Date:	**Monday, April 9, 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, April 9, 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 Moorlach

Pledge of Allegiance
Director Brown

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 the Oath of Office to Supervisor Janet Nguyen to the OCTA Board of Directors**

Consent Calendar (Items 2 through 18)

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 March 26, 2007.

3. **Identification Badges and Access Cards, Operational Audit**
   Kathleen M. O'Connell

   Overview

   The Internal Audit Department has completed an operational audit of identification badges and access cards. Twelve recommendations were made to strengthen internal controls and improve security. Management indicated that the recommendations would be implemented or otherwise satisfactorily addressed.

   Recommendation

   Receive and file the Identification Badges and Access Cards, Operational Audit, Close-out Memo and Internal Audit Report No. 07-008.

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

Overview

Several bills are recommended for support. Two of the bills implement portions of Proposition 1B related to the State-Local Partnership program and the Goods Movement fund. Additionally, support for additional goods movement related funding at the federal level is requested. Lastly, a bill to address gaps in current toll evasion authority is being recommended for support.

Recommendation

Adopt the following recommended positions on legislation:

Oppose AB 1337 (Nava, D-Santa Barbara)
Support SB 124 (Ducheny, D-San Diego)
Support SB 872 (Ackerman, R-Irvine)
Support SB 974 (Lowenthal, D-Long Beach)
Support AJR 14 (Jeffries, R-Murrieta)

5. Federal Legislative Status Report
Richard J. Bacigalupo

Overview

The Federal Transit Administration has issued two notices of funding availability for portions of fiscal years 2006 and 2007 discretionary funds under the Bus and Bus-Related Facilities Grant Program. One notice invites applications to support the Department of Transportation's congestion relief initiative. The second notice seeks applications to support additional strategic investments in bus and bus facility projects

Recommendation

Authorize the Chief Executive Officer to file grant applications and other necessary documentation with the Federal Transit Administration to seek discretionary funding for the Inter-County Express Bus project and the Anaheim Regional Transportation Intermodal Center project.

6. Amendment to the Master Plan of Arterial Highways
Wendy L. Garcia/Kia Mortazavi

Overview

The Orange County Transportation Authority administers the Master Plan of Arterial Highways, including the review and approval of amendments requested by local agencies. The City of Irvine has requested an amendment of the Master Plan of Arterial Highways to delete two planned roadways intended to serve development that has since been removed from its General Plan.

Recommendations

A. Receive and file status report as an information item.

B. Approve amendment of the Master Plan of Arterial Highways to delete the proposed Old Laguna Canyon Road between Laguna Canyon Road and the proposed extension of Lake Forest Drive, and to delete the proposed extension of Lake Forest Drive between the proposed Old Laguna Canyon Road and the existing Laguna Canyon Road.

7. Annual Investment Policy Update
Kirk Avila/James S. Kenan

Overview

The Treasurer has revised the Orange County Transportation Authority's Annual Investment Policy for 2007. The Annual Investment Policy sets forth the investment guidelines for all funds invested on and after April 9, 2007. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Annual Investment Policy to be reviewed at a public meeting.

ACTIONS

7. **(Continued)**

Committee Recommendations

A. Adopt the 2007 Annual Investment Policy with the following changes:

Page 3 – Section VII. Responsibilities, first paragraph – delete "pursuant to Section 53646(2) of the Code" at the end of the second sentence. Also, the current "shall" near the beginning of the current policy is to remain and not be changed to "may".

Page 7 – Section X (8) – add "unless used as a permitted investment in the Local Agency Investment Fund" to the following sentence:

"Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund"

Page 12 – Section X (Diversification Guidelines) – Under the Instrument of OCIP add "per entity" after the $40 mm to match the restrictions used in the Local Agency Investment Fund:

	Instruments	Maximum % Portfolio
14)	OCIP	$40 mm per entity

8. **Local Transportation Fund Claims for Fiscal Year 2007-08**
Monica Giron/James S. Kenan

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation services throughout Orange County. In order to receive these funds, Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County

8. **(Continued)**

Recommendation

Adopt Orange County Transportation Authority Resolution No. 2007-14 authorizing the filing of Local Transportation Fund claims, in the amounts of $105,611,382 to support public transportation, and $5,619,280, for community transit services, including operation of the Senior Mobility Program.

9. **Agreement for Business Systems Support Specialist Services**
Joe Tiernan/James S. Kenan

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2007 Budget, the Board approved funding for supplemental technology and project management staffing services. 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-6-0870 between the Orange County Transportation Authority and Advanced Information Technologies Inc., in an amount not to exceed $700,000, for services to provide software application support for the Authority's two scheduling software systems over a five-year period consisting of an initial one-year term and four one-year options.

10. **Amendment to Agreement for Temporary Staffing Services Contracts**
Gail Hantelmann/James S. Kenan

Overview

On June 13, 2005, the Board of Directors approved an agreement with Corestaff Services, Focus On Temps, Inc., and PDQ Personnel Services, Inc. (now known as Select/Remedy Staffing), in the amount of $340,000 per year, to provide temporary staffing services. The firms were retained in accordance with the Orange County Transportation Authority's procurement procedures for professional services.

10. **(Continued)**

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to on-call agreements C-5-0938 with Corestaff Services, C-5-2439 with Focus on Temps, Inc. and C-5-2438 with Select/Remedy Staffing, and the Orange County Transportation Authority, in an amount of $755,000, to add $130,000 to the current term, and exercise the second option year, in an amount not to exceed $625,000, for a total commitment of $1,495,000.

Orange County Service Authority for Freeway Emergencies Consent Calendar Matters

11. **Freeway Service Patrol Operational Audit**
Kathleen M. O'Connell

Overview

An operational audit was performed of the Freeway Service Patrol program. The audit found that the controls over the program are generally adequate. Recommendations are being made to improve the efficiency of operations.

Recommendation

Direct staff to implement the recommendations made in the Freeway Service Patrol Operational Audit.

ACTIONS

Orange County Local Transportation Authority Consent Calendar Matters

12. Opening Lanes Along Metropolitan Drive in the City of Orange on the Garden Grove Freeway (State Route 22)
T. Rick Grebner/Kia Mortazavi

Overview

The Orange County Transportation Authority has entered an agreement with Granite-Myers-Rados on the Garden Grove Freeway (State Route 22) design and construction that requires opening all lanes along Metropolitan Drive in the City of Orange by April 30, 2007. The City of Orange has requested that opening the remaining portion of the realigned Metropolitan Drive be concurrent with the opening of lanes added along The City Drive.

Recommendation

Authorize the Chief Executive Officer to send a letter to Granite-Myers-Rados excluding the realigned portion of Metropolitan Drive from Substantial Completion No. 2 and require opening of all realigned lanes by the Project Completion milestone of July 29, 2007.

Orange County Transit District Consent Calendar Matters

13. Agreement to Purchase 31 Mid-Size Compressed Natural Gas Buses
Lloyd Banta/Beth McCormick

Overview

The Orange County Transportation Authority's Fleet Plan and Fiscal Year 2006-07 Budget include a procurement for 27 mid-size buses for contracted fixed route service. Current service needs for contracted fixed route require 26 buses, and five buses for express service, because of a preference for compressed natural gas, the quantity of buses and the budget requires an adjustment. This procurement also included two available optional deliveries of up to 71 buses, exercisable upon the Orange County Transportation Authority's discretion.

13. **(Continued)**

Recommendations

A. Authorize the Chief Executive Officer to execute Agreement C-6-0526 to Creative Bus Sales, Inc., in an amount not to exceed $12,409,788 for the purchase of 31 compressed natural gas mid-size buses.

B. Amend the current Fiscal Year 2006-07 Budget by $2,959,788 to accommodate Agreement C-6-0526, resulting in a total budget for the project in the amount of $12,409,788.

14. **Agreement for 58 Paratransit Gasoline Cutaway Buses**
Lloyd Banta/Beth McCormick

Overview

The Orange County Transportation Authority's Fleet Plan and Fiscal Year 2006-07 Budget include a procurement for 58 paratransit vehicles for ACCESS service. The subject procurement also included two available optional deliveries of up to 140 vehicles, exercisable upon the Orange County Transportation Authority's discretion.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0550 to Creative Bus Sales, Inc., in an amount not to exceed $4,897,631, for the base year purchase of 58 gasoline powered paratransit vehicles. Future Board requests for approval of budget and contract will be applicable to exercising the optional deliveries.

15. **Amendment to Cooperative Agreement with Riverside Transit Agency to Jointly Fund Intercounty Route 794**
Sharon Long/Beth McCormick

Overview

On August 28, 2006, the Board of Directors approved a revenue agreement with Riverside Transit Agency, in the amount of $120,000, to provide intercounty express bus service. An amendment is needed to increase the maximum obligation for the initial term and exercise the first option year.

15. **(Continued)**

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-6-0589 between the Orange County Transportation Authority and Riverside Transit Agency to add $26,000 to the initial term, and exercise the first option year, in an amount not to exceed $151,000, for a total amendment of $177,000.

16. **Amendment to Agreement for Threaded Products and Fasteners**
Lloyd Banta/Beth McCormick

Overview

On July 11, 2005, the Board of Directors approved an agreement with Golden State Fastener and Supply Company, to provide threaded products and fasteners for a one-year period with two option years.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-5-2643 between the Orange County Transportation Authority and Golden State Fastener and Supply Company, in an amount not to exceed $60,000.

17. **Amendment to Agreement for Provision of Senior Transportation to Congregate Meal Sites**
Dana Wiemiller/Beth McCormick

Overview

On April 22, 2004, the Board of Directors approved a revenue agreement with the Orange County Office on Aging and participating cities for the provision of senior transportation to congregate meal sites funded in part by Older Americans Act funds. Amendments are necessary to extend these agreements through June 30, 2008.

17. (Continued)

Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement C-4-0348 between the Orange County Transportation Authority and the Orange County Office on Aging for their share of the program expense for the provision of senior transportation to congregate meal sites, in an amount not to exceed $409,499, through June 30, 2008.

B. Authorize the Chief Executive Officer to execute amendments to agreements with ten participating cities for their share of the program expense through June 30, 2008, based on the Orange County Office on Aging allocation, for a total amount not to exceed $120,000.

18. Amendment to Agreement for Special Agency Transportation Service
Dana Wiemiller/Beth McCormick

Overview

On April 12, 2004, the Board of Directors approved an agreement with Cabco Yellow, Inc., doing business as California Yellow Cab, in the amount of $450,335, to provide Special Agency Transportation service. California Yellow Cab was retained in accordance with the Orange County Transportation Authority's procedures for professional and technical services. An amendment is necessary to exercise the first option term and extend the agreement through June 30, 2008.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-3-1284 between the Orange County Transportation Authority and Cabco Yellow, Inc., doing business as California Yellow Cab, in an amount not to exceed $475,761, for the provision of Special Agency Transportation service through June 30, 2008.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

19. High-Occupancy Vehicle Lane Operational Changes

Barry Engelberg/Kia Mortazavi

Overview

Building on the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Demonstration Project, staff of the Orange County Transportation Authority and the California Department of Transportation are working to define the steps and actions necessary to modify high-occupancy lane operational policies in Orange County.

Recommendations

A. Request the California Department of Transportation to initiate development work to convert all Orange County high-occupancy vehicle lanes to continuous access in parallel with the demonstration project on the Garden Grove Freeway (State Route 22).

B. Authorize staff to initiate implementation with a first set of freeway segments on the San Diego Freeway (Interstate 405), the Riverside Freeway (State Route 91), and the Orange Freeway (State Route 57) while developing detailed plans for the other, more challenging freeway segments.

C. Direct staff to develop a funding strategy to fit with the phasing of projects.

D. Direct staff to develop an agreement with the California Department of Transportation to define responsibilities, funding sources, and timetables to implement the projects.

E. Direct staff to work with the responsible regulatory agencies to attain approval of part-time operations on high-occupancy vehicle lanes concurrent with the above activities.

20. Passenger Rail Service Integration in the Los Angeles to San Diego Corridor
Darrell E. Johnson/Kia Mortazavi

Overview

Three separate and distinct passenger rail services operate in the rail corridor between San Diego, Orange County, Los Angeles, Santa Barbara and San Luis Obispo. Staff is providing an overview of the passenger rail services in this rail corridor and seeking approval to pursue opportunities for passenger rail service integration.

Recommendation

Direct staff to pursue opportunities with the California Department of Transportation, Southern California Regional Rail Authority, Los Angeles County Metropolitan Transportation Authority, the National Railroad Passenger Corporation, North County Transit District, and the San Diego Association of Governments to integrate and consolidate passenger rail service in the rail corridor between San Diego, Orange County, and Los Angeles.

Orange County Local Transportation Authority Regular Calendar Matters

21. Rail-Highway Grade Crossing Program
Darrell E. Johnson/Kia Mortazavi

Overview

On June 13, 2005, the Orange County Transportation Authority Board of Directors approved an implementation strategy, allocation of $10 million of Commuter and Urban Rail Endowment funds, and authorization to enter into a Memorandum of Understanding with affected jurisdictions and the Southern California Regional Rail Authority for funding and implementation of the Rail-Highway Grade Crossing Enhancement Program. Staff is providing a progress report on the program, as well as providing information on the establishment of railroad quiet zones and the development of a countywide Rail-Highway Grade Separation Program.

ACTIONS

21. (Continued)

Recommendations

A. Direct staff to provide updated cost estimates of the Rail-Highway Grade Crossing Enhancement Program to the cities for review and approval.

B. Continue with the current implementation strategy limited to grade crossing enhancements.

C. Authorize staff to work with affected cities in the development of consistent polices and procedures for the establishment of quiet zones by cities, which include the indemnification of the Orange County Transportation Authority and the Southern California Regional Rail Authority and which adhere to a higher standard of safety in the design of grade crossings that make grade crossings safer than they were before.

D. Direct staff to develop a process for the funding and implementation priorities of a Rail-Highway Grade Separation Program in Orange County, beginning with identifying potential candidate projects to compete for funding under the Trade Corridor Investment Fund made available with the passage of Proposition 1B.

Other Matters

22. Chief Executive Officer's Report

23. Directors' Reports

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.

ACTIONS

25. Closed Session

A. Pursuant to Government Code Section 54956.8 to discuss the purchase of real property located at 550 South Main Street, Orange, California 92868, owned by UBS Partners. The OCTA negotiator is James S. Kenan and the negotiator for UBS Partners is Jon W. McClintock.

B. Pursuant to Government Code Section 54957.6 to meet with Orange County Transportation Authority designated representative Sherry Bolander regarding collective bargaining agreement negotiations with the Teamsters Local 952 representing the coach operators.

26. Adjournment

The next regularly scheduled meeting of the OCTA/OCTD/OCLTA/ OCSAFE/OCSAAV Board will be held at **9:00 a.m. on April 23, 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
March 26, 2007

Call to Order

The March 26, 2007, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Cavecche at 9:04 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 Paul Glaab Cathy Green Allan Mansoor John Moorlach Miguel Pulido Mark Rosen Gregory T. Winterbottom Jim Beil, attending for Cindy Quon, Governor's Ex-Officio Member
Also Present:	Paul E. Taylor, 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:	Richard Dixon Curt Pringle

Invocation

Director Amante gave the invocation.

Pledge of Allegiance

Director Winterbottom 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. **Presentation of Resolutions of Appreciation for Employees of the Month for March 2007**

   Chairman Cavecche presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2007-10, 2007-11, 2007-12 to Thai Nguyen, Coach Operator; Benedict Delliskave, Maintenance; and Ryan Armstrong, Administration, as Employees of the Month for March 2007.

2. **Presentation of Resolution of Appreciation to Orange County Sheriff's Department Employee of the Quarter**

   This item was deferred until the second meeting in April.

3. **Special Recognition for Thirty Years of Safe Driving**

   Chairman Cavecche presented an award check of $1,000 to Coach Operator Walter A. Kowalchuk for achieving thirty years of safe driving.

Consent Calendar (Items 4 through 31)

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 Campbell pulled item 10; Director Bates abstained on item 13; Director Moorlach pulled items 8, 15, 16, and 20.

Item 29 was deferred by staff and will be agendized for a future date.

Orange County Transportation Authority Consent Calendar Matters

4. Approval of Minutes

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of March 12, 2007.

Director Pulido was not present for the vote on this item.

5. Approval of Board Member Travel Request

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to approve of request by Board Member Curt Pringle for travel June 4-8, 2007, to New York to participate in the Annual Rating Agency trip.

Director Pulido was not present for the vote on this item.

6. Approval of Resolutions of Appreciation for Employees of the Month for March 2007

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2007-10, 2007-11, and 2007-12 to Thai Nguyen, Coach Operator; Benedict Delliskave, Maintenance; and Ryan Armstrong, Administration, as Employees of the Month for March 2007.

Director Pulido was not present for the vote on this item.

7. Approval of Resolution of Appreciation to Orange County Sheriff's Department Employee of the Quarter

This item was pulled by staff.

8. State Legislative Status Report

This item was pulled by Director Moorlach, who stated he is not a proponent of the Los Angeles to San Francisco rail project and is concerned about related costs to the public.

A motion was made by Director Winterbottom, seconded by Director Brown, and declared passed by those present, to:

A. Adopt the following recommended positions on legislation:

Co-Sponsor AB 1228 (Solorio, D–Santa Ana) consistent with the adopted 2007 State Legislative Platform.

Oppose AB 1457 (Huffman, D-San Rafael)

B. Add the following item to the 2007 State Legislative Platform:

Sponsor AB 1306 (Huff, R-Diamond Bar) consistent with support concepts articulated in the adopted 2007 State Legislative Platform.

Director Moorlach voted in opposition of the AB 1228 portion of this recommendation.

Director Pulido was not present for the vote on this item.

9. Federal Legislative Status Report

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

Director Pulido was not present for the vote on this item.

10. Funding for the Environmental Phase of a Planned Metrolink Station in the City of Placentia

This item was pulled by Director Campbell, who asked what the practice has been in the past for getting environmental impact report (EIR) work done within a city and expressed concern that if the City of Placentia does not have funds for this environmental work, would they have funds to build the Metrolink Station.

Darrell Johnson, Director of Project Delivery, responded that OCTA has identified this project as a potential State Transportation Improvement Program (STIP) project in the future. He further stated that the Board previously identified the funding for the design phase as part of the 2006 STIP.

10. (Continued)

Deputy Chief Executive Officer (CEO), Paul C. Taylor, responded that OCTA is building the Buena Park Metrolink Station, and OCTA is recommending STIP funding for the next phases of the Placentia Station.

Bob Dominguez, City Manager of Placentia, informed the Board that an issue had arisen reflecting concern by the public regarding residential versus commercial development, and the item proposed is strictly in regard to the Metrolink Station, and the work will not be tied into any development EIR.

A motion was made by Director Campbell, seconded by Director Brown, and declared passed by those present, to:

A. Authorize the use of $81,000 of Commuter Urban Rail Endowment funds for the environmental phase of the development of a planned Metrolink station in the City of Placentia.

B. Authorize the Chief Executive Officer to enter into a cooperative agreement with the City of Placentia for funding and implementation of the environmental phase to develop the planned Metrolink station in the City of Placentia.

Director Pulido was not present for the vote on this item.

11. 2006 State Transportation Improvement Program Augmentation

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to:

A. Adopt the augmented 2006 State Transportation Improvement Program and authorize the Chief Executive Officer to submit the adopted program to the California Transportation Commission.

B. Direct staff to make all necessary amendments to the State Transportation Improvement Program, the Regional Transportation Plan, and the Regional Transportation Improvement Program, as well as execute any necessary agreements to facilitate the above action.

Director Pulido was not present for the vote on this item.

12. Agreement with California State University, Fullerton for Center of Demographic Services for Fiscal Year 2007-08

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute an option to Agreement C-6-0191, in an amount not to exceed $114,396, with the California State University, Fullerton Center for Demographic Research, contingent on Board of Directors fiscal year 2007-08 budget approval.

Director Pulido was not present for the vote on this item.

13. Amendment to Agreements for On-Call Commuter Rail Support Services

This item was pulled by Director Bates, who abstained from voting on this matter.

Authorize the Chief Executive Officer to execute an amendment to Agreements C-4-0893, C-4-0894, and C-4-0552 between the Orange County Transportation Authority and Booz Allen Hamilton, IBI Group, and STV Incorporated, in a cumulative amount not to exceed $300,000, for on-call commuter rail support services and exercise the two-year option term to extend services through June 30, 2009, for all three agreements.

Director Pulido was not present for the vote on this item.

14. Amendment to Agreement to Exercise First Option Year for Maintenance Services Along the Orange County Transportation Authority's Railroad Right-of-Ways

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to exercise the first one-year option and execute Amendment No. 1 to Agreement C-3-0912 between the Orange County Transportation Authority and Joshua Grading & Excavating, in an amount not to exceed $1,100,000, for preventative and corrective maintenance of the Orange County Transportation Authority's railroad right-of-ways.

Director Pulido was not present for the vote on this item.

15. Cooperative Agreement with the California Department of Transportation for the Garden Grove Freeway (State Route 22) Phase II/West Orange County Connection and Project Update

This item was pulled by Director Moorlach, who asked if this is the same Parsons as has been overseeing the State Route 22 Freeway Project. Rick Grebner, Project Manager, confirmed that it is the same Parsons.

15. (Continued)

Director Moorlach asked if there was an alternate bidder on this contract and how many responses were received for this work.

Mr. Grebner responded that there were two bids received on this project, and Director Moorlach requested information on both bidders.

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

A. Authorize the Chief Executive Officer to execute Cooperative Agreement C-7-0038 between the Orange County Transportation Authority and the California Department of Transportation for preliminary engineering and design of the Garden Grove Freeway (State Route 22) Phase II/West Orange County Connection.

B. Receive and file Phase II project update.

Director Pulido was not present for the vote on this item.

Director Campbell addressed Jack Meifert, Parsons' Project Manager, and stated that should his firm be awarded this contract, and should there be problems on this project, he would expect Mr. Meifert or his designee to approach the Board directly, rather than through staff, Project Manager, or CEO.

16. Transportation Development Act Funding for Bicycle and Pedestrian Projects

This item was pulled by Director Moorlach, who asked if there would be a focus on bicycle and pedestrian facilities, or is the focus still on bus stop improvements.

Kia Mortazavi, Executive Director of Development, responded that there has been a focus on bus stop accessibility, and that program is completed. At this time, Board direction and authorization is to move to bicycle and pedestrian facilities for the next five years.

A motion was made by Director Moorlach, seconded by Director Green, and declared passed by those present, to:

A. Authorize use of future Transportation Development Act Article 3 funds for bicycle and pedestrian facilities projects.

B. Direct staff to draft a policy and procedures plan for administration of a Bicycle and Pedestrian Facilities Program and return to the Board of Directors for approval.

Director Pulido was not present for the vote on this item.

17. Bus Stop Accessibility Program Construction Update

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

Director Pulido was not present for the vote on this item.

18. Amendment to Agreement for the 91 Express Lanes Pavement Management Plan Update

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement C-3-0525 between the Orange County Transportation Authority and BTC Laboratories, Inc./Bureau Veritas North America, in an amount not to exceed $36,500, to update the 91 Express Lanes Pavement Management Report for fiscal year 2006-07.

Director Pulido was not present for the vote on this item.

19. Grant Application for Air Quality Strategic Planning

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to direct staff to work with the Southern California Association of Governments to develop a grant application for $150,000 to complete an Air Quality Strategic Plan in fiscal year 2007-08.

Director Pulido was not present for the vote on this item.

20. Long-Range Transportation Plan Short-Term Actions Progress Report

This item was pulled by Director Moorlach, who stated that in regard to the long-range plan, when he last reviewed it, it appeared to him that OCTA was spending a large percentage of transit money to assist a small percentage of commuters and asked if this is the ongoing situation.

Kurt Brotcke, Director of Strategic Planning, stated he would return to the Board with the numbers in terms of transit mode share and how much is being put into the transit system. Chairman Cavecche asked that a briefing be set up for Director Moorlach.

20. (Continued)

A motion was made by Director Glaab, seconded by Director Brown, and declared passed by those present, to:

A. Approve an updated list of short-term actions to support the Long-Range Transportation Plan.

B. Direct staff to return with a progress report in six months.

Director Pulido was not present for the vote on this item.

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

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to:

A. Approve the updated project match amounts and sources for the approved Corridor Mobility Improvement Account projects.

B. Authorize the use of $74 million in State Transportation Improvement Program funds as the required match for the Corridor Mobility Improvement Account project on the Riverside Freeway (State Route 91) between the Costa Mesa Freeway (State Route 55) and Gypsum Canyon Road.

C. Authorize the use of $2.36 million in 91 Express Lanes toll revenues as the required match for the Riverside Freeway (State Route 91) eastbound lane project from the Foothill Transportation Corridor (State Route 241) to the Corona Expressway (State Route 71).

D. Direct staff to make all necessary amendments to the State Transportation Improvement Program, the Regional Transportation Plan, and the Regional Transportation Improvement Program to facilitate the programming of the adopted Corridor Mobility Improvement Account projects.

Director Pulido was not present for the vote on this item.

22. Master Agreement for Federal-Aid Projects

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to:

A. Authorize the Chief Executive Officer to execute the Master Agreement for Federal-Aid Projects, Agreement No. 12-6071R, and all necessary program supplement agreements with the California Department of Transportation for the reimbursement of federally funded projects.

22. (Continued)

B. Approve the attached resolution as required by the California Department of Transportation to execute the above agreement.

Director Pulido was not present for the vote on this item.

23. Memorandum of Understanding with the Southern California Association of Governments for Cooperative Transit Planning

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute the Memorandum of Understanding with the Southern California Association of Governments specifying cooperative transit planning and programming procedures with amended Government Code reference.

Director Pulido was not present for the vote on this item.

24. Engaging Private Companies and California Department of Transportation in Delivery of Projects

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

Director Pulido was not present for the vote on this item.

25. Measure M Citizens Oversight Committee Annual Public Hearing and Findings

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

Director Pulido was not present for the vote on this item.

Orange County Local Transportation Authority Consent Calendar Matters

26. Measure M Revenue Forecast

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to:

A. Receive and file the updated sales tax revenue estimate for Renewed Measure M.

26. (Continued)

B. Direct staff to use a sales tax estimate based upon an average of projections prepared by Chapman University, California State University Fullerton and the University of California, Los Angeles for the remaining years of Measure M.

Director Pulido was not present for the vote on this item.

27. Amendment to Cooperative Agreement with the Department of California Highway Patrol

A motion was made by Vice Chairman Norby, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 3 to Cooperative Agreement C-4-0588 between the Orange County Transportation Authority and the Department of California Highway Patrol, in an amount not to exceed $550,000, for additional traffic control services.

Director Pulido were not present for this vote.

Orange County Transit District Consent Calendar Matters

28. Agreement for Asphalt Pavement Reconstruction at the Garden Grove Base

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to:

A. Authorize the Board of Directors to find the low bidder, R.J. Noble Company, non-responsive and to reject their bid.

B. Authorize the Board of Directors to find the second low bidder, Roadway Engineering, non-responsive and to reject their bid.

C. Authorize the Chief Executive Officer to execute Agreement C-6-0895 between the Orange County Transportation Authority and Premier Paving, the lowest responsive, responsible bidder, in an amount not to exceed $287,000, for asphalt pavement reconstruction at the Garden Grove Base.

Director Pulido was not present for the vote on this item.

29. Agreement for Painting of Articulated Buses

This item was pulled by staff and will be heard at a future meeting.

30. Amendment to Agreement for Lot Sweeping Services

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement C-4-1103 between the Orange County Transportation Authority and Webco Sweeping, to exercise the second option year, in an amount not to exceed $57,000.

Director Pulido was not present for the vote on this item.

31. Amendment to Agreement for Underground Storage Tank Testing and Repair Services

A motion was made by Director Norby, seconded by Director Green, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-6-0178 between the Orange County Transportation Authority and Inland Petroleum Equipment and Repair, Inc., in an amount not to exceed $100,000.

Director Pulido was not present for the vote on this item.

Regular Calendar

Orange County Transit District Regular Calendar Matters

32. ACCESS Service Update

Erin Rogers, Acting General Manager of Transit, presented this item to the Board and reported that are still issues with the service provided by Veolia, incremental improvements are being realized. Ms. Rogers reported, also, that the top complaint continues to be in the area of buses being late.

Chairman Cavecche asked if Ms. Rogers feels that Veolia can meet the obligations of their contract, and Ms. Rogers stated that she feels they can meet the standards of on-time performance.

Chairman Cavecche asked what Ms. Rogers felt would be the result if the contract with Veolia was terminated, and Ms. Rogers responded that she felt the disruption would cause service to worsen considerably.

Director Mansoor stated he has concerns about extending the evaluation period through June and would like that adjusted back to May. He further requested a briefing on the Veolia contract be provided to him prior to the end of May.

Director Amante expressed that his observation is that there has been a lack of oversight on the side of Veolia management.

32. (Continued)

Director Campbell stated he would like to amend the recommendations to reflect that updates would be included in the CEO's Weekly Update, with monthly oral reports to the Transit Planning and Operations Committee

Public comments were heard from:

Mike Griffus, representing Veolia Transportation, apologized for the performance issues and promised that Veolia will strive for continual improvement in service.

Shirley Cero, an ACCESS customer since 1992, stated that she has seen improvement in the service.

Arnie Pike, an ACCESS user, offered comments regarding the use of GPS systems, and stated he has seen improvement.

Christie Rudder, representing the Dayle McIntosh Center, stated that she has seen improvement by Veolia, and feels communications are better with the drivers and the call center.

Jane Carrigan, who rides the 757 route, offered comment that she has experienced buses being late on the Express service due to street closures, feels communications could be better, and feels the Express buses provide a less smooth ride.

Director Moorlach requested that staff review the viability of additional providers and that staff review the 94 percent benchmark for performance standard.

Chairman Cavecche issued very strong comments that she will expect better performance and that she felt Veolia had shown poor treatment of OCTA's ACCESS customers. She encouraged Ms. Rogers to begin discussions with other transit providers, should a need arise to use a provider other than Veolia.

A motion was made by Chairman Cavecche, seconded by Vice Chair Norby, and a roll call vote was conducted, the results of which were:

> Chairman Cavecche, Vice Chair Norby, and Directors Mansoor, Green, Moorlach, Campbell, Brown, Winterbottom, Pulido, Amante, Bates, and Glaab voted in support of the recommendations;
>
> Director Rosen voted in opposition of the recommendations.

32. (Continued)

The following recommendations were declared passed by those present to:

A. Continue with Veolia Transportation Services, Inc., for the management and operation of ACCESS, Contracted Fixed Route, Stationlink and Express Bus Service; extend evaluation period through May 30, 2007.

B. Continue to monitor the performance of Veolia Transportation Services, Inc., against contractual performance standards.

C. Continue to provide weekly written status in the CEO's Weekly Update, monthly oral updates to the Transit Planning and Operations Committee and no reports to the Board through May 30, 2007.

D. Direct staff to begin discussions with other transit providers regarding ACCESS service, should the need arise and to re-examine the reservation policy.

Other Matters

33. Fiscal Year 2006-07 Second Quarter Performance Measures Report

This item was pulled by staff for presentation at a future date.

34. Garden Grove Freeway (State Route 22) Project Update

Rick Grebner, State Route 22 (SR-22) Design-Build Project Manager provided opening comments on the Phase II construction, schedules, and milestones. Mr. Grebner introduced Jack Meifert, Parsons' Project Manager on the project.

Mr. Meifert provided an update on major activities which have occurred on the project and what will take place in the month of April.

Director Campbell expressed concern regarding the State Route 22 eastbound to the Interstate 5 southbound, and where it picks up at the Bristol on-ramp to the SR-22 eastbound, and stated he feels it needs signage, and seems to be a very congested area. He asked if there was anything that could be done about that particular segment.

Mr. Meifert responded that area has been reviewed and it has been confirmed that it is per the operational layout of the environmental document, and the signs are currently in place. Additionally, there are ramp meters scheduled to be put in. The ramps are very close together at Bristol and the southbound SR-22, and there are some signing improvements under consideration.

34. (Continued)

Deputy Chief Executive Officer, Paul C. Taylor, offered that OCTA is working with Caltrans on these issues, and striping and more ramp work is still planned.

Chairman Cavecche stated that there has been an issue with the flow of traffic at certain interchanges (delays on the southbound side of the freeway at Bristol). Director Rosen commented that the State Route 57 southbound at the Interstate 5 is always congested.

35. Chief Executive Officer's Report

Deputy Chief Executive Officer, Paul C. Taylor, stated that Chief Executive Officer, Arthur T. Leahy, is on travel to Washington, D.C., with Directors Buffa and Pringle and will meet with several of the Orange County Delegation members.

Mr. Taylor reported that the California High-Speed Rail Authority is beginning the formal process of preparing an environmental impact study and report is underway. OCTA has committed $7 million in funding toward this effort. Public scoping meetings begin next week to allow the public to weigh in on issues to be examined under this effort.

36. Directors' Reports

Director Campbell updated the Board on the discussions with Riverside County Transportation Commission (RCTC) regarding the extension of the State Route 91 Express Lanes into Riverside County.

Director Campbell stated that it was RCTC's intent to operate a toll road on what OCTA currently holds franchise rights for, and moreover, operate a toll road in an area that, when OCTA issued the bond financing for the area, there were restrictive covenants governing the ability to transfer those rights to anyone. Further, there were discussions regarding the interoperability in order that there would be seamless use by the traveling public on that highway.

OCTA requested that RCTC submit language for a bill which Assemblyman Spitzer may potentially carry. OCTA was not satisfied with that language as it did not satisfy the issues, especially as it relates to OCTA's fiduciary responsibility to the bond holders. OCTA, therefore, requested RCTC submit their first bill proposal that would only cover Interstate 15, and discussions would continue beyond that. That language was submitted to Assemblyman Spitzer's office last week. OCTA will continue work on this effort.

Director Amante expressed his appreciation for his recent ACCESS tour and briefings provided.

36. (Continued)

Director Winterbottom thanked his colleagues for their commitment to do the work associated with the bus stop improvement program.

Vice Chairman Norby invited the Board to attend the swearing-in of Janet Nguyen on March 27 as the First District Supervisor.

Director Rosen stated that it was his understanding that a great deal of the OCTA budget goes to transit, which serves a very small portion of the population, and requested a breakdown by mode of funds expended by OCTA.

Director Glaab thanked Kelly Hart for a Measure M presentation she provided to the City of Aliso Viejo last week.

Chairman Cavecche informed the Board that Director Brown has agreed to serve as the OCTA's representative on the Orange County Council of Governments and Southern California Association of Governments' committees.

37. Public Comments

At this time, Chairman Cavecche stated that 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 would be taken on off-agenda items unless authorized by law.

Public comment was heard from:

Arnie Pike, an ACCESS user, who stated that OCTA must comply with the Americans with Disabilities Act and asked that consideration be provided to individuals who cannot travel as many can and need accommodations for their travel through the County.

38. Closed Session

A Closed Session was not held.

39. Adjournment

The meeting adjourned at 11:17 a.m. Chairman Cavecche announced that the next regularly scheduled meeting of the OCTA/OCTD/OCLTA/OCSAFE/OCSAAV Board would be held at **9:00 a.m. on April 9, 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.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Identification Badges and Access Cards, Operational Audit

Finance and Administration Committee — March 28, 2007

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the Identification Badges and Access Cards, Operational Audit, Close-out Memo and Internal Audit Report No. 07-008.

OCTA

March 28, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Identification Badges and Access Cards, Operational Audit

Overview

The Internal Audit Department has completed an operational audit of identification badges and access cards. Twelve recommendations were made to strengthen internal controls and improve security. Management indicated that the recommendations would be implemented or otherwise satisfactorily addressed.

Recommendation

Receive and file the Identification Badges and Access Cards, Operational Audit, Close-out Memo and Internal Audit Report No. 07-008.

Background

The 600 South Main Street, Orange Building (Orange Building) serves as the administrative headquarters of the Orange County Transportation Authority (OCTA). The OCTA, as well as other tenants, leases space in the Orange Building. Effective November 1, 2005, OCTA initiated security improvements at the Orange Building. All headquarter and base employees were required to show their employee identification (ID) badges at the security kiosk and visitors were required to sign in with the receptionist at the front desk to obtain visitor badges for elevator entry. The ground floor of the Orange Building is considered a public area; therefore, badges are not required for the ground floor.

OCTA employees are issued access cards for use in gaining entrance to areas of the building that are either locked at all times or locked during hours outside of designated office hours. Access cards for employees at the Orange buildings are programmed by the landlord for parking structure, building front doors, and elevators. The OCTA General Services Department programs cards for card readers inside the buildings. For employees at the bases,

access cards are programmed and issued by the Transit Police Services Office Specialist located at the Garden Grove Annex. The Lenel OnGuard access control system is used by OCTA to program access cards for access to card readers inside the buildings and at the bases.

Discussion

The audit focused on visitor ID badges at the Orange Building and access cards at the Orange Buildings and the bases. An assessment of the overall security of the Orange Building and the bases is beyond the scope of this audit but will be considered during OCTA's ongoing security assessment initiatives.

Internal Audit made the following recommendations:

- Negotiate and implement additional Orange Building security policies and procedures with the landlord
- Validate, investigate, and report delays in canceling access cards for consultants
- Require employee ID numbers be entered in the Lenel system
- Email notification of all terminating employees to General Services and the Transit Police Services Office as part of the employee exit process to ensure timely deletion of access cards
- Periodically verify that all terminated employees have been deleted from the access card system
- Request landlord verification of access cancellation for terminated employees and consultants, and periodic system reports of employees and consultants with access
- Perform periodic reviews of access cardholder listings for rooms with sensitive data and equipment to determine if access is appropriate
- Establish an expiration date for ID badge photographs
- Periodically verify that ID badges are assigned to only current employees and their spouses or eligible dependents
- Submit original invoices from the landlord to Accounts Payable along with a summary of valid charges
- Discuss with landlord, and formalize in a lease amendment, required security service levels and costs
- Process new or additional recurring payments to the landlord through a lease amendment

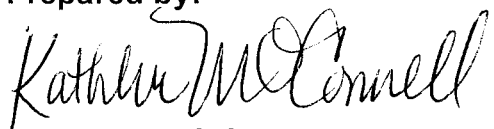
Summary

Based on the review, Internal Audit made some recommendations, which management indicated would be implemented or otherwise satisfactorily addressed.

Attachment

A. Identification Badges and Access Cards, Operational Audit, Close-out Memo and Internal Audit Report No. 07-008

Prepared by:



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

ATTACHMENT A

OCTA

INTEROFFICE MEMO

March 5, 2007

To: Jim Kenan, Executive Director
Finance, Administration and Human Resources

From: Serena Ng, Senior Internal Auditor
SN
Internal Audit

Subject: **Identification Badges and Access Cards, Operational Audit, Close-out Memo and Internal Audit Report No. 07-008**

Attached hereto is Identification Badges and Access Cards, Operational Audit, Internal Audit Report No. 07-008. Your responses to the recommendations made in the audit have been incorporated into the attached final audit report. Internal Audit concurs with management's responses.

Internal Audit appreciates the cooperation received during this review. Internal Audit will follow up on management's planned corrective actions in six months.

Attachment: Identification Badges and Access Cards, Operational Audit, Internal Audit Report No. 07-008

c: Ken Phipps
Rich Smith
Lisa Arosteguy
Allan Jagger
Tom Little
Chris Chock
Kathleen O'Connell

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

OCTA

Identification Badges and Access Cards

Operational Audit

INTERNAL AUDIT REPORT NO. 07-008

March 5, 2007

Audit Team

Kathleen M. O'Connell, CPA, Internal Audit Manager

Serena Ng, CPA, Senior Internal Auditor

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Identification Badges and Access Cards
Operational Audit
March 5, 2007

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Identification Badges and Access Cards
Operational Audit
March 5, 2007

CONCLUSION

An operational audit has been performed on identification badges (ID badges) and access cards. The audit found that controls over issuance of employee ID badges and access cards are generally adequate. However, controls over the deletion of terminated employees and consultants from the access card system could be improved. Additionally, the audit found that weaknesses exist over the security check-in process for employees and visitors at the 600 South Main Street, Orange Building (Orange Building), and over payment for security guard services at the Orange Building. Recommendations are being made to mitigate these weaknesses and increase operational efficiency.

BACKGROUND

Orange Building Lease

The Orange Building serves as the administrative headquarters of the Orange County Transportation Authority (OCTA). The building and its neighbor 550 South Main Street, also occupied by OCTA, is owned by UBS Partners, a California general partnership. An affiliate of general partner Colton Real Estate Group (Colton) manages the property. The lease, dated May 13, 1992, was executed by the OCTA Chief Executive Officer (CEO) and approved as to form by legal counsel. Subsequent amendments have been executed either by the OCTA CEO or by the Executive Director of Finance, Administration & Human Resources with legal counsel approving as to form. The lease is assigned OCTA Agreement No. C-95-172. Contracts Administration & Materials Management is not involved in processing agreements related to real estate.

Monthly, UBS prepares and transmits to OCTA an invoice for rent and other billable items. The General Services Department (General Services) then prints a standard electronic Colton invoice with recurring monthly rent amounts and submits it to Accounts Payable.

Security Guard Services

Under the lease, the landlord provides on-site security, including one security guard stationed in the main lobby of the 600 Building for an eight-hour shift each day, Monday through Friday. In November 2005, service levels were modified to add additional hours and coverage. Three security guards currently work the following weekday shifts: 0630-1000 and 1500-1800; 0700-1500; and 1000-1800. One security guard works 0800-1300 on Saturdays. These security guards are hired by Colton from Securitas

Security Services USA, Inc. While OCTA's lease with UBS Partners includes the 550 South Main Street building, there are very limited security services for that building. Complex-wide security patrolling is provided for the buildings.

Identification Badges

When hired, OCTA employees are issued ID badges by the Employment section of the Human Resources Department. The ID badges are created and produced using Episuite software, which has limited reporting capabilities. The Information Systems Department is in the process of replacing Episuite with Ultrabadge software, which will have better reporting capabilities.

In addition to serving as identification, the badges can be used for free OCTA bus transportation service. Once an employee passes probation, his or her spouse and eligible dependents may also obtain the ID badges for free OCTA bus transportation.

Check-In Process at the Orange Building

In October 2005, the OCTA CEO and Executive Director of Finance, Administration & Human Resources both issued memos on security changes and requirements for the Orange Building lobby. Effective November 1, 2005, all headquarter and base employees were required to show their employee ID badges at the security kiosk and visitors need to sign in with the receptionist at the front desk to obtain visitor badges for elevator entry. The ground floor of the Orange Building is considered a public area; therefore, badges are not required for the ground floor. Colton issued memos to the other building tenants on the new security measures and procedures. Other tenants of the Orange Building could obtain ID badges from the OCTA Employment section. Check-in procedures as of the date of audit fieldwork are discussed below.

OCTA Employees and Visitors

OCTA employees who show ID badges are allowed access to the elevators by the security guards. OCTA employees who forget their OCTA ID badges are required to go to the OCTA front desk receptionist and fill out visitor badges. The front desk receptionist is currently logging employees who forget their badges.

Visitors to OCTA are required to go to the OCTA front desk and fill out visitor badges. For visitors attending meetings booked at upstairs conference rooms, the front desk receptionist checks a daily list of booked meetings that she prepares using information from Microsoft Outlook and then sends the visitors to the appropriate conference room. For visitors with appointments, the front desk receptionist calls the employee or departmental administrative employee to confirm the appointment prior to sending the

visitor. For visitors without appointments, the front desk receptionist instructs the visitor to call the OCTA employee and requests that the employee pick up the visitor from the lobby.

Other Tenant Employees and Visitors

Employees of all other building tenants, with the exception of one tenant that vacated the Orange Building in October 2006, wear color-coded ID badges issued by OCTA. Tenant employees who forget their badges are required to fill out the security guards' Visitor Access Log and wear a visitor badge. The security guards have tenant employee rosters.

Visitors of other tenants are also required to fill out the security guards' Visitor Access Log and wear a visitor badge. The security guards call the tenant receptionist or other employee to confirm the guests prior to allowing them access to the elevators.

Access Cards

OCTA employees are issued access cards for use in gaining entrance to areas of the building that are either locked at all times or locked during hours outside of designated office hours. Access cards for employees at the Orange buildings are programmed by Colton for parking structure, building front doors, and elevators, and by OCTA General Services for the card readers inside the buildings. For employees at the bases, access cards are programmed and issued by the Transit Police Services Office Specialist located at the Garden Grove Annex.

The Lenel OnGuard access control system (Lenel system) is used by OCTA to program access cards for access to card readers inside the buildings and at the bases. There are 73 access card readers in the two Orange buildings. Employees at the Orange buildings are granted Regular Male or Regular Female access based on employee's gender. The Regular Male/Female access level allows access to the three entry doors on each floor, the front door for the Orange buildings, and the male or female showers. Access to card readers outside of the Regular Male or Regular Female access levels requires approval from the employee's supervisors. In the Orange buildings, areas that have access card readers that limit access include the Human Resources Department file rooms and the computer room. At the bases, the revenue room and the Garden Grove Annex communications room have access card readers that restrict entry to only authorized individuals.

Consultants at OCTA offices for over 20 hours per week are issued access cards that also serve as parking cards with a $20.00 deposit. Since OCTA is limited to a certain number of free parking spaces under the lease, OCTA typically pays $30.00 per month

for consultants who require parking. When General Services is notified that a consultant no longer requires access and parking, General Services deletes the access and faxes to Colton a form for canceling of the card. General Services proactively tries to reduce unnecessary parking costs by reminding departments to notify General Services of consultant departures.

OCTA Security Policy Initiative

The OCTA is currently in the process of developing comprehensive, organization-wide security policies and procedures. Policy development is expected to be completed in mid-2007.

PURPOSE AND SCOPE

The Internal Audit Plan for Fiscal Year 2006-07 included an operational audit of ID badges and access cards. The audit focused on visitor ID badges at the Orange Building and access cards at the Orange buildings and the bases. An assessment of the overall security of the Orange Building and the bases is beyond the scope of this audit but will be considered during OCTA's ongoing security assessment initiatives.

The audit work included interviews with key OCTA personnel and with security guards, reconciliation of badge holders on the Lenel system to employee listings, review of Lenel system reports of access card activity, and review of the building lease terms relevant to security issues.

AUDIT COMMENTS AND RECOMMENDATIONS

Controls over the issuance of ID badges and access cards appear to be adequate. Notification to remove terminated employees from the ID badge system also appears adequate. However, controls over the deletion of terminated employees and consultants from the access card system could be improved. The recommendations below reflect opportunities for improvement.

Security Procedures at the 600 Orange Building

In 2005, OCTA initiated security improvements at the Orange Building. Since the Orange Building is privately-owned and is occupied by tenants other than OCTA, new security measures were discussed and agreed upon with both landlord and other tenants. As discussed more fully in the Background section, check-in procedures for

visitors of OCTA differ from visitors of other building tenants. Until recently, there was one building tenant who had check-in procedures that differed substantially from other building tenants due to that tenant's opposition to ID badges. The tenant has since departed from the Orange Building.

Although security at the Orange Building has improved, the following security issues were noted:

- OCTA visitors are not required to provide picture ID and they are not logged.
- Internal Audit has experienced, on one occasion, the front desk sending up a visitor without calling to confirm the appointment. Internal Audit has also been advised of similar situations by other OCTA employees.
- OCTA visitor badges are not reviewed for completeness or correctness. Internal Audit obtained examples of OCTA visitor badges with fabricated identities.
- Visitor badges for other building tenants are not filled out with the visitor's identity and date. These badges, which display the tenant name and badge number, are reused and do not expire.

Recommendation 1: OCTA and the landlord should negotiate additional and mutually agreeable security policies and procedures for Orange Building visitors. Ideally, the policy and procedures should require the following:

a. All visitors should be logged with visitor name, person visited, arrival date and time and badge expiration. An option is to use a carbon-backed visitor log where the carbons serve as visitor badges.
b. Visitor identification, such as driver licenses, should be required and checked against the name printed on the visitor badge. Alternatively, an employee can pick up the visitor from the lobby as a verification of the visitor's identity and purpose.
c. For meetings booked at conference rooms upstairs, the meeting attendees, if known, should be accessed by the front desk on Microsoft Outlook for use in granting visitor access.
d. Colton should be asked to advise tenants to return ID badges to OCTA as part of their employee exit procedures and to periodically validate tenant ID badges against tenant employee rosters.

Management Response:

a. Agree – General Services is currently evaluating visitor photo ID systems for the 600 Building Receptionist to use. These systems will photo ID a visitor, identify who the person is visiting, and include a badge expiration date. Some systems have badges that are bar coded which can be scanned when the visitor leaves the building.

b. Agree – General Services has revised its procedures to require visitors to show a photo ID and require the Receptionist to call the OCTA person that visitors are here to see.
c. Most meetings upstairs have numerous attendees. The meeting organizer would be required to provide the names of attendees when booking the conference room and updating any changes. This idea has promise but it may be difficult to implement in practice. For access control, all visitors requiring access to upstairs conference rooms are now required to show a photo ID.
d. Agree – General Services will request Colton to take this action with other tenants, however, we will be dependent on the other tenants for enforcement.

Timely Notification of Consultant Departures

General Services is responsible for canceling access cards when consultants are no longer on site. However, departments do not always notify General Services of consultants' departure on a timely basis. As such, General Services must periodically survey departments and request the status of consultants who have access cards. OCTA may be unnecessarily charged monthly parking fees for departed consultants who still have parking access.

Recommendation 2: On a monthly basis, General Services should email each department a listing of all consultants with access cards and require departments to validate the listing. With help from Colton, General Services should identify inactive cards, investigate delays in reporting consultant departures and report excessive delays or patterns to the Executive Director of Finance, Administration & Human Resources for corrective action.

Management Response: Agree – The verification of "on-site" consultants is now being done by the OCTA General Services Asset Supervisor on a monthly basis.

Identification Numbers in the Lenel Access Card System

In the past, OCTA employee ID numbers, which are unique numbers assigned to all OCTA employees, have not been input into the Lenel system. Currently, the Transit Police Services Office Specialist is entering employee ID numbers into the Lenel system for new base access cardholders. However, General Services is not inputting employee ID numbers into the Lenel system for administrative employees in the Orange buildings. Internal Audit identified some misspelled names and same or similar employee names in the Lenel system during its review, making it difficult to identify employees with inappropriate access privileges.

Recommendation 3: Employee ID numbers should be a required field entered in the Lenel system in the Cardholder ID field.

Management Response: The employee ID number is now being entered into the Lenel system.

Terminated Employees in the Lenel Access Card System

When an administrative employee terminates, the Compensation & Benefits section of the Human Resources Department notifies the Information Systems Help Desk, which notifies General Services and the Transit Police Services Office Specialist. General Services or the Transit Police Services Office Specialist then deletes the access card from the system. However, there is no similar notification process for terminating coach operators and maintenance employees. Upon reconciliation of a Lenel system list of all access cardholders to employee listings, Internal Audit identified some terminated employees in the Lenel system.

Recommendation 4: As part of the employee exit process for all employees, the Compensation & Benefits section should email notification of terminating employees to General Services and the Transit Police Services Office Specialist to ensure timely deletion of access cards.

Management Response: Compensation & Benefits has been notifying Information Systems Help Desk and General Services when administrative employees terminate. The Transit Police Services Office Specialist will be added to the notification. In addition, when coach operators and maintenance employees are terminated, Information Systems, General Services and Transit Police Services will be notified.

Recommendation 5: General Services and the Transit Police Services Office Specialist should request periodic reports of terminated employees and review these reports to ensure that all terminated employees have been deleted from the Lenel system. Alternatively, this process could be automated.

Management Response: Agree – General Services is working with Employment to get this information on a recurring basis. We will look for opportunities to automate this process.

Colton Reports of Deleted Access

When employees or consultants of OCTA terminate, their access to the parking structure, building front door and elevators must be deleted by Colton. Colton does not currently provide verification that access for terminated employees and consultants has been deleted, and OCTA has not requested this information.

Recommendation 6: General Services should request the following from Colton:

- Verification of cancellation of access for terminated employees and consultants who no longer require parking structure, building front door, and elevator access; and
- Periodic system reports of employees and consultants with access for validation.

Management Response: Agree – General Services is currently working with Colton to provide "deleted" access card reports for building and parking garage access.

Cardholder Access Level Monitoring

From a Lenel system list of access cardholders to the Garden Grove Annex communications room, Internal Audit identified two employees who should no longer have access to the room. These two employees are no longer located at the Garden Grove Annex and have no need for access given their current job duties. Their access was subsequently removed.

Recommendation 7: A list of cardholders for rooms with sensitive data and/or equipment should be reviewed for appropriate access on a regular basis by the appropriate individuals.

Management Response: Agree – This is being coordinated by the General Services Asset Supervisor.

ID Badge Photographs

There is no requirement to re-take photographs for ID badges. Current photographs on ID badges allow easier identification of badge holders. ID badges at the Orange Buildings are used for access security.

Recommendation 8: An expiration date for ID badge photographs should be established for all employees at the Orange Buildings.

Management Response: Agree – Since June 2005, all ID badges are issued with an expiration date. Older badges do expire within 5 years of issuance, but the expiration date is not visible on the badge face. When a badge is nearing expiration, a representative from the Employment section of Human Resources contacts the employee and alerts them that they need to come in to get a new badge and a new picture is taken at that time.

Reconciliation of Current ID Badge Holders

The Employment section does not periodically reconcile all current ID badge holders to current employees and their spouses and eligible dependents due to Episuite software report limitations.

Recommendation 9: When the Ultrabadge software is implemented, exception reports from an electronic match of the Ultrabadge data to the employee database should be produced and reviewed periodically. Alternatively, if the electronic match is not feasible, the Employment section should review reports of all current ID badges on an annual basis to determine if all active ID badges are current employees, spouses or eligible dependents of current employees.

Management Response: Agree – An interface is being developed between Ultrabadge and Lawson that will allow an exception report to be generated. This exception report will be reviewed monthly to serve as a failsafe to the current exit process where employees, and consequently badges, are removed from the system.

Building Lease Payments

General Services does not send the original monthly invoices from UBS Partners, which include rent and other billing items, to Accounts Payable for payment. Instead, General Services electronically edits the invoice and pays only the amounts that it believes should be paid. There are outstanding invoiced items that have not been accrued, paid or otherwise settled as of December 31, 2006. Most outstanding items are dated within the 15 months preceding December 31, 2006. The outstanding amount of approximately $423,000 was obtained from General Services' estimates and is made up of the following, unaudited amounts:

- Approximately $161,000 of building repairs and maintenance, including costs exceeding tenant improvement allowance;
- Approximately $69,000 of security services including back-pay as discussed in the next audit comment;

- Approximately $175,000 of over-time air conditioning, including $135,000 for the eleventh floor where the Veolia staff are located; and
- Approximately $18,000 of lease payments, mainly for the eleventh floor.

Recommendation 10: General Services should submit the original invoices along with the summary of what it believes should be paid to Accounts Payable. Significant, unsettled items should be discussed with UBS Partners and Accounting and resolved in a timely manner.

Management Response: Agree – General Services is submitting the original Colton invoices for payment. Due to a General Services oversight, a change in billing methods by Colton Co. was not detected and charges other than lease payments were not paid. The problem has been brought to the attention of involved personnel and the situation has been resolved and corrected. Back payments have all been made and future billings will be handled properly.

Payments for Security Guard Services

During Internal Audit's review of security guard services for the Orange Buildings, the following was identified:

- Internal Audit was unable to locate an agreement or lease provision related to monthly security guard payments of $2,112.93, although Internal Audit was advised that this arrangement has been in place for many years.
- On October 21, 2005, the Section Manager of General Services signed a Colton proposal, effective November 1, 2005, for additional security hours with a weekly cost of $1,223.63. The proposal indicated both regular and overtime hours, however, these hours do not appear to match the current security guard shifts.
- Although the additional security hours became effective November 1, 2005, General Services did not pay the additional security fee until the end of September 2006 at which time back pay totaling $13,459.93 was paid. The back pay on September 2006 erroneously assumed that the $1,223.63 is a monthly amount instead of a weekly amount. General Services plans to back-pay the rest of the fees as part of the settlement of outstanding amounts with UBS Partners; see Building Lease Payments Audit Comment and Recommendation 10.

Recommendation 11: If a lease provision or a separate agreement requiring security services cannot be located, OCTA should discuss with Colton required security service levels and justification for overtime hours and related costs, then formalize the agreement in a lease amendment.

Management Response: Agree – A written agreement, regarding security services, is being discussed with Colton and will become an amendment to the original lease.

Recommendation 12: Any new or additional payments of a recurring nature to Colton not addressed in the lease should be processed through a lease amendment approved by the appropriate authority instead of through a separate letter agreement.

Management Response: Agree.

4.

OCTA

MEMO

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.

OCTA

April 5, 2007

To: Legislative and Government Affairs/Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: State Legislative Status Report

Overview

Several bills are recommended for support. Two of the bills implement portions of Proposition 1B related to the State-Local Partnership program and the goods movement fund. Additionally, support for goods movement related funding at the federal level is requested. Lastly, a bill to address gaps in current toll evasion authority is being recommended for support.

Recommendation

Adopt the following recommended positions on legislation:

Oppose AB 1337 (Nava, D-Santa Barbara)
Support SB 124 (Ducheny, D-San Diego)
Support SB 872 (Ackerman, R-Irvine)
Support SB 974 (Lowenthal, D-Long Beach)
Support AJR 14 (Jeffries, R-Murrieta)

Discussion

Newly Analyzed Legislation

AB 1337 (Nava, D-Santa Barbara) would require that all construction management and engineering for all projects on the state highway system, including inspection, quality control inspection, surveying, materials testing, and resident engineer functions be performed by employees of the California Department of Transportation (Caltrans).

This bill would greatly harm the ability for future design-build legislation to prove effective in delivering improvements to commuters in a shorter time

frame than other methods. It also goes against the will of the voters demonstrated in their passage of Proposition 35 permitting the contracting out of work so that a greater number of improvements can be delivered in a shorter time.

With the volume of transportation projects coming online in the next decade, it is also unlikely that the public sector will be able to process the number of projects through existing systems without incredible delays far beyond those seen in the past. Transportation agencies, as well as the state, need a variety of tools to deliver projects to commuters in a safe, efficient, and effective manner. Legislation which outright prohibits alternative delivery methods is not consistent with the will and direction of voters demonstrated repeatedly at the ballot box.

An analysis of the bill is attached (Attachment A). Staff recommends: OPPOSE.

SB 124 (Ducheny, D-San Diego) would further define the meaning of a registered owner of a vehicle to include a person registered as the owner of the vehicle of another state, the District of Columbia, or a territory of possession of the United States. Current law states that the registered owner, driver, rentee, or lessee of a vehicle cited for a toll evasion violation is liable for the penalty of the toll evasion obligated by law. The current definition of "registered owner" is a person registered by the Department of Motor Vehicles (DMV) as the owner of the vehicle.

This bill would allow California toll agencies including Southbay Express (San Diego), Orange County Transportation Authority (OCTA), Bay Area Toll Authority (BATA), and the Transportation Corridor Agencies (TCA) to address toll evasion violations from drivers outside of California. For OCTA, approximately 13 percent of toll evasions are drivers from outside of California. Potential earnings for out-of-state violators averaged $9,304 per month in 2006, an increase of 40 percent from 2005.

An analysis of the bill is attached (Attachment B). Staff recommends: SUPPORT.

SB 872 (Ackerman, R-Irvine), sponsored by the Orange County Business Council (OCBC), would create guidelines for the State-Local Partnership Program, a portion of Proposition 1B approved by the voters in November 2006. While Proposition 1B clearly allocates $1 billion for this program, it did not specify the conditions and guidelines for the program. OCTA has worked

closely with OCBC on this bill to ensure that funds intended for local transportation sales tax counties were delivered to those counties.

The guidelines established in this bill will enable OCTA to compete well and effectively for a program that was designed to reward counties whose voters had approved local sales taxes dedicated to transportation. Measure M provides a consistent and well-established matching fund source for the State-Local Partnership Program.

An analysis of the bill is attached (Attachment C). Staff recommends: SUPPORT.

SB 974 (Lowenthal, D-Long Beach) would impose a $30 fee per container on goods coming through the Ports of Long Beach, Los Angeles, and Oakland to address congestion and air quality impacts related to goods movement, beginning on January 1, 2009. The funds would be distributed 50 percent to congestion relief, and 50 percent to mitigation. Separate accounts would be established and maintained for northern and southern California based on funds collected at the respective ports in the region.

The bill allocates funding authority to the California Transportation Commission (CTC) for the congestion relief projects and to the California Air Resources Board (CARB) for the mitigation projects. The bill contains a prohibition against the transfer or loan of these funds to the state General Fund.

Although Proposition 1B was approved and included $3.1 billion for goods movement and air quality projects, the needs in the region are far greater than the bond can address and additional revenue sources may need to be reviewed. Additionally, the bond funds require a one-to-one match and a container fee would be eligible as such a match, allowing more communities to utilize the Proposition 1B funds.

A similar bill by Senator Lowenthal was introduced last year but was vetoed by the Governor. The veto message cited his reasons as being a lack of accountability for the funds and that the legislation only targeted Southern California ports. Senator Lowenthal believes these issues have been addressed in SB 974.

An analysis of the bill is attached (Attachment D). Staff recommends: SUPPORT.

AJR 14 (Jeffries, R-Murrieta) would request that the federal government enact legislation that will ensure that a substantial increment of new revenues generated from customs duties and import fees be dedicated to mitigating the economic, mobility, security, and environmental impacts of trade in California and in other trade-impacted states.

For the reasons cited on SB 974, additional revenue sources may still need to be reviewed. Funding generated from international trade should help mitigate the impacts of trade on local communities. AJR 14 requests that the federal government take action to allocate a portion of trade funds to mitigation.

An analysis of the resolution is attached (Attachment E). Staff recommends: SUPPORT.

Summary

Four bills are being recommended for support related to goods movement funding, Proposition 1B implementation, and toll evasion authority. One bill which harms efforts to secure future design-build authority is being recommended for opposition.

Attachments

A. Analysis of AB 1337 (Nava, D-Santa Barbara)
B. Analysis of SB 124 (Ducheny, D-San Diego)
C. Analysis of SB 872 (Ackerman, R-Irvine)
D. Analysis of SB 974 (Lowenthal, D-Long Beach)
E. Analysis of AJR 14 (Jeffries, R-Murrieta)
F. Orange County Transportation Authority Legislative Matrix

Prepared by:

Wendy Villa
Manager, State Relations
(714) 560-5595

Approved by:

P. Sue Zuhlke
Chief of Staff
(714) 560-5574

ATTACHMENT A

BILL: AB 1337 (Nava, D-Santa Barbara)
Introduced February 23, 2007

SUBJECT: Requires all construction management and engineering services for state highway projects be performed by California Department of Transportation employees

STATUS: Referred to Assembly Transportation Committee

SUMMARY AS OF MARCH 26, 2007:

AB 1337 would require that all construction management and engineering for all projects on the state highway system, including inspection, quality control inspection, surveying, materials testing, and resident engineer functions be performed by employees of the California Department of Transportation (Caltrans).

Proposition 35, passed by the voters in November 2000, authorized the State to contract with qualified private entities for architectural and engineering services for all phases of public works improvements including permitting and environmental studies, as well as rights-of-way, design, and construction services.

Local agencies generally have broader contracting out authority than the State does, with the exception of Proposition 35. The State is otherwise limited to very specific and highly specialized circumstances. Even Proposition 35 has not been implemented due to court challenges by the Professional Engineers in California Government (PECG).

This bill would essentially negate the benefits provided by the passage of Proposition 35 by requiring the work to be done by Caltrans. Not only would this bill eliminate the possibility of any future legislation permitting design-build authority, it would prevent transportation agencies, such as Orange County Transportation Authority (OCTA) from contracting with private engineering firms for the design and engineering of projects on the state highway system.

EFFECTS ON ORANGE COUNTY:

The design-build authority granted to Los Angeles Metropolitan Transportation Authority (MTA) in SB 1026 contained requirements to utilize Caltrans employees for less extensive engineering and inspection services. However, MTA is looking to revise their current authority because with even these less extensive requirements, it no longer provides the typical time benefits attributed to design-build.

This bill would greatly harm the ability for future design-build legislation to prove effective in delivering improvements to commuters in a shorter time frame than other methods. It also goes against the will of the voters demonstrated in their passage of Proposition 35 permitting the contracting out of work so that a greater number of improvements can be delivered in a shorter time.

With the volume of transportation projects coming online in the next decade, it is also unlikely that the public sector will be able to process the number of projects through existing systems without incredible delays far beyond those seen in the past. Transportation agencies, and the state, need a variety of tools to deliver projects to commuters in a safe, efficient, and effective manner. Legislation which outright prohibits alternative delivery methods is not consistent with the will and direction of voters demonstrated repeatedly at the ballot box.

OCTA POSITION:

Staff recommends: OPPOSE

ASSEMBLY BILL No. 1337

Introduced by Assembly Member Nava

February 23, 2007

An act to add Section 14100 to the Government Code, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1337, as introduced, Nava. State highway system: construction management and engineering.

The California courts have interpreted the California Constitution as generally restricting the contracting of out of state activities or tasks to the private sector, if those activities or tasks may be adequately and competently performed by state employees. However, Article XXII of the California Constitution, adopted by the voters in 2000, allows the State of California to contract with qualified private entities for architectural and engineering services for all public works of improvement, extending to all phases of project development including permitting and environmental studies, rights-of-way services, design phase services, and construction phase services.

This bill would require employees of the department to perform the construction management and engineering for all projects on the state highway system, including inspection, quality control inspection, surveying, materials testing, and resident engineer functions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 14100 is added to the Government Code, to read:

14100. Employees of the department shall perform the construction management and engineering for all projects on the state highway system, including inspection, quality control inspection, surveying, materials testing, and resident engineer functions.

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ATTACHMENT B

BILL: SB 124 (Ducheny, D-San Diego)
Introduced January 23, 2007

SUBJECT: Addresses gaps in existing law related to the definition of a registered owner for the purposes of toll evasion violations

STATUS: Referred to Senate Transportation and Housing Committee

SUMMARY AS OF MARCH 26, 2007:

SB 124 proposes to amend the California Vehicle Code (CVC) by further expanding the definition of a "registered owner" of a vehicle to include a person registered as the owner of the vehicle by the appropriate agency or authority of another state, the District of Columbia, or a territory or possession of the United States. Currently, the law states that the registered owner, driver, rentee, or lessee of a vehicle cited for a toll evasion violation is liable for the penalty of the toll evasion obligated by law. The current law defines "registered owner" as a person registered by the California Department of Motor Vehicles (DMV) as the owner of the vehicle.

Existing law limits ability for California toll agencies to pursue toll violators with vehicles registered outside of California. When a vehicle passes through the electronic toll collection system without a transponder, photos are taken of the vehicle to be reviewed while the plate information is queried against the DMV database. The database provides information, such as the name and address of the registered owner, which allows toll agencies to record and send out a violation notice to the registered vehicle owner.

This bill would allow the California Toll Operators Committee (CTOC) member agencies including Southbay Express (San Diego), Orange County Transportation Authority (OCTA), Bay Area Toll Authority, Golden Gate Bridge Highway and Transportation District, San Diego Association of Governments, and the Transportation Corridor Agencies to address toll evasion violations from drivers outside of California.

EFFECTS ON ORANGE COUNTY:

The 91 Express Lanes use a fully automated toll collection system requiring vehicles to be equipped with a transponder. The transponder matches a vehicle to an account to enable charging the trip to the account based on the toll in place at the time the vehicle passes under the transponder signal reader. The CVC specifically requires motorists to display their transponder in their windshields when using the 91 Express Lanes. The California Highway Patrol can cite any motorist using the lanes without a visible transponder. Technological equipment, where possible, allows OCTA to capture license plate numbers of non-compliant vehicles so that a fine can be issued to the registered owner of the vehicle.

About 14 million trips are made annually using the 91 Express Lanes 10-mile toll road connecting Orange County and Riverside. In calendar year 2006, there were approximately 3,922 average monthly violations on the 91 Express Lanes attributable to out-of-state vehicles as compared to 2,977 average monthly violations in calendar year 2005, an increase of 31.74 percent. Correspondingly, lost toll revenue attributable to out-of-state vehicles averaged approximately $9,304 per month in calendar year 2006 an increase of 40 percent over the $6,614 in lost revenues for calendar year 2005. By expanding the definition of "registered owner" as proposed in SB 124, it would support the CTOC members in their efforts to collect revenue from out-of-state violators.

OCTA POSITION:

Staff recommends: SUPPORT

SENATE BILL No. 124

Introduced by Senator Ducheny

January 23, 2007

An act to amend Section 40250 of the Vehicle Code, relating to vehicles, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 124, as introduced, Ducheny. Evasion of tolls: registered owner.

Under existing law, the registered owner, driver, rentee, or lessee of a vehicle cited for a toll evasion violation of an applicable statute, regulation, or ordinance is jointly and severally liable for the toll evasion penalty imposed by law.

Existing law defines "registered owner" to mean a person registered by the Department of Motor Vehicles as the owner of a vehicle.

This bill, for purposes of the above, would further define "registered owner" to include a person registered as the owner of the vehicle by the appropriate agency or authority of another state, the District of Columbia, or a territory or possession of the United States.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 40250 of the Vehicle Code is amended to read:

40250. (a) Except where otherwise specifically provided, ~~any~~ *a* violation of ~~any~~ *a* statute, regulation, or ordinance governing the evasion of tolls on toll facilities under this code, under ~~any~~ *a* federal

or state statute or regulation, or under ~~any~~ *an* ordinance enacted by *a* local ~~authorities~~ *authority* including *a* joint powers ~~authorities~~ *authority*, or a district organized pursuant to Part 3 (commencing with Section 27000) of Division 16 of the Streets and Highways Code is subject to a civil penalty. The enforcement of ~~those~~ *a* civil ~~penalties shall be~~ *penalty is* governed by the civil administrative procedures set forth in this article.

(b) Except as provided in Section 40264, the registered ~~owners~~ *owner*, driver, rentee, or lessee of a vehicle cited for ~~any~~ *a* toll evasion violation of ~~any~~ *a* toll facility, under ~~any~~ *an* applicable statute, regulation, or ordinance shall be jointly and severally liable for *the* toll evasion ~~penalties~~ *penalty* imposed under this article, unless the ~~owners~~ *owner* can show that the vehicle was used without *the express on implied* consent of that person~~, express or implied~~. ~~Any~~ *A* person who pays ~~any~~ *a* toll evasion penalty, civil judgment, costs, or administrative fees pursuant to this article ~~shall have~~ *has* the right to recover the same from the driver, rentee, or lessee.

(c) The driver of a vehicle who is not the *vehicle* owner ~~thereof~~ but who uses or operates the vehicle with the express or implied permission of the owner ~~shall be considered~~ *is* the agent of the owner to receive ~~notices~~ *a notice* of *a* toll evasion ~~violations~~ *violation* served in accordance with this article and may contest the notice of violation.

(d) If the driver of the vehicle is in violation of ~~the laws, regulations,~~ *a statute, regulation,* or ~~ordinances~~ *ordinance* governing toll evasion violations, and if the driver is arrested pursuant to Article 1 (commencing with Section 40300) of Chapter 2, this article does not apply.

(e) ~~"Issuing~~ *Unless the context otherwise requires, the definitions set forth in this subdivision govern the construction of this article.*

(1) "Issuing agency" is ~~any~~ *an* entity, public or private, authorized to collect tolls.

(2) "Registered owner" is either of the following:

(A) A person described in Section 505.

(B) A person registered as the owner of the vehicle by the appropriate agency or authority of another state, the District of Columbia, or a territory or possession of the United States.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to allow an issuing agency or a processing agency to send a copy of a notice of toll evasion to the registered owner of a vehicle that is registered in another state, the District of Columbia, or in a territory or possession of the United States at the earliest possible time, it is necessary that this act take effect immediately.

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ATTACHMENT C

BILL: SB 872 (Ackerman, R-Irvine)
Introduced February 23, 2007

SUBJECT: Establishes the State-Local Partnership Program guidelines for the distribution of funds provided for by Proposition 1B

STATUS: Referred to the Senate Transportation and Housing Committee

SUMMARY AS OF MARCH 26, 2007:

SB 872, sponsored by the Orange County Business Council (OCBC), would create the State-Local Partnership Program to appropriate $1 billion over five years towards eligible transportation projects nominated by local agencies that can fund at least 50 percent of the project cost with local funds raised by transportation sales tax.

In November of 2006, voters passed Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Act. The measure authorized the state to sell $19.925 billion of general obligation bonds to fund transportation projects to relieve congestion, improve the movement of goods, improve air quality, and enhance the safety and security of the transportation system. A component included $1 billion for the State-Local Partnership Program Account (SLPPA) subject to appropriation and the conditions and criteria set by the Legislature.

SB 872 establishes conditions and timelines for program implementation as follows:

- Specifies that the SLPPA would allocate $200 million per year beginning in Fiscal Year 2010-2011.
- Defines applicants as only government entities that are authorized to impose transportation sales tax or fees and have the responsibility for constructing highways (i.e. the self-help counties).
- Defines an eligible project as a local street, state highway or exclusive transit guideway improvement project that meets all the following conditions:
    - Constitutes a usable segment that would increase capacity of the system or extend service to new areas;
    - The applicant has committed or can commit to pay the local share from local funds to complete the project;
    - The project is sponsored by the appropriate transportation planning agency, county transportation commission or authority or congestion management agency;
    - The project is not receiving any other state funding;
    - The project has a minimum cost of $25 million;
    - The applicant has completed all project development work so that the contract for the project can be awarded no later than June 30 of the fiscal year following the year in which the funds are appropriated;

- The improvements are consistent with state and federal standards, are designed to minimize long-term maintenance cost, and are approved by the Department.

SB 872 also provides specific direction for the process through which an applicant would apply for funding under the program. In this program, applicants would submit their proposal for projects for the five-year period 2010-2011 to 2015-2016 to the California Department of Transportation (Caltrans) no later than September 30, 2009. Caltrans must then review the application for consistency with the above criteria and compile a list of eligible projects no later than December 31, 2010. The California Transportation Commission (CTC) would be required to approve a list of projects no later than April 1, 2010. The applicant would then award construction contracts no later than June 30 of the fiscal year following the year in which the funds are appropriated. If the applicant fails to do so, the funds would revert to the CTC for reallocation. Lastly, funds appropriated for the program are required to be spent by no later than June 30, 2018, to ensure the timely use of funds.

EFFECTS ON ORANGE COUNTY:

This bill would enable Orange County to compete well and effectively for a program that was designed to reward counties whose voters had approved local sales taxes dedicated to transportation. The renewal of Measure M in 2006 provided a solid indication of the desire of voters in Orange County to see continued transportation improvements in their region. Measure M provides a consistent and well-established matching fund source for the State-Local Partnership Program as included in Proposition 1B.

While Proposition 1B clearly allocates $1 billion for this program, it did not specify the conditions and guidelines for the program. OCBC sponsored this bill to ensure that funds intended for local transportation sales tax counties were delivered to those counties.

OCTA POSITION:

Staff recommends: SUPPORT

SENATE BILL No. 872

Introduced by Senator Ackerman

February 23, 2007

An act to add Chapter 16 (commencing with Section 2600) to Division 3 of the Streets and Highways Code, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

SB 872, as introduced, Ackerman. State-Local Partnership Program.

Existing law provides various sources of funding for transportation capital projects. Proposition 1B, approved by the voters at the November 7, 2006, statewide general election, enacts the Highway Safety, Traffic Reduction, Air quality, and Port Security Bond Act of 2006, which authorizes the issuance of $19.925 billion of general obligation bonds for various transportation purposes, including $1 billion for the State-Local Partnership Program Account, to be allocated by the California Transportation Commission over a 5-year period to eligible transportation projects nominated by transportation agencies, subject to appropriation by the Legislature.

This bill would create the State-Local Partnership Program and state the intent of the Legislature to appropriate $200,000,000 per year for 5 years beginning in the 2010–11 fiscal year. The bill would provide for allocation of state funds to eligible highway and mass transit guideway projects nominated by local agencies that are to be funded with at least 50% of local funds derived from a locally imposed transportation sales tax. The bill would specify the process for applying for, receiving, and expending these funds. The bill would state the intent of the Legislature in that regard.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Chapter 16 (commencing with Section 2600) is added to Division 3 of the Streets and Highways Code, to read:

CHAPTER 16. STATE-LOCAL PARTNERSHIP PROGRAM

2600. (a) It is the intent of the Legislature to initiate a state-local partnership program for financing transportation improvement projects, as a successor to the former program created through enactment of Chapter 105 of the Statutes of 1989. Locally funded and constructed highway and exclusive mass transit guideway projects will provide economic and transportation benefits for the state and, therefore, it is appropriate to provide state matching funds for these projects.

(b) The state-local partnership program is hereby created to carry out the intent of subdivision (a). The Legislature intends to appropriate two hundred million dollars ($200,000,000) per year beginning with the 2010–11 fiscal year to implement this program.

2601. For the purposes of this chapter, the following terms have the following meanings:

(a) "Applicant" means a city, county, or any local entity that is authorized to impose taxes or fees and that has responsibility for constructing highways or guideways.

(b) "Commission" means the California Transportation Commission.

(c) "Eligible project" means a local road, state highway, or exclusive public mass transit guideway improvement project that meets all of the following conditions:

(1) Upon completion of the project, it would constitute a usable segment that would increase the capacity of the highway or guideway or would extend service to new areas.

(2) The applicant has committed, or is capable of committing, to pay the local share from local funds to complete the project.

(3) The project is sponsored or cosponsored by the appropriate transportation planning agency, county transportation commission or authority, or congestion management agency.

(4) The project is not receiving any other state funds.

(5) The project has a minimum cost of twenty-five million dollars ($25,000,000).

(6) The applicant has completed, or is capable of completing, all project development work so that the contracts for the project can be awarded no later than June 30 of the fiscal year following the year in which the funds are appropriated.

(7) Improvements to state highways are consistent with state and federal standards, are designed to minimize long-term maintenance costs, and are approved by the department.

(d) "Local funds" means revenues from any locally imposed sales tax for transportation.

(e) "Local share" means the total cost of completing the project less any state matching funds applied for through this program and any federal funds. The local share of the project shall constitute at least 50 percent of the total project cost.

(f) "State share" means the amount of state funds applied for, which in no case may exceed the local share. The state share shall not be subject to Section 188 or 188.8.

2062. The state-local partnership program shall be implemented under the following procedures:

(a) Applicants shall submit eligible projects for the five-year period 2010–11 to 2015–16, inclusive, to the department no later than September 30, 2009.

(b) The department shall review the applications for consistency with the requirements of this chapter and shall compile a list of all eligible projects no later than January 31, 2010.

(c) The commission shall approve the list of projects no later than April 1, 2010.

(d) The Legislature intends to appropriate a maximum of two hundred million dollars ($200,000,000) in each fiscal year for five years beginning with the 2010–11 fiscal year.

(e) The applicant shall let construction contracts no later than June 30 of the fiscal year following the year in which the funds are appropriated. If the applicant fails to meet contracting or funding obligations pursuant to this chapter, the funds shall revert to the commission for reallocation.

(f) The funds appropriated shall be expended no later than June 30, 2018.

2063. The approved state-local partnership program may be amended pursuant to this section if an applicant is unable to meet its funding or contract award obligations in the time required, pursuant to the following procedures:

(a) Applicants shall submit eligible projects by September 30 of the fiscal year following the fiscal year the funds are returned.

(b) The department shall review the applications for consistency with the requirements of this chapter and shall compile a list of all eligible projects no later than November 30.

(c) The commission shall approve the list of projects no later than January 31.

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ATTACHMENT D

BILL: SB 974 (Lowenthal, D-Long Beach)
Introduced February 23, 2007

SUBJECT: Imposes a $30 per container fee at the Ports of Los Angeles, Long Beach, and Oakland to address congestion and air quality impacts related to goods movement

STATUS: Set for hearing before the Senate Transportation and Housing Committee on April 17, 2006

SUMMARY AS OF MARCH 26, 2007:

SB 974 imposes a $30 fee per container on goods coming through the Ports of Long Beach, Los Angeles, and Oakland to address congestion and air quality impacts related to goods movement, beginning on January 1, 2009. The funds would be distributed with 50 percent going to congestion relief and the other 50 percent going to mitigation. Separate accounts would be established and maintained for Northern and Southern California based on funds collected at the respective ports in the region.

The bill allocates funding authority to the California Transportation Commission (CTC) for the congestion relief projects and to the California Air Resources Board (CARB) for the mitigation projects. The bill contains a prohibition against the transfer or loan of these funds to the state General Fund.

It also contains guidance for the CTC to consider projects along the entire Southern California corridor serving Los Angeles and Long Beach ports, including the Alameda Corridor East. Projects such as grade crossings, expanded rail capacity, on-dock rail improvements, and areas such as the Colton Crossing, are specifically identified for funding. The list of projects must be adopted by the CTC by September 1, 2008, and once the projects are completed, the container fee can no longer be collected.

SB 974 also contains provisions which prohibit the use of the congestion relief funds to construct, maintain or improve highways except where necessary to create grade crossings or otherwise separate container traffic from general motor vehicle traffic.

With respect to the air quality funds, SB 974 specifies that by September 1, 2008, CARB must adopt a list of projects consistent with the Emission Reduction Plan adopted by the state in April 2006. It further specifies that funding can also be provided to meet the goals of the San Pedro Bay Clean Air Action Plan. Once the emission reduction goals are met, the container fee will no longer be assessed.

A similar bill by Senator Lowenthal was introduced last year but was vetoed by the Governor. The veto message cited his reasons as being a lack of accountability for the funds and that the legislation only targeted Southern California ports. Senator Lowenthal believes these issues have been addressed in SB 974.

EFFECTS ON ORANGE COUNTY:

The Southern California counties of Ventura, Los Angeles, Orange, Riverside, San Bernardino, Imperial, and San Diego serve as a major gateway for our nation's trade. Thirty-three percent of all international container cargo imported into the United States passes through our region's ports. According to ports' statistics, the San Pedro Bay ports of Los Angeles and Long Beach moved 14.2 million 20-foot equivalent units (TEUs – a standard measure of shipping units one sees on rail cars and trucks) in 2005, an 8 percent increase over 2004 when the two ports handled 13.1 million. Freight volumes at the ports are expected to double within 20 years.

Orange County has a significant level of goods movement traffic because it serves as a bridge between Los Angeles County and the Inland Empire. Currently, the Burlington Northern Santa Fe (BNSF) Railway mainline between Los Angeles and San Bernardino counties carries an estimated 70 daily freight trains through northern Orange County through parts of the cities of Yorba Linda, Anaheim, Buena Park, Fullerton, and Placentia. By 2025, this line will carry an estimated 150 daily freight trains, and over $910 million in grade separation projects have been identified countywide to address freight train volume.

Given the county's well-developed freeway system, goods movement-related truck volumes will also continue to grow. The Santa Ana Freeway (Interstate 5), Riverside Freeway (State Route 91), Orange Freeway (State Route 57), and Costa Mesa Freeway (State Route 55) currently can achieve average daily volumes between 15,000 and 22,000 trucks.

While transportation and elected officials see the need for an expansion of our trade infrastructure in order to maintain our region's economic growth and competitiveness, the mitigation of the noise, traffic, and health effects on communities along and in the proximity to freight movement corridors has also become an essential issue as part of goods movement policy discussions.

Although Proposition 1B was approved and included a $3.1 billion fund that was established for a California Ports Infrastructure, Security, and Air Quality Improvement Account, the needs in the region are far greater than the bond can address and additional revenue sources may need to be reviewed. Additionally, the bond funds require a one-to-one match and a container fee would be eligible as such a match, allowing more communities to utilize the Proposition 1B funds.

OCTA POSITION:

Staff recommends: SUPPORT

SENATE BILL No. 974

Introduced by Senator Lowenthal
(Principal coauthor: Assembly Member De La Torre)
(Coauthors: Assembly Members Carter and Karnette)

February 23, 2007

An to add Article 10 (commencing with Section 63049.70) to Chapter 2 of Division 1 of Title 6.7 of the Government Code, to amend and renumber Section 1760 of, to add a heading to Chapter 1 (commencing with Section 1720) of, and to add Chapter 2 (commencing with Section 1740) to, Part 2 of Division 6 of, the Harbors and Navigation Code, relating to ports, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 974, as introduced, Lowenthal. Ports: congestion relief: environmental mitigation: regulatory fee.

(1) Existing law regulates the operation of ports and harbors.

This bill would require the Ports of Los Angeles, Long Beach, and Oakland to collect a user fee on the owner of container cargo moving through the Port of Los Angeles, the Port of Long Beach, or the Port of Oakland at a rate of $30 per twenty-foot equivalent unit (TEU).

The bill would require the Ports of Los Angeles and Long Beach to transmit ½ of the funds derived from imposition of the fee to the Southern California Port Congestion Relief Trust Fund, which the bill would establish in the State Treasury, and ½ to the Southern California Port Mitigation Relief Trust Fund, which the bill would establish in the State Treasury. The bill would require the Port of Oakland to transmit ½ of the funds derived from imposition of the fee to the Northern California Port Congestion Relief Trust Fund, which the bill would establish in the State Treasury, and ½ to the Northern California Port

Mitigation Relief Trust Fund, which the bill would establish in the State Treasury.

The bill would require the moneys transmitted to the Southern California Port Congestion Relief Trust Fund and the Northern California Port Congestion Relief Trust Fund to be available, upon appropriation, for expenditure by the California Transportation Commission exclusively for the purposes of funding projects that improve the flow and efficiency of container cargo to and from those ports, and funding the administrative costs of this program. The bill would prohibit moneys deposited in those funds from being loaned or transferred to, or allocated or appropriated in any other way to, the General Fund. The bill would prohibit the commission from using the funds to construct, maintain, or improve highways, with certain exceptions.

The bill would require the moneys transmitted to the Southern California Port Mitigation Relief Trust Fund and the Northern California Port Mitigation Relief Trust Fund to be available, upon appropriation, for expenditure by the State Air Resources Board to develop a list of projects to mitigate environmental pollution caused by the movement of cargo to and from those ports, and for the administration of this program. The bill would prohibit moneys deposited in those funds from being loaned or transferred to, or allocated or appropriated in any other way to, the General Fund.

The bill would establish a state-mandated local program by imposing these additional duties upon the ports.

(2) Existing law sets forth the duties of the Infrastructure and Economic Development Bank and its board of directors generally in performing various financing transactions, including the issuance of bonds.

This bill would authorize the bank to enter into financing agreements with participating parties to finance or refinance Southern California and Northern California port congestion relief projects and Southern California and Northern California port mitigation relief projects. The bank would be authorized to issue revenue bonds. User fees on container ships from the Southern and Northern California Port Congestion Relief Trust Funds and the Southern and Northern California Mitigation Relief Trust Funds would be continuously appropriated to the bank to secure any revenue bonds.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Article 10 (commencing with Section 63049.70) is added to Chapter 2 of Division 1 of Title 6.7 of the Government Code, to read:

Article 10. Financing of Port Congestion Relief and Port Mitigation Relief

63049.70. The definitions contained in this section are in addition to the definitions contained in Section 63010 and together with the definitions contained in that section shall govern the construction of this article, unless the context requires otherwise:

(a) "Credit facility" means all obligations, including principal, interest, fees, costs, indemnities, and all other amounts incurred by the bank under or in connection with any credit enhancement or liquidity agreement, including a letter of credit, standby purchase agreement, reimbursement agreement, liquidity facility, or other similar arrangement entered into by the bank.

(b) "Northern California port congestion relief container fee revenue" means all of the following:

(1) Income and receipts derived by the bank from Northern California port congestion relief container fees.

(2) Interest and other income from investment of money in any fund or account established pursuant to an indenture for Northern California Port Congestion Relief Container Fee Revenue Bonds, other than any fund established to rebate investment earnings to the federal government.

(A) Amounts on deposit in these funds and accounts, other than any fund or account established to rebate investment earnings to the federal government and any fund or account established to

hold the proceeds of a drawing on any liquidity or credit support facility for these bonds.

(B) Net income and net receipts derived by the bank on account of interest rate swaps with respect to these bonds.

(c) "Northern California Port Congestion Relief Container Fee Revenue Bonds" means revenue bonds issued pursuant to this article that are payable from Northern California port congestion relief container fee revenue.

(d) "Northern California port congestion relief container fees" means all user fees that are imposed pursuant to Section 1747 of the Harbors and Navigation Code and remitted to the Northern California Port Congestion Relief Trust Fund in the State Treasury.

(e) "Northern California port congestion relief project" means each project for public development facilities and economic development facilities for which the expenditure of funds has been approved by the California Transportation Commission pursuant to Section 1751 of the Harbors and Navigation Code.

(f) "Northern California port mitigation relief container fee revenue" means all of the following:

(1) Income and receipts derived by the bank from Northern California port mitigation relief container fees.

(2) Interest and other income from investment of money in any fund or account established pursuant to an indenture for Northern California Port Mitigation Relief Container Fee Revenue Bonds, other than any fund established to rebate investment earnings to the federal government.

(A) Amounts on deposit in these funds and accounts, other than any fund or account established to rebate investment earnings to the federal government and any fund or account established to hold the proceeds of a drawing on any liquidity or credit support facility for these bonds.

(B) Net income and net receipts derived by the bank on account of interest rate swaps with respect to these bonds.

(g) "Northern California Port Mitigation Relief Container Fee Revenue Bonds" means revenue bonds issued pursuant to this article that are payable from Northern California port mitigation relief container fee revenue.

(h) "Northern California port mitigation relief container fees" means all user fees that are imposed pursuant to Section 1747 of

the Harbors and Navigation Code and remitted to the Northern California Port Mitigation Relief Trust Fund in the State Treasury.

(i) "Northern California port mitigation relief project" means each project for public development facilities and economic development facilities for which the expenditure of funds has been approved by the State Air Resources Board pursuant to Section 1753 Harbors and Navigation Code.

(j) "Southern California port congestion relief container fee revenue" means all of the following:

(1) Income and receipts derived by the bank from Southern California port congestion relief container fees.

(2) Interest and other income from investment of money in any fund or account established pursuant to an indenture for Southern California Port Congestion Relief Container Fee Revenue Bonds, other than any fund established to rebate investment earnings to the federal government.

(A) Amounts on deposit in these funds and accounts, other than any fund or account established to rebate investment earnings to the federal government and any fund or account established to hold the proceeds of a drawing on any liquidity or credit support facility for these bonds.

(B) Net income and net receipts derived by the bank on account of interest rate swaps with respect to these bonds.

(k) "Southern California Port Congestion Relief Container Fee Revenue Bonds" means revenue bonds issued pursuant to this article that are payable from Southern California port congestion relief container fee revenue.

(*l*) "Southern California port congestion relief container fees" means all user fees that are imposed pursuant to Sections 1745 and 1746 of the Harbors and Navigation Code and remitted to the Southern California Port Congestion Relief Trust Fund in the State Treasury.

(m) "Southern California port congestion relief project" means each project for public development facilities and economic development facilities for which the expenditure of funds has been approved by the California Transportation Commission pursuant to Section 1750 of the Harbors and Navigation Code.

(n) "Southern California port mitigation relief container fee revenue" means all of the following:

(1) Income and receipts derived by the bank from Southern California port mitigation relief container fees.

(2) Interest and other income from investment of money in any fund or account established pursuant to an indenture for Southern California Port Mitigation Relief Container Fee Revenue Bonds, other than any fund established to rebate investment earnings to the federal government.

(3) Amounts on deposit in these funds and accounts, other than any fund or account established to rebate investment earnings to the federal government and any fund or account established to hold the proceeds of a drawing on any liquidity or credit support facility for these bonds.

(4) Net income and net receipts derived by the bank on account of interest rate swaps with respect to these bonds.

(o) "Southern California Port Mitigation Relief Container Fee Revenue Bonds" means revenue bonds issued pursuant to this article that are payable from Southern California port mitigation relief container fee revenue.

(p) "Southern California port mitigation relief container fees" means all user fees that are imposed pursuant to Sections 1745 and 1746 of the Harbors and Navigation Code and remitted to the Southern California Port Mitigation Relief Trust Fund in the State Treasury.

(q) "Southern California port mitigation project" means each project for public development facilities and economic development facilities for which the expenditure of funds has been approved by the State Air Resources Board pursuant to Section 1752 of the Harbors and Navigation Code.

63049.71. (a) The bank may enter into financing agreements with participating parties for the purpose of financing or refinancing Southern California port congestion relief projects and Southern California port mitigation relief projects.

(b) The bank may issue bonds pursuant to this chapter as Southern California Port Congestion Relief Container Fee Revenue Bonds to finance or refinance Southern California port congestion relief projects and as Southern California Port Mitigation Relief Container Fee Revenue Bonds to finance or refinance Southern California port mitigation relief projects. The aggregate principal amount of the bonds that may be issued is unlimited, but the aggregate principal amount of the bonds that may be outstanding

at any one time is five billion dollars ($5,000,000,000). The revenue bonds may also be issued to finance necessary reserves, capitalized interest, credit enhancement costs, and costs of issuance of the revenue bonds. The last date for payment of principal of any revenue bond may not be more than 30 years after the date of issuance of the revenue bond.

(c) Principal of and interest and redemption premiums on Southern California Port Congestion Relief Container Fee Revenue Bonds and Southern California port mitigation relief container fee revenue bonds shall be payable from, and secured by, Southern California port congestion relief container fee revenue and Southern California port mitigation relief container fee revenue, respectively, as and to the extent provided in the constituent instruments defining the rights of the holders of the bonds.

63049.72. (a) The bank may enter into financing agreements with participating parties for the purpose of financing or refinancing Northern California port congestion relief projects and Northern California port mitigation relief projects.

(b) The bank may issue bonds pursuant to this chapter as Northern California Port Congestion Relief Container Fee Revenue Bonds to finance or refinance Northern California port congestion relief projects and as Northern California Port Mitigation Relief Container Fee Revenue Bonds to finance or refinance Northern California Port Mitigation relief projects. The aggregate principal amount of the bonds that may be issued is unlimited, but the aggregate principal amount of the bonds that may be outstanding at any one time is five billion dollars ($5,000,000,000). The revenue bonds may also be issued to finance necessary reserves, capitalized interest, credit enhancement costs, and costs of issuance of the revenue bonds. The last date for payment of principal of any revenue bond may not be more than 30 years after the date of issuance of the revenue bond.

(c) Principal of and interest and redemption premiums on Northern California Port Congestion Relief Container Fee Revenue Bonds and Northern California port mitigation relief container fee revenue bonds shall be payable from, and secured by, Northern California port congestion relief container fee revenue and Northern California port mitigation relief container fee revenue, respectively, all as and to the extent provided in the constituent instruments defining the rights of the holders of the bonds.

63049.73. (a) The bank may pledge all or any portion of the Southern California port congestion relief container fees to secure Southern California Port Congestion Relief Container Fee Revenue Bonds, and credit facilities for these bonds, and all or any portion of the Southern California port mitigation relief container fees to secure Southern California port mitigation relief container fee revenue bonds, and credit facilities for these bonds. All Southern California port congestion relief container fees and Southern California port mitigation relief container fees so pledged are hereby continuously appropriated, notwithstanding Section 13340, without regard to fiscal years, to the bank, and, if the bank so directs, shall be paid to the indenture trustee for these bonds each month, from the Southern California Port Congestion Relief Trust Fund and the Southern California Port Mitigation Relief Trust Fund for so long as any of the bonds are outstanding. Any Southern California port congestion relief container fees and Southern California port mitigation relief container fees that are not required to be retained by the indenture trustee pursuant to the constituent instruments defining the rights of the holders of the bonds shall be remitted by the indenture trustee to the Southern California Port Congestion Relief Trust Fund and the Southern California Port Mitigation Relief Trust Fund and shall be disbursed at the request and direction of the California Transportation Commission and the State Air Resources Board, respectively, for Southern California congestion relief projects and Southern California port mitigation projects that are not being financed with revenue bonds issued by the bank, and these funds are hereby continuously appropriated, notwithstanding Section 13340, without regard to fiscal years, for that purpose.

(b) The state hereby pledges to and agrees with the holders of revenue bonds issued pursuant to this article, and each provider of a letter of credit, standby purchase agreement, reimbursement agreement, liquidity facility, or other similar arrangement for the benefit of the revenue bonds, that the state will not limit, alter, or restrict each pledge of Southern California port congestion relief container fees and Southern California port mitigation relief container fees permitted hereby and any other terms of any agreement made with or for the benefit of the holders of the revenue bonds or the providers or in any way impair the rights or

remedies of the holders of the bonds or the providers or reduce or terminate the fees while any the bonds remain outstanding.

63049.74 (a) The bank may pledge all or any portion of the Northern California port congestion relief container fees to secure Northern California Port Congestion Relief Container Fee Revenue Bonds, and credit facilities for these bonds, and all or any portion of the Northern California port mitigation relief container fees to secure Northern California Port Mitigation Relief Container Fee Revenue Bonds, and credit facilities for these bonds. All Northern California port Congestion relief container fees and Northern California port mitigation relief container fees so pledged are hereby continuously appropriated, notwithstanding Section 13340, without regard to fiscal years, to the bank, and, if the bank so directs, shall be paid to the indenture trustee for the bonds each month, from the Northern California Port Congestion Relief Trust Fund and the Northern California Port Mitigation Relief Trust Fund for so long as any of the bonds are outstanding. Any Northern California port congestion relief container fees and Northern California port mitigation relief container fees that are not required to be retained by the indenture trustee pursuant to the constituent instruments defining the rights of the holders of the bonds shall be remitted by the indenture trustee to the Northern California Port Congestion Relief Trust Fund and the Northern California Port Mitigation Relief Trust Fund and shall be disbursed at the request and direction of the California Transportation Commission and the State Air Resources Board, respectively, for Northern California port congestion relief projects and Northern California port mitigation relief projects that are not being financed with revenue bonds issued by the bank, and these funds are hereby continuously appropriated, notwithstanding Section 13340, without regard to fiscal years, for that purpose.

(b) The state hereby pledges to and agrees with the holders of revenue bonds issued pursuant to this article, and each provider of a letter of credit, standby purchase agreement, reimbursement agreement, liquidity facility, or other similar arrangement for the benefit of the revenue bonds, that the state will not limit, alter, or restrict each pledge of Northern California port congestion relief container fees and Northern California port mitigation relief container fees permitted hereby and any other terms of any agreement made with or for the benefit of the holders of the

revenue bonds or the providers or in any way impair the rights or remedies of the holders of the bonds or the providers or reduce or terminate the fees while any the bonds remain outstanding.

63049.75 Notwithstanding any other provision of law, Article 3 (commencing with Section 63040), Article 4 (commencing with Section 63042), and Article 5 (commencing with Section 63043) of this chapter do not apply to any financing provided by the bank pursuant to this article, and the principal amount of revenue bonds issued pursuant to this article and Chapter 5 (commencing with Section 63070) shall not count against the limit stated in the first sentence of subdivision (b) of Section 63071.

SEC. 2. The heading of Chapter 1 (commencing with Section 1720) is added to Part 2 of Division 6 of the Harbors and Navigation Code, immediately preceding Section 1720, to read:

CHAPTER 1. PORT FACILITY CONSTRUCTION

SEC. 3. Chapter 2 (commencing with Section 1740) is added to Part 2 of Division 6 of the Harbors and Navigation Code, to read:

CHAPTER 2. PORT CONGESTION RELIEF AND PORT MITIGATION RELIEF

Article 1. General Provisions

1740. The Legislature hereby finds and declares all of the following:

(a) There is a need to mitigate the enormous burden imposed on the highway transportation system serving the Ports of Los Angeles, Long Beach, and Oakland by the overland movement of cargo shipped from and to those ports.

(b) The operation of the ports causes environmental pollution that requires mitigation.

(c) The improvement of goods movement infrastructure would benefit the owners of container cargo moving through the ports by allowing the owners of the cargo to move container cargo more efficiently and to move more cargo through those ports.

(d) The reduction of goods movement pollution would benefit the owners of container cargo moving through the ports by meeting

federal air quality standards, which will allow for continued federal funding of goods movement infrastructure projects.

(e) Accordingly, it is the intent of the Legislature to alleviate these burdens by imposing a fee on shipping containers processed through those ports and using the funds derived from that fee to do both of the following:

(1) Improve the rail system that serves as an alternative to shipping on the highway by commercial vehicle, including, but not limited to, the ondock rail facilities at those ports.

(2) Mitigate the environmental pollution caused by port operations.

1741. (a) There is hereby established in the State Treasury the Southern California Port Congestion Relief Trust Fund.

(b) There is hereby established in the State Treasury the Northern California Port Congestion Relief Trust Fund.

(c) There is hereby established in the State Treasury the Southern California Port Mitigation Relief Trust Fund.

(d) There is hereby established in the State Treasury the Northern California Port Mitigation Relief Trust Fund.

1743. For purposes of this chapter, the following definitions apply:

(a) "Board" means the State Air Resources Board.

(b) "Commission" means the California Transportation Commission.

(c) "Northern California Congestion Fund" means the Northern California Port Congestion Relief Trust Fund.

(d) "Northern California Mitigation Fund" means the Northern California Port Mitigation Relief Trust Fund.

(e) "Port" means the Port of Los Angeles, Port of Long Beach, or Port of Oakland, as appropriate.

(f) "Southern California Congestion Fund" means the Southern California Port Congestion Relief Trust Fund.

(g) "Southern California Mitigation Fund" means the Southern California Port Mitigation Relief Trust Fund.

Article 2. User Fee

1745. (a) Beginning January 1, 2008, the Port of Los Angeles shall develop a process for notifying the owner of, and collecting

a user fee from the owner of, container cargo moving through the port.

(b) No later than June 1, 2008, the port shall notify the owner of cargo moving through the port that it will be assessed a user fee not to exceed thirty dollars ($30) per twenty-foot equivalent unit (TEU). The notice shall include, but not be limited to, the process for payment of the user fee, the frequency for payment of the user fee, and that the user fee is being assessed to improve the goods movement infrastructure serving the port, to reduce pollution from all forms of equipment, vehicles, locomotives, and ships that operate at the port and bring containers to and from the port.

(c) Beginning January 1, 2009, the port shall assess a user fee on the owner of container cargo moving through the port not to exceed thirty dollars ($30) per TEU. The port shall collect the fee at least twice a year.

(1) The port shall remit one-half of the user fee to the Southern California Congestion Fund. Upon appropriation, moneys deposited in that fund shall be available for expenditure by the commission exclusively for the purposes of funding projects that improve the flow and efficiency of container cargo to and from the Port of Los Angeles, and to fund the administrative costs of this program. Moneys deposited in that fund shall not be loaned or transferred to, or allocated or appropriated in any other way to, the General Fund.

(2) The port shall remit one-half of the user fee to the Southern California Mitigation Fund. Upon appropriation, moneys deposited in that fund shall be available for expenditure by the board to mitigate environmental pollution caused by the movement of cargo to and from the Port of Los Angeles by commercial motor vehicles, oceangoing vessels, and rail, and to fund the administrative costs of this program. Moneys deposited in that fund shall not be loaned or transferred to, or allocated or appropriated in any other way to, the General Fund.

(d) The port may contract with PierPass for the collection of the user fee authorized pursuant to this section.

1746. (a) Beginning January 1, 2008, the Port of Long Beach shall develop a process for notifying the owner of, and collecting a user fee from the owner of, container cargo moving through the port.

(b) No later than June 1, 2008, the port shall notify the owner of cargo moving through the port that it will be assessed a user fee not to exceed thirty dollars ($30) per twenty-foot equivalent unit (TEU). The notice shall include, but not be limited to, the process for payment of the user fee, the frequency for payment of the user fee, and that the user fee is being assessed to improve the goods movement infrastructure serving the port, to reduce pollution from all forms of equipment, vehicles, locomotives, and ships that operate at the port and bring containers to and from the port.

(c) Beginning January 1, 2009, the port shall assess a user fee on the owner of container cargo moving through the port not to exceed thirty dollars ($30) per TEU. The port shall collect the fee at least twice a year.

(1) The port shall remit one-half of the user fee to the Southern California Congestion Fund. Upon appropriation, moneys deposited in that fund shall be available for expenditure by the commission exclusively for the purposes of funding projects that improve the flow and efficiency of container cargo to and from the Port of and Long Beach, and to fund the administrative costs of this program. Moneys deposited in that fund shall not be loaned or transferred to, or allocated or appropriated in any other way to, the General Fund.

(2) The port shall remit one-half of the user fee to the Southern California Mitigation Fund. Upon appropriation, moneys deposited in that fund shall be available for expenditure by the board to mitigate environmental pollution caused by the movement of cargo to and from the Port of Long Beach by commercial motor vehicles, oceangoing vessels, and rail, and to fund the administrative costs of this program. Moneys deposited in that fund shall not be loaned or transferred to, or allocated or appropriated in any other way to, the General Fund.

(d) The port may contract with PierPass for the collection of the user fee authorized pursuant to this section.

1747. (a) Beginning January 1, 2008, the Port of Oakland shall develop a process for notifying the owner of, and collecting a user fee from the owner of, container cargo moving through the port.

(b) No later than June 1, 2008, the port shall notify the owner of cargo moving through the port that it will be assessed a user fee not to exceed thirty dollars ($30) per twenty-foot equivalent unit (TEU). The notice shall include, but not be limited to, the process

for payment of the user fee, the frequency for payment of the user fee, and that the user fee is being assessed to improve the goods movement infrastructure serving the port, to reduce pollution from all forms of equipment, vehicles, locomotives, and ships that operate at the port and bring containers to and from the port.

(c) Beginning January 1, 2009, the port shall assess a user fee on the owner of container cargo moving through the port not to exceed thirty dollars ($30) per TEU. The port shall collect the fee at least twice a year.

(1) The port shall remit one-half of the user fee to the Northern California Congestion Fund. Upon appropriation, moneys deposited in that fund shall be available for expenditure by the commission exclusively for the purposes of funding projects that improve the flow and efficiency of container cargo to and from the Port of Oakland and to fund the administrative costs of this program. Moneys deposited in that fund shall not be loaned or transferred to, or allocated or appropriated in any other way to, the General Fund.

(2) The port shall remit one-half of the user fee to the Northern California Mitigation Fund. Upon appropriation, moneys deposited in that fund shall be available for expenditure by the board to mitigate environmental pollution caused by the movement of cargo to and from the port by commercial motor vehicles, oceangoing vessels, and rail, and to fund the administrative costs of this program. Moneys deposited in that fund shall not be loaned or transferred to, or allocated or appropriated in any other way to, the General Fund.

(d) The port may contract with PierPass for the collection of the user fee authorized pursuant to this section.

Article 3. Congestion Relief and Mitigation Relief Projects

1750. (a) Beginning January 1, 2008, the commission shall develop a list of projects that would improve the overall efficiency of container cargo movement to and from the Ports of Los Angeles and Long Beach by improving the rail system and container transportation systems that transport container cargo from and to those ports and the ondock rail facilities at those ports. In the process for selecting projects, the commission shall consult with the transportation commissions for the Counties of Los Angeles,

Orange, Riverside, San Bernardino, and Ventura, the Port of Los Angeles, the City of Los Angeles, the Port of Long Beach, the City of Long Beach, and the Southern California Association of Governments. The commission shall hold public hearings to seek further input on developing these projects.

(b) No later than September 1, 2008, the commission, at a public hearing, shall finalize a list of projects that would improve the overall efficiency of container cargo movement to and from the Ports of Los Angeles and Long Beach by improving the rail system and container transportation systems that transport container cargo from and to those ports and the ondock rail facilities at those ports. This will be the final list, of infrastructure projects at the Ports of Los Angeles and Long Beach, eligible to be funded by the user fee authorized pursuant to this chapter.

(c) Projects eligible to be on the final list shall not be used to construct, maintain, or improve highways, unless the highway or road improvement is part of a rail grade separation, or the highway improvement is done to separate container cargo from motor vehicle traffic by creating on-ramps or off-ramps for port container truck traffic.

(d) In awarding funds pursuant to this section, the commission shall give priority to those projects that have been designed to measurably reduce air pollution and environmental impacts to local communities, to assist in attaining state and federal air quality goals and enhance environmental performance while addressing the overall efficiency of container cargo movement.

(e) For all construction projects funded pursuant to this section, a contractor shall ensure that all mobile nonroad equipment used on the project will be equipped with a California Air Resources Board (CARB) verified diesel particulate filter that obtains at least an 85-percent reduction in emissions, unless any of the following circumstances exists, and the contractor is able to provide proof that any of these circumstances exists:

(1) A piece of specialized equipment is unavailable in a controlled form within the state, including through a leasing arrangement.

(2) A contractor has applied for incentive funds to put controls on a piece of uncontrolled equipment planned for use on the project, but the application is not yet approved, or the application has been approved, but funds are not yet available.

(3) A contractor has ordered a control device for a piece of equipment planned for use on the project, or has ordered a new piece of controlled equipment to replace the uncontrolled equipment, but that order has not been completed by the manufacturer or dealer, and the contractor has attempted to lease controlled equipment, but no dealer within 200 miles of the project has the controlled equipment available for lease.

(f) Projects eligible to be considered by the commission include, but are not limited to, all of the following:

(1) A project to separate at-grade crossings to reduce conflicts between trains and motor vehicles in Los Angeles, Orange, Riverside, and San Bernardino Counties, also known as the Alameda Corridor East Project.

(2) A project to improve rail capacity by adding additional tracks to existing rail lines in Los Angeles, Orange, Riverside, and San Bernardino Counties.

(3) A project to separate at-grade rail crossings in San Bernardino County, also known as the Colton crossing.

(4) A project to improve ondock rail infrastructure at the Ports of Los Angeles and Long Beach.

(g) In determining which projects to select, the commission shall also take into account the entire rail and trade corridor servicing the Ports of Los Angeles and Long Beach.

(h) The commission shall only use the funds received from the Southern California Congestion Fund to fund projects authorized pursuant to this section.

(i) Once the projects on the final list are completed and fully funded, the commission shall notify the Ports of Los Angeles and Long Beach that the infrastructure projects are completed and to no longer collect the one-half of the user fee for infrastructure projects. The commission may also make a finding that a project on the final list has either been funded by another source or is no longer worthy of funding.

1751. (a) Beginning January 1, 2008, the commission shall develop a list of projects that would improve the overall efficiency of container cargo movement to and from the Port of Oakland by improving the rail and container transportation systems that transport container cargo from and to that port and the ondock rail facilities at that port. In the process for selecting projects, the commission shall consult with the transportation commissions for

the Counties of Alameda and Contra Costa, the Port of Oakland, the City of Oakland, and the Bay Area Association of Governments. The commission shall hold public hearings to seek further input on developing these projects, including at least one hearing in the City of Oakland.

(b) No later than September 1, 2008, the commission, at a public hearing, shall finalize a list of projects that would improve the overall efficiency of container cargo movement to and from the Port of Oakland by improving the rail and container transportation systems that transport container cargo from and to that port and the ondock rail facilities at that port. This will be the final list, of infrastructure projects at the Port of Oakland, eligible to be funded by the user fee authorized pursuant to this chapter.

(c) Projects eligible to be on the final list shall not be used to construct, maintain, or improve highways, unless the highway or road improvement is part of a rail grade separation, or the highway improvement is done to separate container cargo from motor vehicle traffic by creating on-ramps or off-ramps for port container truck traffic.

(d) In awarding funds pursuant to this section, the commission shall give priority to those projects that have been designed to measurably reduce air pollution and environmental impacts to local communities, to assist in attaining state and federal air quality goals and enhance environmental performance while addressing the overall efficiency of container cargo movement.

(e) For all construction projects funded pursuant to this section, a contractor shall ensure that all mobile nonroad equipment used on the project will be equipped with a California Air Resources Board (CARB) verified diesel particulate filter that obtains at least an 85 percent reduction in emissions, unless any of the following circumstances exists, and the contractor is able to provide proof that any of these circumstances exists:

(1) A piece of specialized equipment is unavailable in a controlled form within the state, including through a leasing arrangement.

(2) A contractor has applied for incentive funds to put controls on a piece of uncontrolled equipment planned for use on the project, but the application is not yet approved, or the application has been approved, but funds are not yet available.

(3) A contractor has ordered a control device for a piece of equipment planned for use on the project, or has ordered a new piece of controlled equipment to replace the uncontrolled equipment, but that order has not been completed by the manufacturer or dealer, and the contractor has attempted to lease controlled equipment, but no dealer within 200 miles of the project has the controlled equipment available for lease.

(f) Projects eligible to be considered by the commission include, but are not limited to, projects to separate at-grade crossings to reduce conflicts between trains and motor vehicles and ondock rail improvements at the Port of Oakland.

(g) In determining which projects to select, the commission shall also take into account the entire rail and trade corridor servicing the Port of Oakland.

(h) The commission shall only use the funds received from the Northern California Congestion Fund to fund projects authorized pursuant to this section.

(i) Once the projects on the final list are completed and fully funded, the commission shall notify the Port of Oakland, that the infrastructure projects are completed and to no longer collect the one-half of the user fee for infrastructure projects. The commission may also make a finding that a project on the final list has either been funded by another source or is no longer worthy of funding.

1752. (a) Beginning January 1, 2008, the board shall develop a list of projects that reduce air pollution caused by the movement of container cargo to and from the Ports of Los Angeles and Long Beach. The projects on the list shall be consistent with the Emission Reduction Plan (ERP) adopted April 2006, and shall be designed to reduce air pollution at those ports in order to reach federal air quality attainment standards and to meet the ERP's goals for 2010, 2015, and 2020. In developing the list, the board shall consult with the South Coast Air Quality Management District, the Gateway Council of Governments, and the Ports of Los Angeles and Long Beach.

(b) The board shall work with the South Coast Air Quality Management District, the Port of Long Beach, and the Port of Los Angeles in order to ensure that projects within the San Pedro Bay Clean Air Action Plan are completed or implemented. The board may provide funding to the district or the ports in order to achieve the goals of the plan.

(c) No later than September 1, 2008, the board, at a public hearing, shall finalize a list of projects that meet the ERP's goals for 2010, 2015, and 2020, in order to meet federal air quality attainment standards.

(d) The board may determine, at a public hearing, that the emission reduction goals for 2020 have been met or exceeded and that federal air quality standards have been met in the South Coast Air Basin, and once the determination is made, and ensuring that all approved projects have been funded, the board shall notify the Port of Los Angeles of this determination, and the Port of Los Angeles shall no longer collect the one-half of the user fee for air quality projects meant to reach these goals and federal air quality attainment standards.

(e) The board may determine, at a public hearing, that the emission reduction goals for 2020 have been met or exceeded and that federal air quality standards have been met in the South Coast Air Basin, and once the determination is made, and ensuring that all approved projects have been funded, the board shall notify the Port of Long Beach of this determination, and the Port of Long Beach shall no longer collect the one-half of the user fee for air quality projects meant to reach these goals and federal air quality attainment standards.

(f) The board shall only use the funds received from the Southern California Mitigation Fund to fund projects authorized pursuant to this section.

1753. (a) Beginning January 1, 2008, the board shall develop a list of projects that reduce air pollution caused by the movement of container cargo to and from the Port of Oakland. The projects on the list shall be consistent with the Emission Reduction Plan (ERP) adopted April 2006, and shall be designed to reduce air pollution at the port in order to reach federal air quality attainment standards and to meet the ERP's goals for 2010, 2015, and 2020. In developing the list, the board shall consult with the Bay Area Air Quality Management District and the Port of Oakland.

(b) If the Bay Area Air Quality Management District and the Port of Oakland develop a plan to reduce emissions from the Port of Oakland, then the board shall work with the district and the Port of Oakland in order to ensure that projects within the plan are completed or implemented. The board may provide funding to the district or the port in order to achieve the goals of the plan.

(c) No later than September 1, 2008, the board, at a public hearing, shall finalize a list of projects that meet the ERP's goals for 2010, 2015, and 2020, in order to meet federal air quality attainment standards.

(d) The board may determine, at a public hearing, that the emission reduction goals for 2020 have been met or exceeded and that federal air quality standards have been met within the Bay Area Air Quality Management District, and once the determination is made, and ensuring that all approved projects have been funded, the board shall notify the Port of Oakland of this determination, and the Port of Oakland shall no longer collect the one-half of the user fee for air quality projects meant to reach these goals and federal air quality attainment standards.

(e) The board shall only use the funds received from the Northern California Mitigation Fund to fund projects authorized pursuant to this section.

SEC. 4. Section 1760 of the Harbors and Navigation Code is amended and renumbered to read:

~~1760.~~

1730. (a) For purposes of this section, "council" means the California Marine and Intermodal Transportation System Advisory Council, a regional subunit of the Marine Transportation System National Advisory Council chartered by the federal Secretary of Transportation under the Federal Advisory Council Act (P.L. 92-463).

(b) The council is requested to do all of the following:

(1) Meet, hold public hearings, and compile data on issues that include, but need not be limited to, all of the following:

(A) The projected growth of each maritime port in the state.

(B) The costs and benefits of developing a coordinated state program to obtain federal funding for maritime port growth, security, and congestion relief.

(C) Impacts of maritime port growth on the state's transportation system.

(D) Air pollution caused by movement of goods through the state's maritime ports, and proposed methods of mitigating or alleviating that pollution.

(E) Maritime port security, including, but not limited to, training, readiness, certification of port personnel, exercise planning and

conduct, and critical marine transportation system infrastructure protection.

(F) A statewide plan for continuing operation of maritime ports in cooperation with the United States Coast Guard, the federal Department of Homeland Security, the Office of Emergency Services, the state Office of Homeland Security, and the California National Guard, consistent with the state's emergency management system and the national emergency management system, in the event of a major incident or disruption of port operations in one or more of the state's maritime ports.

(G) State marine transportation policy, legislation, and planning; regional infrastructure project funding; competitiveness; environmental impacts; port safety and security; and any other matters affecting the marine transportation system of the United States within, or affecting, the state.

(2) Identify all state agencies that are involved with the development, planning, or coordination of maritime ports in the state.

(3) Identify other states that have a statewide port master plan and determine whether that plan has assisted those states in improving their maritime ports.

(4) Compile all information obtained pursuant to paragraphs (1) to (3), inclusive, and submit its findings in a report to the Legislature not later than January 1, 2006. The report should include, but need not be limited to, recommendations on methods to better manage the growth of maritime ports and address the environmental impacts of moving goods through those ports.

(c) The activities of the council pursuant to this section shall not be funded with appropriations from the General Fund.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

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ATTACHMENT E

BILL: AJR 14 (Jeffries, R-Murrieta)
Introduced February 23, 2007

SUBJECT: Requests that the federal government utilize incremental growth in customs fees to fund goods movement related projects in trade-impacted states

STATUS: Set for hearing before the Assembly Jobs, Economic Development and the Economy Committee on April 17, 2006

SUMMARY AS OF MARCH 26, 2007:

AJR 14 would request that the federal government enact legislation that will ensure that a substantial increment of new revenues generated from customs duties and import fees be dedicated to mitigating the economic, mobility, security, and environmental impacts of trade in California and in other trade-impacted states.

The Southern California counties of Ventura, Los Angeles, Orange, Riverside, San Bernardino, Imperial, and San Diego serve as a major gateway for our nation's trade. Thirty-three percent of all international container cargo imported into the United States passes through our region's ports. According to ports' statistics, the San Pedro Bay ports of Los Angeles and Long Beach moved 14.2 million 20-foot equivalent units (TEUs – a standard measure of shipping units one sees on rail cars and trucks) in 2005, an 8 percent increase over 2004 when the two ports handled 13.1 million. Freight volumes at the ports are expected to double within 20 years.

In addition, the over $200 billion worth of goods transiting the ports generates over $16 billion in state and local taxes and provides an estimated 500,000 jobs in the logistics industry (e.g., trucking, railroads, and warehousing). While transportation and elected officials see the need for an expansion of our trade infrastructure in order to maintain our region's economic growth and competitiveness, the mitigation of the noise, traffic, and health effects on communities along and in the proximity to freight movement corridors has also become an essential issue as part of goods movement policy discussions.

Although Proposition 1B was approved and included $3.1 billion for goods movement and air quality projects, the needs in the region are far greater than the bond can address and additional revenue sources may need to be reviewed.

Funding generated from international trade should help mitigate the impacts of trade on local communities. AJR 14 requests that the federal government take action to allocate a portion of trade funds to mitigation.

EFFECTS ON ORANGE COUNTY:

Orange County has a significant level of goods movement traffic because it serves as a bridge between Los Angeles County and the Inland Empire. Given the region's increasing economic growth, freight movement activity within the County is expected to increase along the rail lines and freeways that traverse it. Currently, the Burlington Northern Santa Fe (BNSF) Railway mainline between Los Angeles and San Bernardino counties carries an estimated 70 daily freight trains through northern Orange County through parts of the cities of Yorba Linda, Anaheim, Buena Park, Fullerton, and Placentia. By 2025, this line will carry an estimated 150 daily freight trains. Staff has identified over $910 million in grade separation projects needed countywide to address freight train volume.

Additionally, goods movement-related truck volumes will also continue to grow. The Santa Ana Freeway (Interstate 5), Riverside Freeway (State Route 91), Orange Freeway (State Route 57), and Costa Mesa Freeway (State Route 55) currently can achieve average daily volumes between 15,000 and 22,000 trucks.

OCTA POSITION:

Staff recommends: SUPPORT

Assembly Joint Resolution No. 14

Introduced by Assembly Member Jeffries
(Coauthors: Assembly Members Adams, Benoit, Carter, Cook, Emmerson, Horton, Huff, and Maze)
(Coauthors: Senators Dutton, Negrete McLeod, and Wyland)

February 23, 2007

Assembly Joint Resolution No. 14—Relative to customs duties.

LEGISLATIVE COUNSEL'S DIGEST

AJR 14, as introduced, Jeffries. Customs duties and importation revenues.

This measure would memorialize the President and the Congress of the United States to enact legislation that will ensure that a substantial increment of new revenues derived from customs duties and importation fees be dedicated to mitigating the economic, mobility, security, and environmental impacts of trade in California and in other trade-affected states across the United States.

Fiscal committee: no.

WHEREAS, The goods movement and logistics industry in California employs one out of seven workers in the state, generating over $200 billion annually for the state's economy and contributing more than $16 billion a year in tax revenues to state and local governments; and

WHEREAS, California's agricultural, natural resources, and manufacturing industries exported more than $110 billion worth of goods in 2004, making up 13.5 percent of our nation's total exports; and

WHEREAS, Foreign trade is increasing rapidly, with the number of containers shipped through California's ports expected to double over the next 15 years, and triple in the next 20 years; and

WHEREAS, This increased foreign trade creates a benefit for our state's workers and our state's economy, but also places a burden on California's ports, railways, highways, and airports; and

WHEREAS, The existing port security infrastructure is not capable of adequately monitoring the volume of cargo entering the United States today, with less than 40 percent of containers receiving radiation screening, and only 5 percent of containers physically inspected. Without further investment in port security infrastructure and technology, increasing trade will only increase our homeland security risks; and

WHEREAS, The United States Customs and Border Protection Agency is responsible for collecting duties and importation fees that are generated by foreign trade, a figure that reached $24.7 billion in revenues for 2003, a number that is expected to rise to $40 billion or more by 2015; and

WHEREAS, California single-handedly generates over 20 percent of these trade revenues; and

WHEREAS, Over 98 percent of the revenues derived from trade are deposited directly into the United States Treasury General Fund Accounts; and

WHEREAS, Less than 1 percent of these trade revenues are dedicated directly to the Customs and Border Protection Agency to deal with the impacts of trade on congestion, homeland security, and the environment; and

WHEREAS, California's Goods Movement Action Plan has identified $47 billion worth of infrastructure needs to address mobility, environmental, and security concerns in this state throughout the state's four trade corridors: Los Angeles-Long Beach/Inland Empire, Bay Area, San Diego/Border, and Central Valley; and

WHEREAS, Other states with major trade centers are facing similar mobility, environmental, and security problems without sufficient revenues to mitigate these trade impacts, making this problem national in scope, and requiring a larger federal contribution to resolve these issues; and

WHEREAS, It is sound economic and environmental policy to invest trade revenues into trade infrastructure and mitigating trade impacts; now, therefore, be it

Resolved by the Assembly and the Senate of the State of California, jointly, That the Legislature of the State of California memorializes the President and the Congress of the United States to enact legislation that will ensure that a substantial increment of new revenues derived from customs duties and importation fees be dedicated to mitigating the economic, mobility, security, and environmental impacts of trade in California and in other trade-affected states across the United States; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the United States House of Representatives, to the Majority Leader in the Senate, to each Senator and Representative from California in the Congress of the United States, and to the author for appropriate distribution.

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ATTACHMENT F

Orange County Transportation Authority Legislative Matrix

(► Denotes changes from the last report)

OCTA Sponsored Legislation

► AB 256

AUTHOR: Huff (R)
TITLE: State Highway Operation and Protection Programs
INTRODUCED: 2/05/2007
HEARING: *4/09/2007 1:30 pm*
LOCATION: Assembly Transportation Committee
COMMENTARY:
Relates to the state highway operation and protection program. Appropriates to the department, from funds in the State Highway Account the amount identified for traffic safety projects.
STATUS:
3/12/2007 *In ASSEMBLY Committee on TRANSPORTATION: Not heard.*
Position: *Sponsor*

► AB 387

AUTHOR: Duvall (R)
TITLE: Design-Build: Transit Contracts
INTRODUCED: 2/15/2007
HEARING: *4/09/2007 1:30 pm*
LOCATION: Assembly
COMMENTARY:
Amends law that authorizes transit operators to enter into design-build contracts according to specified procedures. Provides that the prequalification process is optional for technology or surveillance procurements designed to enhance safety, disaster preparedness, and homeland security efforts. Authorizes transit operators to enter into design-build contract for transit projects that involve state highway construction or local street and road projects.
STATUS:
3/12/2007 *To ASSEMBLY Committees on TRANSPORTATION and BUSINESS AND PROFESSIONS.*
Position: *Sponsor*

► AB 1228

AUTHOR: Solorio (D)
TITLE: High-Speed Passenger Train Bond Act
INTRODUCED: 2/23/2007
LOCATION: ASSEMBLY
COMMENTARY:
Relates to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century. Provides that Anaheim is to be the Southern terminus of the initial segment of the high-speed train system. Provides that for the Anaheim-Irvine segment, no general obligation bond funds shall be available for construction, but that those funds shall be available only for eligible planning, environmental, and engineering costs.
STATUS:
3/22/2007 *To ASSEMBLY Committee on TRANSPORTATION.*
Position: *Co-Sponsor*

AB 1306

AUTHOR: Huff (R)
TITLE: Sales Tax on Gasoline
INTRODUCED: 2/23/2007
LOCATION: ASSEMBLY
COMMENTARY:
Reduces the portion of gasoline sales tax revenues that are deposited in the Public Transportation Account by eliminating what is commonly known as the spillover formula. Increase revenues from the sales tax on gasoline that are deposited in the General Fund. Requires those revenues to be transferred to the Transportation Investment Fund.
STATUS:
2/23/2007 INTRODUCED.
Position: *Sponsor*

SB 184

AUTHOR: Alquist (D) and Correa (D)
TITLE: Transportation Projects
INTRODUCED: 2/06/2007
HEARING: 3/27/2007 1:30 pm
LOCATION: Senate Transportation and Housing Committee
COMMENTARY:
Limits provisions of existing law that authorizes a regional or local entity that is the sponsor of, or is eligible to receive funding for, a project contained in the state transportation improvement program to expend its own funds for any component of a project within its jurisdiction that is included in an adopted state transportation improvement program, and for which the California Transportation Commission has not made an allocation to projects advanced for expenditure by an eligible entity.
STATUS:
2/15/2007 To SENATE Committee on TRANSPORTATION and HOUSING.
Position: Co-Sponsor

▶ SB 442

AUTHOR: Ackerman(R)
TITLE: Public Contracts: Transit Projects: Design-Build
INTRODUCED: 2/21/2007
LOCATION: Senate Transportation and Housing Committee
HEARING: *4/10/2007 1:30 pm*
COMMENTARY:
Amends existing law that authorizes transit operators to enter into design-build contracts. Specifies that such provisions apply only to transit projects, and that transit projects do not include highway construction or local street and road projects. Specifies that project include, but are not limited to, high-occupancy vehicle lane connecting the Garden Grove Freeway (State Route 22) to the San Diego (Interstate 405) and the San Gabriel (Interstate 605) freeways.
STATUS:
2/28/2007 To SENATE Committee on TRANSPORTATION AND HOUSING.
Position: *Sponsor*

Bills with Official Positions

▶ *AB 1457*

AUTHOR: *Huffman (D)*
TITLE: *Parks and Recreation: State Parks: Roads*
INTRODUCED: *2/23/2007*
LOCATION: *ASSEMBLY*
COMMENTARY:
Prohibits a state or local agency from making an improvement or extension to an existing road, that will physically encroach upon, traverse, bisect or impair the recreational value of a state park property.
STATUS:
2/23/2007 *INTRODUCED.*
Position: *Oppose*

Bills Being Monitored

Infrastructure Bond Bills

SB 9

AUTHOR: Lowenthal (D)
TITLE: Trade Corridor Improvement: Transportation Project
INTRODUCED: 12/04/2006
LOCATION: Senate Rules Committee
COMMENTARY:
Amends existing law, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act. Requires a sum to be transferred to the Trade Corridors Improvement Fund. Provides for infrastructure improvements along federally designated Trade Corridors of National Significance. Sets forth the intent of the Legislature to enact legislation that establishes a process for the selection of transportation projects.
STATUS:
1/18/2007 To SENATE Committee on RULES.

SB 19

AUTHOR: Lowenthal (D)
TITLE: Trade Corridor: Projects to Reduce Emissions: Funding
INTRODUCED: 12/04/2006
LOCATION: Senate Rules Committee
COMMENTARY:
Declares the intent of the Legislature to enact legislation that establishes conditions and criteria for projects funded under provisions of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.
STATUS:
1/18/2007 To SENATE Committee on RULES.

SB 45

AUTHOR: Perata (D)
TITLE: Transportation Funds for Capital Projects
INTRODUCED: 12/22/2006
LOCATION: Senate Rules Committee
COMMENTARY:
States the intent of the Legislature to enact legislation that would establish the application process for allocations from the Transit System Safety, Security, and Disaster Response Account.
STATUS:
1/18/2007 To SENATE Committee on RULES.

SB 47

AUTHOR: Perata (D)
TITLE: Transportation Bonds
INTRODUCED: 12/22/2006
LOCATION: Senate Rules Committee
COMMENTARY:
States the intent of the Legislature to enact provisions governing project eligibility, matching fund requirements, and the application process relative to allocation of bond proceeds of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to the State-Local Partnership Program.
STATUS:
1/18/2007 To SENATE Committee on RULES.

AB 32 (Greenhouse Gas Emissions) Implementation Bills

AB 6

AUTHOR: Houston (R)
TITLE: Greenhouse Gases: Market-Based Compliance Mechanisms
INTRODUCED: 12/04/2006
LOCATION: Assembly Natural Resources Committee
COMMENTARY:
Requires the State Air Resources Board to adopt market-based compliance mechanisms to reduce emissions of greenhouse gases.
STATUS:
2/01/2007 To ASSEMBLY Committee on NATURAL RESOURCES.

AB 109

AUTHOR: Nunez (D)
TITLE: Global Warming Solutions Act of 2006: Annual Report
INTRODUCED: 1/05/2007
LOCATION: Assembly Natural Resources Committee
COMMENTARY:
Requires the State Air Resources Board to report to the Legislature annually the status and progress of implementing the Global Warming Solutions Act of 2006. Requires the state to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to be achieved by 2020.
STATUS:
2/01/2007 To ASSEMBLY Committee on NATURAL RESOURCES.

AB 242

AUTHOR: Blakeslee (R)
TITLE: Energy Policy: Emissions of Greenhouse Gases
INTRODUCED: 2/01/2007
LOCATION: ASSEMBLY
COMMENTARY:
Makes legislative findings and declarations regarding the policy and intent of the state with regard to reductions in emissions of greenhouse gases.
STATUS:
2/01/2007 INTRODUCED.

Other Bills

► AB 38

AUTHOR: Nava (D)
TITLE: *Department of Emergency Services and Homeland Security*
LAST AMEND: *3/08/2007*
LOCATION: Assembly Governmental Organization Committee
COMMENTARY:
Merges the Office of Homeland Security and the Office of Emergency Services to establish the Department of Emergency Services and Homeland Security.
STATUS:
3/08/2007 *From ASSEMBLY Committee on GOVERNMENTAL ORGANIZATION with author's amendments.*
3/08/2007 *In ASSEMBLY. Read second time and amended. Re-referred to Committee on GOVERNMENTAL ORGANIZATION.*

► AB 57

AUTHOR: Soto (D)
TITLE: Highways: Safe Routes to School Construction Program
INTRODUCED: 12/04/2006
LOCATION: Assembly Transportation Committee
COMMENTARY:
Deletes the January 1, 2008, repeal date of the Safe Routes to School construction program, thereby extending the provisions indefinitely. Deletes the January 1, 2008, repeal date of provisions authorizing state and local entities to secure and expend federal funds for programs related to bicycles and pedestrian safety and traffic-calming measures in high-hazard locations.
STATUS:
3/26/2007 *From ASSEMBLY Committee on TRANSPORTATION: Do pass to Committee on APPROPRIATIONS.*

► AB 169

AUTHOR: Levine (D)
TITLE: Joint Powers Authorities: Indian Tribes
INTRODUCED: 1/23/2007
LOCATION: ASSEMBLY
HEARING: *5/02/2007 1:30 pm*
COMMENTARY:
Provides that 16 federally recognized Indian tribes may participate in the Southern California Association of Governments, a joint powers authority, for specified purposes and subject to specified conditions in the 6-county region of the Southern California Association of Governments.
STATUS:
3/12/2007 *To ASSEMBLY Committee on LOCAL GOVERNMENT.*

► *AB 1003*

AUTHOR: *Jeffries (R)*
TITLE: *Department of Transportation*
INTRODUCED: *2/22/2007*
LOCATION: *Assembly Transportation Committee*
COMMENTARY:
Provides that a local or regional agency that is contributing an unspecified portion of a state highway project's costs from local revenues may request the Department of Transportation to provide dedicated personnel or other resources pursuant to a special agreement between the agency and the department in order to expedite the department's review of the project.
STATUS:
3/12/2007 *To ASSEMBLY Committee on TRANSPORTATION.*

ACA 1

AUTHOR: Dymally (D)
TITLE: Elections: Redistricting
INTRODUCED: 12/04/2006
LOCATION: ASSEMBLY
COMMENTARY:
Proposes an amendment to the Constitution to require the appointment of the Independent Redistricting Commission that would be charged with establishing, by February 28 of each year ending in the number one, congressional, Assembly, Senate, and State Board of Equalization districts of equal population in compliance with the United States Constitution, pursuant to a mapping process for each district in accordance with specified goals.
STATUS:
12/04/2006 INTRODUCED.

ACA 2

AUTHOR: Walters (R)
TITLE: Eminent Domain
INTRODUCED: 12/04/2006
LOCATION: ASSEMBLY
COMMENTARY:
Proposes an amendment to the Constitution of the State to permit private property to be taken or damaged only for a stated public use and only when just compensation has been paid to, or into court for, the owner of the property. Prohibits, with respect to both new and pending eminent domain projects that involve the exercise of the power of eminent domain, a community redevelopment agency, commission, or joint powers agency that has the power of eminent domain from exercising such power unjustly.
STATUS:
12/04/2006 INTRODUCED.

ACA 3

AUTHOR: Gaines (R)
TITLE: Expenditure Limits
INTRODUCED: 12/04/2006
LOCATION: ASSEMBLY
COMMENTARY:
Limits total state General Fund and special fund expenditures to an annual increase of no more than the increase in the cost of living, multiplied by the percentage increase in state population. Requires excess revenues to be allocated in prescribed amounts to a reserve account, to the State School Fund, and to personal income taxpayers.
STATUS:
12/04/2006 INTRODUCED.

ACA 4

AUTHOR: Villines (R)
TITLE: Reapportionment
INTRODUCED: 12/04/2006
LOCATION: ASSEMBLY
COMMENTARY:
Requires the Independent Citizens' Commission on Redistricting, on or before February 1 of the year following the year in which the national census is taken, to adjust the boundary lines of the Senate, Assembly, congressional, and State Board of Equalization districts in conformance with certain standards, prioritized in a certain order consistent with specified federal law.
STATUS:
12/04/2006 IINTRODUCED.

► *AJR 14*

AUTHOR: *Jeffries (R)*
TITLE: *Customs Duties and Importation Revenues*
INTRODUCED: *2/23/2007*
LOCATION: *Assembly Jobs, Economic Development and The Economy*
HEARING: *4/17/2007 9:00 am*
COMMENTARY:
Memorializes the President and Congress to enact legislation that will ensure that a substantial increment of new revenues derived from customs duties and importation fees be dedicated to mitigating the economic, mobility, security, and environmental impacts of trade in this state and in other trade-affected states.
STATUS:
3/08/2007 *To ASSEMBLY Commission on JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY.*

► SB 33

AUTHOR: Simitian (D)
TITLE: Vehicles: Wireless Telephones and Mobile Service
LAST AMEND: *3/19/2007*
HEARING: 3/27/2007 1:30 pm
LOCATION: Senate Transportation and Housing Committee
COMMENTARY:
Prohibits a person under the age of 18 from driving a motor vehicle while using a wireless telephone equipped with a hands-free device or while using a mobile service device. Provides the prohibition would not apply to such a person using a wireless telephone or mobile service device for emergency purposes.
STATUS:
3/19/2007 *From SENATE Committee on TRANSPORTATION AND HOUSING with author's amendments.*
3/19/2007 *In SENATE. Read second time and amended. Re-referred to Committee on TRANSPORTATION AND HOUSING.*

SB 56

AUTHOR: Runner G (R)
TITLE: Highway Construction Contracts
INTRODUCED: 1/10/2007
LOCATION: Senate Transportation and Housing Committee
COMMENTARY:
Declares the intent of the Legislation to authorize a demonstration program that would allow a careful examination of the benefits and challenges of using a design-build method of procurement for transportation projects. Authorizes certain state and local transportation entities to use a design-build process for contracting on transportation projects. Requires a transportation entity to implement a labor compliance program for design-build projects. Establishes a procedure for submitting bids.
STATUS:
1/25/2007 To SENATE Committees on TRANSPORTATION AND HOUSING and RULES.

SB 61

AUTHOR: Runner G (R)
TITLE: Transportation: Public Private-Partnerships
INTRODUCED: 1/16/2007
LOCATION: Senate Transportation and Housing Committee
COMMENTARY:
Authorizes the Department of Transportation or regional transportation agency nominating a project to pay a stipend to proposers of a project under certain conditions. Authorizes the department or regional transportation agencies to enter into agreement under which a private entity constructs a transportation project that is operated without the charging of a toll or user fee, but where the private entity receives compensation in the form of a shadow toll or other type of payment.
STATUS:
1/25/2007 To SENATE Committee on TRANSPORTATION AND HOUSING.

▶ SB 113

AUTHOR: Calderon R (D)
TITLE: Presidential Primary Election
ENACTED: *3/15/2007*
LOCATION: *Chaptered*
COMMENTARY:
Requires that the presidential primary election be held on the first Tuesday in February in any year evenly divisible by the number 4.
STATUS:
3/15/2007 *Signed by Governor.*
3/15/2007 *Chaptered by Secretary of State. Chapter No. 2*

SB 124

AUTHOR: Ducheny (D)
TITLE: Evasion of Tolls: Registered Owner
INTRODUCED: 1/23/2007
HEARING: 3/27/2007 1:30 pm
LOCATION: Senate Transportation and Housing Committee
COMMENTARY:
Defines registered owner, for purposes of liability for a toll evasion violation, to include a person registered as the owner of the vehicle by the appropriate agency or authority of another state, the District of Columbia, or a territory or possession of the United States.
STATUS:
2/01/2007 To SENATE Committee on TRANSPORTATION AND HOUSING.

▶ *SB 445*

AUTHOR: *Torlakson (D)*
TITLE: *Road User Task Force*
LAST AMEND: *3/26/2007*
LOCATION: *Senate Transportation and Housing Committee*
COMMENTARY:
Creates the Road User Task Force.
STATUS:
3/26/2007 *From SENATE Committee on TRANSPORTATION AND HOUSING author's amendments.*
3/26/2007 *In SENATE. Read second time and amended. Re-referred to Committee on TRANSPORTATION AND HOUSING.*

► *SB 872*

AUTHOR: *Ackerman (R)*
TITLE: *State-Local Partnership Program*
LAST AMEND: *2/23/2007*
LOCATION: *Senate Transportation and Housing Committee*
COMMENTARY:
Creates the State-Local Partnership Program and appropriates a specified amount per year for 5 years beginning in the 2010-11 fiscal year. Provides for allocation of state funds to eligible highway and mass transit guideway projects nominated by local agencies are to be funded with at least 50% of local funds derived from a locally imposed transportation sales tax.
STATUS:
3/15/2007 *To SENATE Committee TRANSPORTATION AND HOUSING.*

► *SB 974*

AUTHOR: *Lowenthal (D)*
TITLE: *Ports: Congestion Relief: Environmental Mitigation*
INTRODUCED: *2/23/2007*
LOCATION: *Senate Transportation and Housing Committee*
COMMENTARY:
Requires the Ports of Los Angeles and Long Beach to transit one-half of the funds derived from the imposition of the fee to Southern California Port Congestion Relief Trust Fund and one-half to the Southern California Port Mitigation Relief Trust Fund. Requires the Port of Oakland to transmit one-half of the funds derived from the imposition of the fee to the Northern California Port Congestion Relief Trust Fund and one-half to the Northern California Port Mitigation Relief Trust Fund.
STATUS:
3/15/2007 *To SENATE Committees on TRANSPORTATION AND HOUSING and ENVIRONMENTAL QUALITY.*

SCA 1

AUTHOR: McClintock (R)
TITLE: Eminent Domain: Condemnation Proceedings
LAST AMEND: 2/05/2007
LOCATION: Senate Judiciary Committee
COMMENTARY:
Relates to eminent domain proceedings. Provides that private property may be taken or damaged only for a stated public use, and not without the consent of the owner for purposes of economic development, increasing tax revenue, or any other private use, nor for maintaining the present use by a different owner. Requires that property acquired in eminent domain by owned and occupied by the condemnor.
STATUS:
2/05/2007 From SENATE Committee on JUDICIARY with author's amendments.
2/05/2007 In SENATE. Read second time and amended. Re-referred to Committee on JUDICIARY.

► SCA 5

AUTHOR: McClintock (R)
TITLE: State and Local Government Finance: *Taxes*
LAST AMEND: *3/21/2007*
LOCATION: Senate Revenue and Taxation Committee
HEARING: *04/11/2007 1:30 pm*

COMMENTARY:

Proposes an amendment to the Constitution to establish, for purposes of both state and local taxation, a constitutional definition of a "tax" as any monetary exaction imposed by a governmental entity. Provides exclusions. Recasts the definition of a special tax as a tax whose revenues are required by law. *Conditions the imposition by the state or local government of a new tax, or a change in a tax, that increases the amount of any tax levied upon the approval of 2/3 membership of the governing body and voter approval. Prohibits new taxes without voter approval. Provides exceptions.*

STATUS:

3/21/2007	*From SENATE Committees on REVENUE AND TAXATION with author's amendments.*
3/21/2007	*In SENATE. Read second time and amended. Re-referred to Committee on REVENUE AND TAXATION.*

5.

OCTA

MEMO

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: **Board Committee Transmittal for Agenda Item**

The following item is being discussed at a Committee meeting which takes place subsequent to distribution of the Board agenda. Therefore, you will be provided a transmittal following that Committee meeting (and prior to the Board meeting) informing you of Committee action taken.

Thank you.

OCTA

April 5, 2007

To: Legislative and Governmental Affairs/Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Federal Legislative Status Report

Overview

The Federal Transit Administration has issued two notices of funding availability for portions of fiscal years 2006 and 2007 discretionary funds under the Bus and Bus-Related Facilities Grant Program. One notice invites applications to support the Department of Transportation's congestion relief initiative. The second notice seeks applications to support additional strategic investments in bus and bus facility projects

Recommendation

Authorize the Chief Executive Officer to file grant applications and other necessary documentation with the Federal Transit Administration to seek discretionary funding for the Inter-County Express Bus project and the Anaheim Regional Transportation Intermodal Center project.

Background

On February 15, 2007, Congress enacted the Revised Continuing Appropriations Resolution, 2007 (Public Law 110-05). This law provides funding for the federal government for the federal fiscal year ending September 30, 2007. In enacting this law, Congress specifically did not insert any fiscal year (FY) 2007 appropriation project earmarks that traditionally would direct the discretionary spending of several transportation programs, including the Bus Grant Program. Absent these project earmarks, approximately $413 million in fiscal year 2007 funds are available nationwide to Federal Transit Administration (FTA) for discretionary allocation in the Bus and Bus-Related Facilities Grant Program (Bus Grant Program).

In addition, a balance of approximately $25 million of FY 2006 Bus Grant Program funding was not earmarked to specific projects in the 2006 fiscal year

appropriations legislation. Therefore, for the first time in over a decade, Bus Grant Program funding, in the amount of $438 million nationwide, is now available for discretionary award by FTA instead of Congress.

In response to this unique situation, FTA issued two notices of availability of Bus Grant Program funding on March 23. The first notice seeks applications for projects in congested metropolitan areas where a congestion reduction demonstration strategy is, or will be, in place and where the funds will be used for new or improved transit service in a corridor that implements congestion pricing. The notice specifically states that "Successful American applications of congestion pricing include California's SR-91 between Anaheim and Riverside...".

The second notice more generally invites applications which support cost effective strategic investments in bus and bus facility projects representing the highest and best use of the available discretionary funding. This notice states that FTA will give special consideration to applications which address seven priority areas, one of which is "intermodal terminal projects that include intercity bus providers".

Both notices set May 22, 2007, as the deadline to submit proposals. Within approximately eight weeks thereafter, FTA is expected to select projects from the submitted proposals and request formal applications for the selected projects.

Discussion

Staff would like to submit two projects to FTA for possible Bus Grant Program funding pursuant to these March 23, 2007, notices. The Inter-County Express Bus project would appear to compete well for congestion reduction funding. The Anaheim Regional Transportation Intermodal Center (ARTIC) project would appear to compete well as a strategic bus facility and a planned intermodal terminal project that includes intercity bus providers. The project descriptions and requested amounts for each project are provided on Attachment A.

Both projects were approved by the Board on February 1, 2007, as part of the Orange County Transportation Authority's (OCTA) FY 2008 appropriation request to Congress. If OCTA were to receive FY 2006 or 2007 funding from FTA, the capital portion of Inter-County Express Bus project would be fully funded and the ARTIC project could receive a large initial capital investment. This also could potentially relieve pressure on OCTA's other FY 2008 appropriations requests to Congress.

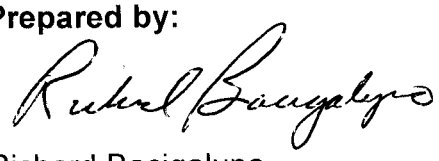
Summary

The FTA has issued two notices of availability for discretionary funding under the Bus Grant Program. Staff is seeking approval to submit grant applications and other necessary documentation for the Inter-County Express Bus project and the ARTIC project in response to these notices.

Attachment

A. Transit Projects Eligible for Funding Under the Bus Grant Program

Prepared by:



Richard Bacigalupo
Federal Relations Manager
(714) 560-5901

Transit Projects Eligible for Funding Under the Bus Grant Program

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
Federal Request: $9.5 million

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 federal request would provide funding toward the purchase of up to 22 vehicles to implement these routes.

Total Project Cost: $4.5 million
Federal Request: $3.5 million

6.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to the Master Plan of Arterial Highways

Regional Planning and Highways Committee — April 2, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Receive and file status report as an information item.

B. Approve amendment of the Master Plan of Arterial Highways to delete the proposed Old Laguna Canyon Road between Laguna Canyon Road and the proposed extension of Lake Forest Drive, and to delete the proposed extension of Lake Forest Drive between the proposed Old Laguna Canyon Road and the existing Laguna Canyon Road.

OCTA

April 2, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to the Master Plan of Arterial Highways

Overview

The Orange County Transportation Authority administers the Master Plan of Arterial Highways, including the review and approval of amendments requested by local agencies. The City of Irvine has requested an amendment of the Master Plan of Arterial Highways to delete two planned roadways intended to serve development that has since been removed from its General Plan.

Recommendations

A. Receive and file status report as an information item.

B. Approve amendment of the Master Plan of Arterial Highways to delete the proposed Old Laguna Canyon Road between Laguna Canyon Road and the proposed extension of Lake Forest Drive, and to delete the proposed extension of Lake Forest Drive between the proposed Old Laguna Canyon Road and the existing Laguna Canyon Road.

Background

Guidelines adopted by the Orange County Transportation Authority (OCTA) Board of Directors (Board) on November 27, 1995, include procedures to be followed by local agencies requesting amendments to the Master Plan of Arterial Highways (MPAH). Included as Attachment A, these are summarized below:

- The local agency submits its request in writing to OCTA, including a detailed description of the proposed amendment and documentation to support the basis for the request.

- Upon receiving a MPAH amendment request, OCTA convenes a staff conference with the requesting agency and representatives of adjacent

jurisdictions, if necessary. The conference will determine if there is mutual agreement on the proposed amendment.

- If there is mutual agreement, OCTA provides a written response to that effect and submits the request to the OCTA Board for approval. Upon OCTA Board approval, the local agency proceeds with the process of amending its General Plan to reflect the change to its Circulation Element. If there is no mutual agreement, a cooperative study is required.

Proposed amendments are submitted to the OCTA Board on a quarterly basis for approval. Exceptions to this schedule may be made where a compelling need can be demonstrated by the local agency for approval, prior to the next scheduled quarterly approval.

There are currently 13 active proposed amendments to the MPAH under review, in the cooperative study process, or on hold pending resolution of issues with other agencies or the refinement of development plans. These are summarized in Attachment B. A specific request from the City of Irvine is presented below.

Discussion

OCTA staff has reviewed and discussed the City of Irvine's request to amend the MPAH to delete the proposed Old Laguna Canyon Road between Laguna Canyon Road and the proposed extension of Lake Forest Drive, and to delete the proposed extension of Lake Forest Drive between the proposed Old Laguna Canyon Road and the existing Laguna Canyon Road (Attachment C).

The MPAH includes the existing connection of the Laguna Freeway (State Route 133) with Laguna Canyon Road. In the same area, the MPAH also includes: 1) a planned extension to the south of Laguna Canyon Road (known as Old Laguna Canyon Road), which would connect to a planned extension of Lake Forest Drive and 2) the proposed extension of Lake Forest Drive to the west of the existing Laguna Canyon Road and connecting to Old Laguna Canyon Road. These two proposed streets were intended to serve future development which never occurred and has been removed from the Irvine General Plan.

Due to changes in planned development along the alignments of Old Laguna Canyon Road and the extension of Lake Forest Drive, west of existing Laguna Canyon Road, the purpose for these two streets no longer exists. A traffic analysis has indicated that the deletion of these proposed facilities would not

have an adverse impact on regional circulation, and staff recommends deletion of these facilities from the MPAH.

Summary

The City of Irvine has requested an amendment of the MPAH to delete the proposed Old Laguna Canyon Road between Laguna Canyon Road and the proposed extension of Lake Forest Drive, and to delete the proposed extension of Lake Forest Drive between the proposed Old Laguna Canyon Road and the existing Laguna Canyon Road. OCTA and City of Irvine staff have reviewed the requested amendment and have determined it would not adversely impact regional circulation. Board approval of this amendment is requested.

Attachments

A. Guidance for Administration of the Orange County Master Plan of Arterial Highways
B. Summary of Currently Active MPAH Amendment Requests
C. Map of Proposed MPAH Amendment

Prepared by:

Wendy L. Garcia
Senior Transportation Analyst
(714) 560-5738

Approved by:

Paul C. Taylor, P.E.
Executive Director, Development
(714) 560-5431

ATTACHMENT A

OCTA

Guidance For Administration of the Orange County Master Plan of Arterial Highways

November 1995
Amended April 1998
Effective Date of MPAH Map: January 22, 2007

GUIDANCE FOR THE ADMINISTRATION OF THE ORANGE COUNTY MASTER PLAN OF ARTERIAL HIGHWAYS

November 1995
Amended April 1998
Effective date of MPAH map in Appendix 1: January 22, 2007

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APPENDICES

1 – MPAH Map
2 – Planning Criteria
3 – City/County Nomenclature for Arterial Highways
4 – MPAH Cross Sections
5 – Regional Funding Program Consistency and Eligibility Criteria
6 – Sample Resolution
7 – Arterial Highway Mileage Report

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INTRODUCTION

Through a transfer agreement with the County of Orange, the Orange County Transportation Authority (OCTA) has assumed responsibility for the Master Plan of Arterial Highways (MPAH). The MPAH was formerly a part of the County of Orange Advance Planning Program (General Plan) Transportation Element, with administration by the Orange County Environmental Management Agency (OCEMA) Transportation Planning Division. The County has been responsible for the MPAH since the 1950s. During that time, the MPAH has often been looked to as a model of coordinated planning, requiring the cities of Orange County to work cooperatively with the County in implementing a regional transportation system.

The MPAH map is a critical element of the overall transportation planning in Orange County because it defines a countywide circulation system in response to existing and planned land uses. As the administrator of the MPAH, OCTA is responsible for maintaining the integrity of the MPAH map through its coordination with cities and the County and determinations of cities' and County consistency with the MPAH map.

As noted above, the MPAH was previously part of the County of Orange General Plan. As part of the County's General Plan, the MPAH component included text and information necessary to comply with statutory requirements for General Plans.

With the MPAH now under OCTA's administration, the MPAH is no longer part of a General Plan document. However, in order to provide a mechanism to communicate MPAH policies and procedures, this *Guidance for the Administration of the Master Plan of Arterial Highways* has been prepared to assist OCTA, the County, and the cities of Orange County in maintaining the MPAH as a vital component of transportation planning in Orange County. Much of the text used in this *Guidance* is based on previous documents such as the County of Orange Transportation Element (April, 1994), the Measure M Growth Management Program Preparation Manual (February, 1993), and the Orange County Combined Transportation Funding Programs Manual (May, 1994).

1.0 OVERVIEW

The Orange County MPAH map (Appendix 1) establishes a system of countywide surface roadways and is a key factor in the definition of Orange County's transportation policy. OCTA's role as the administrator of the MPAH map is to coordinate with the cities and the County of Orange to develop a consistent inter-community arterial highway system, which will effectively serve existing and future land uses.

1.1 BACKGROUND

The MPAH was first adopted by the County in 1956. The MPAH became the cornerstone of the first County Circulation Element initially adopted on August 6, 1974, by the Orange County Board of Supervisors. Since that time, the MPAH has been amended on a regular basis, generally in response to land use policy changes within both incorporated and unincorporated areas of the County. These policy changes are reviewed for impacts on the arterial highway system in order to maintain a balance between the land use and transportation plans.

The MPAH map depicts a network of major thoroughfares comprising freeways, transportation corridors and five main arterial highway classifications: Principal, Major, Primary, Secondary, and Collector (previously designated as Commuter). In addition, one other arterial highway sub-category (Smart Streets) is identified on the MPAH. This highway network plays a major role in regional travel by connecting to and complementing the State highway system and local street network. The Principal, Major and Primary arterial classifications and Smart Streets predominantly serve through travel. Secondary and Collector arterial highways function as collectors funneling traffic from local streets to Primary, Major, and Principal arterials. The overall network of thoroughfares is designed to accommodate existing and projected traffic. The MPAH classifications are a statement of policy intended to reserve adequate right of way for future highway improvements. Design guidelines and criteria for each arterial classification are briefly described in Chapter 3.0.

1.2 PURPOSE

The MPAH establishes a countywide roadway network intended to ensure coordinated transportation system development among local jurisdictions in Orange County. The main purpose of the MPAH is to describe an arterial highway system that effectively serves existing and adopted future land uses in both incorporated and unincorporated areas of Orange County. Extensive coordination with the transportation and land use planning and implementation processes carried on by the cities of Orange County, the County of Orange, and adjacent jurisdictions is essential for the MPAH to provide its intended service to county motorists.

1.3 MPAH CONSISTENCY CONCEPT

As the administrator of the MPAH map, OCTA is responsible for maintaining the integrity of the MPAH map through coordination with cities and the County, including determination of city and County consistency with the MPAH map. Consistency with the MPAH is essential to the integrity of a functional regional highway network. It ensures that each city and the County implement the same base transportation network using similar standards and assumptions. Consistency with the MPAH is also required for local agencies to be eligible for the Orange County Combined Transportation Funding Programs.

To aid in establishing consistency among plans, all jurisdictions are encouraged to use common land use assumptions and travel demand projections. OCTA facilitates the use of these common assumptions through administration of the Orange County Transportation Analysis Model (OCTAM). Like the MPAH, the OCTAM was previously maintained by the County of Orange.

Streets that serve predominantly as local collectors are generally not shown on the MPAH because they do not contribute to regional circulation. Such roads may, however, be locally significant and, therefore, may be reflected on a local agency's Circulation Element. Local agency plans reflecting such arterials are not considered inconsistent with the MPAH for purposes of Orange County Combined Transportation Funding Program (OCCTFP) eligibility because a local agency's General Plan is expected to include more detail about local needs. However, collector arterials currently shown on the MPAH represent vital components of the circulation system. Local agency plans are expected to include these roadways as well as the other roadway classifications included on the MPAH.

The County and cities' Circulation Elements are reviewed for consistency every two years to ensure compatible networks that demonstrate adequate carrying capacity of the circulation system, and to detect possible inconsistencies resulting from General Plan amendments. The process and requirements for the consistency review process are described in Chapter 5.0.

2.0 GOALS AND POLICIES

The following goals and policies are intended to serve as countywide guidelines and provide direction to local agencies for implementing the MPAH. The goals and policies are based on the regional policies found in the County of Orange General Plan Transportation Element. A goal is a general expression of countywide values and is abstract in nature. A policy is a specific statement that guides decision making.

1. Goal: ***Provide a Countywide Circulation (Arterial Highway) System to Accommodate Regional Travel Demand***

Policies:

1.1 OCTA will review the circulation plans of the cities and the County biannually to determine consistency with the MPAH.

1.2 OCTA will coordinate with the following transportation planning agencies: Caltrans (State) and the Transportation Corridor Agencies (County corridor planning and construction) on various studies relating to freeway, tollway and transportation corridor planning, construction, and improvement in order to facilitate the planning and implementation of an integrated regional circulation system.

1.3 OCTA will coordinate planning of the arterial highway system cooperatively with Orange County cities, the County, the Southern California Association of Governments (SCAG), neighboring counties and neighboring cities in adjacent counties to ensure consistency of the regional transportation networks.

2. Goal: ***Provide an Arterial Highway System that Supports Land Use Policies of the County and Cities***

Policies:

2.1 The MPAH will establish a coordinated arterial highway system that is in balance with the General Plan Land Use Elements of the County and cities.

2.2 The MPAH will establish an arterial highway system designed to serve as part of a balanced transportation system (auto, rail, transit, bus, truck, bicycle, pedestrian, etc.).

2.3 OCTA will encourage and assist all local jurisdictions to adopt comprehensive traffic improvements, phasing and financing plans, consistent with an adopted Growth Management Plan, in order to assist in countywide implementation of the MPAH.

2.4 OCTA will work with the County and cities through the Growth Management Areas and Orange County Combined Transportation Funding Program to implement the MPAH and foster interagency cooperation toward anticipating and effectively meeting the regional transportation needs of Orange County.

2.5 OCTA will monitor local agencies to ensure that the arterial highway system is implemented in a manner that supports the implementation of adopted overall land use policies and that is consistent with financing capabilities.

2.6 OCTA will use uniform analytical methods, in conformance with the Congestion Management Program (CMP), to aid in transportation planning and impact evaluation and encourage the development and utilization of sub-area models to address detailed transportation issues.

2.7 OCTA will use adopted Orange County Preferred (OCP) forecasts for all projections of future year population, housing, employment, and other socioeconomic data to assure consistency among other General Plan Elements.

2.8 OCTA will use the Orange County Transportation Analysis Model (OCTAM) forecasts as the regional traffic forecasts for the MPAH and require local agencies to use OCTAM as a basis for data required in local and sub-area studies conducted by local agencies. The OCTAM must be consistent with SCAG's regional model as required by the CMP.

2.9 OCTA will provide guidance for the development of subarea traffic models used by local jurisdictions to determine the quantitative impacts of land use decisions on the circulation system, so as to be consistent with the OCTAM.

2.10 OCTA will establish roadway classification definitions based on the number of through lanes.

3.0 ROADWAY CLASSIFICATIONS

Arterial highways are shown on the MPAH map in the following two forms: 1) established alignments depicted by solid lines on the map, including existing highways where the centerline is the precise centerline, and future highways where the Board of Supervisors, a City Council, or the subdivision process has established a precise alignment; and 2) conceptually proposed alignments, defined by intermittent lines indicating future facilities whose precise alignment has not yet been determined.

Arterial highways have been divided into five classifications to address travel demand in terms of capacity and number of through lanes to aid in setting consistent design standards countywide for various highway types. Planning criteria used for determining arterial highway classifications are provided in Appendix 2. Consistency in the number of through lanes is the key objective of the MPAH to ensure compatibility across jurisdictional boundaries. A matrix showing the MPAH's nomenclature for arterial highways along with functionally equivalent facilities (compared to the MPAH classification) in cities is contained in Appendix 3.

The basic cross sections for arterial highways are illustrated in Appendix 4 and are referenced below under each classification. These cross sections are based on the arterial highway design standards for MPAH roadways contained in the County of Orange Highway Design Manual. In addition, special intersection approaches for Principal, Major, Primary, and Secondary arterials have been identified to help address congestion problems. These cross sections are provided as a guideline for arterial highway right-of-way requirements.

The "Maximum Feasible Intersection" (MFI) is a guideline for intersection enhancement that is compatible with travel demand requirements and operational capabilities of the highway system. Additional right of way beyond the typical sections shown in Appendix 4 may be required to implement the MFI. In local agency review and approval of subdivisions, the objective shall be to reserve adequate right of way to permit future implementation of the MFI as warranted. The MFI for each classification is defined in the classification description.

3.1 Transportation Corridor

A transportation corridor is a multi-modal facility of six to ten lanes, depending on projected traffic volumes, and a median of sufficient width to accommodate future options such as fixed rail or high occupancy vehicles. The corridors will provide for efficient movement of vehicular traffic where projected volumes exceed major arterial highway capacities. These routes are being designed to Caltrans freeway and expressway standards and will be incorporated into that system. All three transportation corridors (the Foothill Corridor [SR-241], the San Joaquin Hills Corridor [SR-73], and the East-

ern Corridor [SR-231/SR-261]) are under construction. These corridors are approved in the Surface Transportation and Uniform Relocation Assistance Act passed by Congress in 1987 as Federal toll road pilot projects. Additionally, these new corridors are authorized by State legislation as the State's first toll roads and will remain as pilot "toll" facilities until the bonding is paid. These corridors are to be operated by demand management to ensure a high level of operation, and tolls will be the implementation mechanism to maintain free flow.

3.2 Principal Arterial

A Principal arterial is an eight-lane divided roadway, with a typical right of way width of 144 feet and a roadway width of 126 feet, curb to curb, including a 14 foot median (Chart 1-1 in Appendix 4). A Principal arterial is designed to accommodate approximately 45,000 to 60,000 vehicle trips per day at Level of Service 'C'.

The standard MFI for a Principal arterial consists of four through lanes, two left-turn lanes and a free right-turn lane. An optional right-turn lane, in lieu of a free right, may be allowed if warranted by traffic demand. Alternative geometrics, such as a grade separation or other special treatment, may be considered if they are cost effective and operationally feasible.

3.3 Major Arterial

A Major arterial highway is a six-lane divided roadway, with a typical right of way width of 120 feet, and a roadway width from curb to curb, including a 14 foot median, of 102 feet (Chart 1-2 in Appendix 4). A Major arterial is designed to accommodate approximately 30,000 to 45,000 vehicle trips per day at Level of Service 'C'. Major arterials carry a large volume of regional through traffic not handled by the freeway system.

The standard MFI for a Major arterial consists of three through lanes, two left turn lanes and a free right turn lane. An optional right-turn lane, in lieu of a free right, may be allowed if warranted by traffic demand. Alternative geometrics such as a grade separation or other special treatment may be considered if they are cost effective and operationally feasible.

3.4 Primary Arterial

A Primary arterial highway is a four-lane divided roadway, with a typical right of way width of 100 feet and a roadway width from curb to curb, including a 14 foot median, of 84 feet (Chard 1-3 in Appendix 4). A Primary arterial is designed to accommodate approximately 20,000 to 30,000 vehicle trips per day at Level of Service 'C'. A Primary arterial's function is similar to that of a

Major arterial. The principal difference between the two classifications is capacity.

The standard MFI for a Primary arterial consists of two through lanes, two left turn lanes and a free right turn lane. An optional right turn lane, in lieu of a free right, may be allowed if warranted by traffic demand. Alternative geometrics such as a grade separation or other special treatment may be considered if they are cost effective and operationally feasible.

3.5 Secondary Arterial

A Secondary arterial highway is a four-lane undivided (no median) roadway, with a typical right of way width of 80 feet, and a roadway width from curb to curb of 64 feet (Chart 1-4 in Appendix 4). A Secondary arterial is designed to accommodate approximately 10,000 to 20,000 vehicle trips per day at Level of Service 'C'. A Secondary arterial serves as a collector, distributing traffic between local streets and Principal, Major, and Primary arterials. Although some secondary arterials serve as through routes, most provide more direct access to surrounding land uses than Principal, Major or Primary arterials.

The standard MFI for a Secondary arterial consists of two through lanes, one left turn lane and a free right turn lane. An optional right turn lane, in lieu of a free right, may be allowed if warranted by traffic demand. Alternative geometrics such as a grade separation or other special treatment may be considered if they are cost effective and operationally feasible.

3.6 Collector Arterial

A Collector arterial highway (formerly designated as a "Commuter" arterial) is a two lane undivided, unrestricted access roadway, with a typical right of way width of 56 feet and a roadway width from curb to curb of 40 feet (Chart 1-5 in Appendix 4). A Commuter arterial is provided to accommodate up to approximately 10,000 vehicle trips per day at Level of Service 'C'. By strict definition, a Commuter facility is not an arterial highway. It functions primarily as a collector facility. It differs from a local collector street in its ability to handle through traffic movements between two arterials. It is shown on the MPAH because it provides network continuity, or may serve through traffic demand where projected volumes do not warrant a Secondary. As such, it is shown on the MPAH only when it is of regional significance and meets the threshold criteria defined above.

3.7 Smart Street

In addition to the arterial classifications, the MPAH recognizes Smart Streets as arterials with enhanced traffic-carrying capacity. The augmentation in capacity is achieved by a variety of measures:

- Addition of through or turn lanes at intersections
- Preferential traffic signal timing and synchronization
- Removal of on-street parking
- Intersection grade separations
- Grade separated turning movements
- Access limitation - right turns only, or no access (streets and/or driveways)
- Access consolidation
- Frontage roads
- Pedestrian grade separations
- Other elements that may be found useful

The intent of these measures is to minimize conflicts with cross traffic. These measures improve traffic carrying capacity and facilitate improved traffic flow along an arterial. Hence, the terms "High Flow arterial" or "Continuous Flow Boulevard" can also be used to describe a "Smart Street." This designation is intended to represent a roadway of a Major or a Principal arterial classification.

3.8 Intersection Condition

Intersection performance is the most critical factor in determining traffic conditions on arterials. Intersection conditions should be considered in the planning process to improve traffic flow conditions in the arterial highway system.

3.9 Transitions Between Two Classifications

A transition in arterial classification of a roadway from one side of an intersection to the other is made by transitioning the higher classification to the lower classification over a specified section beyond the intersection. Specifications for the required transition length are contained in the Caltrans Highway Design Manual.

3.10 Other Facilities and Considerations

State freeways are shown on the MPAH map for reference only. Although maintained and operated by Caltrans, these freeways are an integral part of the countywide transportation system. Coordination among Caltrans, OCTA,

the County and the cities concerning planning and improvements to these facilities is essential to meeting regional traffic needs.

The typical sections depicted on Charts 1-1 through 1-5 in Appendix 4 are simplified diagrams based upon adopted Orange County Standard Plans and are provided as a guideline for arterial highway right-of-way requirements. Additional right of way beyond the typical sections may be required for any classification when an arterial highway coincides with an adopted route for an additional public facility (e.g., transit facilities, bikeways, or riding and hiking trails), or a scenic highway.

The "right of way reserve" designation on the MPAH indicates that origin-destination needs have been projected in the area, but ultimate carrying capacity requirements have not been determined. This status is applied to facilities where the classification is uncertain due to potentially significant land use changes or network continuity needs. A route designated "right of way reserve" requires design and right of way sufficient to construct a Major arterial highway. Any refinements to the underlying classification would occur in conjunction with the land use planning process. The "right of way reserve" designation allows right of way flexibility to meet potential changes in land use planning.

4.0 MPAH AMENDMENT PROCESS

Figure 1 provides a flow chart illustrating the steps required for an MPAH amendment. MPAH amendment policies are described below, followed by a detailed explanation of the procedural steps necessary for an MPAH amendment.

4.1 MPAH AMENDMENT POLICIES

1. A roadway on the MPAH that has been unilaterally removed from or downgraded on the local agency's Circulation Element, and/or does not meet the capacity criteria, will result in the local agency becoming ineligible to participate in the Orange County Combined Transportation Funding Programs.

2. Any proposed changes to the MPAH shall not result in any significant adverse impacts to the MPAH system (in terms of capacity and level of service), and this shall be demonstrated prior to approval of the proposed changes.

3. A local agency must first amend its General Plan Circulation Element in accordance with the MPAH Amendment Process shown in Figure 1, before OCTA amends the MPAH.

4. The agency that proposes an amendment to the MPAH will be responsible for acting as the Lead Agency to fund and prepare any cooperative study that may be required. Local agencies will be required to bear the cost for MPAH amendments they propose. Likewise, OCTA will bear the cost for any MPAH amendments it proposes. OCTA will provide technical assistance (staff and modeling support) for MPAH amendments proposed by local agencies as mutually agreed by both parties during the initial staff conference.

4.2 MPAH AMENDMENT PROCESS

Proposal to Amend the MPAH

To initiate the MPAH amendment process, a local agency must submit a written request to OCTA describing the amendment requested, and providing documentation to support the basis for the request. A copy of the request shall be submitted concurrently to the City Managers of adjoining cities (or the OCEMA Director of Transportation, where an unincorporated portion of the County is involved).

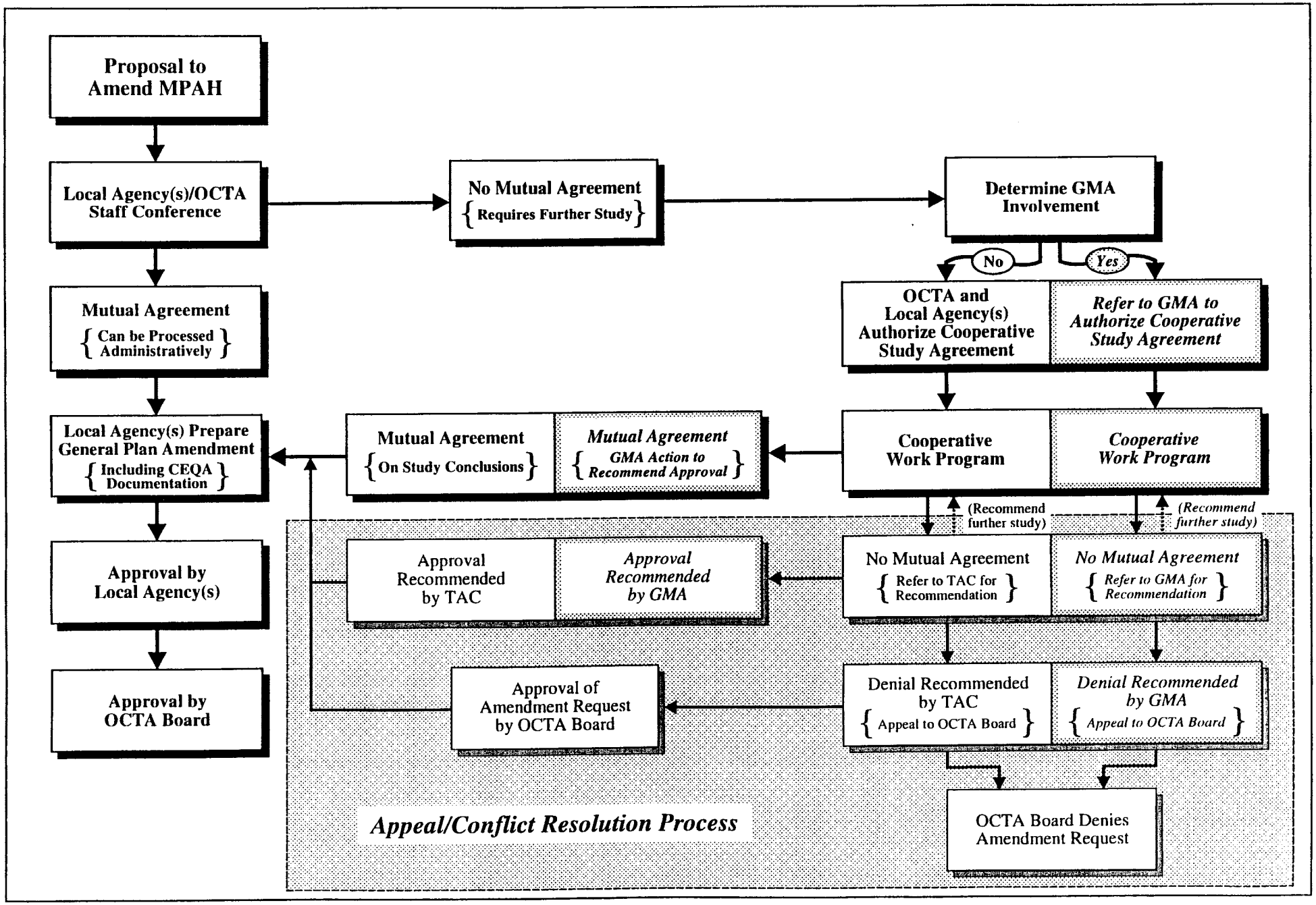


Figure 1

OCTA

No GMA Involvement	*GMA Involvement*

Note: Where a split box is shown, the right side applies when a GMA is involved in the process.

MPAH Amendment Process

Local Agency/OCTA Staff Conference

Within two weeks of receiving the request, OCTA will convene a staff conference with the agency requesting the amendment, including representatives from adjacent jurisdictions, if necessary, based on the potential impact of the proposed amendment. The staff conference will determine whether there is mutual agreement on the proposed amendment. "Mutual agreement" is defined as OCTA and the affected jurisdictions concurring with the technical merits of the proposed amendment and that it is consistent with OCTA's adopted MPAH guidelines. If there is mutual agreement, OCTA will provide a written response to this effect; the local agency will then proceed with processing an amendment to its General Plan Circulation Element (including any necessary environmental documentation). If there is no mutual agreement, a cooperative study is required.

OCTA has determined that the following types of amendments are administrative in nature, and would not require a cooperative study:

A. Changes of a roadway alignment from "Conceptually Proposed" to "Established Alignment."

B. Changes in roadway alignment where the new alignment still serves the roadway's basic intent.

Determine Growth Management Area (GMA) Involvement

OCTA will require GMA involvement in proposed MPAH amendments which affect multiple jurisdictions in the same geographic area so that GMA elected officials have an opportunity to make recommendations to the OCTA Board of Directors on the MPAH amendment request.

The decision as to whether GMAs should be involved in a cooperative study will be made at the initial staff conference between the lead agency and OCTA. If the lead agency answers "yes" to two or more of the following questions, it is probable that OCTA will require GMA involvement in the proposed amendment.

1. Will the proposed MPAH amendment impact more than one jurisdiction?

2. Will the proposed MPAH amendment have a significant impact on regional traffic circulation (i.e., create or delete a major "new" thoroughfare)?

3. Will the proposed MPAH amendment significantly change the Measure M turnback allocation for one or more jurisdictions?

The amendment process to be followed shall be as described in the flow chart in Figure 1. Once a flow path is selected, it shall be pursued to completion and final decision. OCTA will make the determination regarding GMA involvement based upon the interests of the lead local agency and all affected local agencies.

If it is determined that GMA involvement in the proposed MPAH amendment is warranted, the cooperative study process should proceed as follows:

- Lead agency and OCTA execute cooperative study agreement
- Lead agency determines whether other agencies should be involved in the technical study and develops a plan for building consensus for the proposed amendment
- Lead agency prepares technical data
- Lead agency presents technical data to GMA and OCTA
- GMA takes a position on proposed MPAH amendment (i.e., recommends approval or denial)
- GMA forwards recommendation to OCTA
- OCTA Board of Directors acts on proposed MPAH amendment

While it is envisioned this process will be evoked primarily for MPAH amendments affecting multiple jurisdictions within the same GMA, there may be cases where two or more GMAs are asked to consider a proposed MPAH amendment.

Authorize Cooperative Study Agreement

To initiate the Cooperative Study process, the sponsoring agency shall enter into a Cooperative Study Agreement with OCTA, which will be approved by the governing bodies of participating agencies. Agreements for cooperative studies addressing regional or subregional issues may involve more than one local agency.

The Cooperative Study Agreement will define the roles and responsibilities of each agency, including funding and preparation of the study, the study schedule, and work program. The parties to the agreement shall determine a reasonable schedule for the cooperative study, and shall commit to that schedule as part of the agreement. The agreement will include a provision for time extensions by mutual consent.

Cooperative Study Work Program

The work program shall include, but not be limited to, the following elements:

- Initial scoping sessions
- Methodology/technical analysis framework, including:
  - Define analysis area (i.e., the area that could be affected by the amendment)
  - Define appropriate analytical tools (i.e., OCTAM model, local agency sub-area model, other)
  - Confirm applicable level of service standards and methodology for determining level of service
  - Identify special factors to be considered in the analysis and level of service evaluation (e.g., lack of cross-streets or driveways may allow for higher volume of traffic on an arterial, adjoining land uses, presence of wetlands or other sensitive natural resources, etc.)
- Final scoping sessions to review study results
- GMA meetings for Cooperative Studies with GMA involvement
- Agency Transportation/Planning Commission hearings (if required by the local agency's internal procedures)
- City Council or County Board of Supervisors hearing(s).

Local Agency General Plan Amendment (Including Environmental Documentation)

If the cooperative study process results in mutual agreement on the proposed amendment (documented by a letter from OCTA for local and regional amendments or a GMA Planning Forum action recommending approval of a subregional amendment), the local agency then prepares a General Plan Circulation Element Amendment. For General Plan Amendments, local agencies must prepare California Environmental Quality Act (CEQA) documentation to ensure proper disclosure of any environmental impacts associated with the amendment and ensure consistency with other General Plan elements. Following approval of the General Plan amendment and CEQA document by the local agency governing body, the local agency then submits these materials to OCTA and requests OCTA Board approval of the amendment.

OCTA Board Approval of the MPAH Amendment

Since the MPAH is no longer part of a General Plan, the MPAH can be amended more frequently than the four times per year allowed under the State of California General Plan Guidelines. However, to efficiently utilize OCTA staff and Board resources, OCTA plans to maintain the previous policy of amending the MPAH no more than four times each year (once each quarter). Exceptions can be made on a case by case basis, where a local agency can demonstrate a compelling need to have an amendment approved by OCTA prior to the next regularly scheduled amendment.

Conflict Resolution/Appeal Process

Figure 1 illustrates a conflict resolution/appeal process that can be utilized if no mutual agreement is reached through the cooperative study process. If there is no mutual agreement, the agency sponsoring the amendment may request that the issue of disagreement be reviewed by the OCTA Technical Advisory Committee (or the GMA Planning Forum, in the case of a sub-regional amendment being processed through the GMA). The Technical Advisory Committee (or GMA) may take one of three actions:

1. Recommend further study of the issue(s) through the cooperative study process,
2. Recommend approval of the proposed amendment (the local agency would then proceed with its General Plan amendment/CEQA process), or
3. Recommend denial of the proposed amendment request.

If the Technical Advisory Committee (or GMA) recommends denial of the amendment, the sponsoring agency may make a final appeal to the OCTA Board. The OCTA Board will either:

1. Grant approval of the proposed amendment, pending completion of the local agency's General Plan amendment/CEQA process, or
2. Deny the proposed amendment request.

5.0 MPAH CONSISTENCY REVIEW PROCESS

For a local agency to be eligible for participation in the Orange County Combined Transportation Funding Programs, the agency's General Plan Circulation Element must be consistent with the MPAH. MPAH consistency policies are described below, followed by a description of the procedural steps OCTA will utilize in reviewing MPAH consistency. The MPAH consistency policies are based on the "Regional Funding Program Consistency and Eligibility Criteria" provided as Exhibit 2-1 in the *Orange County Combined Transportation Funding Programs Manual* (May, 1994), and included in this *MPAH Guidance* as Appendix 5.

5.1 MPAH CONSISTENCY POLICIES

1. For an agency's Circulation Element to be consistent with the MPAH, it shall have a planned carrying capacity equivalent to the MPAH for all MPAH links within the agency's jurisdiction. "Planned carrying capacity" shall be measured by the number of through lanes on each arterial highway, as shown on the local Circulation Element.

2. Agencies shall not be found inconsistent as a result of existing capacity limitations on arterials not yet constructed to the ultimate capacity shown on the MPAH.

3. Every two years, each local agency must submit a resolution attesting that no unilateral reduction in lanes has been made on any MPAH arterial.

4. A roadway on the MPAH that has been unilaterally removed from or downgraded on the local agency's Circulation Element and/or does not meet the capacity criteria will result in the local agency becoming ineligible to participate in Orange County's Combined Transportation Funding Programs. A local agency's eligibility status will be reinstated upon completion of a cooperative study to resolve the inconsistency. Additionally, the local agency can also reestablish eligibility upon restoring its Circulation Element to its previous state of consistency.

5. A local agency that unilaterally reduces the number of existing and/or planned through lanes on an MPAH arterial built to its ultimate configuration to less than the ultimate capacity shown on the MPAH shall be inconsistent with the MPAH from the date the governing body action is taken. "Unilateral action" shall mean physical actions such as striping, signing, or physical restrictions executed by the local agency.

6. A reduction of existing through lanes is permitted if, prior to taking this action, a local agency can demonstrate to the OCTA Technical Advisory Committee (TAC) that such action is temporary and can be justified for operational reasons and the agency enters into a binding

agreement to restore capacity upon demand by OCTA. The TAC may determine that the local agency remain eligible on a conditional basis. If the local agency is found ineligible, it shall regain eligibility upon physical restoration of the arterial to its original state, consistent with the MPAH.

7. To be eligible for Measure M "turnback" funds, a local agency must adopt a General Plan Circulation Element which does not preclude implementation of the MPAH.

8. A local agency shall be considered conditionally consistent if it requests a change to the MPAH and enters into a Cooperative Study to analyze the request. No change shall be made to the local agency's Circulation Element until after the Cooperative Study is complete and agreement is reached on the proposed amendment.

5.2 MPAH CONSISTENCY REVIEW PROCEDURES

1. On June 30 of every even numbered year beginning in 1996, the local agency shall submit to the OCTA Manager of Programming the following:

   A. A resolution in a format consistent with Appendix 6 adopted by the governing body of the local agency.

   B. An Arterial Highway Mileage Report in a format consistent with Appendix 7. Mileage shall be reported to the nearest 0.01 mile, and shall exclude State highways and roadways not on the MPAH. Data should be as of April 30 of the reporting year.

   C. A copy of the local agency's current Circulation Element that shows all arterial highways and their individual arterial designations. Any proposed changes and/or requests for changes to the MPAH should also be included.

2. OCTA shall review the materials submitted, and determine whether the local agency Circulation Elements are consistent with the MPAH, based on having a planned carrying capacity equivalent to the MPAH for all MPAH links within the local agency's jurisdiction.

3. Upon completion of the review, OCTA shall prepare a report to the OCTA Technical Advisory Committee (TAC), including recommendations on consistency findings and funding eligibility determinations. The TAC shall then forward its recommendations to the OCTA Board for approval.

6.0 MPAH POLICY CHANGES

Approved by the OCTA Board of Directors April 13, 1998

6.1 DELETIONS AND DOWNGRADES

1. **MPAH deletions and downgrades may be allowed if affected* jurisdictions can reach an agreement regarding the proposed amendment, and the increased traffic volume in the affected jurisdictions does not result in the unmitigated intersection level of service** (LOS) exceeding LOS "D" or the General Plan standard adopted by the respective jurisdiction.**

2. **Arterials should be continuous between two connecting arterials. However, the classification may vary between the connecting arterials if actual and projected traffic volumes vary significantly and support different classifications.**

6.2 TRAFFIC CALMING

1. **Traffic calming measures shall not be used on arterials classified as secondary and above on the MPAH. Traffic calming measures may be allowed only on collector arterials where it can be demonstrated the calming measures will not reduce vehicle carrying capacity below the actual and projected traffic volumes for the segment and the increased traffic volume on affected MPAH facilities does not result in an intersection level of service (LOS) worse than LOS "D" or the General Plan standard adopted by the affected jurisdiction .**

* **An affected jurisdiction is a neighboring jurisdiction or any jurisdiction where an appreciable impact (such as a change in the Level of Service or an increase in the ICU value of 0.01) is likely to occur due to the proposed deletion or downgrade.**

** **Level of Service (LOS) to be calculated using the Congestion Management Program (CMP) Intersection Capacity Utilization (ICU) method.**

APPENDIX 1
MASTER PLAN OF ARTERIAL HIGHWAYS MAP

MASTER PLAN OF ARTERIAL HIGHWAYS

Orange County, California

LEGEND

ARTERIAL HIGHWAYS

ESTABLISHED ALIGNMENT / PROPOSED ALIGNMENT

- PRINCIPAL
- MAJOR
- PRIMARY
- SECONDARY
- COLLECTOR

ROADS OUTSIDE OF OC SHOWN FOR CONTINUITY

FREEWAY

TRANSPORTATION CORRIDOR

- SMART STREET 8 LANE
- SMART STREET 6 LANE
- SMART STREET 4 LANE

- EXISTING INTERCHANGE
- PROPOSED INTERCHANGE

CLASSIFICATION

PRINCIPAL
8 Lane Divided Roadway
Accommodates 45,000 to 60,000 ADT

MAJOR
6 Lane Divided Roadway
Accommodates 30,000 to 45,000 ADT

PRIMARY
4 Lane Divided Roadway
Accommodates 20,000 to 30,000 ADT

SECONDARY
4 Lane Undivided Roadway
Accommodates 10,000 to 20,000 ADT

COLLECTOR
2 Lane Undivided Roadway
Accommodates 7,500 to 10,000 ADT

EFFECTIVE DATE:

JANUARY 22, 2007

N W E S

0 1 2 3 4 5 6
Miles

CITY BOUNDARY UPDATE:
January 2007

OCTA

w:\transcr\data\carto\master.maps\highway\mpah\2007e-MPAH.mxd

Portions of this map copyrighted by Thomas Bros Maps and reproduced with permission.

APPENDIX 2
PLANNING CRITERIA FOR DETERMINING ARTERIAL HIGHWAY CLASSIFICATIONS

(Source: County of Orange, Advance Planning Program, Transportation Element, Appendix 4; April, 1994)

PLANNING CRITERIA FOR DETERMINING ARTERIAL HIGHWAY CLASSIFICATIONS

In order to evaluate the arterial classifications needed to serve current and future traffic conditions, certain criteria and assumptions are made regarding roadway capacities. The concept of capacity, and the relationship between capacity and traffic volumes is expressed by means of "levels of service". These recognize that, while there is an absolute limit to the amount of traffic that can travel through a given corridor (the "capacity"), conditions rapidly deteriorate as traffic reaches that level. As traffic approaches capacity, congested conditions are experienced. There is general instability in the traffic flow whereby small disruptions can cause considerable fluctuations in speeds and delays.

Levels of Service (LOS) are usually defined as categories,'A' through 'F'. Beyond level of service 'E', capacity has been exceeded, and arriving traffic will exceed the ability of a given street to accommodate it. A description of the meaning of the six Levels of Service follows:

Level of Service	'A'	indicates no physical restriction on operating speeds
Level of Service	'B'	indicates stable flow with few restrictions on operating speed
Level of Service	'C'	indicates stable flow, higher volume, and more restrictions on speed and lane changing
Level of Service	'D'	indicates approaching unstable flow, little freedom to maneuver, and conditions intolerable for short periods
Level of Service	'E'	indicates unstable flow, lower operating speeds than LOS 'D', and some momentary stoppages
Level of Service	'F'	indicates forced flow operation at low speeds where the highway acts as a storage area and there are many stoppages

Tables A-4-1 and A-4-2 show the roadway capacity volumes the County utilizes for its circulation analysis for each type of facility. The data shown in both tables are intended to apply to General Plan level link volumes. (A link is the portion of the roadway between two arterial intersections.) Intersection capacities usually control overall roadway capacities; therefore, the County uses LOS 'C' for General Plan analysis purposes. Although LOS 'D' is more consistent with urban land uses, it has been found that using it uniformly tends to overload intersections (usually resulting in LOS 'E' or LOS 'F' at the intersections themselves). Therefore, the practice of the County when planning the arterial system is to use LOS 'C' for link capacities, with the intent of maintaining LOS 'D' through intersections.

ROADWAY DESIGN STANDARDS
Road Capacity Values*

Table A-4-1: Freeway/Transportation Corridors

Freeway Sizes	At Level of Service D
4 lanes	65,000
6 lanes	115,000
8 lanes	145,000
10 lanes	175,000
12 lanes	205,000

Table A-4-2: Arterial Highways

	Level of Service					
Type of Arterial	**A**	**B**	**C**	**D**	**E**	**F**
8 Lanes Divided	45,000	52,500	60,000	67,500	75,000	-
6 Lanes Divided	33,900	39,400	45,000	50,600	56,300	-
4 Lanes Divided	22,500	26,300	30,000	33,800	37,500	-
4 Lanes (Undivided)	15,000	17,500	20,000	22,500	25,000	-
2 Lanes (Undivided)	7,500	8,800	10,000	11,300	12,500	-

*Maximum Average Daily Traffic (ADT)

These roadway capacities are approximate figures only, and are used at the General Plan level. They are affected by such factors as intersections (numbers & configuration), degree of access control, roadway grades, design geometrics (horizontal & vertical alignment standards), sight distance, level of truck and bus traffic, and level of pedestrian and bicycle traffic. Average daily traffic (ADT) is used by the County as a long range planning tool to assist in determining arterial highway classification (number of through lanes) needed to meet traffic demand.

APPENDIX 3
CITY/COUNTY NOMENCLATURE FOR ARTERIAL HIGHWAYS

(Source: County of Orange, Advance Planning Program, Transportation Element, Appendix 5; April, 1994)

ABBREVIATIONS

AM	Augmented Major
AP	Augmented Primary
AS	Augmented Secondary
C	Commuter
D/UD	Divided/Undivided
ELRD	Eight Lane Road Divided
HC	Hillside Commuter
HM	Hillside Major
HP	Hillside Primary
HS	Hillside Secondary
L	Local
LC	Local Collector
M	Major
MM	Modified Major
MP	Modified Primary
N/A	Not Available
NMP	Non MPAH Primary
P	Primary
S	Secondary
SE	Scenic Expressway

COMPARISON OF COUNTY AND CITIES ARTERIAL CROSS SECTIONS

		COUNTY	ANAHEIM	BREA	BUENA PARK	COSTA MESA	CYPRESS	DANA POINT	FOUNTAIN VALLEY
A	# OF LANES CLASSIFICATION R-O-W CAPACITY	8-Divided Principal 144' 45,000 to 60,000							
B	# OF LANES CLASSIFICATION R-O-W CAPACITY	6-Divided Major 120' 45,000	6-Divided SE,M,P,HM,HP 106'-148'	6-Divided Major, MM 100'-120'	6-Divided Major 120'	6-Divided Major,P 106'-120'	4-6 Divided S,P,M 84'-120'	6-Divided AP,M 100'-120'	6-Divided Major 120' 45,000
C	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-Divided Primary 100' 30,000	4-Divided P,HS 66'-106'	4-Divided Primary,MP 80'-100'	4-Divided Primary 100'			4-Divided Primary 100'	4-Divided Primary 100' 30,000
D	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 90'	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 84'		4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000
E	# OF LANES CLASSIFICATION R-O-W CAPACITY	2-Undivided Commuter 56' 10,000	2-D/UD HC,C 42'-64'	2-Undivided Commuter 60'-80'		2-Undivided Collector 60'		2-Undivided L,Collector 60'-64'	2-Undivided Commuter 56' 10,000
F	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-8 Divided SmartStreet 120' - 144' 30,000 - 60,000							
G	# OF LANES CLASSIFICATION R-O-W CAPACITY		4-6 Divided Critical Intersection 130'-144'						

		FULLERTON	GARDEN GROVE	HUNTINGTON BEACH	IRVINE	LA HABRA	LA PALMA	LOS ALAMITOS	LAGUNA BEACH
A	# OF LANES CLASSIFICATION R-O-W CAPACITY				8-Divided Major 132'				N/A
B	# OF LANES CLASSIFICATION R-O-W CAPACITY	6-Divided Major 100'	6-Divided Major 120' 45,000	6-Divided Major 102' 45,000	6-Divided Major 140'-154' 54,000	6-Divided MM,M 100'-120'	6-Divided Major 120' 45,000	6-Divided Major 120' 45,000	N/A
C	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-Divided Primary 80'-84'	4-Divided Primary 100' 30,000	4-Divided Primary 100' 30,000	4-Divided Primary 116' 32,000	4-Divided MP,P 80'-100'	4-Divided Primary 100' 30,000	4-Undivided Primary 100' 30,000	N/A
D	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-Undivided Secondary 80'-84'	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 114' 28,000	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000	N/A
E	# OF LANES CLASSIFICATION R-O-W CAPACITY	2-Undivided LC 60'-64'			2-Undivided Commuter 40' 13,000				N/A

		LAGUNA HILLS	LAGUNA NIGUEL	LAKE FOREST	MISSION VIEJO	NEWPORT BEACH	ORANGE	PLACENTIA	SAN CLEMENTE
A	# OF LANES CLASSIFICATION R-O-W CAPACITY		8-Divided AM 130'			8-Divided ELRD 144' 60,000	8-Divided AM 120'		
B	# OF LANES CLASSIFICATION R-O-W CAPACITY	6-Divided Major 120' 45,000	6-Divided Major 120' 45,000	6-Divided Major 120' 45,000	6-Divided Major 120' 45,000	6-8 Divided M,AM Variable 45,000 to 52,000	6-Divided Major 120' 45,000	6-Divided MM,M 100'-120'	6-Divided Major 120' 45,000
C	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-Divided Primary 100' 30,000	4-Divided Primary 100' 30,000	4-Divided Primary 100' 30,000	4-Divided Primary 100' 30,000	4-6 Divided P,AP Variable 35,000	4-6 Divided P,AP 100'	4-Divided MP,P 80'-100'	4-Divided Primary 100' 30,000
D	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80' 20,000	4-Undivided Secondary 84'	4-D/UD S,AS 80'	4-Undivided MS,S 64'-80'	4-Undivided Secondary 80' 20,000
E	# OF LANES CLASSIFICATION R-O-W CAPACITY	2-Undivided Commuter 56' 10,000	2-Undivided Commuter 64'	2-Undivided Commuter 56' 10,000		2-Undivided Commuter 56' 10,000	2-Undivided Commuter 60'		2-Undivided Local 60' 10,000

		SAN JUAN CAPISTRANO	SANTA ANA	SEAL BEACH	STANTON	TUSTIN	VILLA PARK	WESTMINSTER	YORBA LINDA
A	# OF LANES CLASSIFICATION R-O-W CAPACITY								
B	# OF LANES CLASSIFICATION R-O-W CAPACITY	6-Divided Primary 104' >20,000	6-Divided Major	6-Divided Major 120' 45,000	6-Divided 120' 45,000	6-Divided MM,M		6-Divided Major 120'-190'	6-Divided MM,M
C	# OF LANES CLASSIFICATION R-O-W CAPACITY	4-Divided Secondary 84' <20,000	4-Divided Primary	4-Divided Primary 100'	4-Divided 100'	4-Divided MP,P	4-Divided Primary 100'	4-6 Divided Primary 100'	4-Divided MP,NMP,P
D	# OF LANES CLASSIFICATION R-O-W CAPACITY		4-Undivided Secondary	4-Undivided Secondary 80' 20,000		4-Undivided Secondary 80' 20,000	4-Undivided Secondary 80'	4-Undivided Secondary 80'	4-Undivided Secondary 80' 20,000
E	# OF LANES CLASSIFICATION R-O-W CAPACITY	2-Divided Commuter 60' <7,000	2-Undivided Commuter	2-Undivided Principal	2-4 Undivided 80'	2-Undivided Commuter		Local < or = 60'	2-Undivided Local

APPENDIX 4
MPAH CROSS SECTIONS

(Source: County of Orange, Advance Planning Program, Transportation Element, April, 1994)

TYPICAL SECTION

(THESE SECTIONS ARE FURTHER DEFINED IN THE EMA STANDARD PLANS)

PRINCIPAL – 144'

(8 LANES, DIVIDED)

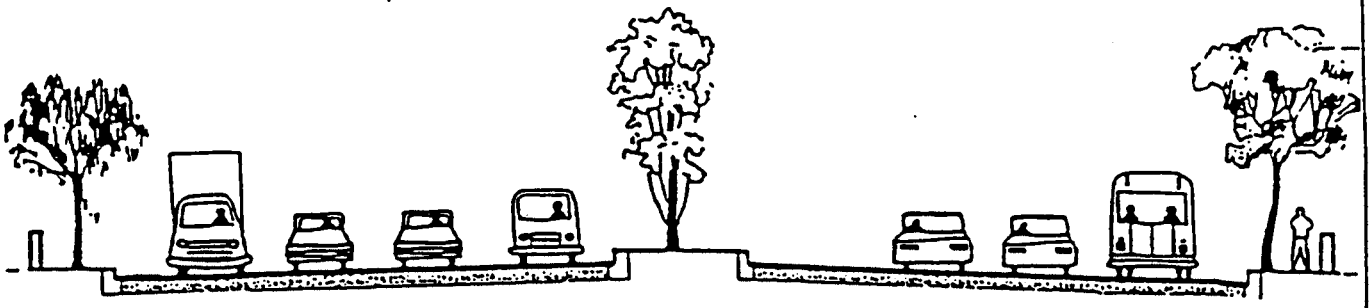


Chart 1–1

MAJOR – 120'

(6 LANES, DIVIDED)

Chart 1–2

TYPICAL SECTION

(THESE SECTIONS ARE FURTHER DEFINED IN THE EMA STANDARD PLANS)

PRIMARY – 100'

(4 LANES, DIVIDED)

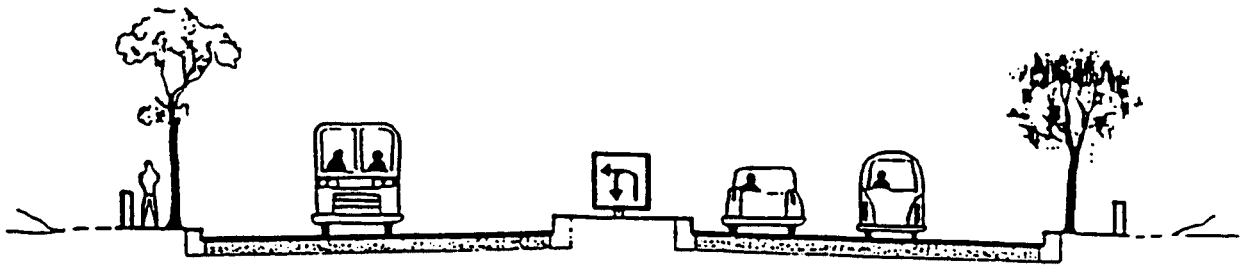


Chart 1–3

SECONDARY – 80'

(4 LANES, UNDIVIDED)

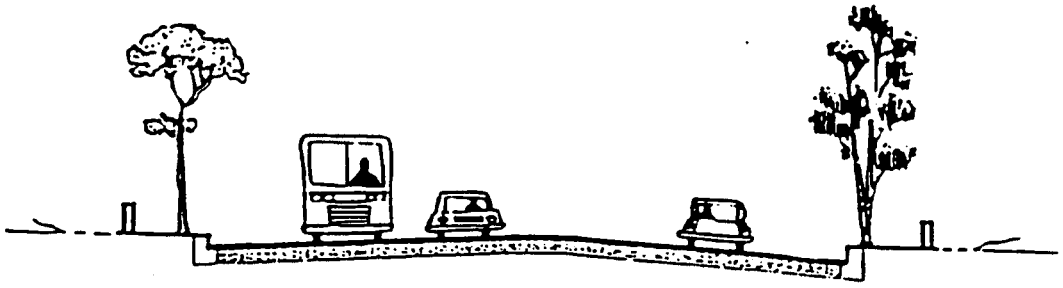


Chart 1–4

TYPICAL SECTION

(THESE SECTIONS ARE FURTHER DEFINED IN THE EMA STANDARD PLANS)

COMMUTER – 56'

(2 LANES, UNDIVIDED)

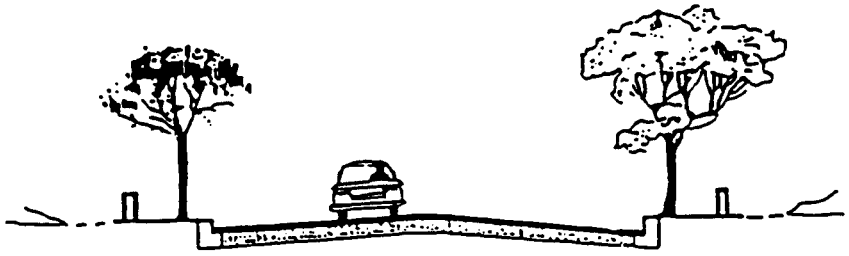


Chart 1–5

APPENDIX 5
REGIONAL FUNDING PROGRAM CONSISTENCY AND ELIGIBILITY CRITERIA

(Source: Orange County Transportation Authority, Combined Transportation Funding Programs Manual, Exhibit 2-1, May, 1994)

EXHIBIT 2-1

REGIONAL FUNDING PROGRAM CONSISTENCY AND ELIGIBILITY CRITERIA

CONSISTENCY DEFINITION

Consistency with the Master Plan of Arterial Highways (MPAH) is the primary criterion for determining city and county commitment to maintaining the integrity of the regional transportation system. For a city circulation element to be consistent with the MPAH, for purposes of regional funding program eligibility, it shall have an equivalent planned traffic-carrying capacity for all MPAH links within the city's jurisdiction.

"Planned capacity" shall be measured by the number of through lanes on each arterial highway as shown on the local circulation element. Cities shall not be inconsistent as a result of existing capacity limitations on arterials which are not yet constructed to the circulation element designation. However, any city which unilaterally reduces the number of through lanes of an MPAH arterial highway on its circulation element to less than shown on the MPAH without County approval shall be inconsistent with the MPAH on the date city council action is taken and is ineligible for regional funding until consistency is re-established.

PROGRAM ELIGIBILITY

Local Agency Responsibility

Eligibility requirements shall be verified annually as follows:

1. For Measure M "Streets and Roads Maintenance and Road Improvements" ($450 million "turnback") funds, cities shall adopt a General Plan Circulation Element which does not preclude implementation of the MPAH and shall take no action to preclude implementation of the MPAH.

2. For all competitive regional funding programs such as the Arterial Highway Financing Program (AHFP), Orange County Unified Transportation Trust Fund (OCUTT), Combined Road Fund (CRP), and Measure M "Regional Street and Road Projects", "MPAH Improvements" and "Growth Management Area Improvements", cities shall adopt:

   a. a General Plan Circulation Element which is consistent with the MPAH, and

   b. a City Council resolution attesting that no unilateral reduction in lanes has been made on any MPAH arterials.

Annual Review Process

Each year , County shall determine if city circulation elements provide equal numbers of through lanes for each highway shown on the MPAH. County shall also ensure that local agencies have not unilaterally reduced the number of lanes on any existing arterial highway (effective April 1, 1991).

Approval Process

Upon completion of the review, a joint committee of city and county representatives will make recommendations for eligibility to the Orange County Transportation Authority for Measure M, CRP, and OCUTT programs and to the County Board of Supervisors for the Arterial Highway Financing Program. These recommendations shall be reviewed and formally approved by OCTA and the Board.

RE-ESTABLISHING PROGRAM ELIGIBILITY

Once a city has been determined to be ineligible for regional funds, it may seek to re-establish eligibility by requesting a cooperative study be undertaken with the County. The study will be designed to 1) ascertain the regional transportation system need, 2) make provisions to meet those needs in the city General Plan and 3)re-establish consistency with the MPAH. Any changes to the city General Plan or the MPAH shall be mutually acceptable to the city and the county. Until such a study has been completed, the City shall be ineligible to receive applicable funds.

MUTUAL CHANGES TO CIRCULATION ELEMENT AND MPAH.

A city and the County may mutually revise their respective circulation elements through the cooperative process outlined above. Cities shall continue to be eligible to receive funds while the cooperative study process is underway.

APPENDIX 6
SAMPLE RESOLUTION

SAMPLE RESOLUTION

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF _____ CONCERNING THE STATUS OF THE CIRCULATION ELEMENT FOR THE CITY OF _____

WHEREAS, the City of _____ desires to maintain and improve the streets within its jurisdiction, including those arterials contained in the Master Plan of Arterial Highways (MPAH), and

WHEREAS, the City of _____ has endorsed a definition of and a process for, determining consistency of the City's Traffic Circulation Plan with the MPAH, and

WHEREAS, the City has adopted a General Plan Circulation Element which does not preclude implementation of the MPAH within its jurisdiction, and

WHEREAS, the City has adopted a resolution informing the County of Orange that the City's Circulation Element is in conformance with the County's Master Plan of Arterial Highways and whether any changes to any arterial highways of said Circulation Element have been adopted by the City during Fiscal Year 19___-___, and

WHEREAS, the City is required to send annually to the County of Orange all recommended changes to the City Circulation Element and the County Master Plan of Arterial Highways for the purpose of requalifying for participation in the Arterial Highway Financing Program and Measure M's Streets and Roads Programs.

NOW, THEREFORE, BE IT RESOLVED that the City of _____, does hereby inform the County of Orange and the Orange County Transportation Authority that:

a) The arterial highway portion of the City Circulation Element of the City is in conformance with the County Master Plan of Arterial Highways.

b) The City attests that no unilateral reduction in through lanes has been made on any MPAH arterials during Fiscal Year 19___-___.

c) The City has adopted a uniform setback ordinance providing for the preservation of rights-of-way consistent with the MPAH arterial highway classification.

d) The City has adopted provisions for the limitation of access to arterial highways in order to protect the integrity of the system.

APPENDIX 7
ARTERIAL HIGHWAY LANE MILEAGE REPORT

ARTERIAL HIGHWAY MILEAGE REPORT

April, 19___

CITY OF _____

STREET NAME	FROM	TO	8-Lane	6-Lane	4-Lane	TOTAL

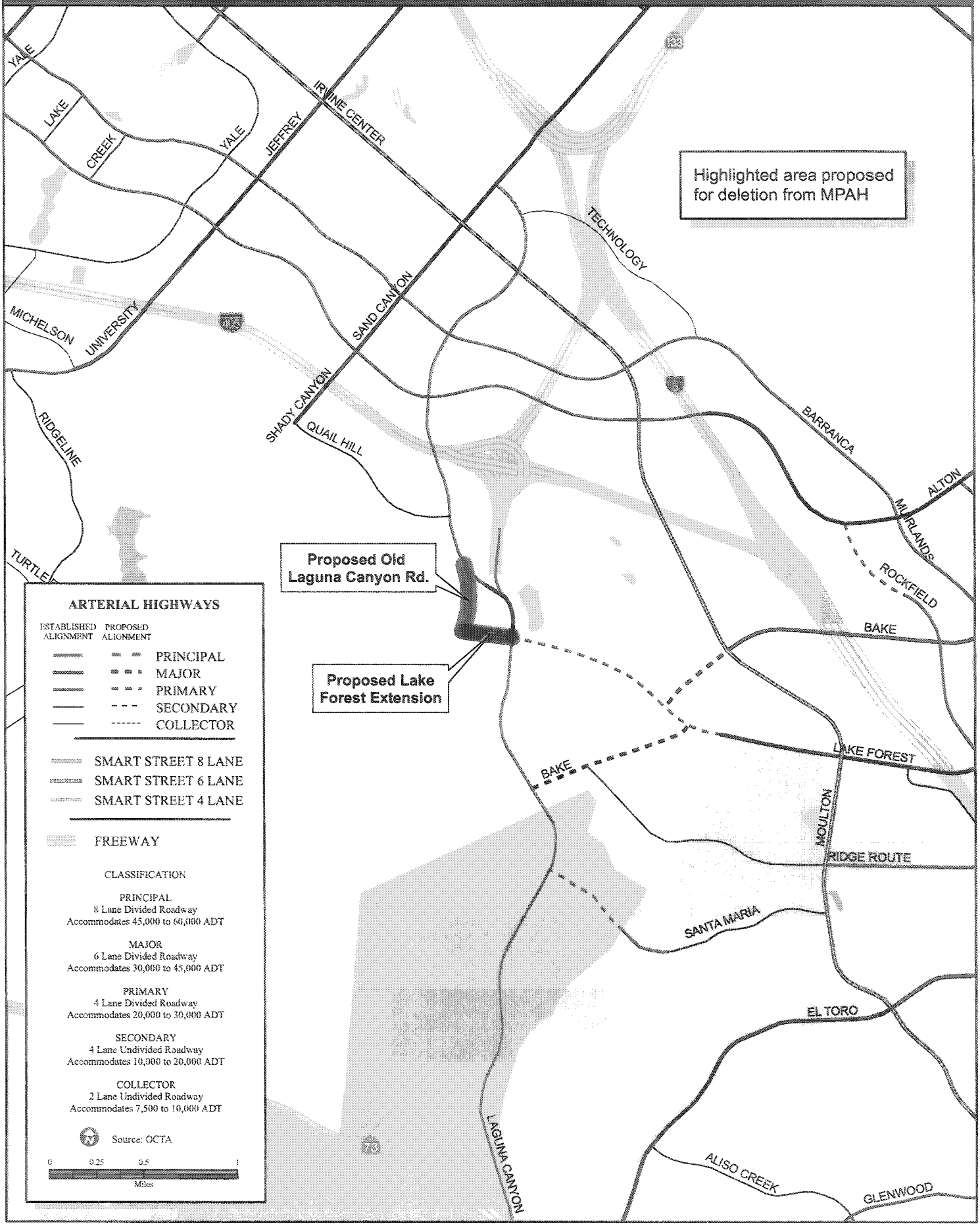
ATTACHMENT B

Summary of Currently Active MPAH Amendment Requests

JURISDICTION	STREET	REQUESTED ACTION	STATUS
Brea	Brea Boulevard	Downgrade from major to primary	On hold at the request of the City.
Brea	Puente Street/Whittier Boulevard	Downgrade from secondary to collector	Under review/consulting with the City.
Brea	Tonner Canyon Road/ Valencia Avenue	Downgrade from secondary to collector	On hold pending resolution of Four Corners issues.
Costa Mesa	19th Street	Delete Santa Ana River bridge	No action currently. Need consensus of all three cities.
County of Orange	Rancho Mission Viejo circulation plan	Add circulation plan for the proposed Rancho Mission Viejo development	Cooperative study process completed in May 2004. County revised request to add only Cow Camp Road at this time.
Dana Point	Golden Lantern	Downgrade from Major Smart Street to Primary Smart Street	On hold pending completion of South Orange County Major Investment Study (MIS).
Huntington Beach	Hamilton Avenue	Delete west of Newland	On hold at the request of the City.
Irvine	Bake Parkway, Ridge Route, and Santa Maria Avenue	Delete proposed southerly sections of these arterials	Cooperative study process recently initiated.
Irvine	Great Park circulation plan	Add future streets to the MPAH within the former El Toro airbase area	On hold pending finalization of Great Park development plan.
La Habra	Whittier Boulevard/ Palm Street	Downgrade from secondary to collector	Under review/consulting with the City.
San Clemente	Talega Valley Road	Delete proposed extension north of city limits	OCTA had requested that further action wait until circulation plan for Rancho Mission Viejo (RMV) was finalized. RMV plan now revised to eliminate need for Talega extension. OCTA working with San Clemente & County to complete amendment process.
Tustin	Tustin Legacy streets	Add circulation plan for the Tustin Legacy development to the MPAH	On hold at the request of the city until plans finalized for secondary streets.
Westminster	Hoover/Gothard connector	Delete	Deletion opposed by Huntington Beach. No action at this time. Need consensus of both cities.

ATTACHMENT C

Map of Proposed MPAH Amendment



March 5, 2007

Portions of this map copyrighted by Thomas Bros Maps and reproduced with permission.

W:\Requests\PLCS\SP\PA\MPAH\mxd\OldLagunaCanyonRd_2007-0305

7.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Annual Investment Policy Update

Finance and Administration Committee — March 28, 2007

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

A. Adopt the 2007 Annual Investment Policy with the following changes:

Page 3 – Section VII. Responsibilities, first paragraph – delete "pursuant to Section 53646(2) of the Code" at the end of the second sentence. Also, the current "shall" near the beginning of the current policy is to remain and not be changed to "may".

Page 7 – Section X (8) – add "unless used as a permitted investment in the Local Agency Investment Fund" to the following sentence:

"Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund"

Page 12 – Section X (Diversification Guidelines) – Under the Instrument of OCIP add "per entity" after the $40 mm to match the restrictions used in the Local Agency Investment Fund:

Instruments	Maximum % Portfolio
14) OCIP	$40 mm per entity

This last recommendation was voted on separately and approved on a 3-2 vote with Director Cavecche and Director Brown dissenting.

A new final version and a lined-thru document are provided.

Orange County Transportation Authority

2007 Annual Investment Policy

April 9, 2007

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after April 9, 2007. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation

occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's Director of Finance as Treasurer on August 11, 1997. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's

investment professionals and Treasury Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses nationally recognized fixed income security performance benchmarks to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, the Merrill Lynch 1-5 year Treasury Index benchmark is used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and
C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and

B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following

minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Annual Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated A- or better by Standard & Poor's, A3 or better by Moody's or A- by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

    1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

    2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

    3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities and is based on the investment guidelines detailed in the Code section 53601.7, which parallels Rule 2a-7. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635.

16) California Asset Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest Nationally Recognized Statistical Rating Organizations.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS)	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	$40mm maximum per entity
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise 35%

Any one repurchase agreement counter-party name

If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest bearing discount securities of the U.S. Treasury with maturities under one year.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.
>
> **Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.
>
> **Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.
>
> **Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Orange County Transportation Authority

2007~~6~~ Annual Investment Policy

~~March~~ April ~~19~~, 2006~~7~~

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after ~~March~~ April ~~19~~, 2006~~7~~. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and

Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's Director of Finance as Treasurer on August 11, 1997. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they

are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting.
~~pursuant to Section 53646 (2) of the Code.~~

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses ~~s~~ a nationally recognized fixed income security performance benchmarks to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, the Merrill Lynch 1-5 year Treasury Index benchmark is used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. ~~Securities which are currently under "Negative Credit Watch" by any of the three nationally recognized rating services (Standard and Poor's Corporation, Moody's Investor Service, and Fitch Ratings) are not eligible securities under this Policy.~~ If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~ with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and
C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and

B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~ with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries ~~,~~or ~~Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities~~ Agency securities as defined in the Annual Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

~~—~~**Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund**~~.~~

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated ~~AA~~- or better by Standard & Poor's, A~~a~~3 or better by Moody's or ~~AA~~- by Fitch or an equivalent rating by a ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating service~~.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a ~~nationally~~Nationally Recognized Statistical Rating Organizations recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

    1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

    2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

    3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities and is based on the investment guidelines detailed in the Code section 53601.7, which parallels Rule 2a-7. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. ~~Investments in the OCIP shall be limited to only those funds which are legally mandated to be deposited in the County Treasury and shall be transferred to the OCTA Treasury as soon as legally authorized. OCTA has no control over how the funds in OCIP are invested.~~

16) California ~~Arbitrage~~ Asset Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical~~.~~ and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS)	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	~~—~~$40mm maximum per entity ~~legally mandated limit~~
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise 35%

Any one repurchase agreement counter-party name

If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating ~~Services~~Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating ~~Services~~Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ~~SERVICES~~ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating ~~Services~~Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)

- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest bearing discount securities of the U.S. Treasury with maturities under one year.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.
>
> **Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.
>
> **Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.
>
> **Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

OCTA

March 28, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Annual Investment Policy Update

Overview

The Treasurer has revised the Orange County Transportation Authority's Annual Investment Policy for 2007. The Annual Investment Policy sets forth the investment guidelines for all funds invested on and after April 9, 2007. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Annual Investment Policy to be reviewed at a public meeting.

Recommendation

Adopt the 2007 Annual Investment Policy.

Background

The Annual Investment Policy (Policy) sets forth the guidelines for all Orange County Transportation Authority (Authority) investments that must conform to the California Government Code. The main objectives of the Policy continue to be the preservation of capital, liquidity, and a market average rate of return through economic cycles.

The Policy is reviewed and approved by the Board of Directors (Board) at least annually. However, relevant changes to the California Government Code may warrant amendments to the Policy throughout the year.

Discussion

The 2007 Policy is being submitted for review and adoption by the Board. Treasury/Public Finance department staff met with representatives from the Authority's investment advisory firm and investment management firms to evaluate the effectiveness of the Policy and address any potential changes for 2007. There were no legislative changes to Section 53601 of the Government

Code (Code) affecting local agencies during the past year requiring updates or amendments to the Policy. There are, however, several updates to names, dates or other references, including the allowance of any agency specifically named in the Annual Investment Policy to be used as collateral for a repurchase agreement. By expanding the spectrum of allowable collateral, it provides for greater availability of collateral without adding risk. Agency securities are debt instruments issued by federal agencies that carry a high safety rating because they are United States Government sponsored.

From a strategic perspective, there are several proposed improvements for the consideration of the Board including the elimination of Negative Credit Watch language, expanding available Corporate Medium Term Notes, creating an extended portfolio and permitting discretionary funds to be invested in the Orange County Investment Pool.

The first proposed change is the elimination of the Negative Credit Watch restriction that currently prohibits the Authority from purchasing securities on Negative Credit Watch by one of the Nationally Recognized Statistical Rating Organizations. This applies to all securities regardless of their ratings. As an example, if a AAA rated security was put on Negative Credit Watch for a pending acquisition or similar corporate action, it would be considered ineligible under the current rules even though the security is well above the Authority's minimum credit requirements. This will provide the investment managers the flexibility to take advantage of pricing opportunities in the fixed income market. The Treasury Department will continue to monitor issuer credits and related news on a weekly basis and closely track securities that are placed on Negative Credit Watch.

In an effort to more closely match the Code and enhance performance, the next recommendation is to lower the minimum credit quality allowable for Corporate Medium Term Notes to A- by Standard and Poor's, A3 by Moody's and A- by Fitch from the previous generic AA level. By incorporating the universe of A rated securities per Section 53601(j) of the Code, the Authority effectively achieves greater diversification in both corporate name exposure and business sectors. The universe of eligible corporate issuers will expand from 178 to 435. Additional industries include technology, media, real estate, and services.

The third recommendation is to remove the language that restricts funds on deposit with the Orange County Treasurer to legally mandated funds. By allowing discretionary funds to be invested in the Orange County Investment Pool (OCIP), the Authority may take advantage of higher short-term interest rates when market opportunities exist.

Lastly, the Authority has implemented the use of the Merrill Lynch 1-3 Year Treasury Benchmark since 1995 for its short-term portfolio. The use of a benchmark is essential to help define the parameters of an investment program in terms of asset allocation, maturity and performance. Due to the long term nature of some of the Authority's capital improvement programs, there is an opportunity to create an additional, longer term or extended investment portfolio in addition to the short-term portfolio.

The recommended benchmark for the proposed portfolio is the Merrill Lynch 1-5 Year Treasury Benchmark. The longer benchmark will lengthen the maturity of a portion of the portfolio without promoting excessive credit risk. While the proposed benchmark is conservative, it is the next natural step in lengthening and diversifying the Authority's portfolio when market cycles permit. Investment managers will add value by purchasing credit products such as corporate notes and asset-backed securities when appropriate, but will not be mandated by a benchmark to do so.

The decision to invest in the new longer-term portfolio, as well as in the non-legally mandated funds in OCIP, will be driven by cash flow requirements. The Authority's Treasurer will continue to report on all investment activities affecting the Authority's individual portfolios to the Finance and Administration Committee and the Board of Directors.

Summary

California Government Code Section 53646(a)(2) recommends that local agencies annually review their Annual Investment Policy at a public meeting. The Treasurer is submitting an update to the Orange County Transportation Authority's Annual Investment Policy for approval by the Board of Directors.

Attachments

A. Orange County Transportation Authority 2007 Annual Investment Policy April 9, 2007
B. Black-line Copy of Orange County Transportation Authority 2007 Annual Investment Policy April 9, 2007

Prepared by:

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

Approved by:

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

Orange County Transportation Authority

2006 Annual Investment Policy

April 9, 2007

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after April 9, 2007. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and

Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's Director of Finance as Treasurer on August 11, 1997. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they

are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy may be reviewed annually by the Board of Directors at a public meeting pursuant to Section 53646 (2) of the Code.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses nationally recognized fixed income security performance benchmarks to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, the Merrill Lynch 1-5 year Treasury Index benchmark is used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and
C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and

B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following

minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Annual Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted.

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated A- or better by Standard & Poor's, A3 or better by Moody's or A- by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

    1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

    2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

    3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities and is based on the investment guidelines detailed in the Code section 53601.7, which parallels Rule 2a-7. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635.

16) California Asset Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest Nationally Recognized Statistical Rating Organizations.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS)	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	$40mm maximum
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise 35%

Any one repurchase agreement counter-party name

If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount,

and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)

- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Orange County Transportation Authority

2006 Annual Investment Policy

~~March~~ April ~~19~~ 9, 2006~~7~~

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after ~~March~~ April ~~19~~ 9, 2006~~7~~. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and

Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's Director of Finance as Treasurer on August 11, 1997. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they

are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy ~~shall~~ may be reviewed annually by the Board of Directors at a public meeting pursuant to Section 53646 (2) of the Code.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities ~~and shall make a quarterly report to the Board of Directors~~ in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses ~~a~~ nationally recognized fixed income security performance benchmarks to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, the Merrill Lynch 1-5 year Treasury Index benchmark is used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. ~~Securities which are currently under "Negative Credit Watch" by any of the three nationally recognized rating services (Standard and Poor's Corporation, Moody's Investor Service, and Fitch Ratings) are not eligible securities under this Policy.~~ If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~ with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and

C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and

B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by

at least two of the ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~ with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries ~~,~~or ~~Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities~~ Agency securities as defined in the Annual Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted.

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated ~~AA~~- or better by Standard & Poor's, ~~Aa~~3 or better by Moody's or ~~AA~~- by Fitch or an equivalent rating by a ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating service~~.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a ~~nationally~~Nationally Recognized Statistical Rating Organizations recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

    1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

    2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

    3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities and is based on the investment guidelines detailed in the Code section 53601.7, which parallels Rule 2a-7. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. ~~Investments in the OCIP shall be limited to only those funds which are legally mandated to be deposited in the County Treasury and shall be transferred to the OCTA Treasury as soon as legally authorized. OCTA has no control over how the funds in OCIP are invested.~~

16) California ~~Arbitrage~~ Asset Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest ~~nationally~~Nationally Recognized Statistical Rating Organizations ~~recognized rating services~~.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical~~.~~ and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS)	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	~~legally mandated limit~~$40mm maximum
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise 35%

Any one repurchase agreement counter-party name

If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating ~~Services~~Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating ~~Services~~Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ~~SERVICES~~ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating ~~Services~~Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)

- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest bearing discount securities of the U.S. Treasury with maturities under one year.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.
>
> **Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.
>
> **Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.
>
> **Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

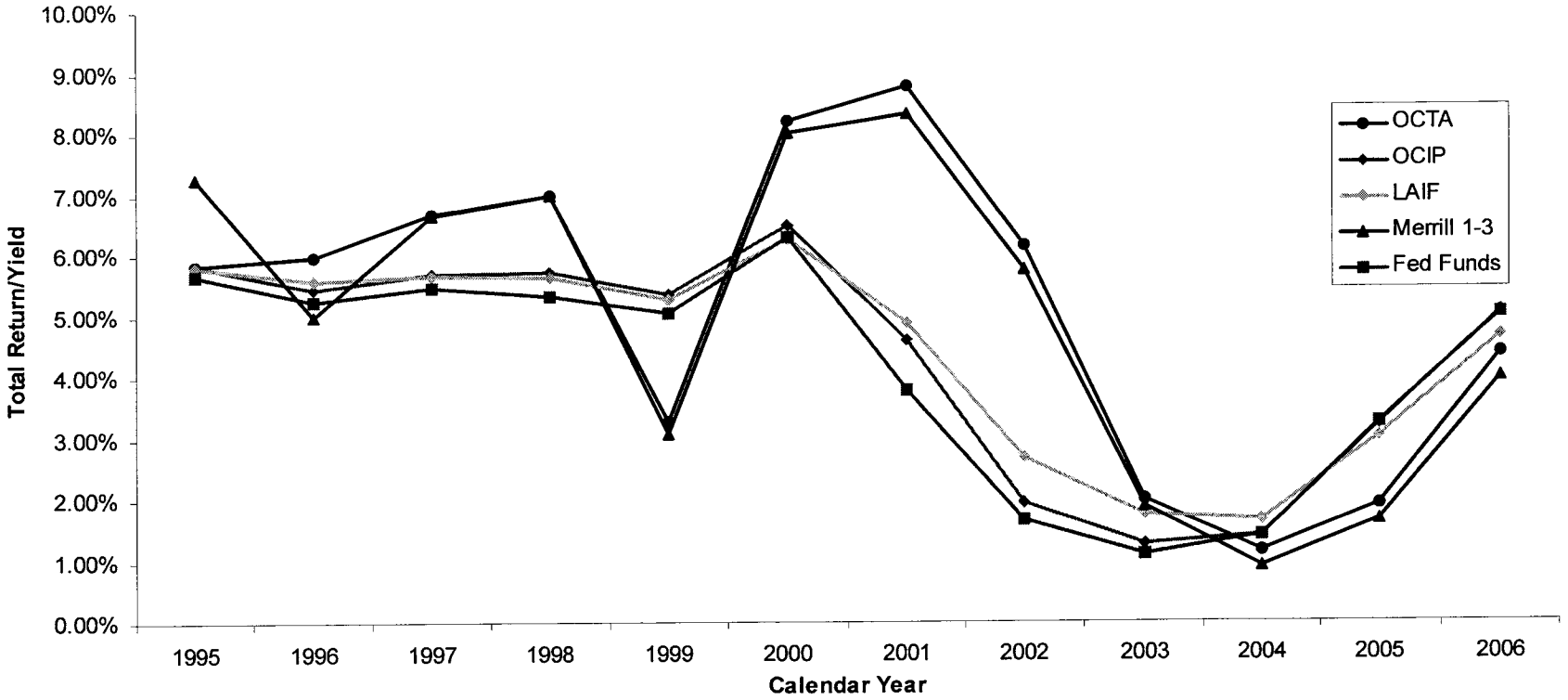
ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Finance and Administration Committee

Annual Investment Policy Update

March 28, 2007

Historical Return & Yield Comparison



OCTA and Merrill 1-3 figures shown are total return values which incorporate yield plus realized and unrealized gains or losses. The LAIF and OCIP values only represent yield.

Investment Policy Recommendations

- Change the minimum credit quality of Corporate Medium Term notes to "A", matching the California Code
- Permit the purchase of securities currently under "Negative Credit Watch"
- Establish an Extended portfolio and use the Merrill Lynch 1-5 Year Treasury Index as the benchmark
- Remove legally mandated restrictions for OCIP investments

Next Steps

- Seek Board of Directors approval on April 9th
- Distribute new Investment Policy to external investment managers and financial institutions
- Implement proposed changes and continue to monitor investment quality and performance

8.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Local Transportation Fund Claims for Fiscal Year 2007-08

Finance and Administration Committee — March 28, 2007

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Adopt Orange County Transportation Authority Resolution No. 2007-14 authorizing the filing of Local Transportation Fund claims, in the amounts of $105,611,382 to support public transportation, and $5,619,280, for community transit services, including operation of the Senior Mobility Program.

OCTA

March 28, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Local Transportation Fund Claims for Fiscal Year 2007-08

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation services throughout Orange County. In order to receive these funds, Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

Recommendation

Adopt Orange County Transportation Authority Resolution No. 2007-14 authorizing the filing of Local Transportation Fund claims, in the amounts of $105,611,382 to support public transportation, and $5,619,280, for community transit services, including operation of the Senior Mobility Program.

Background

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to transit and transit-related projects. The funding source consists of two parts: the Local Transportation Fund (LTF), which is derived from 1/4 cent of the current retail sales tax of 7 3/4 percent, and the State Transit Assistance Fund, which consists of sales taxes on gasoline and diesel fuel appropriated by the State Legislature from the State Transportation Planning and Development Account.

The LTF revenues are collected by the State Board of Equalization and returned monthly to local jurisdictions based on the volume of sales during each month. In Orange County, the LTF receipts are deposited in the Orange County LTF Account in the Orange County Treasury and administered by the Orange County Auditor-Controller. LTF receipts are distributed by the

Auditor-Controller among the various administrative, planning, and program apportionments as specified in the TDA.

Discussion

Section 6630 of the California Code of Regulations requires Orange County Transit District (OCTD) to file a claim with Orange County Transportation Authority (OCTA) in order to receive an allocation from the LTF for providing public transportation services (Article 4 claims). Since OCTA has previously designated OCTD as the Consolidated Transportation Service Agency for Orange County, OCTD is also required to file a claim with OCTA in order to receive an allocation from the LTF for operating community transit services (Article 4.5 claims). The total amount of these claims for fiscal year 2007-08 equals $111,230,662.

Summary

The Local Transportation Fund provides funds to the Orange County Transit District for public transit services. In order to receive these funds, Orange County Transit District must file the appropriate Local Transportation Fund claims with Orange County Transportation Authority. Staff recommends the Orange County Transportation Authority Board adopt Orange County Transportation Authority Resolution No. 2007-14 to authorize the filing of these claims.

Attachment

A. Resolution of the Orange County Transit District, Authorizing the Filing of Local Transportation Fund Claims.

Prepared by:

for Monica Giron

Monica Giron
Associate Financial Analyst
Financial Planning and Analysis
(714) 560-5905

Approved by:

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

ATTACHMENT A

RESOLUTION OF THE
ORANGE COUNTY TRANSIT DISTRICT

AUTHORIZING THE FILING OF
LOCAL TRANSPORTATION FUND CLAIMS

WHEREAS, the Orange County Local Transportation Fund was created by the Transportation Development Act (SB 325:1971) to aid in meeting the public transportation and community transit needs that exist in Orange County; and

WHEREAS, the Orange County Transit District is submitting transportation claims for funds from the Orange County Local Transportation Fund; and

WHEREAS, the Orange County Transportation Authority has the authority to review claims and allocate such funds in accordance with the California Code of Regulations and the California Transportation Development Act.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Orange County Transit District hereby requests the Orange County Transportation Authority to allocate funds to the Orange County Transit District for the purpose of providing the support of a public transportation system as described under the California Transportation Development Act, Article 4, and for funding community transit services as described under the California Transportation Development Act, Article 4.5.

BE IT FURTHER RESOLVED that the Orange County Transit District agrees to provide the Orange County Transportation Authority with such information as may be necessary to support these transportation claims.

ADOPTED, SIGNED AND APPROVED this 9th day of April, 2007.

AYES:

NOES:

ABSENT:

ATTEST:

Wendy Knowles Clerk of the Board	Carolyn Cavecche, Chairman Orange County Transit District

OCTA Resolution No. 2007-14

9.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement for Business Systems Support Specialist Services

Finance and Administration Committee — March 28, 2007

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0870 between the Orange County Transportation Authority and Advanced Information Technologies Inc., in an amount not to exceed $700,000, for services to provide software application support for the Authority's two scheduling software systems over a five-year period consisting of an initial one-year term and four one-year options.

OCTA

March 28, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for Business Systems Support Specialist Services

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2007 Budget, the Board approved funding for supplemental technology and project management staffing services. 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-6-0870 between the Orange County Transportation Authority and Advanced Information Technologies Inc., in an amount not to exceed $700,000, for services to provide software application support for the Authority's two scheduling software systems over a five-year period consisting of an initial one-year term and four one-year options.

Background

The Orange County Transportation Authority (Authority) licenses and operates two computer systems that support the scheduling and related customer support functions of both the fixed route bus and demand-based ACCESS services.

Both computing systems are critical to the Authority's operations and ultimately to the service Authority customer's experience. The system that supports fixed route bus operations is known as Hastus. It is the tool by which processes known as timetable development, blocking, garaging, run cutting, and rostering are conducted. It is the foundation for our published bus schedules and key to the efficiency of those schedules. The Hastus system also provides the "Trip Planner" capability found on the Authority's web site and used by Authority customers.

The system that supports the Community Transportation Service's ACCESS service is known as Trapeze. It is the tool through which client management, trip booking, trip scheduling, and trip dispatching activities are performed. This system has been enhanced through integration with on-bus Mobile Data Terminal technology that communicates trip schedules and schedule alterations to drivers via text messaging. It has also been enhanced with an Interactive Voice Response system, which provides ACCESS clients the self-service ability to review their scheduled trips via a standard touch-tone telephone.

Both are complex, distributed systems that require human resources to support these operations to ensure that all is properly maintained, well understood, and accurately diagnosed when there are issues. This ensures that both Authority staff and customers get the most out of the investments the Authority has made in these systems.

The Authority has a need to contract with a firm for services to support these two systems for the following reasons.

First, the Trapeze system was relocated to the Authority's computing center in the City of Orange when Veolia Transportation took over the ACCESS service contract. The Authority's Information Systems Department (IS) took ownership of the technology support responsibilities to service and administer this system at that transition. Laidlaw staff, the prior contract operator of ACCESS services, had been conducting the majority of support prior to this relocation.

Second, the addition of the Interactive Voice Response System (IVR) and Mobile Data Terminal (MDT) systems which occurred toward the end of the Laidlaw agreement resulted in additional hardware, software, and integration technologies that increased the technical support services required to operate the system. The full scope of the support requirement was not well understood given the system was still a work in progress at the time of the change in contractor.

Finally, the Authority's staff position that was intended to provide system support services for these systems has been allocated 100 percent to performing required Windows Server Administration and information technology security duties due to increased requirements. This has eliminated this position's capacity to provide the support it had been supplying to the Hastus and Trapeze scheduling systems.

This request has the support of the Transit Division's Executive Director and Community Transportation Services (CTS) management as the direct

benefactors and primary stakeholders of the Trapeze and Hastus scheduling systems.

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 December 22, 2006, and December 28, 2006, in a newspaper of general circulation, and on CAMMNET. A pre-proposal meeting was held on January 8, 2007, and was attended by seven firms.

On January 19, 2007, six offers were received. An evaluation committee composed of staff from the Information Systems, Contract Administration and Materials Management, Community Transportation Services, and Service Planning and Customer Advocacy departments was established to review all offers submitted. The offers were evaluated on the basis of qualifications and related experience of the firm, staffing, work plan, and cost.

The evaluation committee short listed three firms and requested interviews. Interviews were conducted on January 31, 2007. As a result of the interviews, the Authority requested clarifications from the three short listed firms. A second and final interview was conducted with the most responsive firm.

Based on their findings, the evaluation committee recommends the following firm to the Finance and Administration Committee for consideration of an award:

Firm and Location

Advanced Information Technologies
Buena Park, California

Advanced Information Technologies (AIT) demonstrated a good understanding of the Authority's scope of work and provided the best combination of a qualified candidate to fulfill the obligations of the Scope of Work at competitive rates that fit within the Authority's budget. The candidate submitted by AIT interviewed very well and was identified to be the candidate that will be the best fit with the department's staff he will service.

Fiscal Impact

The project was approved in the Authority's Fiscal Year 2007 Budget, Finance and Administration Division/Information Systems Department, Account 1285-7519-IS210-EDE, and is funded through Local Transportation Funds. Funding for each ensuing year of the agreement will be requested on an annual basis as a normal course of fiscal year budget activity.

Summary

Based on the information provided, staff recommends award of Agreement C-6-0870 to Advanced Information Technologies, in an amount not to exceed $700,000, for Business Systems Support Specialist Services.

Attachment

None.

Prepared by:

Joe Tiernan
Section Manager, Senior
Information Systems
(714) 560-5546

Approved by:

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

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for Temporary Staffing Services Contracts

Finance and Administration Committee — March 28, 2007

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to on-call agreements C-5-0938 with Corestaff Services, C-5-2439 with Focus on Temps, Inc. and C-5-2438 with Select/Remedy Staffing, and the Orange County Transportation Authority, in an amount of $755,000, to add $130,000 to the current term, and exercise the second option year, in an amount not to exceed $625,000, for a total commitment of $1,495,000.

OCTA

March 28, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Agreement for Temporary Staffing Services Contracts

Overview

On June 13, 2005, the Board of Directors approved an agreement with Corestaff Services, Focus On Temps, Inc., and PDQ Personnel Services, Inc. (now known as Select/Remedy Staffing), in the amount of $340,000 per year, to provide temporary staffing services. The firms were retained in accordance with the Orange County Transportation Authority's procurement procedures for professional services.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to on-call agreements C-5-0938 with Corestaff Services, C-5-2439 with Focus on Temps, Inc. and C-5-2438 with Select/Remedy Staffing, and the Orange County Transportation Authority, in an amount of $755,000, to add $130,000 to the current term, and exercise the second option year, in an amount not to exceed $625,000, for a total commitment of $1,495,000.

Background

The Orange County Transportation Authority (OCTA) uses temporary staffing services for personnel coverage due to prolonged illness, leaves of absence, extended position vacancies, additional staff requirements for special projects, for heavy workload demands and unforeseen circumstances. To provide on-call services for temporary personnel for OCTA, the Board awarded agreements to Corestaff Services, Focus On Temps, Inc., and Select/Remedy Staffing (previously known as PDQ Personnel Services, Inc.), on June 13, 2005, for a one-year period, in the amount of $340,000, with four option years. On April 10, 2006, the Board of Directors approved a first option year in the amount of $400,000, for the above referenced Temporary Staffing Contracts.

Discussion

This procurement was originally handled in accordance with the OCTA's procedures for professional services. The original agreement was awarded on a competitive basis.

A formal Request for Proposals was conducted on March 18, 2005. Eleven proposals were received on April 11, 2005. An evaluation committee composed of staff from the Contracts Administration and Materials Management, Risk Management, Financial Planning and Analysis, Accounting, and Human Resources departments evaluated the proposals. All proposals were evaluated on the following criteria: qualifications of the firm/related experience; staffing and project organization; work plan, and cost. The evaluation committee found three proposals responsive and recommended an agreement be entered into with all three to allow greater flexibility and selection of temporary staff. It is necessary to amend the agreement to continue to utilize temporary staffing services for the coming fiscal year.

For the period of July 1, 2007, to June 30, 2008, contract billable rates are scheduled to increase as indicated below:

Corestaff Services billable rates will increase by 8 to 12 cents per hour on all positions.

Focus On Temps, Inc., billable rates will increase on five positions by 1.6 to 2.5 percent or 44 to 84 cents per hour for each position and on four positions by 10 to 11 cents per hour for each position.

Select/Remedy Staffing, Inc. billable rates will increase on all positions by approximately 3 percent ranging from 47 cents to 85 cents per hour.

To date, Focus On Temps has supplied approximately 90 percent of OCTA temporary personnel, Select/Remedy has supplied approximately 8 percent of OCTA temporary personnel, and Corestaff Services has supplied approximately 2 percent of OCTA temporary personnel. However, staff recommends extending all three contracts to allow for maximum flexibility when recruiting for temporary personnel in the upcoming year.

Based on OCTA's continued high vacancy rate, an analysis of expenses incurred to date, an analysis of the projected demand for temporary staffing services, and the scheduled increases in contract billing rates, additional funds are required to continue to provide efficient temporary services as needed at the OCTA during illnesses, vacations, peak projects, and other unique

circumstances. An increase of $130,000 to the maximum obligation is necessary to continue providing these services through the June 2007 first option term of the agreement.

Fiscal Impact

Funds are budgeted by each division for temporary staffing needs and will be included in the fiscal year 2007-08 budget for $625,000 for Account 7617 – Temporary Services.

Summary

The original agreement awarded on June 13, 2005, was in the amount of $340,000. Amendment No. 1 approved by the Board on April 10, 2006, authorized an additional $400,000. Based on the continued need for temporary services support, staff recommends approval of Amendment No. 2 in the amount of $755,000 to add $130,000 to the current term and 625,000, to Agreements C-5-0938 with Corestaff Services, C-5-2438 with Select/Remedy Staffing, and C-5-2439 with Focus On Temps, Inc., to exercise the second option year for the period of July 1, 2007, to June 30, 2008, for an aggregate amount of $1,495,000.

Attachments

A. Corestaff Services, Select/Remedy Staffing, and Focus on Temps, Inc., Agreements C-5-0938, C-5-2438, and C-5-2439 Fact Sheet.
B. Temporary Staffing Services Billable Rates.

Prepared by:

Lisa Arosteguy
Human Resources
Department Manager
(714) 560-5801

Approved by:

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

ATTACHMENT A

Corestaff Services, Select/Remedy Staffing, and Focus On Temps, Inc.
Agreements C-5-0938, C-5-2438 and C-5-2439 Fact Sheet

1. June 13, 2005, Agreements C-5-0938, C-5-2438 and C-5-2439, $340,000, approved by Board of Directors.

   - The agreement was to provide for on-call temporary staffing services.

2. April 10, 2006, Amendment No. 1 to Agreements C-5-0938, C-5-2438, and C-5-2439, $400,000, approved by Board of Directors.

   - This amendment was to provide for additional funds for on-call temporary staffing services for increased costs associated with temporary staffing needs.

3. April 9, 2007, Amendment No. 2 to Agreements C-5-0938, C-5-2438, and C-5-2439, $755,000, pending approval by Board of Directors

   - This amendment will provide for additional funds in the amount of $625,000 for on-call temporary staffing services for increased costs associated with temporary staffing needs, $130,000 for remainder of FY 06-07.

Total committed to Corestaff Services, Agreement C-5-0938, Select/Remedy Staffing, Agreement C-5-2438, and Focus On Temps, Inc., Agreement C-5-2439: $1,495,000 for the initial year, first, and second year options.

Temporary Staffing Services Billable Rates **ATTACHMENT B**

CORESTAFF Services

Classification Title	Wage	Billable Rate - Initial Year	Billable Rate - First Year Option	Billable Rate - Second Year Option	Billable Rate - Third Year Option	Billable Rate - Fourth Year Option
Accountant, Associate	$22.00	$30.36	$30.36	$30.47	$30.47	$30.58
Financial Analyst, Associate	$22.00	$30.36	$30.36	$30.47	$30.47	$30.58
Benefits Specialist, Associate	$20.00	$27.60	$27.60	$27.70	$27.70	$27.80
Office Specialist, Assistant	$15.50	$21.39	$21.39	$21.47	$21.47	$21.54
Office Specialist	$17.50	$24.15	$24.15	$24.24	$24.24	$24.33
Office Specialist, Senior	$19.00	$26.22	$26.22	$26.32	$26.32	$26.41
Secretary, Executive	$20.00	$27.60	$27.60	$27.70	$27.70	$27.80
Secretary, Senior Executive	$24.00	$33.12	$33.12	$33.24	$33.24	$33.36
Customer Relations Representa	$15.50	$21.39	$21.39	$21.47	$21.47	$21.55

FOCUS ON TEMPS, Inc.

Classification Title	Wage	Billable Rate - Initial Year	Billable Rate - First Year Option	Billable Rate - Second Year Option	Billable Rate - Third Year Option	Billable Rate - Fourth Year Option
Accountant, Associate	$22.00	$31.68	$31.68	$31.79	$31.79	$31.79
Financial Analyst, Associate	$22.00	$31.68	$31.68	$31.79	$31.79	$31.79
Benefits Specialist, Associate	$20.00	$28.80	$28.80	$28.90	$28.90	$28.90
Office Specialist, Assistant	$15.00	$21.60	$22.32	$22.76	$22.76	$22.76
Office Specialist	$17.50	$25.20	$25.20	$25.65	$25.65	$25.65
Office Specialist, Senior	$18.50	$26.64	$27.36	$27.46	$27.46	$27.46
Secretary, Executive	$20.00	$28.80	$28.80	$29.26	$29.26	$29.26
Secretary, Senior Executive	$23.00	$33.12	$33.84	$34.68	$34.68	$34.68
Customer Relations Representa	$15.50	$22.32	$22.32	$22.76	$22.76	$22.76

PDQ Careers

Classification Title	Wage	Billable Rate - Initial Year	Billable Rate - First Year Option	Billable Rate - Second Year Option	Billable Rate - Third Year Option	Billable Rate - Fourth Year Option
Accountant, Associate	$17.48	$25.35	$26.10	$26.88	$27.70	$28.52
Financial Analyst, Associate	$17.48	$25.35	$26.10	$26.88	$27.71	$28.52
Benefits Specialist, Associate	$16.16	$23.43	$24.13	$24.85	$25.59	$26.36
Office Specialist, Assistant	$10.78	$15.63	$16.10	$16.57	$17.07	$17.57
Office Specialist	$13.27	$19.24	$19.82	$20.42	$21.03	$21.66
Office Specialist, Senior	$14.28	$20.71	$21.33	$21.97	$22.62	$23.30
Secretary, Executive	$16.16	$23.43	$24.13	$24.85	$25.59	$26.36
Secretary, Senior Executive	$19.19	$27.83	$28.67	$29.52	$30.41	$31.32
Customer Relations Representa	$12.25	$17.76	$18.30	$18.85	$19.42	$20.00

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Freeway Service Patrol Operational Audit

Finance and Administration Committee — March 28, 2007

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Direct staff to implement the recommendations made in the Freeway Service Patrol Operational Audit.

OCTA

March 28, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Freeway Service Patrol Operational Audit

Overview

An operational audit was performed of the Freeway Service Patrol program. The audit found that the controls over the program are generally adequate. Recommendations are being made to improve the efficiency of operations.

Recommendation

Direct staff to implement the recommendations made in the Freeway Service Patrol Operational Audit.

Background

The purpose of the Freeway Service Patrol (FSP) program is to mitigate congestion, with the goal of maximizing the effectiveness of the freeway transportation system through the expeditious removal of disabled vehicles and debris from freeways. Implementation of an FSP program is voluntary. If an FSP program is established, it's authorized activities are restricted by legislation.

FSP legislation requires that services provided by an FSP program be free of charge to motorists. FSP programs of eligible regional and local agencies are funded through the State Highway Account of the California Department of Transportation (Caltrans).

Orange County's FSP program was implemented in November 1992, and is managed by the Motorist Services Department of the Development Division of the Orange County Transportation Authority (OCTA). OCTA, Caltrans, and the California Highway Patrol (CHP) collaboratively oversee the FSP program. The CHP has primary responsibility for monitoring tow truck operators in the field based on adopted standard operating procedures.

The FSP service area in Orange County is divided into 17 areas called "beats". Operators continuously patrol their assigned beats, primarily during peak traffic times, to mitigate congestion in three ways: assist motorists, remove debris from the roadway, or tow vehicles from the freeway. The CHP notifies operators of road impediments through radio communications.

Each beat is competitively bid out by OCTA to a single service provider. Some operators service more than one beat. OCTA's FSP program currently has 40 tow trucks operating through six separate contracts with four service providers, servicing eight freeways.

Discussion

The objective of the audit was to evaluate the adequacy of existing internal controls, policies and procedures, the control environment, and to review opportunities to improve operations. We also examined compliance with regulations and contractual compliance of contractors associated with the program. Internal Audit made recommendations to improve contract management, and to establish a formal FSP policy. Additionally, Internal Audit noted that cooperation from Caltrans could be improved.

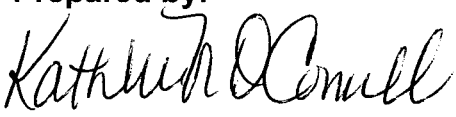
Summary

Based on the review, Internal Audit made some recommendations, which management indicated would be implemented.

Attachment

A. Freeway Service Patrol Operational Audit, Internal Audit Report No. 07-011

Prepared by:



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

ATTACHMENT A

OCTA

INTEROFFICE MEMO

March 16, 2007

To: Paul Taylor, Executive Director
Development

From: Lisa Monteiro, Principal Internal Auditor
Internal Audit

Subject: **Freeway Service Patrol Operational Audit, Internal Audit Report No. 07-011**

Attached hereto is Freeway Service Patrol Operational Audit, Internal Audit Report No. 07-011. Your responses to the recommendations made in the audit have been incorporated into the attached final audit report. Internal Audit concurs with the planned corrective action.

We appreciate the cooperation received during this review. Internal Audit will follow up on management's planned corrective action in six months.

Attachment: Freeway Service Patrol Operational Audit, Internal Audit Report No. 07-011

c: Iain Fairweather
Kathleen O'Connell

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

OCTA

Freeway Service Patrol
Operational Audit

INTERNAL AUDIT REPORT NO. 07-011

March 16, 2007

Audit Team

Kathleen O'Connell, Internal Audit Manager

Lisa Monteiro, Principal Internal Auditor

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Freeway Service Patrol
Operational Audit
March 16, 2007

CONCLUSION 1

BACKGROUND 1

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Partnership between OCTA and Caltrans 6

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Freeway Service Patrol
Operational Audit
March 16, 2007

CONCLUSION

An operational audit was performed of the Freeway Service Patrol (FSP) program. The audit found that the controls over the program are generally adequate. Recommendations are being made to improve the efficiency of operations.

BACKGROUND

Creation and Authority

Section 2560 of the California Streets and Highways Code was established in 1992 and set the basic guidelines for FSP programs. Section 2430 of the California Vehicle Code was established in 1992 and set standards for certifying tow truck drivers for FSP programs.

The purpose of the FSP program is to mitigate congestion, with the goal of maximizing the effectiveness of the freeway transportation system through the expeditious removal of disabled vehicles and debris from freeways. Implementation of an FSP program is voluntary. If an FSP program is established, it's authorized activities are restricted by legislation.

Orange County's FSP program was implemented in November 1992 and is managed by the Motorist Services Department (Motorist Services) of the Development Division of the Orange County Transportation Authority (OCTA). Motorist Services includes Service Authority for Freeway Emergencies (SAFE), which includes FSP and Callbox operations, Service Authority for Abandoned Vehicles (SAAV) operations, and the Orange County Taxi Administration Program (OCTAP). The department consists of one manager and three OCTAP employees. This audit focused on FSP operations only.

Additional information covering this program was included in a January 18, 2007, staff report to the Regional Planning & Highways Committee entitled "Freeway Service Patrol Funding and Weekend Service Pilot Program".

Funding

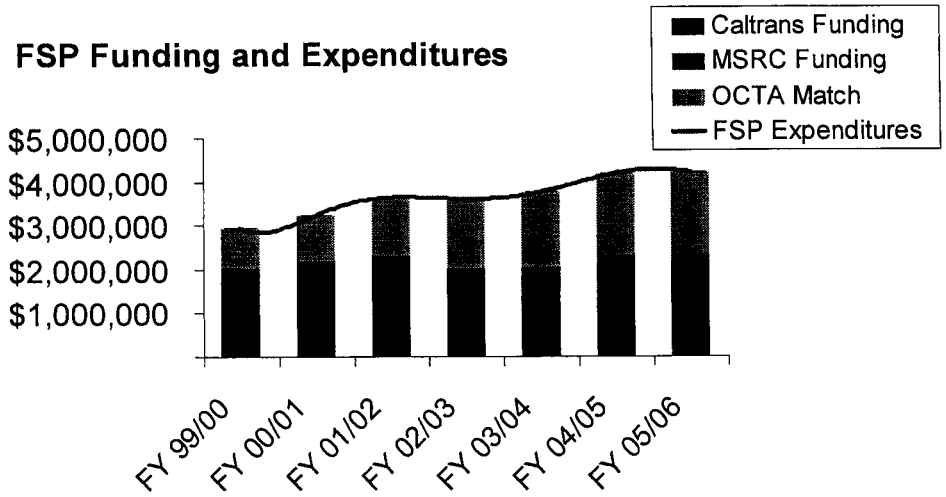
FSP legislation requires that services provided by an FSP program be free of charge to motorists. FSP programs of eligible regional and local agencies are funded through the State Highway Account (SHA) of the California Department of Transportation (Caltrans). The major sources of funds for the SHA are state and federal fuel excise taxes and state motor vehicle weight fees. Funding levels for FSP programs are based on a formula that considers the number of freeway centerline miles, population, traffic congestion, and number of FSP assists. Additional funding for OCTA's FSP program is

provided by grants from the Mobile Source Reduction Committee of the South Coast Air Quality Management District.

Each fiscal year, an agreement is entered into between OCTA and Caltrans for FSP funding from the SHA. Funding received from Caltrans for FY 2005-06 was approximately $2.1 million. A 25 percent local match is required; however, to keep the program running at current service levels, 75 to 100 percent of the revenues are typically matched by OCTA. In FY 2005-06, matching funds of approximately $1.9 million were provided.

As allowed by Streets & Highways Code Section 2557(d), OCTA matches funds using excess call box revenues (derived from a $1 per vehicle Department of Motor Vehicles locally-assessed fee) not programmed to call boxes.

OCTA's FSP expenditures consist mainly of payments to tow truck companies (operators). Total payments to operators in FY 2005-06 were approximately $4.2 million. Since FY 1999-2000, FSP expenditures have increased at a compounded average growth rate of 5.3 percent, while Caltrans funding levels have grown by 0.9 percent. OCTA has been allocated approximately $3.1 million from Caltrans for FSP funding for FY 2006-07, a 47.6 percent increase from the prior year, as a result of increases in both statewide and OCTA appropriations.



Obtained from annual approved budgets and budgetary analysis documents. (Unaudited)

Responsibilities

OCTA, Caltrans, and the California Highway Patrol (CHP) collaboratively oversee the FSP program. The CHP has primary responsibility for monitoring tow truck operators in the field based on adopted standard operating procedures (SOP). Other responsibilities of each agency include:

OCTA
- Advertise, award and manage operator contracts
- Manage FSP field and vehicle communications equipment

Caltrans
- Collect and evaluate statistical data for the on-going evaluation of the FSP program

CHP
- Provide initial and annual refresher trainer certification to all operators
- Provide field supervision
- Conduct ride-alongs
- Perform random and cursory tow truck and facility inspections
- Monitor operators' job performance
- Conduct background checks of FSP applicants – tow truck drivers
- Fingerprint applicants
- Conduct operator and program complaint investigations
- Document SOP violations
- Dispatch FSP tow trucks from the CHP's Orange County Communications Center

Program Operations

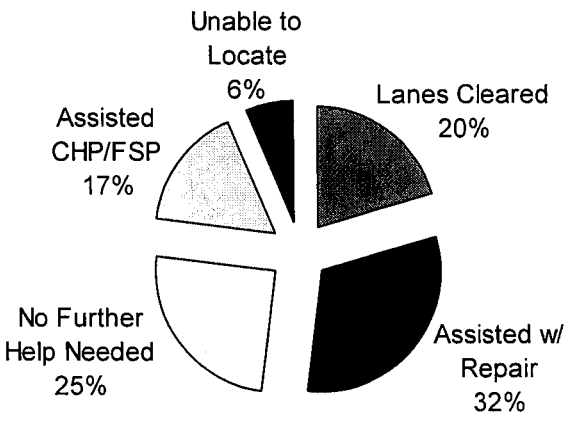
The FSP service area in Orange County is divided into 17 areas called "beats". Operators continuously patrol their assigned beats, primarily during peak traffic times, to mitigate congestion in three ways: assist motorists, remove debris from the roadway, or tow vehicles from the freeway. The CHP notifies operators of road impediments through radio communications.

Each beat is competitively bid out by OCTA to a single service provider. Some operators service more than one beat. OCTA's FSP program currently has 40 tow trucks operating through six separate contracts with four service providers, servicing eight freeways.

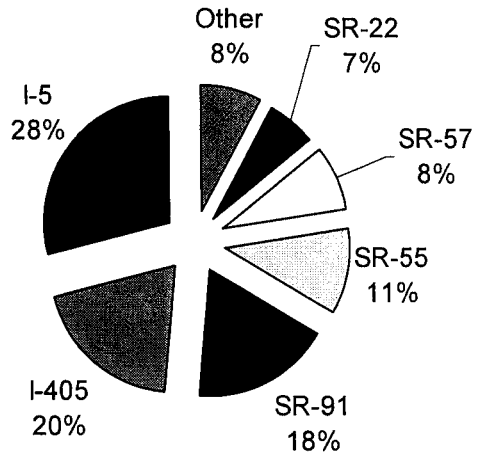
When an operator answers a call for service or assists a motorist, it is generally referred to as an "assist". Assists are broken down into five general categories:
- Assisted with Repair (assisted motorist with a repair that allowed vehicle to be moved)
- Lanes Cleared (impediment towed from highway to designated drop area)
- Assisted CHP / FSP (assisted at the request of CHP or another FSP tow truck, including tow requests)
- No Further Help Needed (impediment was cleared before FSP arrived)
- Unable to Locate (could not locate motorist or impediment)

Freeway Service Patrol
Operational Audit
March 16, 2007

Types of Assists
7/1/99 - 6/30/06



Assists by Highway
7/1/99 - 6/30/06



Obtained from monthly and quarterly statistical data collected by Caltrans (unaudited). The "Other" category includes SR-133, SR-241, SR-261, SR-73, and I-605. The SR-133 includes only the portion between the I-405 and Irvine Blvd. The SR-241 and SR-261 were discontinued in 2002.

PURPOSE AND SCOPE

The Internal Audit Plan for Fiscal Year 2006-07 included an operational audit of OCTA's FSP program. Our objective was to evaluate the adequacy of existing internal controls, policies and procedures, and control environment, and to review opportunities to improve operations.

We reviewed all significant processes, including program and contract management, invoice payments, daily operations, and required reporting. We also examined compliance with regulations and contractual compliance of the contractors associated with the program. We evaluated the sufficiency of controls and the propriety of payments made to the various contractors. As part of the audit, the following agreements related to operations of FSP were reviewed:

- Tow truck operators
- SAFE consultant
- Radio services
- CHP overtime
- Caltrans funding

Freeway Service Patrol
Operational Audit
March 16, 2007

AUDIT COMMENTS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Motorist Services Consultant Invoices

Motorist Services has used a consultant since October 2004, to provide a variety of administrative and operational support services for SAFE, including both FSP and Callbox operations. Based on our review of the consultant's invoices for services provided between June 2005 and November 2006, we noted that amounts billed on the majority of the consultant's invoices did not include adequate detail as to the work performed, including detail by program. Additionally, progress reports were not supplied, as required by the contract.

We also noted that until January 2006, all hours billed under the contract were charged by the prime contractor at the approved contract rate. Subsequent to January 2006, the billings included separate billing rates for the prime and the subcontractor. The prime's billing rate was adjusted downward to less than the contract rate, while the subcontractor's billing rate, which was not specifically stated in the contract, exceeded the prime's contract rate. The prime's contract rate was $181 per hour. A total of 56 hours were billed by the subcontractor at $206 per hour.

Additionally, four subcontractors billed and were paid a total of $60,344.08 on the invoices during this period, but these subcontractors were not approved in the contract. Lastly, we noted that a total of $4,699 in out-of-pocket expenses were billed on the invoices, typically for mileage and telephone; however, documentation supporting these expenses was not included with the billings.

Recommendation 1: We recommend the following:

- Management should carefully review each invoice to ensure contract requirements are met and charges are substantiated.
- Only approved subcontractors should be used by the contractor.
- The contract should be revised to specifically state hourly rates for the prime and any subcontractors.
- All billed costs should include adequate detail to identify the work performed. Additionally, progress reports should accompany all invoices, as required by the contract.
- Support should be included for any out-of-pocket expenses billed.

Management Response:

Management agrees with the findings for the motorist services consultant invoices and will implement the recommendations as stated in this report.

FSP Policies and Procedures

No formal OCTA policy has been adopted regarding OCTA's responsibilities for the FSP program. Additionally, OCTA's desktop procedures for the FSP program are outdated.

Recommendation 2: A formal OCTA policy should be approved that includes major FSP policy issues, such as the purpose for providing an FSP program, responsible parties, and legislation and regulations that govern FSP programs. Additionally, desktop procedures should be continuously updated.

Management Response:

Management agrees with the audit findings that the desktop procedures are outdated and will begin the process of updating them. Management also agrees to recommend to the Board of Directors formal OCTA policies in regards to FSP responsibilities.

Partnership between OCTA and Caltrans

During our review, several issues were raised which seemed to indicate a lack of responsiveness on the part of Caltrans to program requirements and OCTA requests. Specifically, we noted the following issues:

- Motorist Services has requested the funding formula from Caltrans but was informed that it can not be provided.
- Caltrans does not typically sign and provide the annual funding agreement to OCTA until mid-year; as such, OCTA frontloads funds to run the FSP until the funding agreement is signed and forwarded by Caltrans.
- As of Fiscal Year 2006-07, OCTA has taken on the responsibility for statistical data collection, which is Caltrans responsibility according to the CHP SOP.

These comments are advisory in nature. Management has indicated that they will continue efforts to improve the level of cooperation between OCTA and Caltrans.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Opening Lanes Along Metropolitan Drive in the City of Orange on the Garden Grove Freeway (State Route 22)

Regional Planning and Highways Committee — April 2, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor, Norby, Pringle, and Rosen

Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to send a letter to Granite-Myers-Rados excluding the realigned portion of Metropolitan Drive from Substantial Completion No. 2 and require opening of all lanes by the Project Completion milestone of July 29, 2007.

Clarification to Recommendation

The following recommendation is presented for Board approval, reflecting a minor revision (shown in bold) to more accurately reflect the intent of staff's recommendation.

Authorize the Chief Executive Officer to send a letter to Granite-Myers-Rados excluding the realigned portion of Metropolitan Drive from Substantial Completion No. 2 and require opening of all **realigned** lanes by the Project Completion milestone of July 29, 2007.

OCTA

April 2, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer APL by PG

Subject: Opening Lanes Along Metropolitan Drive in the City of Orange on the Garden Grove Freeway (State Route 22)

Overview

The Orange County Transportation Authority has entered an agreement with Granite-Myers-Rados on the Garden Grove Freeway (State Route 22) design and construction that requires opening all lanes along Metropolitan Drive in the City of Orange by April 30, 2007. The City of Orange has requested that opening the remaining portion of the realigned Metropolitan Drive be concurrent with the opening of lanes added along The City Drive.

Recommendation

Authorize the Chief Executive Officer to send a letter to Granite-Myers-Rados excluding the realigned portion of Metropolitan Drive from Substantial Completion No. 2 and require opening of all lanes by the Project Completion milestone of July 29, 2007.

Background

On August 23, 2004, the Orange County Transportation Authority's (Authority) Board of Directors (Board) awarded a design-build contract to the joint venture of Granite-Meyers-Rados (GMR). The contract is for improvements of 12 miles of the Garden Grove Freeway (State Route 22) from the Costa Mesa Freeway (State Route 55) interchange west to Valley View Street. Work began on September 22, 2004.

On February 12, 2007, the Board approved Construction Change Order (CCO) No. 10, between the Authority and GMR incorporating the Magnolia Street bridge reconstruction into the project. The CCO was executed by the Authority in its final form on February 15, 2007. One of the provisions of the change order was the creation of an additional milestone referred to as

Substantial Completion No. 2, establishing April 30, 2007, as the date for opening all lanes along the project, except three locations added by the City of Orange request at The City Drive, Garden Grove Boulevard, and Magnolia Street.

Discussion

The State Route 22 project plans as bid by GMR did not include configuration improvements (lane additions) of The City Drive at the intersection of the newly aligned Metropolitan Drive. The City of Orange requested a configuration change adding an additional, and longer, left turn lane from northbound of The City Drive to westbound Metropolitan Drive. Approved CCO No. 10 requires this work to be complete by the revised Project Completion date of July 29, 2007.

Currently the new location of the Metropolitan Drive/The City Drive intersection is scheduled to be opened in mid-April, prior to the Substantial Completion No. 2 milestone of April 30, 2007. The City of Orange has requested the opening of Metropolitan Drive extending from The City Drive off-ramp to The City Drive be postponed until the work along The City Drive is sufficiently complete to provide adequate left turning capacity. The area is highlighted on Attachment A. Project traffic engineers agree with the City of Orange that opening Metropolitan Drive to its final configuration before the improvements along The City Drive are completed will likely adversely impact northbound The City Drive traffic.

Summary

Staff seeks approval for opening lanes along a portion of the realigned Metropolitan Drive to occur concurrenttly with opening lanes added along The City Drive, in the City of Orange on the Garden Grove Freeway improvement project.

Attachment

A. Metropolitan Drive Location Map

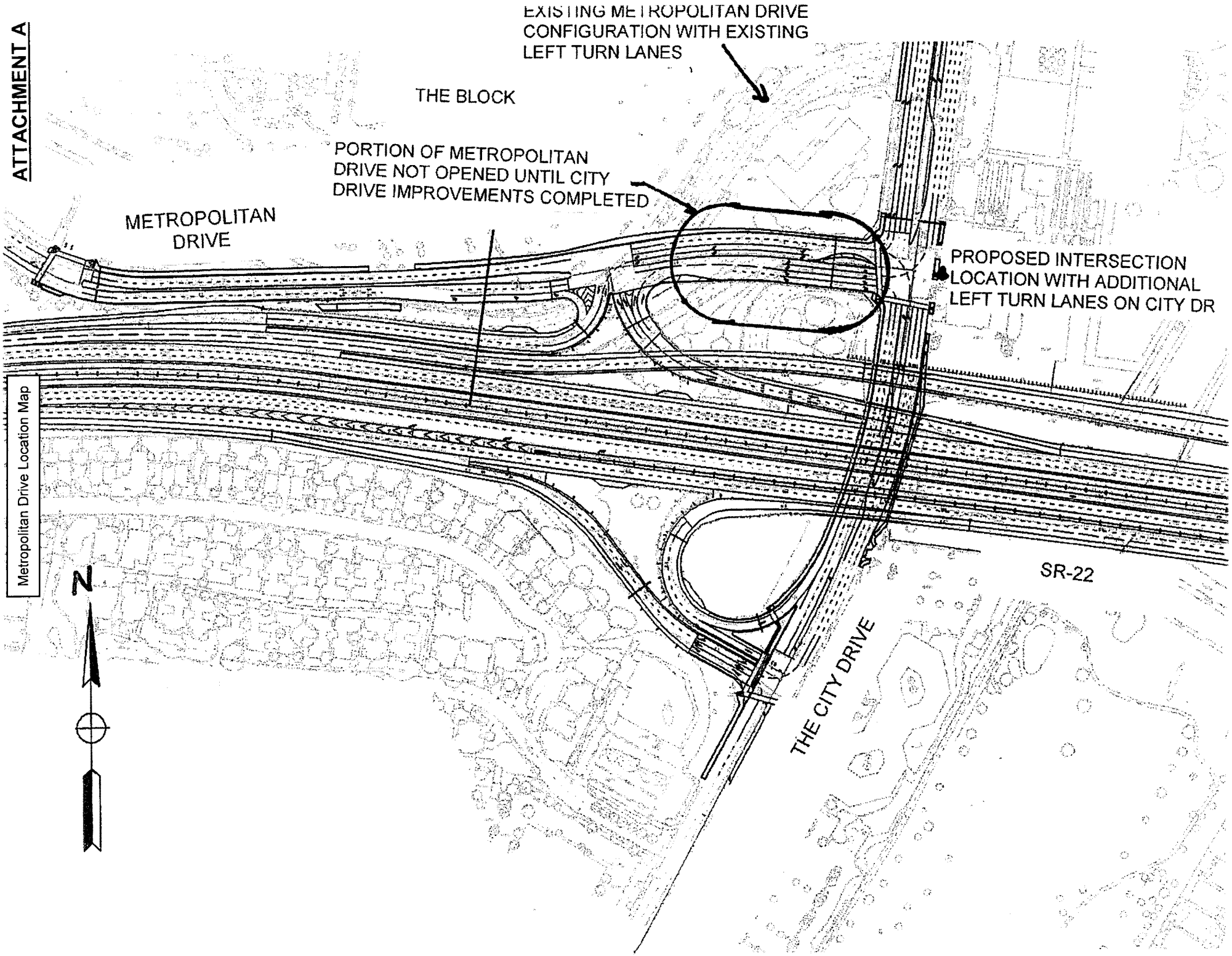
Prepared by:

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

Approved by:

Kia Mortazavi
Executive Director, Development
(714) 560-5741

ATTACHMENT A



13.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement to Purchase 31 Mid-Size Compressed Natural Gas Buses

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Directors Dixon and Pulido were not present to vote on this item.

Committee Recommendations

A. Authorize the Chief Executive Officer to execute Agreement C-6-0526 to Creative Bus Sales, Inc., in an amount not to exceed $12,409,788 for the purchase of 31 compressed natural gas mid-size buses.

B. Amend the current Fiscal Year 2006-07 Budget by $2,959,788 to accommodate Agreement C-6-0526, resulting in a total budget for the project in the amount of $12,409,788.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement to Purchase 31 Mid-Size Compressed Natural Gas Buses

Overview

The Orange County Transportation Authority's Fleet Plan and Fiscal Year 2006-07 Budget include a procurement for 27 mid-size buses for contracted fixed route service. Current service needs for contracted fixed route require 26 buses, and five buses for express service, because of a preference for compressed natural gas, the quantity of buses and the budget requires an adjustment. This procurement also included two available optional deliveries of up to 71 buses, exercisable upon the Orange County Transportation Authority's discretion.

Recommendations

A. Authorize the Chief Executive Officer to execute Agreement C-6-0526 to Creative Bus Sales, Inc., in an amount not to exceed $12,409,788 for the purchase of 31 compressed natural gas mid-size buses.

B. Amend the current Fiscal Year 2006-07 Budget by $2,959,788 to accommodate Agreement C-6-0526, resulting in a total budget for the project in the amount of $12,409,788.

Background

The Orange County Transportation Authority's (Authority) original fleet forecast and current year approved budget assumed 27 buses needed for contracted fixed route service. This purchase has been delayed due to changing needs for this service type and the selection of an alternative fuel. The fleet requirements and fuel selection have been determined. Twenty-six of the current contracted fixed route vehicles will exceed the minimum useful life of five years prescribed by the Federal Transit Administration (FTA), and are eligible for replacement, and the remaining five for expansion of contracted

express bus service to and from the Inland Empire. The preferred fuel is compressed natural gas (CNG) and these buses will be serviced at our soon to be operational CNG fueling station at the Santa Ana Base. This fueling provision will be temporary, as the mid-size buses permanent site will be Sand Canyon/Irvine base when fueling infrastructure is installed.

Discussion

This procurement was handled in accordance with the Authority's procedures for fixed assets. On July 11, 2006, a Request for Proposals (RFP) 6-0526 was issued. The project was advertised on July 13, 2006, and July 18, 2006, in a newspaper of general circulation. An electronic notice was sent to 58 firms registered on CAMMNET. A pre-proposal conference was conducted with 11 attendees.

On October 24, 2006, two proposals were received. An evaluation committee composed of staff from Operations Analysis, Transit Technical Services, Community Transportation Services, Contract Administration and Materials Management, and Safety and Environmental Compliance was established to review all offers submitted.

Following the initial evaluations of the proposals based on a set of criteria such as technical merit, qualifications, resources, management, price, other financial impacts, and lead-time, two bidders were selected for interviews which were conducted on November 29, 2006. The proposal from Creative Bus Sales, Inc., was forwarded to the Authority's Internal Audit Department for review to determine compliance with Buy America requirements. Internal Audit found Creative Bus Sales, Inc., in compliance with Buy America.

Based on the evaluation committee's findings, the following firm was selected and is recommended for consideration of the award:

Firm and Location

Creative Bus Sales, Inc.
Chino, California

The buses will be manufactured locally by El Dorado National in Chino, California. The order includes a conditional requirement to proceed with serial production quantities subject to the Authority's inspection and approval of a first article. This provision is a safeguard routinely used for revenue vehicle acquisition. The first article delivery will be within 22 weeks of contract award

and the remaining 30 production units will begin delivery 26 weeks after notice to proceed, based on an acceptable first article, delivered at a rate of five per week.

The 31 bus order includes 26 buses for contracted fixed route configured as conventional low floor transit buses and five buses for express service with passenger enhancements typical of this service, such as seating upgrades, lap trays, lighting, and power ports. The express bus is a single passenger door configuration, and the passenger seating is optimized for forward facing positions as compared to the two-door transit configuration with aisle facing seats.

A summary of the bus, optional features, and pricing are provided in Attachment A.

Fiscal Impact

The additional cost increase described resulting from increased quantities, express bus features, and compressed natural gas were not included in the fiscal year 2006-07 approved budget. The approved budget is $9,450,000, and additional funds of $2,959,788 are being requested, and if approved, the total not to exceed budget for this project will be $12,409,788 in the Transit Division, Maintenance Department, Account 2114-9024, using a combination of federal grant funds and local capital funds.

Summary

Staff recommends approval of Agreement C-6-0526, in the amount of $12,409,788, to Creative Bus Sales, Inc., for the purchase of 31 buses, and amending the current fiscal year budget with an additional $2,959,788, resulting in a total budget for this project not to exceed $12,409,788.

Attachment

A. Agreement Pricing Summary

Prepared by:

Al Pierce
Manager, Maintenance
714-560-5975

Approved by:

John D. Byrd
General Manager, Transit
714-560-5341

Agreement Pricing Summary

Item Description	Unit Price	Tax @ 7.75%	Total Unit Price	Quantity	Extended
001 Bus CNG	$337,800	$26,180	$363,980	31	$11,283,365
003 Delivery Charge	$100	$0	$100	31	$3,100
Radio Prewire for Kenwood	$334	$26	$360	31	$11,157
Video System	$9,990	$774	$10,764	31	$333,691
Passenger Contact Less Acoustic Sensor	$2,095	$162	$2,257	31	$69,978
ADA Equip	$19,500	$0	$19,500	31	$604,500
DR600 Standalone option	$1,468	$114	$1,582	31	$49,035
Express Bus Pkg Upgrade (5 buses)	$2,650	$205	$2,855	5	$14,277
Manuals, Lot	$2,000	$155	$2,155	1	$2,155
Training, Lot	$25,600	$0	$25,600	1	$25,600
DR600 One Time Database Setup	$12,000	$930	$12,930	1	$12,930

Total Agreement NTE for First Lot (Base Delivery) for 31 total buses, to include 26 for regular contracted fixed route and 5 for additional Express upgrades	**$12,409,788**

ATTACHMENT A

14.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement for 58 Paratransit Gasoline Cutaway Buses

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Directors Dixon and Pulido were not present to vote on this item.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0550 to Creative Bus Sales, Inc., in an amount not to exceed $4,897,631, for the base year purchase of 58 gasoline powered paratransit vehicles. Future Board requests for approval of budget and contract will be applicable to exercising the optional deliveries.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement to Purchase 58 Paratransit Gasoline Cutaway Buses

Overview

The Orange County Transportation Authority's Fleet Plan and Fiscal Year 2006-07 Budget include a procurement for 58 paratransit vehicles for ACCESS service. The subject procurement also included two available optional deliveries of up to 140 vehicles, exercisable upon the Orange County Transportation Authority's discretion.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-6-0550 to Creative Bus Sales, Inc., in an amount not to exceed $4,897,631, for the base year purchase of 58 gasoline powered paratransit vehicles. Future Board requests for approval of budget and contract will be applicable to exercising the optional deliveries.

Background

The Orange County Transportation Authority's (Authority) fleet forecast and current year approved budget included 58 replacement paratransit buses for ACCESS service. Twenty-nine of the 58 will replace the remaining 8400 series that were placed in service in June 2001, and 29 will replace the oldest of the 8900 series buses placed in service in June 2002. All 58 vehicles will exceed the minimum useful life of five years prescribed by the Federal Transit Administration (FTA), and therefore are eligible for replacement.

Discussion

This procurement was handled in accordance with the Authority's procedures for fixed assets. A Request for Proposals (RFP) 6-0550 was issued to 63 firms registered on CAMMNET. The RFP was advertised on October 17, 2007, and on October 24, 2007, in a newspaper of general circulation. On

November 2, 2006, a pre-proposal meeting was held with two firms attending. On the proposal due date of January 5, 2007, only one proposal was received. The proposal was from Creative Bus Sales, Inc.

The proposal was forwarded to the Authority's Internal Audit Department for review to determine the fair and reasonableness of the pricing, along with compliance with Buy America requirements. Internal Audit found the proposal fair and reasonable, and Creative Bus Sales, Inc., in compliance with Buy America.

The evaluation committee reviewed Creative Bus Sales, Inc.'s, proposal and found that the proposal met the Authority's requirements for RFP 6-0550. Based on the evaluation committee's findings, the following firm is recommended for consideration of the award:

Firm and Location

Creative Bus Sales, Inc.
Chino, California

The buses will be manufactured by El Dorado National at their Kansas facility. The order includes a conditional requirement to proceed with serial production quantities subject to the Authority's inspection and approval of a first article. This provision is a safeguard routinely used for revenue vehicle acquisition, such that the Authority's risk is minimized.

A summary of the bus, optional features, and pricing are provided in Attachment A.

Fiscal Impact

Funding is available in the Authority's current fiscal year budget for this project in the Transit Division, Maintenance Department, Account 2114-9024, using a combination of federal grant funds and local capital funds.

Summary

Staff recommends approval of Agreement C-6-0550, in the amount of $4,897,631, to Creative Bus Sales, Inc., for the purchase of 58 buses.

Attachment

A. Agreement Pricing Summary

Prepared by:

Al Pierce
Manager, Maintenance
714-560-5975

Approved by:

John D. Byrd
General Manager, Transit
714-560-5341

ATTACHMENT A

AGREEMENT PRICING SUMMARY

Item	Base Agreement for 58 Vehicles			
	Unit Cost	Tax	Qty	Extended Total
Vehicle	$58,900.00	$4,564.75	58	$3,680,955.50
Delivery Charge	$100.00	$0.00	58	$5,800.00
Manuals, unit sets	$250.00	$19.38	10	$2,693.75
Handicap Equipment	$7,500.00	$0.00	58	$435,000.00
Training, unit hrs.	$50.00	$0.00	180	$9,000.00
Sub Total Bus				$4,133,449.25
Options				
007 - Option 1 - 500 MHz Radio	$955.00	$74.01	58	$59,682.73
Option 4 - Prewire only for Mobile Data Terminal	$750.00	$58.13	58	$46,871.25
009 - Video Surveillance	$8,750.00	$678.13	58	$546,831.25
010 - Obstacle Detection	$650.00	$50.38	58	$40,621.75
Sub Total Options				$694,006.98
011. Spare Equipment				
1. Transmission Assembly	$4,957.95	$384.24	4	$21,368.76
2. Differential Assembly	$5,122.61	$397.00	4	$22,078.45
3. Retarder Assembly	$5,340.00	$413.85	2	$11,507.70
4. Engine Assembly	$7,062.58	$547.35	2	$15,219.86
Sub Total Spare Equipment				$70,174.77
Total Agreement NTE				**$4,897,631**

15.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Cooperative Agreement with Riverside Transit Agency to Jointly Fund Intercounty Route 794

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-6-0589 between the Orange County Transportation Authority and Riverside Transit Agency to add $26,000 to the initial term, and exercise the first option year, in an amount not to exceed $151,000, for a total amendment of $177,000.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Cooperative Agreement with Riverside Transit Agency to Jointly Fund Intercounty Route 794

Overview

On August 28, 2006, the Board of Directors approved a revenue agreement with Riverside Transit Agency, in the amount of $120,000, to provide intercounty express bus service. An amendment is needed to increase the maximum obligation for the initial term and exercise the first option year.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-6-0589 between the Orange County Transportation Authority and Riverside Transit Agency to add $26,000 to the initial term, and exercise the first option year, in an amount not to exceed $151,000, for a total amendment of $177,000.

Background

In September 2005, the Board of Directors approved a plan to implement a network of intercounty express bus service. On August 28, 2006, the Board of Directors approved a cooperative agreement with the Riverside Transit Agency (RTA) to implement Route 794, an express bus service traveling from Tyler Mall in Riverside County to South Coast Metro in Orange County. This route was identified as a primary service needed for intercounty travel along the Riverside Freeway (State Route 91) corridor.

The agreement with RTA established the level of service, a joint funding arrangement, and requirements for National Transit Database reporting. The cost sharing arrangement is based on route mileage, with RTA contributing 33 percent based on the mileage from Tyler Mall to the Orange County line. The initial term is scheduled to expire August 31, 2007.

Discussion

Express Bus Route 794 services an estimated 22,465 employees in the South Coast Metro area, which includes Hutton Center, South Coast Plaza, Auto Club of Southern California, Los Angeles Times of Orange County, Deloitte & Touche, National University and Whittier Law School. Since its implementation in September 2006, ridership has exceeded 22,700 boardings, consistently meeting the Orange County Transportation Authority's (Authority) projections for average daily ridership. The service travels on the 91 Express Lanes between Riverside and Orange County, using existing bus stops, and Park and Ride facilities at each end of the route.

An increase of $26,000 to the maximum obligation is necessary to continue providing these services through the August 2007 initial term of the agreement. Exercising the first option year in the amount of $151,000 will continue joint funding of this service through August 31, 2008.

Fiscal Impact

The project is included in the Authority's Fiscal Year 2007-08 Budget, Transit Division/Community Transportation Services, Revenue Account 0030-5224-A1004-DYF. The Authority's portion is included in the Veolia Agreement, Account 2131-7313-D1224-337, and is funded through the Local Transportation Fund.

Summary

Staff recommends approval of Amendment No. 1 to Agreement C-6-0589 with Riverside Transit Agency, in the amount of $177,000.

Attachments

A. Riverside Transit Agency Agreement C-6-0589 Fact Sheet
B. Route 794: Tyler Mall to South Coast Metro

Prepared by:

Sharon Long
Community Transportation Coordinator
(714) 560-5593

Approved by:

John D. Byrd
General Manager, Transit
(714) 560-5341

ATTACHMENT A

Riverside Transit Agency
Agreement C-6-0589 Fact Sheet

1. August 28, 2006, Agreement C-6-0589, $120,000, approved by Board of Directors.

   - Joint Cooperative Agreement with Riverside Transit Agency for express bus service from Tyler Mall in Riverside County to South Coast Metro in Orange County.

2. March 26, 2007, Amendment No. 1, $177,000, pending approval by Board of Directors.

   - Increase initial term funding and exercise first option term through August 31, 2008 for a total increase of $177,000.

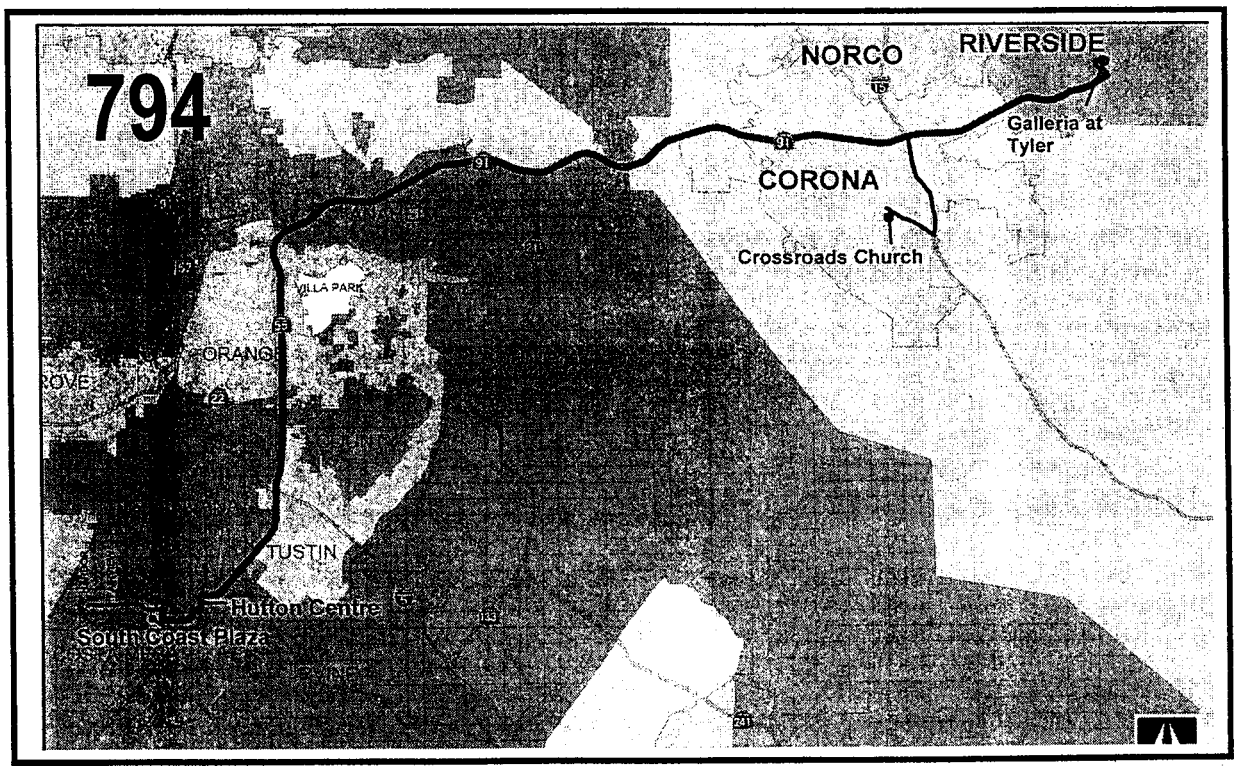
Total revenue received from Riverside Transit Agency, Agreement C-6-0589: $297,000.

ROUTE 794 :
TYLER MALL TO SOUTH COAST METRO

ROUTE OVERVIEW

- Seven intermediate stops
- 22,465 employees served
- 80 minute runs with two starting in Corona
- Service every 30 minutes (5:30 – 7:30AM)
- 39 total trip miles (64% in Orange County)
- 4,106 annual vehicle service hours
- Total annual cost estimated at $513,250

ROUTE MAP



16.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject: Amendment to Agreement for Threaded Products and Fasteners

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-5-2643 between the Orange County Transportation Authority and Golden State Fastener and Supply Company, in an amount not to exceed $60,000.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Agreement for Threaded Products and Fasteners

Overview

On July 11, 2005, the Board of Directors approved an agreement with Golden State Fastener and Supply Company, to provide threaded products and fasteners for a one-year period with two option years.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-5-2643 between the Orange County Transportation Authority and Golden State Fastener and Supply Company, in an amount not to exceed $60,000.

Background

The Orange County Transportation Authority (Authority) maintenance staff requires various threaded products and fasteners used for the maintenance and repair of fixed route buses and support vehicles. The agreement provides only North American made, grade eight, high strength bolts, and other fasteners used on all vehicle repairs.

Discussion

This procurement was originally handled in accordance with the Authority's procedures for goods and services. The original agreement was awarded on a competitive basis. It has become necessary to amend the agreement due to exercising the second option year.

The original agreement awarded on July 11, 2005, was in the amount of $50,000. The Board of Directors approved Amendment No. 1, in the amount of $70,000, on April 24, 2006. Amendment No. 2, in amount not to exceed $60,000, will increase the total agreement amount to $180,000 (Attachment A).

Fiscal Impact

The products purchased in Amendment No. 2 to Agreement C-5-2643 was approved in the Authority's Fiscal Year 2006-07 Budget, Transit Division, Maintenance Department, Accounts 2162-7799, 2164-7799, and 2168-7799, and is funded through the Local Transportation Fund.

Summary

Staff recommends approval of Amendment No. 2, in an amount not to exceed $60,000, to Agreement C-5-2643 with Golden State Fastener and Supply Company.

Attachment

A. Golden State Fastener and Supply Company, Agreement C-5-2643 Fact Sheet

Prepared by:

Al Pierce
Manager, Maintenance
(714) 560-5975

Approved by:

John D. Byrd
General Manager, Transit
(714) 560-5341

ATTACHMENT A

Golden State Fastener and Supply Company
Agreement C-5-2643 Fact Sheet

1. July 11, 2005, Agreement C-5-2643, $50,000, approved by Board of Directors.

   - Procurement of threaded products and fasteners.

2. April 24, 2006, Amendment No. 1 to Agreement C-5-2643, $70,000 approved by Board of Directors.

   - Exercise the first option year.

3. April 9, 2007, Amendment No. 2 to Agreement C-5-2643, $60,000 pending approval by Board of Directors.

   - Exercise the second option year.

Total committed to Golden State Fastener and Supply Company, Agreement C-5-2643: $180,000.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for Provision of Senior Transportation to Congregate Meal Sites

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement C-4-0348 between the Orange County Transportation Authority and the Orange County Office on Aging for their share of the program expense for the provision of senior transportation to congregate meal sites, in an amount not to exceed $409,499, through June 30, 2008.

B. Authorize the Chief Executive Officer to execute amendments to agreements with ten participating cities for their share of the program expense through June 30, 2008, based on the Orange County Office on Aging allocation, for a total amount not to exceed $120,000.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Agreement for Provision of Senior Transportation to Congregate Meal Sites

Overview

On April 22, 2004, the Board of Directors approved a revenue agreement with the Orange County Office on Aging and participating cities for the provision of senior transportation to congregate meal sites funded in part by Older Americans Act funds. Amendments are necessary to extend these agreements through June 30, 2008.

Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement C-4-0348 between the Orange County Transportation Authority and the Orange County Office on Aging for their share of the program expense for the provision of senior transportation to congregate meal sites, in an amount not to exceed $409,499, through June 30, 2008.

B. Authorize the Chief Executive Officer to execute amendments to agreements with ten participating cities for their share of the program expense through June 30, 2008, based on the Orange County Office on Aging allocation, for a total amount not to exceed $120,000.

Background

In fiscal year 2003-04, the Orange County Transportation Authority (Authority) approved a revenue agreement (Attachment A) with the Orange County Office on Aging (OoA) to provide transportation services for seniors traveling to and from selected senior meal sites. The nutrition transportation program is a service initiated by the OoA to support their congregate meal program and is partially funded by the Older Americans Act (Attachment B). A total of 20 cities/centers are included in the OoA allocation. The OoA contracts with the

Authority to provide transportation to meal sites in ten cities. The Authority has subcontracted with California Yellow Cab to provide the transportation service under this agreement. The Authority, OoA, and the cities receiving this service all contribute toward the cost of the program, with the Authority contributing $822,034, or 53 percent (Attachment C). The remaining ten cities/centers participate in the Authority's Senior Mobility Program, providing these trips either directly or through a private operator under contract to the city/center.

Discussion

This amendment exercises the third option year, extending services through June 30, 2008. As noted above, the agreement includes provision of transportation services to congregate meal programs in ten cities. During the term of this agreement, these cities have the option of transitioning to the Senior Mobility Program, under which they would assume direct responsibility for provision of these trips.

Fiscal Impact

Funds to operate this program are in the proposed Authority's Fiscal Year 2007-08 Budget. Similarly, revenues from the OoA and the cities participating in the program have been estimated and are included as a Reimbursement from other agencies.

Summary

The Authority provides transportation to senior citizens attending congregate meal programs through an agreement with the Office on Aging. Staff recommends approval of Amendment No. 4 to Agreement C-4-0348, and related agreements with the cities and centers to extend the program through June 30, 2008.

Attachments

A. Office on Aging Agreement C-4-0348 Fact Sheet
B. Nutrition Transportation Program Outline
C. Office on Aging Nutrition Transportation Program Funding Allocations by City

Prepared by:

Dana Wiemiller
Community Transportation Coordinator
(714) 560-5718

Approved by:

John D. Byrd
General Manager, Transit
(714) 560-5341

ATTACHMENT A

Office on Aging
Agreement C-4-0348 Fact Sheet

1. April 22, 2004, Agreement C-4-0348, $431,727, approved by Board of Directors.
   - Revenue agreement with the OoA for the provision of senior transportation to congregate meal sites
   - Term of agreement July 1, 2004, through June 30, 2005
   - Agreements executed with 11 participating cities/centers

2. March 14, 2005, Amendment No. 1 to Agreement C-4-0348, $431,727, approved by Board of Directors.
   - Exercise first option term to extend agreement through June 30, 2006
   - Execute amendments with 11 participating cities/centers to extend the term through June 30, 2006

3. February 7, 2006, Amendment No.2 to Agreement C-4-0348, $9,886, approved by staff.
   - Amend revenue agreement to increase maximum obligation for purchase of additional bus passes and/or ACCESS coupons

4. April 10, 2006, Amendment No. 3 to Agreement C-4-0348, $440,000, approved by Board of Directors.
   - Exercise second option term to extend agreement through June 30, 2007
   - Execute amendments with 10 participating cities to extend the term through June 30, 2007

5. April 9, 2007, Amendment No. 4 to Agreement C-4-0348, $409,499, pending approval by Board of Directors.
   - Exercise third option term to extend agreement through June 30, 2008
   - Execute amendments with 10 participating cities to extend the term through June 30, 2008

Total committed to the Office on Aging, Agreement C-4-0348: $1,722,839.

ATTACHMENT B

Nutrition Transportation Program Outline

- The nutrition transportation program is a service initiated by the Orange County Office on Aging (OoA) to support their congregate meal program. The OoA contracts with the Orange County Transportation Authority (Authority) to provide transportation to selected centers within the cities participating in the congregate meal program.

- The Office on Aging, the Authority, and the 10 cities receiving this service all contribute toward the cost of the program.
    - The OoA contributes approximately 27 percent of the cost of the program using Older Americans Act, Title III B funds, which are earmarked for senior supportive services including OoA transportation.
    - The Authority contributes approximately 53 percent of the cost of the program using Article 4.5 Transportation Development Act funds.
    - Each city or center participating in the program contributes the remaining 20 percent of the cost.

- While 20 cities/centers are included in the OoA allocation for senior nutrition transportation, the Authority only provides service for ten of these cities/centers, providing approximately 48,000 annual trips. The remaining ten cities participate in the Authority's Senior Mobility Program (SMP) and account for an estimated 66,000 trips provided annually for seniors traveling to congregate meal sites.

- The Authority currently has a contract with California Yellow Cab, Agreement C-3-1284, to provide nutrition transportation services for the 10 cities/centers participating in the congregate meal program.

- The OoA determines the level of funding for each city included in the nutrition program. SMP cities receive additional funds under the SMP program directly from the Authority.

- The funds requested for approval in this report represent the full 12-month commitment for this program in fiscal year 2007-08.

Office on Aging Nutrition Transportation Program
Funding Allocations by City
July 2007 - June 2008

PARTICIPATING NUTRITION CITIES	Number of Annual Trips	VEHICLE SERVICE HOUR (VSH) CALCULATION: Daily VSH for FY 07/08	Annual VSH (based on 250 days)	VSH Cost FY07 ($46.55)	FUNDING SOURCE: City Contribution ($9.31)	OoA Contribution ($18.62)	OCTA Contribution ($18.62)
So. CA Indian Center				$ -	$ -	$ -	$ -
City of Cypress	1,359	2.00	500.00	$ 23,275.00	$ 4,655.00	$ 9,310.00	$ 9,310.00
City of Dana Point	2,282	2.50	625.00	$ 29,093.75	$ 5,818.75	$ 11,638.00	$ 11,637.00
City of Fullerton	5,246	4.50	1,187.50	$ 55,278.13	$ 11,055.63	$ 22,112.00	$ 22,110.50
City of Garden Grove	14,847	16.75	4,187.50	$ 194,928.13	$ 38,985.63	$ 77,972.00	$ 77,970.50
City of Los Alamitos	1,952	2.00	500.00	$ 23,275.00	$ 4,655.00	$ 9,310.00	$ 9,310.00
City of Mission Viejo	2,043	3.25	812.50	$ 37,821.88	$ 7,564.38	$ 15,129.00	$ 15,128.50
City of Orange	12,498	10.00	2,750.00	$ 128,012.50	$ 25,602.50	$ 51,205.00	$ 51,205.00
City of San Juan Cap	2,683	2.25	750.00	$ 34,912.50	$ 6,982.50	$ 13,965.00	$ 13,965.00
City of Stanton	1,986	2.00	500.00	$ 23,275.00	$ 4,655.00	$ 9,310.00	$ 9,310.00
City of Tustin	3,390	3.00	750.00	$ 34,912.50	$ 6,982.50	$ 13,965.00	$ 13,965.00
Subtotals	48,286	48.25	12,562.50	$ 584,784.38	$ 116,956.88	$ 233,916.00	$ 233,911.50

PARTICIPATING SMP CITIES	Estimated Annual Trips	FY08 SMP Funding	City Contribution	OoA Contribution	OCTA Contribution
VNCOC	5,306	$ 65,863.00	$13,172.60	$ 14,738.00	$ 37,952.40
City of Anaheim	10,390	$ 236,453.00	$47,290.60	$ 47,900.00	$ 141,262.40
City of Brea	4,334	$ 59,032.00	$11,806.40	$ 15,380.00	$ 31,845.60
City of Buena Park	7,080	$ 64,498.00	$12,899.60	$ 16,581.00	$ 35,017.40
City of Huntington Bch	13,427	$ 173,578.00	$34,715.60	$ 13,097.00	$ 125,765.40
City of Laguna Niguel	1,863	$ 48,519.00	$9,703.80	$ 3,146.00	$ 35,669.20
City of La Habra	7,191	$ 81,988.00	$16,397.60	$ 21,373.00	$ 44,217.40
City of San Clemente	1,727	$ 57,684.00	$11,536.80	$ 8,364.00	$ 37,783.20
City of Seal Beach	7,488	$ 80,087.00	$16,017.40	$ 12,896.00	$ 51,173.60
City of Westminster	7,114	$ 86,930.00	$17,386.00	$ 22,108.00	$ 47,436.00
Subtotals	65,920	$ 954,632.00	$ 190,926.40	$ 175,583.00	$ 588,122.60
TOTALS	**114,206**	**48**	**12,563**	**$ 584,784.38**	**$ 954,632.00**	**$ 307,883.28**	**$ 409,499.00**	**$ 822,034.10**

TOTAL PROGRAM ALLOCATION $ 1,539,416.38

FUNDING SOURCE (by FUNDING ALLOCATION)	FY 2007/08	% of Participation
OoA Title IIIB Funding	$ 409,499.00	26.60%
OCTA Funding	$ 822,034.10	53.40%
City Funding	$ 307,883.28	20.00%
Total Allocated Funds:	$ 1,539,416.38	100.00%

ATTACHMENT C

DRAFT PREPARED BY OCTA - WILL BE FINALIZED BY OFFICE ON AGING AND FORWARDED TO OCTA WITH AGREEMENT TO BE EXECUTED

3/6/2007
11:33 AM

18.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for Special Agency Transportation Service

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-3-1284 between the Orange County Transportation Authority and Cabco Yellow, Inc., doing business as California Yellow Cab, in an amount not to exceed $475,761, for the provision of Special Agency Transportation service through June 30, 2008.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Agreement for Special Agency Transportation Service

Overview

On April 12, 2004, the Board of Directors approved an agreement with Cabco Yellow, Inc., doing business as California Yellow Cab, in the amount of $450,335, to provide Special Agency Transportation service. California Yellow Cab was retained in accordance with the Orange County Transportation Authority's procedures for professional and technical services. An amendment is necessary to exercise the first option term and extend the agreement through June 30, 2008.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-3-1284 between the Orange County Transportation Authority and Cabco Yellow, Inc., doing business as California Yellow Cab, in an amount not to exceed $475,761, for the provision of Special Agency Transportation service through June 30, 2008.

Background

The Orange County Transportation Authority (Authority) provides Special Agency Transportation (SAT) under contract to the Orange County Office on Aging (OoA) to take seniors to and from congregate meal programs throughout Orange County. SAT is provided to various senior centers and social services agencies through cooperative cost-sharing agreements with the OoA and ten participating cities.

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 and the initial three-year term expires

June 30, 2007. An amendment is required to exercise the first option term and extend the agreement through June 30, 2008 (Attachment A).

Fiscal Impact

Amendment No. 2 to Cooperative Agreement C-3-1284 is proposed in the Authority's Fiscal Year 2007-08 Budget, Operations/Community Transportation Services, Account 2131-7312-D1211-8LK, and is funded through the Local Transportation Fund.

Summary

Staff recommends approval of Amendment No. 2, in the amount of $475,761, to Agreement C-3-1284 with Cabco Yellow, Inc., doing business as California Yellow Cab, for the provision of Special Agency Transportation service.

Attachment

A. California Yellow Cab Cooperative Agreement C-3-1284 Fact Sheet

Prepared by:

Dana Wiemiller
Community Transportation Services
(714) 560-5718

Approved by:

John D. Byrd
General Manager, Transit
(714) 560-5341

ATTACHMENT A

California Yellow Cab
Cooperative Agreement C-3-1284 Fact Sheet

1. April 12, 2004, Agreement C-3-1284, $450,335, approved by Board of Directors.

   - Agreement for the provision of Special Agency Transportation services to take seniors to and from congregate meal programs throughout Orange County.

2. January 23, 2006, Amendment No. 1 to Agreement C-3-1284, $636,440, approved by Board of Directors.

   - Amendment to increase the cumulative maximum obligation by $636,440.

3. April 9, 2007, Amendment No. 2 to Agreement C-3-1284, $475,761, pending approval by Board of Directors.

   - Amendment to exercise the first option term and extend the agreement through June 30, 2008.

Total committed to California Yellow Cab, Agreement C-3-1284: $1,562,536.

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: High-Occupancy Vehicle Lane Operational Changes

Regional Planning and Highways Committee — April 2, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor, Norby, Pringle, and Rosen
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Request the California Department of Transportation to initiate development work to convert all Orange County high-occupancy vehicle lanes to continuous access in parallel with the demonstration project on the Garden Grove Freeway (State Route 22).

B. Authorize staff to initiate implementation with a first set of freeway segments on the San Diego Freeway (Interstate 405), the Riverside Freeway (State Route 91), and the Orange Freeway (State Route 57) while developing detailed plans for the other, more challenging freeway segments.

C. Direct staff to develop a funding strategy to fit with the phasing of projects.

D. Direct staff to develop an agreement with the California Department of Transportation to define responsibilities, funding sources, and timetables to implement the projects.

E. Direct staff to work with the responsible regulatory agencies to attain approval of part-time operations on high-occupancy vehicle lanes concurrent with the above activities.

OCTA

April 2, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: High-Occupancy Vehicle Lane Operational Changes

Overview

Building on the Garden Grove Freeway (State Route 22) High-Occupancy Vehicle Lane Demonstration Project, staff of the Orange County Transportation Authority and the California Department of Transportation are working to define the steps and actions necessary to modify high-occupancy lane operational policies in Orange County.

Recommendations

A. Request the California Department of Transportation to initiate development work to convert all Orange County high-occupancy vehicle lanes to continuous access in parallel with the demonstration project on the Garden Grove Freeway (State Route 22).

B. Authorize staff to initiate implementation with a first set of freeway segments on the San Diego Freeway (Interstate 405), the Riverside Freeway (State Route 91), and the Orange Freeway (State Route 57) while developing detailed plans for the other, more challenging freeway segments.

C. Direct staff to develop a funding strategy to fit with the phasing of projects.

D. Direct staff to develop an agreement with the California Department of Transportation to define responsibilities, funding sources, and timetables to implement the projects.

E. Direct staff to work with the responsible regulatory agencies to attain approval of part-time operations on high-occupancy vehicle lanes concurrent with the above activities.

Background

In January 2007, the Orange County Transportation Authority (OCTA) requested that the California Department of Transportation (Caltrans) explore expanding the continuous access high-occupancy vehicle (HOV) lane policy recently instituted on the Garden Grove Freeway (State Route 22) to other freeways in the County. OCTA also requested that Caltrans consider permitting general traffic to use HOV lanes during non-peak hours (Attachment A). Caltrans agreed to work with OCTA on a plan to implement the new policy (Attachment B).

Subsequent to that request, staff of OCTA and Caltrans have begun work on a plan to implement changes in HOV operations on various freeways in the County. The development of such a plan entails consideration and further investigation of the following issues:

- Engineering: depending on the particular freeway or segment of freeway selected, there may be technical issues that will need to be resolved such as operational policies in the vicinity of freeway-to-freeway HOV connectors and drop ramps. Other technical issues include HOV signage and highway design criteria. The related width of lanes and shoulders may also need to be resolved on a case-by-case basis.
- Regulatory considerations: the region's air quality management plan relies on HOV lanes as a Transportation Control Measure (TCM). The TCMs are specific improvements that are considered to be critical components of the region's plan to attain conformance with federal clean air act requirements. Accordingly, operational changes such as part-time operations must be reviewed by the Regional Transportation Conformity Group – a staff level committee with representatives from the Federal Highway Administration (FHWA), the Environmental Protection Agency (EPA), and the Southern California Association of Governments (SCAG). These agencies must individually review and approve major changes to HOV operational policies. In addition, changes to the TCMs may also require review, input, and action by the Southern California Air Quality Management District (SCAQMD) as the responsible agency on air quality matters.
- Regional consultation: changes in the operations of HOV lanes that extend to neighboring counties need to be coordinated with those counties and their respective Caltrans districts to ensure smooth transition of the lanes and minimal confusion to motorists as they cross county lines.

- Legislation: California State Vehicle Code includes a provision that applies only to the Costa Mesa Freeway (State Route 55) in Orange County. This law requires a buffered/barrier HOV lane on the State Route 55 (SR-55) if the HOV lane operates 24 hours a day.
- Financial: staff of Caltrans and OCTA are in discussions regarding the cost and source of funding to implement changes in HOV operation.

Discussion

The State Route 22 (SR-22) HOV Lane Demonstration Project has set the stage for further development, implementation, and coordination of changes in the County's HOV operational policies. This project is currently underway and, as required by the FHWA, will be formally evaluated for a period of one year beginning in the summer of 2007. The SR-22 construction project presented OCTA and Caltrans with a unique opportunity to implement the demonstration project quickly because it allowed use of existing design and contractor services that were engaged on the project.

Other Orange County freeway segments are not in the same position and thus will require development of initial plans and agreements, engineering work and approvals, cost estimates and funding arrangements, and final actual field work. OCTA needs to proceed on several fronts to complete the system-wide conversion in a timely matter. These work areas are described below for Board of Directors (Board) discussion and input. A suggested list of action items is also listed in a subsequent section of this report.

Development Work

Conversion of the HOV system to a continuous access system requires steps that include concept plans, budget and schedule development, engineering plans, and construction. Given the possible time involved to get projects "shelf ready", staff, in discussion with Caltrans, believes it is prudent to begin this work as soon as possible.

Program Phasing

Attachment C provides an overview of the various freeway segments and the respective issues involved in converting to continuous access. This summary was prepared with input from Caltrans. The review suggests that conversion to continuous access needs to be completed in multiple phases. Freeway segments with minor technical and no regulatory issues can move ahead while operational issues on the more complicated freeway segments are resolved. The least complicated opportunities are on the San Diego

Freeway (Interstate 405), the Riverside Freeway (State Route 91), and the Orange Freeway (State Route 57). An example of a complicated freeway segment is the section of the Santa Ana Freeway (Interstate 5) between the State Route 57 (SR-57) and SR-55. This area has concrete barriers separating the HOV lanes, two HOV drop ramps, and two major freeway to freeway interchanges with dedicated HOV connectors.

Funding Strategy

Sequencing of the conversions needs to based on availability of resources and funding. Caltrans is developing preliminary cost estimates and resource requirements. The funding options are as follows:

- Some costs may be eligible for the State Highway Operations and Protection Program (SHOPP). The SHOPP funds Caltrans' projects to improve highway safety and maintain pavement, as well as highway slopes and landscaping. Given statewide highway needs and rising costs, these funds will be difficult to obtain for this purpose. The decision on the use of these funds is based on the recommendations of Caltrans and is subject to approval by the California Transportation Commission (CTC).
- The conversion process can be funded through the State Transportation Improvement Program process. Use of these funds is decided by OCTA, but is also subject to CTC approval. Continuous access projects may not fulfill the CTC performance criteria as compared to a freeway widening project, chokepoint project, or a railroad grade separation project.
- Staff is reviewing the possibility of using federal air quality funds. Use of these funds will require justification to demonstrate potential air quality improvements due to the conversation, and this may prove to be a complex process.
- OCTA can use other discretionary funds such as flexible federal transportation funds, which are currently directed at street and road projects, including pavement rehabilitation.
- There are funds remaining in the Measure M freeway program, but Measure M does not cover all freeway segments. Staff is asking the Board to consider use of these same funds to develop projects for the Renewed Measure M program.
- OCTA can also coordinate the projects with ongoing Caltrans highway maintenance projects or highway construction projects as was done on the SR-22. An example of such an upcoming highway project is the

recently-approved SR-57 widening funded through the Corridor Mobility Improvement Account.

It is clear that some priority setting will be necessary and the flow and source of dollars will govern the scope and timing of the program.

Agreement with Caltrans

The conversion work relies on Caltrans cooperation. It is prudent to structure an agreement with Caltrans on the respective roles and responsibilities of each agency. For example, a first order of business is for Caltrans to develop the concept plans and cost estimates. This agreement could also outline how OCTA can provide resources, if necessary, either on design or construction of the program.

Regulatory Considerations

The HOV lane on SR-55 is addressed in the California Vehicle Code. This law, however, would not have to be changed if the HOV lane on this route is converted to part-time operations concurrent with continuous access. This presents two possible paths. One option is to pursue legislation to permit continuous access on this route. The timetable for legislative approvals and the outcome are not certain. The other option is to request the regulatory agencies to approve a conversion to part-time operations concurrent with continuous access. This request will require time to perform the necessary analysis and obtain approvals from several entities including SCAQMD, EPA, FHWA, and SCAG. Staff suggests the latter option because the issue of part-time use will ultimately have to be evaluated at the regional and regulatory levels. OCTA has already asked SCAG to review such a request in concept and provide guidance on the steps and schedule to be followed (Attachment D).

Staff will continue to collect information from Caltrans and SCAG and will bring back a more detailed plan to advance the conversion of the Orange County HOV system to provide continuous access as well as part-time use.

Summary

More flexible HOV operational policies will provide OCTA and the region with options that can help shape the overall solution to the our current and future transportation needs. However, accomplishment of this policy requires cooperation of regulatory agencies, Caltrans' support and technical work, funding, and time for delivery.

A draft five-point implementation plan to convert the County's HOV lanes to continuous access and peak-period operation is presented for Board consideration.

Attachments

A. January 22, 2007, Letter from OCTA Chairman, Carolyn V. Cavecche to Caltrans District 12 Director, Cindy Quon
B. February 2, 2007, Letter from Caltrans District 12 Director, Cindy Quon to Chairman Carolyn V. Cavecche
C. Overview of Continuous Access Conversion Considerations by Freeway Segment
D. March 12, 2007, Letter from OCTA to SCAG Director of Planning and Policy, Hasan Ikhrata

Prepared by:

Barry Engelberg
Manager of Regional Initiatives
(714) 560-5362

Approved by:

Paul C. Taylor, P.E.
Executive Director, Development
(714) 560-5431

ATTACHMENT A

OCTA

AFFILIATED AGENCIES

Orange County Transit District

Local Transportation Authority

Service Authority for Freeway Emergencies

Consolidated Transportation Service Agency

Congestion Management Agency

Service Authority for Abandoned Vehicles

January 22, 2007

Director Cindy Quon
Caltrans, District 12
3337 Michelson Dr., Suite 380
Irvine, CA 92612-8894

Dear Director Quon:

The Orange County Transportation Authority (OCTA) appreciates the cooperation of the California Department of Transportation (Caltrans) on the new continuous access carpool lanes on the Garden Grove Freeway (State Route 22) opened last month. Our goal was to make carpool lanes more accessible and easier to use and I believe we've accomplished that on State Route 22. Public comments we've received indicate that the continuous access method seems to be working better and most drivers prefer having continuous access to carpool lanes.

I am requesting that Caltrans explore expanding the continuous access policy to other Orange County freeways. In addition, I would like for Caltrans to consider allowing the general traffic to use carpool lanes during non-peak hours.

OCTA staff stands ready to work with Caltrans to bring about these changes. Please advise Arthur T. Leahy, Chief Executive Officer, at 714-560-5584, of your schedule for proceeding.

Sincerely,

Carolyn V. Cavecche
Chairman

CVC:pt

ATTACHMENT B

DEPARTMENT OF TRANSPORTATION
DISTRICT 12
3337 MICHELSON DRIVE, SUITE 380
IRVINE, CA 92612-8894
PHONE: (949) 724-2007
FAX: (949) 724-2019
TTY: (949) 756-7813

Flex your power!
Be energy efficient!

February 2, 2007

The Honorable Carolyn V. Cavecche
Chairman
Orange County Transportation Authority
550 South Main Street
Orange, CA 92683-1584

Dear Chairman Cavecche:

Thank you for your letter regarding High Occupancy Vehicle (HOV) usage on Orange County's freeways. We are pleased with the progress of the HOV demonstration project on State Route 22 and the California Department of Transportation (Department) will monitor lane performance per our cooperative agreement.

In reference to the February 1st, 2007 letter from Robert Copp, Division Chief of Traffic Operations to you, the Department reiterates our commitment to work with the Orange County Transportation Authority (OCTA) on this endeavor. Your letter requested that the Department explore expanding continuous access to other Orange County freeways and consider allowing general traffic to use carpool lanes during non-peak hours. The Department is ready and willing to work with OCTA on an implementation plan.

If you have any further questions, please contact James Pinheiro, Deputy District Director for Operations and Maintenance at (949) 724-2659.

Sincerely,

CINDY QUON
Director
District 12

c: James Pinheiro, Caltrans

ATTACHMENT C

Overview of Continuous Access Conversion Considerations by Freeway Segment

- Santa Ana Freeway (Interstate 5) Segment I from the Los Angeles County line to the Costa Mesa Freeway (State Route 55): this section of Interstate 5 (I-5) has several segments that have complex design features that warrant more analysis. These feature include special high-occupancy (HOV) drop ramps at Gene Autry Way and Grand Avenue as well as several freeway-to-freeway HOV connectors at junctions at the Orange Freeway (State Route 57) and State Route 55 (SR-55). These connectors require time to develop the continuous access concepts for these freeway segments. In addition, at the northerly limits of the project's transition to the continuous access will need to be coordinated with Los Angeles County.
- I-5 Segment II from SR-55 to Pacific Coast Highway (State Route 1): this freeway segment has fewer obstructions between lanes; however, there are technical lane and signage issues in the vicinity of the Barranca Parkway drop ramps as well as at the El Toro Y interchange.
- SR-55: this freeway may require a change in the California Vehicle Code in order to permit continuous access; however, the law would not have to changed if the lane is converted to part-time operations concurrent with continuous access. This presents two possible paths to improve freeway operations. The first option is pursue a legislative "fix" where the outcome and timetable are uncertain. On the other hand, the Orange County Transportation Authority (OCTA) could approach the regulatory agencies and request a conversion to part-time operations. This also requires time to prepare the necessary analysis and obtain approval. At this time OCTA has requested the Southern California Association of Governments (SCAG) review this concept and provide guidance on the steps to be completed. Based on the response and Board discussion staff will develop a more detailed strategy.
- State Route 57 (SR-57): this project has some technical considerations related to direct connectors at the Riverside Freeway (State Route 91)/SR-57 interchange at the I-5. In addition, there is a possibility to coordinate HOV lane changes with the upcoming SR-57 projects to add northbound lanes between Katella Avenue and Lincoln Avenue and between the State Route 91 (SR-91) and Lambert Road. Lastly, the north end of the HOV lane on SR-57 crosses the Los Angeles County line and coordination with Caltrans District 7 will be required.
- SR-91 from the Los Angeles County line, to the 91 Express Lanes entrance: this freeway segment has very few technical issues with the exception of the direct connectors at SR-57.
- San Diego Freeway (Interstate 405) from the Los Angeles County line to the I-5: this freeway segment has direct connectors at the SR-55 and the El Toro Y interchange. This freeway does cross into Los Angeles County; however, in the San Gabriel Valley Freeway (Interstate 605), Garden Grove Freeway (State Route 22), and Interstate 405 (I-405) interchange area the facility is continuous access for a majority of this area, thus facilitating the transition into Los Angeles County. In addition, connectivity to the State Route 22 warrants consideration of I-405 as a candidate for the early phase of the countywide continuous access strategy.

ATTACHMENT D

OCTA

AFFILIATED AGENCIES

Orange County Transit District

Local Transportation Authority

Service Authority for Freeway Emergencies

Consolidated Transportation Service Agency

Congestion Management Agency

Service Authority for Abandoned Vehicles

March 12, 2007

Mr. Hasan Ikhrata
Director of Planning and Policy
Southern California Association of Governments
818 West Seventh Street, 12th Floor
Los Angeles, CA 90017

Dear Mr. Ikhrata:

The purpose of this letter is to notify the Southern California Association of Governments (SCAG) of our plans and request your guidance on potential air quality conformity and regional considerations regarding proposed changes to high-occupancy vehicle (HOV) lane operations in Orange County.

The Orange County Transportation Authority (OCTA) is committed to make optimal use of our available transportation facilities. Specifically, OCTA is working closely with the California Department of Transportation (Caltrans) on a program to enhance HOV lane operations. In response, Caltrans has commissioned a study through University of California – Institute of Transportation Studies at Berkeley. In addition, Caltrans has announced their intent to delegate decisions regarding operations of HOV lanes to the local Caltrans district offices and area planning agencies.

Recently, OCTA initiated a continuous access demonstration project on the Garden Grove Freeway (State Route 22). It is our goal to expand this concept to other Orange County freeways in the near future. We are also interested in pursuing the evaluation and implementation of a policy to permit use of the HOV lanes by general traffic during non-peak hours. Caltrans District 12 has joined with us in the implementation of such policies. A letter from Caltrans is attached for your information. To the extent there may be certain requirements pertaining to air quality conformance, we would like SCAG to advise us as to the process and work involved.

Thank you for your attention in this matter. I look forward to hearing from you in the near future. If you have any further questions, please do not hesitate to contact me at (714) 560-5431.

Sincerely,

Paul C. Taylor, P.E.
Executive Director, Development

PT: be
Attachment

c: OCTA Board of Directors
Cindy Quon, Caltrans District Director

DEPARTMENT OF TRANSPORTATION
DISTRICT 12
3337 MICHELSON DRIVE, SUITE 380
IRVINE, CA 92612-8894
PHONE: (949) 724-2007
FAX: (949) 724-2019
TTY: (949) 756-7813

Flex your power!
Be energy efficient!

February 2, 2007

The Honorable Carolyn V. Cavecche
Chairman
Orange County Transportation Authority
550 South Main Street
Orange, CA 92683-1584

Dear Chairman Cavecche:

Thank you for your letter regarding High Occupancy Vehicle (HOV) usage on Orange County's freeways. We are pleased with the progress of the HOV demonstration project on State Route 22 and the California Department of Transportation (Department) will monitor lane performance per our cooperative agreement.

In reference to the February 1st, 2007 letter from Robert Copp, Division Chief of Traffic Operations to you, the Department reiterates our commitment to work with the Orange County Transportation Authority (OCTA) on this endeavor. Your letter requested that the Department explore expanding continuous access to other Orange County freeways and consider allowing general traffic to use carpool lanes during non-peak hours. The Department is ready and willing to work with OCTA on an implementation plan.

If you have any further questions, please contact James Pinheiro, Deputy District Director for Operations and Maintenance at (949) 724-2659.

Sincerely,

CINDY QUON
Director
District 12

c: James Pinheiro, Caltrans

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Passenger Rail Service Integration in the Los Angeles to San Diego Corridor

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Directors Dixon and Pulido were not present to vote on this item.

Committee Recommendation

Direct staff to pursue opportunities with the California Department of Transportation, Southern California Regional Rail Authority, Los Angeles County Metropolitan Transportation Authority, the National Railroad Passenger Corporation, North County Transit District, and the San Diego Association of Governments to integrate and consolidate passenger rail service in the rail corridor between San Diego, Orange County, and Los Angeles.

Committee Discussion

Director Brown requested that all future discussion of passenger rail service integration in the Los Angeles/San Diego Rail Corridor (LOSSAN) include the rail service north of Los Angeles to Santa Barbara and San Luis Obispo which is consistent with the proposed technical corrections to the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU) to ensure that the federal definition includes the entire LOSSAN Corridor.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Passenger Rail Service Integration in the Los Angeles to San Diego Corridor

Overview

Three separate and distinct passenger rail services operate in the rail corridor between San Diego, Orange County, Los Angeles, Santa Barbara and San Luis Obispo. Staff is providing an overview of the passenger rail services in this rail corridor and seeking approval to pursue opportunities for passenger rail service integration.

Recommendation

Direct staff to pursue opportunities with the California Department of Transportation, Southern California Regional Rail Authority, Los Angeles County Metropolitan Transportation Authority, the National Railroad Passenger Corporation, North County Transit District, and the San Diego Association of Governments to integrate and consolidate passenger rail service in the rail corridor between San Diego, Orange County, and Los Angeles.

Background

Three separate and distinct passenger rail services operate in the rail corridor between San Diego, Orange County, Los Angeles, Santa Barbara and San Luis Obispo. This rail corridor is known as the LOSSAN corridor. Intercity rail service has been provided since 1971 by the National Railroad Passenger Corporation (Amtrak). Service currently operates between San Diego, Orange County, Los Angeles, Santa Barbara, and San Luis Obispo. This service is branded as the Pacific Surfliner. In 1976, the California Department of Transportation (Caltrans) began funding a portion of the operating and capital cost of the service. Additionally, Caltrans has a role in marketing, promotion, frequency, and operation of the service. The Amtrak service makes 27 stops on its route between San Diego and San Luis Obispo, six of which are in Orange County (Fullerton, Anaheim, Santa Ana, Irvine,

San Juan Capistrano, and San Clemente). A limited number of Amtrak trains stop at the Orange and Laguna Niguel/Mission Viejo stations as a result of agreements between Caltrans, Amtrak, and Metrolink. Current service includes 22 daily trains (24 on Friday, Saturday, and Sunday) between San Diego, Orange County, and Los Angeles. Ten daily trains extend from Los Angeles to Santa Barbara and four trains extend further to San Luis Obispo. Annual ridership on the Amtrak service is 2.6 million per year. Amtrak and Caltrans jointly fund the annual operating and capital cost of the Amtrak service.

In 1991, a joint powers authority (JPA) agreement was executed, which established the Southern California Regional Rail Authority (SCRRA). The SCRRA is made up of five member agencies, which are the five regional transportation planning agencies in Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. The Orange County Transportation Authority (OCTA) is the member agency of SCRRA for Orange County. The JPA agreement allowed for the establishment of commuter rail service in the five county region. Metrolink service (the brand name for SCRRA) commenced in 1992 on the Ventura, Santa Clarita, and San Bernardino lines. In 1994, the first Orange County service began operating between Oceanside and Los Angeles Union station, making stops in Orange County. Today, Metrolink's Orange County line offers 19 trains per weekday and serves 13 stations, with 10 in Orange County (the 11th, Buena Park, is expected to open in the Spring of 2007). Additionally, the Metrolink Inland Empire-Orange County (IEOC) line provides 16 trains per weekday between San Bernardino, Riverside, and various stations in south Orange County. Finally, the Metrolink 91 line provides nine trains per weekday between Riverside and Los Angeles via Fullerton. In summary, Metrolink operates 44 trains per weekday in Orange County. Annual ridership on the Metrolink lines serving Orange County is 3.5 million per year. OCTA provides an annual operating subsidy for the Metrolink service in Orange County.

In February 1995, the North County Transit District, in San Diego County, began operation of the Coaster service. The Coaster commuter rail service currently provides 22 weekday trains and serves eight stations between Oceanside and downtown San Diego. Annual ridership on the Coaster service is 1.5 million per year. The North County Transit District provides an annual operating subsidy for the Coaster Service.

In total, Metrolink, Amtrak, and Coaster provide a total of 88 trains per weekday on the various parts of the LOSSAN corridor. Only the Amtrak and Caltrans Amtrak service is provided over the length of the entire LOSSAN corridor. Limited connections are available between Amtrak, Metrolink, and Coaster at

Oceanside, as well as between Amtrak and Metrolink at Fullerton, Anaheim, Santa Ana, Irvine, San Juan Capistrano and Oceanside. Finally, some ticket reciprocity, known as Rail 2 Rail, occurs between Amtrak and Metrolink and Amtrak and Coaster.

All three services are funded differently, provide service to a different market, have different fare structures, operating polices, passenger amenities, and management structures.

In spite of the vastly different service levels and only minimal coordination in areas that are visible to the traveling public, the services are quite successful individually and together. Total annual corridor ridership has grown from 1.7 million in 1993 to more than 7.5 million today.

Discussion

The OCTA Board of Directors has approved, and staff is implementing, a significant increase in Metrolink service in Orange County. Metrolink service is planned to grow from 44 weekday trains to 76 weekday trains in Orange County. The recently renewed Measure M also calls for significantly expanded Metrolink service between Orange County and neighboring counties over the next 30 years.

Additionally, Amtrak and Caltrans, as well as the North County Transit District have adopted plans that call for increased rail service in the LOSSAN corridor.

Parallel to the LOSSAN corridor is the Santa Ana/San Diego Freeway (Interstate 5), which extends from the City of San Diego in the south to the City of Los Angeles in the north. Current traffic volume on Interstate 5 (I-5) in Orange County, south of the El Toro Y, exceeds 340,000 vehicles per day. Future traffic is forecasted to exceed 460,000 vehicles per day. The I-5 cannot efficiently accommodate all of the traffic demand today and will not be able to accommodate all future traffic demand, even with completion of the improvements planned by San Diego, Orange, and Los Angeles counties.

As staff begins to further plan for expansion of Metrolink service, staff feels that it may be wise to explore further integration and, ultimately, consolidation of the passenger rail services currently provided in the LOSSAN corridor. Full integration or consolidation of the three services is likely to be a complicated, multi-year effort that would involve OCTA, Caltrans, SCRRA, Los Angeles County Metropolitan Transportation Authority (LACMTA), the National Railroad Passenger Corporation, North County Transit District, and the San Diego

Association of Governments (SANDAG). There is enabling legislation SB 457 (Chapter 263, Statutes of 1996) that would allow local management of the state funded portion of the Amtrak service; it may be to inflexible in certain regards to achieve an integrated and consolidated passenger rail system that would benefit the residents of Orange County and Southern California as a whole. Therefore, future legislative action may be required.

As a starting point, staff is proposing to begin formal discussions with Caltrans, SCRRA, LACMTA, the National Railroad Passenger Corporation, North County Transit District, and SANDAG to begin defining what opportunities, challenges, and constraints there are for immediate and near term service improvements in the LOSSAN corridor. As part of these discussions, staff also proposes to begin consideration of how full integration of all passenger services in the LOSSAN corridor might occur. The ultimate integration and consolidation of passenger rail services in the LOSSAN corridor will require a long term investment by the local transportation agencies, the State of California, and the federal government. The anticipated benefits to the public are schedule integration and coordination, an integrated fare structure, the ability to make seamless transfers, and ultimately more travel options within the LOSSAN corridor.

Summary

Three separate and distinct passenger rail services operate in the LOSSAN corridor between San Diego, Orange County, Los Angeles, Santa Barbara, and San Luis Obispo. Orange County Transportation Authority staff is proposing to begin formal discussions with the California Department of Transportation, Southern California Regional Rail Authority, Los Angeles County Metropolitan Transportation Authority, the National Railroad Passenger Corporation, North County Transit District, and the San Diego Association of Governments to explore opportunities for integration and consolidation of passenger rail service in the LOSSAN corridor.

Attachment

None.

Prepared by:

Darrell E. Johnson
Director, Transit Project Delivery
(714) 560-5343

Approved by:

Paul C. Taylor, P.E.
Executive Director, Development
(714) 560-5431

OCTA

BOARD COMMITTEE TRANSMITTAL

April 9, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Rail-Highway Grade Crossing Program

Transit Planning and Operations Committee — March 22, 2007

Present: Directors Brown, Dixon, Moorlach, Norby, Pulido, and Winterbottom
Absent: Director Green

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Direct staff to provide updated cost estimates of the Rail-Highway Grade Crossing Enhancement Program to the cities for review and approval.

B. Continue with the current implementation strategy limited to grade crossing enhancements.

C. Authorize staff to work with affected cities in the development of consistent polices and procedures for the establishment of quiet zones by cities, which include the indemnification of the Orange County Transportation Authority and the Southern California Regional Rail Authority and which adhere to a higher standard of safety in the design of grade crossings that make grade crossings safer than they were before.

D. Direct staff to develop a process for the funding and implementation priorities of a Rail-Highway Grade Separation Program in Orange County, beginning with identifying potential candidate projects to compete for funding under the Trade Corridor Investment Fund made available with the passage of Proposition 1B.

OCTA

March 22, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Rail-Highway Grade Crossing Program

Overview

On June 13, 2005, the Orange County Transportation Authority Board of Directors approved an implementation strategy, allocation of $10 million of Commuter and Urban Rail Endowment funds, and authorization to enter into a Memorandum of Understanding with affected jurisdictions and the Southern California Regional Rail Authority for funding and implementation of the Rail-Highway Grade Crossing Enhancement Program. Staff is providing a progress report on the program, as well as providing information on the establishment of railroad quiet zones and the development of a countywide Rail-Highway Grade Separation Program.

Recommendations

A. Direct staff to provide updated cost estimates of the Rail-Highway Grade Crossing Enhancement Program to the cities for review and approval.

B. Continue with the current implementation strategy limited to grade crossing enhancements.

C. Authorize staff to work with affected cities in the development of consistent polices and procedures for the establishment of quiet zones by cities, which include the indemnification of the Orange County Transportation Authority and the Southern California Regional Rail Authority and which adhere to a higher standard of safety in the design of grade crossings that make grade crossings safer than they were before.

D. Direct staff to develop a process for the funding and implementation priorities of a Rail-Highway Grade Separation Program in Orange County, beginning with identifying potential candidate projects to

compete for funding under the Trade Corridor Investment Fund made available with the passage of Proposition 1B.

Background

There are three main railroad lines providing passenger and freight railroad service in Orange County. There are a total of 64 at-grade rail-highway crossings on these three rail lines.

The Orange County Transportation Authority (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 Orange County (OC) line and Inland Empire-Orange County (IEOC) line service, Amtrak Pacific Surfliner trains, and a minimal number of freight trains. There are 41 at-grade rail-highway 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 rail-highway crossings on the Olive subdivision.

The BNSF is the owner of the San Bernardino subdivision in Orange County. The San Bernardino subdivision in Orange County 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 rail-highway 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 rail-highway 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 rail-highway grade separations that completely separate rail traffic from vehicular and pedestrian traffic.

OCTA, the City of Placentia, the Riverside County Transportation Commission, the San Bernardino Associated Governments, and the Alameda Corridor East Construction Authority have conducted a number of studies over recent years addressing grade crossing 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 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.

Rail-Highway Grade Crossing Enhancement Program

Completed in 2003, the Orange County Grade Crossing Study provided an inventory of automatic warning devices and safety equipment, in addition to assessment of rail-highway grade crossings located in Orange County and made recommendations for enhanced motorist and pedestrian safety consistent with current California Public Utilities Commission (CPUC) standards. The study further ranked the crossings based on their impact to safety and a cost-benefit analysis.

On June 13, 2005, the OCTA Board of Directors (Board) approved an initial allocation of $10 million to fund the Grade Crossing Enhancement Program (Program) estimated at $19.5 million. Secondly, the Board authorized the Chief Executive Officer to enter into Memorandums of Understanding (MOUs) with the affected jurisdictions and the Southern California Regional Rail Authority (SCRRA) for funding and implementation of the Program. The Program covers 52 crossings on the OCTA-owned right-of-way known as the Orange subdivision, as well as three crossings on the BNSF San Bernardino subdivision. The Program does not include eight crossings located in the City of Placentia, as they have been improved through a separate city led program.

The Board-approved Program laid out a specific application process calling for Letters of Intent from affected jurisdictions (cities of Anaheim, Irvine, Fullerton, Orange, San Clemente, San Juan Capistrano, Santa Ana, and Tustin). During the process it was determined that one of the crossings identified in the City of San Clemente was in fact in Dana Point. All cities including Dana Point submitted Letters of Intent to participate in the Program and committed to providing a minimum 12 percent local agency match. In addition, the City of Irvine, with State Transportation Improvement Program (STIP) funding provided by OCTA, is in the final construction procurement stages to grade separate (completely separate the local street from the railroad tracks by going under or over the tracks) Jeffrey Road; therefore, this crossing was

eliminated from the Program. The parameters of the enhancements were intended to follow the OCTA 2003 Grade Crossing Study as closely as possible and any expenditures not directly associated with the goals and/or requirements of the Program (e.g. improvements beyond what is required) were not to be funded.

On February 15, 2006, OCTA entered into a MOU with Metrolink to define roles and responsibilities of the Program. OCTA oversees the funding program, participates in all project scoping meetings with regulatory agencies including CPUC, and assists in building consensus among parties in regard to the grade crossing enhancements. Metrolink implements the Program based on available funding provided by OCTA and required local match provided by the local jurisdiction. Metrolink performs day-to-day management functions utilizing a contracted project manager. Metrolink oversees the design, construction management, and construction of all enhancements. OCTA subsequently issued draft MOUs to the cities for their review and comment. The cities responsibilities include a 12 percent local match, review of plans, and issuance of no fee encroachment permits. Any potential quiet zone improvements, if implemented, were to be addressed under a separate MOU. The Program MOU included a draft sample of a Metrolink construction and maintenance agreement that the cities would enter directly into with Metrolink for on going maintenance of the crossing.

Federal Railroad Administration Final Rule on the Use of Locomotive Horns at Rail-Highway Grade Crossings

On June 24, 2005, two weeks after the Board approved the grade crossing enhancement program, the Federal Railroad Administration (FRA) released its Final Rule on the Use of Locomotive Horns at Rail-Highway Grade Crossings (Final Rule). The Final Rule establishes a basic requirement for trains to sound horns at all public at-grade rail-highway crossings except in quiet zones established under the procedures set forth in the Final Rule.

This issuance of the Final Rule in such close proximity to the adoption of the OCTA Program has led to significant interest by affected cities within Orange County to pursue the development of FRA quiet zones while OCTA and Metrolink have been working with the cities to implement the OCTA Program.

Rail-Highway Grade Separations

In June 2005, OCTA completed the Orange/Olive Grade Crossing Study (Study), which identified the top 10 candidate locations for permanent

separation of rail and vehicular traffic by placing the roadway either over or under the rail tracks. The Study ranked the top 10 candidate locations based upon forecasted future (year 2025) daily and peak hour delay anticipated to be experienced by motorists. This delay calculation was based upon forecasted future vehicular traffic and rail traffic volumes.

The Orangethorpe Corridor, which is owned by the BNSF and stretches from Buena Park to the Riverside County line has been studied extensively as part of the Alameda Corridor East Trade Corridor Plan (Plan), completed in 2001. This Plan has been the basis for annual federal appropriations requests and resulted in a $125 million federal earmark under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) in 2005. This Plan identified 14 rail-highway grade crossings as candidates for separation. Of these 14, one crossing has been closed (Bradford Avenue, City of Placentia), one crossing has been separated (Melrose Avenue, City of Placentia), and one separation project is currently underway (Imperial Highway [State Route 90], cities of Placentia and Anaheim, County of Orange). Orange County's portion of the $125 million federal earmark is $31.25 million. Current plans call for this funding to be used on the Kraemer Boulevard separation project (City of Placentia).

In mid 2006, OCTA staff updated the conceptual cost estimates for the eight crossings on the OCTA-owned corridor and the 11 crossings on the Orangethorpe Corridor. The current estimated conceptual cost estimates exceed $900 million in 2006 dollars. These costs are likely to increase in the future as the cost of right-of-way acquisition and construction costs rise.

Discussion

Rail-Highway Grade Crossing Enhancement Program

To date, all 53 field diagnostic review meetings have been completed with full participation from OCTA, Metrolink, the CPUC, and the local cities in which the grade crossing is located. During the diagnostic reviews the team met in the field at the individual railroad grade crossing and finalized the safety enhancement scope of work. A revised cost estimate was prepared and will be scheduled for individual city council approval following OCTA review and overall Transit Planning and Operations Committee (Committee) direction of the Program. The initial program was approved by the Board at a cost of $19.5 million. Due to escalation, changes in implementation costs, scope modifications and the addition of an appropriate contingency, the current estimated cost for the Program is $24.5 million; however, as part of the 53 field diagnostic reviews held, consultation with the Metrolink staff, CPUC, and

representatives from local cities, staff has identified two other areas of improvement that should be considered for funding and implementation by OCTA. First, a new type of interconnection between the railroad signal system and the local streets traffic signal system has become available and offers significant safety and traffic improvements over the conventional interconnection. The estimated cost of this new Institute of Electrical and Electronics Engineers (IEEE) 1570 signal pre-emption technology is estimated at $4.5 million for the railroad technology component. It should be noted that there will be an additional cost on the city portion of the traffic signal system that will vary by local jurisdiction and the type of existing city traffic signal systems. Metrolink and OCTA are offering a seminar to the cities on March 20, 2007, to introduce this new pre-emption technology. Secondly, Metrolink and the CPUC are in the process of formally developing a pedestrian safety policy. This policy is likely to include the addition of pedestrian crossing gates at several rail-highway grade crossings. Metrolink staff is in the process of developing cost estimates for pedestrian crossing gates. Once Metrolink finalizes a pedestrian gate policy and develops cost estimates for implementation staff will return to the Committee and Board for a recommendation for pedestrian crossing gates. The table below summarizes the current program costs and proposed additions:

Program Element	2003 Estimated Cost	2007 Estimated Cost	Change
Existing Enhancement Program	$19.5 million	$24.5 million	$ 5.0 million
IEEE 1570 Signal Interconnect	$0	$ 4.5 million*	$ 4.5 million
Program Total	$19.5 million	$29.0 million	$9.5 million

* Does not include costs for upgrade and modification of city traffic signal system.

In addition to the program elements discussed above, the diagnostic team also identified a number of improvements at each crossing that would likely be needed should a local city pursue the implementation of railroad quiet zone under the Final Rule.

The estimates for quiet zones are very subjective and have been the subject of much discussion amongst Metrolink staff, CPUC staff, OCTA staff, and city staff. The Final Rule identifies the installation of Supplemental Safety Measures (SSMs) and assigns a numerical safety risk reduction value for each

type of SSM. The numerical value is meant to identify the effectiveness of a particular SSM. For example, the Final Rule assigns a numerical value of .77 to the installation of a four quadrant gate system (all four rail crossing quadrants have a gate lowered as opposed to the traditional two quadrants), while the Final Rule assigns a numerical value of .80 to a raised center median 100 feet long. The effectiveness of either SSM is virtually identical. The capital cost of a four quadrant gate system could be as much as $750,000, while a center median could be as low as $100,000. In addition, the four quadrant gate system requires on-going annual maintenance costs of approximately $5,000 - $10,000 per year. From a capital and maintenance cost perspective, the center median is a more cost-effective SSM from OCTA's perspective; however, the installation of a 100 foot center median often times restricts or fully closes off access to driveways of businesses and / or residences adjacent to the railroad right-of-way or rail-highway grade crossing. For this reason, staff has developed a range of capital cost estimates for quiet zone implementation within Orange County. The estimated range of capital cost for quiet zones within Orange County is $5,100,000 to $11,300,000.

OCTA Quiet Zone Policy

OCTA currently does not have a policy on assisting cities with the implementation, funding, or ongoing operating costs related to quiet zones. Staff has been working to identify potential policy options for the Board to consider as it reviews the impact that the Final Rule has on Orange County cities and OCTA.

One of the most significant issues associated with the establishment of quiet zones by a city is potential liability for damages caused in accidents that will occur in the absence of an audible warning. A railroad which follows procedures to blow whistles at a grade crossing, where all warning devices are functioning properly, will generally not be held liable for damages associated with grade crossing accidents.

At this time there is no case law regarding accidents that occurred within a quiet zone, so questions remain as to the circumstances under which liability might arise. The essential question is this: If a city directs a railroad to silence its horns within a quiet zone and an accident occurs, who, if anyone, may be liable if an injured party alleges that the accident was caused in whole or in part by the railroad's failure to sound its horn?

While the industry awaits case law on questions such as this, the FRA expects that, consistent with existing, longstanding precedent findings that federal

regulation of railroads preempts state law and tort causes of action in other areas, federal preemption will be upheld in this area as well.

The SCRRA, of which OCTA is a member agency, has striven to achieve supplemental liability protection during periods of construction, but to date no insurance policy exists in the marketplace that is commercially available to cities to cover the potentially increased exposure to the city, OCTA, and SCRRA caused by the silencing of train horns on an on-going basis after implementation of a quiet zone.

Consequently, on April 21, 2006, the Metrolink Board of Directors adopted the Southern California Regional Rail Authority Quiet Zone Implementation Guidelines and Procedures (Implementation Guidelines and Procedures). The Implementation Guidelines and Procedures requires adherence to a higher standard of safety in the design of grade crossings than simple risk reduction to a level commensurate with the use of locomotive horns, or other safety measures. The SCRRA's goal is to make grade crossings not simply "as safe" as before the cessation of horn blowing, but actually safer than before.

Additionally, in order to establish a quiet zone, a city must indemnify, defend, and hold harmless SCRRA and its member agencies, including OCTA, as well as their respective board members, member agencies, officers, agents, volunteers, contractors, operating railroads, and employees (SCRRA Indemnities) from any and all liability, loss, expense (including reasonable attorneys' fees and other defense costs), demands, suits, liens, damages, costs, claims, including but not limited to, claims for bodily injury, death, personal injury, or property damage, that are incurred by or asserted against the SCRRA Indemnities arising out of or connected with any negligent acts or omissions on the part of the city, its council, officers, agents, contractors, or employees under or in connection with any work, authority or jurisdiction delegated to the city related to establishment and operation of a quiet zone at a rail-highway grade crossing.

From a risk management perspective, staff and counsel will recommend the OCTA Board adopt a quiet zone policy that is consistent with the policies of SCRRA and its member agencies, irrespective of OCTA providing funding for grade crossing improvements.

It is recommended that the Transit Planning and Operations Committee authorize staff to work with affected cities in the development of consistent policies and procedures to consider in city establishment of quiet zones that indemnify the SCRRA Indemnities, including OCTA, and adhere to a higher

standard of safety in the design of grade crossings that make grade crossings safer than they were before.

The policies will establish procedures for the cities to follow that will include proper diagnostic reviews, evaluation and selections of SSMs and other improvements, funding agreements with OCTA, and the execution of a construction and maintenance agreement between the city and the railroad. Additionally, the policy will require that the city engineer or designee approve and stamp all plans for improvements to their street and traffic signal improvements.

Finally, if OCTA approves a quiet zone policy, staff will recommend that the Program be modified to include quiet zone improvements in accordance with the adopted policy.

Rail-Highway Grade Separations

Due to the extremely high cost of individual rail-highway grade separations, it is important that the limited funding available for these types of projects be used where the most benefit will occur. OCTA staff proposes to use the Alameda Corridor East Trade Corridor Plan, completed in 2001, and the Orange/Olive Grade Crossing Study, completed in 2005, as a starting point for developing a countywide grade separation program that will result in a prioritized list of projects to compete for the limited funds that are anticipated to be available for these type of projects. Current and future funding sources include, but are not limited to, Proposition 1B Trade Corridor Investment Fund, Proposition 1B Railroad Crossing Safety Program, STIP, Section 190 Grade Separation Program, Federal Congestion Mitigation and Air Quality Program, Federal Surface Transportation Improvement Program, and Measure M Renewal.

Summary

OCTA staff is in the process of implementing the Rail-Highway Grade Crossing Program approved by the Board on June 13, 2005. Staff is providing a progress report on the program, as well as providing information on the establishment of railroad quiet zones and the development of a countywide Rail-Highway Grade Separation Program.

Attachment

None.

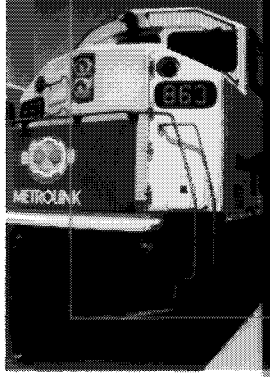
Prepared by:

Darrell E. Johnson
Director, Transit Project Delivery
(714) 560-5343

Approved by:

Paul C. Taylor, P.E.
Executive Director, Development
(714) 560-5431

POWERPOINT PRESENTATION



Rail-Highway Grade Crossing Program

Board of Directors
April 9, 2007

Grade Crossing Enhancement Program

- Approved in June 2005
- Estimated cost of $19.5 million in 2005
- Estimated cost of $29.5 million in 2007
  - $5.0 million – updates and changes
  - $4.5 million - advanced signal preemption
- Quiet Zones
  - $5.1 million to $11.3 million dependent upon type of supplemental safety measure
- Total Program Cost = $34.6 million - $40.8 million
- Pedestrian Crossing Gates – Cost TBD

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Quiet Zone Basic Premises

- Trains required to sound horns at all rail-highway grade crossings, except in Quiet Zones established under federal rule.
- Rule preempts other local and state Quiet Zone ordinances, laws, and rules relating to the sounding of train horns.
- Rule attempts to ensure that safety measures compensate for lack of train horns within Quiet Zones.

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Who Designates a Quiet Zone?

- "Public Authority" responsible for safety and maintenance of the roadway crossing the railroad tracks at a public rail–highway crossing.

- In short, it's the responsibility of the City **owning the roadway** that crosses the tracks.

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Who Approves a Quiet Zone?

- The City, under defined circumstances
- The Federal Railroad Administration (FRA), under other circumstances

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City Approval

- By installation of Supplemental Safety Measures at every crossing, or
- By certifying that the Quiet Zone Risk Index is at or below a national threshold.
- By installation of measure sufficient to reduce the Quiet Zone Risk Index to a level below the risk level associated with the use of locomotive horns.

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FRA Approval

- Pursuant to City application
  - Use of Alternate Safety Measures
  - Higher standard of review and coordination with railroads, California Public Utilities Commission, Federal Railroad Administration

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Who Pays For This?

- Determination of Quiet Zone, methods, financing, and implementation are the responsibility of the City.

- Federal funding not available to compensate for lack of train horns.

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Southern California Regional Rail Authority Board-Adopted Guidelines

- Adopted April 2006
- More stringent diagnostic requirements
- Explicit reservation of rights
- Recovery of increased maintenance costs
- Explicit indemnifications
- Project details in separate construction and maintenance agreements

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Key Issues

- The Need for a Diagnostic Approach
- The Need for Advance Planning
- Anticipating Issues on Liability

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Diagnostic Approach

- Diagnostic teams include crossing owner, all railroads, California Public Utilities Commission, others

- OCTA and Metrolink have completed 53 diagnostics under the Grade Crossing Enhancement Program

Diagnostic Issues

- Constrained sightlines
- Traffic queuing
- Inadequate turning radius
- Pedestrian impediments
- Skewed crossing angles
- Signage and active warning devices
- Traffic volumes and accident history

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Liability

- Determination of Quiet Zone, methods, financing, implementation, and ongoing reporting are the responsibility of the City, not the railroad

- Strong administrative record documenting Congressional and regulatory intent to protect railroads from additional liability

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Liability

- Clear expression of FRA intent to extend liability protection to public authorities
- Final Rule silent on indemnification and/or insurance requirements

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Southern California Regional Rail Authority's Approach to Liability

- Rule No. 1: Don't be first in line!
- Cities should understand their insurance
- Carefully consider diagnostic team recommendations
- Document your decisions
- Develop immunities and preemptions

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Essential Messages to Cities

- Work with the railroad early in the process
- You have more responsibility than before
- Involve as many partners as you can
- Preemptions and immunities won't keep you out of court
- Think "Safety" not "Silence"
- Make grade crossings safer than before

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OCTA Staff Recommendations

- Grade Crossing Enhancement Program
  - Direct staff to provide updated cost estimates of the Rail-Highway Grade Crossing Enhancement Program to the cities for review and approval.
  - Continue with the current implementation strategy limited to grade crossing enhancements.

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OCTA Staff Recommendations

- Quiet Zones
  - Authorize staff to work with affected cities in the development of consistent polices and procedures for the establishment of Quiet Zones by cities, which include the indemnification of the Orange County Transportation Authority and the Southern California Regional Rail Authority, and which adhere to a higher standard of safety in the design of grade crossings that make grade crossings safer than they were before.

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OCTA Staff Recommendations

- Grade Separation Program
  - Direct staff to develop a process for the funding and implementation priorities of a Rail-Highway Grade Separation Program in Orange County, beginning with identifying potential candidate projects to compete for funding under the Trade Corridor Investment Fund made available with the passage of Proposition 1B.

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