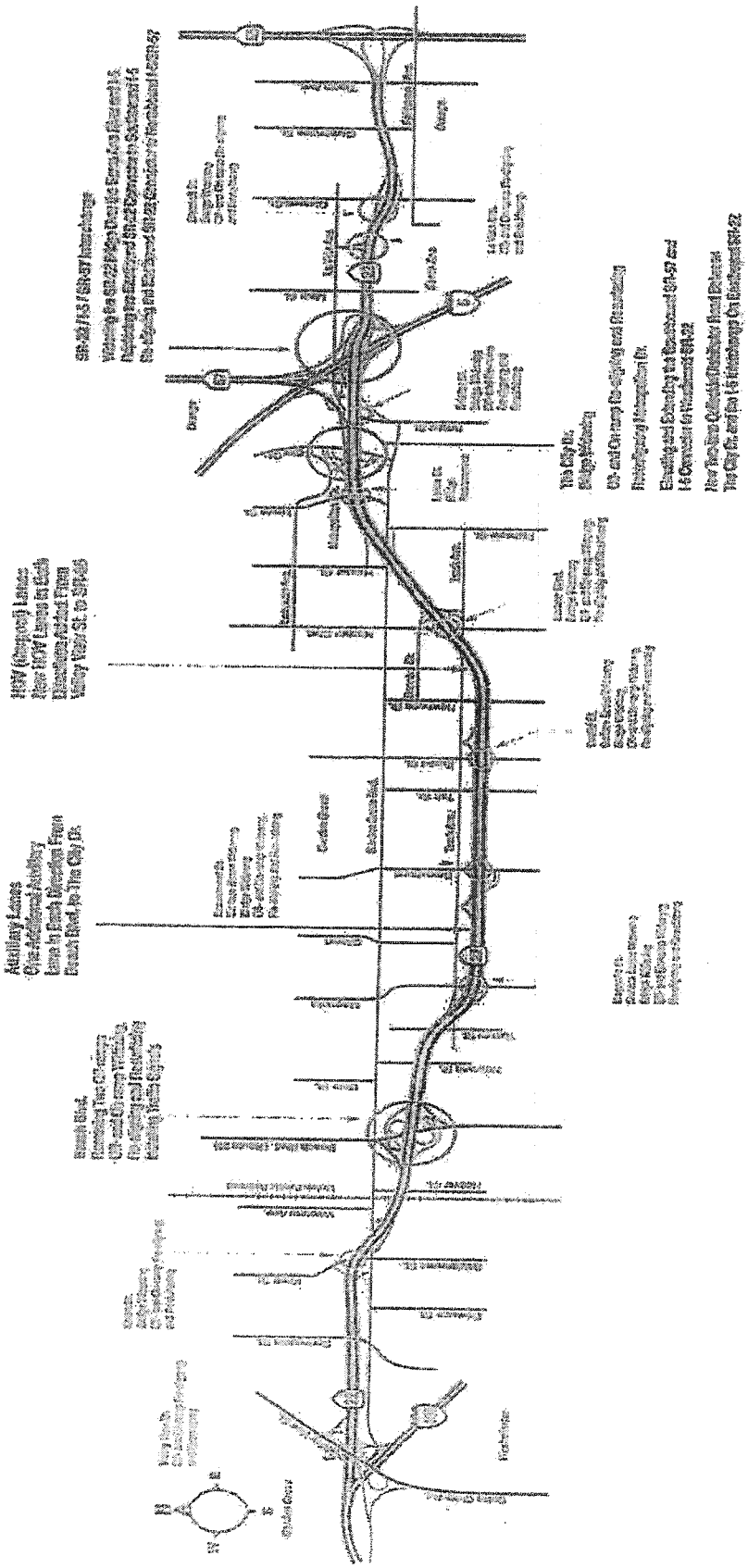
Selection of Comparable Facility

The effectiveness of the SR-22 full standard full-time contiguous HOV facility in the demonstration project will be demonstrated through comparisons with an existing full standard full-time buffer-separated limited access HOV facility. Comparable means that the selected routes should have similar operational (Average Daily Traffic, levels of congestion and utilization in HOV and mainline lanes) and geometrical (cross section and other geometric standards) characteristics. I-105 in District 7 and I-210 in Districts 7 and 8 have been identified as possible candidates.

Table 2. Detailed schedule of the SR-22 Demonstration project.

Yr.	Mth.	Month Count	Event	Tasks
2006	June			SR-2 evaluation and monitoring plan is due to the FEDERAL HIGHWAY ADMINISTRATION by June 17, 2006.
	July			
	Aug.			
	Sept.			
	Oct.			
	Nov.	1	Part of SR-2 opens to traffic.	Demonstration study commences. Start the data collection effort. Flow, speed, and occupancy data collected using PeMS on a continuous basis. Accident reports collected on a weekly basis from the CHP for the first month and monthly thereafter. Violation rates are checked on the first day, first week, the second week, and quarterly afterwards till end of the project.
	Dec.	2		
2007	Jan.	3		
	Feb.	4		
	Mar.	5	Entire SR-2 opens to traffic.	Continue the data collection effort. Flow, speed, and occupancy data collected using PeMS on a continuous basis. Accident reports collected on a weekly basis from the CHP for the first month and monthly thereafter. Violation rates are checked on the first day, first week, the second week, and quarterly afterwards till end of the project.
	April	6		First progress report due.
	May	7		
	June	8		
	July	9		
	Aug.	10		
	Sept.	11		OCTA customer survey starts.
	Oct.	12		Second progress report due.
	Nov.	13		
	Dec.	14		
2008	Jan.	15		
	Feb.	16		
	Mar.	17		
	April	18		
	May	19		Data collection stop, and final analysis begins.
	June	20		
	July	21		
	Aug.	22		Final report is due for review by FEDERAL HIGHWAY ADMINISTRATION, OCTA and Caltrans.
	Sept.	23		
	Oct.	24		Final report is done by incorporating all comments from FEDERAL HIGHWAY ADMINISTRATION, OCTA and Caltrans.

Attachment I. SR 22 Strip Map.



DELIVERABLES/REPORTING

Three reports will be produced, two working papers or progress reports, and the final report. The working papers will report on the status of data collection and performance evaluation of the Demonstration Project after 6 and 12 months of operation. At the end of 24 months, the final report will be delivered to document the entire project effort, including data collection, the customer survey, and findings (if any).

In the deliverables, analyses will be performed with respect to each specific data set to determine the evaluation results. For example, HOV lane operating speed for the two routes at peak operating hours shall be documented, charted, and compared.

Based on past studies of this nature and on the potential that only a portion of the HOV lanes on the SR-22 will be opened initially, it is anticipated that frequencies of both data collection and reporting will be at shorter intervals during the early phases (first 120 days and remainder of the first year) of the pilot study than in the later phases (remaining one year).

RESOURCE NEEDS/COST ESTIMATE

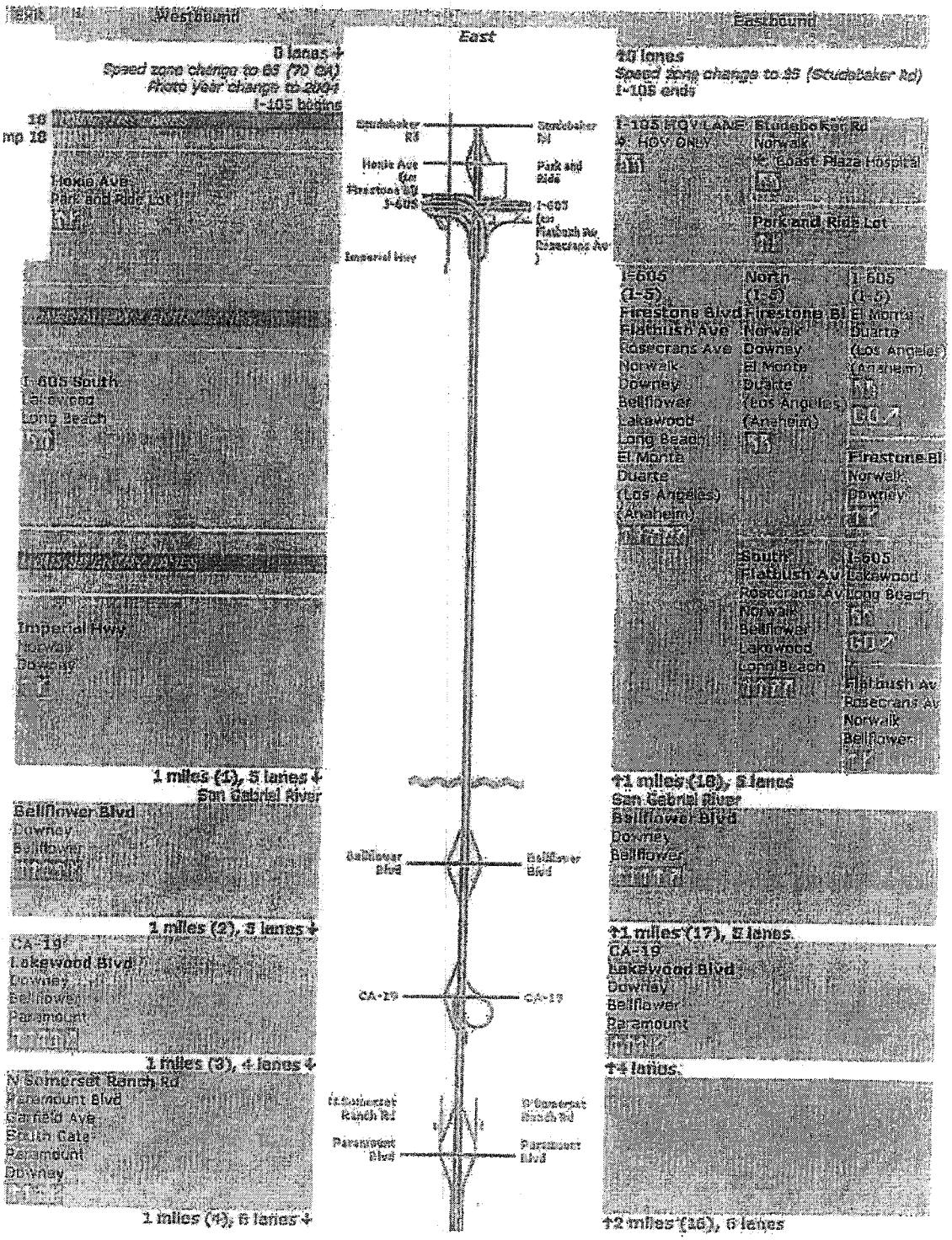
A cost estimate for various data collection, monitoring, enforcement and reporting activities for the Demonstration Project is prepared. A brief list of necessary activities includes: (a) PeMS data retrieval, analysis and reporting; (b) CHP collision report data collection, analysis, and reporting; (c) Manual HOV lane violation counts, including general purpose lane occupancy counts at selected locations for both SR-22 and the comparable facility; and (d) Manual HOV lane tachometer runs along SR-22 and the comparable facility.

Extra resources shall be budgeted for the CHP HOV lane enhanced enforcement activities, based on the operational and response plan between Caltrans and the CHP. Customer survey activities shall be sponsored in full by OCTA.

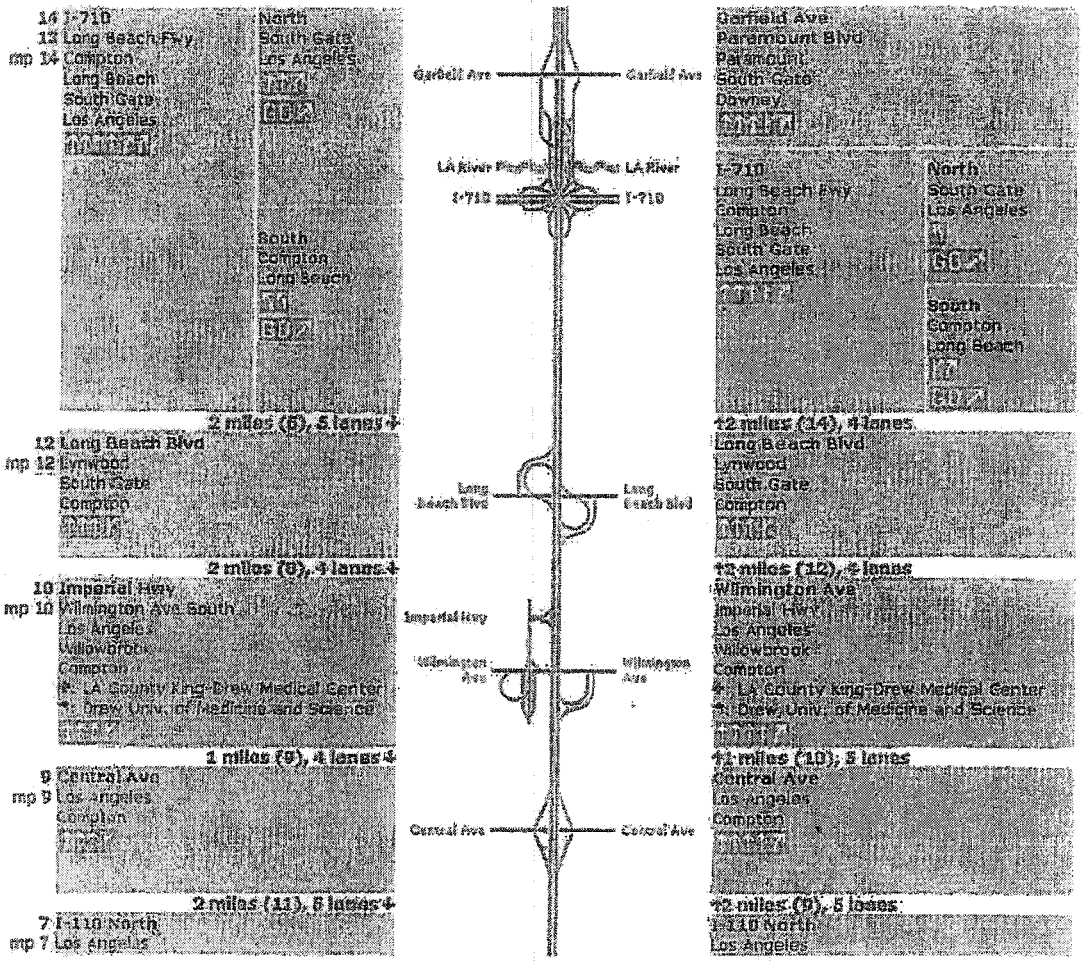
SCHEDULE

The total duration of the pilot project is recommended to be 24 months. Detailed tasks regarding data collection and reporting are shown in Table 2 below.

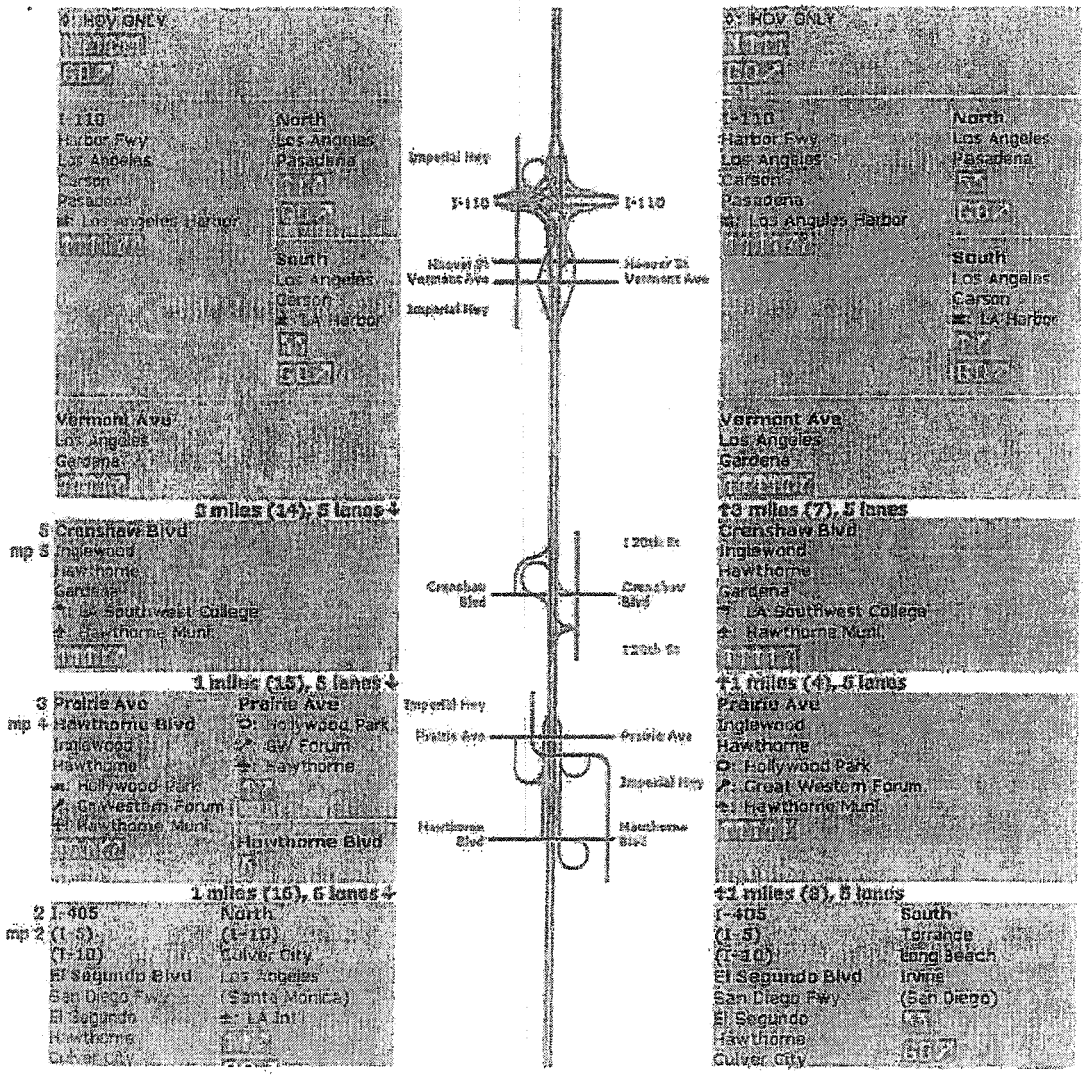
Attachment II: I-105 System Map (Part 1/4)



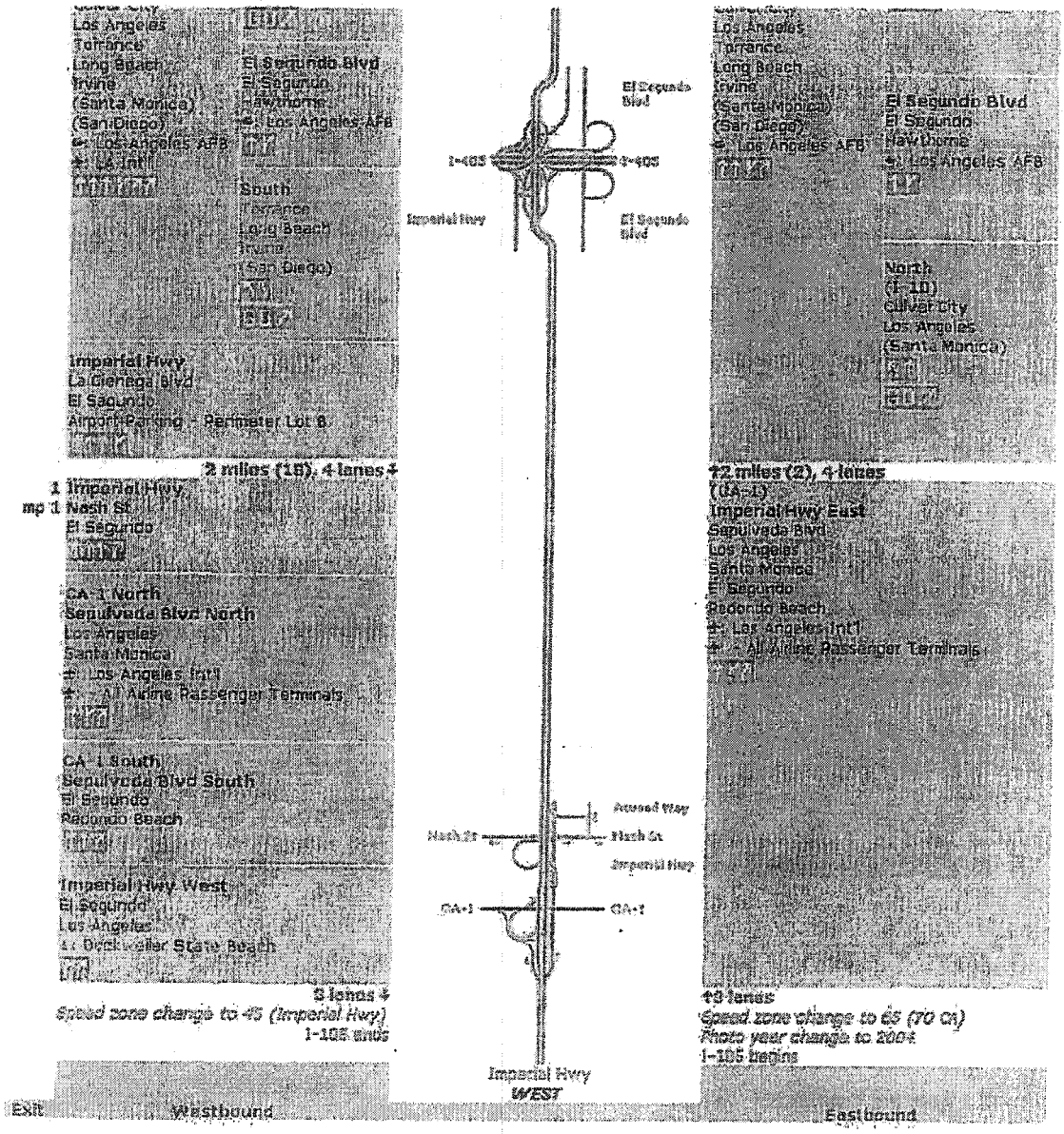
Attachment II: I-105 System Map (Part 2/4)



Attachment II: I-105 System Map (Part 3/4)

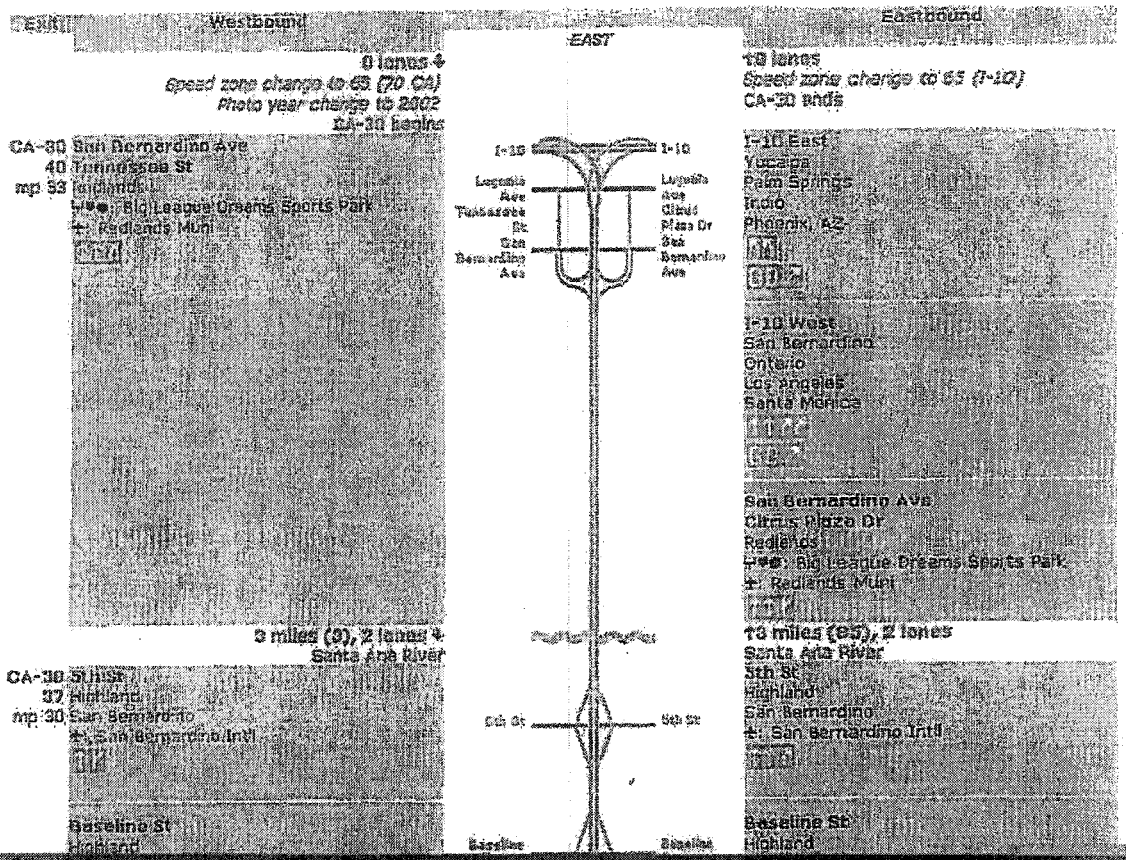


Attachment II: I-105 System Map (Part 4/4)

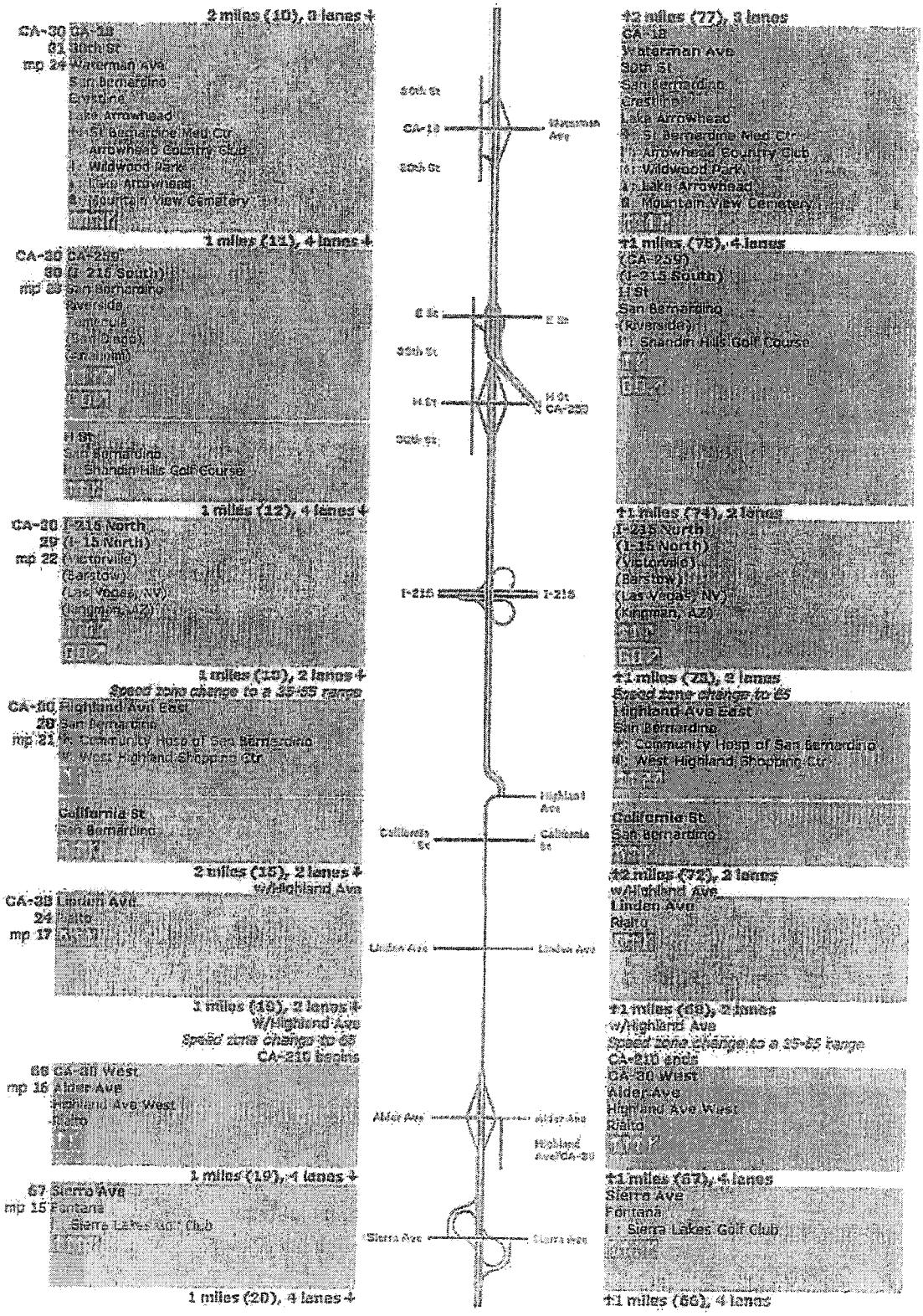


Available online at: http://home.comcast.net/~andytom/Highways/htmlScripts/CA/I105-CA.xml

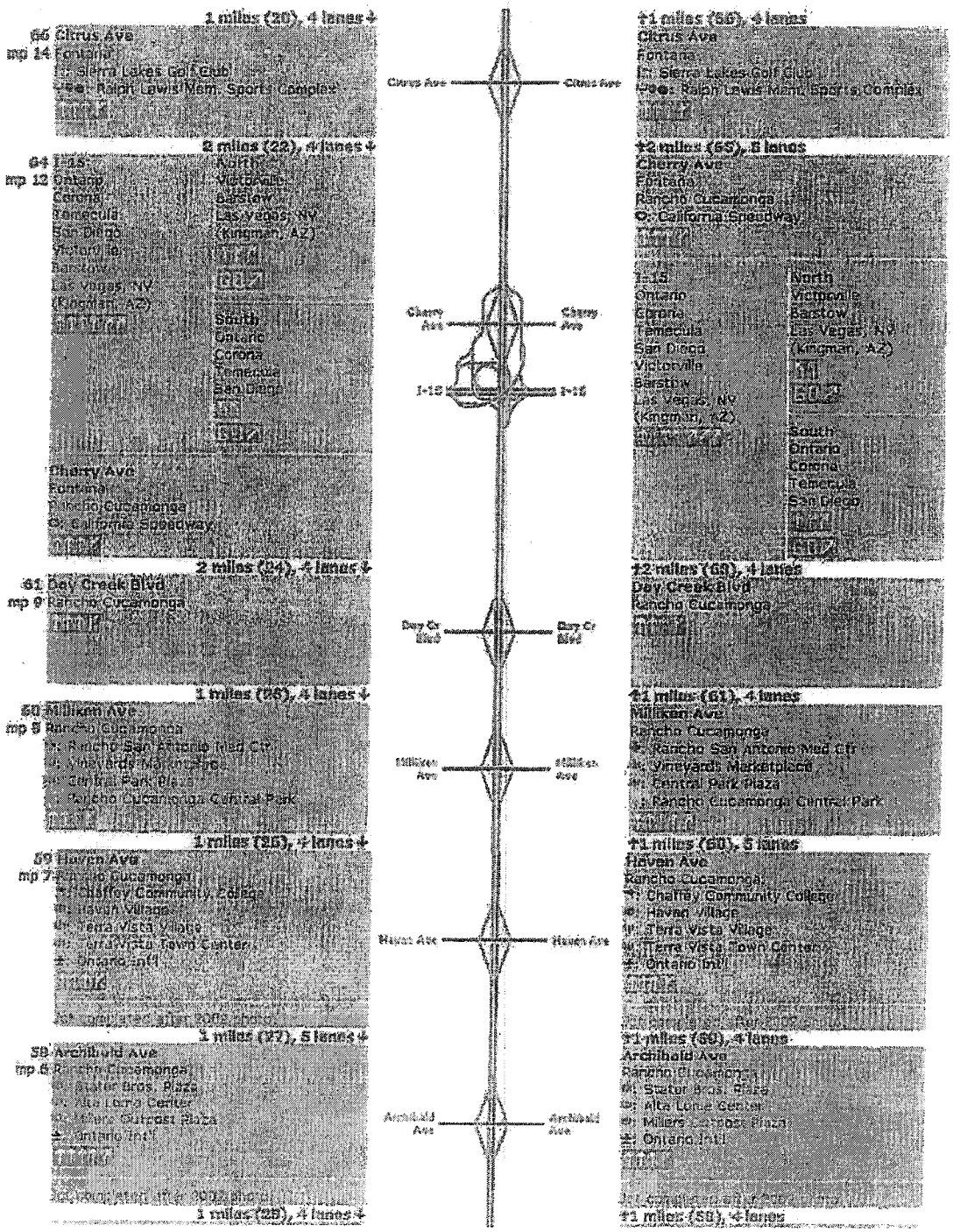
Attachment III: I-210 System Map (Part 1/10)



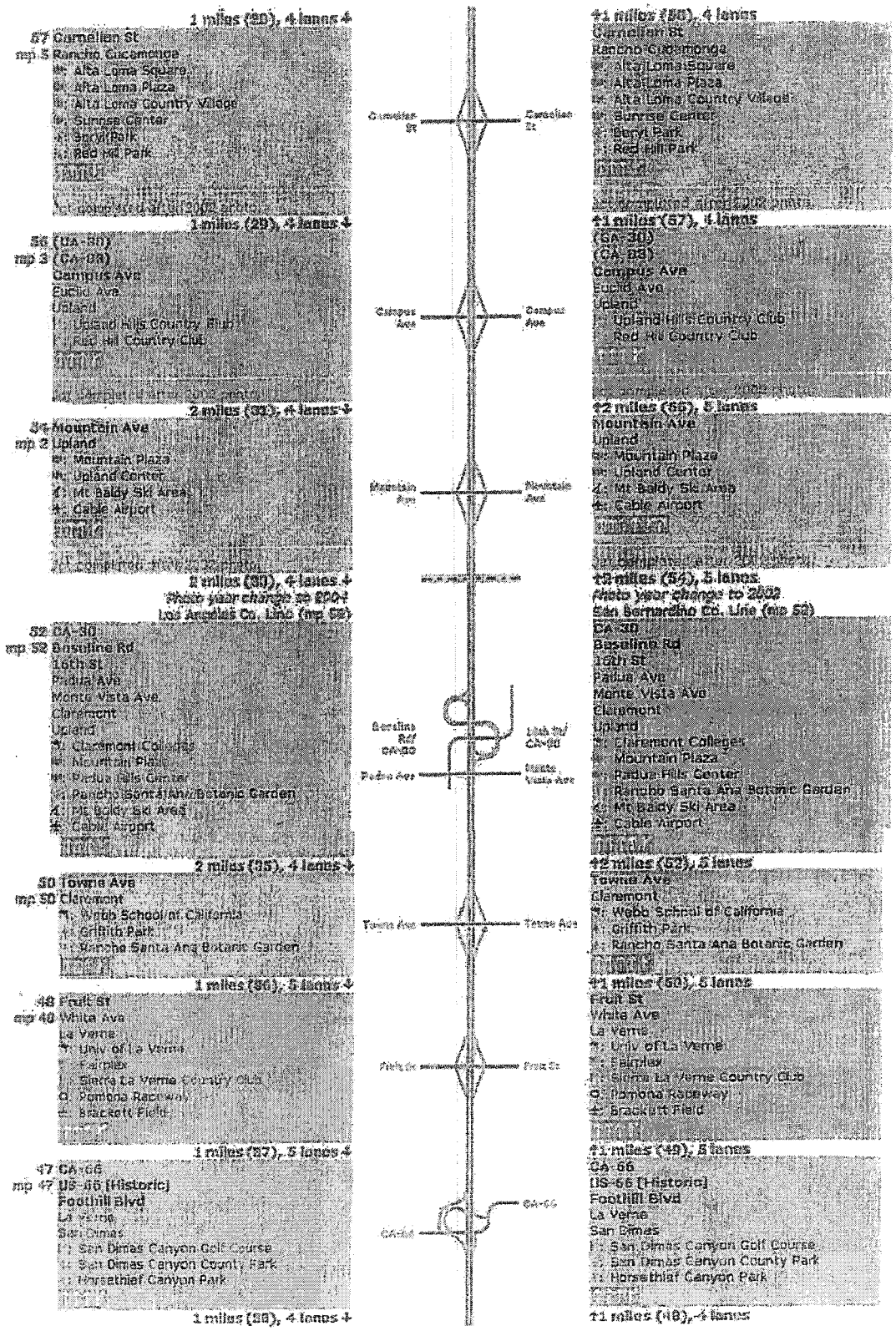
Attachment III: I-210 System Map (Part 2/10)



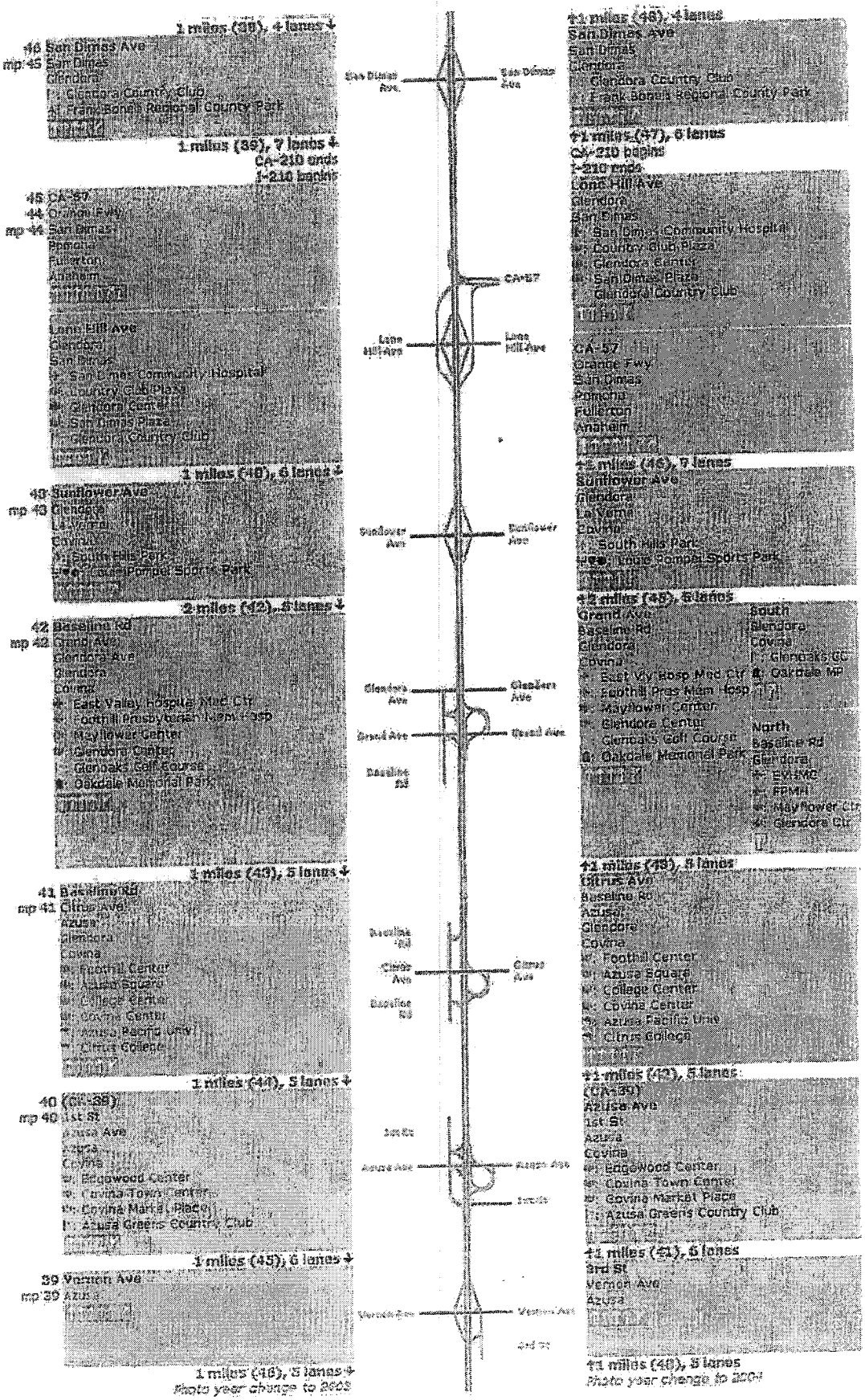
Attachment III: I-210 System Map (Part 3/10)



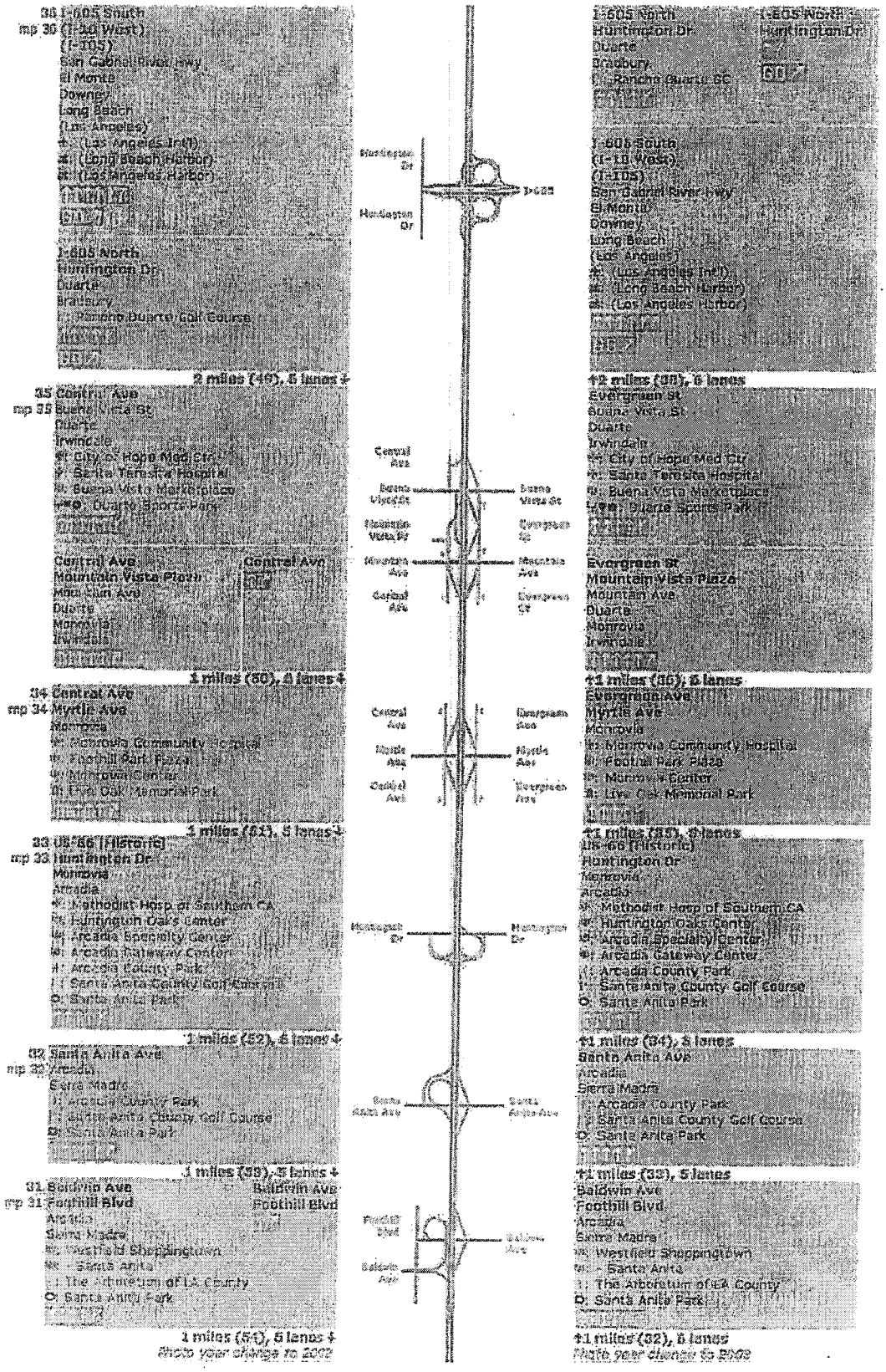
Attachment III: I-210 System Map (Part 4/10)



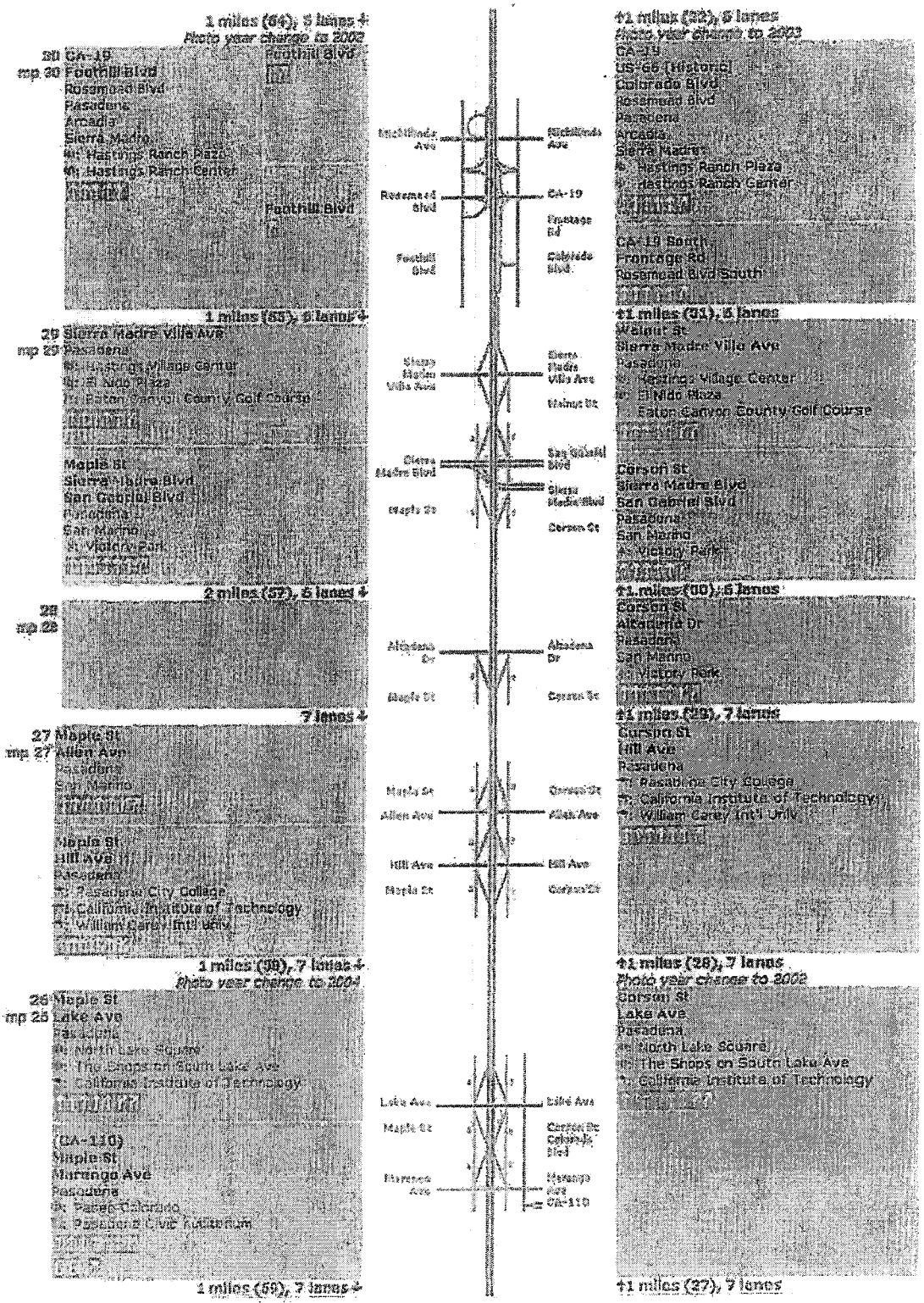
Attachment III: I-210 System Map (Part 5/10)



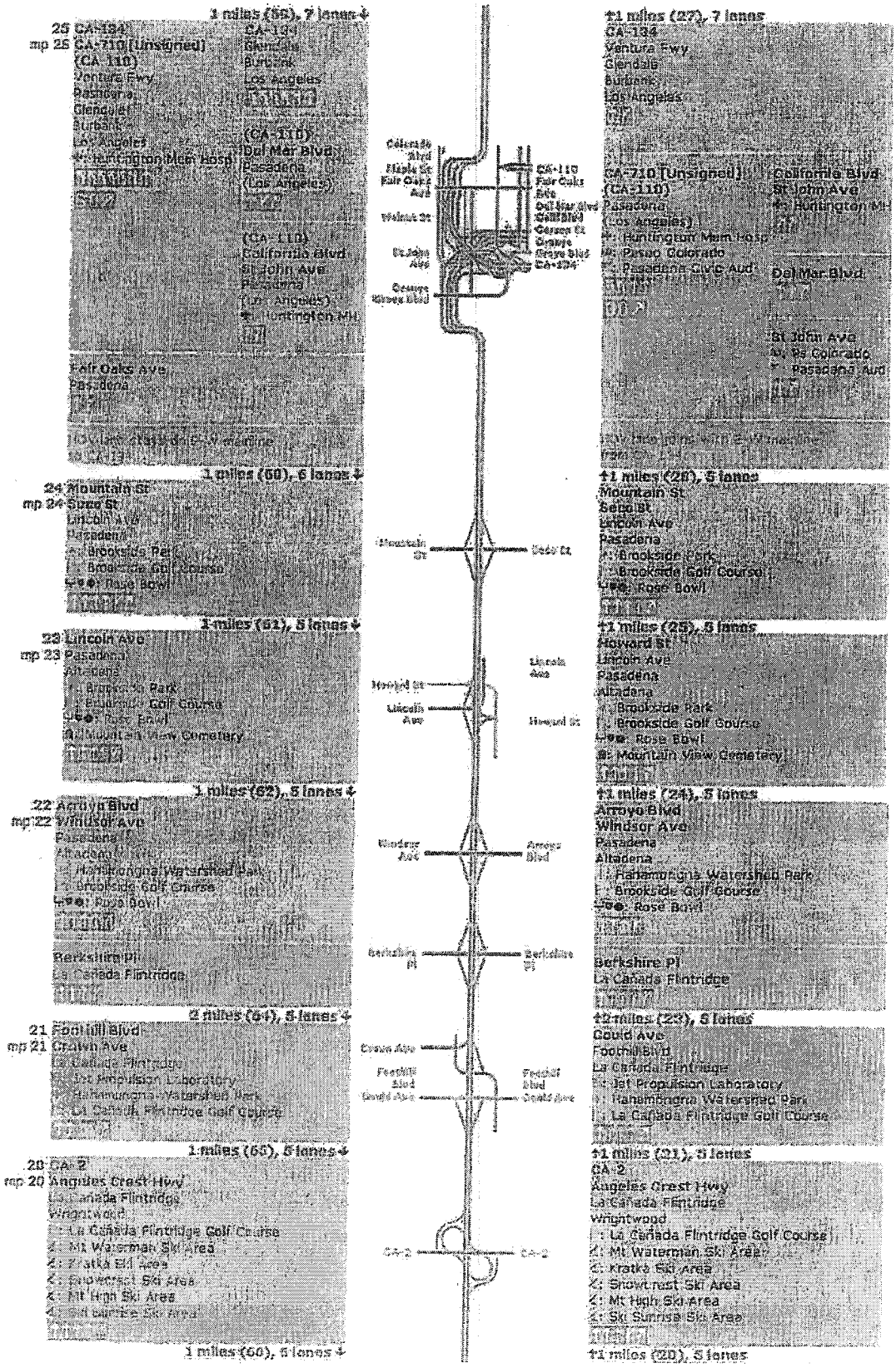
Attachment III: I-210 System Map (Part 6/10)



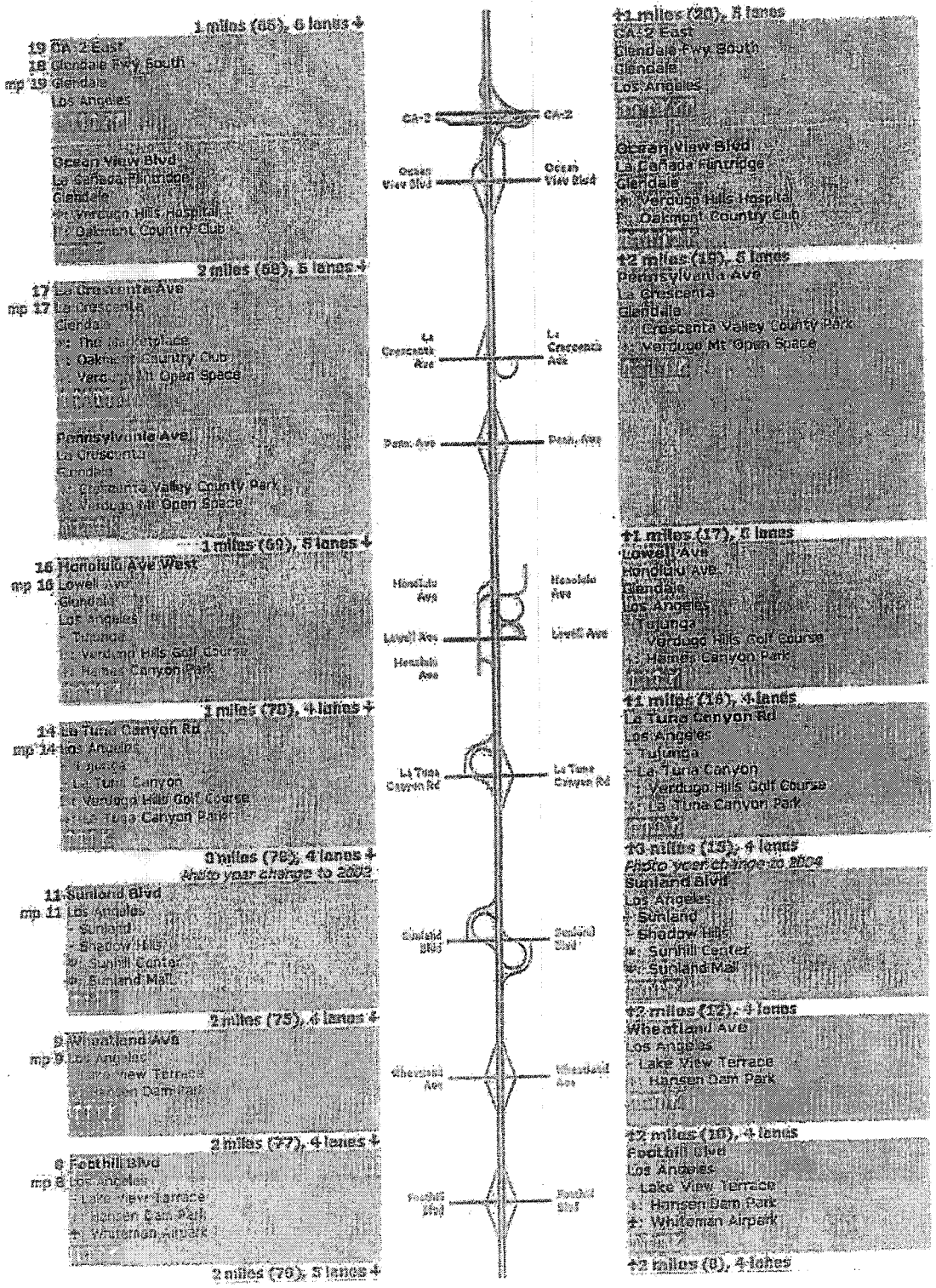
Attachment III: I-210 System Map (Part 7/10)



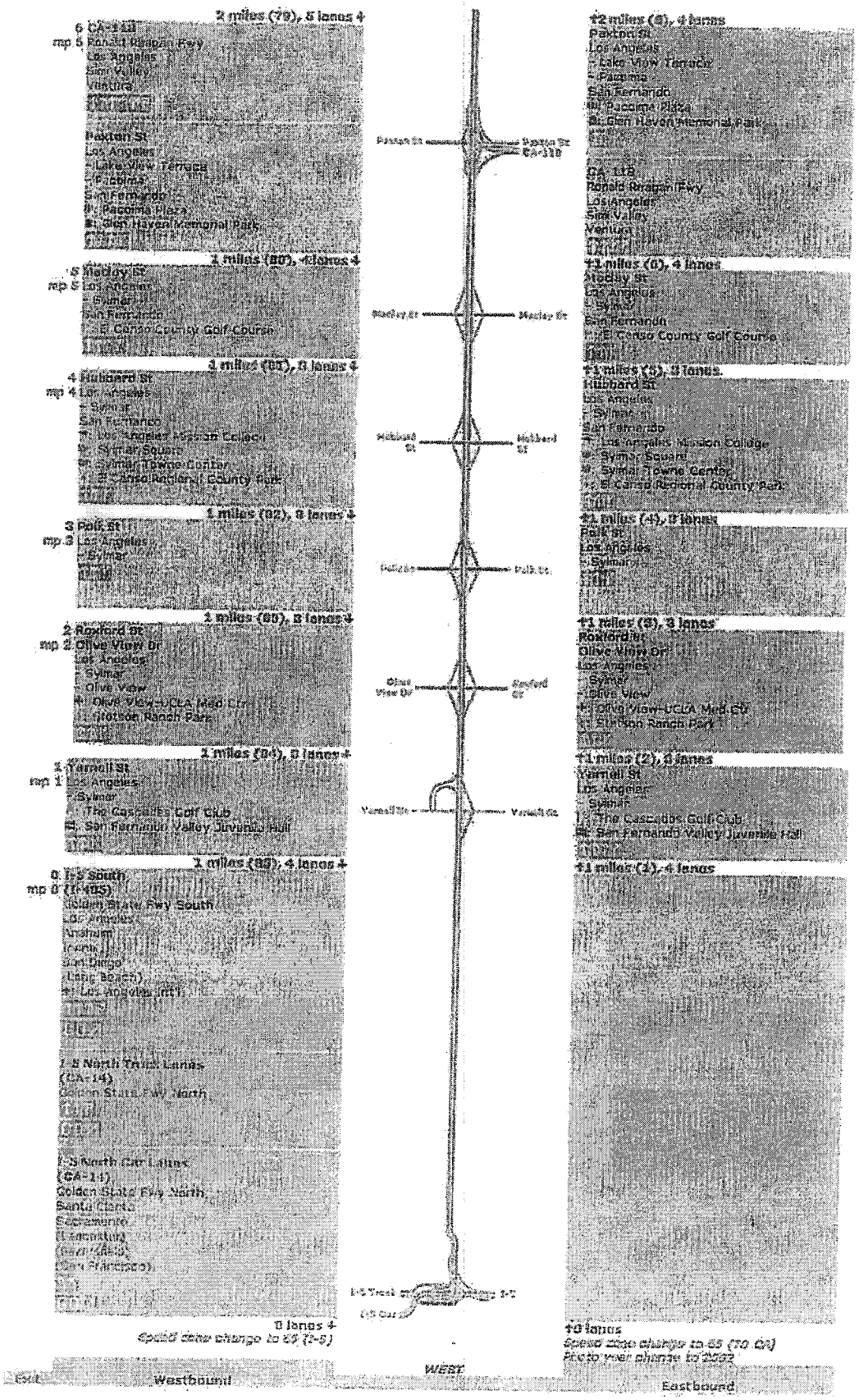
Attachment III: I-210 System Map (Part 8/10)

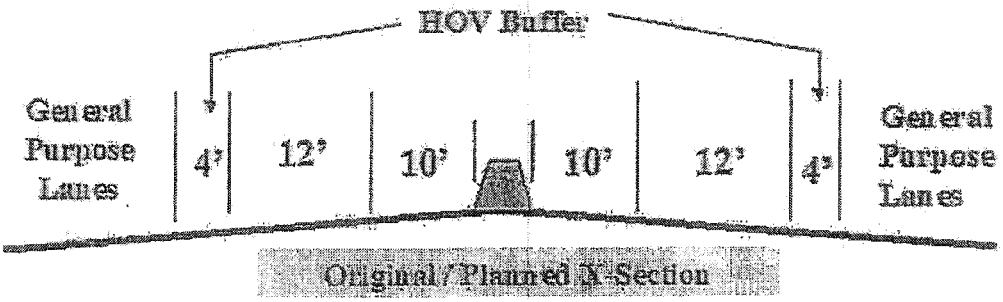


Attachment III: I-210 System Map (Part 9/10)

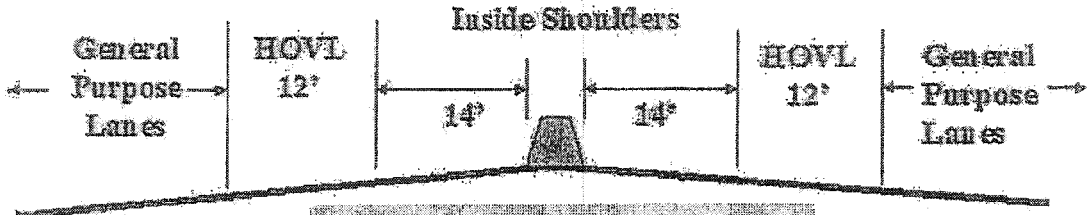


Attachment III: I-210 System Map (Part 10/10)





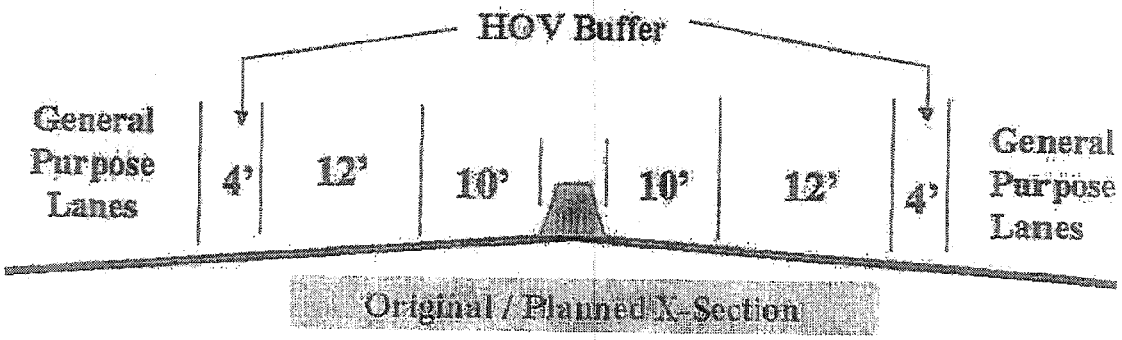
Original / Planned X-Section



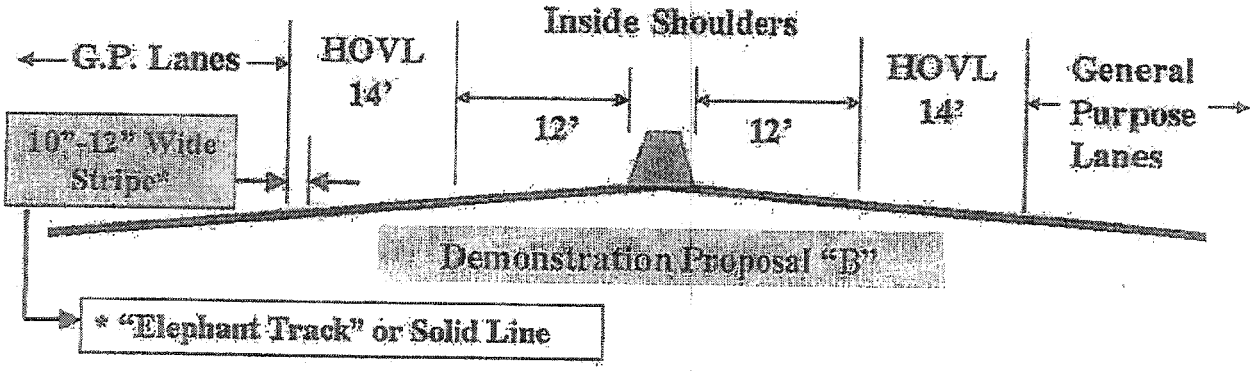
Demonstration Proposal "A"

SR-22 Typical Cross-Sections

Attachment V. Proposed Cross-Section as of 5-16-06.



Original / Planned X-Section



Demonstration Proposal "B"

* "Elephant Track" or Solid Line

SR-22 Typical Cross-Sections

OCTA

BOARD COMMITTEE TRANSMITTAL

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Garden Grove Freeway (State Route 22) Design-Build Project Update and Construction Contract Change Order No. 10

Regional Planning and Highways Committee — January 15, 2007

Present: Directors Amante, Cavecche, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: Dixon

The Committee forwarded this item to the full Board with no recommendation.

Staff Recommendations

A. Authorize the Chief Executive Officer to execute revised Contract Change Order No. 10 to Agreement C-3-0663 with Granite-Myers-Rados, for full replacement of the Magnolia Street bridge.

B. Authorize the Chief Executive Officer to execute Contract Amendment No. 1 to Agreement C-3-0663 to update the contract language to reflect the addition of Substantial Completion No. 2.

C. Amend the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, Revenue Account 0010-6062-F7100 by the value of revised Change Order No. 10 to Agreement C-3-0663.

Note: Please see revised Attachment B and D

REVISED ATTACHMENT B

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project

PROJECT COMPLETION MILESTONES
February 2, 2007

ORIGINAL CONTRACT (with no change orders)
Original Contract Value = $390M

1) Substantial Completion: Nov 30, 2006

   Work completed to allow the entire Project to be open to traffic

2) Project Completion: February 28, 2007

   Follows Substantial Completion by 90 days

   - All Construction Work Complete
   - All bridge work complete
   - All bridge retrofit work complete
   - All pavement placed
   - All shoulder placed
   - All median improvements
   - All signs Installed
   - Soundwalls constructed
   - All streets and ramps constructed
   - Errors corrected
   - Initial punchlist work complete
   - Landscaping not installed

3) Project Acceptance: June 28, 2007

   Follows Project Completion by 120 days

   - Landscaping installed
   - Final project punchlist complete

4) Final Acceptance: June 28, 2010

   After 3 yr Plant Establishment (warranty)

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project

PROJECT COMPLETION MILESTONES
February 2, 2007

REVISED AS PER CHANGE ORDER #10
Current Contract Value = $440M (does not include CCO#10)

1) Substantial Completion #1: Nov 30, 2006

   - Work completed to allow all the mainline lanes east of Magnolia to be open to traffic

2) Substantial Completion #2: April 30, 2007

   - Work completed to allow the mainline lanes west of Magnolia and all local streets to be open to traffic in the permanent configuration. The exceptions will be the three change orders streets at The City Drive, Garden Grove near Fairview and Magnolia.

   Remaining Work:

   - Change order streets
   - Change order soundwalls (Beach E/B on ramp, The City Drive E/B off-ramp, W/B at Cambridge)
   - Change order for rubberized asphalt along mainline
   - Sign structures ?
   - Median Barrier
   - K-rail along some shoulder and median areas
   - City Street Repair, including sidewalk / curb and gutter repair
   - ITS system
   - Permanent mainline lane stripping
   - Mainline grinding (pavement smoothing)
   - Bridge seismic retrofit and curtain walls (closure walls)
   - Construction de-mobilization
   - Landscaping, hardscape, and slope paving
   - Punchlist items

   There project will have some k-rail, construction signs, cones, traffic delineators and short term lane closures occurring during evening and daytime non-peak hours.

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project

PROJECT COMPLETION MILESTONES
February 2, 2007

3) Project Completion: July 29, 2007

- Follows Substantial Completion #2 by 90 days

- All Construction Work Complete
- Change order streets complete at The City Drive, Garden Grove near Fairview and Magnolia Street
- Local Street repair work complete.
- ITS system installed
- Rubberized asphalt complete (note: this item is very weather sensitive)
- K-rail and long term construction signs removed from project
- Contractor largely demobilized from project except punchlist work and landscaping

There project will have temporary construction signs, cones, traffic delineators and short term lane closures occurring during evening and daytime non-peak hours

Items remaining under Substantial Completion #2 are complete except the following:

- Landscaping, including concrete slope paving under the bridges.
- Final punchlist work. Work may include street repaving, sidewalk and curb &gutter repair and Caltrans Safety Review Committee revisions.

4) Project Acceptance: November 26, 2007

- Follows Project Completion by 120 days

- Landscaping installed
- Final project punchlist complete
- ITS system commissioning
- Local Agency and Caltrans Acceptance
- 1 year project warranty begins
- 3 year landscape warranty begins

5) Final Acceptance: November 26, 2010

- After 3 yr Plant Establishment (warranty)

Contract #: C-3-0663
Project Mgr: Rick Grebner
Contract Type: LS
Retention: Reduced to 0%, retention being deposited by GMR in escrow account.

Retention not taken on Design(Items 3&4) and CM(Item 58) portion of invoice.

CONTRACT PAYMENT SCHEDULE

Granite-Myers-Rados, JV

05-Feb-07
Duration: 800 Days
ACCT #: 0010-9017-F7100-7LJ

INVOICE DATE	DATE RECEIVED	INVOICE NUMBER	DATE FORWARDED TO ACCTG	DATE PAID	INVOICE AMOUNT	CUM. INVOICED	RETENTION WITHHELD	AMOUNT PAID	CUM. PAID	REMAINING BALANCE	% COMP.	US BANK ESCROW FUND	COMMENTS
17-Sep-04	17-Sep-04	LTR 9-17	23-Sep-04	24-Sep-04	$25,374,635.00	$25,374,635.00	$1,268,731.75	$24,105,903.25	$24,105,903.25	$415,453,414.00	5.76%		
10-Nov-04	16-Nov-04	2	23-Nov-04	24-Nov-04	$10,189,335.00	$35,563,970.00	$435,177.90	$9,754,157.10	$33,860,060.35	$405,264,079.00	8.07%		
10-Nov-04	18-Nov-04	3-Ret	01-Dec-04	09-Dec-04	Retention	$35,563,970.00	($1,703,909.65)	$1,703,909.65	$35,563,970.00	$405,264,079.00	8.07%		
17-Dec-04	18-Dec-04	3	29-Dec-04	30-Dec-04	$10,740,887.00	$46,304,857.00	$0.00	$10,740,887.00	$46,304,857.00	$394,523,192.00	10.50%		
04-Jan-05	11-Jan-05	4	07-Feb-05	02-Feb-05	$3,444,855.00	$49,749,712.00	$0.00	$3,444,855.00	$49,749,712.00	$391,078,337.00	11.29%	$5,000,000	US Bank 01/13/05
22-Feb-05	25-Feb-05	5	02-Mar-05	04-Mar-05	$7,146,755.06	$56,896,467.06	$0.00	$7,146,755.06	$56,896,467.06	$383,931,581.94	12.91%		
25-Mar-05	29-Mar-05	6	11-Apr-05	11-Apr-05	$4,855,364.00	$61,751,831.06	$0.00	$4,855,364.00	$61,751,831.06	$379,076,217.94	14.01%		
20-Apr-05	22-Apr-05	7	09-May-05	11-May-05	$12,075,307.00	$73,827,138.06	$0.00	$12,075,307.00	$73,827,138.06	$367,000,910.94	16.75%		
13-May-05	14-May-05	8	26-May-05	02-Jun-05	$11,520,851.00	$85,347,989.06	$0.00	$11,520,851.00	$85,347,989.06	$355,480,059.94	19.36%		
16-Jun-05	22-Jun-05	9	30-Jun-05	07-Jul-05	$14,310,925.94	$99,658,915.00	$0.00	$14,310,925.94	$99,658,915.00	$341,169,134.00	22.61%		
15-Jul-05	16-Jul-05	10	29-Jul-05	25-Jul-05	$14,893,546.00	$114,552,461.00	$0.00	$14,893,546.00	$114,552,461.00	$326,275,588.00	25.99%	$8,000,000	US Bank 07/19/05
11-Aug-05	11-Aug-05	11	29-Aug-05	02-Sep-05	$14,443,926.00	$128,996,387.00	$0.00	$14,443,926.00	$128,996,387.00	$311,831,662.00	29.26%		
19-Sep-05	20-Sep-05	12	21-Sep-05	23-Sep-05	$20,143,159.00	$149,139,546.00	$0.00	$20,143,159.00	$149,139,546.00	$291,688,503.00	33.83%		
04-Oct-05	06-Oct-05	13	13-Oct-05	14-Oct-05	$17,537,680.00	$166,677,226.00	$0.00	$17,537,680.00	$166,677,226.00	$274,150,823.00	37.81%		
01-Nov-05	09-Nov-05	14	10-Nov-05	15-Nov-05	$16,049,556.00	$182,726,782.00	$0.00	$16,049,556.00	$182,726,782.00	$258,101,267.00	41.45%	$11,000,000	US Bank 11/30/05
06-Dec-05	07-Dec-05	15	14-Dec-05	16-Dec-05	$21,188,996.00	$203,915,778.00	$0.00	$21,188,996.00	$203,915,778.00	$236,912,271.00	46.26%		
11-Jan-06	11-Jan-06	16	12-Jan-06	17-Jan-06	$21,577,878.00	$225,493,656.00	$0.00	$21,577,878.00	$225,493,656.00	$215,334,393.00	51.15%		
08-Feb-06	08-Feb-06	17	10-Feb-06	13-Feb-06	$18,351,202.62	$243,844,858.62	$0.00	$18,351,202.62	$243,844,858.62	$196,983,190.38	55.32%	$13,500,000	US Bank 2/13/06
07-Mar-06	07-Mar-06	18	10-Mar-06	13-Mar-06	$16,756,713.00	$260,601,571.62	$0.00	$16,756,713.00	$260,601,571.62	$180,226,477.38	59.12%		
04-Apr-06	06-Apr-06	19	07-Apr-06	12-Apr-06	$13,754,234.00	$274,355,805.62	$0.00	$13,754,234.00	$274,355,805.62	$166,472,243.38	62.24%		
11-Apr-06	19-Apr-06	20	25-Apr-06	28-Apr-06	$24,007,271.00	$298,363,076.62	$0.00	$24,007,271.00	$298,363,076.62	$142,464,972.38	67.68%	$16,500,000	US Bank 4/19/06
08-May-06	10-May-06	21	17-May-06	17-May-06	$17,146,821.00	$315,509,897.62	$0.00	$17,146,821.00	$315,509,897.62	$125,318,151.38	71.57%		
06-Jun-06	07-Jun-06	22	08-Jun-06	19-Jun-06	$14,376,430.00	$329,886,327.62	$0.00	$14,376,430.00	$329,886,327.62	$110,941,721.38	74.83%		
12-Jul-06	12-Jul-06	23	13-Jul-06	20-Jul-06	$21,544,101.00	$351,430,428.62	$0.00	$21,544,101.00	$351,430,428.62	$89,397,620.38	79.72%		
08-Aug-06	10-Aug-06	24	14-Aug-06	18-Aug-06	$12,042,260.00	$363,472,688.62	$0.00	$12,042,260.00	$363,472,688.62	$77,355,360.38	82.45%	$19,500,000	
11-Sep-03	13-Sep-06	25	14-Sep-06	19-Sep-06	$12,524,742.00	$375,997,430.62	$0.00	$12,524,742.00	$375,997,430.62	$64,830,618.38	85.29%		
06-Oct-06	11-Oct-06	26	12-Oct-06	19-Oct-06	$10,857,278.00	$386,854,708.62	$0.00	$10,857,278.00	$386,854,708.62	$53,973,340.38	87.76%		
14-Nov-06	21-Nov-06	27	21-Nov-06	28-Nov-06	$9,605,490.00	$396,460,198.62	$0.00	$9,605,490.00	$396,460,198.62	$44,367,850.38	89.94%		
12-Dec-06	21-Dec-06	28	22-Dec-06	28-Dec-06	$9,301,758.00	$405,761,956.62	$0.00	$9,301,758.00	$405,761,956.62	$35,066,092.38	92.05%		
08-Jan-07	09-Jan-07	29	10-Jan-07	15-Jan-07	$4,488,065.30	$410,250,021.92	$0.00	$4,488,065.30	$410,250,021.92	$30,578,027.08	93.06%		
					$410,250,021.92		$0.00	$410,250,021.92					

ORIGINAL CONTRACT	$390,379,000.00
Total CCO's	**$50,449,049.00**
TOTAL CONTRACT	**$440,828,049.00**

C:\Documents and Settings\oprado\Local Settings\Temporary Internet Files\OLK129\[GraniteMyersRados AP C-3-0663 (4).xls]Expense Log

REVISED ATTACHMENT D

OCTA

February 5, 2007

To: Regional Highways and Planning Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Garden Grove Freeway (State Route 22) Design-Build Project Update and Construction Contract Change Order No. 10

Overview

The Garden Grove Freeway (State Route 22) widening project did not originally include a full replacement of the Magnolia Street bridge to permit a widening of the local street. The City of Garden Grove requested incorporation of complete reconstruction of the Magnolia Street bridge into the current Garden Grove Freeway (State Route 22) widening project as a result of receiving federal funding through reauthorization of the highway bill in July 2005.

Staff seeks approval of a revised change order to incorporate the Magnolia Street bridge reconstruction into the project. Also, an overall project schedule change to reflect this work is requested.

Recommendations

A. Authorize the Chief Executive Officer to execute revised Contract Change Order No. 10 to Agreement C-3-0663 with Granite-Myers-Rados for full replacement of the Magnolia Street bridge.

B. Authorize the Chief Executive Officer to execute Contract Amendment No. 1 to Agreement C-3-0663 to update the contract language to reflect the addition of Substantial Completion No. 2.

C. Amend the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, Revenue Account 0010-6062-F7100 by the value of revised Change Order No. 10 to Agreement C-3-0663.

Background

As of the writing of this report, Contract Change Order No. 10 is still under negotiations.

At the Orange County Transportation Authority (OCTA) Board of Directors (Board) meeting of January 22, 2007, Board Members had a number of questions related to Item No. 20 and sent it back to the Regional Planning and Highway Committee (Committee) for further discussion (Attachment A). The outreach materials were removed from the attachment for the sake of brevity.

Discussion

A number of questions and requests were made relating to the proposed Magnolia Street bridge Contract Change Order No. 10. The requests and responses are summarized as follows:

1. Request: Additional information requested to provide what work will be complete at each milestone.

   Response: Completion milestones and dates are provided in the Project Completion Milestones, dated January 31, 2007, for both the original contract and the proposed new milestones being discussed with the contractor, Granite-Rados-Myers (GMR), as of that date (Attachment B).

   An updated Mainline, Ramp and City Street Schedule Summary was initially provided to the Board on January 22, 2007 (Attachment C).

2. Request: Provide firm completion dates and an increase in the liquidated damages greater than the proposed $5000 per day.

   Response: As of this writing, details of Contract Change Order No. 10 are still being discussed with the contractor.

3. Request: Provide a consistent public message regarding opening and completion dates.

   Response: An outline of the general outreach plan will be provided by staff at the Committee meeting of February 5, 2007, and to the Board on February 12, 2007.

4. Request: Does OCTA have a 100 percent bill, and what is the percentage complete?

Response: The contract has not been paid in full. The contractor is paid on an earned value basis (i.e., a percentage complete). As of November 30, 2006, the project was 92.07 percent complete. (The December invoice dated, December 12, 2006 pays for work through November 30, 2006.) A summary of the payments to GMR are listed on the Contract Payment Schedule (Attachment D).

5. Request: Provide a timeline relating to when it was understood the work at Magnolia Street would go beyond the deadline. When was the Board made aware Magnolia Street would extend past March.

   Response: The original proposal from GMR dated April 3, 2006, proposed a March 12, 2007, opening date plus allowances for weather, utility, and unforeseen subsurface conditions. In late December 2006 and early January 2007 the contractor claimed utility impacts and past weather impacts of approximately 20 days. The present construction schedule indicates an April completion and was provided to the Committee on January 15, 2007, and to the full Board on January 22, 2007.

6. A number of questions were asked at the January 22, 2007, Board meeting in which answers were provided in the meeting.

   Q. Was the delay in the project east of Magnolia Street caused by the addition of the bridge work at Magnolia Street?
   A. No.

   Q. Does the original substantial completion include opening the city lanes as well as the highway lanes?
   A. Yes. [Note: Revised Construction Change Order No. 10 will exempt Magnolia Street, The City Drive (Construction Change Order No. 12), and Garden Grove Boulevard at Fairview Street (Construction Change Order No.17), which were added at the cities' request. These streets will be done at project completion.]

   Q. Does this Construction Change Order No. 10 take city streets out of the November 30, 2006, substantial completion?
   A. Yes.

   Q. The contractor was asked, "When will all the driving lanes on the State Route (SR-22) be open?"

A. The contractor representative, Jim Laing, responded that it will be complete on April 4, 2007, as Contract Change Order No. 10 presently contemplates. (Note: Additional days would be requested for further delay if rain or unforeseen conditions arise.)

Fiscal Impact

The additional work described in Contract Change Order No. 10 to Agreement C-3-0663 was approved in the OCTA Fiscal Year 2006-07 Budget, Development Division, Account 0010-9017-F7100-7LJ, and is funded through the Local Transportation Authority (LTA) with subsequent reimbursement by the City of Garden Grove.

The reimbursement by the City of Garden Grove was not included in the OCTA Fiscal Year 2006-07 Budget and will require a budget amendment to Account 0010-6062-F7100, LTA, Reimbursement from Cities.

Summary

OCTA continues to advance the first project in the State of California to be constructed on an active freeway using the innovative design-build delivery method. Staff recommends approval of the request made by the City of Garden Grove to incorporate the complete reconstruction of the Magnolia Street bridge and approval of Contract Change Order No. 10 to Agreement C-3-0663 with Granite-Myers-Rados.

Attachments

A. January 22, 2007, Board Committee Transmittal for Garden Grove Freeway (State Route 22) Design-Build Project Update and Construction Contract Change Order No. 10
B. Garden Grove Freeway (SR-22) HOV Lane Design-Build Project, Project Completion Milestones, February 2, 2007
C. Garden Grove Freeway (SR-22) HOV Lane Design-Build Project Mainline, Ramp & City Street Schedule Summary, February 2, 2007
D. Contract Payment Schedule, Granite-Myers-Rados, JV

Prepared by:

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

Approved by:

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

ATTACHMENT A

OCTA

BOARD COMMITTEE TRANSMITTAL

January 22, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Garden Grove Freeway (State Route 22) Design-Build Project Update and Construction Contract Change Order No. 10

Regional Planning and Highways Committee — January 15, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor, Norby, Pringle, and Rosen

Absent: None

The Committee forwarded this item to the full Board with no recommendation and requested a supplemental report. **(NOTE: this report will be provided to the Board under separate cover prior to the January 22, 2007, Board meeting.)**

Staff Recommendations

A. Authorize the Chief Executive Officer to execute revised Contract Change Order No. 10 to Agreement C-3-0663 with Granite-Myers-Rados, in an amount not to exceed $5,307,424, for full replacement of the Magnolia Street bridge and to establish March 12, 2007, as the contractual substantial completion date for work west of Magnolia Street subject to change for weather and utility, impacts occurring after November 30, 2006.

B. Authorize the Chief Executive Officer to execute Contract Amendment No. 1 to Agreement C-3-0663 to update the contract language to reflect the addition of Substantial Completion No. 2.

C. Amend the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, Revenue Account 0010-6062-F7100 by $5,307,424.

OCTA

January 15, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Garden Grove Freeway (State Route 22) Design-Build Project Update and Construction Contract Change Order No. 10

Overview

The Garden Grove Freeway (State Route 22) widening project did not originally include a full replacement of the Magnolia Street bridge to permit a widening of the local street. The City of Garden Grove requested incorporation of complete reconstruction of the Magnolia Street bridge into the current Garden Grove Freeway (State Route 22) widening project as a result of receiving federal funding through reauthorization of the highway bill in July 2005.

Staff seeks approval of a revised change order to incorporate the Magnolia Street bridge reconstruction into the project. Also, an overall project schedule change to reflect this work is requested. The current forecast by the contractor is to open all mainline traffic lanes in April 2007.

Recommendations

A. Authorize the Chief Executive Officer to execute revised Contract Change Order No. 10 to Agreement C-3-0663 with Granite-Myers-Rados, in an amount not to exceed $5,307,424, for full replacement of the Magnolia Street bridge and to establish March 12, 2007, as the contractual substantial completion date for work west of Magnolia Street subject to change for weather and utility, impacts occurring after November 30, 2006.

B. Authorize the Chief Executive Officer to execute Contract Amendment No. 1 to Agreement C-3-0663 to update the contract language to reflect the addition of Substantial Completion No. 2.

C. Amend the Orange County Transportation Authority's Fiscal Year 2006-07 Budget, Revenue Account 0010-6062-F7100 by $5,307,424.

Background

On October 11, 2001, the Orange County Transportation Authority (Authority) Board of Directors (Board) approved the implementation of Garden Grove Freeway (State Route 22) improvements using the design-build approach. Design-build is an innovative system of contracting under which 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) high-occupancy vehicle (HOV) 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 cities of Orange, Santa Ana, Garden Grove, Westminster, Seal Beach, and Los Alamitos. The SR-22 project begins just east of the Valley View Street interchange in Garden Grove/Westminster, and continues east to the Costa Mesa Freeway (State Route 55) interchange.

Construction began on September 22, 2004. The original contract called for a number of milestones leading up to final project acceptance, the most significant being the 800-day milestone referred to as substantial completion. Substantial completion is generally defined as the stage in the progress of the project where the project can be used for its intended purpose. In the case of a freeway, that means all lanes open to traffic. In the development sector, this is often referred to as "beneficial occupancy."

Discussion

On August 19, 2004, the Authority and the City of Garden Grove (City) entered into Cooperative Agreement C-4-0597 defining the terms, conditions, and funding responsibilities for completion of final design and construction of the project and related improvements. One improvement outlined in the agreement was the construction of the Magnolia Street bridge. In accordance with the cooperative agreement, the Authority was to construct the widened portion of the Magnolia Street bridge to accommodate future widening of the underlying Magnolia Street by the City. The existing middle section of the bridge was to remain in place. The Authority agreed to pursue replacing the center section of the bridge in the future when the City widened Magnolia Street. Funding for the center portion was to be the future responsibility of the Authority.

In late July 2005, the City was awarded $5.2 million plus a 20 percent City match (total available funding equals $6,240,000) as part of the federal reauthorization of the highway bill. With the appropriation, the City requested the Authority to incorporate full replacement of the Magnolia Bridge into the existing construction project. Incorporation of the work into the existing project has a number of advantages to the traveling public, the Authority, and the City, including:

1. Reduced Construction Cost: Construction cost today is estimated to be approximately a third of a future, stand alone project.

2. Reduced Community Impacts: A future stand alone project would disrupt traffic along the freeway and local community for approximately 18-24 months. Construction as part of the SR-22 project adds an additional four months of impact.

3. City Can Pursue Future Street Widening: Timeliness of construction allows the City to pursue widening the local City street without future reconstruction of a new freeway bridge.

The federal appropriation came 10 months into the construction project. Because of the timing of the federal funding, completing the bridge work before the original 800-day milestone of November 30, 2006, was not possible. Staff began coordinating and working with the City and GMR to quantify the impacts and provide construction options.

Adding the Magnolia Street bridge reconstruction into the project would have resulted in the entire project substantial completion date contractually coinciding with completion of the bridge. An extension of the contract substantial completion date beyond the November 30, 2006, milestone to coincide with a Magnolia Street bridge opening was deemed unacceptable.

Because of the contractual schedule ramifications to the overall project, staff worked with the City and GMR to review the design and construction to reduce to the greatest extent possible the schedule impact. The discussions led to a proposed Contract Change Order (CCO) No. 10 to reconstruct the Magnolia Street bridge. Two viable options emerged: one being a traditional 40-hour, five-day schedule; the other accelerated by working two shifts, six days a week. The completion dates of the two options were June 1, 2007 and March 12, 2007, respectively. On April 10, 2006, the Board approved execution of CCO No. 10, which included the accelerated schedule.

Although the Board authorized the execution of CCO No. 10, the change order could not be executed until the appropriated federal funds were allocated and approved. This occurred on September 20, 2006, and the change order was not executed. Discussions continued with GMR concerning change order language and the re-definition of substantial completion. The proposed revised change order accepts the GMR price proposal of April 3, 2006, and splits the SR-22 widening project into two segments at Magnolia Street for the purposes of defining substantial completion. The major components of the change order are as follows:

1. Accept the GMR cost proposal dated April 3, 2006, for $5,307,424. The cost includes construction and acceleration.

2. Accept the 102-day schedule impact in the April 3, 2006, GMR proposal to open all mainline traffic lanes west of Magnolia Street by March 12, 2007 allowing additional days to be claimed for utility, weather, and unknown site conditions after November 30, 2006.

3. Maintain the contract date for opening all mainline traffic lanes east of Magnolia Street at November 30, 2006.

4. Allows penalty (liquidated damages) of $5,000 per day after March, 12, 2007, for work west of Magnolia.

5. The Authority and GMR reserve the right to either submit or reject costs for project overhead and impacts occurring since the April 3, 2006, proposal date.

The proposed revised change order establishes March 12, 2007, as the contract date for completing work under this change order. The actual substantial completion will depend on possible additional days for weather, utilities, and unknown site conditions.

As part of the redefining of the project substantial completion, GMR is presently updating the construction schedule. The current construction forecast by GMR is to open all traffic lanes in April 2007. This schedule is under review by Parsons Transportation Group (the project management consultant) and staff. This schedule will be tabulated and prioritized. Activities that impact local city streets will be reviewed with city staff.

In addition to issuing a change order, a contract amendment is required to revise sections of the contract to define a second substantial completion milestone.

Fiscal Impact

The additional work described in CCO No. 10 to Agreement C-3-0663 was approved in the Authority's Fiscal Year 2006-07 Budget, Development Division, Account 0010-9017-F7100-7LJ, and is funded through the Local Transportation Authority (LTA) with subsequent reimbursement by the City.

The reimbursement by the City was not included in the Authority's Fiscal Year 2006-07 Budget and will require a budget amendment to Account 0010-6062-F7100, LTA, Reimbursement from Cities.

Summary

The Authority continues to advance the first project in the State of California to be constructed on an active freeway using the innovative design-build delivery method. Staff recommends approval of the request made by the City of Garden Grove to incorporate the complete reconstruction of the Magnolia Street bridge and approval of Contract Change Order No. 10 to Agreement C-3-0663 with Granite-Myers-Rados.

Attachment

A. Garden Grove Freeway (State Route 22) Major Project Improvement Elements

Prepared by:

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

Approved by:

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

ATTACHMENT A

Garden Grove Freeway (State Route 22)
Major Project Improvement Elements

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

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project

PROJECT COMPLETION MILESTONES
February 2, 2007

ORIGINAL CONTRACT (with no change orders)

Original Contract Value = $390M

1) Substantial Completion: Nov 30, 2006

   Work completed to allow the entire Project to be open to traffic

2) Project Completion: February 28, 2007

   Follows Substantial Completion by 90 days

   - All Construction Work Complete
   - All bridge work complete
   - All bridge retrofit work complete
   - All pavement placed
   - All shoulder placed
   - All median improvements
   - All signs Installed
   - Soundwalls constructed
   - All streets and ramps constructed
   - Errors corrected
   - Initial punchlist work complete
   - Landscaping not installed

3) Project Acceptance: June 28, 2007

   Follows Project Completion by 120 days

   - Landscaping installed
   - Final project punchlist complete

4) Final Acceptance: June 28, 2010

   After 3 yr Plant Establishment (warranty)

PROJECT COMPLETION MILESTONES
February 2, 2007

REVISED AS PER CHANGE ORDER #10

Current Contract Value = $440M (does not include CCO#10)

1) Substantial Completion #1: Nov 30, 2006

   - Work completed to allow all the mainline lanes east of Magnolia to be open to traffic

2) Substantial Completion #2: April 30, 2007

   - Work completed to allow the mainline lanes west of Magnolia and all local streets to be open to traffic in the permanent configuration. The exceptions will be the three change orders streets at The City Drive, Garden Grove near Fairview and Magnolia.

   Remaining Work:

   - Change order streets
   - Change order soundwalls (Beach E/B on ramp, The City Drive E/B off-ramp, W/B at Cambridge)
   - Change order for rubberized asphalt along mainline
   - Sign structures ?
   - Median Barrier
   - K-rail along some shoulder and median areas
   - City Street Repair, including sidewalk / curb and gutter repair
   - ITS system
   - Permanent mainline lane stripping
   - Mainline grinding (pavement smoothing)
   - Bridge seismic retrofit and curtain walls (closure walls)
   - Construction de-mobilization
   - Landscaping, hardscape, and slope paving
   - Punchlist items

   There project will have some k-rail, construction signs, cones, traffic delineators and short term lane closures occurring during evening and daytime non-peak hours.

PROJECT COMPLETION MILESTONES
February 2, 2007

3) Project Completion: July 29, 2007

- Follows Substantial Completion #2 by 90 days

- All Construction Work Complete
- Change order streets complete at The City Drive, Garden Grove near Fairview and Magnolia Street
- Local Street repair work complete.
- ITS system installed
- Rubberized asphalt complete (note: this item is very weather sensitive)
- K-rail and long term construction signs removed from project
- Contractor largely demobilized from project except punchlist work and landscaping

There project will have temporary construction signs, cones, traffic delineators and short term lane closures occurring during evening and daytime non-peak hours

Items remaining under Substantial Completion #2 are complete except the following:

- Landscaping, including concrete slope paving under the bridges.
- Final punchlist work. Work may include street repaving, sidewalk and curb &gutter repair and Caltrans Safety Review Committee revisions.

4) Project Acceptance: November 26, 2007

- Follows Project Completion by 120 days

- Landscaping installed
- Final project punchlist complete
- ITS system commissioning
- Local Agency and Caltrans Acceptance
- 1 year project warranty begins
- 3 year landscape warranty begins

5) Final Acceptance: June 28, 2010

- After 3 yr Plant Establishment (warranty)

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project
Mainline, Ramp & City Street Schedule Summary
February 2, 2007

LOCATION	Lanes Restricted	Final Lanes Open	Scheduled Completion as of 2/2/07	COMMENTS
SR-22 Mainline				
Westbound				
WB SR-55 to Magnolia	No	Yes		Final Configuration Complete
WB Magnolia to Beach	Yes	No	2/16 Shift traffic to outside new lanes, 3/31 Complete	HOV and Auxiliary Lane to be added
WB Beach to Knott	Yes	No		HOV and Auxiliary Lane to be added
WB Knott to Valley View	Yes	No		Auxiliary Lane to be added (HOV ends at Knott)
Eastbound				
EB Valley View to Knott	Yes	No	2/16 Shift traffic to outside new lanes, 3/31 Complete	HOV Lane to be added
EB Knott to Beach	Yes	No		HOV and Auxiliary Lane to be added
EB Beach to Magnolia	Yes	No		HOV and Auxiliary Lane to be added
EB Magnolia to SR-55	No	Yes		Final Configuration Complete
Ramps				
I-5 N/B to SR-22 W/B	Yes	No	2/28/07	1 lane open, 2 in final configuration, no observed congestion
Glassell EB Off-Ramp	Yes	No	2/16/07	1 lane open, 2 in final configuration, no observed congestion
Valley View WB Off-Ramp	Closed	No	2/16/07	
Valley View EB On-Ramp	Closed	No	2/28/07	
Magnolia WB On-Ramp	Closed	No	2/16/07	
Magnolia EB Off-Ramp	Closed	No	3/19/07	
Beach SB to WB On-Ramp	Yes	No	2/26/07	7 day closure required.
Beach NB to EB On-Ramp	Yes	No	3/12/07	7 day closure required
City Streets				
Lewis Street	**No**	**Yes**	1/31/07	**One day delay due to weather - Open on 2/1**
Brookhurst Street	**No**	**Yes**	1/31/07	**Open 1/31/06**
Harbor Boulevard	Yes	No	2/19/07	**2 Lanes restored on 1/22/07. One additional lane 2/19**
Euclid Street	**No**	**Yes**	2/28/07	**Lanes restored on 1/22/07**
Beach Boulevard	Yes	No	3/31/07	N/B lanes restricted under bridge
Sorrell Street	Yes	No	3/31/07	
Taft Avenue	No	Yes	3/31/07	Repairs to roadway only
Trask Ave at Harbor (Trask East)	Yes	No	3/31/07	Curtain walls and repairs to roadway

ATTACHMENT C

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project
Mainline, Ramp & City Street Schedule Summary
February 2, 2007

LOCATION	Lanes Restricted	Final Lanes Open	Scheduled Completion as of 2/2/07	COMMENTS
Trask Ave at Magnolia (Trask West)	No	Yes	3/31/07	Complete bridge & curtain walls & repair roadway
Hoover Street	No	Yes	3/31/07	Slope pave and repairs to roadway
Newland Street	No	Yes	3/31/07	Retrofit, slope pave and repairs to roadway
Yockey Street	No	Yes	3/31/07	Retrofit, slope pave and repair roadway
Newhope Street	No	Yes	3/31/07	Retrofit, slope pave and repair roadway
Knott Avenue	No	Yes	3/31/07	Retrofit, slope pave and reconstruct roadway
Bristol / La Veta	No	Yes	3/31/07	Slope paving and repairs to roadway
Glassell Street	No	Yes	3/31/07	Curtain Walls and repairs to roadway
Parker Street	No	Yes	3/31/07	Curtain Walls and repairs to roadway
Hesperian	No	Yes	3/31/07	Retrofit and repairs to roadway
Bedford	No	Yes	3/31/07	Repairs to roadway
Garden Grove Blvd at Knott Ave	Yes	No	3/31/07	Complete bridge, slope pave, retrofit & rdwy construction
Metropolitan Drive	No	No	3/31/07	Old aligment still being used
Main Place Drive	No	Yes	3/31/07	Repairs to roadway
CITY STREET IMPROVEMENTS ADDED BY CHANGE ORDER				
Magnolia Street	Yes	No	6/29/07	Complete bridge & roadway construction
City Drive	Yes	No	6/29/07	Roadway reconstruction added by change order
Garden Grove Blvd at Fairview	Yes	No	6/29/07	Roadway reconstruction added by change order

1. Scheduled completion date may not include punchlist work
2. Retrofit and slope paving work to continue until July 3, 2007. Work is outside traffic lanes.
3. Items in bold denote change since last report dated 1/20/07

Contract #: C-3-0663
Project Mgr: Rick Grebner
Contract Type: LS
Retention: Reduced to 0%, retention being deposited by GMR in escrow account.

CONTRACT PAYMENT SCHEDULE

Granite-Myers-Rados, JV

03-Jan-07
Duration: 800 Days
ACCT #: 0010-9017-F7100-7LJ

Retention not taken on Design(Items 3&4) and CM(Item 58) portion of invoice.

INVOICE DATE	DATE RECEIVED	INVOICE NUMBER	DATE FORWARDED TO ACCTG	DATE PAID	INVOICE AMOUNT	CUM. INVOICED	RETENTION WITHHELD	AMOUNT PAID	CUM. PAID	REMAINING BALANCE	% COMP.	US BANK ESCROW FUND	COMMENTS
17-Sep-04	17-Sep-04	LTR 9-17	23-Sep-04	24-Sep-04	$25,374,635.00	$25,374,635.00	$1,268,731.75	$24,105,903.25	$24,105,903.25	$415,358,086.00	5.76%		
10-Nov-04	16-Nov-04	2	23-Nov-04	24-Nov-04	$10,189,335.00	$35,563,970.00	$435,177.90	$9,754,157.10	$33,860,060.35	$405,168,751.00	8.07%		
10-Nov-04	18-Nov-04	3-Ret	01-Dec-04	09-Dec-04	Retention	$35,563,970.00	($1,703,909.65)	$1,703,909.65	$35,563,970.00	$405,168,751.00	8.07%		
17-Dec-04	18-Dec-04	3	29-Dec-04	30-Dec-04	$10,740,887.00	$46,304,857.00	$0.00	$10,740,887.00	$46,304,857.00	$394,427,864.00	10.51%		
04-Jan-05	11-Jan-05	4	07-Feb-05	02-Feb-05	$3,444,855.00	$49,749,712.00	$0.00	$3,444,855.00	$49,749,712.00	$390,983,009.00	11.29%	$5,000,000	US Bank 01/13/05
22-Feb-05	25-Feb-05	5	02-Mar-05	04-Mar-05	$7,146,755.06	$56,896,467.06	$0.00	$7,146,755.06	$56,896,467.06	$383,836,253.94	12.91%		
25-Mar-05	29-Mar-05	6	11-Apr-05	11-Apr-05	$4,855,364.00	$61,751,831.06	$0.00	$4,855,364.00	$61,751,831.06	$378,980,889.94	14.01%		
20-Apr-05	22-Apr-05	7	09-May-05	11-May-05	$12,075,307.00	$73,827,138.06	$0.00	$12,075,307.00	$73,827,138.06	$366,905,582.94	16.75%		
13-May-05	14-May-05	8	26-May-05	02-Jun-05	$11,520,851.00	$85,347,989.06	$0.00	$11,520,851.00	$85,347,989.06	$355,384,731.94	19.37%		
16-Jun-05	22-Jun-05	9	30-Jun-05	07-Jul-05	$14,310,925.94	$99,658,915.00	$0.00	$14,310,925.94	$99,658,915.00	$341,073,806.00	22.61%		
15-Jul-05	16-Jul-05	10	29-Jul-05	25-Jul-05	$14,893,546.00	$114,552,461.00	$0.00	$14,893,546.00	$114,552,461.00	$326,180,260.00	25.99%	$8,000,000	US Bank 07/19/05
11-Aug-05	11-Aug-05	11	29-Aug-05	02-Sep-05	$14,443,926.00	$128,996,387.00	$0.00	$14,443,926.00	$128,996,387.00	$311,736,334.00	29.27%		
19-Sep-05	20-Sep-05	12	21-Sep-05	23-Sep-05	$20,143,159.00	$149,139,546.00	$0.00	$20,143,159.00	$149,139,546.00	$291,593,175.00	33.84%		
04-Oct-05	06-Oct-05	13	13-Oct-05	14-Oct-05	$17,537,680.00	$166,677,226.00	$0.00	$17,537,680.00	$166,677,226.00	$274,055,495.00	37.82%		
01-Nov-05	09-Nov-05	14	10-Nov-05	15-Nov-05	$16,049,556.00	$182,726,782.00	$0.00	$16,049,556.00	$182,726,782.00	$258,005,939.00	41.46%	$11,000,000	US Bank 11/30/05
06-Dec-05	07-Dec-05	15	14-Dec-05	16-Dec-05	$21,188,996.00	$203,915,778.00	$0.00	$21,188,996.00	$203,915,778.00	$236,816,943.00	46.27%		
11-Jan-06	11-Jan-06	16	12-Jan-06	17-Jan-06	$21,577,878.00	$225,493,656.00	$0.00	$21,577,878.00	$225,493,656.00	$215,239,065.00	51.16%		
08-Feb-06	08-Feb-06	17	10-Feb-06	13-Feb-06	$18,351,202.62	$243,844,858.62	$0.00	$18,351,202.62	$243,844,858.62	$196,887,862.38	55.33%	$13,500,000	US Bank 2/13/06
07-Mar-06	07-Mar-06	18	10-Mar-06	13-Mar-06	$16,756,713.00	$260,601,571.62	$0.00	$16,756,713.00	$260,601,571.62	$180,131,149.38	59.13%		
04-Apr-06	06-Apr-06	19	07-Apr-06	12-Apr-06	$13,754,234.00	$274,355,805.62	$0.00	$13,754,234.00	$274,355,805.62	$166,376,915.38	62.25%		
11-Apr-06	19-Apr-06	20	25-Apr-06	28-Apr-06	$24,007,271.00	$298,363,076.62	$0.00	$24,007,271.00	$298,363,076.62	$142,369,644.38	67.70%	$16,500,000	US Bank 4/19/06
08-May-06	10-May-06	21	17-May-06	17-May-06	$17,146,821.00	$315,509,897.62	$0.00	$17,146,821.00	$315,509,897.62	$125,222,823.38	71.59%		
06-Jun-06	07-Jun-06	22	08-Jun-06	19-Jun-06	$14,376,430.00	$329,886,327.62	$0.00	$14,376,430.00	$329,886,327.62	$110,846,393.38	74.85%		
12-Jul-06	12-Jul-06	23	13-Jul-06	20-Jul-06	$21,544,101.00	$351,430,428.62	$0.00	$21,544,101.00	$351,430,428.62	$89,302,292.38	79.74%		
08-Aug-06	10-Aug-06	24	14-Aug-06	18-Aug-06	$12,042,260.00	$363,472,688.62	$0.00	$12,042,260.00	$363,472,688.62	$77,260,032.38	82.47%	$19,500,000	
11-Sep-03	13-Sep-06	25	14-Sep-06	19-Sep-06	$12,524,742.00	$375,997,430.62	$0.00	$12,524,742.00	$375,997,430.62	$64,735,290.38	85.31%		
06-Oct-06	11-Oct-06	26	12-Oct-06	19-Oct-06	$10,857,278.00	$386,854,708.62	$0.00	$10,857,278.00	$386,854,708.62	$53,878,012.38	87.78%		
14-Nov-06	21-Nov-06	27	21-Nov-06	28-Nov-06	$9,605,490.00	$396,460,198.62	$0.00	$9,605,490.00	$396,460,198.62	$44,272,522.38	89.95%		
12-Dec-06	21-Dec-06	28	22-Nov-06	28-Dec-06	$9,301,758.00	$405,761,956.62	$0.00	$9,301,758.00	$405,761,956.62	$34,970,764.38	92.07%		
					$405,761,956.62		$0.00	$405,761,956.62					

ORIGINAL CONTRACT	$390,379,000.00
Total CCO's	$50,353,721.00
TOTAL CONTRACT	$440,732,721.00

ATTACHMENT D

30.

OCTA

February 12, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for the Purchase of 299 Compressed Natural Gas 40-Foot Buses

This item will be considered by the Transit Planning and Operations Committee on February 8, 2007. 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.

OCTA

February 8, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Agreement for the Purchase of 299 Compressed Natural Gas 40-Foot Transit Buses

Overview

On June 13, 2005, the Board of Directors approved Agreement C-5-0746 with New Flyer of America, Incorporated, for the purchase of 50 buses. On May 8, 2006, the Board of Directors approved Amendment No. 1 to accelerate the purchase of an additional 249 buses. The agreement currently has a not-to-exceed value of $123,750,000. Recent requests for agreement adjustments and beyond scope equipment require additional approval of funds, amending the current fiscal year budget, and authorization to execute Amendment No. 2 to bring the not-to-exceed value to $130,227,018.

Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-5-0746 between the Orange County Transportation Authority and New Flyer of America, Incorporated, increasing the amendment by $6,477,018, resulting in a total not-to-exceed $130, 227,018 for the agreement.

B. Amend the fiscal year 2006-07 approved budget by $2,371,202 to accommodate Amendment No. 2, resulting in a total not-to-exceed budget of $130,227,018.

Background

A Request for Proposals (RFP) was issued on February 25, 2005, for the procurement of up to 377 alternative fuel 40-foot fixed route buses. New Flyer of America, Incorporated (New Flyer) was awarded a contract for an initial production of 50 compressed natural gas (CNG) buses with two option deliveries. Agreement C-5-0746 was executed with a not-to-exceed value of $21,408,912. On May 8, 2006, the Board of Directors authorized an additional

$106,446,904 to exercise an option to increase the initial order by 249 buses. Amendment No. 1 was executed for an additional $102,341,088, with a not-to-exceed value of $123,750,000 (Attachment A). Attachment B details the cost of the bus and optional equipment as executed by Amendment No. 1 and proposed Amendment No. 2 for in scope adjustments. On May 22, 2006, the Board of Directors approved an additional $150,000 for increased cost of the on-board video surveillance equipment to be installed on the initial 50 buses, however a budget adjustment was not made. These costs are now reflected in Amendment No. 2. On August 28, 2006, the Board of Directors reauthorized the budget for Amendment No. 1 in the original not-to-exceed amount of $106,446,904. To date, the Board of Directors has approved $127,855,816.

The first article prototype was recently delivered, inspected, placed into trial revenue service, and evaluated by various departments in the Orange County Transportation Authority (Authority). This first article will become the accepted template for the production of the remaining 298 buses. A variety of user enhancements and available technologies have occurred between the time of the original specification, production of the first article, and final inspection. These enhancements are proposed to be added.

Discussion

This procurement was originally handled in accordance with the Authority's procedures for fixed assets. The original agreement was awarded on a competitive basis.

A first article has been produced and inspected, as this is a typical safeguard that the Authority requires for revenue vehicle acquisitions. Inspection of the first article minimizes the risk to the Authority and bus manufacturer by assuring that Authority requirements are satisfied prior to proceeding with larger quantities.

During the period from when this procurement was originally awarded until receipt of the first article, staff investigated numerous refinements which if incorporated into the vehicle production would take advantage of emerging technologies and enhancements in functionality. A description of each change and the rationale for the recommendation are as follows:

Safety Enhancements

Run box security key - This manual key was recently standardized on our fleet as a means to prevent the bus from starting during maintenance where accidental starting would be unsafe. This feature was not known

when the new buses were specified. ($20.40 per unit x 299 buses = $6,100)

Smart tire system - A system is currently available to alert the operator to a tire being under inflated. This enhancement is being recommended because under inflated tires pose a safety risk. ($516.80 per unit x 299 buses = $154,523)

Upgrade fire detection system – The addition of three thermal spot detectors to the fire detection system will sense excessive temperatures in known areas of excessive heat. ($408 per unit x 299 buses = $121,992)

Install video surveillance system on pilot bus – This is a retrofit of video surveillance system on the first article bus. ($4.08 per unit x 299 buses = $1,220)

Waterproof touch tape switches at door – This is additional waterproofing of door opening control switches that are sensitive to moisture entry during rainy weather. ($102.27 per unit x 299 buses = $30,579)

Passenger and Coach Operator Enhancements

Change passenger seating model – The change to the original seating model specified is to gain increased "hip to knee" space for comfort of passengers. The new seat model is of a slimmer profile and equipped with stainless steel panels to ease cleaning if vandalized. ($2008.72 per unit x 299 buses = $600,607)

Softpad parking brake - A cushioned control knob is available for the parking brake valve to facilitate ease of operation. ($34.00 per unit x 299 buses = $10,166)

Change to coach operator seat – To improve seat performance, Authority's standard operator's seat has changed to model Q90. ($125.12 per unit x 299 buses = $37,411)

Kevlar seating inserts – Seating upgrade will improve resistance to seat fabric vandalism, such as cuts and tears. ($886.72 per unit x 299 buses = $265,129)

Technology Availability and Operating Cost Savings

Synthetic rear axle oil – Synthetic lubricants are offering potential for extended lubricant change intervals as well as extended component life. ($104.72 per unit x 299 buses = $31,311)

Screw type air conditioning compressor and warranty – Screw type compressors offer advantages of less power requirements and less likely to induce noise and vibration. It has the potential of longer life and more energy efficiencies during operation. ($1,777.52 per unit x 299 buses = $531,478)

The cost for the above beyond scope additions are $1,929,282. Additional pricing detail is referenced on Attachment C.

When Amendment No. 1 was executed, the on-board video surveillance equipment was not included on the additional 249 buses, and radio communication equipment was not included on a sufficient number of the buses. Additionally, staff recommends other changes in optional equipment. Highlights of changes are as follows:

- Adjustments to the base vehicle cost resulting from a discount provided when the quantity increased to 299 buses, correcting cost for items added in to the base as a "lot" such as training, manuals, spare components, and removal of an unnecessary electronic sign and event data recorder.
- Adjustments to the quantity and price for the on-board video surveillance equipment, such that all 299 buses will be equipped.
- Adjustments to the radio system in the quantity of buses that will need full radio installations, as fleet expansion buses compared to the quantity of buses that will only require radio preparation as replacement buses.
- Adjustment to include automatic passenger counters (APC) installed on all buses.

Fiscal Impact

The additional cost described in the proposed Amendment No. 2 to Agreement C-5-0746 was not included in the fiscal year 2005-06 or 2006-07 budgets. Funds, in the amount of $2,371,202, for the subject amendment will be accommodated through an amendment of the Transit Division, Maintenance Department budget, Account 2114-9024, using a combination of federal grant funds and Local Capital funds (Attachment D).

Summary

Staff recommends approval of Amendment No. 2, in the additional amount of $6,477,018, to Agreement C-5-0746 with New Flyer of America Incorporated resulting in a total agreement amount of $130,227,018, and a budget amendment of $2,371,202 resulting in a total not-to-exceed amount of $130,227,018.

Attachments

A. New Flyer of America, Incorporated, Agreement C-5-0746 Fact Sheet
B. Agreement C-5-0746, Amendment No. 1 & Amendment No. 2 Comparison
C. Beyond Scope Equipment
D. Budget and Amendment Summary

Prepared by:

Al Pierce
Manager, Maintenance Department
(714) 560-5975

Approved by:

John D. Byrd
General Manager, Transit Operations
(714) 560-5341

ATTACHMENT A

New Flyer of America, Incorporated
Agreement C-5-0746 Fact Sheet

1. June 13, 2005, Agreement C-5-0746, $21,408,912, approved by the Board of Directors.

   - Agreement to purchase 50 compressed natural gas powered buses, with an exercisable optional delivery of up to 150 additional units anticipated in 2008, and an exercisable optional delivery of up to 177 additional units anticipated in 2009.

2. May 8, 2006, Amendment No. 1 to Agreement C-5-0746, $102,341,088, approved by the Board of Directors.

   - Although the Board of Directors approved an amendment in an amount not-to-exceed $106,446,904, which would have brought the total agreement not to exceed cost to $127,855,816, Amendment No. 1 was executed for a total not to exceed amount of $123,750,000.

3. May 22, 2006, Board of Directors approves an additional $3,000 per bus (initial 50 buses) to compensate for increase in surveillance cameras. This equals a total of $150,000 to be added to Agreement C-5-0746 through an amendment that was never executed or budget adjustment.

4. August 28, 2006, Board of Directors approved amending the Fiscal Year 2006-07 budget by $106,446,904. This was to re-budget for the Boards previous Amendment No. 1 funds that had not been encumbered in Fiscal Year 2006.

5. Amendment No. 2 to Agreement C-5-0746, pending approval by Board of Directors.

   - Amend Fiscal Year 2006-07 Budget, increase of $2,371,202 with total not-to-exceed of $130,227,018.
   - Authorize Amendment No. 2 to Agreement C-5-0746, increase of $6,477,018 with not-to-exceed total of $130,227,018.

Total committed to New Flyer of America, Incorporated, Agreement C-5-0746: $130,227,018

	Original Contract	Amendment No. 1		Current Bus Cost	Amendment No. 2	Proposed Contract Value
	Per Unit Cost 50 Buses	Per Unit Cost 31 Buses	Per Unit Cost 218 Buses	299 Buses Total Cost	In-Scope Changes	299 Buses Total Cost
40' CNG Transit Bus Base Cost	**$ 354,765**	**$ 354,765**	**$ 354,765**	**$ 106,074,735**	**$ (1,411,280)**	**$ 104,663,455**
Manuals - Removed from Base Cost					$ 17,560	$ 17,560
Spare Components - Removed from Base Cost					$ 528,923	$ 528,923
Training - Removed from Base Cost					$ 105,760	$ 105,760
Quantity Discount					$ (149,500)	$ (149,500)
Optional Equipment						
Stainless Steel Passenger Seats	$ 3,239	$ 3,239	$ 3,239	$ 968,461	$ -	$ 968,461
Battery Upgrade	$ 50	$ 50	$ 50	$ 14,950	$ -	$ 14,950
Event Data Recorder	$ 1,395	$ 1,395	$ 1,395	$ 417,105	$ (417,105)	$ -
Delco 270 Amp - 50 DN Alternator	$ (200)	$ (200)	$ (200)	$ (59,800)	$ -	$ (59,800)
Passenger Contact-Less	$ 1,621	$ 1,621	$ 1,621	$ 484,679	$ -	$ 484,679
Teleflex Adjustable Pedals	$ 762	$ 762	$ 762	$ 227,838	$ -	$ 227,838
Radio Preparation, without Orbital Radio	$ -	$ -	$ -	$ -	$ 1,770,490	$ 1,770,490
Radio Preparation, with Orbital Radio	$ 14,721	$ 14,721	$ -	$ 1,192,401	$ (250,257)	$ 942,144
On-Board Video Surveillance Equipment	$ 8,000	-	-	$ 400,000	$ 2,683,587	$ 3,083,587
Automatic Passenger Counters	$ -	$ -	$ -	$ -	$ 1,363,440	$ 1,363,440
Tax (7.75%)	$ 29,787	$ 29,167	$ 28,026	$ 8,503,329	$ 336,749	$ 8,840,078
Handicap/Accessibility Equipment	$ 16,115	$ 16,115	$ 16,115	$ 4,818,385		$ 4,818,385
Delivery Charge	$ 2,321	$ 2,321	$ 2,321	$ 693,979		$ 693,979
Delete Redundant "Stop Request" Signage					$ (16,693)	$ (16,693)
Current Contract Value in Excess of Current Bus Cost					$ (13,938)	
Total Unit Price	**$ 432,576**	**$ 423,956**	**$ 408,094**	**$ 123,736,062**	**$ 4,547,736**	**$ 128,283,798**

ATTACHMENT B

ATTACHMENT C

Beyond Scope Equipment

Beyond Scope Equipment	Unit Price	Quantity	Extended Total
Run Box Security Key	$20.40	299	$6,100
Synthetic Rear Axle Oil	$104.72	299	$31,311
Smart Tire System	$516.80	299	$154,523
Kevlar Seating Inserts	$886.72	299	$265,129
Passenger Seating Upgrade	$2,008.72	299	$600,607
Softpad Parking Brake	$34.00	299	$10,166
Screw Compressor & Warranty	$1,777.52	299	$531,478
Upgrade Fire Suppression Detectors	$408.00	299	$121,992
Standardize Operator's Seat	$125.12	299	$37,411
Pilot Camera Install	$4.08	299	$1,220
Waterproof touch tape switches at door	$102.27	299	$30,579

Taxable Base	$1,790,517
Tax	$138,765
Total of Beyond Scope Equipment	**$1,929,282**

ATTACHMENT D

Budget and Amendment Summary

Budget Background

Original 50 Bus Order	$21,408,912
Increase to 299 Buses	$106,446,904
Board Authorized Budget	$127,855,816

Agreement / Amendment Summary

Original Agrement	$21,408,912
Amendment 1 Increase	$102,341,088
Current Contract Value	$123,750,000

Adjustment Summary

In Scope Adjustments (Attachment B - Amendment No. 2 Total Column)	$4,547,736
Beyond Scope Equipment Adjustments (Attachment C)	$1,929,282
Total Adjustments for Amendment No. 2	$6,477,018
Proposed Contract Value	**$130,227,018**

Budget Amendment

Board Authorized Budget	$127,855,816
Total Budget Required	$130,227,018
FY 06/07 Budget Increase	**$2,371,202**