Date:	**Monday, July 23, 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, July 23, 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 Nguyen

Pledge of Allegiance
Vice Chair Norby

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.

OCTA

BOARD AGENDA

ACTIONS

Special Matters

There are no Special Calendar matters.

Consent Calendar (Items 1 through 13)

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

1. Approval of Minutes

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of July 9, 2007, and the special meeting of July 16, 2007.

2. Triennial Performance Audit

Kathleen M. O'Connell

Overview

Triennial performance audits were conducted of the Orange County Transportation Authority, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines for fiscal years 2003-04 through 2005-06. These triennial performance audits are required by California Public Utilities Code §99246.

Committee Recommendations

A. Direct staff to implement the compliance recommendation in the Triennial Performance Audit of the Orange County Transportation Authority and Orange County Transit District for fiscal years 2003-04 through 2005 06.

B. Direct staff to monitor and follow up on the compliance recommendations included in the Triennial Performance Audit of the Laguna Beach Municipal Transit Lines for fiscal years 2003-04 through 2004-06.

ACTIONS

2. **(Continued)**

C. Direct staff to implement the improvement recommendations as modified in management's responses to improvement recommendations.

D. Direct staff to further investigate facts and circumstances underlying improvement recommendations 16, 17, 19, 22, 23, 26, 27, and 28.

E. Direct staff to determine which committees should consider the recommendations, and establish a schedule.

3. **Records Management Assessment**
Kathleen M. O'Connell

Overview

The Internal Audit Department has completed a limited-scope assessment of the current state of records management within the Orange County Transportation Authority. Based on this assessment, it appears that policies, procedures, and internal controls over records management could be strengthened.

Recommendation

Direct staff to implement the recommendations made in the Records Management Assessment.

4. **Proposed Overall Annual Race-Neutral Disadvantaged Business Enterprise Goal for Federal Fiscal Year 2007-08**
Tina Giles-Potter/P. Sue Zuhlke

Overview

An Overall Annual Disadvantaged Business Enterprise Goal has been developed for the Orange County Transportation Authority for contracts assisted by the Federal Transit Administration in compliance with federal regulations for federal fiscal year 2007-08. The proposed goal of 16 percent for federal fiscal year 2007-08 will be implemented utilizing strictly race-neutral measures based upon historical race-neutral disadvantaged business enterprise attainments and the United States Department of Transportation's recently issued race-neutral policy directives.

4. **(Continued)**

Recommendation

Adopt the proposed federal fiscal year 2007-08 Overall Annual Race-Neutral Disadvantaged Business Enterprise participation goal of 16 percent for contracts assisted by the Federal Transit Administration, in accordance with 49 Code of Federal Regulations Part 26.

5. **Status Report on the Development of Trade Corridor Improvement Fund Programming Framework Alternatives**
Barry Engelberg/Kia Mortazavi

Overview

The California Transportation Commission has drafted programming alternatives for the Trade Corridor Improvement Fund included in Proposition 1B. An overview is provided for Board of Directors' information.

Recommendation

Receive and file as an information item.

6. **2006 State Transportation Improvement Program Update**
Jennifer Bergener/Kia Mortazavi

Overview

The Orange County Transportation Authority Board of Directors adopted the 2006 State Transportation Improvement Program augmentation in March 2007. The California Transportation Commission then officially adopted the State Transportation Improvement Program on June 7, 2007. Staff is providing an update of the adopted program and requesting approval to amend the Orange County Transportation Authority's Fiscal Year 2007-08 Budget to include the new projects.

6. **(Continued)**

Recommendations

A. Adopt the California Transportation Commission approved 2006 State Transportation Improvement Program augmentation.

B. Authorize the Orange County Transportation Authority to assume responsibility as lead agency for the Placentia Transit Station.

C. Amend the Orange County Transportation Authority's Fiscal Year 2007 08 Budget to include the approved Orange County Transportation Authority led State Transportation Improvement Program projects.

D. Authorize staff to amend the Federal Transportation Improvement Program and execute any necessary agreements to facilitate the adopted State Transportation Improvement Program.

7. **Garden Grove Freeway (State Route 22) Design-Build Project Update**
Tom Bogard/Kia Mortazavi

Overview

On September 22, 2004, the Orange County Transportation Authority Board of Directors began construction on 12 miles of the Garden Grove Freeway (State Route 22) from Valley View Street east to the Costa Mesa Freeway (State Route 55) interchange. The project is progressing towards the next project milestone scheduled for July 29, 2007. A project update on ongoing construction activities is presented for the Board of Directors review.

Recommendation

Request staff to return to the Regional Planning and Highways Committee on August 6, 2007, with an update on the contractor's efforts to complete all work required for the Project Completion milestone.

8. 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 San Clemente has requested an amendment to the Master Plan of Arterial Highways to delete the proposed extension of Avenida Talega, which was intended to serve planned development that has since been reallocated in the Ranch Plan.

Recommendation

Approve amendment to the Master Plan of Arterial Highways to delete the proposed Avenida Talega extension, east of Camino Tierra Grande.

9. Second Quarter 2007 Debt and Investment Report
Kirk Avila/James S. Kenan

Overview

The California Government Code requires that the Orange County Transportation Authority Treasurer submit a quarterly investment report detailing the Orange County Transportation Authority's investment activity for the period. This investment report covers the second quarter of 2007, April through June, and includes a discussion on the Orange County Transportation Authority's debt portfolio.

Recommendation

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

10. **Reorganization of the Contracts Administration and Materials Management Department**
Virginia Abadessa/James S. Kenan

Overview

In an effort to increase effectiveness of the Contracts Administration and Materials Management Department, an organizational study of the department was conducted. The recommended changes and reorganization of the department will be implemented during fiscal year 2008.

Recommendation

Receive and file as an information item.

Orange County Service Authority for Freeway Emergencies Consent Calendar Matters

11. **Agreement for Freeway Service Patrol Tow Services**
Iain C. Fairweather/Paul C. Taylor

Overview

On November 30, 2007, several contracts for the provision of Freeway Service Patrol tow services will expire. To ensure the continuity of operations, the Orange County Transportation Authority issued a request for proposals and received offers in accordance with procurement procedures for professional and technical services. Board approval is requested to execute new agreements.

Recommendations

A. Authorize the Chief Executive Officer to execute Agreement C-7-0898 between the Orange County Transportation Authority and Hadley Tow for beats 6, 6A&B, 8, 9, 9A&B, 14 and14A in an amount not to exceed $5,485,616, for the period of December 1, 2007, to November 30, 2010.

11. (Continued)

B. Authorize the Chief Executive Officer to execute Agreement C-7-0443 between the Orange County Transportation Authority and California Coach Orange, Incorporated for beat 13 in an amount not to exceed $1,658,218, for the period of December 1, 2007, to November 30, 2010.

C. Authorize the Chief Executive Officer to execute Agreement C-7-0899 between the Orange County Transportation Authority and A&B Towing for beat 7 in an amount not to exceed $1,740,486 for the period of December 1, 2007, to November 30, 2010.

Orange County Transit District Consent Calendar Matters

12. Selection of a Consultant for Project Management Services for Facility Modifications at All Bases and Transportation Centers
James J. Kramer/Kia Mortazavi

Overview

The Orange County Transportation Authority is responsible for managing the design and construction of bus base and transportation center facility modification projects. Project management support services are required to assist the Orange County Transportation Authority in overseeing the design and construction of both current and future projects.

Recommendations

A. Select MARRS Services, Inc., as the top ranked firm to provide management services.

B. Authorize the Chief Executive Officer to request a cost proposal from MARRS Services, Inc., and negotiate a three-year agreement, in an amount not to exceed $900,000, for project management services.

C. Authorize the Chief Executive Officer to execute the final agreement.

13. **Agreement for Major Bus Body Repair**
Lloyd Banta/Beth McCormick

Overview

The repair of major bus body damage requires specialized labor resources and equipment. The Orange County Transportation Authority does not have the resources to perform this function. The current agreement to provide major bus body repairs has expired. 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-7-0706 between the Orange County Transportation Authority and Smith and Hartford Coach Works, in an amount not to exceed $125,000, for major bus body repairs for a one-year period with one option year.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

14. **Principles for Container Fee Program**
Manny Leon/P. Sue Zuhlke

Overview

With an estimated 15.7 million containers passing through the Ports of Los Angeles and Long Beach in 2006, these two ports stand as the fifth largest port complex in the world. With a daily rate of 40,000 containers moving through this port complex, the state's transportation system and environmental quality is severely impacted. Scarce financial resources require an innovative approach to finance mitigation measures to improve the movement of cargo through the ports.

14. (Continued)

Recommendation

Approve a set of principles that should be considered for any program which levies a fee on containers being transported though the Ports of Los Angeles, Long Beach, and Oakland for the purposes of providing an infrastructure system capable of handling increased trade volumes while mitigating the impacts of that trade on local communities.

15. Garden Grove Freeway State Route 22 Carpool Survey
Ted Nguyen/Ellen S. Burton

Overview

The Orange County Transportation Authority, in cooperation with the California Department of Transportation and Federal Highway Administration, is examining the potential of continuous access carpool lanes in Orange County. As part of the initial demonstration project on the Garden Grove Freeway (State Route 22), a survey has been conducted to assess commuter awareness of and attitudes towards continuous access carpool lanes. This report provides survey findings.

Recommendation

Receive and file as an information item.

Other Matters

16. California Department of Transportation High-Occupancy Vehicle Lanes Update

Update to be presented by James Pinheiro, Caltrans.

ACTIONS

17. Public Comments

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

18. Chief Executive Officer's Report

19. Directors' Reports

20. Closed Session

Pursuant to Government Code Section 54956.9(c).

21. Adjournment

The next regularly scheduled meeting of the Board will be held at **9:00 a.m. on August 13, 2007,** at the OCTA Headquarters.

1.

Minutes of the Special 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
July 16, 2007

Call to Order

The July 16, 2007, special meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Cavecche at 9:35 a.m. at the OCTA Headquarters, Orange, California.

Roll Call

Directors Present:	Carolyn Cavecche, Chairman Jerry Amante Patricia Bates Arthur C. Brown Peter Buffa Bill Campbell Richard Dixon Paul Glaab Cathy Green Allan Mansoor John Moorlach Janet Nguyen Curt Pringle Miguel Pulido Mark Rosen Gregory T. Winterbottom
Also Present:	Arthur T. Leahy, Chief Executive Officer Paul Taylor, Deputy Chief Executive Officer Wendy Knowles, Clerk of the Board Kennard R. Smart, Jr., General Counsel
Directors Absent:	Chris Norby, Vice Chair

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.

Darrell Nolta, resident of Westminster, addressed the Board and gave comments regarding the escalating costs of salaries, benefits, and pensions.

Special Matters

1. Closed Session

A Closed Session was held 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.

The Board reconvened following this meeting, and it was reported that a motion was made by Chairman Cavecche, seconded by Director Pulido, and approved unanimously by those present, to approve and authorize the Chief Executive Officer to execute the Collective Bargaining Agreement with the Teamsters, Local 952, representing the coach operators, effective May 1, 2007, through April 30, 2010.

2. Adjournment

A motion was made by Director Buffa, seconded by Director Moorlach, and declared passed by those present, to adjourn the meeting at 10:15 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 July 23, 2007,** at OCTA Headquarters in Orange, California.

ATTEST

_____

Wendy Knowles
Clerk of the Board

_____

Carolyn V. Cavecche
OCTA Chairman

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
July 9, 2007

Call to Order

The July 9, 2007, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Cavecche at 9:03 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

Roll Call

Directors Present:	Carolyn Cavecche, Chairman Chris Norby, Vice Chair Jerry Amante Patricia Bates Arthur C. Brown Peter Buffa Bill Campbell Richard Dixon Paul Glaab Cathy Green Allan Mansoor Janet Nguyen Miguel Pulido Mark Rosen Gregory T. Winterbottom Cindy Quon, Governor's Ex-Officio Member
Also Present:	Arthur T. Leahy, Chief Executive Officer Paul C. 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:	John Moorlach Curt Pringle

Invocation

Director Amante gave the invocation.

Pledge of Allegiance

Director Bates led the Board and audience in the Pledge of Allegiance.

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 Citizens Advisory Committee Resolutions of Appreciation

Chairman Cavecche presented a resolution of appreciation to Dr. David Chapel, for his service on the Citizens' Advisory Committee.

Consent Calendar (Items 2 through 20)

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

Director Bates pulled item 6; Director Campbell pulled items 2, 5, 9, and 19; Director Glaab pulled item 8, and Director Rosen pulled item 4. A member of the public requested to pull item 15.

Orange County Transportation Authority Consent Calendar Matters

2. Approval of Minutes

Director Campbell pulled this item and addressed Number 25 in the minutes to clarify the intent of his motion on ACCESS reports. Director Campbell stated that his motion should read that monthly reports come through the Transit Planning and Operations Committee for the next 90 days, then the Board of Directors would determine if the report would then go to the Board quarterly.

A motion was made by Director Campbell, seconded by Director Winterbottom, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of June 25, 2007.

3. Approval of Resolution of Appreciation for San Juan Capistrano City Manager, Bill Huber

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to approve a resolution of appreciation for Mr. Huber.

4. Legal Services Contract Review

Director Rosen pulled this item and asked if there was a cost of living increase based on the Consumer Price Index (CPI) for attorneys' fees, and if so, how much that has been over the past three years.

Kathleen O'Connell, Internal Audit Manager, responded that is correct, and that she would provide those numbers to Director Rosen. She stated that the number was recomputed based on the CPI indices and the escalation in the cost has been consistent with that CPI.

A motion was made by Director Rosen, seconded by Director Buffa, and declared passed by those present, to direct staff to implement the recommendations made in the Legal Services Review, Internal Audit Report No. 07-012.

5. Disadvantaged Business Enterprise Program Contract Review

Director Campbell pulled this item and stated that this raised an issue relative to the Disadvantaged Business Enterprise (DBE) contracting, given an appellate court hearing. He stated that while it has been identified that a contractor is supposed to insure OCTA is in compliance with that appellate court hearing, and inquired who on staff is responsible for that.

Chief Executive Officer (CEO), Arthur T. Leahy, responded that is Chief of Staff, Sue Zuhlke's responsibility. Ms. Zuhlke informed Members that staff is in the process of monitoring this process and are required by the Ninth Circuit Court decision to conduct a disparity study, which will come to the Board next month. She further informed Members that OCTA is requesting that it join with other transit agencies in Southern California to conduct that study.

Director Rosen asked if the United States Supreme Court decision of last week regarding race has any impact on this, and General Counsel stated he would look at the issue.

A motion was made by Director Campbell, seconded by Director Buffa, and declared passed by those present, to direct staff to direct staff to implement the recommendations in the Disadvantaged Business Enterprise Program Contract Review, Internal Audit Report No. 07-029.

6. Preparation of the 2008 State and Federal Legislative Platforms

Director Bates pulled this item for comment due to the fact the recent Legislative and Government Affairs Committee meeting had been canceled, and this item had not had an opportunity to be heard by Committee. Director Bates stated she hopes there will be an update provided on the successes of the legislative platforms.

Sue Zuhlke, Chief of Staff, responded that this is the annual schedule which gives plenty of time to have thorough review by outside agencies and others interested in OCTA's work, as well as the Board of Directors. Opportunities are provided for the Board to review the platform and make comments and staff encourages everyone to participate.

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to approve the preparation plan and timeline for the State and Federal Legislative Platforms.

7. Agreement for On-Call Right-of-Way Services for the Metrolink Service Expansion Program

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

A. Authorize the Chief Executive Officer to execute Agreement C-7-0777 between the Orange County Transportation Authority and Paragon Partners, Ltd., in an amount not to exceed $1,920,000, for on-call right-of-way services.

B. Direct staff to ensure that Paragon Partners, Ltd.'s scope of work will enable them to be proactive in acquiring properties that become available for sale on the open market.

8. Budget Amendment for Soundwall Design Services Along the San Diego Freeway (Interstate 5) in the City of San Clemente

Director Glaab pulled this item and informed Members that this item was passed at Committee and stated that the City of San Clemente very much wants the soundwall and there are no view issues.

Public comments were heard from:

Andy Fomeyko, resident of San Clemente, offered comments that this wall is needed for sound and safety issues.

Bill Cameron, City Engineer for the City of San Clemente, reiterated support for the project.

8. **(Continued)**

Dana Petri, resident of San Clemente, stated that she lives very close to the location for the proposed soundwall and stated that while the noise is a big issue, the safety aspect is very important, also.

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

A. Amend the Orange County Transportation Authority's Fiscal Year 2007-08 Budget, Expense Account 1752-7519-A9220-DYR for the El Camino Real soundwall and Account 1752-7519-A9215-DYQ for the Avenida Vaquero soundwall by $646,000 and $620,000, respectively.

B. Amend the Orange County Transportation Authority's Fiscal Year 2007-08 Budget, Revenue Account 0001-6026-A9220-DYR for the El Camino Real soundwall and Account 0001-6026-A9215-DYQ for the Avenida Vaquero soundwall by $646,000 and $620,000, respectively.

9. **Approval to Release Request for Proposals for Northbound Orange Freeway (State Route 57) Improvements Between Orangethorpe Avenue and Lambert Road**

Director Campbell pulled this item and asked if one firm is able to be awarded both design services contracts. Tom Bogard, Director of Highway Project Delivery, responded that one firm may indeed win both contracts.

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

A. Approve a project development approach that splits the improvements planned for Orange Freeway (State Route 57) between Orangethorpe Avenue and Lambert Road into two separate projects to encourage a broader response by private engineers and contractors to increase competition on this project.

B. Approve the proposed evaluation criteria and weightings.

C. Approve the release of Request for Proposals 7-0887 for design consulting services for northbound Orange Freeway (State Route 57) improvements between Orangethorpe Avenue and Lambert Road.

10. Cooperative Agreements with the Cities of Brea and La Habra for the Go Local Program

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

A. Authorize the Chief Executive Officer to execute Cooperative Agreement C-6-0886 between the Orange County Transportation Authority and the City of Brea, in an amount not to exceed $100,000, to expand the 2004 Transit Feasibility and Alignment Study and to conduct public outreach regarding the possibilities of transit development within north Orange County.

B. Authorize the Chief Executive Officer to execute Cooperative Agreement C-7-0886 between the Orange County Transportation Authority and the City of La Habra, in an amount not to exceed $100,000, to expand the 2004 Transit Feasibility and Alignment Study and to conduct public outreach regarding the possibilities of transit development within north Orange County.

11. New York Meetings with Rating Agencies and Insurers

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to receive and file this item for information purposes.

12. Excess Workers' Compensation Insurance Policy

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to authorize the Chief Executive Officer to issue Purchase Order C-7-0973, in an amount not to exceed $950,000, to renew the excess workers' compensation insurance policy for the period October 1, 2007, to September 30, 2008.

13. Agreements for Contract Technical Staffing for Programming, Database Administration, Business Intelligence Development, Computer Operations, Network Administration, and Desktop Support

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

A. Authorize the Chief Executive Officer to execute Agreement C-7-0501 between the Orange County Transportation Authority and Digital Intelligence Systems Corporation, in an amount not to exceed $280,000, for programming and database administration contract staffing.

13. **(Continued)**

B. Authorize the Chief Executive Officer to execute Agreement C-7-0950 between the Orange County Transportation Authority and Transit Intelligence, Inc., in an amount not to exceed $130,000, for business intelligence development support.

C. Authorize the Chief Executive Officer to execute Agreement C-7-0951 between the Orange County Transportation Authority and Omega Contract Design, in an amount not to exceed $356,000, for network administration and computer operations contract staffing.

D. Authorize the Chief Executive Officer to execute Agreement C-7-0952 between the Orange County Transportation Authority and Kenda Systems, Inc. (SEGULA Technologies), in an amount not to exceed $230,000, for desktop support contract staffing.

14. Grant Award for Alternative Fuel Bus Purchases and Fueling Infrastructure

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to authorize the Chief Executive Officer to execute grant agreements with the Mobile Source Air Pollution Reduction Review Committee to support the purchase of new compressed natural gas buses and fueling infrastructure at the Santa Ana Bus Base.

Orange County Transit District Consent Calendar Matters

15. ACCESS Eligibility and Certification Process Review

This item was pulled by a member of the public for comment.

Frank Austin, representing the Multiple Sclerosis Society, provided comments on ACCESS eligibility and asked why the certification is conditional.

Director Campbell stated that he has a concern that the issue is being trivialized and requested that the item go back to either the Finance and Administration or Transit Planning and Operations Committees.

Erin Rogers, Manager of Community Transportation Services, responded that there was no intent to trivialize this issue and if people needed the service, it has been provided.

A motion was made by Director Campbell, seconded by Chairman Cavecche, and declared passed by those present, to take this item back through the Transit Planning and Operations Committee.

16. Liquefied Natural Gas Contract Review

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to direct staff to implement the recommendations made in the Liquefied Natural Gas Contract Review, Internal Audit Report No. 07-032.

17. Buy America Audit and Single Bid Review – Procurement of 20 Paratransit Vehicles

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

18. Environmental Compliance Review

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to direct staff to implement the recommendations in the Environmental Compliance Audit Review, Internal Audit Report No. 07-002.

19. Request to Release Request for Proposals for a Compressed Natural Gas Fueling Station at the Sand Canyon Irvine Base

Director Campbell pulled this item and stated that since OCTA is in discussions for possibly relocating the Irvine Base, he questioned why the Authority would proceed with Request for Proposals (RFPs) for this work.

Erin Rogers, Manager of Community Transportation Services, responded that there will be 20 more buses coming through next year, and this is essentially a fact-finding exercise to assess options. It is expected that OCTA will keep a portion of that property.

Director Campbell requested that there be clarification in the RFPs for the cost of the move.

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

A. Approve the proposed evaluation criteria and weightings.

B. Approve the release of a Request for Proposals for a compressed natural gas fueling station at the Sand Canyon Irvine Base.

20. Agreement for Storm Drain Modifications at the Anaheim Base

A motion was made by Director Buffa, seconded by Vice Chairman Norby, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement C-7-0853 between the Orange County Transportation Authority and Sim Engineering, Inc., the lowest responsive, responsible bidder, in an amount not to exceed $69,500, for storm drain modifications at the Anaheim Base.

Regular Calendar

Orange County Local Transportation Authority Regular Calendar

21. Santa Ana Regional Transportation Center Pedestrian Bridge Improvement Project – Request for Budget Transfer

CEO, Arthur T. Leahy, provided background comments on this item, and

A motion was made by Director Winterbottom and seconded by Director Green to authorize the use of $280,000 of additional Commuter Urban Rail Endowment funds to cover the final cost associated with the pedestrian bridge project constructed at the Santa Ana Regional Transportation Center.

A substitute motion was made by Director Mansoor to authorize the use of $245,000 of additional Commuter Urban Rail Endowment funds to cover this bridge project. The motion died for lack of a second.

The original motion by Director Winterbottom and seconded by Director Green was voted upon and declared passed by those present.

Director Mansoor voted in opposition of this recommendation.

Other Matters

22. Chairman's Goals Status Report

Chairman Cavecche stated that her seven goals for this year were presented and status on all provided. She stated that one remaining goal that will be worked on the second half of this year is the Central Corridor Study Committee.

Chairman Cavecche expressed her appreciation for her colleagues on the Board of Directors and to OCTA's staff for work done thus far this year.

23. Orange County Transportation Authority's Fleet and Hybrid Vehicle Options

Dennis Elefante, Manager of Maintenance Support Services, gave this PowerPoint presentation to the Board and explained the various vehicle options.

Director Buffa requested staff gather comparisons with comparable agencies regarding how OCTA is pursuing options available and choices for fuels.

A motion was made by Director Pulido, seconded by Director Rosen, and declared passed by those present, for staff to come back with alternatives for fuels and vehicles and recommended actions as may be deemed appropriate.

Director Amante requested that staff also provide information on how the alternatives compare against one another and a matrix that compares a number of components such as: return on investment, fuel savings, long-term maintenance and operation costs. Directors Pulido and Rosen agreed that this component be added to the original motion.

Chairman Cavecche requested an overall view be provided on the future of maintenance to enable the Board to make the best decisions possible given the various options available.

24. 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.

Ronnie Hughes, representing the Orange County ARC, thanked the Board for their support of ARC employees working for OCTA over the past few years.

Roland Winters, resident of Placentia, expressed his distress with the current strike by coach operators and the Board.

Brenda Martinez, OCTA Coach Operator, voiced that OCTA Coach Operators should be well-paid and they should be valued employees.

Orlando Valdivia, OCTA Coach Operator, stated that he felt drivers were not well-paid and that money is allocated to other areas rather than salaries.

Larry Horn, OCTA Coach Operator, encouraged the Board to provide a fair and equitable offer for the contract renewal.

Donna Metcalfe, representing Teamsters Local 952, stated that she hoped the negotiations would soon result in a deal acceptable to both OCTA and the Teamsters.

24. (Continued)

Patrick Kelly, representing Teamsters Local 952, thanked the Board Members for their work and the work by Teamsters members.

Florice Hoffman, representing Teamsters Local 952, stated the issues with contract negotiation remain the same as over the past sixty days, along with comments on the extension agreement and what she considers "bad faith bargaining". Ms. Hoffman also gave comments on binding arbitration in regard to Item 6 on this agenda.

Ronald Townsend, OCTA Coach Operator, offered comments relating to pay raises for coach operators and the current strike.

Garry Sanders, OCTA Coach Operator, offered comments relative to the turn-over rate for operators.

Karen Finn, resident of Orange, offered comments regarding the need for background checks.

Edward Ripley, OCTA Coach Operator, gave comments relative to his concern for coach operators' benefits and future earnings.

Al Ybarra, representing the Orange County Labor Council, AFL-CIO, stated that he was pleased to learn that a negotiations meeting was scheduled for later this date.

Nativo Lopez, National Director of the National Mexican-Latin Brotherhood and the National President of the Mexican-American Political Association, offered comments relative to fair compensation for Coach Operators and a desire for union's requirements to be met.

25. Chief Executive Officer's Report

Chief Executive Officer, Arthur T. Leahy, reported:

√ There was a fire on LNG bus number 2206, and that bus is currently being checked out by an independent outside fire investigator and reconstruction expert. It is hoped that a report on the cause of that fire this week;

√ Copies were provided to Board Members of a book entitled, Globalizing L.A., and stated that he felt the book was worth looking through. The book explores issues associated with the ports of Los Angeles and Long Beach, Los Angeles Airport, John Wayne Airport, and other discussions on airports in Orange County.

26. Directors' Reports

Vice Chairman Norby informed Members that comment sheets were being provided to them (at their place at the dais) and requested they record their comments when riding the OCTA buses.

Director Glaab commended Director Quon and District Deputy Director Jim Beil for being available for meeting with cities in South County.

Director Buffa addressed Coach Operator's comments regarding the negotiations team and CEO, Arthur T. Leahy. He clarified that Mr. Leahy has indeed worked long and hard on the strike situation, as has the Chairman and negotiating team, contrary to the comments offered by a few of the Coach Operators under Public Comments.

Director Green inquired if Veolia is no longer continuing to work under contract with the disabled. Erin Rogers responded that the work was provided through a verbal agreement only.

Chairman Cavecche requested that staff brief the Transit Planning and Operations Committee on this situation.

Director Mansoor offered comments regarding the art wall in Santa Ana, addressed under Item 24 on today's agenda, stating that he does not support publicly-funded art.

Director Mansoor asked that staff work with Caltrans on two issues in Costa Mesa: at Bristol Street at the entrance to the northbound Interstate 405 at which there is Caltrans property and at Harbor Boulevard at the southbound Interstate 405 entrance, as both areas have landscaping and maintenance issues that need to be addressed.

Director Rosen commented that he feels it is very unfortunate that the Teamsters chose to go on strike and while he is sympathetic to them, he felt that going on strike the Friday prior to the Board meeting was a mistake and unnecessary. He also felt that drivers with less than five years should get the same raises as the more senior members.

Director Campbell stated that he felt the strike was unfortunate and hoped that the objective would be to get the strike over as soon as possible and felt it was very important to compensate all coach operators fairly.

Director Amante commented that any increased compensation should be given to all coach operators, rather just the more senior ones. He further commented that the negotiating team was engaged at all times during the process and appreciated their efforts.

26. (Continued)

Director Winterbottom stated that he was concerned regarding comments made earlier by a member of the public regarding ACCESS drivers, and wanted to be sure it was well-known that those drivers have been driving our buses for a long time and are not affected by the labor situation as it presently exists.

Vice Chairman Norby stated that OCTA is not here to make a profit, but rather to serve the public and provide transportation for those who need it.

The Vice Chairman also commented that while he does not vote for public dollars supporting symphonies or dance troupes, he does support public fiscal support for public buildings being done in an attractive manner.

Chairman Cavecche provided comments that she does not believe there is a group of employees at OCTA who are more respected than coach operators or maintenance workers, contrary to several comments offered by the public today.

27. Closed Session

A Closed Session was held 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.

There was no report out by General Counsel.

28. Adjournment

The meeting adjourned at 12:20 p.m. Chairman Cavecche announced that the next regularly scheduled meeting of the Board will be held at **9:00 a.m. on July 23, 2007,** at the OCTA Headquarters.

ATTEST

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Wendy Knowles
Clerk of the Board

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Carolyn V. Cavecche
OCTA Chairman

2.

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Triennial Performance Audit

Finance and Administration Committee — July 11, 2007

Present: Directors Amante, Bates, Brown, Buffa, Campbell, Cavecche, Moorlach, and Nguyen
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations (reflects change from staff recommendations)

A. Direct staff to implement the compliance recommendation in the Triennial Performance Audit of the Orange County Transportation Authority and Orange County Transit District for fiscal years 2003-04 through 2005 06.

B. Direct staff to monitor and follow up on the compliance recommendations included in the Triennial Performance Audit of the Laguna Beach Municipal Transit Lines for fiscal years 2003-04 through 2004-06.

C. Direct staff to implement the improvement recommendations as modified in management's responses to improvement recommendations.

D. Direct staff to further investigate facts and circumstances underlying improvement recommendations 16, 17, 19, 22, 23, 26, 27, and 28.

E. Direct staff to determine which committees should consider the recommendations and establish a schedule.

OCTA

July 11, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Triennial Performance Audit

Overview

Triennial performance audits were conducted of the Orange County Transportation Authority, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines for fiscal years 2003-04 through 2005-06. These triennial performance audits are required by California Public Utilities Code §99246.

Recommendations

A. Direct staff to implement the compliance recommendation in the Triennial Performance Audit of the Orange County Transportation Authority and Orange County Transit District for fiscal years 2003-04 through 2005-06.

B. Direct staff to monitor and follow up on the compliance recommendations included in the Triennial Performance Audit of the Laguna Beach Municipal Transit Lines for fiscal years 2003-04 through 2004-06.

C. Direct staff to implement the improvement recommendations as modified in management's responses to improvement recommendations.

D. Direct staff to further investigate facts and circumstances underlying improvement recommendations 16, 17, 19, 22, 23, 26, 27, and 28.

Background

The California Public Utilities Code requires that all transit operators and regional transportation planning entities (RTPE) have a triennial performance audit conducted of their activities.

A performance audit is a systematic process of evaluating an organization's effectiveness, efficiency and economy of operation under management control. The objectives of the audit are to provide a means for evaluating an organization's performance and to enhance the performance by making recommendations for improvement. The audit measures performance against acceptable criteria and focuses on management's planning and control system. In addition, the audit evaluates the adequacy of an organization's systems and the degree of compliance with established policies and procedures.

The audit approach consists of a review of compliance requirements, follow-up review of prior performance audit recommendations, a review of transit operator and RTPE functions, and verification and review of performance indicators.

The audits must be conducted in accordance with the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, January 1998 (second edition)* published by the California Department of Transportation and with the efficiency, economy and program results portion of the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," commonly referred to as the "Yellow Book."

Discussion

The performance audits of the Orange County Transportation Authority (OCTA) as the RPTE for the County of Orange, and the Orange County Transit District (OCTD) and the Laguna Beach Municipal Transit Lines (LBMTL) as transit operators, were conducted by LMS Consulting.

The reports document the results of the triennial performance audits of OCTA as the RTPE for the County of Orange, and OCTD and LBMTL as transit operators, for fiscal years 2003-04 through 2004-06. LBMTL management is responsible for implementing the recommendations in its report, and OCTA management, as a transit operator and the RTPE for the County of Orange, is responsible for monitoring and following up on its recommendations. The audit reports were filed with the State of California Controller's Office as required by California Public Utilities Code §99246.

The triennial performance audits for OCTA and OCTD indicate that the organization is generally operating in an efficient and effective manner. One issue of noncompliance was noted in which OCTA's memorandum of understanding with the City of Laguna Beach for transit funding needs to be updated.

The consultant also provided 38 recommendations for improvement based upon limited survey work rather than detailed analyses. The consultant indicated that these recommendations go beyond the compliance review and that OCTA may wish to invest in further definition of the findings and improvement recommendations.

Management has reviewed and provided responses to these improvement recommendations. For some, management has indicated that the recommendations will be implemented. For others, management has clarified assumptions or facts underlying the recommendation and has indicated that improvements are either in place, will be implemented or will be implemented with modifications. Management has indicated that two recommendations to alter the content and purpose of the Comprehensive Business Plan will not be implemented.

Eight improvement recommendations, based on staff interviews and limited analyses, appear to indicate deficiencies in OCTA's system of internal control. Because these findings and recommendations were constructed based on survey work alone, the Internal Audit Department will further investigate the facts and circumstances underlying improvement recommendations 16, 17, 19, 22, 23, 26, 27, and 28.

The triennial performance audit of LBMTL disclosed that LBMTL is generally operating in an efficient and effective manner. Three instances of noncompliance were noted and one additional recommendation for improvement was made.

Summary

Triennial performance audits were conducted for OCTA as the RTPE for the County of Orange, for OCTD as a transit operator, and for LBMTL as a transit operator, for fiscal years 2003-04 through 2005-06. These triennial performance audits are required by California Public Utilities Code §99246.

Attachments

A. Orange County Transportation Authority FY 2004-FY 2006 TDA Performance Audit Management Response to Compliance Finding
B. Orange County Transportation Authority FY 2004 – FY 2006 TDA Performance Audit Management Responses to Improvement Recommendations
C. Report to: The Orange County Transportation Authority, FY 2004-FY 2006 Transportation Development Act Performance Audits
D. Report to: The Orange County Transportation Authority, FY 2004-FY 2006 TDA Performance Audits of Laguna Beach Municipal Transit Lines

Prepared by:

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Manager, Internal Audit
(714) 560-5669

ATTACHMENT A

Orange County Transportation Authority
FY 2004 – FY 2006 TDA Performance Audit
Management Response to Compliance Finding

Compliance Finding

1. **The revised MOU with the City of Laguna Beach regarding transit funding should specify requirements associated with TDA Article 3 claims as well as State Transit Assistance Funds (STAF). It should consider penalties for failure to submit complete, timely claims. Additionally, the OCTA should continue to monitor the timeliness of LTF claims filed by the City of Laguna Beach to ensure that the claims are filed by the deadline established by the OCTA and by the California Code of Rules and Regulations.**

   Management Response:

   The revised MOU with the City of Laguna Beach, signed December 12, 2005, does not specifically address requirements associated with TDA Article 3 claims because the Article 3 funds are directed towards the Bus Stop Accessibility Program (BSAP) and Bicycle and Pedestrian Facilities (BPF) Program, which are administered by OCTA. Per Board direction, the BSAP was designed to ensure that all bus stops in Orange County comply with all Americans with Disabilities Act (ADA) requirements. The program is partially funded with Article 3 funds through FY 2006-07. Beginning in FY 2007-08, the funding will be redirected to the BPF program. The City of Laguna Beach is not involved in the administration of the Article 3 funded programs.

   The revised MOU with the City of Laguna Beach includes the amount the City receives for State Transit Assistance and federal grants, but does not specify the amount attributable to each program.

   The revised MOU clearly states that OCTA has the option to withhold funding if the required National Transit Database report is not filed by the specified due date. Laguna Beach did submit their claim for FY 2007-08 on time.

Orange County Transportation Authority
FY 2004 – FY 2006 TDA Performance Audit
Management Responses to Improvement Recommendations

Improvement Recommendations

1. **The Orange County Transportation Authority (OCTA) should build on the multi-level planning efforts for the Comprehensive Business Plan (CBP) to position the CBP as the single, agency-wide source for transportation plans, operations, projects and services.**

   Management Response:
   Will not Implement. Part of the recommendation for this item included expanding performance measures beyond bus operations to all departments within the CBP. It is important to note that the CBP is built at a macro level and is done by program, not by department. The bus operations program lends itself to performance measures on a system-wide basis but parsing out departmental goals at a programmatic level would be difficult and too detail-oriented for the CBP.

2. **OCTA should supplement existing staff environmental capabilities with personnel possessing stronger experience and expertise in environmental matters.**

   Management Response:
   Has Already Been Addressed. OCTA relies on the private sector to provide the expert skills and resources required to carryout the agency's programs and projects. This includes use of professional services for environmental work. The professional services employed by OCTA in this regard range from full-service environmental consulting firms to produce environmental impact studies to subject matter experts to address topical issues.

   At the same time, the Development Division has hired two staff members with extensive experience and knowledge of environmental issues and processes. This staff manages the initiation phases of major projects and ensures that environmental issues receive early consideration. In addition, this staff functions as an internal resource to other departments as needed.

   The Renewed Measure M, beginning in 2011, adds two new environmental programs. OCTA staff intends to recommend to the Board the addition of one staff position to oversee the development and deployment of these programs. It is expected that this position will also be supported with professional services on an as needed basis.

3. **OCTA should consider assigning the administrative support of all committees that support the OCTA related activities of Board Members to the Clerk of the Board.**

   Management Response:
   Will Implement with Modifications. It should be noted that LMS Consulting did not contact the Clerk of the Board staff to gather data in developing this assumption.

   The reason (for the recommendation) was not provided, nor was a listing of committees considered. This administrative support would logically entail agenda compilation, staffing of meetings, minute-taking, and transcription for several non-Board-appointed publicly noticed committees which meet to discuss OCTA issues.

   While Board Members or their appointees do not participate on all of these committees, the Clerk of the Board concurs that administrative support is needed. Staff (largely from External Affairs and the Development Division) who have handled these administrative tasks for the past many years are involved with the issues addressed by these committees and have developed working relationships with participants. (Note that some of these meetings are held in the evenings and occasionally at off-site locations; some have regular meeting schedules, while some meet on an as-needed basis.)

   While this reassignment of committee support could be effected, it would only be feasible and successful with additional staffing in the Clerk of the Board's office. Current staffing provides substantial ongoing support for Board meetings and nine Board-appointed Committees (meeting schedules, compilation of agendas, staffing of meetings, minute-taking, transcription, as well as assistance to Board Members, etc.), which does not allow time to assume the recommended additional responsibilities.

4. **OCTA's Internal Audit Manager, working with the Chief Executive Officer (CEO) and Executive Director of Finance, Administration, and Human Resources, should clarify the roles / expectations of Board Directors serving as the Audit Committee.**

   Management Response:
   Will Implement with Modifications. OCTA's Finance and Administration Committee (Committee) of the Board of Directors serves as the organization's audit committee and the Committee's activities concerning audit have been evolving. In recent years, the Committee has become involved in the review and approval of the annual audit plan. The Committee now reviews all audit reports and is provided a quarterly update on the status of the Plan. The Committee also participates in the appointment of the independent financial statement auditors and reviews all reports and other communication, including the management letter, provided by those auditors.

In addition to this involvement, Internal Audit will solicit additional input from the Committee in developing its fiscal year 2007-2008 Annual Audit Plan. Internal Audit will also, in the coming year, provide the Committee with materials relative to typical audit committee responsibilities (see also management response to recommendation #5).

The audit report seems to imply, based on an Ernst & Young survey, that the Committee's time commitment to audit activities is insufficient. Ernst & Young's 2006 survey of Audit Committees says that on average, an audit committee member spends 136 hours a year on all Board and audit committee activities, with an average of 51 hours devoted specifically to audit committee activities. In addition, 78% of survey respondents indicated that some of that audit committee time was devoted to activities pertinent only to public companies, such as earnings releases. While survey results are interesting, they do not include government or not-for-profit industries, so it is impossible to assess the survey's relevance to OCTA.

To OCTA's knowledge, the Committee has not placed a restriction on their time or involvement in audit activities. While OCTA might expect, over time, incremental additional Committee involvement in audit planning and oversight, OCTA would not expect a significant commitment of additional time. Audit activities will continue to be incorporated into the regular Committee calendar.

5. **The Manager of Internal Audit should provide a training forum and guidance materials to the Board about the activities of an Audit Committee.**

   Management Response:
   Will Implement with Modifications. OCTA'S governing Board consists of numerous locally elected officials as well as two public members, who have, in many cases, spent years in government service, are familiar with government accounting, auditing and/or financial reporting, and serve on boards, committees (both government and private) in capacities which expose them to regulatory, internal and external audit activities.

   At the direction of the Committee, OCTA will supplement members' knowledge and experience with additional training activities. This may take the form of material, presentations or, should the Committee desire, externally provided education. The topic will be evaluated with Committee members to determine the most useful approach that is not redundant to experience, exposure and training they receive elsewhere.

6. **The Manager of Internal Audit should review the current processes that involve the Audit Committee (audit planning sessions, access to Audit Committee for input and feedback, audit communications, etc.) and strengthen the procedures, timing and reporting processes to foster enhanced Audit Committee involvement and participation.**

Management Response:
Will Implement with Modifications. As indicated under our response to Recommendation #3, Internal Audit will continue to seek Committee feedback, input and guidance.

7. **Managers and Executive Directors of OCTA's Divisions should become involved in the audit planning process and the resulting scheduling of audit time and resources. While we recognize that Internal Audit must maintain its independence in setting its priorities, we believe this cross organizational participation should emphasize cooperative prioritizing/identifying of audit area and input to audit scoping plans.**

   Management Response:
   Has Already Been Addressed. The Internal Audit Department has made an effort in the last two years to solicit the input of Executive Management in the development of the Annual Audit Plan and, as indicated in the management response to Recommendation #3, will look for additional guidance from the Committee in developing the FY 07-08 Audit Plan. Input from both sources is essential in determining the organization's risks and vulnerabilities.

   While a cooperative effort in identifying and prioritizing risk is appropriate, Internal Audit believes that audit timing and resource planning is best conducted by Internal Audit as a means of ensuring independent and unrestricted audit access. Management seems to support this philosophy, too, as a means of demonstrating its full cooperation with Internal Audit. Internal Audit will continue its commitment to considering matters of convenience to staff when scheduling and scoping its work.

8. **The tenor, tone and format of Internal Audit's reports should be updated and changed to facilitate a more constructive and positive approach to developing and reporting on its work.**

   Management Response:
   Has Already Been Addressed. Internal Audit is making efforts to improve the quality, consistency, and content of its reports to provide users, particularly the Committee and Board, with better information upon which to act. It is the objective of the Internal Audit Department to provide the Committee and Board with objective and fair reports consistent with professional standards.

   To a large degree, the content of audit reports is specified in Government Auditing Standards (the "Yellow Book") issued by the United States Government Accountability Office. Those standards specify report content, emphasizing the objective and fair representation of audit findings based on credible and convincing evidence. Section 8.47 specifically deals with tone, stating "The tone of reports should encourage decision makers to act on the auditors' findings and recommendations. This tone should be balanced by requiring reports to present sound and logical evidence to support conclusions while refraining from using

adjectives or adverbs that characterize evidence in a way that implies criticism or unsupported conclusions. "

Standards section 8.48 also calls for the recognition of the positive aspects of the program under review, if applicable to the audit objectives, which provides greater balance to the report.

Finally, section 8.49 requires that reports be convincing. The information presented should be sufficient to convince the report users to recognize the validity of findings, the reasonableness of conclusions and the benefit of implementing the recommendations.

9. **The Internal Audit staff should further utilize their participation in the meetings, briefings and discussions they attend with other OCTA staff to share ideas and provide advice from the aspect of controls, accountability, and sound management practices.**

   Management Response:
   Has Already Been Addressed. As part of its Annual Audit Plan, the Internal Audit Department programs staff time for this very purpose and actively participates in meetings, briefings and discussions as they relate to internal controls and accountability. Audit Plan "monitoring" projects ensure that Internal Audit is "in-the-loop" on large project implementations and participates in regularly scheduled status meetings on these projects. OCTA staff also makes itself available on an ad-hoc basis for questions or advice.

   In maintaining independence, auditors must be alert to circumstances where advice on policy and procedures could impair their ability to audit those policies and procedures. The Internal Audit Department, in providing ideas or advice on "management practices", may impair its independence and will remain cautious in this regard.

10. **OCTA should investigate how various the route data are used and valued by its customers, and then adjust the efforts based on the findings. OCTA should regularly evaluate cost-effectiveness of their marketing strategies and monitor the performance of the marketing strategies against adopted performance metrics.**

    Management Response:
    Has Already Been Addressed. External Affairs annually develops a divisional work plan. The Fiscal Year 2007/2008 External Affairs Work Plan outlines approaches to evaluating public information materials which have been used in the past. For bus transit, public information materials are assessed via customer satisfaction surveys and roundtable discussions. Adjustments are made based on this input. Route promotion materials are assessed via ridership trends, direct response rates, and web hits. Costs are examined after program implementation, as well as during the

budget process. Management will continue to refine this process and document results.

11. **OCTA should evaluate the potential value of integrating additional marketing efforts across all of the OCTA's services. For example, Metrolink Rail and OCTA bus fares are not packaged or bundled. OCTA's merchant coupon program for bus riders is not promoted to 91 Express Lanes customers as a benefit of being an OCTA customer.**

    Management Response:
    Has Already Been Addressed. A key current marketing strategy is to cross promote OCTA's family of services. The "Destination Deals" program is a partnership with local businesses who offer OCTA bus, Metrolink, and/or 91 Express Lanes customers merchant discounts. More than 140 merchants participate in the program. Communications materials include newsletters, seat drops, website, bill stuffers, print ads, and bus advertisements.

    In terms of fares, Metrolink and bus fares are bundled. Customers riding Metrolink rail transit can transfer to an OCTA bus at no cost simply by showing their ticket or pass. In the future, as cities develop rail feeder or community transit services, fare integration will become increasingly important. Therefore, OCTA has begun to explore options for interoperability and fare integration. This could involve existing pass program refinements, fare policy adjustments, and/or "smart card" technology.

12. **OCTA should evaluate the effectiveness of increasing its marketing outreach to high school students as an alternative to contracted school bus transportation on routes serving junior high and high schools. Currently marketing to students is more generalized and particularly focused on summer activities such as the beach destinations.**

    Management Response:
    Has Already Been Addressed. One of OCTA's primary target markets is students. Youth outreach has tripled since 2004, growing from 27 annual events to 79 in fiscal year 2006. The "Youth in Motion" marketing program includes school presentations, "how to ride the bus" information, and trip planning. In addition, promotional day passes are offered to encourage first time riders. This has translated into student ridership growth as evidenced by youth pass sales. For example, in fiscal year 2005, there were 23,401 student 30-day passes sold. In fiscal year 2006, sales more than doubled to 53,790 student 30-day passes sold. Year-to-date, as of February 2007, sales indicate youth passes should grow by an additional 20 percent during fiscal year 2007. This is independent of summer youth pass sales which grew 9 percent between fiscal year 2005 and fiscal year 2006.

13. **Expand the CBP to specifically address marketing strategies that will be used to achieve program and service goals.**

Management Response:
Will Not Implement. The CBP is a long-term financial planning document. The External Affairs division produces a complementary document – an annual work plan that includes marketing and communication strategies to support program and service goals identified in the CBP. Including this information again in the CBP would be a duplication of effort.

14. **OCTA should implement required time and costing processes and tools to enable more extensive and complete direct charging of expenses to the programs/activities responsible for the expenditure.**

Management Response:
Will Implement with Modifications. The current Accounting system (IFAS) and the current Budgeting system both have the technical capacity to implement this type of project tracking at OCTA. Financial Planning & Analysis staff has worked with a consultant to pare down the number of project codes down to a useful number.

Reporting pass sales and reducing the discount to retail vendors. OCTA's current system has the ability to track pass sales revenues by source. Accounting staff is available to customize these reports to the user's requirements.

Regarding the discount, Accounting can accommodate any change to the discount amount. This is a program manager decision and should probably be directed to External Affairs.

15. **Once OCTA has implemented the 30-day net retail approach; it should consider a scheduling a small reduction in the discount and then evaluate the impact on the number of vendor and total vendor pass sales. If there is no significant reduction in vendor sales and in the necessary geographic coverage of retail vendors, further reductions should be considered over time until an optimum discount is reached.**

Management Response:
Will Implement with Modifications. As with #14, it seems that this is a program management decision point. This change could be easily accommodated by the Accounting Department.

16. **Accounts Payable should implement the "Payment Signature Authorization Policy" or a similar cover form for authorizing personnel to sign in the case of all invoices submitted for goods and services provided under contracts. Purchase orders could be excluded.**

Management Response:
Will Implement with Modifications. This recommendation has merit and should be evaluated, but need time to determine how it would work and the cost impact it would have before endorsing it. Management does not believe a cover sheet is

necessary for goods that are received into the system. For these invoices, proof of receipt should be sufficient authorization for payment. For all other invoices, however, this recommendation can be implemented. Management would anticipate some pushback from departments since it will significantly increase the paperwork required for approving an invoice, especially for vendors that issue a high volume of invoices. More time is needed to determine the details of implementing this recommendation.

17.

a. **OCTA should establish clear written guidelines on the use of payment requests. These should include those types of purchases that are exempt from the $2,500 limit (e.g., judgments/settlements) and a cumulative dollar limit that can be paid to any one vendor via payment requests during any fiscal year.**

   Management Response:
   Has Already Been Addressed. A draft policy was distributed June 25, 2007 for comment.

b. **CAMM should review the "frequent payment request" list and contact departments that using numerous payment requests to a single vendor to suggest that a contract or purchase order be established with the vendor. As part of this process, CAMM should also advise Accounts Payable (AP) to reject any further payment requests for the identified vendors. AP should enforce the restriction.**

   Management Response:
   Will Implement with Modifications. In the past, CAMM received payment request information and performed this review. However, since approximately 2005, AP stopped the practice of sending this information to CAMM, and as a result, no analysis has been conducted. CAMM is very interested in reinstating this function.

   As AP process payments, it currently addresses all Payment Requests that exceed $2,500 without referencing a contract or PO. If the payment is on the informal list of acceptable payments that do not require CAMM approval, it is processed. All other payment requests over $2,500 are being rejected until approved by the CEO, Manager of CAMM or their designee. AP generates a weekly list of "exception" payments that the Department Manager reviews. There are very few true exceptions.

   Management disagrees that AP should be rejecting payments. This strategy does not address the problem and is punitive to the vendor instead of the offending OCTA department. A list of payment activity by vendor is easily created and available for CAMM review. I recommend that CAMM work with departments

to prevent reoccurrences as opposed to having AP reject payments. Once the invoice is received by AP, the legal liability exists and payment must be made.

18. **OCTA's budget process should provide for a more rigorous review of professional services and capital. In doing so, the Budget Department should identify patterns of continual over-budgeting and work with Executive Directors and the CEO to limit the practice.**

Management Response:
Will Implement with Modifications. Financial Planning & Analysis (FP&A) reviews each line-item in the budget as part of the budget review process. Professional Services and Capital budgets are built using a "zero-based" approach to budgeting, meaning that each item must be independently justified each year. In an effort to monitor the progress and merit of requested line items, FP&A staff reviews all board agendas and contracts to ensure budget resources are used as planned. Furthermore, staff is working on developing a carryover budget report that will help users distinguish line items that are encumbered and have budget dollars committed in the year they are executed to avoid the possibility of these items being needlessly re-budgeted in subsequent years. A status of budget-to-actual information is transmitted to the Board each quarter. A focused effort to raise the level of awareness of budget-to-actual activity by department will be pursued by FP&A.

19. **OCTA should establish and adopt a policy that requires CEO approval, with Board notification, for budget transfers between asset categories exceeding a reasonable dollar limit with any fiscal year.**

Management Response:
Will Implement with Modifications. The performance audit identified a problem related to budget transfers from large capital items to other non-budgeted items. The proposed remedy includes CEO and Board involvement. Although no Board policy was violated, management believes that a less drastic tweak to the current policy would provide an equal remedy and more prudent financial tracking. Currently, departments have full autonomy to transfer between capital items throughout the year. Management thinks this policy should be changed to restrict transfers only to those within the asset categories established in the CBP. For example, the major asset categories could be Revenue Vehicles, Support Vehicles, Land, Facilities Modifications, and Equipment, and only transfers within those categories would be allowed. This change would prohibit large transfers to unrelated items, while maintaining the budget autonomy of each department, the independence of the budget function and keeps the CEO and the Board focused on policy direction instead of individual budget items. Management should consider trying this policy internally before formally asking the Board to change the official policy.

20. **The Budget Development Section in the FP&A Department should work with the Maintenance Department in Transit to develop a financial model that projects the upcoming year's budget for tires, major parts and fuel based on**

clear assumptions regarding the planned use of buses, by model, expected unit prices, and documented operating assumptions. The model should be documented to record the assumptions made, relationships between factors (for example, miles and tires), and should be updated each year as the information changes.

Management Response:
Will Fully Implement. The Maintenance Department has some Excel models they use to develop budgets for these items. Knowing the assumptions made by Maintenance would help FP&A greatly in reviewing this particular department's budget.

21. **OCTA should formalize the fleet plan annually and consider including as part of the CBP. The Service Review Committee should then review and approve the plan.**

Management Response:
Will Fully Implement. In an effort to always report consistent information, FP&A would emphatically agree with this recommendation.

22.

a. **OCTA should develop a more coordinated approach to grants management, and should consider creating a Grants Department within Finance, Administration, and Human Resources. At a minimum, the Grants Technician position, currently assigned to the General Accounting Section, should be transferred to the CBP/Grants Section in the FP&A Department.**

Management Response
Will Implement with Modifications. Consolidation of the three grant functions at OCTA is worth consideration. The coordination and communication between the Grants Specialist in Federal Relations and the Grants Management Section within FP&A is effective. However, this same level of coordination and communication between Grant Accounting and Grants Management does not exist. Consolidation of the functions under one department would eliminate inter-departmental road blocks to process improvement.

However, when it comes to financial reporting for the annual audit, the only clean information available is related to the FTA grants which currently resides in the Accounting Department. Management needs to make sure that this move will not cause our FTA grant reporting to deteriorate. This recommendation may need additional consideration as to where this function should reside and who will accept responsibility.

It is important to note the distinction between grants, which are developed by the Grant Specialist, and grant revenues which are programmed elsewhere in the agency. Grants that are pursued and developed by the Grant Specialist include

grants from the FTA, as well as those that are competitively awarded by various federal, state, local, and non-profit agencies. The process and requirements of these grants vary greatly and are dictated by the granting agency. It is also important to note that there are no instances in which the development of grant funding and the preparation of grant agreements by the Grant Specialist has led to funds coming "close to being jeopardized."

b. **OCTA should establish a grants management planning process that requires the Manager of CBP/Grants, the Grants Section staff, the individual in that Section overseeing the grant, the project manager, and the Grants Funding Specialist develop a plan for administering each grant upon its receipt. The plan should include a list of all grant requirements and actions needed to meet them.**

Management Response

Has Already Been Addressed. Currently, OCTA has documented policies and procedures for the grant planning process within each of the three grant functional areas. This planning process is an integral part of the success for each specific grant function. The process of continued communication and coordination occurs from the initial stages of the grant needs assessment with the project manager. This continues on to proposal writing to award and execution of the grant to grant management and adherence to federal guidelines to grant accounting to grant close-out. These steps are all documented and followed in the grant policies and procedures. One item to note is that the processes are all individual in nature but coordinated as a single process. This single process itself is not documented but the concept is sound.

c. **Quarterly grants meetings should be conducted involving the Section Manager of CBP/Grants Section and his grants-related staff, the Grants Funding Specialist, and the project managers for each planned and active, grant-funded project. The status of each pending and approved grant should be reviewed and needed actions defined.**

Management Response

Has Already Been Addressed. Currently, the three grant functional areas have daily communication, coordination and discussions. This open dialogue has garnered significant advantages leading to the success of a well functioning grants area. At times there are procedural breakdowns but they are short lived and quickly addressed. It is important to note that although the audit alludes to grants being "close to jeopardized" there are no instances where grant funds were forfeited. On a quarterly basis, there are regularly scheduled meetings with each functional area to discuss open issues, concerns, process enhancements and grants in general. This meeting is fruitful and assists in closure of any outstanding issues. In addition, on a quarterly basis, the Grants Management analyst communicates and coordinates with the project managers and grant accounting with regards to her reporting to the Federal Transit Administration

(FTA) in the web-based TEAM system. Additionally, the Grant Specialist and Grants Management coordinate and report to the OCTA Board of Directors a quarterly staff report on the status of future, pending, executed and active grant activity.

23. **OCTA should create a Contracts Administration function within the CAMM organization that is tailored to each major user group depending on the types of contracts and services. With the approval of the extension of Measure M, there will be new contracts that will require more time and attention from a management standpoint.**

Management Response:
Has Already Been Addressed. During fiscal year 2007, a review was conducted of the CAMM department to determine if CAMM had the proper resources and tools necessary to perform its role effectively and efficiently. One of the recommendations of the CAMM review was to establish a contract administration function within CAMM and develop procedures to implement the function. During fiscal year 2008, contract administration procedures will be developed and implemented.

24. **OCTA should create Contracts Administration Policies and Procedures by working with other business units to meet their requirements. The Manager of CAMM is planning to recommend new contract administrator positions and an updated staffing plan as part of her implementation of the consultant recommendations from the study recently completed.**

Management Response:
Has Already Been Addressed. During fiscal year 2008, CAMM will revise and update the OCTA procurement policies and procedures, which will include discussions with user departments. Also during fiscal year 2008, CAMM procurement staff will change from a procurement administrator job family to two separate job families, buyers and contract administrators. The CAMM staff will be re-assigned as of July 9, 2007.

25. **OCTA should implement the split in the responsibility of Maintenance/Material Management into two sections (one for Inventory Management and one for Major Procurements) being considered as a result of the recent consultant report.**

Management Response:
Has Already Been Addressed. This recommendation has been implemented and recruitments are in place to fill both positions.

26. **OCTA should enhance the Inventory Management Section, and review standard best practices, creating Policies and Procedures specific to how inventory is to be managed and maintained. This should be accomplished as part of the implementation of the Ellipse Inventory Management System. While Ellipse has the capability to list best practices, the capability has to be "turned**

on" and used for it to be functional. Also, the Ellipse system in itself does not generate new policies and procedures.

Management Response:
Has Already Been Addressed. One of the first duties of the newly created Section Manager, Inventory will be to review the procedures currently in place and update them to reflect industry best practices and the capabilities inherent in the Ellipse application.

27. **CAMM should develop more detailed policies and procedures that will provide consistent direction.**

Management Response:
Has Already Been Addressed. As part of the revisions to OCTA's procurement policies and procedures, CAMM will develop desktop procedures for the staff. These will ensure that all new employees are trained in a like manner and that all staff is handling procurements in a similar manner.

28. **OCTA should establish a Program Management Office (PMO) that is separate from the business units. The PMO should report at the Executive level. This would enable the project managers to report sufficiently high and directly in the OCTA management structure to identify, communicate, mitigate, and resolve project issues.**

Management Response:
Will be implemented with modifications. The Rationale for and efficacy of such a centralized, generic program management office will be considered in the organizational/readiness review to be conducted during fiscal year 2007-2008.

29. **The established PMO should implement consistent processes and tool set for managing projects.**

Management Response:
Will be implemented with modifications. Consistency in project management is a goal for the organization and will be addressed in the organizational/readiness review.

30. **Project Managers from the PMO should be assigned based on the project type, (construction, engineering, technology, marketing, etc.), project requirements, and capabilities of the available team members.**

Management Response:
Will be implemented with modifications. While there are basic techniques and principles applicable to all project management, project managers must have the background in the specific type. Assignment of project managers will be addressed in the organizational/readiness review.

31. OCTA should conduct periodic audits and reviews of Metrolink activities on a regular basis to assure integrity in the use of funds spent for rail services affecting Orange County.

Management Response:
Will Implement with Modifications. While the auditor's recommendation has some merit, it is important to first identify existing financial oversight and audit activities related to Metrolink.

The Southern California Regional Rail Authority (SCRRA) is composed of five member agencies, including the OCTA. Being a recipient of state and federal funding, the SCRRA is subject to numerous external audits, including those by the FTA and the California Department of Transportation. In addition, the Los Angeles Metropolitan Transportation Authority contracts with a public accounting firm to review certain SCRRA financial data, including member allocations of interest and expenditures.

The Board of Directors of the SCRRA, upon which sit two of OCTA's Board members, is responsible for financial oversight of the organization. To meet this responsibility, the Board employs independent financial statement auditors to audit its financial statements, perform an annual Single Audit and report on the agency's National Transit Database. The SCRRA also employs independent auditors to perform contract close-out audits and to review proposed contract pricing during its procurement cycle.

The SCRRA also contracts with a separate public accounting firm for its internal audit activities. The Board's Operational Oversight Committee serves as its audit committee. The Committee reviews the annual internal audit plan, reviews all audit reports, receives monthly staff reports on audit activities, unresolved issues and audit procurements. In addition, OCTA staff receive and review committee agendas and are in regular contact with both SCRRA staff and OCTA/SCRRA Board members concerning matters of significance to OCTA.

It will provide only limited value to have SCRRA member agencies conduct redundant independent audits. OCTA, both its participating Board members and its staff, will continue to monitor the operations and audit activities of the SCRRA Board and its Operational Oversight Committee. Internal Audit will include a review of SCRRA audit activities in its 2007-2008 Audit Plan "monitoring" projects. Internal Audit will inventory the audit activities of SCRRA, evaluate the reasonableness and comprehensiveness of those audit efforts and provide a report to the Finance & Administration Committee of the Board. Should concerns arise, Internal Audit and the Development Division of OCTA will respond with an audit team ideally composed of the five member agencies.

32. OCTA Human Resources Department and Bus Operations Departments should develop a systematic approach to regular operator evaluations.

Management Response:
Will be implemented. Management agrees with this recommendation and will work to develop an operator evaluation program during the next triennial evaluation period.

33. OCTA should develop and implement plans for providing physical security at the operating bases.

Management Response:
Has Already Been Addressed. OCTA has formed a Security Advisory Group that is developing policies and procedures, which includes Physical Security and Access Control. These policies will be used to determine what physical security procedures and equipment are necessary, once completed. Projects will follow to implement the findings from this process.

34. OCTA should conduct periodic audits of the trip sheets maintained by Veolia Transportation to ensure an accurate sampling of data.

Management Response:
Has Already Been Addressed. See Response to Recommendation #35.

35. OCTA should conduct an audit of the Veolia Transportation contract following the first year to ensure that any contract billing issues are identified and resolved early in the contract process.

Management Response:
Has Already Been Addressed. Internal Audit routinely conducts audits of the ADA ACCESS contract provider. Two audits of the previous contract provider have been conducted covering the period April 1, 2003 through June 30, 2006, and an audit of the Veolia contract was included in the fiscal year 2006-2007 Annual Audit Plan. Historical and planned audits have necessarily included the review of the trip data supporting contractor billings.

36. OCTA should consider developing a procurement policy for maintenance that specifies an approval process for procurements (1) above a specified dollar amount, or (2) that result in a change in product that may materially affect performance.

Management Response:
Has Already Been Addressed. Significant projects or operational services, budgeted annually, are typically routed through the Maintenance Department for review and concurrence. Revenue vehicle acquisitions are based on a technical scope of work and are in support of a fleet plan, including replacement and expansion. The technical scope of work for these acquisitions is a combined effort between the Maintenance Support Services Department and the vehicle user group.

In addition, several months ago, a Configuration Management Committee was created to address significant changes to OCTA's fleet, sites and infrastructure. The committee includes representatives from Maintenance, Bus Operations, CAMM, Marketing, Customer Relations, Finance, Safety, Risk Management, and Information Systems, and meets monthly to discuss the status of major Maintenance projects and other items of mutual concern. A Configuration Management and Control procedure has been drafted and is currently being processed for executive approval.

In addition, Maintenance and CAMM meet on a monthly basis to discuss the status of Maintenance procurement projects and other upcoming projects of significance. A listing of all projects discussed is maintained on a shared drive and is accessible to both Maintenance and CAMM. The meeting is also used to discuss items beyond "projects", such as roles and responsibilities, review of procedures, etc.

37. **Maintenance should develop a practice of notifying CAMM prior to the beginning of each large-scale maintenance campaign that may have a significant impact on existing inventory items.**

Management Response:
Has Already Been Addressed. Management has already implemented this recommendation. Monthly meetings are attended by CAMM and Maintenance staff at which time upcoming work which requires coordination with CAMM is identified and discussed.

38. **OCTA should develop updated service standards for fixed route services including developing unique standards for areas within the County where density and demographics may negatively impact ridership.**

Management Response:
Will be Implemented. The service standards for fixed route services will be updated as part of Transit's work plan for fiscal year 2007-08.

REPORT TO:

THE ORANGE COUNTY TRANSPORTATION AUTHORITY

FY 2004-FY 2006 TDA PERFORMANCE AUDITS



LMS CONSULTING

MAY 2007

ATTACHMENT C

LMS

May 31, 2007

Ms. Kathleen O'Connell
Manager, Internal Audit Department
Orange County Transportation Authority
550 South Main Street
Orange, California 92863

SUBJECT: TRIENNIAL PERFORMANCE AUDIT OF ORANGE COUNTY TRANSPORTATION AUTHORITY

Dear Ms. O'Connell:

LMS Consulting is pleased to present this report on our performance audit of the Orange County Transportation Authority (OCTA). Under separate cover, we will provide you with the performance audit report for the Laguna Beach Municipal Transit Lines. This work was performed in accordance with the standards and approach defined in California Department of Transportation (Caltrans) Performance Audit Guidebook. This Guidebook, modeled after the Government Auditing Standards (GAO) Yellow Book, sets the criteria, format and tasks required to comply with the applicable sections of the California Public Utilities Code and the California Code of Regulations. Recipient agencies of State Transportation Development Act (TDA) funds must have a performance audit conducted every three years. This report covers the three fiscal years beginning on July 1, 2003, and concluding on June 30, 2006.

As part of our work on this audit, we have reviewed our audit findings and recommendations with the OCTA managers and directors responsible for the activities covered in this report. After receiving your department's input and other input you obtained from OCTA staff, we incorporated appropriate changes and issued this report in final form. Of course, we are available to meet with you and OCTA management to discuss the matters presented in this report.

32919 Brookseed Drive * Trabuco Canyon, CA 92679
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E-mail: LMSConsulting@msn.com

LMS

We have included observations and recommendations that go beyond the compliance review specified in your Request for Proposals. We wanted the work to be of maximum value to OCTA, and therefore recorded and reported on any matters that emerged during the course of the project. Because of the limited scope of our charter, these findings are based on survey rather than detailed analyses. In some instances, we believe it may be useful to OCTA to invest in further defining of the findings and recommendations and will be pleased to discuss those opportunities with you at the conclusion of the current project.

We want to thank your Department and the many personnel at OCTA that we interviewed, obtained documents from, and that provided our team with necessary data. Turnarounds were very quick and our interactions were always constructive. This enabled us to complete the work on schedule despite delays in final contract issuance and the holiday periods at the start of the work. LMS also wants to recognize our team members who contributed greatly to this project. Our subcontractors were:

- Altmayer Consulting
- Franklin Hill Group
- Darrel Cohoon and Associates

Please contact Larry Seigel at (949) 766-1237 regarding any communications relating to this report. He will coordinate any responses, information, or meetings that may be needed.

Very truly,



Larry M. Seigel, Principal
LMS Consulting

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E-mail: LMSConsulting@msn.com

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I. INTRODUCTION

A. LMS CONSULTING AND ITS TEAM MEMBERS CONDUCTED THE FISCAL YEAR 2004 – FISCAL YEAR 2006 TRANSPORTATION DEVELOPMENT ACT PERFORMANCE AUDIT OF ORANGE COUNTY TRANSPORTATION AUTHORITY

- Performance Audits are conducted in accordance with California Department of Transportation's (Caltrans) Transportation Development Act (TDA) Performance Audit Guidebook every three years under California Public Utilities Code (PUC) Section 99246
- The audit covers Orange County Transportation Authority's (OCTA) Regional Planning and Transit Activities as well as the transit program at the City of Laguna Beach which is reported separately
- The audit period starts July 1, 2003, and continues through June 30, 2006
- The performance audits covers:
  - Verification of TDA data collection and reporting procedures
  - Compliance with PUC requirements
  - Progress in completing/implementing the prior triennial audit recommendations
  - Performance indicator trend analyses
- The scope of services included two major reviews:
  - Compliance with TDA Performance expectations – This is based on the questions and issues as listed in the TDA including review of the implementation status of prior audit recommendations.
  - Functional reviews - Unlike prior period audits, OCTA elected to not include functional area performance reviews in the scope of work. However, LMS' Audit Team included limited functional surveys as part of the process of conducting the project resulting in suggestions for operational and management improvements.

The resulting recommendations are presented as two types of recommendations: *Compliance Recommendations* related to specific instances of non-compliance with TDA requirements; and *Improvement Recommendations* resulting from survey work. OCTA will be expected to respond to both sets of recommendations in the next Performance Audit.

B. THIS REPORT MEETS THE STATE REQUIREMENTS FOR COMPLETION OF THE REGIONAL TRANSPORTATION PLANNING ENTITY AND OPERATOR FUNCTIONS CONDUCTED BY OCTA

- OCTA was established in 1991 through the consolidation of the Orange County Transportation Commission (OCTC) and the Orange County Transit District (OCTD).
- OCTA's portfolio of programs, beyond regional planning and transit, include owning and operating the 91 Express Lanes (Toll Road), operating a freeway callbox program as the Service Authority for Freeway Emergencies (SAFE), partnership in the Southern California Regional Rail Authority (Metrolink), and operating motorist assistance services through the Freeway Service Patrol.
- OCTA is the Regional Transportation Planning Entity (RTPE) entity for Orange County. In this role, OCTA oversees and administers the allocation and expenditure of State TDA and Federal funds.
- OCTA provides (directly and through contracts) fixed route bus, commuter rail and paratransit services. Laguna Beach operates its own transit program which receives funding through OCTA
- OCTA through the Orange County Local Transportation Authority (OCLTA) is also the administering agency for "Measure M" funding. Measure M is a one-half cent sales tax initiative originally approved by Orange County voters in 1990 and ending in 2011. The voters recently voted to extend Measure M—with some modifications—for 30 years beginning in 2011. The current measure is expected to generate over $4 billion and has been used to fund major road and transit improvements in the County. Measure M is separately audited and overseen by a Citizens Oversight Committee.

C. KEY COMPONENTS OF THE PERFORMANCE AUDIT

I. DOCUMENT REVIEW

Documents prepared by and for OCTA were a major data source for this audit. Documents which our team reviewed included:

- OCTA policies and procedures, both general and specifically for TDA Program Administration
- Claims submitted on behalf of OCTD and Laguna Beach for TDA funding
- Audited financial statements, State Controller Reports and reports submitted to Federal oversight agencies
- Prior Performance Audits and written responses to the recommendations included in those reports
- OCTA internal reports, including those prepared by the OCTA's Internal Audit Department
- Operating and capital budgets
- Various Board, Committee and Oversight Committee reports and meeting minutes
- Contracts and cooperative agreements
- Long-range, intermediate term and other planning documents
- Comprehensive Business Plans (CBP) prepared each year
- Project planning documents
- California Highway Patrol (CHP) certifications
- Internal Audit Plans
- Maintenance and other transit operating reports
- Organizational and process flow charts
- Marketing documents and products

II. INTERVIEWS:

- Chief Executive Officer
- Clerk of the Board
- Executive Directors (all)
- Functional Managers throughout the Organization
- Managers, supervisors and other personnel assigned to specific functions such as security, purchasing and maintenance

- Human Resources Department and Risk Management Department
- Information Systems and other project management personnel

III. SITE VISITS:

- Santa Ana, Garden Grove and Anaheim Bases
- OCTA Headquarters
- ACCESS Operations Center in Irvine
- City of Laguna Beach, Laguna Beach Transit

D. MAJOR ACCOMPLISHMENTS

OCTA achieved many noteworthy accomplishments during the audit period. Particularly significant was the American Public Transportation Association (APTA) award to OCTA in 2005 as the Transit Operator of the Year, and the Community Transportation Association of America (CTAA) selection of OCTA as Urban Transportation System of the Year in 2004. After the close of the audit period, OCTA received a major endorsement of its programs and operations when Orange County voters approved an extension of Measure M with almost 70 percent of the voters in favor of the Measure. OCTA programs and initiatives have won many design and excellence awards.

The OCTA has also made significant progress in maintaining interruption-free service and has expanded service throughout the County. OCTA has also been able to attract qualified new applicants for available coach operator positions. Ridership has increased faster than the national norm of 2 percent and exceeds 5 million passengers a month. Service hours and routes have expanded in concert with County growth and ridership needs.

OCTA has been an active partner in Commuter Rail services provided by its partnership in Metrolink. Service hours, frequency

and destinations have increased to meet growing demand. Further and dramatic increases in rail service are planned for the coming years. OCTA's success can also be measured in its ability to attract Federal and State funding for projects—major amounts of funds for intercity service have been successfully sought and obtained by OCTA during the audit period. One other success area which should be noted has been OCTA's outreach to the ridership and business communities to partner on joint programs. This teaming was shown to be particularly valuable in the recent Measure M election success.

E. ORGANIZATION OF THE REPORT

This report combines our work on the transit and planning elements of OCTA's performance. OCTA's operations and activities are complex and integrated; this makes segmenting the findings into specific silos very difficult. For example, procurement is an integral and supporting activity within the maintenance function. If parts are not ordered appropriately, service and maintenance schedules are interrupted and costs increase. Where we have findings regarding compliance issues, we make "recommendations" focused on achieving the required compliance. For findings where we believe further effectiveness is possible, but are not a matter of compliance, we present our recommendations in the form of "improvement areas." Recognizing the challenges of this interdependency, we have organized the report as shown below:

I. **Introduction (this section)**

II. **Compliance Review:** In this section we present our findings in responding to the specific requirements of the TDA Performance Audit Guidebook. Because OCTA is in full compliance with the vast majority of the requirements, we report only on the areas warranting improvement. However, the entire set of criteria is presented for the reader's reference in the Appendices 1 and 2.

III. **Transit Performance Trends and Analyses:** In this section we present the results of our collecting and analyzing performance statistics for the three year audit period for both fixed route and paratransit services.

IV. **Functional Area Improvement Recommendations:** While it is not part of OCTA's required scope of work, LMS believes that providing useful results in a Performance Audit goes beyond the compliance and mandated analyses. Therefore, we summarize specific functional activities where, in the course of conducting the mandated reviews, we observed improvement opportunities that OCTA management may wish to consider. In some cases, OCTA has already begun improvement actions and we recognized many of those efforts as part of making the improvement suggestions. **Section IV.** addresses the "corporate" or support functions at OCTA and **Section V.** addresses the transit programs.

V. **Transit Operations Improvement Recommendations:** Parallel to our observations and findings regarding OCTA's corporate/support activities, we provide recommendations specific to OCTA's transit programs in this section of our report.

VI. **Appendices:** These appendices include exhibits such as Caltrans' compliance matrices as attachments. In addition, the Appendix includes an evaluation of OCTA's compliance with prior audit recommendations.

II. COMPLIANCE REVIEW

OCTA COMPLIANCE WITH REQUIREMENTS OF CALTRANS PERFORMANCE AUDIT GUIDELINES

A. OVERALL COMPLIANCE

OCTA has done an excellent job of implementing policies, procedures, and actions to assure compliance with the State's requirements for transit operations and regional planning. We found very few instances where compliance was not totally satisfactory and complete. For that reason, we only address the areas where we offer recommendations for increased compliance, and present the details of the compliance requirements as an Appendix to this report, including compliance with prior audit recommendations. OCTA complied with all prior audit recommendations with one exception as noted. Overall, OCTA's successful performance is consistent with prior Triennial Performance Audits prepared over the past 15 years at OCTA.

B. RTPE COMPLIANCE ISSUES

OCTA must comply with TDA requirements that are specified in PUC Regulations and the California Code of Regulations as noted in the Compliance Matrix in Appendix 2.

Background

Transportation planning is accomplished in two units within OCTA:

- The Strategic Planning Department is located in the Development Division, and focuses on long-range transportation planning, including travel demand forecasting and modeling. The Division also provides geographical information system (GIS) services to the agency. OCTA is one of eight Orange County agencies that jointly fund the Center for Demographic Research at the California State University, Fullerton for demographic projections. The on-going demographic projections provided by the Center are used by the Development Division in travel demand forecasting, and the 2006 Long Range Transportation Plan (LRTP) relied on the Center's demographic forecasts of population, housing and employment. The demographic forecasts are adopted by the Orange County Council of Governments (OCCOG) and become Orange County's growth forecasts for input into Southern California Association of Governments (SCAG) Regional Transportation Plan (RTP).

- The Service Planning and Customer Advocacy Department within the Transit Division focuses on short range transit planning, usually over a one-to two-year planning horizon. During most of the audit period, the planning activities of the two units were conducted separately. More recently, both units have been working collaboratively to provide support to the Financial Planning & Analysis Department (FP&A) in the preparation of the 2007 CBP.

Findings Related to RTPE Functions

1. **The annual CBP is a business planning document that merges OCTA's planned programs and services into a financially driven plan.**

   The CBP functions as OCTA's five-year financial planning document for bus operations, and incorporates the Commuter Rail Strategic Assessment Plan. The focus of the CBP, however, has been on developing a fiscally constrained business plan for OCTA. During the audit period, the Transit Division emphasized a one to two year planning horizon, while the Development Division was focused on a longer range horizon of 20 to 30 years. This difference in focus left a gap in the transportation planning efforts. As noted above, more recently, both organizations have been collaborating with the FP&A Department in preparing the 2007 CBP.

2. Memorandum of Understanding (MOU) with Laguna Beach Regarding Local Funds Assistance

The OCTA and Laguna Beach Transit adopted an MOU in 2001 the purpose of which is to provide Laguna Beach with local funds to offset the loss of federal transit operating grants. The MOU has been amended twice. While the existing MOU calls for timely submission of National Transit Database reports and other requirements, it does not address Local Transportation Fund (LTF) claims submissions. The OCTA is working on a revised MOU.

3. Laguna Beach LTF Claims Processing

OCTA paid Laguna Beach Municipal Transit's claim for local transportation funding for all three fiscal years covered by the audit period although the City of Laguna Beach did not file any of its three claims by the State's established deadlines. Laguna Beach did not file the claim for fiscal year (FY) 2004-05 until after the end of the fiscal year for which the funds were requested. This was more than 15 months later than required by the OCTA and State Rules and Regulations.

The California Code of Regulations states, "A claimant wishing to receive an allocation from a county's LTF...shall file an annual claim with the transportation planning agency in accordance with the rules and regulations established by the transportation planning agency, pursuant to PUC Section 99661, or in the absence of such rules and regulations at least 90 days prior to the beginning of the fiscal year." OCTA has established rules and regulations requiring that LTF claims be filed at least 90 days prior to the beginning of the fiscal year. Laguna Beach filed its claims for the three years covered by the audit as follows:

- Claim for FY 2003-04 Deadline: April 1, 2003 Claim Received: June 13, 2003
- Claim for FY 2004-05 Deadline: April 1, 2004 Claim Received: July 22, 2005

OCTA's Executive Director of Finance, Administration, and Human Resources contacted the City of Laguna Beach following the late claim for FY 2004-05 to discuss the matter. As a result of the visit, Laguna Beach filed its grant application for FY 2005-06 prior to the April 1, 2006 deadline.

C. RTPE RECOMMENDATION

Compliance Recommendation #1: The revised MOU with the City of Laguna Beach regarding transit funding should specify requirements associated with TDA Article 3 claims as well as State Transit Assistance Funds (STAF). It should consider penalties for failure to submit complete, timely claims. Additionally, the OCTA should continue to monitor the timeliness of LTF claims filed by the City of Laguna Beach to ensure that the claims are filed by the deadline established by the OCTA and by the California Code of Rules and Regulations.

D. TRANSIT OPERATOR COMPLIANCE ISSUES

OCTA must comply with TDA requirements that are specified in PUC Regulations and the California Code of Regulations as noted in the Compliance Matrix in Appendix 1. The Compliance Matrix investigates the degree to which funds allocated to the claimant pursuant to TDA requirements were expended in conformance with applicable laws and rules and regulations. While complying with the vast majority of requirements, OCTA does not fully comply with one required element. PUC Section 99261 requires that Claims for TDA funds be submitted in compliance with RTPE's rules and regulations. In its role as the RTPE, OCTA has issued "TDA -- Guidelines for Administration of the Act and Preparation of LTF Claims and STAF Claims" ("Guidelines"). These Guidelines require that all submissions for LTF monies include, among other things:

"Operators must submit performance measures for three years encompassing the project year, current year, and prior year. The performance measures must be identified separately by mode of service where possible, as follows: for OCTD, local and express service and paratransit service . . . . These performance indicators are necessary for the Transportation Planning Agency (TPA) to carry out its responsibilities in determining the efficiency, effectiveness, productivity and general operating trends of operators. Explanations of major changes in the indicators must be provided by each operator in its claim. "

While OCTA maintains and tracks the required performance measures as part of its overall operations, in each of the three audit years reviewed, OCTA did not include in its claim a formal recitation of the required performance indicators, nor did it provide an explanation of any major changes in the indicators. Moreover, this issue was raised as a finding in the prior performance audit, but was not corrected by OCTA during the audit period. An additional compliance recommendation is not made because we address the issue later in this report as an improvement recommendation.

In addition to the forgoing, OCTA is responsible for making annual submissions to the State Controller and the Federal Transit Administration (FTA) providing key financial and operational data. Pursuant to this audit, data was reviewed to evaluate the consistency of data submitted to these agencies. Prior performance audits had reported deviations in demand response data. Data consistency issues as related to demand response have been sufficiently corrected. No significant data consistency issues were found with fixed route services.

III. TRANSIT PERFORMANCE TRENDS & ANALYSES

A. OVERVIEW

In this section, we present the results of collecting and analyzing performance statistics for the three year audit period for both fixed route and paratransit services at OCTA. California PUC Section 99246 mandates that a performance audit include a review and analysis of an operator's performance of five key indicators:

1. Operating cost per passenger
2. Operating cost per Vehicle Service Hour
3. Passengers per Vehicle Service Mile
4. Passengers per Vehicle Service Hour
5. Vehicle Service Hours per employee

Data for the analysis of these indicators were compiled using data from National Transit Database and State Controller's reports. The performance trends cover the period from FY 2004 through FY 2006, with FY 2003 used as a base year to provide a point of reference for the analysis. The review is designed to assess efficiency and effectiveness trends system-wide as well as trends for fixed route and demand response services and is divided into three sections:

- Total system
- Fixed route
- Demand response

Overall, as an operator OCTA has experienced a decrease in system-wide efficiency primarily due to significant increases in key expense categories including fringe benefits, tires, and fuel costs during the audit period. Demand response services showed stronger trends with significant increases in passengers and only marginal increases in operating costs. The following section will examine these costs and trends in greater detail.

B. PERFORMANCE INDICATOR TABLES

1. System Wide Tables

System wide indicators (Tables 1 and 2) show an overall decrease in cost efficiency. This decrease in efficiency is primarily due to significant increases in fringe benefits, tire and fuel costs. The system also saw an isolated spike in liability and casualty costs as a result of high liability accidents that occurred prior to the audit period but whose costs were incurred in FY 2006. The result was a significant increase in system wide operational costs. Additionally, the system also saw slight decreases in certain service indicators such Vehicle Service Hours (VSH). Vehicle Service Miles (VSM) increased at a faster rate than the overall growth in passengers. Below is a summary of trends within key operational indicators:

- **Operating Cost Per Vehicle Service Hour** – As with Operating Cost per Passenger, this key cost indicator increased significantly during the audit period (21.6%). While the VSH increased by 8.0%, Operating Costs increased by 31.3% creating a rise in the Operating Cost per VSH. The increase in Operating Costs is largely driven by four key expense categories.
- **Fuel and Lubricants** -- Fuel and lubricant costs rose dramatically from $6.6 million in FY 2003 to $16.6 million in FY 2006, a rise of over 150%.
- **Fringe Benefit Costs** -- Fringe Benefit costs increased by 43.8% during the audit period from $35.4 million in FY 2003 to over $50.9 million in FY 2006. While workers' compensation costs remained relatively stable during the audit period, retirement costs and health care costs increased significantly resulting in over 40% overall increase in fringe benefit costs.

- **Tires and Tubes** – Tire and tube costs increased by 82.3% over the audit period, a total increase of $934,148. The global increase in oil prices had significant impact on the costs of petroleum based products. The led to the substantial increase in tire and tube costs.
- **Casualty and Liability** – Casualty and liability costs also spiked in FY 2006, causing an abnormally inflated operating cost figure for FY 2006.
- **Operating Cost Per Passenger** – This cost effectiveness measure grew significantly from $2.62 per passenger in FY 2003 to $3.29 per passenger, an increase of 25.6%. While passenger volume increased by 4.5% during the audit period, an increase of almost 3 million passengers, this increase did not keep pace with rising operating costs.
- **Passengers Per Vehicle Service Hour** – Passengers per VSH dropped a modest 3.3% during the audit period.
- **Passengers Per Vehicle Service Mile** – Passengers per VSM dropped 2.8% during the audit period with VSM increasing at a faster pace than the growth in passengers.

Table 2: SYSTEM WIDE EXPENSES					
System Wide Expenses	Base Year FY 03	Audit Period FY 04	Audit Period FY 05	Audit Period FY 06	% Change FY 03 – FY 06
Labor					
Operator Salaries & Wages	$39,189,166	$40,709,850	$42,057,592	43,133,068	10.1%
Other Salaries & Wages	30,695,492	33,394,492	33,554,929	35,449,668	15.5%
Fringe Benefits	35,412,884	49,942,186	50,053,453	50,932,357	43.8%
Services	20,105,822	23,423,921	23,142,880	20,803,963	3.5%
Materials & Supplies					
Fuel & Lubricants	$6,622,722	8,359,766	10,704,233	16,594,566	150.6%
Tires & Tubes	1,135,242	1,415,510	1,536,527	2,069,390	82.3%
Other Materials & Supplies	10,510,169	11,313,821	12,507,294	12,827,662	22.1%
Utilities	1,523,491	1,287,714	1,363,672	1,590,712	4.4%
Casualty & Liability Costs	1,029,543	540,984	1,032,654	10,924,305	961.1%
Taxes (taxes levied by Federal, State and local governments)	460,032	575,476	1,598,315	111,656	-75.7%
Purchased Transportation	25,151,812	30,328,920	32,847,997	31,422,053	24.9%
Miscellaneous Expense	1,316,861	1,683,259	1,631,968	1,424,047	8.1%
Total System Expenses	**$173,153,286**	**$195,975,847**	**$212,031,514**	**$27,283,447**	**31.3%**

Table 1: TDA PERFORMANCE INDICATORS – TOTAL SYSTEM					
TDA Performance Indicators	Base Yr. FY 03	Audit Period FY 04	Audit Period FY 05	Audit Period FY 06	% Change FY 03-FY 06
Total Operating Costs	$173,153,286	$195,975,847	$212,031,514	$227,283,447	31.3%
Unlinked Passengers	66,104,733	68,636,823	68,501,777	69,057,674	4.5%
Vehicle Service Hours	2,250,500	2,385,084	2,445,317	2,430,281	8.0%
Vehicle Service Miles	29,979,357	31,906,928	32,700,809	32,234,072	7.5%
Operating Cost Per VSH	$76.94	$82.17	$86.71	$93.52	21.6%
Operating Cost Per Passenger	$2.62	$2.86	$3.10	$3.29	25.6%
Passengers Per VSH	29.4	28.8	28.0	28.4	-3.3%
Passengers Per VSM	2.21	2.15	2.09	2.14	-2.8%

2. Fixed Route Analysis and Indicators

TDA performance indicators for fixed route were mixed. As indicated in Table 3 below, operating costs rose substantially during the audit period due to certain key expense indicators and this increase is negatively reflected in the cost efficiency measures referenced below. On a positive note, passengers increased during the audit period at a faster rate than VSM. Set forth below is a summary of trends in each of the key performance areas:

- **Operating Cost Per VSH** – This cost and efficiency indicator increased significantly during the audit period from $85.40 to $105.50 per hour, an increase of 23.5%. As discussed above, the increase in this indicator is largely due to increases in four expense categories: fuel and lubricants, fringe benefit costs, tires and tubes and casualty and liability.
- **Operating Cost Per Passenger** – Operating Cost per Passenger also grew measurably during the audit period from $2.30 per passenger in FY 2003 to $2.87 per passenger in FY 2006, an increase of 24.6%. Passengers grew approximately 4.1% during the period, an increase of over 2.6 million passengers.
- **Passengers Per VSH** – Passengers per VSH was effectively flat during the audit period starting at a level of 37.1 passengers per VSH in FY 2003 and finishing the audit period at 36.7 passengers per hour in FY 2006.
- **Passengers Per VSM** – Passengers per VSM increased by 1.8% during the audit period. This was largely achieved through a marginal increase in overall ridership on fixed route services.
- **VSH Per Employee** – Vehicle Service Hours per employee grew by 4.5% during the audit period, representing an overall increase in workforce productivity. This was largely the result of a relatively constant workforce (coach operators, maintenance and service workers) during the audit period.

Table 3: TDA PERFORMANCE INDICATORS -- FIXED-ROUTE					
TDA Performance Indicators	Base Year FY 03	Audit Period FY 04	Audit Period FY 05	Audit Period FY 06	% Change FY 03-FY 06
Total Operating Costs	$150,217,079	$167,856,484	$180,560,237	$194,879,440	29.7%
Unlinked Passengers	65,195,577	67,551,874	67,304,135	67,868,149	4.1%
Vehicle Service Hours	1,759,039	1,807,854	1,838,509	1,847,266	5.0%
Vehicle Service Miles	22,848,216	23,305,651	23,468,437	23,353,882	2.2%
Employees	1,694	1,716	1,704	1,702	0.5%
Operating Cost Per VSH	$85.40	$92.85	$98.21	$105.50	23.5%
Operating Cost Per Passenger	$2.30	$2.48	$2.68	$2.87	24.6%
Passengers Per VSH	37.1	37.4	36.6	36.7	-0.9%
Passengers Per VSM	2.85	2.90	2.87	2.91	1.8%
Vehicle Service Hours Per Employee	1,039	1,053	1,079	1,085	4.5%

3. Demand Response Indicators

TDA performance indicators for demand response were mixed. As expected, operating costs increased substantially during the audit period, but was balanced by a positive increase in relation to VSH and VSM. Set forth below is a summary of trends in each of the key performance areas:

- **Operating Cost Per VSH** – Operating Cost per VSH for demand response services increased by 19.1% during the audit period from $46.67 to $55.58. This increase was directly related to significant increases in fuel and other material costs.
- **Operating Cost Per Passenger** – Operating Cost per Passenger grew from $25.23 per passenger in FY 2003 to $27.24 per passenger in FY 2006, an increase of 8.0%. While operating costs increased significantly, OCTA's transit services also experienced the following growth in passengers, VSH and VSM:
  - 30.8% growth in passengers
  - 18.6% growth in VSH
  - 24.5% growth in VSM
- **Passengers Per VSH** – As a result of the significant increase in passengers, the overall Passengers per Vehicle Service Hour increased markedly from 1.8 to 2.0, a 10.3% increase.
- **Passengers Per VSM** – Passengers per VSM also increased during the audit period from 0.127 passengers per mile in FY 2003 to 0.134 per mile in FY 2006, a 5.1% increase. As noted above, passengers increased by 30.8% and VSM increased by 24.5%.

Table 4: TDA PERFORMANCE INDICATORS -- DEMAND-RESPONSE					
TDA Performance Indicators	Base Yr. FY 03	Audit Period FY 04	Audit Period FY 05	Audit Period FY 06	% Change FY 03- FY 06
Total Operating Costs	$22,936,207	$28,119,363	$31,471,277	$32,404,007	41.3%
Unlinked Passengers	909,156	1,084,949	1,197,642	1,189,525	30.8%
Vehicle Service Hours	491,461	577,230	606,808	583,015	18.6%
Vehicle Service Miles	7,131,141	8,601,277	9,232,372	8,880,190	24.5%
Operating Cost Per VSH	$46.67	$48.71	$51.86	$55.58	19.1%
Operating Cost Per Passenger	$25.23	$25.92	$26.28	$27.24	8.0%
Passengers Per VSH	1.8	1.9	2.0	2.0	10.3%
Passengers Per VSM	0.127	0.126	0.130	0.134	5.1%

IV. FUNCTIONAL AREA IMPROVEMENT RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS FOR MAJOR FUNCTIONAL ACTIVITIES AT OCTA

The Audit Team included limited functional surveys as part of the process of conducting the audit resulting in suggestions for operational and management improvements. These recommendations are noted as Improvement Recommendations and are based on the assessment conducted by the audit team during the scope of the review. Our team had also conducted recent studies in the procurement and financial reporting areas; we incorporated findings from those projects when appropriate. These recommendations are actions that management should consider and evaluate as part of its ongoing management of the OCTA.

A. OCTA LRTP EFFORTS

During the audit period, OCTA's LRTP efforts focused on the 2006 LRTP, which in turn served as the planning basis both for the renewal of Measure M and as input into the 2008 Regional Transportation Plan (RTP) update.

1. LRTP

OCTA adopted its most recent long-range transportation plan, *New Directions,* in July 2006. The plan identified a multi-modal package of projects and programs designed to:

- Reduce delay due to congestion
- Increase the average peak period freeway speed (AM)
- Increase the average peak period roadway speed (AM)
- Increase daily transit trips

There were three sets of improvement alternatives, each with differing levels of performance on the four measures listed above, and each requiring different levels of investment. The improvement alternatives were presented assuming the sunset in 2011, and the extension of Measure M, Orange County's half-cent sales tax for improvements on highways, roadways and transit. Also in preparation for the possible extension of Measure M, OCTA conducted a Program Environmental Assessment Review (PEIR) of the 2006 LRTP. Thus the 2006 LRTP served the dual purpose of providing guidance for Orange County transportation projects and programs through 2030, and providing the baseline for projects and services that could be funded should Measure M be extended.

2. Renewed Measure M

Orange County voters approved the renewal of Measure M on November 7, 2006. The Renewed Measure M provides $11.8 billion for transportation improvements over a 30-year period beginning in 2011. The *Renewed Measure M Transportation Investment Plan* is based on projects identified in the 2006 LRTP.

3. Regional Transportation Plan

Orange County is one of the six member counties in the Southern California Association of Governments (SCAG), which is the metropolitan planning organization (MPO) for the region. SCAG is responsible for preparation and submission of the RTP, with input from OCTA and the other regional transportation planning entities.

- **2004 RTP:** OCTA's input to the 2004 RTP was based on the 2002 LRTP, *Directions 2030*. According to staff, OCTA's proposed projects and programs were included in the 2004 RTP without substantial change. The 2004 RTP was adopted on April 1, 2004, by the SCAG Regional Council.

- **February 2, 2006, RTP Amendment:** The initial slate of Orange County projects included the CenterLine light rail project, and once it became clear that federal funding for CenterLine would not be forthcoming, OCTA submitted a formal RTP Amendment to replace CenterLine with a combination of bus rapid transit service, expanded Metrolink commuter rail service, local shuttle and carpool operational improvement projects. The amendment also included a revision to the scope of the Foothill Transportation Corridor-South (SR-241) toll road project. After a period of review and interagency consultations, the amendment was adopted by the SCAG Regional Council on February 2, 2006.

- **2008 RTP Update:** The reauthorization of federal surface transportation programs in 2005, titled the Safe, Accountable, Flexible, Efficient Transportation Equity Act–A Legacy for Users (SAFETEA-LU), changed the RTP cycle from every three to every four years. Accordingly, SCAG has begun the process of updating the 2004 RTP, and OCTA staff has been actively participating in the many SCAG Committees that provide input to the RTP process.

4. CBP

The CBP process was discussed in Section II. of this report. Based on the matters we discussed in that section, we believe there is additional benefit that can be achieved through the CBP process and therefore we make the following improvement recommendation.

Improvement Recommendation #1: OCTA should build on the multi-level planning efforts for the CBP to position the CBP as the single, agency-wide source for transportation plans, operations, projects and services.

- This planning effort should include divisions/departments such as Marketing and Operations Analysis as well as Strategic Planning.

- The 2006 CBP lists performance indicators for bus operations and paratransit in terms of boardings and similar indices. These performance measures should be expanded to include indicators for all departments, and should also be tied to annual operational goals. This would then serve as the basis of an internally developed performance measurement system which would be based on OCTA's planned programs and projects and service priorities.
- While the Finance, Administration, and Human Resources Division compiles the CBP, all of OCTA's Executive Directors and Management should take greater ownership of its content to help position the CBP to become more comprehensive and to serve as a basis for setting the expectations of their respective operations' performance.
- The Chief Executive Officer (CEO) should further enhance the image and importance of the CBP by regularly using it as the reference base in evaluating performance and providing supporting detailed direction to staff.

5. Regional Planning Accomplishments during the Audit Period:

- Completion of the Interstate 405 Major Investment Study, with the locally preferred alternative adopted in October 2005. This study examined future transportation improvements along the San Diego Freeway (I-405) corridor in the 13.5 miles between the San Gabriel Freeway (I-605) and San Joaquin Hills Transportation Corridor (SR-73). In an extensive consultative process with local working groups and the public, the locally preferred strategy adopted by the OCTA Board would add a general purpose lane in each direction between Brookhurst and I-605, supported by additional auxiliary lanes, modeling strategies, new park-and-ride facilities, and express bus service.

- Completion of the Riverside County – Orange County Major Investment Study, with the locally preferred alternative adopted in December 2005. This study examined capital and operational improvements to Riverside Freeway (SR-91) and other potential multimodal transportation corridors between Riverside and Orange counties. The locally preferred strategy approved by the OCTA Board of Directors and the Riverside County Transportation Commission Board of Commissioners

included widening the SR-91 with first priority for the section between SR-241 and Interstate 15, and next priority on the section between Costa Mesa Freeway (SR-55) and SR-241.

- Completion of the South Orange County Transit Study in February 2004. Working closely with the cities and stakeholders in the South Orange County area, a seven-year action plan for improving transit services was identified.

- Continued updating and developing the SR-91 Implementation Plan, which includes short-, mid- and long-term transportation plans for SR-91 between SR-55 and I-15, with the cooperation of the Riverside County Transportation Commission (RCTC) and Caltrans.

- Started the South Orange County Major Investment Study, which will assess various alternatives for improving north-south travel from the SR-55 to the Orange/San Diego County border and east-west travel from the foothills to the coast. The study began in early 2006 and is expected to be completed in December 2007.

- Moved toward completion of the initial phase of the Central County Corridor Study, which identified conceptual alternatives for improving mobility in the central area bounded by Beach Boulevard on the west, SR-55 on the east, Ball Road on the north and Pacific Coast Highway on the south. The study findings are to be finalized and presented to the Board in 2007.

- Amended and updated the Master Plan of Arterial Highways (MPAH), most recently in January 2007. The MPAH defines a county-wide system of roads and arterials eligible for funding, and thus assists in ensuring coordination of roadway planning among local agencies.

B. ENVIRONMENTAL MANAGEMENT

OCTA currently does not have internal staff with extensive environmental experience or expertise outside of air quality issues and policies. This may present difficulties for the agency, especially in light of programs to be funded by the renewed Measure M. Two percent of gross revenues from Measure M are set aside for projects that will protect Orange County beaches from urban runoff and improve ocean water quality. Measure M also provides funds for comprehensive mitigation of the environmental impacts of the planned highway improvements, subject to a Master Agreement between OCTA and State and Federal resource agencies. Both of these efforts suggest the need for staff that can direct and manage environmentally related projects.

Improvement Recommendation #2: OCTA should supplement existing staff environmental capabilities with personnel possessing stronger experience and expertise in environmental matters.

C. CLERK OF THE BOARD COMMITTEE SUPPORT

OCTA's Clerk of the Board provides administrative support to the OCTA's Board and the official Board Committees. There are, however, many other OCTA sponsored committees that involve or make reports to Board Members. The responsibility for providing similar administrative support (agenda preparation, note taking, reporting of minutes, etc.) to other committees that include Board Member appears to be distributed to other departments within OCTA—notably the External Affairs Division. To ensure a consistent level of administrative support, commensurate with the expertise of the support received by Board Committees, it would be advisable to assign responsibility for administrative support for such committees to the Clerk of the Board.

Improvement Recommendation #3: OCTA should consider assigning the administrative support of all committees that support the OCTA related activities of Board Members to the Clerk of the Board.

D. INTERNAL AUDIT

OCTA's Internal Audit Department and its activities experienced substantial change during the performance audit period. The department has a new manager and largely new staff since 2003. The Internal Audit Plan has been revised based on a new risk assessment and the department now reports directly to the Board through the CEO which is an elevation from its prior position in the organization. We also observed that the department had become more involved and participative in the day to day operations of the OCTA rather than reserving all of its resources for audits of largely completed activities. The Manager of Internal Audit has proposed to subject the department to a peer review for further professional development and to increase the Board's and the public's confidence in the independence and effectiveness of the department's programs. During the course of the Performance Audit, we found several matters which could further improve the effectiveness of the internal audit function at OCTA.

1. The Finance and Administration Committee of the Board of Directors and the Audit Committee Role

The OCTA Board of Directors has designated its Finance and Administration Committee to act as the OCTA's Audit Committee. As such, the Committee is responsible for receiving and reviewing financial and internal audit reports and briefings. We found that the Committee had only minor participation in the development of the current internal audit plan, and that financial and internal audit reports had apparently received little review prior to their presentation at Committee meetings during the performance audit period. We also noted that currently all Internal Audit reports are presented to the Finance and Administration Committee and the level of Board interest has increased. A recent report by a major accounting firm found that, in industry, the average Audit Committee Member devotes over 140 hours a year to that responsibility. While there are certainly differences in scope, regulations, and business activity, the firm's findings are a useful indicator of the amount of time it can take to provide audit oversight in a major entity such as OCTA. As part of the continuing discussions with the Finance and Audit Committee, the Manager of Internal Audit should discuss time availability and scheduling for Audit Committee activities.

Improvement Recommendation 4: OCTA's Internal Audit Manager, working with the CEO and Executive Director of Finance, Administration, and Human Resources, should clarify the roles/expectations of Board Directors serving as the Audit Committee.

Improvement Recommendation #5: The Manager of Internal Audit should provide a training forum and guidance materials to the Board about the activities of an Audit Committee.

Improvement Recommendation #6: The Manager of Internal Audit should review the current processes that involve the Audit Committee (audit planning sessions, access to Audit Committee for input and feedback, audit communications, etc.) and strengthen the procedures, timing and reporting processes to foster enhanced Audit Committee involvement and participation.

2. The Role of Internal Audit at OCTA

Effective Internal Audit organizations provide consultive as well as evaluative services. The idea is to help operating departments avoid problems rather than watching and later reporting deficiencies. OCTA's Internal Audit Department has made progress in moving towards this mode of operating. Further improvements are possible.

Improvement Recommendation #7: Managers and Executive Directors of OCTA's Divisions should become involved in the audit planning process and the resulting scheduling of audit time and resources. While we recognize that Internal Audit must maintain its independence in setting its priorities, we believe this cross organizational participation should emphasize cooperative prioritizing/identifying of audit area and input to audit scoping plans.

Improvement Recommendation #8: The tenor, tone and format of Internal Audit's reports should be updated and changed to facilitate a more constructive and positive approach to developing and reporting on its work.

Improvement Recommendation #9: The Internal Audit staff should further utilize their participation in the meetings, briefings and discussions they attend with other OCTA staff to share ideas and provide advice from the aspect of controls, accountability, and sound management practices.

E. MARKETING AND PUBLIC RELATIONS

As part of the External Affairs Division, OCTA has a Marketing Department which promotes all OCTA programs (bus, rail, 91 Express Lanes, etc.) through a wide range of marketing, public relations, and advertising activities. The department's products (reports, artwork, marketing materials) have been widely applauded for their quality. Also, the department has substantially enhanced the creativity, planning and execution of its efforts. Marketing does a noteworthy job of measuring its activities in terms of contact rates, public awareness and customer satisfaction metrics. In performing the analyses for the Performance Audit Compliance Matrix items addressing Marketing, we found the activities were in full compliance. However, we offer some suggestions for OCTA's consideration as its marketing efforts evolve.

1. Transit Services Route Information

While Marketing measures awareness and activity metrics (# calls, # bus books issued, web hits, etc.) for its efforts to get service information to existing and potential customers, the actual impact on ridership volumes is unmeasured. OCTA makes information available to riders by:

- Printing almost 200,000 copies of a bus book with each service change (down from 400,000 in the past)
- Maintaining a web-site with transit information
- Information on buses and at several thousand bus stops via information displays
- Contracting for a call center which handles 50,000+ calls each month at a cost of about $2 for each call

- Outreach marketing efforts at schools, community groups and other gatherings of potential riders.

It is unlikely that restricting information to one source (such as the bus book) would work for all riders, but the degree of overlap and relative impact on ridership of each activity is not measured. For example, the number of bus books printed was halved and OCTA received little or no notice from patrons about the change. Similarly, OCTA incurs a major expense in changing the information cassettes posted at bus stops with each service change. OCTA does not know if the cassette information needs to be precise (e.g. a bus now comes at 9:02 instead of 8:59 before the change) or if the riders would be sufficiently informed to know only first and last bus times and the intervals.

Improvement Recommendation #10: OCTA should investigate how various the route data are used and valued by its customers, and then adjust the efforts based on the findings. OCTA should regularly evaluate cost-effectiveness of their marketing strategies and monitor the performance of the marketing strategies against adopted performance metrics.

2. **Promotional Activities**

Improvement Recommendation #11: OCTA should evaluate the potential value of integrating additional marketing efforts across all of the OCTA's services. For example, Metrolink Rail and OCTA bus fares are not packaged or bundled. OCTA's merchant coupon program for bus riders is not promoted to 91 Express Lanes customers as a benefit of being an OCTA customer.

Improvement Recommendation #12: OCTA should evaluate the effectiveness of increasing its marketing outreach to high school students as an alternative to contracted school bus transportation on routes serving junior high and high schools. Currently marketing to students is more generalized and particularly focused on summer activities such as the beach destinations.

3. Marketing Planning

Marketing develops excellent overall plans and campaign plans for specific programs. However, the department stated that it could use more top level direction regarding overall strategic, service and growth goals to guide its planning. This information is generally included in the CBP, but could be more explicit and comprehensive to assist Marketing.

Improvement Recommendation #13: Expand the CBP to specifically address marketing strategies that will be used to achieve program and service goals.

F. FINANCIAL MANAGEMENT AND REPORTING

Large organizations generally create a cost allocation plan to enable management to easily and equitably allocate indirect costs to specific activities and/or programs. The cost allocation plan establishes definitions/categories of direct and indirect (sometimes called overhead or general administration (G&A) costs and charges the indirect costs to activities based on a pre defined set of formulae such as headcount, space used, or budget size. The intent is to avoid spending significant time and resources trying to precisely track overhead type costs when such costs are for "general benefit" of the organization. For example, rather than track electricity usage by department or even by person, organizations allocate the total cost of electricity to programs based on the relative square footage of facilities occupied by staff assigned to that activity. Similarly, the cost of top corporate executives may be allocated based on relative sales, costs, or some other reasonable basis. However, the delicate balance any organization faces is that allocated indirect costs are difficult, if not impossible, to manage by the activity receiving the charge. Therefore, it is important to strive to directly charge as much of the costs as is feasible and reasonable in terms of the mechanics of cost accounting, and to regularly update the bases (formulae) of how the indirect cost pool is allocated. OCTA has made progress in this area by identifying selected support costs which, while charged through the cost allocation plan, are recorded directly through project costing codes. However, we found some instances where such charges were collected on less than a complete basis

because individual time records did not capture all the directly chargeable activities of the individuals.

OCTA's cost allocation pool for FY 2006 was about $47 Million out of a total operating budget of about $477 Million. While 10 percent of all operating costs is not an unreasonable portion for indirect charges, it is still substantial. The transit programs operated by OCTA are allocated about 55 percent of the indirect cost pool. Transit was also directly charged for essentially OCTA's entire $11 million casualty and liability costs in 2006 because of several large transit related settlements. These cost allocations occur largely because transit employs the vast majority of OCTA employees, operates the bus bases, and encounters most of casualty costs in operating transportation services.

Our limited work during the Performance Audit did not include examining specific indirect charges or the underlying allocation formulae. However, we observed (as have OCTA staff) that there are further opportunities to reasonably determine a basis for direct costing some expenses to projects and activities. This would require modifications to OCTA's chart of accounts and time charging practices. Increased direct billing of support services would enhance program cost accountability and enable managers to exert more influence on the costs of their activities. OCTA staff agreed with our observations and has begun a project to examine how to reduce the cost allocation pool through more extensive direct charging.

Improvement Recommendation #14: OCTA should implement required time and costing processes and tools to enable more extensive and complete direct charging of expenses to the programs/activities responsible for the expenditure.

G. REVENUE COLLECTION AND FINANCIAL MANAGEMENT

1. Pass Sales Program

OCTA sells bus passes through its Customer Information Center (CIC), purchase orders, and also approximately

150 retail vendors. The total annual dollar volume from these sources is approximately $10 million. Accounting does not separately report the amounts received from these categories. External Affairs is considering restructuring its retail-vendor sales structure to, among other things, change from a 60-day consignment approach to a "net 30-day" retail approach.

OCTA currently discounts the price of bus pass sales to retail vendors by five percent from the pass's face value. A recent consultant study, by Darrel Cohoon & Associates, found that some other properties give significantly lower discounts to retail vendors and still maintains as many vendors as they wish in the sales program. Examples of percentage discounts paid to retail vendors include Los Angeles County Metropolitan Transportation Authority (less than 1%), Santa Clara Valley Transportation Authority (0%), and Dallas Area Rapid Transit (2-5% depending on the agreement with large chain stores receiving 5% if they consolidate sales/revenue reporting). If OCTA reduced its discount from five to two percent, it would save a minimum of $150,000 a year and possibly significantly more.

Improvement Recommendation #15: Once OCTA has implemented the 30-day net retail approach; it should consider a scheduling a small reduction in the discount and then evaluate the impact on the number of vendor and total vendor pass sales. If there is no significant reduction in vendor sales and in the necessary geographic coverage of retail vendors, further reductions should be considered over time until an optimum discount is reached.

2. **Accounts Payable**

- **Invoice Approval**

There were instances during the audit period in which authorizing staff, i.e. project managers, approved invoices for professional services that did not fully meet terms of the contracts. The OCTA has recognized that there are shortcomings in the payment approval process and is implementing remedial actions:

The Finance, Administration, and Human Resources Division will be developing a process, as recommended in a consultant review of CAMM earlier this year, under which invoices for payments of contracts over a certain dollar and complexity level will have to be signed by a contract administrator in Contracts Administration and Materials Management (CAMM). The intent of this initiative is to provide "a second set of eyes" to ensure that invoices meet the criteria set forth in the bulleted items below.

The Accounting Department has drafted a "Payment Signature Authorization Policy" that among other things states that "individuals authorizing payments are responsible for ensuring" that the following requirements have been met:

- The underlying goods or services were received and were satisfactory
- The amount is correct and legally due
- The expenditure complies with applicable statutes and OCTA policies
- The expenditure complies with applicable contract or purchase order terms
- Available budget exists to cover the expenditure
- Payment is within the approver's level of fiscal responsibility and authority.

Improvement Recommendation #16: Accounts Payable should implement the "Payment Signature Authorization Policy" or a similar cover form for authorizing personnel to sign in the case of all invoices submitted for goods and services provided under contracts. Purchase orders could be excluded.

- **Use of Payment Requests**

  Departments are authorized to make individual payments not exceeding $2,500 without following any formal procurement process, i.e., no purchase order or contract has to be established. The intent is to allow for small,

occasional purchases without going through the CAMM procurement process. Payment requests are also used for items larger than $2,500 as in the case of judgments and settlements.

Whenever possible, departments are required to go through CAMM's normal procurement process for purchases over $2,500. In practice, some departments repeatedly issue numerous payment requests that if properly consolidated would exceed the $2,500 threshold. The following are three examples of such instances during FY 2005-06:.

1. Maintenance issued 175 payment requests for a total of $66,883 for parts and maintenance supplied by Cummins Engine. Many of the payment requests were documented as being for bus-downs, situations in which rapid procurement is important. While bus-downs require prompt procurement, Maintenance has a contract with Cummins, and CAMM has a process for issuing purchase orders to that vendor within four hours. Maintenance indicates that such purchase orders are not always readily available at night or on weekends, but the volume of payment requests suggests that Maintenance used this approach to circumvent the established procurement process.
2. Information Services issued 80 payment requests totaling $19,936, to Lasercare for printer repair.
3. Human Resources issued 74 payment requests for placing personnel recruitment ads through the Employment Guide at a cost of $50,839. This apparently occurred because there was no purchase order in place at the time for placement of ads directly through newspapers. Purchase orders have now been issued for these ads.

All of the examples appear to be types of procurements for which contracts or blanket purchase orders should have been issued after competitive bids or proposals. Currently, Account Payable staff process payment requests without reviewing them for possible overuse of the less formal process.

Improvement Recommendations#17:

A: OCTA should establish clear written guidelines on the use of payment requests. These should include those types of purchases that are exempt from the $2,500 limit (e.g., judgments/settlements) and a cumulative dollar limit that can be paid to any one vendor via payment requests during any fiscal year.

B: CAMM should review the "frequent payment request" list and contact departments that using numerous payment requests to a single vendor to suggest that a contract or purchase order be established with the vendor. As part of this process, CAMM should also advise Accounts Payable to reject any further payment requests for the identified vendors. Accounts Payable should enforce the restriction.

3. Budgeting

- **Professional Services and Capital Budgeting**

As shown in the table below, the amounts spent by OCTA Divisions for professional services are nearly always considerably below the amounts budgeted. The same pattern applies to amounts budgeted for capital budgets. To some extent, this is unavoidable. Budget submittals generally reflect departments' expectations, and subsequent events then preclude the departments from using all of their budgeted funds. However, some departments repeatedly under-spend one year's budget and then seek the same level or a higher level the following year only to under-spend again. The variance between actual and budget, exceeding $13 million in professional services only in one year, represents funds that are "locked up" and unusable for other needed purposes. As a result, these funds may remain unspent for the purposes requested in the annual budget.

PROFESSIONAL SERVICES, BUDGET TO ACTUAL												
	FY 2003-04				FY 2004-05				FY 2005-06			
Division	Budget	Actual	Variance	%	Budget	Actual	Variance	%	Budget	Actual	Variance	%
Executive Office	$344	$323	($21)	-6%	$1,220	$1,077	($143)	-12%	$1,437	$1,368	($69)	-5%
Finance, Admin & HR	8,057	5,518	(2,540)	-32%	7,593	6,642	(951)	-13%	7,700	6,624	(1,077)	-21%
External Affairs	3,359	3,129	(231)	-7%	2,612	2,617	(6)	-0%	2,768	2,194	(573)	-21%
Labor Relations	615	578	(38)	-6%	169	72	(97)	-57%	151	111	(40)	-27%
Development	44,663	41,692	(2,971)	-7%	39,938	25,955	(11,983)	-32%	35,505	37,109	(1,604)	-5%
Transit	1,248	1,390	(142)	-11%	1,462	1,267	(195)	-13%	1,443	1,221	(222)	-15%
Total	$58,288	$52,630	($5,568)	-10%	$50,994	$37,631	($13,362)	-26%	$49,004	$48,626	($377)	-1%

Improvement Recommendation #18: OCTA's budget process should provide for a more rigorous review of professional services and capital. In doing so, the Budget Department should identify patterns of continual over-budgeting and work with Executive Directors and the CEO to limit the practice.

- **Budget Transfers**

  Despite the fact that professional services and capital items are zero-based in the budget process, the Financial Planning & Analysis Department stated that the following sequence of events occurs:

  1. A capital project or item is approved in the budget

2. During the course of the fiscal year, the user department does not complete the procurement of the project or item specified in the budget
3. The user department transfers some of the budgeted funds from the original item to another asset category
4. The user department re-budgets the originally budgeted item into the following year's budget submission

Transfers between major object codes requires the approval of the Board of Directors, but transfers of funds within the same object codes, even if they involve different asset categories, do not require Board approval. In adopting the annual budget, the Board of Directors approves specific capital assets. The current policy allows departments to move approved funds to items not specified in the approved budget. For example:

During the audit period, there were numerous transfers of large sums from one or more capital line items in the budget to other capital line items that, while within the same object code, were in a different asset category. For example:

- In FY 2005-06, Maintenance transferred over $1.5 million from the $4.5 million budgeted for the ACCESS Radio Replacement Project to several other budgeted line items. These included the fixed route digital radio system and a video retrieval system.
- In FY 2004-05, Maintenance funded the unbudgeted replacement of 20 engines for the 7300 Series articulated buses with approximately $1.15 million budgeted for the replacement of engines, transmissions, and wiring on 5000/5100 Series buses and for three other line items in different asset categories. The request was taken to the Board because the intended use was for an unbudgeted item exceeding $100,000, but the staff report indicated only that "engine repair funds are available" and did not specify the source of funds had been budgeted for purposes unrelated to the 7300 Series buses.

While the transfers noted above were allowable under the current policy, the amounts were large and not in keeping with the purposes for which the funds were originally budgeted.

Improvement Recommendation #19: OCTA should establish and adopt a policy that requires CEO approval, with Board notification, for budget transfers between asset categories exceeding a reasonable dollar limit with any fiscal year.

- **Maintenance Budget**

Maintenance has one of the most complex budgets within the OCTA owing to the large number of people it employs, the range of items it buys, and its changing needs during the course of each fiscal year. A more systematic approach to projecting the department's needs for bus fuel, tires, and parts is required so that Maintenance is neither under- nor over-budgeted from year to year. Budget-to-actual figures for items varied significantly throughout the audit period. The variations appear especially large since these items should be reasonably predictable based on engine hours and miles associated with planned service levels.

Improvement Recommendation #20: The Budget Development Section in the FP&A Department should work with the Maintenance Department in Transit to develop a financial model that projects the upcoming year's budget for tires, major parts and fuel based on clear assumptions regarding the planned use of buses, by model, expected unit prices, and documented operating assumptions. The model should be documented to record the assumptions made, relationships between factors (for example, miles and tires), and should be updated each year as the information changes.

- **Fleet Plan**

The OCTA has a process for planning the number, model and other factors affecting the size and configuration of its bus fleet. This results in a fleet plan. The plan, however, is a fluid document and not systematically linked to either the CBP or the annual budget.

Improvement Recommendation #21: OCTA should formalize the fleet plan annually and consider including as part of the CBP. The Service Review Committee should then review and approve the plan.

C. Grants Management

- **Grants Management Organization and Coordination**

OCTA receives hundreds of millions of dollars per year in state and federal grants. Grants planning, application, budgeting, administration, and reimbursement activities need to be closely coordinated. Centralizing these functionswithin a single department would allow for better focus, communication, and coordination.

Currently, the CBP/Grants Section in the FP&A Department conducts all grant reimbursement activities except for those associated with FTA grants, which are largely handled by the Grants Technician in the General Accounting Section in Accounting & Financial Reporting Department. Key information is occasionally not shared, and key tasks occasionally are not coordinated between General Accounting and CBP/Grants Section. For example, CBP/Grants personnel do not consistently transmit requisitions for fully or partially grant-funded procurements to the grants accounting personnel. This makes it difficult for CBP/Grants Section to later locate purchase orders resulting from the requisition and to obligate the grant funds. Although OCTA does not seem to have lost any grant revenue as a lack of centralized coordination and control, there are reported to have been many instances in which communication has had to be repeated and clarified. The

process is not as efficient as it could be under a more coordinated approach.

- **Project Management Planning and Review for Grants**

Project managers in some cases do not fully understand grant requirements, and there are reported instances in which grant funds have come close to being jeopardized.

Improvement Recommendations #22:

A. OCTA should develop a more coordinated approach to grants management, and should consider creating a Grants Department within Finance, Administration, and Human Resources. At a minimum, the Grants Technician position, currently assigned to the General Accounting Section, should be transferred to the CBP/Grants Section in the FP&A Department.

B. OCTA should establish a grants management planning process that requires the Manager of CBP/Grants , the Grants Section staff, the individual in that Section overseeing the grant, the project manager, and the Grants Funding Specialist develop a plan for administering each grant upon its receipt. The plan should include a list of all grant requirements and actions needed to meet them.

C. Quarterly grants meetings should be conducted involving the Section Manager of CBP/Grants Section and his grants-related staff, the Grants Funding Specialist, and the project managers for each planned and active, grant-funded project. The status of each pending and approved grant should be reviewed and needed actions defined.

H. CONTRACT ADMINISTRATION AND MATERIALS MANAGEMENT

CAMM handles all procurements and contracts for OCTA of materials, supplies and services. This ranges from office supplies to major construction projects. CAMM is organized into three major teams that handle the following major categories of goods and services:

- **Capital Projects** – Public works including architectural/engineering services and construction
- **Procurement** – Professional and miscellaneous services
- **Maintenance** – Supplies, parts and maintenance services, and the Maintenance Team stocks, distributes and reorders parts for the OCTA's three bus operations bases.

The department processes the requisitions and purchases orders based on existing policies and procedures which are currently being reviewed based on recommendations by the Board of Directors. In FY 2006-07, CAMM has engaged consultants to address its operating structure, staffing and processes. The recommendations presented in this section of our report are consistent with the intent and priorities established by the consultants earlier this year.

In the following paragraphs, we identify five actions which we believe will provide more consistency and effectiveness in procurements and in interpretations of Policies and Procedures going forward.

1. Contract Management

OCTA currently does not have an OCTA-wide contract administration capability. While contact management tasks are conducted during the procurement phase of purchasing, very little post award activity such as contract compliance reviews and performance compliance is performed. The only exceptions we noted were CAMM assigning a Contract Administrator to be

actively involved in the Ellipse project, and CAMM assigning a Section Manager for Capital Projects to handle some contract administrative functions on large construction projects such as the Garden Grove Freeway Project. The rest of CAMM's procurement activity is related to pre-contract award tasks such as Requests for Proposals, evaluation and selection of vendors, and negotiating contracts. Specific contract administration tasks are not included in the current OCTA Policies and Procedures. Actual Contract Management is left up to the numerous user departments and the assigned project managers. This has proven to have a lack consistency on how contracts are managed on a day-to-day basis and has created additional costs during the audit period. We observed that contracts are not consistently administered by CAMM. Examples of less than needed contract administration occurred in the Ellipse, Orbital Radio, and ACCESS projects. For example, we were advised by CAMM Section Managers or Procurement Administrators that they attend meetings for the business units that they support for procurements, only if invited. The meetings which are attended may be scheduled on a weekly, monthly or project basis, and are typically specific to pre-award of contracts. However, CAMM staff also advised us that not all departments invite them to these meetings. In other instances, department meetings occurred prior to a CAMM representative being assigned to the planned procurement. Because of these inconsistencies, there have been problems including:

- Payments being issued for work that has not been completed
- Contracts remaining open even after completion of work. This situation can leave budget still available and invoices that are paid for work that was not included in the contract.

CAMM advised us that during the configuration phase of the Ellipse system, CAMM learned that there were thousands of open contracts and purchase orders which were old, outdated and should have been cancelled. To address these issues, we suggest the following.

Improvement Recommendation #23: OCTA should create a Contracts Administration function within the CAMM organization that is tailored to each major user group depending on the types of contracts and services. With the approval of the extension of Measure M, there will be new contracts that will require more time and attention from a management standpoint.

Improvement Recommendation #24: OCTA should create Contracts Administration Policies and Procedures by working with other business units to meet their requirements.

The Manager of CAMM is planning to recommend new contract administrator positions and an updated staffing plan as part of her implementation of the consultant recommendations from the study recently completed.

2. **Maintenance/Material Management**

OCTA has divided the Materials Management team into two groups, one for large procurements and one for inventory procurements. The large procurements are for buses, facilities and facilities management and are usually one time purchases. The inventory procurements are for bus parts and any items that are maintained in the inventory system. The Section Manager has thirteen direct reports, which is double the number assigned to the other section managers. Because of the responsibility of having the two groups, the Section Manager is not able to spend the necessary time on both areas of responsibility.

Improvement Recommendation #25: OCTA should implement the split in the responsibility of Maintenance/Material Management into two sections (one for Inventory Management and one for Major Procurements) being considered as a result of the recent consultant report.

3. Inventory Control

The inventory control function is organizationally dispersed and is lacking in central analysis and guidance.

- There is a process defined for setting reorder points for all inventory, regardless of dollar value or turn rates. The current turn rate is 2 times during 5 ½ months. Because the metric is an average, some very high dollar items sit on the shelves for several years without being used. Our findings show that these include multiple engines that are usually ordered at the time of ordering buses and are rarely ever used. In some cases, OCTA has spent considerable sums updating spare engines when updating engines in service even though the spare engines are never used. These items become "obsolete" and OCTA's salvage return is 3 cents or less, on the dollar. CAMM does not use first in first out (FIFO) on inventory with expiration dates. This generates more obsolete inventory if product becomes outdated.

- The reorder levels are not prioritized by dollar, turn rate or historic usage. A process that is followed in many inventory control departments is the A, B, C ranking of each inventory item with a priority based on usage and dollar.

- Currently the reorder points are set separately at each operations base. This does not allow for overall consideration of stock that may be sitting on the shelf at another base.

- When the Maintenance Department runs a campaign for maintenance on the buses, CAMM is not consistently notified and therefore, the inventory is depleted before completing the campaign.

Improvement Recommendation #26: OCTA should enhance the Inventory Management Section, and review standard best practices, creating Policies and Procedures specific to how inventory is to be managed and maintained. This should be accomplished as part of the implementation of the Ellipse Inventory Management System. While Ellipse has the capability to list best practices, the capability has to be "turned on" and used for it to be functional. Also, the Ellipse system in itself does not generate new policies and procedures.

4. Policies and Procedures

CAMM currently has documented policies and procedures, but they lack sufficient detail to provide guidance to staff, and are open to varying interpretations on how things are to be done. The definition of scope of work is not clearly defined for requisitions. Because of the lack of clarity, scopes of work have been incomplete or weak for procurements leading to problems when trying to have a contractor comply with a contract.

Improvement Recommendation #27: CAMM should develop more detailed policies and procedures that will provide consistent direction.

I. PROGRAM/PROJECT MANAGEMENT

Program/Project Management is currently decentralized at OCTA. While project management often occurs under the auspices of the Information Systems (IS) Department (usually because of a technology tie), the activity occurs across the OCTA organization. Therefore there is no consistency in availability or use of tools, processes, and procedures. Because of this lack of consistency, there have been projects within the Agency that have experienced problems that stem from project management such as:

- Business units not always taking ownership

- Insufficient executive sponsorship
- Less than warranted commitments of time and resources,
- Project Managers who are new to the OCTA being assigned to major projects without having the necessary experience and knowledge needed to appropriately manage the project
- Shortage of committed resources allocated to ensure success of the project.
- Scopes that are not clearly defined or lacking detail
- Unrealistic lead times and project schedules
- Conflicting priorities including too many collateral assignments.
- Coupled with the sometimes insufficient contract administration activities, these problems compound the issues and complexity of achieving successful completion of projects.

The IS Department has had to fill project management voids on numerous projects when resources have been unavailable or not provided from the user departments. When this occurs, managers assigned from IS are placed in the position managing without being empowered to make decisions. Also, these assigned project managers do not always understand the business units' needs because they lack the full participation of the business unit staff and management. Several years ago, OCTA formed a Technology Review Committee (TRC) to review and approve all technology projects, but the necessary OCTA staff does not always attend the meetings. Further, the Committee and projects do not always receive sufficient commitment from the top management, and therefore this process is not always effective. We noted an exception to this situation in the Planning & Analysis Department which has put together a model for their engineering and construction projects. OCTA's unmet needs will continue to grow unless the tools, resources and management processes are put in place throughout OCTA to ensure success. To address this gap, we suggest the following.

Improvement Recommendation #28: OCTA should establish a Program Management Office (PMO) that is separate from the business units. The PMO should report at the Executive level. This would enable the project managers to report sufficiently high and directly in the OCTA management structure to identify, communicate, mitigate, and resolve project issues.

Improvement Recommendation #29: The established PMO should implement consistent processes and tool set for managing projects.

Improvement Recommendation #30: Project Managers from the PMO should be assigned based on the project type, (construction, engineering, technology, marketing, etc.), project requirements, and capabilities of the available team members.

J. RAIL SERVICES

OCTA works closely with Metrolink in providing rail services to the residents of, and commuters, to Orange County. OCTA staff attends all Metrolink Board meetings, along with a monthly Technical Advisory Committee (TAC) meeting. The TAC represents the agencies which provide the funds from the surrounding counties. Metrolink involves OCTA and the other member agencies in its budgeting processes well as participating in its Twenty-Year Strategic and Five-Year Strategic Implementation Plans.

OCTA implemented a weekend service in June 2006, providing this type of service for the first time to Orange County. The OCTA was able to change the mindset of Metrolink and the Burlington Northern Santa Fe (BNSF) which was to provide weekday only service. This achievement required substantial negotiating and was accomplished in a short period of time. OCTA currently owns more train right-of-way miles within the County than other member counties (except Los Angeles) have in their jurisdictions, and this asset enables Orange County to run relatively more trains without obtaining agreements from members. OCTA also provides Station Link Service that provides bus transportation from the trains to major employment centers during commuter times. Related to this service to/from train stations, OCTA is currently doing studies for each of the 34 cities for the Go

Local Program which is funded by Measure M. OCTA is also in the process of determining and obtaining the level of staff required to work on the 30 Minute Service Extension.

Improvement Recommendation #31: OCTA should conduct periodic audits and reviews of Metrolink activities on a regular basis to assure integrity in the use of funds spent for rail services affecting Orange County.

V. TRANSIT OPERATIONS IMPROVEMENT RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDED IMPROVEMENTS FOR OCTA TRANSIT DIVISION

Transit Division is comprised of three distinct services: fixed route service, and demand response services. The fixed route and demand response services represent the core of OCTA's transit bus operations and are responsible for delivering daily fixed route bus services, express bus service, StationLink rail feeder services, and paratransit bus services for Orange County residents. In this section, we will summarize specific operational activities, recognize accomplishments, identify challenges, and where appropriate, recommend improvement opportunities.

A. DIRECTLY OPERATED FIXED ROUTE SERVICES

OCTA provides local bus service within Orange County and into Los Angeles, San Diego, and Riverside Counties where those services connect with other transit systems. Local fixed route services operate seven days a week with weekday operating hours beginning at 4:00 AM and continuing past 2:00 AM on its busiest routes.

In FY 2006, Operations provided:

- Rides to over 67.8 million passengers
- 40 million annual VSM
- 2.7 million annual VSH

Fares for local bus services begin at $1.25 for a regular one-way fare to $3.00 for an all-day pass, without discounts offered for seniors and persons with disabilities. Weekly, 15-day, monthly, and student passes are also available offering discounts against the regular fare.

During the audit period, OCTA fixed route services achieved a number of significant accomplishments:

- **Implementation of Peer to Peer Mentoring Program for Operators ("Operation Teamwork")**

  During FY 2005, Bus Operations Department implemented a new peer-to-peer mentoring program for all in-house bus operators. The goal of the program is to improve safety and customer service through a program that provides operators with positive feedback without the threat of organizational discipline. The program was developed by Bus Operations and supported by Teamsters Local 952. Members of Operation Teamwork included safety captains, line captains, union stewards, behind-the-wheel trainers and coach operators with high seniority, and good customer service records. Members of Operation Teamwork perform "ride-alongs" with operators, and provide tips and guidance on issues ranging from customer interaction, schedule adherence, safety, and proper use of equipment. By providing this training in a non-threatening environment, the goal is to increase awareness of key customer and safety issues as well as provide a positive networking experience for the operators.

- **Reduction in Customer Complaints, Employee Injuries and Accidents**

  During the audit period, directly operated fixed route services has seen a number of positive developments in the areas of customer service, accidents and injuries. Reductions in these key indicators can be attributed to a more proactive approach in fostering development and providing training. During the audit period, Operations has more greatly emphasized the use of performance data to prioritize operational goals to the point of using such data to evaluate individual performance of Operations management. Moreover, Operations has begun a campaign that emphasizes "safety, courtesy, and reliability" for the operators. Utilizing the tools of performance evaluation for Operations supervisors and Operation Teamwork, Operations is stressing a culture that promotes safety, courtesy and reliability.

As a result of the foregoing efforts, Operations has achieved a significant measure of success in reducing customer complaints, employee injuries and accidents:

- Complaints per 100,000 boardings dropped from 6.0 in FY 2004 to 4.4 in FY 2006 – (Goal of 6.0 per 100,000 boardings)
- Vehicular accidents were reduced from 3.28 accidents per 100,000 hub miles in FY 2004 to 3.23 accidents in FY 2006 (Goal of 3.21 per 100,000 hub miles)
- Employee injuries have been reduced from 20.6 per 100 employees in FY 2004 to 15.5 in FY 2006 – (Goal 9.2 injuries per 100 employees); and,
- Coach operators with 10 or more complaints in a rolling 12-month period have reduced from 39 coach operators in FY 2004 to 10 coach operators in FY 2006

OCTA fixed route services experienced a number of significant challenges:

- **Increasing Operational Costs**

As discussed more fully in Section II, operational costs increased considerably during the audit period with fixed route costs rising 29.7%. This increase was driven by four key cost categories–fuels and lubricants, fringe benefit costs, tires and tubes, and casualty and liability. Even excluding a one-time casualty and liability spike, total system operating costs still increased by more than 25%. While a substantial portion of these costs are beyond the immediate control of OCTA (fuel and tires), OCTA may consider long-term strategies (e.g. hedging fuel costs) to create more predictability and stability in operating expenses.

- **Hiring and Retention of Operators**

  During the audit period, OCTA struggled with the ability to hire and retain qualified operators. Currently, the coach operator turnover rate is 16.5% annually. In many cases throughout the audit period, there were significant shortages of operators, resulting in an increase use of both scheduled and unscheduled overtime. At one point during the audit period, the average work week of a coach operator was 48 hours. While there was no apparent impact on safety over the short run, continued use of overtime of this level could impact safety and customer service. The primary obstacles to operator recruitment and retention include a strong job market within Southern California, the high cost of living within Orange County resulting in more operators traveling greater distances to work and a scheduling system that negatively impacts new hires.

- **Operator Evaluations**

  During the audit period, OCTA did not schedule or conduct regular performance evaluations for each of its operators. This does not mean, however, that many operators did not receive evaluations, counseling or discipline. However, it appears that these practices only regularly occurred as the result of an accident, customer complaint or other incident. The failure to conduct regularly scheduled personnel evaluations of operators could potentially have a detrimental effect on employee relations. The lack of a routine evaluation process may reduce the amount of time spent evaluating an individual operator's record and, therefore, may limit appropriate training or counseling. It also limits the opportunity for supervisors to provide informal recognition to employees who have been successful over a period of time.

  Improvement Recommendation #32: OCTA Human Resources Department and Bus Operations Departments should develop a systematic approach to regular operator evaluations.

- **Physical Security at Operating Bases**

  OCTA has five operating bases. The open-gate nature of the bases and the lack of a non-peak security presence represent a security issue that affects the ability of the OCTA to adequately secure fueling station, buses and other equipment and OCTA employees located at these facilities.

  Improvement Recommendation #33: OCTA should develop and implement plans for providing physical security at the operating bases.

B. PARATRANSIT AND CONTRACT SERVICES

OCTA provides paratransit services within Orange County pursuant to the Americans with Disabilities Act (ADA). The ADA mandates that transit operators must provide a level of service comparable to existing fixed route services to all eligible clients with eligibility determined based upon an individual's physical and/or cognitive ability to use fixed route services. During the audit period, OCTA contracted with Laidlaw Transit Services, Inc. to provide these services, as well as providing the StationLink.

In maintaining compliance with ADA and FTA requirements, OCTA has seen the level of its paratransit service grow significantly during the audit period. Some key performance indicators for FY 2006 include:

- Rides for approximately 1.2 million passengers, a 30.8% increase over the audit period
- 8.8 million annual service vehicle miles, a 44.5% increase over the audit period
- Approximately 585,000 annual service vehicle hours, a 24.4% increase over the audit period

Moreover, growth within the program is anticipated to experience continued growth, between 3.2% and 4.4% annually. In part to

address the past and future growth projections, in 2004 OCTA sponsored a Paratransit Growth Management Study. A substantial portion of the study is devoted to identifying strategies for managing ADA service growth.

During the audit period, demand response paratransit services achieved a number of significant accomplishments:

- **Paratransit Growth Management Study** – In 2004, OCTA sponsored the development of a Paratransit Growth Management Study (Study). In addition to providing a comprehensive review of the current performance data and trends, the Study formulated strategies to (1) manage ADA service growth and (2) ensure sustainable compliance with ADA mandates.

- **Redesign of the Eligibility Evaluation Process** – In 2005 and 2006, OCTA began a major redesign of its eligibility evaluation process. As part of its reform, OCTA began to require that all applicants for ADA eligible status attend an "in-person" interview. OCTA also reduced the burden of preparing the application by reducing the application from 4 pages down to a single page. The purpose of these changes was threefold. First, the in-person screening allowed OCTA to more effectively evaluate an applicant's cognitive and physical abilities. Second, in-person interviews allowed OCTA to more effectively implement its Travel Training program, a program designed to show both ADA and non-ADA eligible applicants how they more effectively utilize existing fixed route services. Third, allow an applicant a simple one-step application process.

  The result of the reform was both an increase in the number of individuals who were denied ADA certification and offered counseling on fixed route options and a reduction in the total number of overall applicants for ADA status:

Fiscal Year	Applications	% Denied	% In Person Interview
FY 2004	8233	3.77%	11.87%
FY 2005	7837	7.15%	37.71%
FY 2006	6417	4.15%	100.00%

These changes have served to both manage existing and future growth, but also train both ADA eligible and non-ADA eligible users to more effectively utilize existing fixed route services. During the audit period, demand response services experienced a number of significant challenges:

- **Data Collection** – During the audit period, OCTA monitored performance data through the use of trip sheets that were handwritten by individual operators, manually compiled by Laidlaw, and then submitted to OCTA. An audit by OCTA found numerous data accuracy issues associated with the reporting of performance data. (See Contract Compliance and Close-out Audit of Laidlaw Contract C-4-0301 for the Period April 1, 2005 through June 30, 2006.) First, OCTA discovered that certain performance data was not being accurately compiled based on a failure of individual operators to record sufficient data during the course of their routes. For example, OCTA discovered that operators were recording odometer readings at first pick up and last drop off, but not readings for each passenger. The effect was that verification of passenger miles for those trip sheets was not possible. Second, the audit also discovered that some data reporting issues arose out of calculation errors within an existing data accumulation spreadsheet.

In FY 2005, OCTA began to implement a mobile data terminal (MDT) system for its paratransit service. The new system was designed to allow OCTA to reduce the data errors associated with manual entry and transmission of data and allow OCTA to obtain 100% sampling of their performance data. While the MDT system has been installed within each of the paratransit vehicles, data transmission issues (e.g. both MDT software related and cell phone coverage issues) have prevented full exploitation of the system. As a result, Veolia is still maintaining individual trip logs in addition to requiring operators to enter data on the MDT.

Improvement Recommendation #34: OCTA should conduct periodic audits of the trip sheets maintained by Veolia Transportation to ensure an accurate sampling of data.

- **Prolonged Procurement for New Vendor** – The Laidlaw contract was scheduled to terminate at the end of FY 2004, however, due to a delay in the procurement of a new contract, the Laidlaw contract was extended two additional years. The design and execution of the procurement for both the paratransit services and fixed route services (i.e. StationLink and Express Bus Services) was both time consuming and complex. It appears from interviews with staff that delays in the procurement process were, in part, due to a change in strategy concerning how the scope of services should be delineated. In the first iteration, OCTA choose to issue two different RFP's, one for paratransit services and one for the fixed route portion of services. Upon receiving the proposals to both RFPs, it became apparent that a strategy of allowing the proposers to combine their bids to provide both types of services may result in more efficient and effective delivery of both services. As a result, a new RFP was drafted combining both services and the process began again, eventually resulting in the award of a contract to Veolia to begin in July of 2006.

- **Laidlaw Contract Issues** – In March of 2006, OCTA's Internal Audit conducted an audit of the billings associated with the Laidlaw contract for FY's 2003, 2004 and portions of 2005. Auditors identified approximately $563,000 of

inadequately supported invoices. Moreover, in October of 2006, as part of a contract close-out audit, audits again identified approximately $345,000 in inadequately supported invoices. The primary issue in both audits was the contractual interpretation of how the contractor should report and bill for vehicle service hours, most notably service cancellations surrounding drivers' lunch breaks. Laidlaw contended that the contractual definition of VSH did not preclude billing for these cancellations. In a review of the contract, it is apparent that the definition is sufficiently vague to support, at least to some degree, multiple interpretations. In the end, the parties resolved the issue.

For the contract executed with Veolia in July of 2006, we would recommend that OCTA conduct a contract compliance audit of the Veolia contract at the completion of the first year of performance in an effort to identify any contractual issues earlier in the contract to both avoid issues that are both larger in magnitude or may require an amendment to the current contract.

Improvement Recommendation #35: OCTA should conduct an audit of the Veolia Transportation contract following the first year to ensure that any contract billing issues are identified and resolved early in the contract process.

C. MAINTENANCE

The maintenance function within OCTA provides maintenance services for all OCTA operated vehicles and operating facilities. This function includes both vehicle maintenance and non-vehicle maintenance. Vehicle maintenance includes purchasing and storing of parts inventory, purchasing vehicle fuel, performing routine maintenance of vehicles, performing major overhauls or engine replacement and providing vehicle cleaning facilities. Non-vehicle maintenance includes base facility maintenance functions and the cost of maintaining OCTA's stops and zones.

As service has expanded, new and larger maintenance facilities have come on-line and fringe benefit costs have continued to increase, overall maintenance costs have grown significantly during the audit period:

- System-wide vehicle maintenance costs have risen 22.9% (22.4% for fixed route vehicles and 28.1% for demand response)
- System-wide non-vehicle maintenance costs have risen 41.3% (43.2% for fixed route and -0.4% for demand response)

Maintenance achieved a number of significant achievements during the audit period:

- **Move to New Maintenance and Operations Facility** – In May of 2005, OCTA opened a new, 20 acre maintenance and operations facility in Santa Ana, replacing the Irvine Base that had previously been in operation. This move required all maintenance equipment and vehicles be moved from the Irvine Base to the Santa Ana Base over a period of 48 hours (one weekend). Logistically, the move required significant planning to ensure that all vehicles were ready to roll-out the following Monday. Despite significant obstacles, the move to the new base resulted in no service disruptions.

- **No Missed Roll-Outs During the Audit Period** – A primary goal of maintenance is to ensure that all vehicles necessary to maintain service delivery is available each service. In order to accomplish this task, maintenance must perform all required maintenance, perform necessary repairs and replacement of parts, conduct major overhauls when necessary, and perform designated campaigns. During the audit period, Maintenance was able to perform all of the prior tasks without any missed roll-outs or service delivery.

Maintenance also addressed a number of significant challenges during the audit period:

- **Liquefied Natural Gas (LNG) Vehicles** – In 2001 and 2002, OCTA procured approximately 230 buses that ran on LNG fuel. During the first few years of operation and continuing through the beginning of the audit period, these vehicles suffered from a number of key defects that required significant attention by maintenance. These defects included fuel leaks, operational concerns associated with valves and vaporizers, and methane detection issues. While these issues were eventually addressed successfully, the maintenance function was significantly taxed.

- **Fixed Route Fareboxes** – During the audit period, OCTA installed new fareboxes on all fixed route vehicles. Initially, fareboxes experience significant problems with achieving the appropriate sensitivity to read paper money and to accept certain denominations of change. Despite numerous adjustments, eventually new software was required to be changed on all fareboxes.

- **Increasing Vehicle and Non-Vehicle Maintenance Costs** – As referenced above, vehicle and non-vehicle maintenance costs increased significantly during the audit period. The most significant factors affecting vehicle maintenance costs were associated with increased salary and benefit costs. From FY 2003 to FY 2006, salaries and wages increased by 15.2%, while fringe benefit costs moved up by 49.0%. While a portion of these costs can be attributable to a 7.5% system wide increase on vehicle service miles, it is also a reflection of a more competitive job market and increasing healthcare costs and OCERS rates. Non-vehicle maintenance costs were also affected by large increases in salaries (up 41.6%) and fringe benefits (67.6%) and contracted services (50.4%). A significant factor in the increase in non-vehicle maintenance costs are related to a 40% increase in facility space and an increase in the level of service for the maintenance of OCTA stops and zones.

- **Procurements** – Maintenance is responsible for a significant portion of CAMM purchasing activity through both its purchase of routine inventory items, and through its larger, one-time procurements for buses and facility related items. Two primary issues arose from our study:

- Maintenance does not have a systematic process for the evaluation of strategic purchases. The concern is that maintenance purchases for items, whether it be one-time, large scale purchases or more routine inventory items does not have a formal review process within Transit to evaluate the impact of the purchase on performance. For example, if maintenance changed its specification requirements for new tire purchases, no approval of that change and its subsequent purchases would be required to ensure budgetary compliance. This could occur even if the change resulted in safety concerns or loss in fuel mileage.

- Maintenance does not routinely notify CAMM of future maintenance campaigns that will require large-scale purchases of the required items. In certain circumstances this has resulted in the depletion of existing inventory prior to the completion of the campaign.

Improvement Recommendation #36: OCTA should consider developing a procurement policy for maintenance that specifies an approval process for procurements (1) above a specified dollar amount, or (2) that result in a change in product that may materially affect performance.

Improvement Recommendation #37: Maintenance should develop a practice of notifying CAMM prior to the beginning of each large-scale maintenance campaign that may have a significant impact on existing inventory items.

D. SERVICE PLANNING

The Service Planning function within the Transit Division is primarily responsible for service planning on all OCTA fixed route operations. As will be discussed more below, Service Planning may on occasion coordinate services with Community Transportation Services (CTS) regarding demand response services, but CTS is ultimately responsible for all paratransit planning. The unit's planning horizon is short-term only, with longer range planning such as the LRTP and the RTP being handled by OCTA's Development Division.

The primary method of reviewing and evaluating service planning issues for fixed routes is through monitoring a number of different performance indicator reports prepared by OCTA (i.e. FP&A Monthly Performance Measurement Report, Customer Comments/Complaints, Route Issues & Input, On-Time Performance, Full/Late and Monthly Operating Summary). Additionally, Service Planning also monitors development that may result in transportation needs through the review of Environmental Impact Reports, customer requests for new services, and meetings with cities, large employers, and commuter or rideshare organizations. These data sources are used in conjunction with existing service standards, growth projections and long term service goals to implement a quarterly service change program.

The primary accomplishments of Service Planning during this period include:

- **Planning for the Implementation of Express Bus Service** – During the audit period, Service Planning developed a plan for a new business class express route service with two existing inter-county routes (701 and 721) and a plan to add up to 11 more routes through FY 2014

- **Planning for the Implementation of Bus Rapid Transit (BRT) Service** – In October of 2005, the Board approved three

BRT corridors to provide a transit alternative. These services are expected to begin in FY 2009.

- **Planning for and Implementation of a Route Deviation Service** – In FY 2006, OCTA began service on a hybrid route (Route 693). The goal of this route is to provide both fixed route services within a portion of San Clemente, but allow the vehicle under certain circumstances to deviate from its route and pick up paratransit riders. This new route is located in an area that disproportionately services lower income and senior residents.

- **Continued Ridership Growth** – As set forth in the performance trend section, ridership on fixed route services has reached record levels. During the audit period, ridership grew by 4.5% to a new high of over 69 million passengers in FY 2006. This new high in ridership was achieved despite a slight fare increase in 2005. That fare increase was the first one in 14 years.

The primary challenges during this audit period include:

- **Route Deviations and Changes during the Construction of the Garden Grove Freeway** – Construction on the Garden Grove Freeway and Harbor Boulevard directly impacted service on north/south routes in the central portion of the County during the audit period. This construction not only impacted the nature of certain routes, but also required changes to ensure that headways were not significantly impacted based on changes in the footprint of the route or new traffic associated with the construction.

- **Continued Use of Service Standards Developed in FY 1995** – Currently, the service standards used by Service Planning to evaluate existing service were developed in 1995. Since that time, growth within South County has been significant. This growth, however, is mostly single family residential in nature, resulting in less dense development and a unique demographic

profile. As a result, the existing service standards may not adequately represent realistic service goals, especially in less urban areas of South County.

Improvement Recommendation #38: OCTA should develop updated service standards for fixed route services including developing unique standards for areas within the County where density and demographics may negatively impact ridership.

VI. Appendices

OCTA COMPLIANCE WITH PUC REQUIREMENTS MATRIX

Code Reference	Operator Compliance Requirements	Compliance Finding	Comments
PUC Section 99243	Submit annual reports to the State Controller, based on the Uniform System of Accounts and Records established by the State Controller, within 90 days of the end of the fiscal year (i.e., September 28th)	Compliance	
PUC Section 99245	Submit annual fiscal and compliance audits to RTPE and State Controller within 180 days of the end of he fiscal year (i.e., December 27th), or receive 90 day extension	Compliance	
PUC Section 99251	CHP has certified operator's compliance with Vehicle Code 1808.1 within 13 months prior to TDA claim submittal	Compliance	CHP Certification Dates: FY04: GG (12/11/02), Ana (2/6/03), Irv (9/25/03), Irv LL (10/3/02) FY05: GG (12/4/03), Ana (2/4/04), Irv (9/9/03), Irv LL (10/2/03) FY06: GG (12/28/04), Ana (2/9/05), Irv (10/14/04), Irv LL (10/15/04)
PUC Section 99261	Claims for TDA funds are submitted in compliance with RTPE's rules and regulations	**Partial Compliance**	TDA claims do not include required submission of performance indicators
PUC Section 99264	Public transportation vehicles designed to be operated by one person are not routinely staffed with two or more persons	Compliance	
PUC Section 99266	Operating budget has not increased by more than 15% over preceding year unless reasonable justification has been provided	Compliance	% Increase in Operating Costs: FY04: 13.1% FY05: 8.19% FY06: 7.19%

OCTA COMPLIANCE WITH PUC REQUIREMENTS MATRIX (continued)

Code Reference	Operator Compliance Requirements	Compliance Finding	Comments
PUC Section 99268	Operator funding provided through TDA makes up no more than 50% of operating, maintenance, capital, and debt service requirements after federal grants are deducted	Not Applicable	
PUC Sections 99268.2 99268.3	Operator has maintained a ratio of fare revenues to operating costs at least equal to: - 20% for urban areas - 15% for non-urban counties or areas	Compliance	Farebox Recovery Ratio by TDA guidelines: FY04: 25.5% FY05: 26.3% FY06: 27.4%
PUC Section 99271	The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPE-approved plan to fully fund the retirement system within 40 years	Compliance	TDA submissions include statement by CFO that the retirement system is fully funded
PUC Section 99314.5	If the operator receives STA funds, the operator is not precluded by contract from employing part-time drivers or from contracting with common carriers	Compliance	OCTA is not precluded from employing part-time operators
PUC Section 99314.6	If the operator receives STA funds, the operator's total operating cost per revenue vehicle hour for the last year for which audited data are available does not exceed the prior year's cost per hour adjusted for inflation using the CPI OR: The operator's average total operating cost per revenue vehicle hour in the latest three years for which audited data are available does not exceed the sum of the average of the preceding three years adjusted for inflation using the CPI	Compliance	
CAC Section 6754(a)(3)	If the operator receives STA funds, the operator makes full use of funds available from the FTA before TDA claims are granted	Compliance	

PRIOR AUDIT RECOMMENDATIONS

Prior Audit Recommendation	Compliance Finding	Comments
Updates OCTA's LTF Guidelines for specific sections of the TDA and implement a checklist for use when reviewing claims.	Compliance	See, Section II. Of this Report for additional recommendations related to the proposed changes for LTF Guidelines
Establish procedures to work with transit operators to identify productivity improvements and develop a performance monitoring program	**Non-Compliance**	LBMTL did not submit performance indicators pursuant to the LTF Guidelines
Revise procedures to expand reporting requirements and oversight of Senior Mobility Program	Compliance	No action required.
Establish procedures to ensure audit recommendations are implemented	Compliance	Internal Audit has taken steps to ensure that audit recommendations are reported annually
Submit TDA claims on time	Compliance	No action required.
Complete and submit Triennial Audits on time	Compliance	No action required.
Laidlaw should establish procedures to ensure that records are retained as required	Compliance	Contractual changes to ensure record retention have been included in the Veolia contract

Table 1
RTPE Regulatory Compliance Matrix

Compliance Requirement	Reference	Method and/or Sources to Verify Compliance
All transportation operators and city or county governments, which have responsibility for serving a given geographical area, in total claim no more than those LTF moneys apportioned to that areas.	PUC Section 99231	Review of allocations and apportionments.
The RTPE has adopted rules and regulation delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.	PUC Sections 99233 and 99234	Review rules and regulations.
The RTPE has established a social services transportation advisory council. The RTPE must ensure that there is a citizen participation process which includes at least an annual public hearing.	PUC Sections 99238 and 99238.5	OCTA is exempt from this requirement.
The RTPE has annually identified, analyzed and recommended potential productivity improvements which could lower operating cost of those operators which operate at least 50 percent of their vehicle service miles within the RTPE's jurisdiction. Recommendations include, but are not limited to those made in the performance audit. • A committee for the purpose of providing advice on productivity improvements may be formed • The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation which exceeds its prior year allocation	PUC Section 99245	Interviews and review of records. OCTA was not in compliance with this requirement as of the previous performance audit.
The RTPE has ensured that all claimants to whom it allocates TDA funds submit to it and to the state controller annual certified fiscal and compliance audits within 180 days after the end of the fiscal year.	PUC Section 99245	Review of Records.

Table 1
RTPE Regulatory Compliance Matrix (continued)

The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to the operator for that or subsequent fiscal years until the audit was transmitted.	PUC Sections 99246 and 99248	Review of Records
The RTPE has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPE has certified in writing to the Director that the performance audits of operators located in the area under its jurisdiction has been completed.	PUC Section 99246 (c)	Review of Records.
The performance audit of the operator shall include a certification of the operator's cost per passenger, operating cost per vehicle service hour, passengers per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee. The audit shall include consideration of the needs and types of passengers being serviced and the employment of part-time drivers and contracting with common carriers of persons operating under a franchise or license to provide services during peak hours.	PUC Section 99246 (d)	Review of previous performance audit.
The RTPE has established rules and regulations regarding revenue rations for transportation providing services in urbanized and newly urbanized areas.	PUC Sections 99270.1 and 99270.2	Review of records.
The RTPE has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	PUC Section 99275.5	Review of records.

OCTA ACTION PLAN

RECOMMENDATION NUMBER AND DESCRIPTION	PRIORITY (High, Medium, Low)	Suggested Timeframe Immediate, 6 months, 1Year	SUGGESTED IMPLEMENTATION RESPONSIBILITY
COMPLIANCE MATTERS:			
1. The revised MOU with the City of Laguna Beach regarding transit funding should specify requirements associated with TDA Article 3 claims as well as State Transit Assistance Funds.	**H**	6 MONTHS	Executive Director of Finance, Administration and Human Resources
IMPROVEMENT RECOMMENDATIONS:			
1. OCTA should build on the multi-level planning efforts for the Comprehensive Business Plan (CBP) to position the CBP as the single, agency-wide source for transportation plans, operations, projects and services.	**H**	6 MONTHS	Deputy CEO and Executive Director of Finance, Administration and Human Resources
2. OCTA should supplement existing staff environmental capabilities with personnel possessing stronger experience and expertise in environmental matters.	**M**	1 YEAR	Deputy CEO
3. OCTA should consider assigning the administrative support of all committees that support the OCTA related activities of Board Members to the Clerk of the Board.	**M**	6 MONTHS	Clerk of the Board

OCTA ACTION PLAN (continued)

4. OCTA Internal Audit Manager, working with the CEO and Executive Director of Finance, Administration and Human Resources, should clarify the roles/expectations of Board Directors serving as the Audit Committee.	**H**	IMMEDIATE	CEO, Executive Director of Finance, Administration and Human Resources, Manager of Internal Audit
5. The Manager of Internal Audit should provide a training forum and guidance materials to the Board about the activities of an Audit Committee.	**M**	6 MONTHS	Manager of Internal Audit
6. The Manager of Internal Audit should review the current processes that involve the Audit Committee (audit planning sessions, access to Audit Committee for input and feedback, audit communications, etc.) and strengthen the procedures, timing and reporting processes to foster enhanced Audit Committee involvement and participation.	**M**	6 MONTHS	Manager of Internal Audit
7. Managers and Executive Directors of OCTA's Divisions should become involved in the audit planning process and the resulting scheduling of audit time and resources. While we recognize that Internal Audit must maintain its independence in setting its priorities, we believe this cross organizational participation should emphasize cooperative prioritizing/identifying of audit area and input to audit scoping plans.	**M**	1 YEAR	Manager of Internal Audit with support of Deputy CEO

OCTA ACTION PLAN (continued)

8. The tenor, tone and format of Internal Audit's reports should be updated and changed to facilitate a more constructive and positive approach to developing and reporting on its work.	**L**	6 MONTHS	Manager of Internal Audit
9. The Internal Audit staff should further utilize their participation in the meetings, briefings and discussions they attend with other OCTA staff to share ideas and provide advice from the aspect of controls, accountability, and sound management practices.	**L**	IMMEDIATE	Manager of Internal Audit
10. OCTA should investigate how various the route data are used and valued by its customers, and then adjust the efforts based on the findings. OCTA should regularly evaluate cost-effectiveness of their marketing strategies and monitor the performance of the marketing strategies against adopted performance metrics.	**M**	6 MONTHS	Manager of Marketing
11. OCTA should evaluate the potential value of integrating additional marketing efforts across all of the OCTA's services. For example, Metrolink Rail and OCTA bus fares are not packaged or bundled. OCTA's merchant coupon program for bus riders is not promoted to 91 Express Lanes customers as a benefit of being an OCTA customer.	**M**	6 MONTHS	Executive Director of Transit, Executive Director of Development and Executive Director of External Affairs

OCTA ACTION PLAN (continued)

12. OCTA should evaluate the effectiveness of increasing its marketing outreach to high school students as an alternative to contracted school bus transportation on routes serving junior high and high schools. Currently marketing to students is more generalized and particularly focused on summer activities such as the beach destinations.	L	1 YEAR	Executive Director of External Affairs
13. Expand the CBP to specifically address marketing strategies that will be used to achieve program and service goals.	L	6 MONTHS	Executive Director of Finance, Administration and Human Resources and Executive Director of External Affairs
14. OCTA should implement required time and costing processes and tools to enable more extensive and complete direct charging of expenses to the programs/activities responsible for the expenditure.	L	1 YEAR	Executive Director of Finance, Administration and Human Resources
15. Once OCTA has implemented the 30-day net retail approach, it should consider scheduling a small reduction in the discount and then evaluate the impact on the number of vendors and total vendor pass sales. If there is no significant reduction in vendor sales and in the necessary geographic coverage of retail vendors, further reductions should be considered over time until an optimum discount is reached.	L	1 YEAR	Executive Director of External Affairs

OCTA ACTION PLAN (continued)

16. Accounts Payable should implement the "Payment Signature Authorization Policy" or a similar cover form for authorizing personnel to sign in the case of all invoices submitted for goods and services provided under contracts (i.e., not in the case of purchase orders)	**M**	IMMEDIATE	Executive Director of Finance, Administration and Human Resources
17. **A:** The OCTA should establish clear written guidelines on the use of payment requests. These should include those types of purchases that are exempt from $2,500 limit (e.g., judgments/settlements) and a cumulative dollar limit that can be paid to any one vendor via payment request during any one year. **B:** CAMM should review the "frequent payment request" list and contact authorizing departments that are issuing numerous payment requests to a single vendor to suggest that a contract or purchase order be established with the vendor. As part of this process, CAMM should also advise Accounts Payable to reject any further payment requests for the identified vendors. Accounts Payable should enforce the restriction.	**M** **L**	6 MONTHS 6 Months	Executive Director of Finance, Administration and Human Resources Executive Director of Finance, Administration and Human Resources

OCTA ACTION PLAN (continued)

18. OCTA's budget process should provide for a more rigorous review of professional services and capital. In doing so, the Budget Division should identify patterns of continual over-budgeting and work with Executive Directors and the CEO to limit the practice.	**L**	1 YEAR	Executive Director of Finance, Administration and Human Resources
19. OCTA should establish and adopt a policy that requires CEO approval, with Board notification, for budget transfers between asset categories exceeding some reasonable cumulative dollar limit within any single fiscal year.	**M**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources
20. The Budget Development Section in the Financial Planning & Analysis Department should work with the Maintenance Department in Transit to develop a financial model that projects the upcoming year's budget for tires, fuel, and major parts on the basis of clear assumptions regarding planned use of buses by model; resulting units of tires, fuel, etc. based on use by model; and unit prices on some agreed-upon basis. The model should require explicit assumptions regarding these factors, and the model should be used every year with changes in assumptions from year to year clearly documented.	**H**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources working with General Manager of Transit Division

OCTA ACTION PLAN (continued)

21. OCTA should formalize the fleet plan annually and consider including it as part of the CBP. The Service Review Committee should then review and, if appropriate, approve the plan and any changes to the plan during the year.	**M**	ONE YEAR	General Managers of Transit Division
22. **A.** OCTA should develop a more coordinated approach to grants management and should consider creating a Grants Department within Finance, Administration and Human Resources. At a minimum, the Grants Technician position, currently assigned to the General Accounting Section, should be transferred to the CBP/Grants Section in the Financial Planning & Analysis Department.	**M**	SIX MONTHS	Deputy CEO
B. OCTA should establish grants management planning process that requires the Manager of CBP/Grants, the Grants Section staff, the individual in that Section overseeing the grant, the project manager, and the Grants Funding Specialist develop a plan for administering each grant upon its receipt. The plan should include a list of all grant requirements and actions needed to meet them.	**M**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources

OCTA ACTION PLAN (continued)

22. continued **C.** Quarterly grants meetings should be conducted involving the Section Manager of CBP/Grants Section and his grants-related staff, the Grants Funding Specialist, and the project managers for each planned and active, grant-funded project. The status of each pending and grant should be reviewed and needed actions defined.	**M**	IMMEDIATE	Executive Director of Finance, Administration and Human Resources and Deputy CEO
23. OCTA should create a Contracts Administration function within the CAMM organization that is tailored to each major user group depending on the types of contracts and services. With the approval of the extension of Measure M, there will be new contracts that will require more time and attention from a management standpoint.	**M**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources
24. OCTA should create Contracts Administration Policies and Procedures by working with other business units to meet their requirements.	**H**	IMMEDIATE	Executive Director of Finance, Administration and Human Resources
25. OCTA should implement the split in the responsibility of Maintenance/Material Management into two sections (one for Inventory Management and one for Major Procurements) being considered as a result of the recent consultant report.	**M**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources

OCTA ACTION PLAN (continued)

26 OCTA should enhance the Inventory Management Section, and review standard best practices, creating Policies and Procedures specific to how inventory is to be managed and maintained. This should be accomplished as part of the implementation of the Ellipse Inventory Management System. While Ellipse has the capability to list best practices, the capability has to be "turned on" and used for it to be functional. Also, the Ellipse system in itself does not generate new policies and procedures.	**M**	IMMEDIATE	Executive Director of Finance, Administration and Human Resources with participation of General Manager of Transit Division
27. CAMM should develop more detailed policies and procedures that will provide consistent direction.	**H**	IMMEDIATE	Executive Director of Finance, Administration and Human Resources
28. OCTA should establish a Program Management Office (PMO) that is separate from the business units. The PMO should report at the Executive level. This would enable the project managers to report sufficiently high and directly in the OCTA management structure to identify, communicate, mitigate, and resolve project issues.	**H**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources
29. The established PMO should implement consistent processes and tool set for managing projects.	**H**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources

OCTA ACTION PLAN (continued)

30. Project Managers from the PMO should be assigned based on the project type, (construction, engineering, technology, marketing, etc.), project requirements, and capabilities of the available team members	**H**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources
31. OCTA should conduct periodic audits and reviews of Metrolink activities on a regular basis to assure integrity in the use of funds spent for rail services affecting Orange County.	**L**	1 YEAR	Manager of Internal Audit
32. OCTA Human Resources Department and Bus Operations Departments should develop a systematic approach to regular operator evaluations.	**M**	SIX MONTHS	Executive Director of Finance, Administration and Human Resources General Managers of Transit Division
33. OCTA should develop and implement plans for providing physical security at the operating bases.	**H**	IMMEDIATE	Manager of Security Threat Assessment and Executive Director of Finance, Administration and Human Resources
34. OCTA should conduct periodic audits of the trip sheets maintained by Veolia Transportation to ensure an accurate sampling of data.	**L**	IMMEDIATE	Manager of Internal Audit
35. OCTA should conduct an audit of the Veolia Transportation contract following the first year to ensure that any contract billing issues are identified and resolved early in the contract process.	**L**	SIX MONTHS	Manager of Internal Audit

OCTA ACTION PLAN (continued)

36. OCTA should consider developing a procurement policy for maintenance that specifies an approval process for procurements (1) above a specified dollar amount, or (2) that result in a change in product that may materially affect performance.	**M**	SIX MONTHS	General Manager of Transit Division
37. Maintenance should develop a practice of notifying CAMM prior to the beginning of each large-scale maintenance campaign that may have a significant impact on existing inventory items.	**M**	IMMEDIATE	General Manager of Transit Division
38. OCTA should develop updated service standards for fixed route services including developing unique standards for areas within the County where density and demographics may negatively impact ridership.	**L**	SIX MONTHS	General Manager of Transit Division

REPORT TO:

THE ORANGE COUNTY TRANSPORTATION AUTHORITY

FY 2004-FY 2006 TDA PERFORMANCE AUDITS



OF

LAGUNA BEACH MUNICIPAL TRANSIT LINES

LMS CONSULTING

MAY 2007

ATTACHMENT D

LMS

April 16, 2007

Ms. Kathleen O'Connell
Manager, Internal Audit Department
Orange County Transportation Authority
550 South Main Street
Orange, California 92863

SUBJECT: TRIENNIAL PERFORMANCE AUDIT OF LAGUNA BEACH MUNICIPAL TRANSIT

Dear Ms. O'Connell:

LMS Consulting is pleased to present this final report on our performance audit of Laguna Beach Municipal Transit Municipal Lines (LBMTL). Under separate cover, we will provide you with the performance audit report for the Orange County Transportation Authority (OCTA). This work was performed in accordance with the standards and approach defined in California Department of Transportation's (Caltrans) Performance Audit Guidebook. This Guidebook, modeled after the Government Auditing Standards (GAO) Yellow Book, sets the criteria, format and tasks required to comply with the applicable sections of the California Public Utilities Code and the California Code of Regulations. Recipient agencies of State Transportation Development Act (TDA) funds must have a performance audit conducted every three years. This report covers the three fiscal years beginning on July 1, 2003, and concluding on June 30, 2006.

As part of our work on this project, we have reviewed our audit findings and recommendations with the Laguna Beach staff responsible for the activities covered in this report. After receiving your department's input and any other input we obtained from Laguna Beach staff, we incorporated appropriate changes and issue the report in final form.

We have included observations and recommendations that go beyond the compliance review specified in your Request for Proposals. We wanted the work to be of maximum value to the OCTA and the City, and therefore recorded and reported on any matters that emerged during the course of the project. Because of the limited scope of our charter, these findings are based on survey rather than

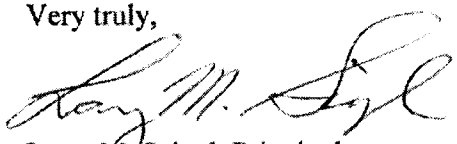
LMS

detailed analyses. In some instances, we believe it may be useful to OCTA or Laguna Beach to invest in further defining of the findings and recommendations and will be pleased to discuss those opportunities with you at the conclusion of the current project.

We want to thank your department and the personnel at Laguna Beach that we interviewed, obtained documents from, and that provided our team with necessary data. Turnarounds were very quick and our interactions were always constructive. This enabled us to complete the work on schedule despite delays in final contract issuance and the holiday periods at the start of the work. LMS also wants to recognize our team member, Altmayer Consulting, who was the major contributor to this project.

Please contact Larry Seigel at (949) 766-1237 regarding any communications relating to this report. He will coordinate any responses, information, or meetings that may be needed.

Very truly,



Larry M. Seigel, Principal
LMS Consulting

32919 Brookseed Drive * Trabuco Canyon, CA 92679 * Tel/Fax (949) 766-1237

Email: LMSConsulting@msn.com

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D. Maintenance IV-4

I. INTRODUCTION

A. LMS CONSULTING AND ITS TEAM MEMBERS CONDUCTED THE FISCAL YEAR (FY) 2004-FISCAL YEAR 2006 TRANSPORTATION DEVELOPMENT ACT PERFORMANCE AUDIT OF LAGUNA BEACH MUNICIPAL TRANSIT LINES (LBMTL)

- Performance Audits are conducted in accordance with California Department of Transportation's (Caltrans) TDA (Transportation Development Act) Performance Audit Guidebook every three years under California Public Utilities Code (PUC) Section 99246
- The audited period starts with July 1, 2003, and continues through June 30, 2006
- The performance audits covers:
- Verification of TDA data collection and reporting procedures
- Compliance with PUC requirements
- Progress in completing/implementing prior periods' audit recommendations
- Performance indicator trend analyses
- Compliance with TDA Performance expectations – This is based on the questions and issues as listed in the TDA including review of compliance with prior audit recommendations.
- Functional reviews - LMS' Audit Team included limited functional surveys as part of the process of conducting the project resulting in suggestions for operational and management improvements.

B. KEY COMPONENTS OF THE PERFORMANCE AUDIT

1. Document Review:

Documents are a major data source for the project and among the documents our team reviewed includes:

- Orange County Transportation Authority (OCTA) policies and procedure both general and specifically for TDA Program Administration
- Claims submitted on behalf Laguna Beach Municipal Transit Lines ("LBMTL") for TDA funding
- LBMTL audited financial statements, State Controller Reports and reports submitted to Federal Oversight Agencies
- Prior Performance Audits and written responses to the recommendations included in those reports
- Operating and capital budgets
- Project planning documents
- California Highway Patrol (CHP) certifications
- Maintenance and other transit operating reports
- Organizational and process flow charts
- Marketing documents and products

2. **Interviews**
   - Director of Public Works
   - Assistant Director of Public Works
   - Finance Staff
   - Maintenance and Operations Staff
   - OCTA staff as it relates to TDA administration

3. **Site Visits**
   - City of Laguna Beach, LBMTL
   - OCTA Headquarters

C. ORGANIZATION OF THE REPORT

- **I. Introduction (this section)**
- **II. Compliance Review:** In this section we present our findings in responding to the specific requirements of the TDA Performance Audit Guidebook.
- **III. Operational Performance Trends and Analyses:** In this section we present the results of our collecting and analyzing performance statistics for the three-year audit period for both fixed route and trolley services.
- **IV. LBMTL Operational Findings and Recommendations:** Parallel to our observations and findings regarding LBMTL's compliance with PUC requirements, this section provides specific findings and recommendations to the overall operations of LBMTL's transit programs.

II. COMPLIANCE REVIEW

A. OVERALL COMPLIANCE

The objective of this section is to detail LBMTL's compliance with the State's requirements for transit operations and regional planning and with the recommendations set forth in the prior triennial performance audit. LBMTL has improved its overall compliance with the TDA requirements set forth in the PUC. Moreover, LBMTL complied with most prior audit recommendations. However, one compliance issue continues to occur as will be detailed below.

B. CALTRANS COMPLIANCE ISSUES

LBMTL must comply with TDA requirements that are specified in PUC Regulations and the California Code of Regulations as noted below in the Compliance Matrix. The Compliance Matrix investigates the degree to which funds allocated to the claimant pursuant to TDA requirements were expended in conformance with applicable laws and rules and regulations. While complying with the vast majority of requirements, LBMTL does not fully comply with one required element.

PUC Section 99261 requires that Claims for TDA funds be submitted in compliance with Regional Transportation Planning Entity's (RTPE) rules and regulations. In its role as the RTPE, OCTA has issued "Transportation Development Act -- Guidelines for Administration of the Act and Preparation of Local Transportation Fund (LTF) Claims and State Transit Assistance Fund (STAF) Claims" (Guidelines). Additionally, OCTA and LBMTL have entered into Memoranda of Understandings related to TDA including an MOU dated November 18, 2001 which states in Article 5:

"On or before November 1 of each year, CITY shall provide a fiscal year-end report to AUTHORITY. The fiscal year-end report shall include actual expenses, including: revenue, expenditures, vehicle services [sic] hours, vehicle service miles, passenger boardings, and farebox recovery ratio. In addition the fiscal year-end report, CITY shall provide AUTHORITY with the budget for the current fiscal year"

In each of the three audit years reviewed, LBMTL failed to include a recitation of the required performance indicators.

Compliance Recommendation #1: LBMTL should amend its process for submitting TDA claims to include a recitation of all required performance indicators and, where appropriate, provide explanations for major changes reflected in these key indicators.

This submission should be linked to performance measures that are tied to annual goals and could serve as the basis of an internally developed performance measurement system that could be reported on an annual basis to the City Council and help formulate program changes as well as project and service priorities.

In addition, LBMTL failed to submit their TDA claims in a timely manner to OCTA. In at least one instance, the TDA claim was over a year late and was submitted only after OCTA staff advised the City that the claim had not been filed. This issue has been a consistent issue with LBMTL, having been raised in the prior audit period. Interviews with staff indicate that process changes are in process.

Compliance Recommendation #2: LBMTL should ensure the implementation of a process to submit its annual claim in a timely manner.

Details of each area of compliance are shown in the following table.

LBMTL COMPLIANCE WITH PUC REQUIREMENTS

Code Reference	Operator Compliance Requirements	Compliance Finding	Comments
PUC Section 99243	Submit annual reports to the State Controller, based on the Uniform System of Accounts and Records established by the State Controller, within 90 days of the end of the fiscal year (i.e., September 28th)	**Compliance**	Based on delays on the part of the State Controller's office, LBMTL was in compliance each fiscal year.
PUC Section 99245	Submit annual fiscal and compliance audits to RTPE and State Controller within 180 days of the end of he fiscal year (i.e., December 27th), or receive 90 day extension	**Compliance**	
PUC Section 99251	CHP has certified operator's compliance with Vehicle Code 1808.1 within 13 months prior to TDA claim submittal	**Compliance**	
PUC Section 99261	Claims for TDA funds are submitted in compliance with RTPE's rules and regulations	**Non Compliance**	TDA claims do not include required submission of performance indicators. Moreover, TDA claims were submitted beyond the documented submittal date: FY 2004: June 2003 FY 2005: July 2005 FY 2006: October 2005
PUC Section 99264	Public transportation vehicles designed to be operated by one person are not routinely staffed with two or more persons	**Compliance**	During peak periods, trolley service may include additional staff to assist passengers, provide directions and direct traffic. Given the nature of the service and the role of the additional staff, this does not to constitute non-compliance within the meaning of PUC Section 99264

LBMTL COMPLIANCE WITH PUC REQUIREMENTS (CONTINUED)

Code Reference	Operator Compliance Requirements	Compliance Finding	Comments
PUC Section 99266	Operating budget has not increased by more than 15% over preceding year unless reasonable justification has been provided	**Compliance**	
PUC Section 99268	Operator funding provided through TDA makes up no more than 50% of operating, maintenance, capital, and debt service requirements after federal grants are deducted	**Not Applicable**	
PUC Sections 99268.2 99268.3	Operator has maintained a ratio of fare revenues to operating costs at least equal to: - 20% for urban areas;15% for non-urban areas	**Compliance**	
PUC Section 99271	The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPE-approved plan to fully fund the retirement system within 40 years	**Compliance**	
PUC Section 99314.5	If the operator receives STAF funds, the operator is not precluded by contract from employing part-time drivers or from contracting with common carriers	**Compliance**	

LBMTL COMPLIANCE WITH PUC REQUIREMENTS (CONTINUED)

Code Reference	Operator Compliance Requirements	Compliance Finding	Comments
PUC Section 99314.6	If the operator receives STAF funds, the operator's total operating cost per revenue vehicle hour for the last year for which audited data are available does not exceed the prior year's cost per hour adjusted for inflation using the CPI or the operator's average total operating cost per revenue vehicle hour in the latest three years for which audited data are available does not exceed the sum of the average of the preceding three years adjusted for inflation using the CPI	Compliance	

C. PRIOR AUDIT RECOMMENDATIONS

TDA Audit Guidelines require an investigation as to whether recommendations from the prior period's audit have been implemented. While LBMTL has implemented the vast majority of recommendations, LBMTL has not implemented two recommendations: (1) compliance with OCTA's TDA Claim Guidelines (See, Recommendations #1 and #2 above) and (2) initiating an inventory control system.

Compliance Recommendation #3: LBMTL should implement the prior triennial performance audit recommendation to institute an inventory value, process and procedure to ensure adequate control over inventory items.

For a full discussion of prior audit recommendations, see the Prior Audit Recommendation Matrix below.

Prior Audit Recommendation	Compliance Finding	Comments
Calculate full-time equivalents (FTE) as the number of total work hours by 2000	**No further action required**	LBMTL has indicated that they have implemented a system that includes new account numbers and project codes to accomplish this task
Report to OCTA on the status of performance audit recommendations on an annual basis	**No further action required**	LBMTL has provided OCTA annual updates to the prior audit, the last one dated October 5, 2006
Provide data consistently among external reports and retroactively file NTD reports for FY 00 and FY 01	**LBMTL is making progress**	Federal Transit Administration (FTA) staff advised that NTD filings for FY 2000 and FY 2001 were closed and no retroactive filings were allowable. While LBMTL has had some inconsistencies between their State Controller's Report and National Transit Database (NTD) filings, any difference occur as a result of the financial audit for the City of Laguna Beach which is not completed until after the State Controller's report is finalized.
Update Short Range Transit Plan (SRTP)	**No further action required**	LBMTL contracted with Dan Boyle and Associates to develop an SRTP. At the time of the site visit, a draft report had been completed.
Submit timely annual fiscal and compliance audits to State Controller	**No further action required**	

STATUS OF LBMTL PRIOR AUDIT RECOMMENDATIONS (CONTINUED)

Prior Audit Recommendation	Compliance Finding	Comments
Submit claims for TDA funds in compliance with rules and regulations	**Continued action required**	As set forth above in the compliance findings, LBMTL did not comply with TDA claim requirements set forth in within the 2001 MOU between OCTA and LBMTL relating to the submission of annual performance measures. Additionally, LBMTL did not submit timely TDA claims during the audit period.
Implement program to evaluate existing fixed route and surveys of riders and non-riders	**No further action required**	LBMTL contracted with Dan Boyle and Associates to develop an SRTP. At the time of our site visits, a draft report had been completed.
Follow policies and procedures related to record retention	**No further action required**	All necessary documentation existed for purposes of this audit.
Compile passenger counts correctly	**No further action required**	LBMTL has implemented a system to improve the data integrity of this process.
Establish procedures for tracking full and part-time FTE's for type and service	**No further action required**	LBMTL has indicated that they have implemented a system that includes new account numbers and project codes to accomplish this task
Initiate an inventory value, process procedures to ensure that this is automatic control over inventory items	**Continued action recommended**	LBMTL does not concur with this recommendation. We believe that some system of recording and tracking bus inventory items exist. This, however, is not strictly a compliance issue.

STATUS OF LBMTL PRIOR AUDIT RECOMMENDATIONS (CONTINUED)

Prior Audit Recommendation	Compliance Finding	Comments
Institute a model for capturing employee and other cost for each type of service offered.	No further action required	LBMTL has indicated that they have implemented a system that includes new account numbers and project codes to accomplish this task

III. OPERATIONAL PERFORMANCE TRENDS AND ANALYSES

A. OVERVIEW

In this section, we present the results of our collecting and analyzing performance statistics for the three year audit period for both fixed route and summer trolley services for LBMTL. California PUC Section 99246 mandates that a performance audit review and analyze an operator's performance of five key indicators:

1. Operating cost per passenger
2. Operating cost per vehicle service hour
3. Passengers per vehicle service mile
4. Passengers per vehicle service hour
5. Vehicle service hours per employee

Data for the analysis of these indicators were compiled using data from NTD and State Controller's reports. The performance trends cover the period from FY 2004 through FY 2006, with FY 2003 used as a base year to provide a point of reference for the analysis. The review is designed to assess efficiency and effectiveness trends system-wide as well as trends for fixed route and trolley services and is divided into three sections:

- Total system
- Fixed route
- Trolley service

Overall, LBMTL has experienced mostly positive trends in its overall system-wide efficiency. Similarly, both fixed route services and summer trolley services have shown strong trends with significant increases in passengers and only marginal increases in operating costs as related to its service indicators. The following section will examine these costs and trends in greater detail.

B. PERFORMANCE INDICATOR TABLES

1. System Wide Indicators

As set forth in more detail below in Table 1, system wide indicators show positive trends for the total system. The system-wide cost per hour experienced a 1.0% increase while overall ridership increased substantially on both the fixed route and the summer trolley service. Below is a summary of trends within key operational indicators:

- **Operating Cost Per Vehicle Service Hour** – This key cost indicator rose slightly during the audit period (1.0%) representing a very positive trend for the agency. While operating costs rose 23.8%, service increased by a proportional 22.6%.
- **Operating Cost Per Passenger** – This cost effectiveness measure actually fell during the audit period as a result of significant growth in overall ridership. In FY 2003, the cost per passenger was $3.36 and in FY 2006, the cost fell to $3.16 per passenger. This reduction is largely due to a 31.7% increase in overall passenger ridership. Ridership increased proportionally with overall service increases per hour.
- **Passengers Per Vehicle Service Hour** – Passengers per Vehicle Service Hour increased 7.4%, again largely bolstered by an increase in overall ridership.
- **Passengers Per Vehicle Service Mile** – Passengers per Vehicle Service Mile increased 10.9% during the audit period due in large part to a 100,000 rider increase in summer Trolley Service.
- **Vehicle Service Hours Per Employee** – Vehicle service hours per employee grew by 0.9% during the audit period, representing a slight overall increase in workforce productivity. This was largely the result of a relatively constant workforce during the audit period.

TABLE 1: TDA PERFORMANCE INDICATORS -- TOTAL SYSTEM					
Verified TDA Statistics & Performance Indicators	Base Yr. FY 2003	Audit Period FY 2004	Audit Period FY 2005	Audit Period FY 2006	% Change FY 2003- FY 2006
Operating Costs	$1,137,768	$1,216,241	$1,391,190	$1,408,744	23.8%
Unlinked Passengers	338,264	400,046	408,848	445,625	31.7%
Vehicle Service Hours	15,698	16,890	19,633	19,250	22.6%
Vehicle Service Miles	160,221	166,640	173,867	190,382	18.8%
Employee FTEs	13.6	15.8	16.0	16.5	21.5%
Cost Per Hour	$72.48	$72.01	$70.86	$73.18	1.0%
Cost Per Passenger	$3.36	$3.04	$3.40	$3.16	-6.0%
Passengers Per Hour	21.5	23.7	20.8	23.1	7.4%
Passengers Per Mile	2.11	2.40	2.35	2.34	10.9%
Hours Per Employee FTEs	1,156	1,071	1,229	1,166	0.9%

2. Fixed Route Analysis and Indicators

TDA performance indicators for fixed route were mostly positive. As indicated in Table 2 below, operating costs rose significantly (up 19.1%), but much of that increase was due to a 7.7% increase in vehicle service hours. Moreover, fixed route passengers increased by 7.6%, proportional to the increase in service. Set forth below is a summary of trends in each of the key performance areas:

- **Operating Cost Per Vehicle Service Hour** – This cost and efficiency indicator rose moderately during the audit period from $69.23 per hour to $76.56 per hour, an increase of 10.6%. This increase is largely due to increases a 127.3% increase in fuel costs and a 36.6% increase in fringe benefit costs.
- **Operating Cost Per Passenger** – Operating Cost per Passenger also grew measurably during the audit period from $2.30 per passenger in FY 2003 to $2.87 per passenger in FY 2006, an increase of 24.6%. Passengers grew approximately 4.1% during the period, an increase of over 2.6 million passengers.
- **Passengers Per Vehicle Service Hour** – Passengers per Vehicle Service Hour was effectively flat during the audit period holding at 9.5 passengers per vehicle service hour. Given the service increase, this indicator is evidence that ridership on fixed route services is growing commensurately with the increases in service that have occurred reflecting well on the service planning decisions made during the course of the audit.
- **Passengers Per Vehicle Service Mile** – Passengers per Vehicle Service Mile increased went down slightly (0.8%) during the audit period. As set forth above, given he service increase, this reflects positively on the service planning that resulted in increased passenger growth commensurate with increases in service miles.
- **Vehicle Service Hours Per Employee** – Vehicle service hours per employee fell by 12.9% during the audit period, representing a decrease in workforce productivity. This was largely the result of an increase from 6.6 FTEs in FY 2003 to 8.2 FTEs in FY 2006.

TABLE 2: TDA PERFORMANCE INDICATORS -- FIXED-ROUTE					
Verified TDA Statistics & Performance Indicators	Base Yr. FY 2003	Audit Period FY 2004	Audit Period FY 2005	Audit Period FY 2006	% Change FY 2003-FY 2006
Operating Costs	$637,150	$629,497	$780,033	$758,983	19.1%
Unlinked Passengers	87,446	97,206	103,354	94,109	7.6%
Vehicle Service Hours	9,203	9,000	11,025	9,914	7.7%
Vehicle Service Miles	118,221	119,566	126,265	128,312	8.5%
Employee FTEs	6.6	8.4	9.0	8.2	23.7%
Cost Per Hour	$69.23	$69.94	$70.75	$76.56	10.6%
Cost Per Passenger	$7.29	$6.48	$7.55	$8.06	10.7%
Passengers Per Hour	9.5	10.8	9.4	9.5	-0.1%
Passengers Per Mile	0.74	0.81	0.82	0.73	-0.8%
Hours Per Employee FTEs	1,386	1,075	1,230	1,207	-12.9%

3. Summer Trolley Service Analysis and Indicators

TDA performance indicators for LBMTL's summer Trolley service were also mostly positive. Similar to fixed route services, operating costs rose substantially during the audit period, but was balanced by positive increase in a relation to Vehicle Service Hours, Vehicle Service Miles and passengers. The increase in overall service combined with a fare elimination led to a dramatic 40.1% increase in trolley ridership. Set forth below is a summary of trends in each of the key performance areas:

- **Operating Cost Per Vehicle Service Hour** – Operating Cost per Vehicle Service Hour for LBMTL's summer trolley service actually decreased by 9.7% during the course of the audit period. While Operating Costs rose 29.8% during the audit period, vehicle service hours rose 43.7%. This is a very positive trend.
- **Operating Cost Per Passenger** – Operating Cost per Passenger fell from $2.00 to $1.85 during the audit period. This positive trend was spurred by a substantial growth in passengers from approximately 250,000 in FY 2003 to over 350,000 in FY 2006. A portion of this increase may attributable to the elimination of the fare for trolley services in FY 2004 and the increase in overall service for the route.
- **Passengers Per Vehicle Service Hour** – As a result of the significant increase in vehicle service hours and a similar increase in passengers, the overall Passengers per Vehicle Service Hour decreased a gradual 2.5% during the audit period.
- **Passengers Per Vehicle Service Mile** – Passengers per Vehicle Service Mile also decreased during the audit period from 5.97 passengers per mile in FY 2003 to 5.33 per mile in FY 2006, a 5.2% decrease. As noted above, this decrease was largely the result of an increase in services resulting in a 47.8% increase in service miles.

TABLE 3: TDA PERFORMANCE INDICATORS – SUMMER TROLLEY					
Verified TDA Statistics & Performance Indicators	Base Yr. FY 2003	Audit Period FY 2004	Audit Period FY 2005	Audit Period FY 2006	% Change FY 2003- FY 2006
Operating Costs	$500,618	$586,744	$611,157	$649,761	29.8%
Unlinked Passengers	250,818	302,840	305,494	351,516	40.1%
Vehicle Service Hours	6,495	7,890	8,608	9,336	43.7%
Vehicle Service Miles	42,000	47,074	47,602	62,070	47.8%
Employee FTEs	6.9	7.4	7.0	8.3	19.5%
Cost Per Hour	$77.08	$74.37	$71.00	$69.60	-9.7%
Cost Per Passenger	$2.00	$1.94	$2.00	$1.85	-7.4%
Passengers Per Hour	38.6	38.4	35.5	37.7	-2.5%
Passengers Per Mile	5.97	6.43	6.42	5.66	-5.2%
Hours Per Employee FTE	936	1,068	1,226	1,125	20.3%

IV. OPERATIONAL FINDINGS AND RECOMMENDATIONS

LBMTL is operated by the Public Works Department of the City of Laguna Beach. Their service is comprised of two distinct services: fixed route and summery trolley service. In addition, LBMTL also provides for some charter services. In this section, we will summarize specific operational activities, recognize accomplishments, identify challenges and where appropriate recommend improvement opportunities.

A. Fixed Route Services

LBMTL provides three-route mainline bus service that operates six days a week (Monday through Saturday) throughout the entire year. It is the only municipality within Orange County that provides bus service for its residents. Local fixed route services begin on weekdays at 6:30 a.m. and continue until 6:15 p.m. Weekend service begins at 9:20 a.m. and continues until 6:15 p.m. With the exception of one morning weekday route, the system operates on one-hour headways. Fares are 75 cents for adults, 30 cents for seniors or the disabled and free for children under 7 with a paying adult. Transit passes are also available for:

- $30 pass, unlimited rides for 30 days from the date of purchase
- $15 punch pass, 20 rides with no expiration
- Free Ride to Work Pass, 50 rides, available to any person who is employed in Laguna Beach (this program is 100% subsidized by South Coast Air Quality Management District (AQMD) and provided 392 passes last fiscal year))
- Free Passes available to low-income, senior residents

During the audit period, LBMTL experienced a number of operational accomplishments within its fixed route services:

- **Significant increases is ridership and services** – LBMTL provided increases in almost every aspect of its fixed route services during the audit period including the following operating statistics in FY 2006:

    - Rides to over 94,000 passengers

- 3 bus routes using 6 buses
- Over 128,000 annual service vehicle miles
- Over 9,900 annual service vehicle hours

- **Update of its SRTP** – In 2006, LBMTL contracted with Dan Boyle and Associates to develop a comprehensive Short Range Transit Plan for its fixed route, summer trolley services and connections with Metrolink. This is the first time in over a decade that LBMTL has undertaken this type of planning document.

- **Replacement of all six fixed route vehicles** – During the audit period, LBMTL replace all six of its fixed route vehicles. Currently, LBMTL follows a replacement schedule for its vehicles every 6 to 8 years.

- **Scheduling of Operators** --LBMTL has 2 full-time transit operators for its fixed route service. In addition to these full-time employees, LBMTL also utilizes 10 to 15 part-time drivers. On any one day, LBMTL may use 4 to 6 part time drivers to ensure bus service that involves a significant amount of scheduling time. The primary benefit to LBMTL is that this heavy utilization of part-time drivers represents a significant cost savings associated with not having to contribute to heath or retirement benefits.

As demonstrated above, LBMTL had a number of positive trends in the area of its fixed route services. Our study has one findings related to the operation of its fixed route services that warrants a recommendation. In our interviews with staff, it became apparent that while LBMTL has various mechanisms to receive customer complaints, it does not formally record and track these complaints on an annual basis. This type of information is valuable to gauge customer satisfaction and identify recurrent themes of customer dissatisfaction.

Improvement Recommendation #4: LBMTL should establish a formal process for recording and tracking customer complaints on an annual basis.

B. Summer Trolley Service

LBMTL offers a summer trolley service to primarily to accommodate locals and visitors who come to the City for the Pageant of the Masters, Sawdust Festival and other local art festivals and beach activities. The service begins in late June and runs through the end of August. The four different shuttle routes operate seven days a week from 9:30 a.m. to 11:30 p.m. In 2004, LBMTL eliminated the fare structure and has since offered the trolley service for free.

In connection with this service, LBMTL operates eight owned vehicles and leases two additional vehicles for the service. Forty-five operators are recruited for this service. Recruitment primarily focuses on operators from prior years and from local school districts within Orange County. The recruitment begins in April and includes all necessary background checks, physical screenings and drug tests. Operator training begins in the middle of June and is required for each operator regardless of prior experience with the City. Operators are trained on all 5 different vehicles that may be made available for the service.

During the audit period, LBMTL experienced a number of operational accomplishments within its trolley service. The primary accomplishment has been the increase in passengers over the audit period. Since fiscal year 2003, the service has added over 100,000 passengers during the ten-week service run. Three factors are likely for this increase. First, LBMTL increased service hours by over 40% during this time. Second, in FY 2003, LBMTL eliminated the fare for the trolley service and since that time the overall growth has been significant. And finally, during the audit period, LBMTL adjust one of its key routes eliminating over a half mile of underutilized service. In addition to ridership increases, and as referenced above, LBMTL is in the process of completing a SRTP for all of its services including its summer trolley service. This study will likely include a number of operational and service recommendations that will assist LBMTL in operation this service in the future.

C. Charter Service

In addition to the foregoing regularly scheduled services, LBMTL also makes its vehicles available for charter services. Charters to private groups are provided on a rental basis from September to mid-June (4 hour minimum). In FY 2004, LBMTL sold over 425 hours of its service for a total revenue generation of $33,625. In FY 2005, LBMTL sold approximately 345 hours of service for a total revenue generation of $32,235.

D. Maintenance

LBMTL performs most routine maintenance of its vehicles in-house with larger repairs such as engine replacements being contracted out. Because it is able to obtain most parts for its buses within a short period of time from local vendors, LBMTL only maintains a small inventory of parts at its maintenance facility. As such, it is able to avoid large inventories and the resultant costs. Maintenance is especially challenging for LBMTL given the relatively sever terrain within the City. Breakdowns within the field are handled by contract service and are towed directly to LBMTL maintenance facility. Vehicle maintenance costs rose 56% over the audit period. This increase was largely the result of a significant increase in service in both fixed route and its summer trolley services, as well as increases in wages and fringe benefits. This report has no significant findings or recommendation for this function.

3.

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Records Management Assessment

Finance and Administration Committee — July 11, 2007

Present: Directors Amante, Bates, Brown, Buffa, Campbell, Cavecche, Moorlach, and Nguyen
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Direct staff to implement the recommendations made in the Records Management Assessment.

OCTA

July 11, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Records Management Assessment

Overview

The Internal Audit Department has completed a limited-scope assessment of the current state of records management within the Orange County Transportation Authority. Based on this assessment, it appears that policies, procedures, and internal controls over records management could be strengthened.

Recommendation

Direct staff to implement the recommendations made in the Records Management Assessment.

Background

Effective and efficient records management involves the systematic and orderly accumulation, storage and destruction of records, both paper and electronic, from creation through disposition. For any organization, public or private, effective records management creates organizational efficiency, limits unnecessary legal exposure, reduces storage costs, and ensures that vital records are retained as required by law.

The Orange County Transportation Authority's (OCTA) General Services Department is generally responsible for records retention at OCTA. OCTA developed the Records Management Policy (Policy) in 1995 along with records retention schedules. The Policy provides guidelines and addresses the responsibility of each individual division or department for preparing and approving records retention schedules for their department. General Services is responsible for archiving, retrieving, and destroying documents in accordance with the records retention schedules and the Policy, in addition to periodic review of the records retention schedules for appropriateness.

Records that are created or handled by staff are retained in numerous locations, including wall files, storage rooms, cubicles, and offices. Archived records are stored in several locations, including on-site storage in the basements of OCTA Headquarters and 530 South Main Street, and an off-site storage facility located near the Garden Grove Base. Additionally, microfiche documents and information system back-ups are stored off-site with contractors. A contractor is responsible for pick-up and destruction of records eligible for destruction.

Discussion

Internal Audit has conducted this assessment to identify some of the issues related to records management at OCTA. The Deputy Chief Executive Officer is in the process of convening a Records Management Task Force to address these and other issues that will surface as a result of ongoing discussions.

Our scope was limited to an assessment of the current state of records retention policies, procedures, and practices. Our procedures consisted of reviewing internal policies and procedures, researching and reviewing existing records retention requirements and guidance for governmental entities, analyzing records retention schedules developed by each OCTA department, and conducting interviews of various departmental personnel.

Internal Audit also performed a "self-assessment" that involved reviewing the department's records retention schedule for compliance with the California Government Code and other professional requirements, evaluating Internal Audit's compliance with the Policy, conducting an inventory of all department records, and interviewing all department personnel.

Internal Audit provides the following recommendations which address, in part, some of the more significant findings:

- OCTA should develop a plan for the implementation of a comprehensive program to manage records organization-wide. Policies and procedures for the systematic and orderly accumulation and storage of active records should be developed to provide a foundation upon which better records retention and destruction can be controlled.
- Employee awareness of their roles and responsibilities with regard to records management should be strengthened. A formal training program should be developed to drive greater accountability.

- OCTA should provide the technological resources necessary to allow consistent, organization-wide records retention, management, and retrieval. Electronic data and mail should be consistently classified, filed, sorted, and purged.
- The current Policy and records retention schedules should be updated to include security, third party and electronic document considerations.

Summary

Internal Audit has completed a Records Management Assessment and has made recommendations to strengthen policies, procedures, and internal controls over records management.

Attachment

A. Revised Records Management Assessment, Internal Audit Report No. 07-031

Prepared by:



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

ATTACHMENT A

OCTA

INTEROFFICE MEMO

June 25, 2007

To: Paul Taylor, Deputy Chief Executive Officer

From: Lisa Monteiro, Principal Internal Auditor
Internal Audit

Subject: **Revised Records Management Assessment, Internal Audit Report No. 07-031**

We have updated the e-mail section of the Records Management Assessment, Internal Audit Report No. 07-031. Attached hereto is the updated report.

Attachment: Records Management Assessment, Internal Audit Report No. 07-031

c: Jim Kenan
Kathleen O'Connell

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

OCTA

Records Management Assessment

INTERNAL AUDIT REPORT NO. 07-031

June 25, 2007



Audit Team

Kathleen O'Connell, Internal Audit Manager

Lisa Monteiro, Principal Internal Auditor

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Records Management Assessment
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ORANGE COUNTY TRANSPORTATION AUTHORITY
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CONCLUSION

The Internal Audit Department (Internal Audit) has completed a limited-scope assessment of the current state of records management within the Orange County Transportation Authority (OCTA or Authority). Based on this assessment, it appears that policies, procedures and internal controls over records management could be strengthened.

Internal Audit recommends that this assessment be referred to the Deputy Chief Executive Officer and the newly created *Records Management Task Force* for further consideration and for the development and implementation of a comprehensive plan to address the issues identified herein. In summary, however, we provide the following recommendations which address, in part, some of the more significant findings:

- OCTA should develop a plan for the implementation of a comprehensive program to manage records Authority-wide. Policies and procedures for the systematic and orderly accumulation and storage of active records should be developed to provide a foundation upon which better records retention and destruction can be controlled.
- Employee awareness of their roles and responsibilities with regard to records management should be strengthened. A formal training program should be developed to drive greater accountability.
- OCTA should provide the technological resources necessary to allow consistent, Authority-wide records retention and retrieval. Electronic data should be consistently classified, filed, sorted, and purged.
- The current Records Management Policy and Records Retention Schedules should be updated to include security, third party, and electronic document considerations.

Internal Audit would like to express its appreciation to management and staff for their valuable assistance to Internal Audit while performing this assessment. Their candid input should help ensure the successful implementation of process improvements which will benefit the organization in the years ahead.

PURPOSE AND SCOPE

The Internal Audit Plan for Fiscal Year 2006-07 included an operational and internal control audit of System-wide Records Retention Policies. Recognizing that planned audit hours (125) were significantly less than that required to conduct a comprehensive, full-scope audit and that management was aware of deficiencies in policies and processes for records management and is committed to timely improvement, we limited our scope to an assessment of the current state of records retention policies, procedures, and practices.

Records Management Assessment
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Our procedures consisted of the following:

- We obtained and read OCTA's Records Management Policy (Policy).
- We researched and reviewed existing records retention policies, procedures, and guidance for various governmental entities, including the *Local Government Records Management Guidelines* issued by the Secretary of State and the *Electronic Records Management Handbook* issued by the State's Department of General Services.
- We obtained, reviewed, and statistically analyzed records retention schedules developed by each department pursuant to Policy.
- We interviewed the General Services Department Records Specialist responsible for administering the Policy.
- We conducted interviews with approximately 15 department representatives throughout the OCTA.

We did NOT review or evaluate third-party contracts related to the transport, storage, security or destruction of OCTA records.

In addition to assessing Authority-wide policies and procedures, Internal Audit performed a "self-assessment" that involved the following:

- We reviewed Internal Audit's records retention schedule for compliance with the California Government Code and other professional requirements.
- We evaluated Internal Audit's compliance with the Policy.
- We conducted an inventory of all department records, including desktops, drawers and electronic records and interviewed all department personnel.

Internal Audit's assessment of records management at OCTA was significantly less in scope than an audit, the purpose of which is to opine on the adequacy of internal controls, operational efficiency or contract compliance.

BACKGROUND

Effective and efficient records management involves the systematic and orderly accumulation, storage, and destruction of records, both paper and electronic, from creation through disposition. For any organization, public or private, effective records management creates organizational efficiency, limits unnecessary legal exposure, reduces storage costs, and ensures that vital records are retained as required by law.

Concerns over efficient and effective records management have surfaced at OCTA, most notably in 2006 when the Orange County Business Council (OCBC) conducted an assessment of the effectiveness of the Measure M program. The OCBC found that the

Measure M program met or exceeded promises made to voters; however, during the course of their assessment, OCBC requested numerous documents which took considerable time and effort on the part of OCTA staff to locate and produce.

Management took note of the issue and an internal administrative Measure M Committee was created to address this and other issues identified by the OCBC. The Measure M Committee developed a document index tailored to Measure M and is seeking the assistance of the Orange County Clerk-Recorder Department in archiving historical Measure M-specific documents. But as the Authority prepares to implement the Renewed Measure M Program, it has become apparent that a more rigorous and disciplined program for records management should be put in place Authority-wide.

While the OCBC report has been a catalyst for Measure M documentation improvements, the issue of records management surfaces throughout the organization during routine staff and management activities. Executive Management has expressed some lack of confidence in the orderliness or completeness of records, and staff, to whom these "housekeeping" functions are generally delegated, express their frustrations about a lack of adequate guidance, consistency, and technological and staff resources. The Internal Audit Department heard these recurring themes during interviews with management and staff, but perceptions concerning accountability and ideas for improvement were diverse.

With the support of Executive Management and staff throughout the Authority, Internal Audit has conducted this assessment to identify some of the issues related to records management. The Deputy Chief Executive Officer is in the process of convening a *Records Management Task Force* to address these and other issues that will surface as a result of ongoing discussions. Internal Audit recognizes that the preparation and implementation of a plan to address records management at OCTA will be ongoing for many months and require great effort. Internal Audit will participate on the task force and a full scope audit will be conducted once the task force has implemented its plan.

Retention Guidance

The State Records Management Act (Act) established a mandatory state records management program for California. The State's Department of General Services administers the program and establishes records retention schedules for all state agencies. However, the Act and retention schedules do not apply to local public agencies. Until recently, there existed no local government standard retention periods for various record categories other than certain record types specifically identified in the California Government Code.

To address this situation, the 1999 Legislature added Section 12236 to the California Government Code which states, in part, that the Secretary of State will establish the

Local Government Records Program to be administered by the State Archives to establish guidelines (Guidelines) for local government retention and to provide archival support to local agencies in the state.

The Guidelines are an initial attempt to provide some standards and structure to the local government records management effort. Last updated in February 2006, they provide guiding principles, retention terminology and definitions, as well as typical retention periods for local government record types. In addition to this guidance, OCTA is subject to records retention requirements of the Code of Federal Regulations, the Federal Transit Administration, the California Occupational Safety and Health Administration, and the California Government Code.

The increased use of technology has created unique records management challenges and there is no specific guidance for local agencies. However, the State's Department of General Services has issued an *Electronic Records Management Handbook* (Handbook) which serves as a useful resource in defining information technology recordkeeping principles and methodologies. The Handbook suggests that an organization-wide approach to electronic records management starts with the development of a conceptual plan for file classification that can be supported by a records management system. This plan must then be imposed on an organization, must maintain the integrity and reliability of files, and be incorporated into the organization's strategic and disaster recovery plans.

General Services Department

The Authority's General Services Department (General Services) is generally responsible for records retention at OCTA. OCTA developed the Records Management Policy in 1995 along with records retention schedules. The Policy provides guidelines and addresses the responsibility of each individual division or department for preparing and approving records retention schedules for their department. General Services is responsible for archiving, retrieving, and destroying documents in accordance with the records retention schedules and the Policy, in addition to periodic review of the records retention schedules for appropriateness.

General Services uses the ARMS database by Advantage as its records management system. The system will be upgraded in May 2007. Documents sent to General Services for archiving are logged into ARMS by department. A periodic review is performed every two to three years by General Services and involves sending each department a copy of their records retention schedule with the request that it be reviewed and updated.

Storage

Records that are created or handled by staff are retained in numerous locations, depending on department. Documents are kept in wall files, storage rooms, cubicles, and offices. Records sent for archiving are stored in several locations, including on-site storage in the basements of the Administration Building and the Western Dental Building, and an off-site storage facility located near the Garden Grove Base. The off-site storage function was recently taken in-house by General Services which has saved the Authority $35,000 in contracting fees. Additionally, microfiche documents and information system back-ups are stored off-site with contractors.

A contractor is responsible for pick-up and destruction of records eligible for destruction.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Records Management Assessment
June 25, 2007

AUDITOR COMMENTS

Internal Audit's assessment of records management at OCTA was significantly less in scope than an audit, the purpose of which is to opine on the adequacy of internal controls, operational efficiency or contract compliance. Procedures were limited to interviews and cursory document review. As such, the following comments identify issues which will require further study, validation and action.

Policies and Procedures

The objectives of OCTA's Records Management Policy include the maintenance of documents necessary to "*conduct business and fulfill the obligations of the Authority.*" Policy objectives also include control of "*the quantity and quality of records being stored in active and inactive files at OCTA in order to facilitate easy access and retrieval of information at all levels. It will achieve this goal by establishing firm organizational guidelines, consistent filing practices and standard classification systems.*" Furthermore, the Policy specifies the establishment of a "*system for the maintenance, long term storage and destruction of Authority records.*"

With regard to the Policy, we note the following:

1. The Policy and its objectives are comprehensive; however, the means by which to achieve the objectives (i.e. controlling the quantity and quality of records and facilitating easy access and retrieval of information) should be better defined. "Firm organizational guidelines," "consistent filing practices" or a "standard classification system" do not exist Authority-wide or within any of the departments interviewed. In fact, active-file management is most often at the discretion of the employee handling the information, and desk, drawer, and electronic filing systems are generally unique to each individual. A few managers expressed concerns that these unique filing systems lead to "ownership" issues, with employees considering their active documents and files to be their own protected assets rather than assets of the organization. Employees interviewed, on the other hand, struggle with understanding who or which department is ultimately responsible for "official" records.

2. Our limited procedures indicate that employees perceive records management as little more than records retention and destruction. Those interviewed, many of whom were unaware of the Policy, focused heavily on the legal requirements related to retention. They were not comfortable they understood the legal (or other) basis for their existing retention schedules. In fact, most did not feel qualified to make a determination as to retention periods. Some did not believe that such a determination was their responsibility. One of the most significant challenges, then, to the full implementation of the Policy will be defining and enforcing the roles of all

employees for cradle-to-grave records management. Training, discipline, oversight and auditing will be necessary for full implementation of the Policy.

3. Department-level policies and procedures will be absolutely critical to the successful implementation of the Policy. We believe that department policies should incorporate such things as document classification and filing systems, "official" record definitions, use and storage of electronic documents, document security, training, inventory of records maintained by the department, and management oversight responsibilities. Department policies should also include the performance of a periodic on-site inventory validation. While it appears that a very systematic approach to archiving records exists within the Policy, the same is not true for active records. Of particular concern are the many critical documents that exist (i.e. cooperative agreements, Memorandums of Understanding, correspondence, change-order supporting documentation) within departments which have no permanent or well known location.

4. The Policy should include greater consideration of electronic documents, privacy and security. While electronic documents are discussed in the Policy relative to their nature as "duplicates" of originals and their value from a legal perspective, the Policy does not address the systematic control or destruction of those unofficial duplicates. These "duplicates" are generally not included on retention schedules. The Policy also does not include provisions for the contractual retention and security of records by OCTA third parties. This is particularly important following several recent high-profile news stories where contractors were remiss in their fiduciary duties to protect data owned by a contracting party. Contractor oversight and control is also significant to the Development Division which oversees very large projects with enormous amounts and types of records, often with third party involvement.

5. Through interviews, Internal Audit determined that there is strong Authority-wide support for better records management. Those interviewed were enthusiastic about process improvements but anxious about the time commitment involved. Most interviewed cited other "priorities" and "resources" as being major roadblocks to more effective records management. In addition, most were emphatic about needing more management and legal guidance.

Records Retention Schedules and Practices

Each department's retention schedule has record series numbers, description of documents under the series numbers, retention periods, and document mediums. When documents are sent to archive, the records transfer notices are completed by the departments and include descriptions of the documents being sent and the record series numbers. General Services logs this information into ARMS and assigns the retention period based on the records retention schedule. When documents come up

for destruction, General Services sends the department a notice and requests confirmation of the destruction.

General Services' procedures are such that the records retention schedules are followed exactly as written. However, Internal Audit determined that records retention schedules may be inaccurate to begin with, are largely out of date, and have not been reviewed and updated periodically by the departments.

In assessing the records retention schedules, we found that:

1. OCTA has 78 retention schedules. Of these:
   - 29 (67 percent) were created 3-5 years ago
   - 27 (63 percent) were created 5-7 years ago
   - 14 (33 percent) were created 8-9 years ago
   - 8 (19 percent) were created 10 or more years ago

2. Existing records retention schedules require that 33 percent of all records series be saved permanently. Of the records saved permanently, 94 percent cite "Administrative Decision," rather than legal requirements, as the reason for permanent retention. Of all "Administrative Decisions" made, 30 percent are permanent. Some interviewed believed that permanent retention of most or all records is prudent.

3. OCTA's permanent retention of 33 percent of records compares unfavorably to the Secretary of State's Guidelines which indicate that only about 19 percent of all public records require permanent retention.

4. As indicated in the Policies and Procedures comments above, most employees interviewed do not feel responsible for, or capable of, developing retention schedules and, therefore, do not validate the correctness of the destruction dates. Specific legal citations are not included on the retention schedules and it is our understanding that there has been no recent legal review of retention schedules.

5. We also found that there is great confusion about the classification of some documents as "confidential" or "sensitive". Classification of data for security purposes should also be included in departmental and Authority-wide policies and procedures.

Electronic Data

As electronic data becomes the preferred medium for official documents, the Authority should take a proactive approach to establishing appropriate treatment. Specifically, we noted the following:

1. The creation and storage of electronic files is not standardized or periodically inventoried. In addition, many electronic documents are kept on local hard drives, which are not backed up. The Information Systems Department (Information Systems) is considering eliminating personal computers and having all users connect to a central server, which would be backed up regularly. Such a system would certainly create greater control, but will also lead to new concerns over the quantity and quality of electronic data.

2. Information Systems backs up all servers every night, week, month, and year end. Year end back-ups are retained permanently using the services of a third-party contractor. However, these back-ups are not addressed in the records retention schedules. In addition, there is no indication that electronic copies of paper-based documents are destroyed in accordance with the records retention schedules and purged simultaneously. Finally, employees do not necessarily understand what is being backed up and for what time period. During our interviews, we learned that some managers maintain confidential information on their protected server space, not knowing that it will be saved permanently.

3. Ownership of electronic documents is widely viewed as the responsibility of Information Systems rather than the originating or receiving department. Interestingly, most interviewed perceived records retention as primarily a "paper-based" problem.

4. There is no Authority-wide consensus about the employment of technology-based solutions to document retention. Electronic imaging projects have been initiated in the past and present. The Human Resources Department is requesting funds for an imaging project in the fiscal year 2007-08 budget. The Accounting Department is also now imaging all accounts payable documents. The Community Transportation Services Department has expressed interest in imaging trip sheets which take up considerable space. Finally, the Customer Relations Department also sees utility in an imaging system. OCTA will need to assess these, and other, technology-based solutions to records storage and integrate these programs Authority-wide to achieve consistency and efficiency in their application.

Technology

It appears that OCTA does not have an adequate technological infrastructure to facilitate efficient electronic records storage and retrieval.

1. We noted during discussions with staff that many are frustrated with an inability to quickly locate staff reports and other documents. Search engines are not as powerful or effective as they could be. For example, we accessed Board Agendas (which are in PDF documents) on the OCTA website. We tested the May 22, 2006, Agenda Package and searched for "audit". The search resulted in no identified "instances,"

despite the fact that Internal Audit reports (including the word "audit") appeared in Agenda item numbers eight and nine.

2. Similarly, the Across-the-Board (ATB) software used for the central collection and preparation of Board agenda materials does not allow for thorough searches and the system is not as efficient as it could be. Currently, staff must retype information appearing in their staff reports as "Overview" and "Recommendation" into these two fields in ATB. In addition to being redundant, any change to the original staff report must be changed in the ATB fields, creating more inefficiency and the possibility of errors. Searches through the ATB system are limited to words or phrases included in the staff report title, overview or recommendation only. The search engine is incapable of searching the documents that are electronically attached to the agenda item. This limits the ability to retrieve documents.

3. The Development Division has very unique technological issues in that its contractors use various document control systems and those systems and related data are eventually turned over to OCTA upon project completion. This requires, then, that OCTA have the technological capabilities to access information from these proprietary systems and the Development Division is wholly reliant on staff in place during the data hand-off to retrieve that information. The unique issues concerning the Development Division may require additional and dedicated resources.

Email

During our interviews with management and staff, concerns and questions related to e-mail retention and archiving often arose.

OCTA adopted an Electronic Mail Policy (E-mail Policy) in February 2006 that, among other things, specifies that OCTA employs e-mail practices and procedures to "achieve Authority business objectives and/or meet various regulations." The E-mail Policy states that OCTA treats electronic messages as business records and, as such, "established practices and procedures for the safekeeping, retention and ultimate destruction of the business records should be followed." The policy also indicates that it is the responsibility of staff to determine if an e-mail message is covered within the scope of the record series of their department records retention schedule. Finally, according to the E-mail Policy, staff is responsible for providing appropriate storage arrangements for any messages which must be retained.

It was clear from our interviews that staff is widely unfamiliar with the E-mail Policy, is uncertain of the legal requirements for e-mail retention, and that "practices," "procedures" and "arrangements" for appropriate e-mail management have not been established. OCTA, in developing a plan to address comprehensive records

management issues, should both obtain a legal opinion on e-mail retention and consider electronic tools which might be employed in managing appropriate retention of e-mail.

Internal Audit Self Assessment

In connection with this review, Internal Audit performed a self-assessment of its own state of records management, retention, organization, and awareness. The self-assessment consisted of reviewing existing policies and procedures, conducting interviews with staff, and performing inventories and observations of working areas, department space, storage files, and the Internal Audit library. While the findings below are specific to Internal Audit, we believe that these issues are consistent with those of other departments through our interviews with others throughout the organization.

1. Internal Audit has no written policies and procedures for the security and confidentiality of data in its possession. One audit report was found that contained the social security numbers of ACCESS passengers selected for sampling during the course of an audit. There is also no clear delineation as to whether auditors or support staff are responsible for the collection and disposition of audit files. While the department has identified a records coordinator, there is no specific policy as to when those records fall into her custody and control for purposes of accountability.

2. Internal Audit has not defined what documents represent its "official" documents. Drafts, research material used in preparation for an audit, copies (electronic and paper), and other client-prepared documents collected during an audit but unbound in the audit workpapers, can remain on site indefinitely.

3. Internal Audit's retention schedule is obsolete, having last been updated in 1998. It also does not accurately define or reflect the types of documents and records the department maintains. In addition, the retention schedule does not reflect relevant legal or government code requirements and calls for document retention significantly beyond legal and industry-specific requirements.

4. Internal Audit has no inventory of on-site documents and files and our assessment shows that the department is in violation of its own records retention schedule:

    a. Some documents kept on site are more than 15 years old, far exceeding the retention schedule requirements.
    b. Documents are only archived under one of seven defined document "types" and these "types" do not accurately reflect the work product produced by the department.
    c. Some auditors keep workpaper files at their desks for longer than the on-site retention period specified in the retention schedule.
    d. Two cubicles are dedicated to documents which should be archived.

5. Electronic documents are largely maintained on each auditor's hard drives which are not backed up by Information Systems and are not archived with workpapers for destruction at the appropriate time. In addition, there are concerns that some documents, particularly those of a sensitive nature and maintained on an OCTA server, are not adequately secured.

6. Documents such as audit reports and reference material are physically duplicated and maintained by staff, which is inefficient. In addition, and not unlike what we heard from other departments during our interviews, Internal Audit maintains duplicative records of documents. Many of these documents are likely maintained in other departments or locations. For example, Internal Audit has an entire drawer full of bankruptcy documents. They are maintained because it is unknown which department should be the "official" recordkeeper.

4.

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Proposed Overall Annual Race-Neutral Disadvantaged Business Enterprise Goal for Federal Fiscal Year 2007-08

Finance and Administration Committee — July 11, 2007

Present: Directors Amante, Bates, Brown, Buffa, Campbell, Cavecche, Moorlach, and Nguyen
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Adopt the proposed federal fiscal year 2007-08 Overall Annual Race-Neutral Disadvantaged Business Enterprise participation goal of 16 percent for contracts assisted by the Federal Transit Administration, in accordance with 49 Code of Federal Regulations Part 26.

OCTA

July 11, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Proposed Overall Annual Race-Neutral Disadvantaged Business Enterprise Goal for Federal Fiscal Year 2007-08

Overview

An Overall Annual Disadvantaged Business Enterprise Goal has been developed for the Orange County Transportation Authority for contracts assisted by the Federal Transit Administration in compliance with federal regulations for federal fiscal year 2007-08. The proposed goal of 16 percent for federal fiscal year 2007-08 will be implemented utilizing strictly race-neutral measures based upon historical race-neutral disadvantaged business enterprise attainments and the United States Department of Transportation's recently issued race-neutral policy directives.

Recommendation

Adopt the proposed federal fiscal year 2007-08 Overall Annual Race-Neutral Disadvantaged Business Enterprise participation goal of 16 percent for contracts assisted by the Federal Transit Administration, in accordance with 49 Code of Federal Regulations Part 26.

Background

The Orange County Transportation Authority (Authority) is required to develop and submit an Overall Annual Disadvantaged Business Enterprise (DBE) Goal for DBE participation as a condition of receiving federal assistance, pursuant to Section 1101 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users; 49 Code of Federal Regulations (CFR) Part 26 titled "Participation by Disadvantaged Business Enterprises in U.S. Department of Transportation Programs;" and Federal Transit Administration (FTA) Master Agreement. Furthermore, it is important to note that the Authority has received a notice/guidance from the Federal Transit Administration which directed all United States Department of Transportation (DOT) recipients within the Ninth Circuit Court's jurisdiction to implement a wholly race-neutral DBE program, if

they did not have sufficient evidence readily available to satisfy the evidentiary standards established by the Ninth Circuit Court of Appeals to request a waiver from the DOT to implement a race-conscious DBE program. Pertinent aspects of the Ninth Circuit Court ruling and the notice are set forth below:

Pertinent Aspects of the Guidance (NOTICE):

If a recipient does not currently have sufficient evidence of discrimination or its effects, then the recipient would submit an all race-neutral overall DBE goal for federal fiscal year (FFY) 2007-08.

The recipient submission shall include a statement concerning the absence of adequate evidence of discrimination and its effects and a description of plans to either conduct a disparity/availability study or other appropriate evidence gathering process to determine the existence of discrimination or its effects on the recipient's marketplace. An action plan describing the study and timeline for its completion is to be included in the submission of the annual goal.

Staff will recommend to the Board of Directors that the Authority participate in the Southern California Regional Disparity Study Consortium to conduct a rigorous and valid study to determine whether there is evidence of discrimination or its effects. The Consortium will be a joint study, led by Los Angeles County Metropolitan Transportation Authority (Metro).

Furthermore, recipients are required to continue to monitor, collect, and report participation and utilization of DBEs on federally-assisted contracts. All DOT federally-assisted procurements are required to contain race-neutral DBE solicitation and contract language effective with FFY 2007, unless evidence of discrimination is validated. Recipients may no longer advertise and award contracts with DOT federal-aid funds containing race-conscious DBE goals, unless evidence of discrimination is validated.

Additionally, on May 1, 2006, the Director of the California Department of Transportation (Caltrans) issued a letter that effective May 1, 2006, Caltrans and its sub-recipients are required to implement a race-neutral DBE program to ensure compliance with the Ninth Circuit Court's decision in Western States Paving vs. Washington State Department of Transportation.

The proposed overall annual goal reflects staff's determination of the level of DBE participation based upon DBE availability, in contrast to all firms available, to propose or bid on the list of federally funded projects as identified in the Authority's Fiscal Year 2007-2008 Budget and in accordance with the requirements set forth in 49 CFR Part 26. The overall annual goal must be

submitted to the FTA by August 1, 2007.

A DBE is a for-profit, small business concern that is at least 51 percent owned and controlled by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, is one in which 51 percent of the stock is owned and controlled by one or more socially and economically disadvantaged individuals. A socially and economically disadvantaged individual is defined by the federal regulations to be a citizen or lawfully admitted permanent resident of the United States who is a Black American, Hispanic American, Native American, Asian-Pacific American, Subcontinent Asian American, a woman, or a member of any additional group that can demonstrate that he/she is socially or economically disadvantaged.

Discussion

The proposed Overall Annual Race-Neutral DBE Goal for FFY 2007-08 for the Authority's FTA-assisted contracts is 16 percent. The goal represents the relative availability of DBEs based upon evidence of ready, willing, and able DBEs, in relationship to all comparable businesses known to be available to compete for the Authority's FTA-assisted contracts. The 2003 U.S. Census County Business Patterns data, the California Unified Certification Program (CUCP) state-wide DBE database, and the Authority's bidders list were utilized to calculate and determine the relative availability of DBEs within the Authority's market area in accordance with the federally prescribed goal-setting methodology, specifically Step I, which is designed to establish the base figure of DBE availability.

Step II of the federally prescribed goal setting methodology requires that the Authority conduct a review and analysis of other known relevant evidence available to determine what additional adjustments, if any, are needed to narrowly tailor the base figure of availability. Accordingly, the Authority considered past attainments on similar type projects, bidders list data specific to the defined contracting program, and other transit agencies' DBE goals in this step of the goal-setting process.

During FY 2007-08, it is estimated that FTA-assisted funds will be available for contract awards as follows: $608,034 for Americans with Disabilities Act (ADA) Bus Stop Modifications; $95,000 for the Bicycle Pedestrian Facilities Strategic Plan; and $94,183 for bus rapid transit design. This does not include federal funds amounting to approximately $24 million dollars for transit vehicle procurements, which are exempt from goal setting. For comparison purposes, the goal for FFY 2006-07, the goal was 13 percent for two FTA-assisted contracts totaling $485,491.

The Overall Annual DBE Goal of 16 percent for FTA-assisted contracts does not include federal funds for the design services for the Garden Grove Freeway (State Route 22) Phase II project. A separate race-neutral goal of 6 percent has previously been established for Federal Highway Administration assisted projects consisting solely of this project funded with $26 million in Congestion Mitigation and Air Quality (CMAQ) funds.

In conformance with the mandatory public facilitation requirements of 49 CFR Part 26.45, this goal analysis and corresponding methodology and rationale will be reviewed with minority, women, local business chambers, and community organizations. Additionally, the Authority will publish a public notice in general circulation media, minority focused media, and trade association publications announcing the Authority's proposed overall annual goal for FFY 2007-08 contracts assisted by the FTA. This public notice will inform the public that the proposed goal and the rationale are available for inspection at the Authority's Administrative Offices during normal business hours for 30 days following the date of the public notice and that the Authority and FTA will accept comments on the goals for 45 days from the date of the public notice.

Summary

Staff recommends that the Authority's Board of Directors adopt the proposed FFY 2007-08 Overall Annual Race-Neutral DBE Goal of 16 percent for contracts assisted by the FTA in accordance with 49 CFR Part 26: Participation by Disadvantaged Business Enterprise in the Department of Transportation Programs and new race-neutral policy directives.

Attachment

None.

Prepared by:

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(714) 560-5620

Approved by:

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5.

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Status Report on the Development of Trade Corridor Improvement Fund Programming Framework Alternatives

Transportation 2020 Committee — July 16, 2007

Present: Directors Amante, Brown, Campbell, Cavecche, Dixon, and Pringle
Absent: Director Buffa

Committee Vote

This item was passed by all Committee Members present.

Director Dixon was not present to vote on this item.

Committee Recommendation

Receive and file as an information item.

OCTA

July 16, 2007

To: Transportation 2020 Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Status Report on the Development of Trade Corridor Improvement Fund Programming Framework Alternatives

Overview

The California Transportation Commission has drafted programming alternatives for the Trade Corridor Improvement Fund included in Proposition 1B. An overview is provided for Board of Directors' information.

Recommendation

Receive and file as an information item.

Background

In November 2006, voters approved over $37 billion in infrastructure bonds. As part of the bond measure, $19.9 billion was directed towards transportation infrastructure projects. The Orange County Transportation Authority (OCTA) Board of Directors (Board) adopted a plan for each funding category in Proposition 1B on May 23, 2007 (Attachment A). Specifically, as it related to the $2 billion Trade Corridor Improvement Fund (TCIF) in Proposition 1B, the Board approved a statewide allocation formula based on, among others, the following measures:

- Annual 20-foot equivalent unit (TEU) of containerized cargo
- Annual tonnage of non-containerized cargo
- Truck miles traveled
- Road and rail congestion and delay related to goods movement
- Local matching funds

Discussion

Over a period of months, California Transportation Commission (CTC) commissioners and staff have been meeting with goods movement

stakeholders throughout the state regarding the development of a proposed TCIF programming framework. This framework sets the stage for establishing the CTC's policy for implementing the TCIF program, as well as providing guidance to the state legislature on future TCIF legislation. At its last meeting with stakeholders, the CTC presented three options (Attachment B) for discussion with county transportation commissions and other stakeholders. All three options recognize the importance of geographic balance and meeting critical needs; however, the options differ in who develops and applies evaluation criteria to specific projects. The three alternatives are summarized below.

Alternative 1: Formula Driven Framework

Under this alternative, the CTC would develop funding targets that ensure "geographic balance" for trade corridors in the state. The CTC would rank and program funds based on cargo volumes such as containerized and non-containerized freight and rail, and road congestion related to goods movement. The CTC would develop statewide project selection criteria that address goods movement concerns. Regions would submit projects and the CTC would rank the projects based on performance, effectiveness, project readiness, etc.

Alternative 2: Investment Framework

Unlike Alternative 1, this alternative recommends that each region develop appropriate program objectives, investment criteria, and performance measures. The CTC would review and approve the program objectives, investment criteria, and performance measures for each corridor to ensure that they reflect an overall California goods movement strategy. Each corridor would develop an investment package to accomplish the program objectives, identify, and prioritize projects. After a consensus package of projects was developed, CTC, working with corridor agencies, would program funds in each corridor that meet the states most urgent goods movement needs and provide a reasonable geographic balance within and between the state's corridors. Projects would be evaluated and selected based on criteria specific to each corridor. Lastly, projects would need to begin construction within five years.

Alternative 3: System Activity Based Framework

This framework is based on region-identified activities that offer the greatest system benefit of achieving TCIF objectives. Each corridor would implement "demand management strategies," targeting those activities that would provide the greatest system benefits to the TCIF program objectives. Project

nominations would include a target for anticipated system benefits, total activity performance measurements, and project investment required to achieve TCIF program objectives. The CTC would rank projects based on their greatest system benefits and impact to the TCIF program alternatives. Those projects, which include activities with the greatest system benefit to the TCIF program, would be evaluated and selected. As in Alternative 2, projects must be ready for construction within five years.

On a regional level, the Southern California Consensus TCIF Working Group (working group) was formed to develop a position on the CTC's TCIF programming process. The working group presented a position paper regarding the statewide allocation of TCIF funds (Attachment C). The position paper recommends that:

- Initial targets for goods movement regions should be based on objective criteria such as relative share of statewide goods movement metrics (e.g., TEUs moved, vehicle hours of delay). This could give Southern California 75-80 percent of the total dollars.
- Regions would develop sub-regional priorities to address specific needs.
- The CTC would oversee and ensure compliance with Proposition 1B goals.

According to CTC staff, they expect to finalize a TCIF policy framework this summer, followed by criteria and guidelines in the fall, project nominations and review in the winter of 2007-2008, and program adoption in March 2008. However, it is unclear at this point when TCIF funds will be made available.

While the development of a CTC allocation framework is an important step in the process, it is clear that the legislature will have a major role in the development of funding targets, equity, and agencies' roles. For example, State Senator Alan Lowenthal (D-Long Beach) has stated that the focus of TCIF funding should be on reducing air emissions associated with containerized cargo carried by rail and not highways (Attachment D).

Issues for OCTA

While OCTA and other regional goods movement stakeholders deem grade separations as an explicit and high priority, it appears that the CTC interprets Proposition 1B legislative directives as international trade and emission reduction projects that enhance port capacity/efficiency. Grade separations do not directly increase the number of TEUs traversing a given corridor; however, grade separations mitigate the impacts of increased rail freight container traffic and should be included as a priority in the TCIF program.

In addition, the CTC is proposing a dollar-for-dollar match for TCIF funds. It is unclear at this point whether other non-Proposition 1B state funds can be used for matching purposes, and this issue must be clarified in the coming months.

These issues, among others, will be topics of discussion for the working group. Staff will update the Board regarding any developments as a result of those discussions.

Summary

The proposed Trade Corridor Improvement Fund programming framework alternatives are presented for Board of Directors review and input.

Attachments

A. Principles for Proposition 1B Implementation Legislation – Staff Report to Legislative and Government Affairs/Public Communications Committee, May 17, 2007
B. Draft Only – June 4, 2007, Proposed Trade Corridor Improvement Fund Programming Framework Alternatives
C. Draft - Southern California Consensus Position on TCIF Allocation Process – June 29, 2007
D. Memorandum from State Senator Alan Lowenthal, Chairman, California Legislature Senate Committee on Transportation and Housing regarding the Trade Corridor Improvement Fund, dated March 16, 2007

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OCTA

May 17, 2007

To: Legislative and Government Affairs/Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Principles for Proposition 1B Implementation Legislation

Overview

Proposition 1B, approved by the voters in November 2006, contained $19.9 billion for transportation infrastructure. Principles guiding the implementation of various funding categories are outlined in this report.

Recommendation

Approve a plan and approach for each funding category which achieves a fair share allocation for Orange County.

Discussion

In November 2006, the voters approved over $37 billion in infrastructure related bonds. Most notably this included $19.9 billion for transportation infrastructure projects in California. On November 13, 2006, the Orange County Transportation Authority (OCTA) Board of Directors adopted the following major principles in relation to Proposition 1B implementation:

- Support implementing legislation that increases funding directed towards Orange County projects.

- Support implementing legislation that enables faster, more efficient delivery of transportation projects in Orange County.

This report outlines several of the Proposition 1B funding categories that require legislative implementation. All of the funding categories are subject to Legislative appropriation through the budget process on an annual basis. The major Proposition 1B categories are included in Attachment A.

State-Local Partnership Program - $1 billion

The State-Local Partnership Program (SLPP) is a regeneration of the old State-Local Transportation Partnership Program (SLTPP), enacted in 1989. It is widely understood that this program was placed into the bond for similar reasons as the initial program was put in place – to reward local regions for investments made on the state's transportation system through the enactment of voter-approved local transportation funding. The majority of "self-help" counties (counties with voter-approved local sales tax measures) understood this to mean that the program applied to only those counties with local voter-approved transportation sales taxes. Bay Area agencies argue this also includes voter-approved tolls.

Five basic scenarios are being discussed in some form or another and are briefly outlined below. Regardless of the method of distribution, staff recommends the consideration of the following general principles:

- Program should be limited to those agencies with a locally imposed transportation sales tax (self-help counties) unless Orange County funding would not otherwise be affected
- Start in fiscal year (FY) 2010-2011 and run through FY 2015-2016
- $200 million distributed per year
- A minimum project cost that ensures that this program is used to fund major investments on the transportation system, such as $20-25 million
- Local funds must constitute a large percentage of the total project cost
- Contain a timely use of funds provision

Scenario 1 - Competitive

The SLPP program could be arranged similarly to the Corridor Mobility Improvement Account (CMIA) process where agencies submit projects that meet specific eligibility requirements and projects are selected by the California Transportation Commission (CTC). Several agencies are reluctant to pursue this option following the agitation surrounding the CMIA process earlier this year.

Potential Formula Disbursements

If program funding is not determined on a competitive basis, a distribution formula must be developed which considers a variety of factors, but is currently most focused on the source of matching revenues. A chart of relevant revenue sources is included for information purposes as Attachment B.
Scenario 2 - Pro-Rata Share

The pro-rata share formula would mean that every program submitted for funding to the SLPP, as it met the criteria for eligibility, would receive its percentage share of funding relative to the total amount of projects submitted. In the old program, this created a great deal of uncertainty on the part of local agencies for what they could anticipate receiving from year-to-year. State funding under this category would range from 5 percent to 30 percent depending on the quantity and value of projects submitted each year. This caused delays in project implementation when agencies received less than what was anticipated and thus had to delay projects in order to close funding gaps created by the uncertainty.

As an example of a pro-rata share creates uncertainty, we can consider a scenario in which $100 million was available in a given year under this program. If 10 agencies submit projects worth $20 million each, each agency would be given 10 percent of the funds available that year. If 20 agencies submit projects worth $20 million each, each agency would be given only five percent of the funds available that year. Since it would be difficult to guess the value and number of projects submitted from year-to-year, the amount of funding for Orange County would be very unpredictable and thus this option is not recommended.

Scenario 3 – Return-to-Source

The Metropolitan Transportation Commission (MTC) in the Bay Area has been promoting the concept of a "return-to-source" formula where the SLPP funds are redistributed back to agencies based on the percentage of revenue they generate statewide. However, they have also argued that the "voter-approved" measures should include $2 of the $4 Bay Area Bridge tolls. This would mean that approximately $258 million in bridge toll revenues would also be eligible as a match for this program.

Two formulas emerge under this proposal, a return-to-source with tolls and without tolls. Those calculations mean that Orange County's share of funds would range from $81 million (with tolls) to $88 million (without tolls). Revenues from Orange County's toll road system would not be eligible as a match as they are not "voter-approved" tolls. This option is not recommended.

Scenario 4 - North/South Split

The Southern California counties have begun to discuss a formula that could serve as a compromise to the MTC proposal. This would consider a formula that first divides the SLPP funds into a "north/south split" based on local transportation sales tax revenue generation. This would mean that the south would retain approximately 72 percent of the funds and the north would receive 28 percent of the funds. Within each region, funds would be further subdivided by means yet to be determined. One of those means could be a population share of the regional pot. This would yield $108 million for Orange County.

If a north/south split were considered that evaluated toll revenues (but not parcel taxes or other fees), the southern share would drop to 66 percent, with the north receiving 34 percent. Under this scenario, a further subdivision by population would yield $99 million for Orange County.

These two options should be considered. For information purposes, the current "north/south split" that is commonly referred to is the manner in which funds are divided under the State Transportation Improvement Program (STIP), where the north receives 40 percent and the south receives 60 percent of the funding.

Scenario 5 - Population Share

A formula based on a strict population distribution amongst counties with a local transportation sales tax would yield approximately $100 million for Orange County, as we are 10 percent of the state's self-help county population, compared to 8.5 percent of the statewide population. This option should be considered.

Senate pro Tem Don Perata (D-Oakland) has stated implementing legislation for this category is a priority item for this legislative session and the leadership seems primed to come to agreement this year.

Transit Safety, Security, and Disaster Response - $1 billion

A number of proposals regarding the distribution of funds for this account have been discussed, but no proposal has yet emerged with clear consensus. The California Transit Association (CTA) convened a working group early on to establish a baseline proposal to take to the Legislature for their consideration. That proposal, which ultimately could not gain consensus even within CTA, essentially focused on the development of a formula with 50 percent distributed by formula to all transit operators for safety, security, and disaster preparedness projects and 50 percent to high-risk/high-density areas based on

determinations made by the State Office of Emergency Services or the Federal Office of Domestic Preparedness.

Ultimately, this proposal failed to gain consensus for the same reason that the key legislation introduced by Senate and Assembly leadership looks so different. Higher risk areas, generally Los Angeles and the Bay Area, want a higher percentage of the funds based on risk. Proposals being advocated by those regions are closer to 75 percent based on risk and 25 percent by formula.

What can complicate this funding category even further is the determination of "risk" as it pertains to funding allocations. If a federal funding formula were used, funds would be distributed by region, rather than by county. Funds would come to the Los Angeles/Santa Ana region and would be distributed by mutual agreement between affected agencies, which include the Los Angeles County Metropolitan Transportation Authority (Metro), OCTA, and the Southern California Regional Rail Authority (SCRRA).

One of the complications created through the utilization of the federal formula is that it changes frequently to account for changes in world events. As threats are received in the United States or around the world, the vulnerable infrastructure item is then ranked higher in the formula and shifts funding priorities. For example, most recently when New York was receiving threats to underground transportation facilities, the formulas changed to favor agencies with such facilities. In this case, Orange County benefited because of its ties to Los Angeles in the regional calculation. On our own, this shift would have caused a loss of funding. This instability could be problematic for long-term planning.

However, if the determination of risk were to be made by the State, the answer for Orange County would be even more unclear as our State risk assessment will not be completed until the end of 2007 and not all agencies in California have been through this process. This seems like a far more difficult measure to use for this proposal since many agencies would have no ability to compete for funds until the risk assessments are completed.

For Orange County, a population share of these funds would be $85 million. The goal for this category should be a formula that provides no less than that amount of funding that also considers the following:

- Risk should be based on the federal assessment process
- Formula distributions should be focused 50 percent on formula, 50 percent on risk

If the formula were based on these principles, early estimates indicate Orange County could secure approximately $42.5 million based on population share, and would share $180 million from the risk based assessment with MTA and SCRRA, of which 69 percent is slanted toward rail improvements.

Although discussions are occurring and will continue on this category of funding, it does not yet appear that agreement will come this year. It would not be surprising to see discussion on this funding category continue into next year.

California Ports Infrastructure, Security, and Air Quality Improvement Account - $3.1 billion

Trade Corridor Improvement Fund (TCIF) - $2 billion

This category, to be allocated by the CTC, is designed to address the state's most urgent goods movements needs, provide a "reasonable geographic balance" between the state's regions, balance the demands of large and small state seaports, and place emphasis on projects that improve corridor mobility while reducing emissions.

The following statewide allocation formula is recommended to be considered:

> Allocate infrastructure funds to regions in proportion to their relative port cargo volumes for the most recent calendar year with an emphasis on the following measures:
>
> - Annual 20-foot equivalent unit (TEU) of containerized cargo
> - Annual tonnage of non-containerized cargo
> - Truck miles traveled
> - Road and rail congestion and delay related to goods movement
> - Local matching funds

Existing criteria was also articulated within the bond and includes cargo velocity, throughput, reliability, congestion reduction, projects that have supplemental funding, and projects must also have a one-to-one match. The following are additional project evaluation criteria that are also recommended to be considered:

- Annual reduction of vehicle hours of delay
- Annual reduction in train hours of delay

- Annual reduction in diesel particulate matter (PM), and other air emissions, such as sulfur oxides (SOx), nitrogen oxides (NOx) and carbon dioxide (CO_2)
- Percentage of matching funds above required match
- Project readiness
- Priority to projects that reduce cumulative environmental and public health impacts
- Priority given to projects with system wide benefit

Port Air Quality Improvement Account - $1 billion

This account is designed to reduce emissions from activities related to the movement of goods along the state's trade corridors. Specifically, the funds are intended to supplement existing funds to finance projects that reduce emissions and improve air quality in trade corridors starting at the state's seaports, airports, and land ports of entry. While these funds will be made available to the California Air Resources Board (CARB), an allocation formula of the funds for emissions reduction is not stated.

The allocation of air quality mitigation reduction funds to regions could be considered on the basis of the following measures, based on the most recent calendar year:

- Health risks/impacts on population
- Annual TEU's of containerized cargo
- Annual tonnage of non-containerized cargo
- Air quality non-attainment
- Annual number of vessel calls
- Local match

In addition, the following evaluation criteria for emissions reduction projects should also be considered for recommendation:

- Annual reduction in diesel related PM, SOx, NOx and CO_2 emissions
- Immediate and long term reductions in emissions and health risks
- Priority given to projects with system wide benefits

With respect to timing, Legislative leadership indicates that they would like to come to agreement sometime this year on this category.

Formula Funding Requiring Minor Legislation

The following two accounts are to be allocated by already determined formulas. What is to be determined by legislation is the nature of oversight for these funds (to ensure that the funds are spent in accordance with voter intent) and the timing for distribution of funds (the starting year, length of program, and distribution each year).

Local Streets and Roads Improvement, Congestion Relief and Traffic Safety Account - $2 billion

Public Transportation Modernization, Improvement, and Service Enhancement Account - $4 billion

Attachment C provides an overview of pending legislation identified as of May 10, 2007, related to Proposition 1B.

Summary

Proposition 1B, approved by the voters in November 2006, contained $19.9 billion for transportation infrastructure. Principles guiding the implementation of various funding categories are outlined in this report to ensure that Orange County receives its fair share of funding.

Attachments

A. Overview of Proposition 1B Bond Accounts
B. Voter-Approved Local Transportation Revenues in California
C. Proposition 1B The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 Pending Legislation for 2007 as of May 10, 2007

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Overview of Proposition 1B Bond Accounts

Funding Categories Requiring Extensive Legislative Implementation	
California Ports Infrastructure, Security, and Air Quality Improvement Account	$3.1 billion
State-Local Partnership Account	$1 billion
Transit System Safety, Security, and Disaster Response Account	$1 billion

Funding Categories Requiring Minor Legislative Implementation	
Public Transportation Modernization, Improvement, and Service Enhancement Account	$4 billion
Local Streets and Road Improvement, Congestion Relief, and Traffic Safety Account	$2 billion

Funding Categories Not Requiring Legislative Implementation	
Corridor Mobility Improvement Account (CMIA)	$4.5 billion
State Route 99 Corridor	$1 billion
School Bus Retrofit	$200 million
State Transportation Improvement Program (STIP) Augmentation	$2 billion
Local Bridge Seismic Retrofit Account	$125 million
Highway-Railroad Crossing Safety Account	$250 million
Highway Safety, Rehabilitation, and Preservation Account	$750 million

Attachment B to Staff Report
Principles for Proposition 1B
Implementation Legislation

Voter-Approved Local Transportation Revenues in California			
District	**Revenue***	**Population Estimate 2005 US Census**	**Percent of Self Help County Population**
North Region			
Alameda County Transportation Improvement Authority	$100,627,074	1,448,905	4.8%
BART Seismic	$72,944,666		
AC Transit Property Tax	$71,000,000		
Contra Costa Transportation Authority	$70,168,503	1,017,787	3.4%
Fresno County Transportation Authority	$52,831,064	877,584	2.9%
Madera County Transportation Authority	$6,853,320	142,788	0.5%
Marin County Transportation Authority	$20,000,000	246,960	0.8%
Sacramento Transportation Authority	$101,221,107	1,363,482	4.5%
San Francisco County Transportation Authority	$65,938,175	739,426	2.4%
San Joaquin County Transportation Authority	$43,369,873	664,116	2.2%
San Mateo County Transportation Authority	$58,335,581	699,610	2.3%
	$58,335,581		
Santa Clara County Transit District	$142,698,420	1,699,052	5.6%
Santa Clara County General Fund	$142,733,894		
Santa Cruz Metropolitan Transit District	$15,488,398	249,666	0.8%
Sonoma County Transportation Authority	$17,000,000	466,477	1.5%
Tulare County - *estimate*	$22,000,000	410,874	1.4%
Bay Area Bridge Tolls	$258,891,819		
Total	**$1,320,437,475**	**10,026,727**	**33.0%**
South Region			
Imperial County Local Transportation Authority	$9,572,290	155,823	0.5%
Los Angeles County Transportation Commission	$612,390,259	9,935,475	32.7%
Los Angeles County Transportation Commission	$612,452,593		
Orange County Transportation Authority	$245,500,537	2,988,072	9.8%
Riverside County Transportation Commission	$134,516,987	1,946,419	6.4%
San Bernardino County Transportation Authority	$128,793,344	1,963,535	6.5%
San Diego County Transportation Commission	$228,562,784	2,933,462	9.7%
Santa Barbara County Transportation Authority	$29,503,008	400,762	1.3%
Total	**$2,001,291,802**	**20,323,548**	**67.0%**
Statewide Total	**$3,321,729,278**	**30,350,275**	**100.0%**

***Data collected by the Metropolitan Transportation Commission (MTC) based on Board of Equalization data through FY 2004-2005.**

Proposition 1B
The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006
Pending Legislation for 2007 as of May 10, 2007

I. **State-Local Partnership Account:**
$1 Billion: available upon appropriation by the Legislature and subject to conditions/criteria provided by the Legislature through statute.

- **AB 1351 (Levine, D-Van Nuys):** This bill contains the same provisions as SB 872 and has been designated as a leadership bill.

- **SB 47 (Perata, D-Oakland):** This is currently still in spot bill form.

- **SB 748 (Corbett, D-Fremont and Lowenthal, D-Long Beach):** This bill would require the CTC to adopt guidelines for the State-Local Partnership Program. This bill would also require the following measures:

    1. Appropriate $200 million for the State-Local Partnership Program in each of five fiscal years beginning in the 2007-2008 fiscal year.
    2. Require transportation capital projects to cost at least $1 million with no single project receiving more than $25 million in a single funding cycle.
    3. Required local matching funds be any voter-approved local or regional tax or fee dedicated to transportation improvements.
    4. Defines a list of eligible projects which includes: improvements to the state highway system (major rehabilitation of an existing segment, projects that increase capacity, and safety or operational improvements), improvements to transit facilities that expand transit services or increase transit ridership, acquisition or rehabilitation of transit equipment, improvements to the local road system (major roadway rehabilitation and projects that increase capacity), improvement projects specifically addressing bicycle or pedestrian safety, and efforts to mitigate water quality impacts due to transportation infrastructure projects.

- **SB 872 (Ackerman, R-Irvine):** Sponsored by the Orange County Business Council, this bill would create the State-Local Partnership Program and require the following measures:

    1. Appropriate $200 million per year for five years beginning in the 2010-2011 fiscal year.
    2. The project shall not include any other state funds.
    3. Proposed projects must have a minimum cost of $25 million.

4. Matching local funds must be derived from a locally imposed sales tax for transportation and the total local share must constitute at least 50 percent of the total project cost.

II. **California Ports Infrastructure, Security, and Air Quality Improvement Account:**
$3.1 Billion: available upon appropriation of the Legislature and subject to conditions and criteria as specified by the Legislature through statute.

- **$2 Billion:** Trade Corridors Improvement Fund (TCIF); available upon appropriation in the annual Budget Bill by the Legislature and subject to conditions/criteria provided by the Legislature through statute.

    - **AB 1107 (Arambula, D-Fresno):** This bill would require the Secretary of Business, Transportation, and Housing, the Secretary of Labor and Workforce Development, and the Department of Agriculture to establish an advisory committee or use an existing advisory body, to assess and draft a report on the shipping needs and practices of small businesses and microenterprises that would be submitted to the Governor and Legislature by January 1, 2009. This bill recommends that the findings in this report be incorporated into the Goods Movement Action Plan prepared by the State Business, Transportation, and Housing Agency (BT&H) and California Environmental Protection Agency (Cal EPA).

    - **SB 9 (Lowenthal, D-Long Beach):** This bill would require projects proposed for funding under the TCIF be included in an approved regional transportation plan drafted by the appropriate regional transportation planning agency/agencies. This bill would also require the following measures:

        1. The California Transportation Commission (CTC), when allocating funds, should consider specified emissions associated with the construction and operation of the project.
        2. Local agencies applying for funds would be required to include a plan to mitigate emissions associated with the funded project.
        3. Projects would be required to be fully funded and ready for construction. Funds may only be used for construction costs.
        4. $50 million would be specifically allocated toward projects that demonstrate the potential to support the movement of freight in a manner that produces zero emissions.

- **SB 262 (Runner, R-Antelope Valley):** This bill would require the California Air Resources Board (CARB), when allocating bond funds, to consider the impact of a project on goods movement and port operations in the Southern California Region and also consider potential projects which take into account the inland port concept as a means to relieve congestion at and in the vicinity of both Ports of Los Angeles and Long Beach.

- **SB 307 (Dutton, R-Rancho Cucamonga):** This is a spot bill that addresses the intent to incorporate the Southern California National Freight Gateway Strategy into the Goods Movement Action Plan drafted by BT&H and Cal EPA.

- **$1 Billion:** CARB Port Emission Reductions; available upon appropriation by the Legislature and subject to conditions/criteria provided by the Legislature through statute.

    - **AB 575 (Arambula, D-Fresno):** This bill would require CARB to develop guidelines to allocate funds on a competitive basis to projects and measures that are shown to achieve the greatest emission reductions. This bill would also place a $15 million cap on CARB's program administration costs.

    - **AB 1209 (Karnette, D-Long Beach):** This bill contains the same provisions as AB 575.

    - **SB 19 (Lowenthal, D-Long Beach):** This bill would establish a list of projects eligible to receive funds and require CARB to ensure that applicants which receive bond funds are supplemented and matched with funds to the maximum extent possible. This bill would also require applicants to include a plan to reduce emissions associated with goods movement. The list of projects include: improvements to cargo handling equipment and harbor craft, on-shore electrical power for ocean carriers all of which operate at the state's seaports, emission improvements to heavy-duty diesel trucks and diesel switching locomotive engines, and comprehensive plans to reduce emissions associated with goods movement activity.

- **$100 Million:** Office of Emergency Services (OES); Port, Harbor, & Ferry Terminal Security Improvements; available upon appropriation by the Legislature.

- **AB 784 (Karnette, D-Long Beach):** This bill would waive the competitive bidding requirements for agencies and organizations applying for bond funds in this category.

- **AB 1202 (Richardson, D-Carson):** Key provisions of this bill would require the State Office of Homeland Security (OHS), under the supervision of OES, to consult with the California Maritime Security Council (CMSC) to develop port security grant request proposals and also require bond funds for security grants to be appropriated over a phased two-year period commencing with the 2007-2008 Budget Act.

- **SB 745 (Oropeza, D-Marina del Rey):** This bill would require OES to develop criteria for allocating bond funds based on the following factors: terrorism threat and risk, enhanced terrorism prevention measures, and improved response and recovery capabilities. This bill would also require OES to consult with the CMSC in developing criteria and bond funds would be allocated in accordance with the developed criteria.

III. **Transit System Safety, Security, and Disaster Response Account:**
$1 Billion; available upon appropriation by the Legislature and subject to conditions/criteria provided by the Legislature through statute.

- **AB 1350 (Núñez, D-Los Angeles):** This bill would require OES and Caltrans to issue a joint report to the Legislature no later than February 4, 2008 or before bond funds are allocated. This report shall address specified issues related to emergency disaster response.

- **SB 45 (Perata, D-Oakland):** This bill would establish an application process for the fund allocation for capital projects from the Transit System Safety, Security, and Disaster Response Account. This bill would also specify the categories of projects eligible for these funds and also provide allocations to OES from this account for capital expenditures that assist transit operators in developing disaster response transportation systems capable of moving goods, people, and equipment in the aftermath of a disaster.

IV. **Local Streets and Road Improvement, Congestion Relief, and Traffic Safety Account of 2006:**
$2 Billion: available upon appropriation by the Legislature according to specified formulas.

- **SB 286 (Lowenthal, D-Long Beach, and Dutton, R-Rancho Cucamonga):** Sponsored by the League of California Cities and California State Association of Counties, this bill would require bond funds designated for local street and road purposes to be allocated by the State Controller in at least two cycles that cover four years with at least one-half of each eligible local agency's total allocation amount to be made during the first cycle of payments no later than January 1, 2008. This bill would also require each city to receive at least $400,000 in the first cycle. Cities would be required to expend funds within three fiscal years from the date of allocation.

V. **Public Transportation Modernization, Improvement, and Service Enhancement Account:**
$4 Billion: available upon appropriation by the Legislature.

- **$400 Million:** allocated to Caltrans for Intercity Rail Improvements.
    - **$125 Million:** specifically allocated for procurement of additional intercity railcars and locomotives.
    - No additional Legislation is required for implementation.

- **$3.6 Billion:** Public Transportation Agencies; funds to be allocated through formulas by State Controller's Office.

    - **AB 901 (Núñez, D-Los Angeles):** Key provisions of this bill would require Caltrans to submit a report to the State Department of Finance and the Assembly and Senate Budget Committees with information indicating the total amount of verified project funding needed in the State Budget and the amount required by each sponsoring entity. AB 901 was amended on April 18 to require Caltrans, on a quarterly basis, to provide the State Controller with information on the total amount of funds requested and the total amount of each sponsoring entity's fund allocation pursuant to the formula specified in the Bond Act.

    - **SB 716 (Perata, D-Oakland):** This bill would specify the requirements for an eligible project sponsor in order to receive an allocation of funds appropriated from this account. This bill would also direct the CTC and the State Controller's Office to administer the provisions in this bill.

Other legislation related to Proposition 1B:

AB 412 (Smyth, R-Northridge): This bill would require each agency designated by Proposition 1B to allocate bond funds to establish guidelines that specify deadlines for commencing construction or implementation for each program administered under the Bond Act.

AB 620 (Portantino, D-La Cañada Flintridge): This bill would require the CTC or a regional transportation agency, to adopt guidelines and policies to ensure timely use of bond funds by requiring construction on a project to begin no later than December 31, 2012 and to conduct regular evaluations of those projects.

AB 992 (Brownley, D-Agoura Hills): This bill would require the appropriate State Regional Water Quality Board to review any plans designed to construct a new road or repair any portion of a road drafted by an agency which receives bond funds and would require the selected agency to develop guidelines that require the issuance of a clean water certificate by the regional board prior to the allocation of funds for those purposes.

AB 995 (Nava, D-Santa Barbara): Key provisions of this bill would prohibit the Budget Act from including appropriations for specific transportation improvement projects funded from Proposition 1B bonds and also prohibit the Legislature from enacting legislation to continuously appropriate Proposition 1B proceeds.

AB 1272 (Arambula, D-Fresno): This bill would require the Bureau of State Audits to conduct periodic audits on the allocation of all bond funds approved in 2006 (including Proposition 1B) to ensure the funds are awarded in a timely fashion and are consistent with bond requirements.

AB 1672 (Núñez D-Los Angeles): This bill would require the CTC to consult with the Chairs of the appropriate policy committees of the Legislature no less than 60 days prior to adopting changes to any guidelines for the expenditure of funds pursuant to Proposition 1B.

DRAFT ONLY—June 4, 2007

Proposed Trade Corridor Improvement Fund Programming Framework Alternatives

Authority and Purpose of the TCIF

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B requires that $2,000,000,000 be transferred from the California Ports Infrastructure, Security, and Air Quality Improvement Account, to the Trade Corridors Improvement Fund (TCIF), which is established under the Act. The funds in the TCIF are required to be available, upon appropriation in the annual Budget Act by the Legislature, and subject to such conditions and criteria as the Legislature may provide by statute, for allocation by the California Transportation Commission for infrastructure improvements along federally designated "Trade Corridors of National Significance" in this state or along other corridors within this state that have a high volume of freight movement, as determined by the Commission.

The purpose of a programming framework is to identify the Commission's policy and implementation expectations for the TCIF program and to provide guidance to the Legislature as it crafts legislation to direct the Commission's TCIF efforts. Ultimately, the Commission will incorporate legislative direction into guidelines that will direct Caltrans, regional agencies, and other project proponents and implementing agencies in carrying out their responsibilities under the program. The program is subject to the provisions of the Bond Act, in particular subdivision (c) (1) of Section 8879.23 of the Government Code. The programming framework alternatives presented are not intended to preclude any project nomination or any project selection that is consistent with the Bond Act. The Commission cannot anticipate all circumstances that may arise in the course of program implementation, and the Commission may find it appropriate to make exceptions to any provision in the programming framework selected or to revise or adapt its policies as issues arise in program implementation.

Background

For purposes of establishing a framework for programming the funds transferred to the TCIF, the Commission staff reviewed the Trade Infrastructure and Goods Movement Action Plan (GMAP) submitted to the Commission by the Secretary of Business, Transportation and Housing (BTH) and the Secretary for Environmental Protection (Cal-EPA). The Commission staff also consulted trade infrastructure and goods movement plans adopted by regional transportation planning agencies, adopted regional transportation plans required by state and federal law and the statewide port master plan prepared by the California Marine and Intermodal Transportation System Advisory Council (Cal-MITSAC).

Three TCIF workgroups were held to obtain feedback and develop a framework for programming the TCIF in a manner that addresses the State's most urgent needs,

balances the demands of various ports, provides reasonable geographic balance between the state's regions, and places emphasis on projects that improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions. The first TCIF Work Group meeting objectives included a review of the GMAP prepared by BTH and Cal-EPA as well as Los Angeles, San Diego and the Bay Area regional plans. The second TCIF Work Group meeting consisted of presentations focused on transportation modes and air quality concerns. The third TCIF Work Group meeting focused on formulating programming criteria and a project selection framework. Based on information obtained to date, there appears to be a consensus that objectives of the program should be a combination of mobility enhancement and emission reduction.

Proposed TCIF Programming Framework Alternatives

Considering the provisions of Proposition 1B—as well as the information reviewed and obtained from BTH, Cal-EPA, Cal-MITSAC, regional input, legislative staff, and the TCIF Work Group meetings, three programming framework alternatives have emerged, along with a general intent for programming funds, programming objectives and project selection criteria for the Commission to consider for programming from the TCIF.

Alternative 1: Formula Driven Framework

The Commission would identify the Corridors of National Significance identified in the GMAP or other corridors within the state with a high volume of freight movement for inclusion in the TCIF Program.

1) Consistent with legislative direction, the Commission would use funding targets to ensure geographical balance to program from the TCIF Account.
2) Regions would identify activities that contribute to the most significant trade corridor concerns.
3) Using the funding targets, the Commission would rank and program funds based on the degree to which activities within a corridor contribute to the state's overall trade corridor concerns. For example, funds could be allocated by port region in proportion to relative cargo volumes for the most recent calendar year as measured by a weighted index of annual TEUs of containerized cargo; annual tonnage for non-containerized, non-liquid bulk cargo and road and rail congestion related to freight goods movement.
4) Regions would submit projects that address the most significant trade corridor activities that require immediate resolution and provide long term benefit. The projects submitted must meet the TCIF program objectives and intent, be ready for construction within five years, and be included in an RTP.
5) The Commission would evaluate and select projects based on the project selection criteria. In addition to the project criteria set forth below, project criteria may also include performance and cost effectiveness measures. For example, measures such as annual reduction of vehicle hours and train hours of delay and other similar criteria may be required to identify those projects that resolve the most significant trade corridor concerns.

Alternative 2: Investment Framework

The Commission would identify the Corridors of National Significance identified in the GMAP or other corridors within the state with a high volume of freight movement for inclusion in the TCIF Program. Consistent with legislative direction, the Commission would use funding targets to ensure geographical balance to program from the TCIF Account. The Commission would establish broad statewide programming criteria and performance objectives for the TCIF Program.

Given that the most urgent trade corridor needs appear to vary greatly among regions, the regions would work individually to develop appropriate program objectives, investment criteria and performance measures for each corridor. The Commission would review and approve the program objectives, investment criteria and performance measures for each corridor and ensure that the four corridor approaches reflect an overall California goods movement strategy, like that of the GMAP and/or Cal-MITSAC.

To meet the program objectives, regions would develop an investment package to accomplish the program objectives and identify and prioritize projects. The investment package would include performance measures and committed funds for projects in RTPs that would begin construction within five years.

Once a consensus package of projects is reached among the regions, the Commission, working closely with the regional agencies within each corridor, would make investment decisions as follows:

1) Program funds in each corridor that:
   - Address the state's most urgent goods movement needs.
   - Provide reasonable geographic balance within and between the state's corridors.

2) Evaluate and select projects within each corridor based on the project selection criteria specific to each corridor.

Alternative 3: System Activity Based Framework

The Commission would identify the Corridors of National Significance identified in the GMAP or other corridors within the state with a high volume of freight movement for inclusion in the TCIF Program. Consistent with legislative direction, the Commission would use funding targets to ensure geographical balance to program from the TCIF Account.

Regions would identify activities within their corridor(s) that offer the greatest system benefits for achieving the TCIF program objectives. Specifically, regions would implement demand management strategies and target those activities that would provide the greatest system benefits to the TCIF program objectives. Using the funding targets, the Commission would program funds to those regions based on the activities that would provide the greatest system benefit to the TCIF program objectives.

Project nominations would include a target for anticipated system benefits, total activity performance measurements and project investment required to achieve the TCIF program objectives. Projects nominated must be included in an RTP and be ready for construction within five years.

The Commission would rank the projects by the greatest anticipated system benefits to be achieved and the impact to the TCIF program objectives and intent. Those projects which include activities with the greatest system benefits and impact to the TCIF program objectives and intent would then be evaluated and selected based on the selection criteria.

TCIF Program Intent

Within the framework selected, the Commission would program funds based on the four general mandates provided in the bond act. Consistent with Proposition 1B, the Commission would allocate funds for trade infrastructure improvements from the account in a manner that:

- Addresses the state's most urgent needs
- Balances the demands of various ports (between large and small ports, as well as between seaports, airports, and land ports of entry)
- Provides reasonable geographic balance between the state's regions, and
- Places emphasis on projects that improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions.

In order to build the foundation for a long-term state trade corridor infrastructure program, the Commission intends to develop a phased programming process that extends beyond the $2 billion earmarked for TCIF as set forth in Proposition 1B as follows:

Phase 1

Phase 1 would address priorities in those corridors that impact international trade, emission reduction and would be ready for construction within five years for the following:

1) Projects to enhance the capacity and efficiency of ports and contribute to reducing emissions.
2) Border access improvements that enhance goods movement between California and Mexico and that maximize the state's ability to access coordinated border infrastructure funds made available to the state by federal law.
3) Projects that enhance the flow of goods between the ports and inland distribution and production centers.

It is entirely possible that projects similar to those identified as Phase 2 projects would be funded in Phase 1, subject to regional prioritization, available funding, impact on air quality, and deliverability within five years.

Phase 2
Phase 2 would address priorities for handling intra-regional distribution of goods, mobility enhancement and emission reduction. Phase 2 would be subject to additional funding becoming available. Projects to be completed in phase 2 include:

1) Highway capacity improvements and operational improvements to more efficiently accommodate the movement of freight, particularly for ingress and egress to and from the state's seaports, including navigable inland waterways used to transport freight between seaports, land ports of entry, and airports, and to relieve traffic congestion along major trade or goods movement corridors.
2) Freight rail system improvements to enhance the ability to move goods from seaports, land ports of entry, and airports to warehousing and distribution centers throughout California, including projects that separate rail lines from highway or local road traffic, improve freight rail mobility through mountainous regions, relocate rail switching yards, and other projects that improve the efficiency and capacity of the rail freight system.
3) Truck corridor improvements, including dedicated truck facilities or truck toll facilities.
4) Surface transportation improvements to facilitate the movement of goods to and from the state's airports.

The Commission intends to utilize the TCIF funds primarily for the construction costs of fully funded projects in RTPs that would begin the construction phase within five years. The Commission may set aside $50 million to fund demonstration projects that have the potential to support the movement of freight in a manner than produces zero emissions.

Programming Objectives:
In accordance with Proposition 1B, funds would be programmed for:

(i) Highway capacity improvements and operational improvements to more efficiently accommodate the movement of freight, particularly for ingress and egress to and from the state's seaports, including navigable inland waterways used to transport freight between seaports, land ports of entry, and airports, and to relieve traffic congestion along major trade or goods movement corridors.
(ii) Freight rail system improvements to enhance the ability to move goods from seaports, land ports of entry, and airports to warehousing and distribution centers throughout California, including projects that separate rail lines from highway or local road traffic, improve freight rail mobility through mountainous regions, relocate rail switching yards, and other projects that improve the efficiency and capacity of the rail freight system.
(iii) Projects to enhance the capacity and efficiency of ports.
(iv) Truck corridor improvements, including dedicated truck facilities or truck toll facilities.

(v) Border access improvements that enhance goods movement between California and Mexico and that maximize the state's ability to access coordinated border infrastructure funds made available to the state by federal law.
(vi) Surface transportation improvements to facilitate the movement of goods to and from the state's airports.

Project Selection Criteria

Per the three work group meetings, the following project selection criteria has been suggested to be used to rate and select specific projects for allocation:

- Improvement to trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions.
- The degree to which the project increases:
    a. "Velocity," which means the speed by which large cargo would travel from the port through the distribution system.
    b. "Throughput," which means the volume of cargo that would move from the port through the distribution system.
    c. "Reliability," which means a reasonably consistent and predictable amount of time for cargo to travel from one point to another on any given day or at any given time in California.
    d. "Congestion reduction," which means the reduction in recurrent daily hours of delay to be achieved.
- Leveraging of bond funds by encouraging non-state contributions to the project.
- Projects that demonstrate local cooperation among more than one local government or agency.
- Except for border access improvement projects, committed supplemental funding for the project would be at least equal to the amount of bond funds requested. The Commission may give priority for funding to projects with higher levels of committed supplemental funding.
- Support and commitment that the project is fully funded. All supplemental financial commitments from appropriate local, federal or private sources must be stable, reliable, and available within the proposed project timetable.
- The total cost of the infrastructure improvement project must include the cost of required project-specific mitigation and the total cost must be funded as the cost of the project.
- Consideration of specified emissions associated with the construction and operation of a project.
- Green Construction Equipment - Construction of the project should be with green construction equipment to the extent feasible and be cost effective.
- Uses new technologies, including intelligent transportation systems that enhance the efficiency of the project.
- Reduces or improves air quality and addresses community impacts. The proponent of the infrastructure improvement project, either alone or with a third party, must fund air particulate matter monitoring and monitoring for relevant toxic air pollutants to be implemented by the local or Regional Air District.

- Assurance that a Community Advisory Committee is in place for an infrastructure improvement project that is in a Regional Transportation Plan (RTP) and has not gone through the environmental review process. Likewise, for a new project to obtain funding, when it reaches the project EIR/EIS stage, it must have a Community Advisory Committee similar to that in the I-710 process.
- Performance measures are in place for monitoring, reporting and measuring performance and the degree to which projects are achieving the goals and objectives of the project.

DRAFT
Southern California Consensus Position on TCIF Allocation Process
June 29, 2007

*[Note: Items in **BOLD** font reflect agreed upon changes since the last version.]*

Preamble

The staffs of several transportation agencies in Southern California have reached a consensus on a recommended process for allocating $2 billion in state General Obligation bonds from the Trade Corridors Improvement Fund (TCIF). This is part of $19.925 billion available through Proposition 1B, which was approved by California voters on November 7, 2006. The following agencies have participated in this discussion.

- Port of Los Angeles (POLA)
- Port of Long Beach (POLB)
- Alameda Corridor Transportation Authority (ACTA)
- Alameda Corridor-East Construction Authority (ACECA)
- Riverside County Transportation Commission (RCTC)
- San Bernardino Associated Governments (SANBAG)
- Orange County Transportation Authority (OCTA)
- Los Angeles County Metropolitan Transportation Authority (METRO)

The governing Boards of these agencies have not yet acted on the consensus position.

Consensus Position

1) There should be an initial allocation of the $2 billion among the four different regions (called "corridors" in the state Goods Movement Action Plan) based on a weighted average of each region's share of goods movement activity or impact. Suggested measures include:

- Annual waterborne containerized cargo in TEUs
- Annual waterborne non-containerized, non-liquid bulk cargo in tons
- Congested (LOS E/F) lane miles ***on state highways***
- Heavy duty truck miles of travel
- Freight train miles/day ***(including Class I and short line railroads)***
- Vehicle hours of delay per day (VHDD) at railroad grade crossings
- Percent of population exposed to DPM/NOx health risk

For each measure, the share that each region bears to the total for the four regions would be calculated. The shares would then be weighted to develop an overall weighted average share that would be applied to the $2 billion available from the TCIF. This allocation would yield a guaranteed minimum for each of the four regions. This process would ensure geographical nexus and equity, based on objective measurable criteria, in the programming of TCIF funds.

2) Projects would be nominated for funding from a system plan developed by the regional stakeholders based on regionally determined criteria consistent with Proposition 1B. Project priorities and phasing would be determined by the regional stakeholders, and the amount of TCIF recommended for award to each project would be negotiated. Once the candidate list is approved by the ***regional stakeholders***, the list would be forwarded to the California Transportation Commission (CTC) for programming. Projects would have to ~~be construction-ready within five years and~~ provide a minimum of 1:1 non-***Prop 1B bond*** match. ***Construction-related[1] expenditures made after November 7, 2006 shall be credited toward the non-Prop 1B bond match.***

3) With respect to project eligibility and selection and the ultimate programming of funds, regions (and the CTC) should not deviate from the six types of goods movement projects approved by the voters in Proposition 1B. The types of projects are clearly identified in Proposition 1B and repeated under the "Programming Objectives" section on pages 5 and 6 of CTC's June 4th draft on Programming Framework Alternatives. As approved by the voters, the TCIF was never intended for all types of goods movement projects. The six types of projects specifically approved by the voters are listed below:

(i) Highway capacity improvements and operational improvements to more efficiently accommodate the movement of freight, particularly for ingress and egress to and from the state's seaports, including navigable inland waterways used to transport freight between seaports, land ports of entry, and airports, and to relieve traffic congestion along major trade or goods movement corridors.
(ii) Freight rail system improvements to enhance the ability to move goods from seaports, land ports of entry, and airports to warehousing and distribution centers throughout California, including projects that separate rail lines from highway or local road traffic, improve freight rail mobility through mountainous regions, relocate rail switching yards, and other projects that improve the efficiency and capacity of the rail freight system.
(iii) Projects to enhance the capacity and efficiency of ports.
(iv) Truck corridor improvements, including dedicated truck facilities or truck toll facilities.
(v) Border access improvements that enhance goods movement between California and Mexico and that maximize the state's ability to access coordinated border infrastructure funds made available to the state by federal law.
(vi) Surface transportation improvements to facilitate the movement of goods to and from the state's airports.

4) CTC staff and Senator Lowenthal's office are considering splitting the program into two phases. It is the consensus position of the above-mentioned Southern California agencies that there is no point in separating the ***allocations*** into two phases. It is clear that there will be more than enough candidate projects for the $2 billion fund

[1] Construction-related expenditures include: ROW acquisition, utility relocation, site remediation, project mitigation, ~~and~~ construction, and construction management.

5) It has been suggested that the legislature mandate the creation of a Joint Powers Authority for the Southern California regional stakeholders who authored this position paper. It is the consensus of these regional stakeholders that such a mandate is unnecessary given the cooperative approach that now exists to Trade Corridor issues. Furthermore, should it become necessary to form a JPA at a later time, the regional stakeholders believe that existing law already permits it.

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MEMORANDUM

TO: California Transportation Committee Trade Corridor Improvement Fund work group participants

FROM: Alan Lowenthal, Chair, Senate Transportation and Housing Committee

DATE: March 16, 2007

SUBJECT: Trade Corridor Improvement Fund (TCIF)

I appreciate being invited to participate in CTC's work group meetings to establish guidelines for the TCIF. While I cannot attend, I have asked Jennifer Gress on my staff to distribute this statement, which describes some general principles concerning my vision for the TCIF. I am authoring SB 9 to set conditions and criteria for the allocation of funds under this program and it is my hope that SB 9 and CTC's work to establish guidelines will work in tandem.

Before I discuss the TCIF, I want to underscore a statement I made during the California Transportation Foundation's luncheon on Wednesday. I am disappointed in how decisions were made regarding the selection of projects for the Corridor Mobility Improvement Account (CMIA). I am particularly troubled by CTC's resolution suggesting that money from the TCIF would be used to fund some of the projects originally recommended for CMIA funding. These two programs have different emphases and the projects for one program will not necessarily meet the objectives of the other.

My vision for TCIF is focused on reducing the emissions associated with containerized cargo moving from ports of entry to distribution centers in our state and beyond. Ideally, a project selected for TCIF funding would reduce emissions associated with goods movement in a region, but at a minimum, there should be no net increase of emissions as a result of the project.

Goods movement activity is responsible for approximately 30 percent of NOx emissions and 75% of diesel PM emissions statewide, contributing to 2400 premature deaths annually and a host of other health problems including cancer, respiratory illness, and heart disease.

(over please)

The ports and goods movement are a critical component of California's economy and trade is expected to grow dramatically in the next decade. We simply cannot grow unless we get a handle on the environmental and public health impacts of goods movement. Port regions are out of attainment and local communities will not allow infrastructure projects to go forward without some guarantee that their quality of life will improve.

What does reducing emissions mean when it comes to project selection? It means a focus on rail. It means new technology and, most importantly, it means making sure that we incorporate an emissions factor into the project selection criteria and that it is a substantial factor. It also means that for those needed projects that expand capacity and inevitably increase emissions, a sponsoring agency must develop a plan to mitigate those impacts and demonstrate that it has dedicated the funding to do so.

Part of our task is identifying the appropriate measures to achieve the goals of funding the most needed projects while also reducing emissions. As I move forward in incorporating this vision into SB 9, I hope you and the CTC will join me in developing a project selection process that makes sense and is implementable.

If you have any questions or would like to discuss TCIF, please do not hesitate to contact me or Jennifer Gress (jennifer.gress@sen.ca.gov) on my staff.

6.

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: 2006 State Transportation Improvement Program Update

Regional Planning and Highways Committee — July 16, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor Pringle, and Rosen
Absent: Director Norby

Committee Vote

This item was passed by all Committee Members present.

Director Pringle was not present to vote on this matter.

Committee Recommendations

A. Adopt the California Transportation Commission approved 2006 State Transportation Improvement Program augmentation.

B. Authorize the Orange County Transportation Authority to assume responsibility as lead agency for the Placentia Transit Station.

C. Amend the Orange County Transportation Authority's Fiscal Year 2007-08 Budget to include the approved Orange County Transportation Authority led State Transportation Improvement Program projects.

D. Authorize staff to amend the Federal Transportation Improvement Program and execute any necessary agreements to facilitate the adopted State Transportation Improvement Program.

OCTA

July 16, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: 2006 State Transportation Improvement Program Update

Overview

The Orange County Transportation Authority Board of Directors adopted the 2006 State Transportation Improvement Program augmentation in March 2007. The California Transportation Commission then officially adopted the State Transportation Improvement Program on June 7, 2007. Staff is providing an update of the adopted program and requesting approval to amend the Orange County Transportation Authority's Fiscal Year 2007-08 Budget to include the new projects.

Recommendations

A. Adopt the California Transportation Commission approved 2006 State Transportation Improvement Program augmentation.

B. Authorize the Orange County Transportation Authority to assume responsibility as lead agency for the Placentia Transit Station.

C. Amend the Orange County Transportation Authority's Fiscal Year 2007-08 Budget to include the approved Orange County Transportation Authority led State Transportation Improvement Program projects.

D. Authorize staff to amend the Federal Transportation Improvement Program and execute any necessary agreements to facilitate the adopted State Transportation Improvement Program.

Background

The State Transportation Improvement Program (STIP) is a major source of funding for transportation improvements throughout the State of California. Revenues from federal and state sources are consolidated into the STIP.

The Orange County Transportation Authority (OCTA) is responsible for programming those funds for the County.

In November 2006, California voters passed Proposition 1B, which included $2 billion in funds to augment the 2006 STIP. When combined with existing program revenues, Orange County was anticipated to receive up to $191 million.

Discussion

In March 2007, the Board of Directors (Board) adopted the nominations for the 2006 STIP augmentation for Orange County. OCTA's STIP proposal included $155.7 million in new projects or supplemental phases to existing projects and $26 million (net) to augment existing projects. New projects included four new capacity projects and the construction phase of the Placentia Transit Station. The complete $181.7 million proposal list is shown in Attachment A.

The California Transportation Commission (CTC) officially adopted the 2006 STIP augmentation on June 7, 2007. Orange County was successful in programming $171.2 million in new STIP funds to augment existing projects and fund new projects in the County. New projects approved in the STIP include the following:

- Riverside Freeway (State Route 91) widening from the Costa Mesa Freeway (State Route 55) to Gypsum Canyon Road
- Improvements to the Santa Ana Freeway (Interstate 5)/Ortega Highway (State Route 74) interchange
- Widening of State Route 74 (SR-74) from Calle Entradero to Antonio Parkway
- State Route 55 auxiliary lanes from Dyer Road to MacArthur Boulevard
- Construction phase of the Placentia Transit Station

However, due to constraints on both transit and highway funding, two transit projects were delayed from the requested year, and the construction phase of the Interstate 5 (I-5) and SR-74 interchange improvement project was not funded. There may be an opportunity to advance the two transit projects, Fullerton and Tustin Station Parking Expansion, in the next STIP cycle, which would ultimately mean no delay to the original request. Staff will pursue this option as part of the next STIP development. Staff also recognizes that the SR-74 interchange is a key project for Orange County and the design and right-of-way phase have funding to keep this project on schedule. Staff has worked with CTC staff to ensure that this project is of the highest priority for consideration for funding in the 2008 STIP. Staff will also continue to seek

additional funding opportunities for this project. A complete summary of the approved 2006 STIP augmentation is included in Attachment B.

Placentia Transit Station Project

Included in Orange County's 2006 STIP augmentation proposal was a request for $16.6 million to fund the construction phase of the Placentia Transit Station project. The CTC agreed to honor the current programming, $2.5 million for the design phase and approve the $16.6 million for the construction phase, contingent on OCTA assuming lead agency responsibility for the project.

This contingent approval was based on the state's assessment of the City of Placentia's capabilities to manage the complexities of this type of project. The Chief Executive Officer previously briefed the Board on this request in a memo dated May 17, 2007 (Attachment C). The City of Placentia also concurred with the change (Attachment D). This is consistent with previous Board action, where OCTA is also the lead for the Tustin Transit Station Parking Expansion project as well as the pre-design and design phase of most of the freeway projects.

Also included in Orange County's 2006 STIP augmentation submittal was a request for $26 million (net) to augment exiting STIP projects. While reviewing the final submittal with both the California Department of Transportation and CTC staff, three projects were further refined to address right-of-way cost issues on two and an additional cost decrease to one. This resulted in a net increase of $2.3 million in the requested amount for augmenting existing projects. Staff has worked with CTC to find funding capacity for the changes. The specific project and respective changes include:

- I-5 at Camino Capistrano interchange improvement - $231,000 increase
- I-5 at Oso Parkway southbound off-ramp storage lane - $2.551 million increase
- San Diego Freeway (Interstate 405) auxiliary lane from Magnolia Avenue to Beach Boulevard - $438,000 decrease

Fiscal Impact

Due to the uncertainty of the STIP funds, the OCTA-led projects were not included in OCTA's Fiscal Year 2007-08 Budget. Now that the STIP is approved, staff recommends amending the budget to include the OCTA-led projects. Staff recommends the Board authorize an amendment to Expense Account 1752-7519-A4468-GHR for the Tustin Rail Station Parking Expansion project and Account 1752-7519-A4472-HH1 for the Placentia

Transit Station project by $600,000 and $2.5 million, respectively. The budget does currently include $500,000 for the Tustin Rail Station Parking Expansion project that was part of the original 2006 STIP. The additional $600,000 will bring the total for this project to $1.1 million.

Summary

On June 7, 2007, the CTC adopted the 2006 STIP augmentation. OCTA was successful in programming $171.2 million for new and existing projects in Orange County. An update on the approved STIP and a request to assume lead agency responsibility for the Placentia Transit Station project is being presented for Board approval.

Attachments

A. Proposed Augmented 2006 STIP ($1,000's)
B. Adopted 2006 STIP Augmentation ($1,000's)
C. Memorandum to the Members of the Board of Directors on the Rail Station in Placentia (dated May 17, 2007)
D. Concurrence Letter from the City of Placentia (dated May 16, 2007)

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Proposed Augmented 2006 STIP
($1,000's)

				Project Totals by Fiscal Year							Project Totals by Component					
Agency	Rte	Project	Total	Prior	06-07	07-08	08-09	09-10	10-11	11-12	R/W	Const	E & P	PS&E	R/W Sup	Con Sup
Caltrans	5	Camino Capistrano interchange improvements	18,048	185	-	2,316	-	15,547	-	-	169	13,447	185	1,850	297	2,100
Caltrans	5	Culver Drive southbound off-ramp widening (04S-26)	3,206	349	-	2,857	-	-	-	-	15	2,307	17	292	25	550
OCTA	loc	Rt 5 San Clemente El Camino Real soundwall (S/O)	4,498	-	-	736	3,762	-	-	-	25	3,074	-	646	65	688
OCTA	loc	Rt 5 San Clemente Avenida Vaquero soundwall (S/O)	3,196	-	-	650	2,546	-	-	-	10	1,958	-	620	20	588
OCTA	loc	Rt 5 Oso Parkway SB off-ramp, storage lane (04S-26)	27,603	2,120	-	1,326	24,157	-	-	-	676	20,985	306	1,814	650	3,172
Caltrans	5	Jamboree SB off ramp and auxiliary lane	8,533	-	-	435	989	-	7,109	-	16	6,150	435	917	56	959
Caltrans	405	Magnolia Av-Beach Bl, aux lane	11,617	2,470	-	9,147	-	-	-	-	20	7,815	650	1,750	50	1,332
Fullerton	loc	Fullerton Transportation Center Parking (RTIP)	32,469	-	-	3,250	29,219	-	-	-	3,250	29,219	-	-	-	-
SCRRA	rail	Orange Metrolink ped overcrossing (increase)	5,000	-	5,000	-	-	-	-	-	-	5,000	-	-	-	-
OCTA	bus	Bus rapid transit, rolling stock, infrastructure, feeders	125,000	-	-	8,310	116,690	-	-	-	-	116,690	-	8,310	-	-
OCTA	rail	Orange County Metrolink maintenance facility study	4,000	-	-	-	4,000	-	-	-	-	-	4,000	-	-	-
OCTA	rail	Irvine Transportation Center parking expansion	20,000	-	20,000	-	-	-	-	-	-	20,000	-	-	-	-
OCTA	rail	Tustin Rail Station parking expansion	10,600	-	-	1,100	9,500	-	-	-	-	9,500	-	1,100	-	-
Irvine	loc	Jeffrey Road Grade Separation	24,000	-	24,000	-	-	-	-	-	-	24,000	-	-	-	-
Placentia	rail	Placentia Rail Station[2&3]	19,100	-	2,500	-	-	16,600	-	-	-	16,600	-	2,500	-	-
Caltrans	5	I-5 at SR-74 Interchange Improvements[1&3]	52,500	-	-	-	37,725	-	-	14,775	32,400	8,514		2,325	3,000	6,261
Caltrans	74	Widen, Calle Entradero to Antonio Parkway[3]	10,000	-	-	-	10,000	-	-	-	-	10,000	-	-	-	-
Caltrans	91	Widen, SR-55 to Gypsum[3]	74,000	-	-	13,813	3,510	-	-	56,677	3,087	47,800	4,763	9,050	423	8,877
Caltrans	55	Southbound auxiliary lanes from Dyer to MacArthur[3]	2,619	-	-	586	-	2,033	-	-	4	1,662	166	412	4	371
		TOTAL	455,989	5,124	51,500	44,526	242,098	34,180	7,109	71,452	39,672	344,721	10,522	31,586	4,590	24,898

1. Total project cost is $75 M; Local Funds County of Orange
2. Project includes $2.5M of previously approved funds for PS&E and new funds of $16.6 for construction
3. Indicates new programming as part of the augmentation totaling $155.7 M, exclusive of $2.5 M of prior programming for Placentia Station

ATTACHMENT A

Adopted 2006 STIP Augmentation
($1,000's)

				Project Totals by Fiscal Year						Project Totals by Component					
Agency	Rte	Project	Total	Prior	06-07	07-08	08-09	09-10	10-11	R/W	Const	E & P	PS&E	R/W Sup	Con Sup
Caltrans	5	Camino Capistrano interchange improvements	18,279	185	-	2,547	-	15,547	-	400	13,447	185	1,850	297	2,100
Caltrans	5	Culver Drive southbound off-ramp widening (04S-26)	3,206	324	-	2,882	-	-	-	15	2,307	17	292	25	550
OCTA/Caltr	loc	Rt 5 San Clemente El Camino Real soundwall (S/O)	4,498	-	-	736	3,762	-	-	25	3,074	-	646	65	688
OCTA/Caltr	loc	Rt 5 San Clemente Avenida Vaquero soundwall (S/O)	3,196	-	-	650	2,546	-	-	10	1,958	-	620	20	588
Caltrans	loc	Rt 5 Oso Parkway SB off-ramp, storage lane (04S-26)	30,154	2,796	-	3,201	24,157	-	-	3,227	20,985	306	1,814	650	3,172
Caltrans	5	Jamboree SB off ramp and auxiliary lane	8,533	-	-	435	989	-	7,109	16	6,150	435	917	56	959
Caltrans	405	Magnolia Av-Beach Bl, aux lane	11,179	2,470	-	8,709	-	-	-	20	7,377	650	1,750	50	1,332
Fullerton	loc	Fullerton Transportation Center Parking (RTIP)	32,469	-	-	3,250	-	29,219	-	3,250	29,219	-	-	-	-
SCRRA	rail	Orange Metrolink ped overcrossing (increase)	5,000	-	5,000	-	-	-	-	-	5,000	-	-	-	-
OCTA	bus	Bus rapid transit, rolling stock, infrastructure, feeders	125,000	-	-	8,310	116,690	-	-	-	116,690	-	8,310	-	-
OCTA	rail	Orange County Metrolink maintenance facility study	4,000	-	-	-	4,000	-	-	-	-	4,000	-	-	-
OCTA	rail	Irvine Transportation Center parking expansion	20,000	-	20,000	-	-	-	-	-	20,000	-	-	-	-
OCTA	rail	Tustin Rail Station parking expansion	10,600	-	-	1,100	-	9,500	-	-	9,500	-	1,100	-	-
Irvine	loc	Jeffrey Road Grade Separation	24,000	-	24,000	-	-	-	-	-	24,000	-	-	-	-
OCTA	rail	Placentia Rail Station[2]	19,100	-	2,500	-	-	16,600	-	-	16,600	-	2,500	-	-
Caltrans	5	I-5 at SR-74 Interchange Improvements[1]	39,881	-	-	-	39,881	-	-	32,008	-	-	4,873	3,000	-
County of O	74	Widen, Calle Entradero to Antonio Parkway	10,000	-	-	-	10,000	-	-	-	10,000	-	-	-	-
Caltrans	91	Widen, SR-55 to Gypsum	74,000	-	-	13,813	3,510	-	56,677	3,087	47,800	4,763	9,050	423	8,877
Caltrans	55	Southbound auxiliary lanes from Dyer to MacArthur	2,619	-	-	586	-	2,033	-	4	1,662	166	412	4	371
		TOTAL	445,714	5,775	51,500	46,219	205,535	72,899	63,786	42,062	335,769	10,522	34,134	4,590	18,637

1. Total project cost is $75 M; Local Funds County of Orange
2. Project includes $2.5M of previously approved funds for PS&E and new funds of $16.6 for construction

ATTACHMENT B

ATTACHMENT C

OCTA

MEMO

May 17, 2007

To: Members of the Board of Directors

From: Arthur T. Leahy, Chief Executive Officer

Subject: **Rail Station in Placentia**

Earlier this year the Orange County Transportation Authority (OCTA) requested state funding for the design and construction of a new rail station in Placentia. As a pre-condition for receipt of the funds, Caltrans has asked OCTA to assume the lead agency role for the project.

Caltrans' request is based on the State's assessment of Placentia's capabilities to manage the complexities of this type of project. Given that OCTA is committed to the project, direct oversight of the project will allow for better management for the project budget and schedule. Placentia is aware of the Caltrans request and concurs with OCTA being the lead for the design phase. A letter from the City of Placentia to OCTA is being prepared.

Accordingly, staff has informed Caltrans that OCTA can take on this responsibility contingent on approval by the Board. Staff will bring this matter to the Board as part of the next update on the State Transportation Funding Plan.

ATL:km

c: Executive Staff

ATTACHMENT D

The People are the City

Mayor
CONSTANCE UNDERHILL

City Administrator
ROBERT C. DOMINGUEZ

Councilmembers:
JOSEPH V. AGUIRRE
SCOTT P. BRADY
RUSSELL J. RICE
GREG SOWARDS

401 East Chapman Avenue - Placentia, California 92870

May 16, 2007

Ms. Luisa Easter
Rail and Transit Coordinator
Transportation Planning Branch
Caltrans, District 12
3337 Michaelson Drive, Suite 380
Irvine, CA 92612-8894

Dear Ms. Easter:

The City of Placentia has requested the California Transportation Commission (CTC) allocate $2,500,000 of FY 2006-07 STIP-RIP (PTA) funds for the project specifications and engineering phase of the Placentia Transit Station project (PPNO 9514). This allocation is included in the June 2007 CTC agenda.

At this point, the City of Placentia is the lead agency for the Placentia Station Project. However, should the necessity arise, the City is willing at anytime to allow the Orange County Transportation Agency (OCTA) to assume lead agency status for the Placentia Station Project. The City and OCTA are working cooperatively to increase Orange County's transportation needs and are eager to begin the next phases of project development.

Should you have any questions please do not hesitate to call Michael McConaha Senior Administrative Analyst at (714) 993-8245.

Sincerely,

Robert Dominguez
City Administrator
City of Placentia

C Jennifer Bergener, OCTA

Recycled Paper

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Garden Grove Freeway (State Route 22) Design-Build Project Update

Regional Planning and Highways Committee — July 16, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor Pringle, and Rosen
Absent: Director Norby

Committee Vote

This item was passed by all Committee Members present.

Directors Cavecche and Pringle were not present to vote on this matter.

Committee Recommendation

Request staff to return to the Regional Planning and Highways Committee on August 6, 2007, with an update on the contractor's efforts to complete all work required for the Project Completion milestone.

OCTA

July 16, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Garden Grove Freeway (State Route 22) Design-Build Project Update

Overview

On September 22, 2004, the Orange County Transportation Authority Board of Directors began construction on 12 miles of the Garden Grove Freeway (State Route 22) from Valley View Street east to the Costa Mesa Freeway (State Route 55) interchange. The project is progressing towards the next project milestone scheduled for July 29, 2007. A project update on ongoing construction activities is presented for the Board of Directors review.

Recommendation

Request staff to return to the Regional Planning and Highways Committee on August 6, 2007, with an update on the contractor's efforts to complete all work required for the Project Completion milestone.

Background

On August 23, 2004, the Orange County Transportation Authority (Authority) Board of Directors (Board) awarded a design-build contract to the joint venture of Granite-Meyers-Rados (GMR). The contract for improvements of 12 miles of the Garden Grove Freeway (State Route 22) from Valley View Street to the Costa Mesa Freeway (State Route 55) interchange 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 change order 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

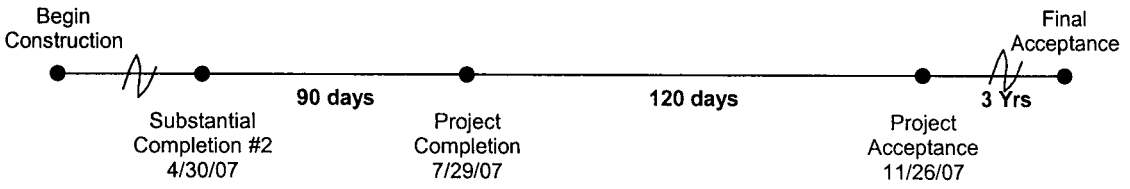
cities' request at The City Drive in Orange, Garden Grove Boulevard at Fairview Street, and Magnolia Street in the City of Garden Grove. Those three streets are required to be open by July 29, 2007.

Discussion

Construction Status

On April 30, 2007, all lanes along the mainline freeway, including ramps, freeway connectors, and the required local city streets were fully open to traffic. This project milestone is designated as Project Completion No. 2. Two of three added local streets required to be fully open to traffic by July 29, 2007, were completed early. Magnolia Street and The City Drive were open on April 30 and June 11, 2007, respectively. Overall, the GMR design-build contract is currently 95 percent complete.

After the Substantial Completion No. 2 milestone, there are two other major milestones that closely follow: Project Completion and Project Acceptance. Project Completion occurs 90 days after Substantial Completion No. 2 and Project Acceptance another 120 days after that. Final acceptance occurs following a three-year plant establishment period. A summary of the project completion milestones is given in Attachment A. In addition, a graphical timeline of the major project milestones is shown below:



Ongoing construction work that has been continuing since April 30, 2007, includes median and shoulder improvements, signage, soundwalls, electrical work, curb and gutters, sidewalks, aesthetic improvements, landscaping, punchlist work, major project demobilization, and clean-up.

At this time, it does not appear that GMR will meet all requirements of the Project Completion milestone of July 29, 2007. Our project management consultant, Parsons Transportation Group, Inc., (Parsons), is forecasting that some of the seismic retrofit work, ramp meters, fencing, lighting, hardscaping, pump station work, and some local street work at Garden Grove Boulevard and The City Drive will not be completed by the milestone date. The design-build contract does not have any direct financial penalties against the contractor for missing the Project

Completion date. Although, release of 25 percent of their retention amount is contingent on completing the Project Completion milestone.

Staff will work closely with GMR and Parsons to develop a recovery schedule to accelerate the completion of the remaining work under the Project Completion milestone to minimize any impacts to the traveling public. This work will be coordinated with the remaining punchlist and landscaping work to bring all field work to an end by the Project Acceptance date of November 26, 2007.

Staff will return to the Regional Planning and Highways Committee on August 6, 2007, with an update on GMR's efforts to accelerate completion of the work under the Project Completion milestone.

Construction Contingency

One of the major considerations of a design-build project is proper risk allocation. In a traditional design-bid-build project, the owner bears the risk that the project will not perform according to the project plans and specifications. Design-build shifts risk from the owner to the contractor because the contractor warrants that the project will meet certain established criteria. If the performance is not adequate, the contractor will be liable for the cost to repair. The design-builder also bears significantly greater risk than in traditional contracting with respect to differing site conditions, worker safety, plan inconsistencies, inaccurate or missing quantities, and delays in obtaining permits.

To provide the best value to the Authority, not all risk was transferred to the contractor. Some of those risk items include steel escalation, asphalt escalation, sharing of utility-caused delays to the work, and owner-directed changes. Before the project was bid, a construction contingency was estimated and established for risk elements accepted by the Authority and minor changes in the project scope. The contingency budget was set at $16,050,000, approximately 4 percent of the contract value.

A Change Order Forecast Log depicting the total executed changes to date, the forecasted potential changes, the total expended project contingency, and the forecasted contingency balance upon Project Completion is shown in Attachment B. The executed contingency-funded change orders to date is $6,689,396, which is 42 percent of the original $16,050,000. The remaining project contingency balance is $9,360,604.

The original contract amount with GMR was $390,379,000. To date out-of-scope changes, in the amount of $49,294,481, have been executed, as well as the $6,689,396 of contingency-funded changes, bringing the current contract value to $446,135,473. The final construction contract value is forecasted to be approximately $454 million.

The construction cost is currently forecasted to be under the current approved construction budget of $458,700,645.

Collector/Distributor Road Operations

A collector/distributor (CD) road is designed to optimize the capacity of the mainline lanes by providing separate weaving lanes to accommodate closely spaced ramps. Modern highway design has interchange spacing at approximately one mile intervals. In the area of the CD road along State Route 22 (SR-22) at the Santa Ana Freeway (Interstate 5), there are two on ramps and three off ramps in less than one mile.

The design of the SR-22 project went through an exhaustive environmental process during which many build alternatives were reviewed by the public, local agencies, and transportation officials. Possible build alternatives included direct high-occupancy vehicle (HOV) connector ramps from the SR-22 to Interstate 5 (I-5), as well as a new arterial roadway along the Pacific Electric (PE) Railway right-of-way connecting the SR-22 to downtown Santa Ana. The improvements that were incorporated in the final SR-22 design were determined to be the environmentally preferred option because it lessened impacts to residential and non-residential properties and the local economy. The alternative chosen through an environmental review process is dubbed "the least environmentally damaging practicable build alternative."

The CD road constructed at the I-5 interchange is basically the same configuration that was envisioned in all the build alternatives. Some non-standard features, which were identified during the environmental process remain in the final project design, including interchange spacing deficiencies at the I-5 interchange. The close spacing of on and off ramps in this region of the SR-22 are the cause of the continuing weaving problems and resulting congestion.

As requested by the Board, staff has been working with California Department of Transportation (Caltrans) to review the operation of the CD road and review any possible modifications. The options being explored include the following:

Option 1	Close the Bristol Street and/or The City Drive on ramp(s)
Option 2	Remove the concrete barrier
Option 3	Move the concrete barrier to the north allowing for an additional lane on the CD road
Option 4	Adjust ramp metering, striping, and signage

Authority staff has developed and conducted micro simulations on the first three alternatives. These simulations are currently being reviewed with Caltrans traffic operations staff. The Authority also looked into the preliminary construction feasibility of implementing the first three options and determined all to be constructible.

Option 4 has been implemented to some extent, with installation of the ramp meters. As part of project acceptance scheduled for late November 2007, GMR is required to complete commissioning of the Intelligent Traffic System. This system will provide greater control of the traffic flow by Caltrans traffic operations.

The next step will be for Caltrans to develop additional feasibility studies addressing traffic impacts, implementation schedules, construction costs, and possible required mitigations. This process may include preparing a supplemental Project Study Report/Project Report evaluating all the alternatives, updating the traffic data and technical reports, and perhaps most impactful, amending the approved environmental document. This effort will be pursued as a follow-on project to the present SR-22 design-build project.

Authority staff will continue to work with Caltrans in further developing the CD road options and report back to the Board within 45 days, including presentation of the completed micro-simulations.

Summary

The Authority continues to advance the largest project in the State of California to be constructed on an active freeway using the innovative design-build delivery method. Staff will return to the Board with an update on the efforts to complete the work under the Project Completion milestone and with future quarterly project updates.

Attachments

A. Garden Grove Freeway (SR-22) HOV Lane Design-Build Project - Project Completion Milestones, July 2007
B. Garden Grove Freeway (SR-22) HOV Lane Design-Build Project - Change Order Log, July 1, 2007

Prepared by:

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

Approved by:

Kia Mortazavi
Executive Director, Development
(714) 560-5741

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project

PROJECT COMPLETION MILESTONES
July 2007

1) Substantial Completion No. 1: November 30, 2006

Work completed to allow all the mainline lanes east of Magnolia Street to be open to traffic.

2) Substantial Completion No. 2: April 30, 2007

Work completed to allow the mainline lanes west of Magnolia Street and all local streets to be open to traffic in the permanent configuration. The exceptions will be the three change orders streets at The City Drive, Garden Grove Boulevard near Fairview Street, and Magnolia Street.

Work items remaining after Substantial Completion No. 2:

- Change order streets
- Change order soundwalls (Beach Boulevard E/B on ramp, The City Drive E/B off-ramp, W/B at Cambridge Street)
- Change order for rubberized asphalt along mainline
- Sign structures
- Median barrier
- K-rail along some shoulder and median areas
- City street repair, including sidewalk/curb and gutter repair
- Intelligent Transportation System (ITS)
- Permanent mainline lane striping
- Mainline grinding (pavement smoothing)
- Bridge seismic retrofit and curtain walls (closure walls)
- Construction de-mobilization
- Landscaping, hardscape, and slope paving
- Punchlist items

There project will have some k-rail, construction signs, cones, traffic delineators, and short term lane closures occurring during evening and daytime non-peak hours.

Garden Grove Freeway (SR-22) HOV Lane Design-Build Project

PROJECT COMPLETION MILESTONES
July 2007

3) Project Completion: July 29, 2007

Follows Substantial Completion No. 2 by 90 days

- All construction work complete
- Change order streets complete at The City Drive, Garden Grove Boulevard near Fairview Street, and Magnolia Street
- Local street repair work complete
- ITS system installed
- K-rail and long term construction signs removed from project
- Contractor largely demobilized from project except punchlist work and landscaping

The project will have temporary construction signs, cones, traffic delineators, and short term lane closures occurring during evening and daytime non-peak hours.

Work items remaining after Project Completion:

- Landscaping, including concrete slope paving under the bridges.
- Final punchlist work. Work may include street repaving, sidewalk, and curb and gutter repair and Caltrans Safety Review Committee revisions. Off peak and nighttime closures will continue.

4) Project Acceptance: November 26, 2007

Follows Project Completion by 120 days

- Landscaping installed
- Final project punchlist complete
- Rubberized asphalt complete along mainline
- ITS system commissioning
- Local Agency and Caltrans Acceptance
- One-year project warranty begins
- Three-year landscape warranty begins

5) Final Acceptance: November 26, 2010

After three-year plant establishment period (warranty)

Garden Grove Freeway (SR-22) HOV Lane
Design-Build Project

CHANGE ORDER LOG
July 1, 2007

Approved Contingency = $16,050,000

CCO Number	Description	Scope Change	CCO Amount	Added Days	Funding Source				CCO Status	Board Status		Comments
					In-Scope (Contingency Funded)		Scope Additions					
					Actual	Actual and Forecasted	Other	Measure M		Board Status	Date	
1	Contract defined extra maintenance work. $1,000,000 budgeted in project contingency for this anticipated, but unquantifiable work.		$ 145,000	0	$ 145,000	$ 145,000	$ -	$ -	Executed	N/A		Budgeted in project contingency for this anticipated, but unquantifiable work.
2	Contract defined extra maintenance work. $1,000,000 budgeted in project contingency for this anticipated, but unquantifiable work.		$ 855,000	0	$ 855,000	$ 855,000	$ -	$ -	Executed	Approved	4/11/05	Budgeted in project contingency for this anticipated, but unquantifiable work.
3	Addition of enhanced project aesthetics including soundwall pilasters and landscaping removed during the Best and Final Offer (BAFO) process. (See Note #1).	✓	$ 5,000,000	0			$ 5,000,000	$ -	Executed	Approved	5/9/05	Board added $5M of landscaping removed during the BAFO process.
4	GMR to perform civil portion of SCE (Southern California Edison) SCE work near Yockey Street. SCE could not meet project schedule. Payments to GMR will be withheld from SCE.		$ 21,500	0	$ 21,500	$ 21,500	$ -	$ -	Executed	N/A		Work to be performed by utility company on time-and-materials basis. Work transferred to GMR to facilitate project schedule.
5	GMR to perform civil portion of SCE work near Lewis Channel. SCE could not meet project schedule. Payments to GMR will be withheld from SCE.		$ 27,784	0	$ 27,784	$ 27,784	$ -	$ -	Executed	N/A		Work to be performed by utility company on time-and-materials basis. Work transferred to GMR to facilitate project schedule.
6	Civil design work for SCE utility relocation at Dunklee Street.		$ 143,098	0	$ 143,098	$ 143,098	$ -	$ -	Executed	N/A		Work to be performed by utility company on time-and-materials basis. Work transferred to GMR to facilitate project schedule.
7	Civil design work for SBC utility relocation at Dunklee Street.		$ 50,093	0	$ 50,093	$ 50,093	$ -	$ -	Executed	N/A		Work to be performed by utility company on time-and-materials basis. Work transferred to GMR to facilitate project schedule.
8	Deductive Change Order for Caltrans provided ITS equipment. (See Note #2).		$ (1,181,512)	0	$ (1,181,512)	$ (1,181,512)	$ -	$ -	Executed	N/A		Caltrans to provide hardware. Caltrans cost estimated to be $750k. Net savings to project of approximately $400k.
9	Removal and placement of 66" storm sewer pipe adjacent to the County of Orange Animal shelter. (See Note #3).		$ 1,197,462	0	$ 1,197,462	$ 1,197,462		$ -	Executed	Approved	8/22/05	Unknown 66" storm drain line owned by County of Orange. Cost to be shared with County (approx 50% reimbursement).
10	Full Replacement of Magnolia Street bridge. Funding to be provided by Garden Grove 2005 TEA funds. (See Note #4).	✓	$ 5,307,424	151	$ -	$ -	$ 5,307,424	$ -	Executed	Approved	4/10/06	Garden Grove requested full reconstruction of Magnolia bridge. Federally funded. Revised CCO approved on 2/12/07
11	2004 Caltrans Design Standard Changes	✓	$ 4,388,910	0	$ -	$ -	$ -	$ 4,388,910	Executed	Approved	4/10/06	
12	Revisions to The City Drive under SR-22	✓	$ 1,047,767	0	$ -	$ -	$ 200,000	$ 847,767	Executed	Approved	4/10/06	Widening of The City Drive under the SR-22 required to facilitate turning movements onto realigned Metropolitan Drive.
13	Relocation of Wall 163 due to reconfiguration of ramp.	✓	$ 234,115	0	$ -	$ -	$ -	$ 234,115	Executed	Approved	12/5/05	Additional wall height reduced R/W take at AmerisourceBergen property.
14	Third Lane on Tustin Avenue	✓	$ 146,890	0	$ -	$ -	$ 146,890	$ -	Executed	Approved	4/10/06	City of Orange requested addition. CTFP funded
15	Additional right turn lane at Town and Country	✓	$ 213,114	0	$ -	$ -	$ -	$ 213,114	Executed	Approved	4/10/06	Modifications reqruied to add third lane at new signalized intersection.
16	Changes at Metropolitan Drive	✓	$ 1,200,222	0	$ -	$ -	$ -	$ 1,200,222	Executed	Approved	4/10/06	Modifications to freeway ramps to facilitate 4th leg construction and wall required to reduce R/W take.

ATTACHMENT B

Garden Grove Freeway (SR-22) HOV Lane
Design-Build Project

CHANGE ORDER LOG
July 1, 2007

Approved Contingency = $16,050,000

CCO Number	Description	Scope Change	CCO Amount	Added Days	Funding Source				CCO Status	Board Status		Comments
					In-Scope (Contingency Funded)		Scope Additions					
					Actual	Actual and Forecasted	Other	Measure M		Board Status	Date	
17	Additional EB through lane at Garden Grove Blvd.	✓	$ 572,286	0	$ -	$ -	$ 572,286	$ -	Executed	Approved	4/10/06	City of Garden Grove requested betterment.
18	Documentation of existing route design exceptions		$ -	0	$ -	$ -	$ -	$ -	Deleted			Caltrans required documentation and approval of existing desgin conditions along freeway. Incorporated into CCO #11
19	Thunderbird Sanitary Relocation		$ 650,000	0	$ -	$ 650,000	$ -	$ -	On Hold			Unknown sanitary line conflict. Awaiting GMR final plan submittal and cost estimate
20	Americans with Disabilities (ADA) ramp reconstruction at ramps		$ 125,000	0	$ -	$ 125,000	$ -	$ -	Disputed			Caltrans may require additional ADA ramp improvements at intersections adjacent to impacted areas.
21	Rubberized asphalt concrete (AC) along freeway (Euclid - Magnolia)	✓	$ 2,500,000	0	$ -	$ -	$ -	$ 2,500,000	Executed	Approved	4/10/06	Board directed scope change
22	Safety barrier in lieu of metal rail	✓	$ 142,441	0	$ -	$ -	$ -	$ 142,441	Executed	Approved	4/10/06	Board directed scope change
23	Miscellaneous Soundwall and retaining additions	✓	$ 2,500,000	0	$ -	$ -	$ -	$ 2,500,000	Executed	Approved	4/10/06	Misc. soundwalls added along the corridor. Some walls qualify as future retrofit candidates - more economical to construct now.
24	Front End Processor for Caltrans	✓	$ 299,602	0	$ -	$ -	$ -	$ 299,602	Executed	Approved	4/10/06	Caltrans required upgrade to ITS system
25	Steel Escalation		$ 5,500,000	0	$ -	$ 5,500,000	$ -	$ -	Disputed			Steel escalation clause added in contract to eliminate cost escalation in bid. Start date to begin excalation calcs disputed.
26	AC price adjustment		$ 1,000,000	0	$ -	$ 1,000,000	$ -	$ -	Disputed			AC price escalation clause added in contract to eliminate cost escalation in bid. Start date to begin excalation calcs disputed.
27	Training / Apprenticeship		$ 95,328	0	$ 95,328	$ 95,328	$ -	$ -	Executed			Contract requirement to reimburse contractor apprenticeship training expenses
28	Shoulder width adjustment (2.4m to 3.0m)	✓	$ 1,734,439	0	$ -	$ -	$ -	$ 1,734,439	Executed	Approved	4/10/06	Caltrans required change to shoulder width created more asphalt and taller retaining walls
29	High-Occupancy Vehicle (HOV) Demonstration project	✓	$ -	0	$ -	$ -	$ -	$ -	Place Holder			Implementation of HOV demonstration project.
30	Weather: Santa Ana river impacts		$ 252,670	0	$ 252,670	$ 252,670	$ -	$ -	Executed	Approved	6/26/06	Winter rains of 2004 caused water relaeases in upstream dams into dry season. Cost is for clean-up and dewatering.
31	Weather: Additional Storm Water Pollution Prevention Plan effort		$ 300,000	0	$ 300,000	$ 300,000	$ -	$ -	Executed	Approved	6/26/06	Winter rains of 2004 created additional repair and replacement of storm water preventenion items over and above reasonable and customary.
32	Utility schedule impacts and work arounds		$ 4,491,515	0	$ 4,491,515	$ 4,491,515	$ -	$ -	Executed	Approved	6/26/06	Time impact to critical path of 14 days SCE delay for Trask Ave. Cost also accounts for additional GMR incurred costs for utilty work arounds.
33	Conn 3 (Horseshoe)	✓	$ 1,261,420	0	$ -	$ -	$ -	$ 1,261,420	Executed	Approved	4/10/06	Caltrans and FHWA required replacement of the bridge connecting E/B SR-22 to N/B SR-57 in lieu of widening.

Garden Grove Freeway (SR-22) HOV Lane
Design-Build Project

CHANGE ORDER LOG
July 1, 2007

Approved Contingency = $16,050,000

CCO Number	Description	Scope Change	CCO Amount	Added Days	Funding Source				CCO Status	Board Status		Comments
					In-Scope (Contingency Funded)		Scope Additions					
					Actual	Actual and Forecasted	Other	Measure M		Board Status	Date	
34	Seismic Design Change Requirements	✓	$ 22,745,851	0				$ 22,745,851	Executed	Approved	4/10/06	
35	No Cost Settlement of Outstanding Project Issues through April 10, 2006		$ -	0	$ -	$ -	$ -	$ -	Executed	N/A		Resolution of project related cost and schedule through the Board date of April 10, 2006.
36	Added thru lane for future 4th leg at Metropolitan Dr.		$ 64,054	0	$ 64,054	$ 64,054	$ -	$ -	Executed	N/A		Additional road widening to accommodate "4th leg" at Metropolitan. Most of work accounted for in CCO #16.
37	ITS Battery back up system. Item no longer provided by Caltrans.		$ 55,718	0	$ 55,718	$ 55,718			Pending	N/A		This was initially provided as a credit under CCO #8, but Caltrans no longer provides battery packs due to short shelf life.
38	Caltans required safety upgrade at traffic signals		$ 26,686	0	$ 26,686	$ 26,686			Pending	N/A		
39	Contract defined extra maintenance work anticipated, but unquantifiable work (graffitit removal, etc).		$ 145,000	0	$ 145,000	$ 145,000			Pending	N/A		Estimate to complete this item. Work paid on a time and materials basis
	Totals =		**$ 63,258,877**	**151**	**$ 6,689,396**	**$ 13,964,396**	**$ 11,226,600**	**$ 38,067,881**				
			A		B	C	D	E				

Approved Project Contingency =	$ 16,050,000	(Original Board Approved Const. Contingency)
Forecasted Total Contingency Changes =	$ 13,365,665	(Column "C" less 50% County reimbursement for CCO #9)
Forecasted Contingency Balance =	$ 2,684,335	-16.72%
Approved Additional Budget for Scope Additions =	$ 50,871,645	(Board Approved on April 10, 2006)
Forecasted Additional Budget Expended =	$ 49,294,481	(Total Columns "D" + "E")
Net change =	$ 1,577,164	-3.10%
Initial Contract Value =	$ 390,379,000	
Total Executed CCO's To-Date =	$ 55,756,473	
Current Contract Value =	$ 446,135,473	
Forecasted Final Contract =	$ 453,637,877	(Initial Contract + "A")

Note: Values in column "A" are final CCO amounts if "CCO Status" is listed as "Executed". If CCO is not executed the number is an estimated value.

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 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 — July 16, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor, Pringle, and Rosen
Absent: Director Norby

Committee Vote

This item was passed by all Committee Members present.

Directors Cavecche and Mansoor were not present to vote on this matter.

Committee Recommendation

Approve amendment to the Master Plan of Arterial Highways to delete the proposed Avenida Talega extension, east of Camino Tierra Grande.

OCTA

July 16, 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 San Clemente has requested an amendment to the Master Plan of Arterial Highways to delete the proposed extension of Avenida Talega, which was intended to serve planned development that has since been reallocated in the Ranch Plan.

Recommendation

Approve amendment to the Master Plan of Arterial Highways to delete the proposed Avenida Talega extension, east of Camino Tierra Grande.

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) and 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.

This report covers a specific amendment request from the City of San Clemente (Attachment A). Overall, there are currently 12 proposed amendments to the MPAH. The requests are 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.

Discussion

OCTA staff has reviewed and discussed the City of San Clemente's request to amend the MPAH to delete the proposed Avenida Talega extension, east of Camino Tierra Grande (Attachment C).

In May 2001, the City of San Clemente requested deletion of Avenida Talega from the MPAH. At that time, OCTA requested that further action wait until the circulation plan for the Rancho Mission Viejo (RMV) development was finalized. The finalized RMV land use plan has been revised to reduce the level of proposed development south of Ortega Highway (State Route 74) and eliminate any development that would access Avenida Talega. Therefore, the need for an extension of Avenida Talega (named Souse Road in the unincorporated area), east of Camino Tierra Grande has been eliminated. As the far east section of Avenida Talega (Souse Road) is within the County of Orange's jurisdiction, the City of San Clemente has obtained a concurrence letter from the County for the proposed deletion. This letter is also included as part of Attachment A.

A traffic analysis has indicated that the deletion of this proposed facility would not have an adverse impact on regional circulation, and staff recommends deletion of this proposed facility from the MPAH.

Summary

The City of San Clemente has requested an amendment of the MPAH to delete the proposed Avenida Talega extension east of Camino Tierra Grande. OCTA and the City of San Clemente 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. June 7, 2007, Letter from City of San Clemente – Avenida Talega MPAH Deletion Request
B. Summary of Currently Active MPAH Amendment Requests
C. Map of Proposed Avenida Talega MPAH Amendment

Prepared by:

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

Approved by:

Kia Mortazavi
Executive Director, Development
(714) 560-5741

ATTACHMENT A

City of San Clemente
Engineering Division
M. Akram Hindiyeh, Principal Civil Engineer
Phone: (949) 361-6127 Fax: (949) 361-8316
HindiyehA@San-Clemente.org

June 7, 2007

Wendy Garcia
Senior Transportation Analyst
Orange County Transportation Authority
550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584

Subject: Avenida Talega MPAH Deletion

Dear Wendy,

This is a follow-up to our discussions regarding Avenida Talega. On May 21, 2001, the City of San Clemente has requested OCTA to delete a portion of Avenida Talega from the Master Plan of Arterial Highways (MPAH). A copy of the original letter is attached.

This is a request to reinitiate the deletion process of Avenida Talega east of Camino Tierra Grande. According to the Ranch Plan traffic study, the projected daily traffic on this roadway is approximately 1,000 vehicles per day in year 2025. The deletion of this section of Avenida Talega would have no impact on the County's or City circulation. The County of Orange is in support of the City's request. Attached is a letter of support from Mr. Harry Persuad.

Thank you for your cooperation and support, in order to expedite the MPAH amendment process. If you have any questions, please feel free to contact me at (949)361-6127.

Sincerely,

M. Akram Hindiyeh
Principal Civil Engineer

C: David N. Lund, Public Works & Economic Development Director

Attachments

i:\engineering\staff\hindiyeha\talega mpah deletion octa.doc

City of San Clemente
Community Development Department

May 21, 2001

Glen Campbell
Senior Transportation Analyst
Orange County Transportation Authority
550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584

SUBJECT: Proposed Amendment of the Master Plan of Arterial Highways
Deletion of Avenida Talega

Dear Mr. Campbell:

This is a request by the City of San Clemente for the removal of Avenida Talega from the Master Plan of Arterial Highways (MPAH). The road alignment extends from Avenida Vista Hermosa, northeasterly beyond the City limits and is shown on both the San Clemente General Plan and the MPAH. Avenida Talega is presently partially built, providing access to portions of the Talega development. Eliminating Avenida Talega from the MPAH allows -- but does not commit -- the City to consider changes in the road's design as part of future actions in the Talega Specific Plan.

City staff has reviewed traffic studies prepared for the Talega Specific Plan Amendment concerning this issue and has determined that under most conceivable scenarios, projected volumes do not warrant the road being reflected on regional circulation system. However, the City is fully aware that it cannot unilaterally amend its General Plan in this instance without OCTA approval. Rather than possibly deferring this matter until after adoption of the Specific Plan and needing to hold implementation of design changes in abeyance, the City seeks concurrence from OCTA to simply remove the link from the MPAH based on its lack of necessity as a regional link.

Background and Justification: Presently, Avenida Talega is shown on the City General Plan as a secondary arterial road, consisting of four lanes, undivided, in an

80-foot right-of-way. An amendment for the Talega Specific Plan is currently in process with the City. Part of the amendment includes revising Avenida Talega as an internal loop road. A possible northeasterly extension is included to accommodate a two-lane local collector from the eastern edge of the loop road to the edge of Talega property. The extension would not be constructed by the Talega development but could be permitted in the future.

As part of environmental review, the applicant has prepared and City staff has reviewed, traffic studies specifically analyzing the impacts of terminating Avenida Talega within the City limits. The analysis incorporated potential development within the Rancho Mission Viejo property (RMV) easterly of San Clemente, including 2,666 dwelling units in five traffic analysis zones. It was assumed these units would take access to arterial highways including Avenida Talega, Avenida Pico and/or Ortega Highway through local connections. These land use assumptions and two circulation scenarios (with Avenida Talega extending eastward and without) were evaluated per the San Clemente Traffic Model. The model predicted a volume of 3,000 daily trips. With the exception of need for minor restriping at one intersection, the study found no significant difference level of service (LOS) with or without Avenida Talega. Given this analysis, staff believes that Avenida Talega is not warranted as a component of MPAH.

Delivered with this letter request is a copy of the transportation studies described above. We look forward to your review of our proposal and to meeting with interested and affected parties.

Sincerely,

James Holloway
Community Development Director
City of San Clemente

ATTACHMENT

COUNTY OF ORANGE

RESOURCES & DEVELOPMENT MANAGEMENT DEPARTMENT

Bryan Speegle, Director
300 N. Flower Street
Santa Ana, CA

P.O. Box 4048
Santa Ana, CA 92702-4048

Telephone: (714) 834-2300
Fax: (714) 834-5188

May 15, 2007

Glenn Campbell
Principal Transportation Analyst
Orange County Transportation Authority
550 Main Street,
Orange, CA.

SUBJECT: AVENIDA TALEGA MPAH DELETION

Dear Mr. Campbell:

This letter is in response to a request from the City of San Clemente for County' s support of its request to delete Avenida Talega, between Camino Tierra Grande, and the eastern City limits from the Master Plan of Arterial Highways (MPAH).

The County supports the City' s request. However, the County would encourage the City to maintain a local roadway connection and right-of-way along this route to serve future public safety and emergency access needs, in light of the adjacent open space/conservation area within the County' s jurisdiction. Please do not hesitate to call me at 714-834-52872 with any questions.

Sincerely

Harry Persaud

Harry Persaud, Manager
RDMD/Subdivision and Infrastructure Services.

cc: Bryan Speegle, Director, RDMD
Tim Neely, Director, PDS
Ignacio Ochoa, Assistant Director, RDMD
Akram Hindiyeh, City of San Clemente

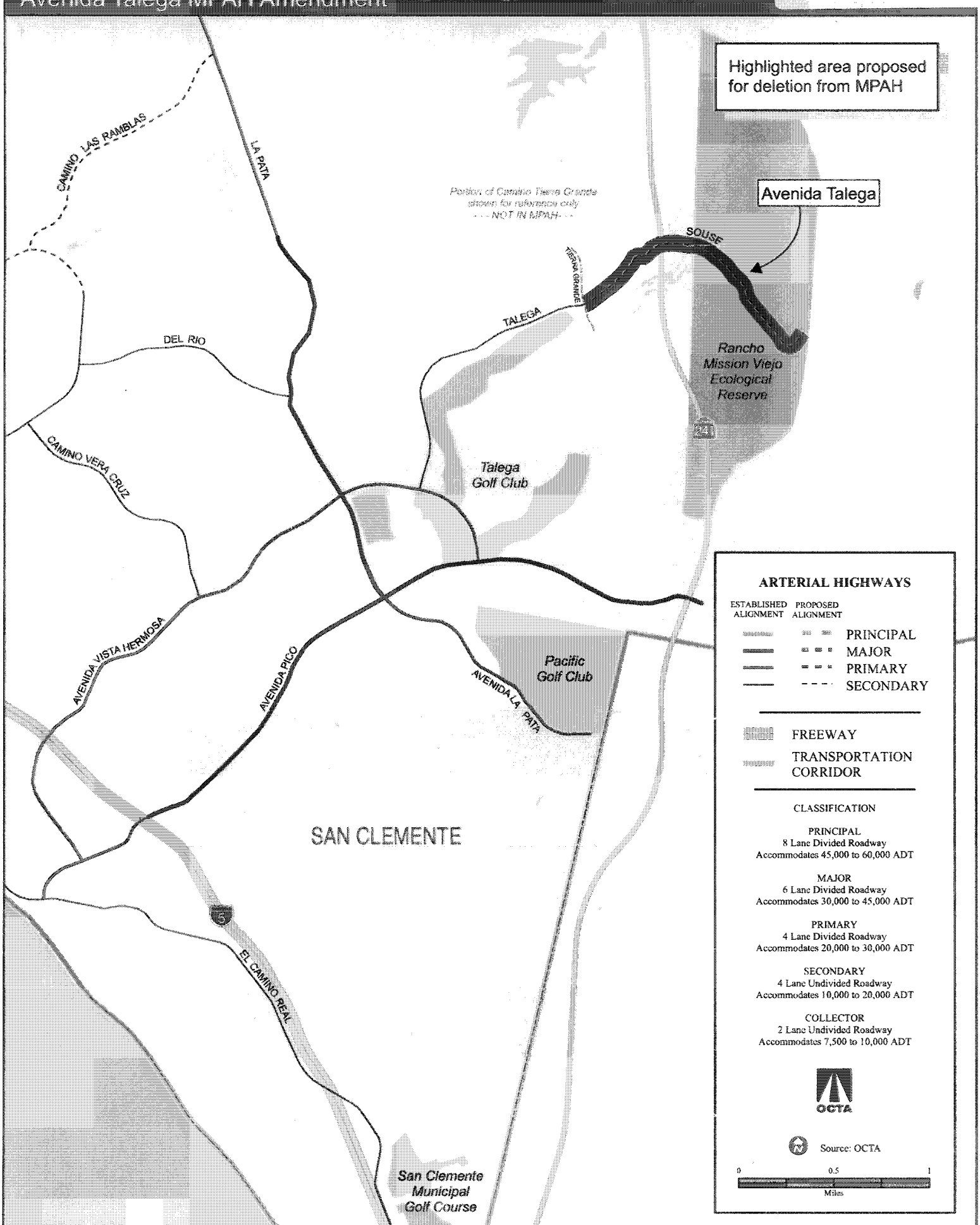
ATTACHMENT B

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 affected cities (Costa Mesa, Huntington Beach, and Newport Beach).
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.
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.

Map of Proposed Avenida Talega MPAH Amendment

ATTACHMENT C



June 5, 2007

Portions of this map copyrighted by Thomas Bros. Maps and reproduced with permission.

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OCTA

July 23, 2007

To: Members of the Board of Directors

From: Arthur T. Leahy, Chief Executive Officer

Subject: Second Quarter 2007 Debt and Investment Report

Overview

The California Government Code requires that the Orange County Transportation Authority Treasurer submit a quarterly investment report detailing the Orange County Transportation Authority's investment activity for the period. This investment report covers the second quarter of 2007, April through June, and includes a discussion on the Orange County Transportation Authority's debt portfolio.

Recommendation

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

Background

The Treasurer is currently managing the Orange County Transportation Authority's (Authority) investment portfolio totaling $974.5 million as of June 30, 2007. The portfolio is divided into two managed portfolios: the Liquid Portfolio for immediate cash needs, and the Short-Term Portfolio for future budgeted expenditures. In addition to these portfolios, the Authority has funds invested in debt service reserve funds for the various outstanding debt obligations.

The Authority's debt portfolio had an outstanding principal balance of $521.7 million as of June 30, 2007. Approximately 59 percent of the outstanding balance is comprised of Measure M fixed rate debt, 6 percent is comprised of Measure M variable rate debt, 34 percent is associated with the 91 Express Lanes, and 1 percent was issued as fixed rate debt for the Orange County Transit District.

Discussion

Economic Summary: The Federal Open Market Committee (Fed) has left rates unchanged for a full year now, the last move a 25 basis point increase on June 29, 2006. At its most recent meeting, Fed officials stated that inflation remains their predominant concern. As a result, the likelihood of an interest rate reduction this year has been dropped from a 36 percent chance to a 20 percent chance based on the price of futures on the Chicago Board of Trade.

The United States economy expanded at a 0.7 percent annual rate in the first quarter, the slowest in four years. Recent reports on trade, retail sales, and inventories suggest the pace of the expansion has already picked up and may exceed 3 percent for the quarter ending June 2007. The Fed measures inflation by tracking consumer spending less food and energy. For the 12 month period ending May 2007, this measurement rose 2.4 percent. Further adding to the Fed's inflation concerns is a 4.5 percent unemployment rate, which is at a six-year low.

The one variable that could slow the economy is housing. Americans signed fewer contracts to buy previously owned homes in May as buyers waited for lower prices and lenders made qualifying for mortgages more difficult. The index of signed purchase agreements, considered to be a leading indicator for housing, dropped 3.5 percent, the lowest level in more than five years. Rising defaults on sub prime mortgages and higher borrowing costs are contributing to the supply of unsold homes.

Debt Portfolio Activity: In April 2007, Moody's Investor Service (Moody's) upgraded the Authority's 91 Express Lanes debt from "A2" to "A1". Moody's cited the following factors for the upgrade: traffic and revenue performance being well above the traffic and revenue forecast, the Authority's solid track record, and consistently high debt service coverage margins. According to Moody's, the Authority is only one of a few single asset agencies in the A1 category. The 91 Express Lanes are also rated "A" by Fitch Ratings and "A-" by Standard and Poor's.

During the week of June 4, 2007, Authority representatives visited rating agencies and insurers in New York to provide an update on the Authority's activities over the past year. This year's meetings focused on the successful passage of the Renewed Measure M sales tax and the 91 Express Lanes. Other topics included the Proposition 1B allocation of funds, the current Measure M program, the performance of sales tax collections, bus transit

update, and the Orange County economy. The meetings were well received by the financial community.

On June 29, 2007, the 91 Express Lanes retired $12 million in subordinated debt owed to the Authority's Commuter Urban Rail Endowment (CURE) Fund. The Authority has subordinated debt outstanding related to the acquisition of the 91 Express Lanes. The remaining outstanding principal balance (which will be repaid with 91 Express Lanes net revenues) totals approximately $34.4 million. The outstanding balances for each of the Authority's debt securities are presented in Attachment A.

During the refinancing of the 91 Express Lanes Bonds, the Authority entered into an interest rate swap agreement with two counterparties to synthetically fix the variable portion of the outstanding bonds. The swap agreement outlines the monthly payments the Authority will receive from the counterparties to offset the variable portion of the Authority's debt. Through June 30, 2007, the Authority has received approximately $132,333 more from the counterparties than the Authority has paid as part of the variable rate bonds. This is referred to as "positive basis." The Authority will accumulate these funds, whenever there is positive basis, in a trust account to offset those periods when there is negative basis.

Investment Portfolio Compliance: As of June 30, 2007, the Authority's portfolio is in compliance with its investment policy. The Authority continues its policy of reviewing the contents of the investment portfolio on a daily basis to ensure compliance. Attachment B provides a comparison of the portfolio holdings as of June 30, 2007, to the diversification guidelines of the investment policy.

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

The Authority has calculated the total returns for each of the investment managers for short-term operating monies and compared the returns to specific benchmarks as shown in Attachment C. Attachment D contains an annualized total return performance comparison by investment manager for the previous two years. Attachment E provides a two-year yield comparison

between the short-term portfolio managers, the Orange County Investment Pool, and the Local Agency Investment Fund.

The returns for the Authority's short-term operating monies are compared to the Merrill Lynch 1-3 year Treasury Index benchmark. The Merrill Lynch 1-3 year Treasury Index is one of the most commonly used short-term fixed income benchmarks. Each of the four managers invests in a combination of securities that all conform to the Authority's 2007 Annual Investment Policy. For the quarter ending June 30, 2007, the weighted average total return for the Authority's Short-Term Portfolio was 0.68 percent, 2 basis points below the benchmark return of 0.70 percent. For the 12-month period ending June 30, 2007, the portfolio's return totaled 5.34 percent, 27 basis points above the benchmark return of 5.07 percent for the same period.

The biggest event of the second quarter was the change in the yield curve from an inverted to a more natural upward-sloping position. More clearly, shorter maturities are yielding less than longer-term maturities. Three and six months yields dropped during the quarter while two-year, five-year, and ten-year treasury yields rose by 28 to 38 basis points. Although this is viewed as a positive change, the total return for the month of May suffered as market values dropped. However, June performance was back on track adding to a solid 12-month performance in the fixed income market.

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

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

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

Summary

As required under the California Government Code, the Orange County Transportation Authority is submitting its Quarterly Investment Report to the Board of Directors. The investment report summarizes the Orange County Transportation Authority's Treasury activities for the period April 2007 through June 2007.

Attachments

A. Orange County Transportation Authority Outstanding Debt June 30, 2007
B. Orange County Transportation Authority Investment Policy Compliance June 30, 2007
C. Orange County Transportation Authority Short-term Portfolio Performance Review Quarter Ending June 30, 2007
D. Orange County Transportation Authority Short-Term Portfolio Performance as of 6/30/07
E. Orange County Transportation Authority Comparative Yield Performance as of 6/30/07
F. Investment Manager Diversification and Maturity Schedules June 30, 2007
G. Orange County Transportation Authority Portfolio Listing as of June 30, 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

ATTACHMENT A

Orange County Transportation Authority
Outstanding Debt
June 30, 2007

Orange County Local Transportation Authority (OCLTA)

	Issued	Outstanding	Final Maturity
2001 Second Senior Sales Tax Revenue Bonds	$ 48,430,000	$ 48,430,000	2011
1998 Second Senior Sales Tax Revenue Bonds	213,985,000	86,190,000	2011
1997 Second Senior Sales Tax Revenue Refunding Bonds	57,730,000	57,315,000	2011
1995 Tax-Exempt Commercial Paper	74,200,000	29,100,000	2011
1994 Second Senior Sales Tax Revenue Bonds	200,000,000	14,585,000	2011
1992 First Senior Sales Tax Revenue Bonds	350,000,000	101,325,000	2011
Sub-total	**$ 944,345,000**	**$ 336,945,000**	

Orange County Transportation District (OCTD)

	Issued	Outstanding	Final Maturity
1993 Certificates of Participation	21,100,000	1,235,000	2007
Sub-total	**$ 21,100,000**	**$ 1,235,000**	

91 Express Lanes *

	Issued	Outstanding	Final Maturity
2003 Toll Road Revenue Refunding Bonds	$ 195,265,000	$ 183,510,000	2030

* *Not reflected is the intra-agency borrowing (subordinated debt) for the purchase of the 91 Express Lanes in the amount of $34,396,537.*

TOTAL ISSUED	**$ 1,160,710,000**
TOTAL OUTSTANDING BALANCE	**$ 521,690,000**

ATTACHMENT B

ORANGE COUNTY TRANSPORTATION AUTHORITY
Investment Policy Compliance
June 30, 2007

Investment Instruments	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Treasuries	$288,255,357	29.6%	100%
Federal Agencies & U.S. Government Sponsored	246,469,850	25.3%	100%
State of California & Local Agencies *	0	0.0%	25%
Money Market Funds & Mutual Funds	60,710,940	6.2%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	8,165,217	0.8%	30%
Commercial Paper	0	0.0%	25%
Medium Term Maturity Corporate Securities	156,055,682	16.0%	30%
Mortgage and Asset-backed Securities	113,525,780	11.6%	20%
Repurchase Agreements	5,793,316	0.6%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund	26,311,943	2.7%	$ 40 Million
Orange County Investment Pool	4,525,881	0.5%	$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	0	0.0%	30%
Debt Service Reserve Funds - Investment Agreements	64,667,835	6.6%	Not Applicable
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	**$974,481,802**	**100.0%**	

* *Balance does not include intra-agency borrowing for the purchase of the 91 Express Lanes in the amount of $34,396,537.*

Orange County Transportation Authority
Short-term Portfolio Performance Review*
Quarter Ending June 30, 2007

Month Ending	Merrill Lynch Treasury 1-3 Year Index Benchmark		Bear Stearns		Payden & Rygel		Western Asset Mgmt		State Street Global Advisors	
	Monthly Return	**Duration**	Monthly Return	Duration	Monthly Return	Duration	Monthly Return	Duration	Monthly Return	Duration
4/30/2007	**0.36%**	**1.69 years**	0.48%	1.56 years	0.38%	1.70 years	0.44%	1.77 years	0.37%	1.60 years
5/31/2007	**-0.07%**	**1.75 years**	-0.11%	1.78 years	-0.19%	1.91 years	-0.15%	1.92 years	-0.10%	1.75 years
6/30/2007	**0.42%**	**1.72 years**	0.39%	1.72 years	0.36%	1.72 years	0.41%	1.69 years	0.43%	1.69 years
Apr 07 - Jun 07 Total Return	**0.70%**		0.76%		0.55%		0.70%		0.70%	

HISTORICAL QUARTERLY RETURNS

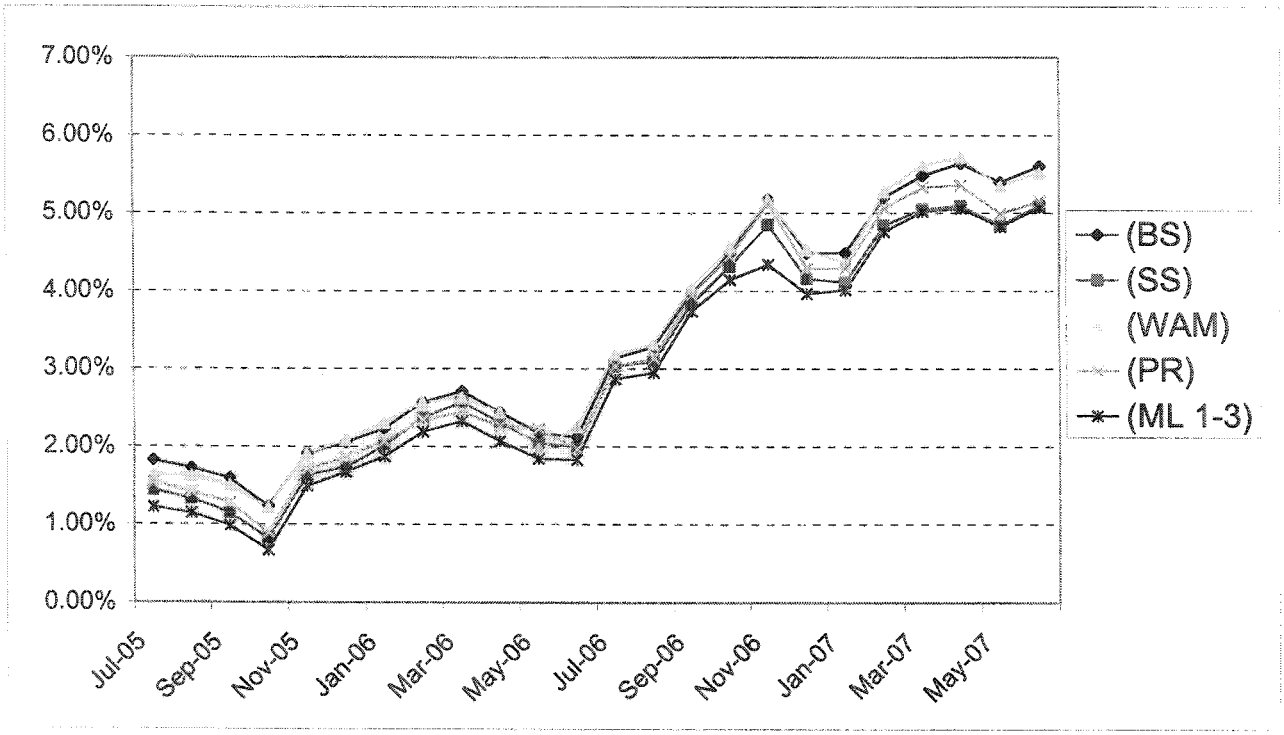
Jul 06 - Sep 06 Total Return	**1.97%**	2.11%	2.06%	2.01%	1.91%
Oct 06 - Dec 06 Total Return	**0.91%**	1.15%	0.99%	1.17%	0.97%
Jan 07 - Mar 07 Total Return	**1.40%**	1.47%	1.46%	1.53%	1.42%
Apr 07 - Jun 07 Total Return	**0.70%**	0.76%	0.55%	0.70%	0.70%
12-Month Total Return	5.07%	5.60%	5.15%	5.52%	5.09%

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

ATTACHMENT C

Orange County Transportation Authority
Short-Term Portfolio Performance
As of 6/30/07

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

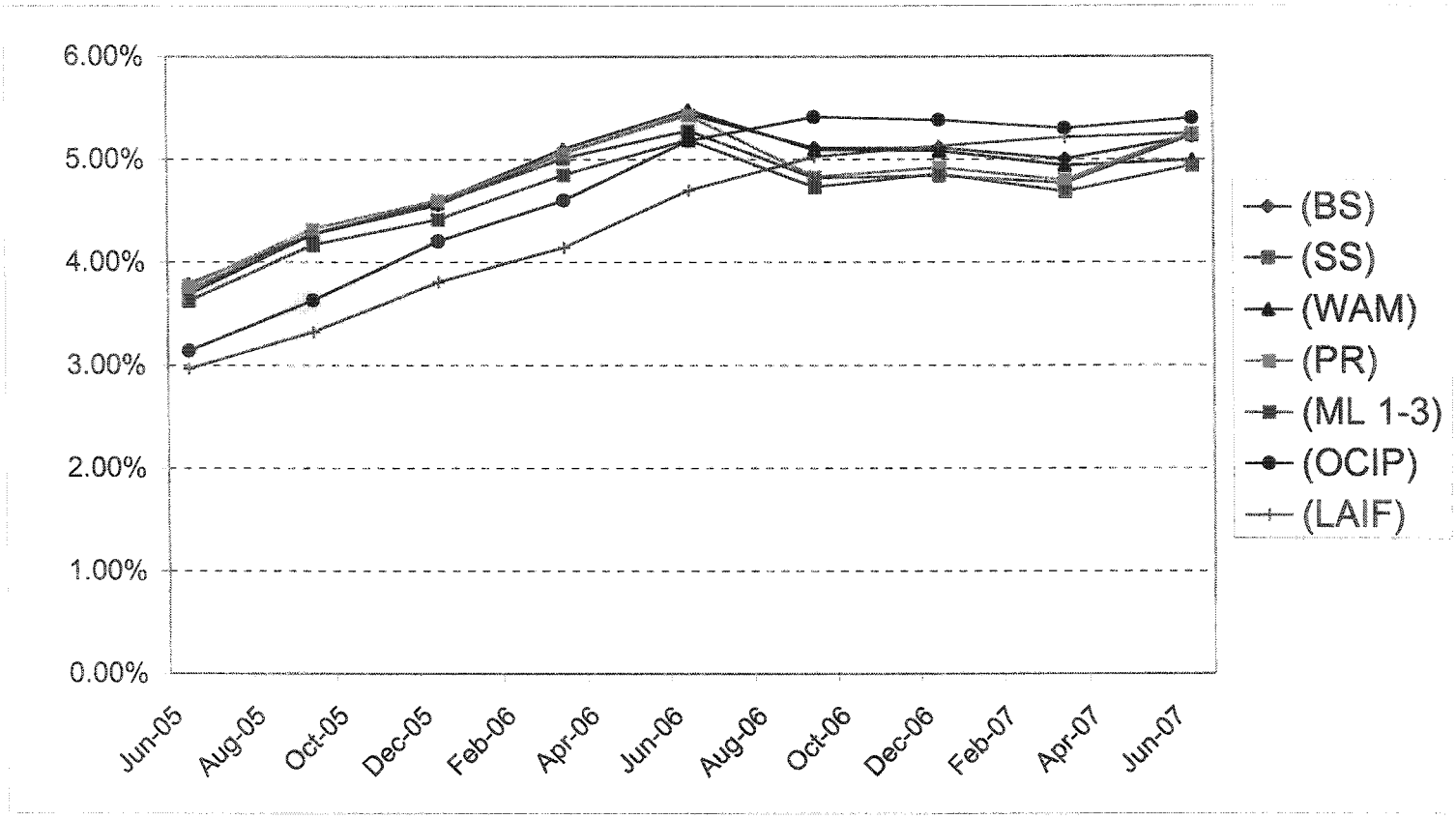


	Bear Stearns (BS)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	Merrill Lynch 1-3 Yr (ML 1-3)
Jul-05	1.82%	1.44%	1.63%	1.54%	1.22%
Aug-05	1.72%	1.33%	1.63%	1.42%	1.15%
Sep-05	1.59%	1.15%	1.50%	1.28%	0.98%
Oct-05	1.23%	0.82%	1.22%	0.90%	0.67%
Nov-05	1.91%	1.63%	1.91%	1.71%	1.49%
Dec-05	2.05%	1.73%	2.08%	1.86%	1.67%
Jan-06	2.23%	2.01%	2.30%	2.07%	1.87%
Feb-06	2.57%	2.37%	2.57%	2.34%	2.19%
Mar-06	2.71%	2.57%	2.63%	2.44%	2.32%
Apr-06	2.44%	2.31%	2.44%	2.26%	2.07%
May-06	2.17%	2.04%	1.96%	2.23%	1.84%
Jun-06	2.12%	1.99%	2.25%	1.97%	1.83%
Jul-06	3.13%	3.03%	3.19%	3.03%	2.87%
Aug-06	3.28%	3.09%	3.32%	3.13%	2.95%
Sep-06	3.98%	3.84%	4.04%	3.95%	3.74%
Oct-06	4.48%	4.32%	4.56%	4.45%	4.15%
Nov-06	5.18%	4.85%	5.17%	5.12%	4.34%
Dec-06	4.49%	4.16%	4.53%	4.29%	3.96%
Jan-07	4.49%	4.11%	4.36%	4.29%	4.01%
Feb-07	5.20%	4.84%	5.27%	5.06%	4.76%
Mar-07	5.48%	5.05%	5.62%	5.33%	5.02%
Apr-07	5.64%	5.09%	5.72%	5.36%	5.06%
May-07	5.39%	4.84%	5.35%	5.00%	4.83%
Jun-07	5.60%	5.09%	5.52%	5.15%	5.07%

ATTACHMENT E

Orange County Transportation Authority
Comparative Yield Performance
As of 6/30/07

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

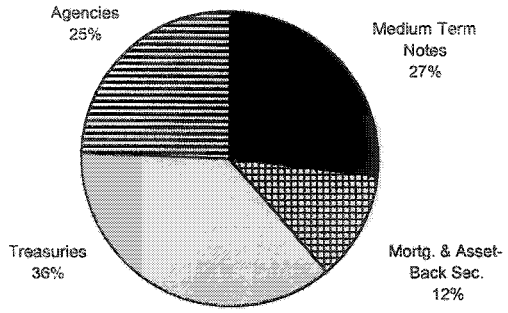


	Bear Stearns (BS)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	Merrill Lynch 1-3 Yr (ML 1-3)	(OCIP)	(LAIF)
Jun-05	3.69%	3.73%	3.79%	3.77%	3.63%	3.14%	2.97%
Sep-05	4.27%	4.27%	4.27%	4.32%	4.17%	3.63%	3.32%
Dec-05	4.56%	4.57%	4.59%	4.60%	4.41%	4.20%	3.81%
Mar-06	5.06%	5.01%	5.10%	5.06%	4.85%	4.60%	4.14%
Jun-06	5.44%	5.28%	5.48%	5.43%	5.19%	5.18%	4.70%
Sep-06	5.11%	4.82%	5.09%	4.83%	4.73%	5.41%	5.02%
Dec-06	5.11%	4.84%	5.08%	4.92%	4.86%	5.38%	5.13%
Mar-07	5.00%	4.77%	4.94%	4.80%	4.68%	5.30%	5.21%
Jun-07	5.22%	5.23%	4.99%	5.25%	4.94%	5.40%	5.25%

Investment Manager Diversification and Maturity Schedules

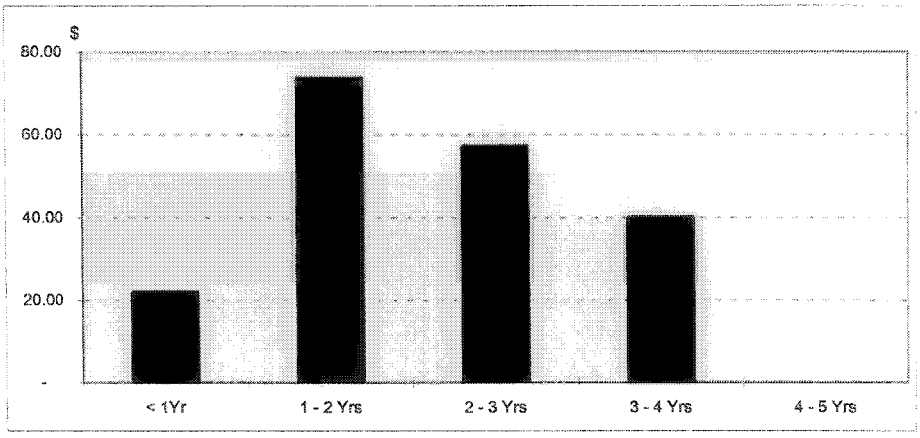
Bear Stearns
June 30, 2007

SHORT-TERM PORTFOLIO ($193.4 M)



	Book Value	Market Value
Treasuries	$70,918,909	$70,300,510
Agencies	47,929,187	47,880,722
Medium Term Notes	51,350,818	51,186,517
Mortg. & Asset-Back Sec.	23,047,280	22,942,877
Money Market Funds	121,561	121,561
	$193,367,753	$192,432,188

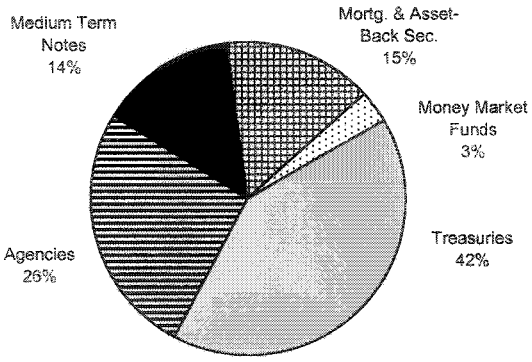
Wtd Avg Maturity	2.08 Yrs
Duration	1.72 Yrs
Quarter-end Yield	5.22%
Benchmark Comparison	4.93%
Quarter Return	0.76%
Benchmark Comparison	0.70%
12 Month Return	5.60%
Benchmark Comparison	5.07%



Investment Manager Diversification and Maturity Schedules

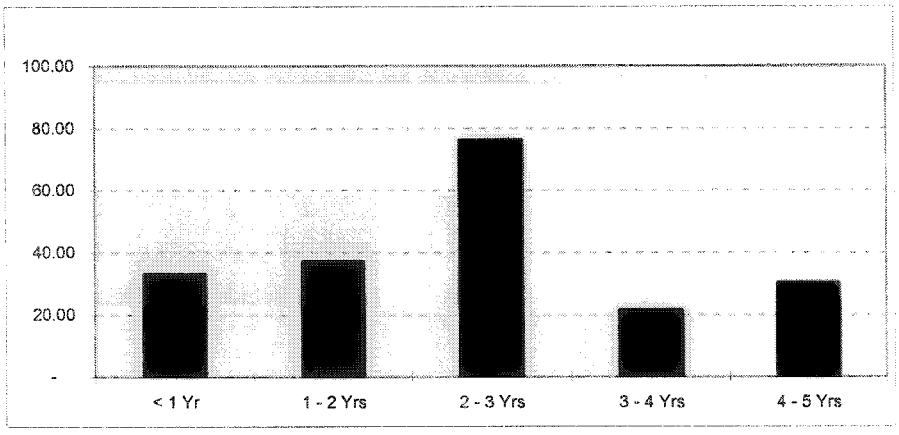
Western Asset Management
June 30, 2007

SHORT-TERM PORTFOLIO ($198.7 M)



	Book Value	Market Value
Treasuries	$81,973,835	$82,003,151
Agencies	51,563,097	50,422,820
Medium Term Notes	28,311,388	27,457,185
Mortg. & Asset-Back Sec.	30,132,086	29,973,873
Money Market Funds	6,744,095	6,744,095
	$198,724,500	$196,601,124

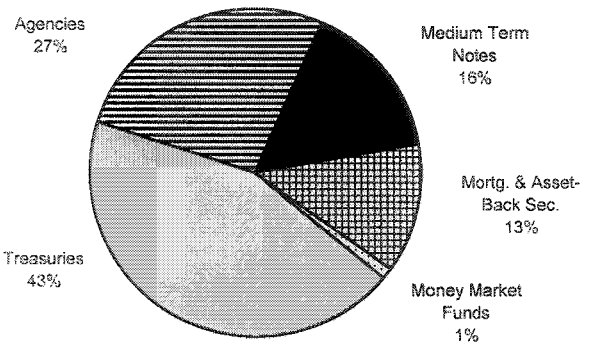
Wtd Avg Maturity	2.47 Yrs
Duration	1.69 Yrs
Quarter-end Yield	4.99%
Benchmark Comparison	4.93%
Quarter Return	0.70%
Benchmark Comparison	0.70%
12 Month Return	5.52%
Benchmark Comparison	5.07%



Investment Manager Diversification and Maturity Schedules

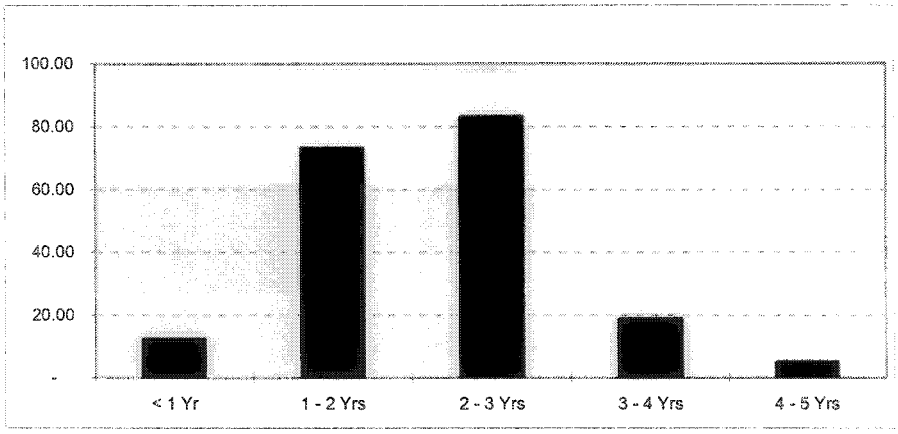
State Street
June 30, 2007

SHORT-TERM PORTFOLIO ($192.8 M)



	Book Value	Market Value
Treasuries	$84,440,342	$84,334,266
Agencies	51,436,574	51,098,594
Medium Term Notes	30,386,213	30,234,166
Mortg. & Asset-Back Sec.	24,603,504	24,505,023
Money Market Funds	1,966,394	1,966,394
	$192,833,026	$192,138,442

Wtd Avg Maturity	1.60 Yrs
Duration	1.69 Yrs
Quarter-end Yield	5.23%
Benchmark Comparison	4.93%
Quarter Return	0.71%
Benchmark Comparison	0.70%
12 Month Return	5.09%
Benchmark Comparison	5.07%

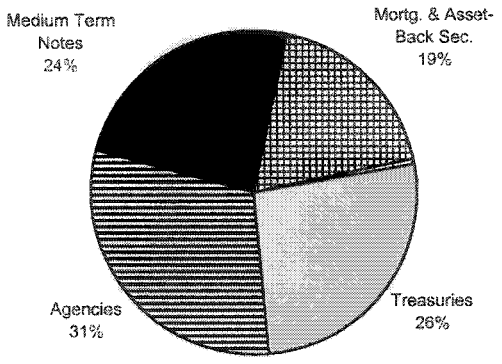


Investment Manager Diversification and Maturity Schedules

Payden & Rygel

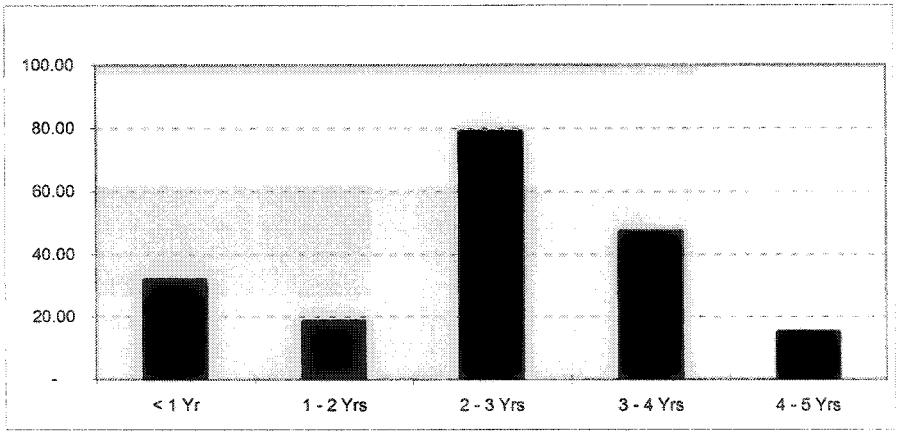
June 30, 2007

SHORT-TERM PORTFOLIO ($192.6 M)



	Book Value	Market Value
Treasuries	$50,922,271	$50,671,086
Agencies	59,000,731	58,989,917
Medium Term Notes	46,007,263	45,962,847
Mortg. & Asset-Back Sec.	35,742,912	35,660,559
Money Market Funds	894,887	894,887
	$192,568,065	$192,179,296

Wtd Avg Maturity	2.37 Yrs
Duration	1.72 Yrs
Quarter-end Yield	5.25%
Benchmark Comparison	4.93%
Quarter Return	0.55%
Benchmark Comparison	0.70%
12 Month Return	5.15%
Benchmark Comparison	5.07%



ATTACHMENT G

Orange County Transportation Authority
Portfolio Listing
As of June 30, 2007

LIQUID PORTFOLIO

Description	Maturity Date	Book Value	Market Value	Yield
Cash Equivalents				
FNMA Discount Note	8/15/2007	5,671,344.05	5,729,255.87	5.15%
FFCB Discount Note	8/15/2007	1,417,552.39	1,425,216.73	5.22%
FNMA STRIPS	2/15/2008	17,573,338.46	17,784,973.22	5.15%
FNMA Discount Note	2/15/2008	11,878,026.25	11,913,434.91	5.05%
Repurchase Agreement	7/2/2007	5,793,316.28	5,795,609.47	4.75%
Fidelity Funds Treasury I	N/A	2,442,619.00	2,442,619.00	5.08%
First American Treasury Obligations	N/A	147,121.98	147,121.98	4.85%
Milestone Funds Treasury Obligations	N/A	30,728,198.36	30,728,198.36	5.07%
Sub-total		*75,651,516.77*	*75,966,429.54*	
Local Agency Investment Fund (LAIF)	N/A	26,311,943.09	26,311,943.09	5.25%
Orange County Investment Pool (OCIP)	N/A	4,525,880.70	4,525,880.70	5.40%
Liquid Portfolio - Total		**$ 106,489,340.56**	**$ 106,804,253.33**	

SHORT-TERM PORTFOLIO

Description	Maturity Date	Book Value	Market Value	Yield
Cash Equivalents				
FHLB Discount Note	7/9/2007	5,689,543.67	5,689,818.72	4.72%
FHLB Discount Note	7/25/2007	18,923,746.67	18,924,152.87	5.00%
FHLMC Discount Note	7/2/2007	1,499,400.00	1,499,600.00	4.80%
Milestone Funds Treasury Obligations	N/A	9,726,936.73	9,726,936.73	5.07%
Sub-total		*35,839,627.07*	*35,840,508.32*	
U.S. Government & Agency Obligations				
FHLB	6/13/2008	4,250,000.00	4,203,515.63	4.14%
FHLB	3/13/2009	9,888,000.00	9,925,000.00	4.78%
FHLB	9/18/2009	10,316,037.10	10,264,593.75	5.01%
FHLB	11/20/2009	5,900,000.00	5,894,468.75	5.38%
FHLB	5/14/2010	4,309,269.98	4,288,507.81	4.91%
FHLB	9/10/2010	5,524,145.00	5,487,968.75	5.13%
FHLMC	5/23/2008	5,508,580.00	5,449,455.00	4.28%
FHLMC	6/11/2009	15,654,878.20	15,641,125.00	5.01%
FHLMC	11/3/2009	11,378,129.80	11,339,078.13	4.79%
FHLMC	11/20/2009	6,000,000.00	5,988,600.00	5.25%
FHLMC	1/11/2010	4,994,500.00	4,986,250.00	5.26%
FHLMC	2/8/2010	5,500,000.00	5,489,220.00	5.38%
FHLMC	11/1/2010	4,910,750.00	4,958,800.00	5.04%
FHLMC	2/24/2011	2,987,550.00	2,984,820.00	5.27%
FNMA	5/15/2008	12,706,474.90	11,966,937.50	5.96%
FNMA	7/28/2008	4,998,750.00	4,951,562.50	4.44%
FNMA	8/15/2009	5,055,585.00	5,018,750.00	5.35%
FNMA	12/15/2009	27,387,190.00	27,139,062.50	4.68%
FNMA	12/18/2009	5,726,770.00	5,724,843.75	5.14%
FNMA	1/29/2010	5,772,276.00	5,789,125.00	5.34%
FNMA	3/26/2010	5,488,395.00	5,489,687.50	5.20%

Orange County Transportation Authority
Portfolio Listing
As of June 30, 2007

FNMA	8/15/2010	4,909,510.00	4,864,062.50	4.36%
FNMA	11/15/2010	6,503,814.00	6,260,625.00	6.34%
FNMA	2/15/2011	1,970,106.00	1,955,625.00	4.60%
FNMA	2/22/2011	6,176,187.50	6,216,796.88	5.32%
US Treasury Note	1/15/2008	6,331,588.90	6,245,250.84	3.71%
US Treasury Note	4/30/2008	5,341,640.62	5,342,884.50	4.88%
US Treasury Note	5/15/2008	4,037,699.23	4,055,156.25	3.79%
US Treasury Note	7/31/2008	7,543,945.35	7,497,656.25	5.00%
US Treasury Note	9/15/2008	3,913,906.25	3,913,750.00	3.19%
US Treasury Note	11/15/2008	22,649,084.21	22,613,040.00	4.41%
US Treasury Note	12/15/2008	25,736,523.43	25,182,695.31	3.45%
US Treasury Note	1/15/2009	7,986,671.92	7,998,198.00	3.33%
US Treasury Note	2/15/2009	5,939,893.46	5,958,300.00	4.53%
US Treasury Note	5/15/2009	24,966,864.72	24,988,281.25	4.87%
US Treasury Note	8/15/2009	20,289,630.17	20,185,860.00	4.87%
US Treasury Note	9/15/2009	19,370,690.11	19,375,000.00	3.48%
US Treasury Note	10/15/2009	23,598,868.22	23,703,750.00	3.48%
US Treasury Note	12/15/2009	13,784,507.82	13,748,440.00	3.61%
US Treasury Note	2/15/2010	5,591,774.84	5,577,841.50	3.62%
US Treasury Note	4/15/2010	22,721,019.34	22,567,545.00	4.09%
US Treasury Note	5/15/2010	22,156,818.36	22,120,971.09	4.54%
US Treasury Note	9/15/2010	19,895,829.42	19,759,172.34	3.99%
US Treasury Note	12/31/2011	11,885,896.88	11,791,705.20	4.68%
US Treasury Note	4/15/2012	14,512,503.51	14,683,516.79	2.06%
Sub-total		*472,072,255.24*	*469,587,495.27*	
Medium Term Notes				
3M Company	11/6/2009	1,999,120.00	1,996,720.00	5.13%
Allstate Life Global	7/30/2007	2,240,460.00	2,247,120.00	3.50%
Allstate Life Global	9/10/2008	982,660.00	984,910.00	4.31%
ASIF Global Financial XVIII	11/26/2007	1,960,300.00	1,988,180.00	3.87%
Atlantic Richfield Company	4/15/2009	1,977,562.75	1,844,345.00	5.83%
Bank America Corp	2/17/2009	8,088,330.80	8,145,164.80	3.47%
Bank Boston NA	4/15/2008	2,202,315.00	2,063,325.00	6.33%
Bank New York Inc	1/15/2009	1,957,952.25	1,978,445.25	3.71%
Bank One Corp	6/30/2008	2,009,448.00	2,043,090.00	2.69%
Banque Paribas	3/1/2009	2,134,576.50	2,020,069.50	6.72%
Bear Stearns Inc	6/23/2010	2,752,372.00	2,723,028.00	4.67%
BellSouth Corp	9/15/2009	4,698,620.00	4,674,912.00	4.31%
Berkshire Hathaway Financial Corp	10/15/2008	2,225,452.50	2,195,550.00	3.45%
Berkshire Hathaway Financial Corp	1/15/2010	3,067,940.00	3,013,913.00	4.24%
Caterpillar Financial Services	6/15/2009	1,489,282.80	1,486,746.00	4.57%
Caterpillar Financial Services	12/1/2010	2,790,788.00	2,774,100.00	5.09%
Cisco Systems Inc	2/22/2011	2,513,050.00	2,485,000.00	5.28%
Citigroup Inc	2/1/2008	1,945,840.00	1,979,780.00	3.53%
Citigroup Inc	2/9/2009	3,722,525.50	3,759,447.00	3.72%
Citigroup Inc	2/22/2010	4,873,150.00	4,850,400.00	4.25%
Coca Cola Enterprises Inc	9/15/2009	3,750,600.00	3,723,658.00	4.46%
Credit Suisse First Boston USA	1/15/2009	1,940,500.00	1,958,020.00	3.95%
Genentech Inc	7/15/2010	1,474,155.00	1,458,984.38	4.52%
General Electric Capital Corp	9/1/2009	3,023,780.00	3,024,949.00	4.22%
General Electric Capital Corp	9/13/2010	2,803,749.00	2,800,356.00	4.40%
Gillette Company	9/15/2009	1,937,000.00	1,940,340.00	3.91%
Goldman Sachs Group	1/15/2009	1,462,545.00	1,469,430.00	3.95%
Goldman Sachs Group	10/1/2009	5,266,250.00	5,203,050.00	7.06%
Goldman Sachs Group	6/15/2010	488,545.00	487,495.00	4.61%

Orange County Transportation Authority
Portfolio Listing
As of June 30, 2007

Honeywell International Inc	3/1/2010	2,973,796.00	2,942,716.00	7.13%
Household Financial Corp	5/15/2009	1,961,780.00	1,977,740.00	4.80%
International Lease Finance Corp	9/15/2008	2,926,020.00	2,960,370.00	4.40%
International Lease Finance Corp	4/15/2010	2,492,150.00	2,470,525.00	5.05%
JP Morgan Chase & Co	5/1/2008	1,739,502.90	1,743,839.40	3.67%
JP Morgan Chase & Co	6/22/2010	1,750,000.00	1,749,545.00	5.50%
Keyspan Inc	11/15/2010	3,015,608.00	2,974,496.00	7.17%
LASMO USA Inc	12/15/2007	2,096,482.50	2,036,340.00	6.71%
Lehman Brothers Holdings	7/26/2010	1,951,500.00	1,944,260.00	4.62%
McDonalds Corp	4/15/2011	2,051,200.00	2,029,840.00	5.91%
Merrill Lynch & Co Inc	10/27/2008	3,092,002.00	3,071,852.00	4.87%
Metropolitan Life Global	6/19/2008	1,344,602.00	1,362,214.00	2.67%
Morgan Stanley Co	4/1/2008	2,908,020.00	2,958,990.00	3.67%
Nation Rural Utilities Financial	8/28/2009	4,873,112.00	4,839,120.00	5.70%
National City Bank	8/24/2009	1,405,188.02	1,392,314.33	2.77%
Pepsi Bottling	2/17/2009	2,021,940.00	2,007,000.00	5.60%
Pfizer Inc	3/2/2009	4,852,450.00	4,851,500.00	3.40%
Principal Life Income Fundings	6/26/2008	1,898,929.50	1,894,054.50	2.88%
Principal Life Income Fundings	4/1/2009	2,145,825.00	2,163,217.50	3.32%
Protective Life	11/24/2008	3,790,585.00	3,753,596.00	3.79%
Sunamerica Inc.	10/1/2007	2,209,234.50	2,031,237.00	6.72%
Suntrust Bank Atlanta	5/25/2009	2,123,250.00	2,093,868.75	4.61%
Target Corp	8/15/2010	2,135,280.00	2,117,880.00	7.08%
US Bancorp	8/23/2007	2,813,517.50	2,719,659.00	3.95%
Verizon Global Corp	12/1/2010	2,990,512.00	2,951,592.00	6.87%
Wal Mart Stores	8/10/2009	2,137,505.78	1,990,351.10	6.66%
Wal Mart Stores	1/15/2010	4,859,050.00	4,843,550.00	4.12%
Wells Fargo	4/4/2008	1,729,675.20	1,734,585.60	3.55%
Wells Fargo	8/15/2008	1,953,000.00	1,967,540.00	4.06%
Wells Fargo	8/9/2010	2,064,493.50	2,004,633.50	4.72%
World Savings Bank	12/15/2009	1,970,600.00	1,941,760.00	4.24%
Sub-total		*156,055,681.50*	*154,840,714.61*	
Mortgage And Asset-Back Securities				
American Honda Auto Lease Trust	7/15/2009	2,262,624.27	2,246,369.20	4.62%
Americredit Auto Receivable Trust	10/6/2010	1,999,868.40	1,995,492.20	5.12%
ARG FDG Corporate Trust	4/20/2009	4,999,569.00	4,957,017.50	4.05%
ARMAX Auto Trust	11/15/2010	976,632.69	993,778.10	3.44%
Bank One Issuance Trust	5/17/2010	4,902,148.44	4,982,228.00	3.60%
Caterpillar Financial Trust	5/25/2010	3,299,694.06	3,308,674.71	5.55%
Citibank Credit Card Issuance	8/16/2010	4,896,875.00	4,899,342.50	3.57%
Citibank Credit Card Issuance	2/10/2011	4,979,275.00	4,963,067.00	4.88%
CNH Equipment Trust	8/16/2010	4,499,783.55	4,494,726.90	5.20%
FHLB Mortgage Pool	7/25/2008	1,160,266.38	1,161,246.78	3.20%
FHLB Mortgage Pool	11/25/2009	3,413,222.24	3,435,894.51	3.95%
FHLB Mortgage Pool	10/25/2010	6,729,682.91	6,628,364.98	4.86%
FHLB Mortgage Pool	7/20/2011	5,052,118.98	4,941,969.46	5.62%
FHLMC Mortgage Pool	9/1/2007	303,323.30	293,732.73	5.01%
FHLMC Mortgage Pool	11/15/2008	911,931.91	901,515.28	6.00%
FHLMC Mortgage Pool	2/1/2009	1,544,771.07	1,519,451.23	4.54%
FHLMC Mortgage Pool	3/1/2009	767,212.70	750,954.26	4.54%
FHLMC Mortgage Pool	4/1/2009	2,350,290.11	2,288,727.49	4.06%
FHLMC Mortgage Pool	4/1/2009	1,632,655.49	1,631,097.20	4.06%
FHLMC Mortgage Pool	1/1/2010	1,914,653.12	1,918,007.81	4.11%
FHLMC Mortgage Pool	12/1/2010	1,833,594.57	1,819,203.27	4.57%
FHLMC Mortgage Pool	12/1/2010	1,707,817.24	1,688,025.72	5.04%

Orange County Transportation Authority
Portfolio Listing
As of June 30, 2007

FHLMC Mortgage Pool	3/15/2011	3,617,687.13	3,619,750.79	4.53%
FHLMC Mortgage Pool	4/1/2011	2,228,830.75	2,226,594.93	5.49%
FHLMC Mortgage Pool	8/15/2011	5,138,136.15	5,118,111.91	5.28%
FHLMC Mortgage Pool	9/15/2011	3,906,470.94	3,887,634.97	5.41%
FNMA Mortgage Pool	1/1/2009	103,788.53	99,192.11	5.51%
FNMA Mortgage Pool	1/1/2009	43,420.02	41,497.10	5.51%
FNMA Mortgage Pool	6/25/2009	1,635,535.65	1,594,387.48	5.99%
FNMA Mortgage Pool	5/1/2010	2,096,952.73	2,112,701.87	4.60%
GS Auto Loan Trust	5/17/2010	4,443,860.10	4,431,504.70	4.47%
HSBC Automotive Trust	6/17/2011	5,515,253.91	5,503,893.45	5.42%
John Deere Owner Trust	7/15/2011	4,699,934.01	4,674,683.92	5.07%
MBNA Credit Card Master Trust	9/15/2010	4,941,796.88	4,957,469.00	4.23%
MBNA Credit Card Master Trust	7/15/2011	5,404,774.22	5,377,700.28	4.92%
Wachovia Auto Owner Trust	4/20/2011	5,644,078.12	5,655,322.37	4.87%
World Omni Auto Trust	10/15/2010	1,967,250.86	1,962,999.96	5.02%
Sub-total		*113,525,780.43*	*113,082,331.67*	
Short-Term Portfolio - Total		**$ 777,493,344.24**	**$ 773,351,049.87**	

DEBT SERVICE RESERVE FUNDS

Description	Maturity Date	Book Value	Required Amount	Yield
1993 Bus COPs -	2007		*$ 2,082,096.00*	
Milestone Funds Treasury Obligations	N/A	$ 2,200,892.16		5.07%
91 Express Lanes 2003 Refunding Bonds	2030		*18,635,293.25*	
AIG GIC - Supplemental Reserve Fund	8/15/2015	6,000,000.00		4.51%
First American Treasury Obligations	N/A	2,801,868.26		4.85%
MBIA GIC - Debt Service Reserve Fund	12/15/2030	12,635,293.25		5.13%
91 Express Lanes 2003 Refunding Bonds - Operating & Maintenance Reserves			*8,165,217.33*	
Operating Reserve - Bank of the West CD		3,044,340.79		5.23%
Maintenance Reserve - Bank of the West CD		5,120,876.54		5.23%
Measure M Second Senior Sales Tax Bonds			*56,910,357.63*	
1992 Sales Tax Bonds -	2011			
AIG GIC	2/15/2011	5,466,511.66		5.75%
FSA GIC	2/15/2011	8,998,875.61		3.88%
Fidelity Funds Treasury II	N/A	183,169.57		5.08%
1994 Sales Tax Bonds -	2011			
CSFP Agmt - Various Treasury Securities		6,991,334.58		5.98%
Fidelity Funds Treasury II	N/A	5,013,255.90		5.08%
1997 Sales Tax Bonds -	2011			
AIG GIC	2/15/2011	759,054.88		5.75%
FSA GIC	2/15/2011	1,249,542.82		3.88%
Fidelity Funds Treasury II	N/A	209,942.45		5.08%
1998 Sales Tax Bonds -	2011			
AIG GIC	2/15/2011	22,567,222.63		5.79%
Fidelity Funds Treasury II		676,063.30		5.08%

Orange County Transportation Authority
Portfolio Listing
As of June 30, 2007

2001 Sales Tax Bonds - Fidelity Funds Treasury II	2011 2/15/2011	6,580,872.70	5.08%
Debt Service Reserve Funds - Total		$ 90,499,117.10	

	Book Value	Market Value
TOTAL PORTFOLIO	$ 974,481,801.90	$ 970,654,420.30

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

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Reorganization of the Contracts Administration and Materials Management Department

Finance and Administration Committee — July 11, 2007

Present: Directors Amante, Bates, Brown, Buffa, Campbell, Cavecche, Moorlach, and Nguyen
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file as an information item.

OCTA

July 11, 2007

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Reorganization of the Contracts Administration and Materials Management Department

Overview

In an effort to increase effectiveness of the Contracts Administration and Materials Management Department, an organizational study of the department was conducted. The recommended changes and reorganization of the department will be implemented during fiscal year 2008.

Recommendation

Receive and file as an information item.

Background

The Contracts Administration and Materials Management (CAMM) Department is responsible for the purchase of all goods, equipment, and services used at the Orange County Transportation Authority (OCTA). Over the past several years, revisions have been made to the procurement policies and procedures to increase competition and make the process more open and accessible for interested firms who want to do business with OCTA.

In November 2006, voters passed Proposition 1B and Renewed Measure M, setting the stage for billions of dollars in new transportation infrastructure investments in Orange County and California. With the new funding measures in place, OCTA will be working promptly to deliver the transportation improvements approved by the voters. As a result, CAMM needs to be organized and staffed at a level to handle this increased workload and to have procedures in place to provide the contract administration services that OCTA needs as it embarks on these new transportation projects.

In order to meet these objectives, CAMM hired a consultant to review the organizational structure and procedures within the department and make recommendations.

Discussion

The overall objective of the study was to ensure that CAMM has the business model and automation systems in place to perform its role effectively and efficiently. The study recommendations fall within three categories: resource mix, workload balance, and business processes. While the majority of the recommendations deal with activities that directly affect only the CAMM staff, two will have a greater influence on how OCTA will manage projects in the future. The first recommendation is the development of an agency-wide contract administration function within CAMM. Currently, CAMM's role is generally limited to procurement activities and minor contract administration functions such as participating in site visits, conducting kick-off meetings, negotiating contract amendments, monitoring insurance requirement compliance, maintaining the contract file, and managing construction stop notices. The user department's project manager handles the majority of project and contract administration, such as post award project meetings, reviewing and accepting deliverables, approving invoices, ensuring work conforms to the scope of work, and inspecting and accepting final work effort.

There have been a few exceptions where CAMM has had a strong involvement in contract administration functions, on very large public works projects or on software application installations. The lack of systematic contract administration procedures and involvement by CAMM staff has resulted in inconsistencies in how contracts are managed. In some instances, this has resulted in cost overruns that might have been avoided.

The study recommendation is to have CAMM involved in contracts administration from the planning process through to project closeout. Some of the duties that will be included in the contract administration function are reviewing invoices and managing contract retention, ensuring compliance with schedule and contract terms and conditions, reviewing timeliness and adequacy of deliveries, assisting in determining and assessing liquidated damages, and other performance related standards, and conducting contract close-outs, and vendor performance assessments. The actual tasks and duties will be tailored to the particular OCTA division as well as the size and type of contract. The necessity to implement a contract administration function within CAMM has also been recommended as an audit finding in the Fiscal Year 2003-2006 State Transportation Development Act Performance Audit that was conducted in April 2007.

The second recommendation looks at how CAMM needs to accomplish this new role. Because a greater set of skills may be needed, the consultant recommended that different job classifications be developed. The current classification in CAMM is a procurement administrator job family. These positions handle both routine procurements as well as more complicated contracting efforts. Staff is assigned to work exclusively with a particular division or department. The proposed classification structure divides those functions to reflect the distinctions between routine buying and more complex procurement/contract administration functions. Two separate job families will be created, a buying group to handle the day-to-day activities and a contracts administration group to handle the more complex procurements. Staff will still be assigned to work exclusively with one or more departments.

The reorganization will result in enhanced duties and increased responsibilities for all positions. This will provide for better utilization of staffing in an effort to support effectively organizational goals and objectives. A higher level (or grade) staff position is being recommended to handle complex contract administration functions. Training will be provided to ensure that the staff responsible for contract administration have the knowledge required to fulfill these responsibilities.

The CAMM review also looked at workload and staffing levels and recommended the development of a planning tool that will assist in providing a systematic way of forecasting and tracking appropriate staffing levels and workload. Management will use this tool to make informed decisions regarding the assignment of work, staffing level requirements, and procurement activity reporting. With the Renewed Measure M projects on a delivery fast track, sufficient staffing levels within CAMM will be essential to implementing the procurement schedules for the various projects. Management will assess the appropriate procurement staffing needs as part of the discussion with the Board for the final Renewed Measure M Early Action Plan scheduled for August 2007 and again during the OCTA organizational review to be conducted during fiscal year 2008. In addition to any staffing increases within CAMM, the Board will be asked to determine the type and level of contract administration activities that the staff will implement.

Summary

A study of the Contracts Administration and Materials Management Department recommends changes to improve organizational effectiveness and staffing efficiency. The study, including proposed organizational changes, will be implemented during fiscal year 2008.

Attachments

A. Executive Summary of Final Report on Review of CAMM – January 2007.
B. Contracts Administration and Materials Management Department Organizational Chart for Fiscal Year 2007-08.
C. Contracts Administration and Materials Management Department Organizational Chart for Fiscal Year 2006-07.

Prepared by:

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Department Manager
Contracts Administration and Materials Management
(714) 560-5623

Approved by:

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

ATTACHMENT A

EXECUTIVE SUMMARY OF FINAL REPORT ON REVIEW OF CAMM
January 2007

RECOMMENDATIONS

1. **Develop an Authority-wide Contract Administration Function within CAMM.**
   CAMM should provide Authority-wide contract administration services. While the Department already conducts some contract administration functions, especially in the Development Division and the Information Systems Department, CAMM's role should be expanded, defined, and extended to all OCTA customers.

2. **Expand the Number of Journey-level Procurement Classifications and Possibly Increase Staffing Levels.**
   In order to provide more contract administration services, CAMM will need a broader range of skills and will likely require some increase in staffing. Further, CAMM's classification structure should be modified to reflect distinctions between routine buying and more complex procurement/contract administration functions. The class structure should provide for a minimum of four classes, two of buyers and two of contract administrators. The pay range for the top contract administrator class should be at a higher grade than that for the current Senior Procurement Administrator class.

3. **Reorganize the Transit Maintenance Support Section.**
   Major procurements and parts-buying/inventory management should be placed under separate management. Procurements and Inventory Management should be considered as separate responsibilities, each requiring the full time commitment and focus from a manager. These two jobs should be reviewed, clearly defined, and structured to provide the coverage required for each job.

4. **Improve Inventory Management.**
   The inventory control function is dispersed and is receiving insufficient attention because of competing demands on the time of the assigned manager. The Department should develop a systematic approach to managing inventory levels and should consider implementing an ABC ranking approach. Once developed, the approach should be formalized in more detailed policies and procedures than currently exist.

5. **Assign All Development-related Procurement Activity to the Capital Projects Section.**
   Currently, the Capital Projects Section supports design and construction projects for Development while the Procurement Section supports the Division's other professional services needs. Assigning all Development Division activity to CAMM's Capital Projects Section would improve communication and coordination.

6. **Provide Greater Direction over Central Functions and Better Coordination among Sections.**

   The Department's central functions, i.e., those that are not carried out by one of the three sections, need greater attention. Specific steps should include reassignment of certain positions, automation of manual tasks, and a plan for ensuring appropriate use of interns. In addition, the Section Managers should continue monitoring coordination of front desk functions, especially coverage schedules, to ensure a full and fair distribution of work.

7. **Develop More Fully-detailed Policies, Procedures and Business Processes.**

   Many of the CAMM's policies and procedures are not definitive or sufficiently detailed to provide clear guidance. The Department should systematically review existing policies and procedures with input from user departments, revise them as appropriate, and in the longer term develop detailed desktop procedures.

8. **Develop More Templates for Key Documents.**

   CAMM should evaluate its current array of templates to determine if more are needed for repetitive types of actions. If warranted, Department management should develop additional templates.

9. **Develop a Workload Planning Tool.**

   The Department should develop a workload planning tool. The tool should include forecasting of planned procurements and their timelines, estimates of workload associated with each procurement based on standard procurement types, and advance planning, to the extent possible, of Buyers and Contract Administrators to specific procurements.

   The tool will allow the Department to forecast workloads and schedules and share this information online with user departments. _This information will be useful in determining the number of requisitions to be assigned to Buyers and Contract Administrators.

10. **Develop Project Tracking and Performance Measurement Tools.**

    In addition to forecasting workload, CAMM needs to be able to track the progress of procurements once they are begun and also document the actual number of hours required to complete each procurement. This will allow the Department to build a database of information related to the workload and timelines associated with various types of procurements. The tracking system should be available to users as well as CAMM employees on a central drive.

    Related to this is the need for the Department to establish performance standards related to procurement schedules and other factors and track its performance against them. These performance standards must be measurable and should be used in performance evaluations.

Among the benefits of the tool are estimating staffing requirements, notifying users when requisitions or other actions are past due, and allowing users to track the status of procurements by accessing the system.

11. Improve Use of Automation.

CAMM should request information and training from Information Services in the use of the Authority's data warehouse. While MAPS, BARS, IFAS and CAMMNet are not integrated and lack direct interfaces, it is possible to generate some types of useful reports by interfacing information through the data warehouse. Report requirements should be clearly defined and related to data-mining capabilities.

12. Provide Greater Department Leadership.

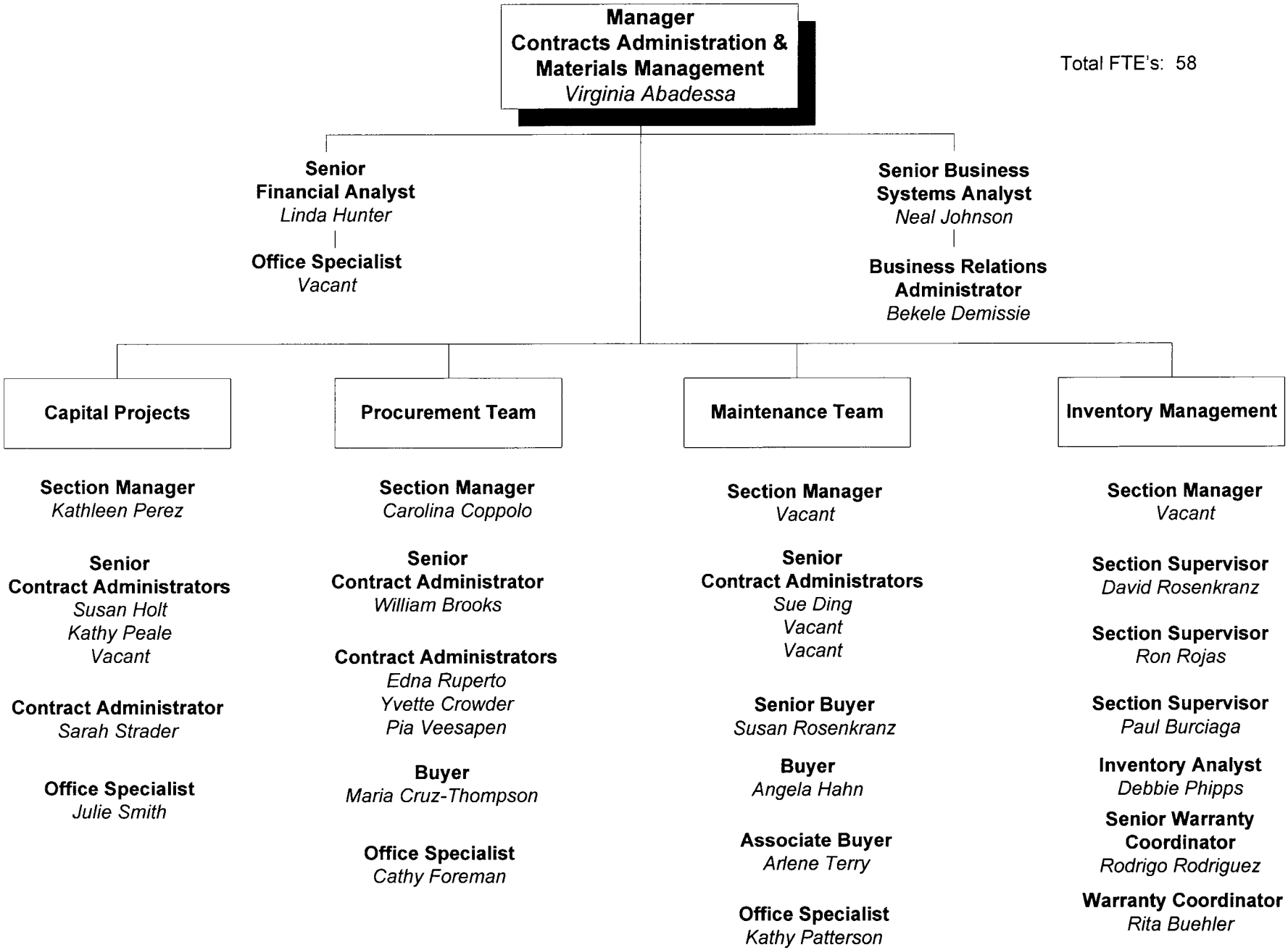
Department management needs to provide more effective central planning, direction, coordination, and communication. There are several steps that would improve the ability of the Department to work effectively and efficiently. These include:

- Developing a 5-year plan that establishes strategies, goals, objectives, and defined implementation steps for achieving them.

- Improving communication and coordination with all user departments through structured monthly meetings, a defined dispute-resolution process, and enhanced joint planning.

- Ensuring that the roles of the Department Manager and Section Managers are appropriate and well defined. The Department Manager should devote more of her time to Department-wide matters such as long-range plans, overseeing policies and procedures, and Department-wide communication. The Section Managers should ensure their primary focus is on section management rather than on day-to-day procurement activities. This is not to say that managers should not do hands-on work, only that managing, monitoring, and upward reporting must be their first priority. Finally, each Section Manager should oversee all the work assigned to their teams. Currently, some Procurement Administrators go directly to the Department Manager for review and approval of certain types of work.

Contracts Administration and Materials Management Department
Organizational Chart for Fiscal Year 2007-08

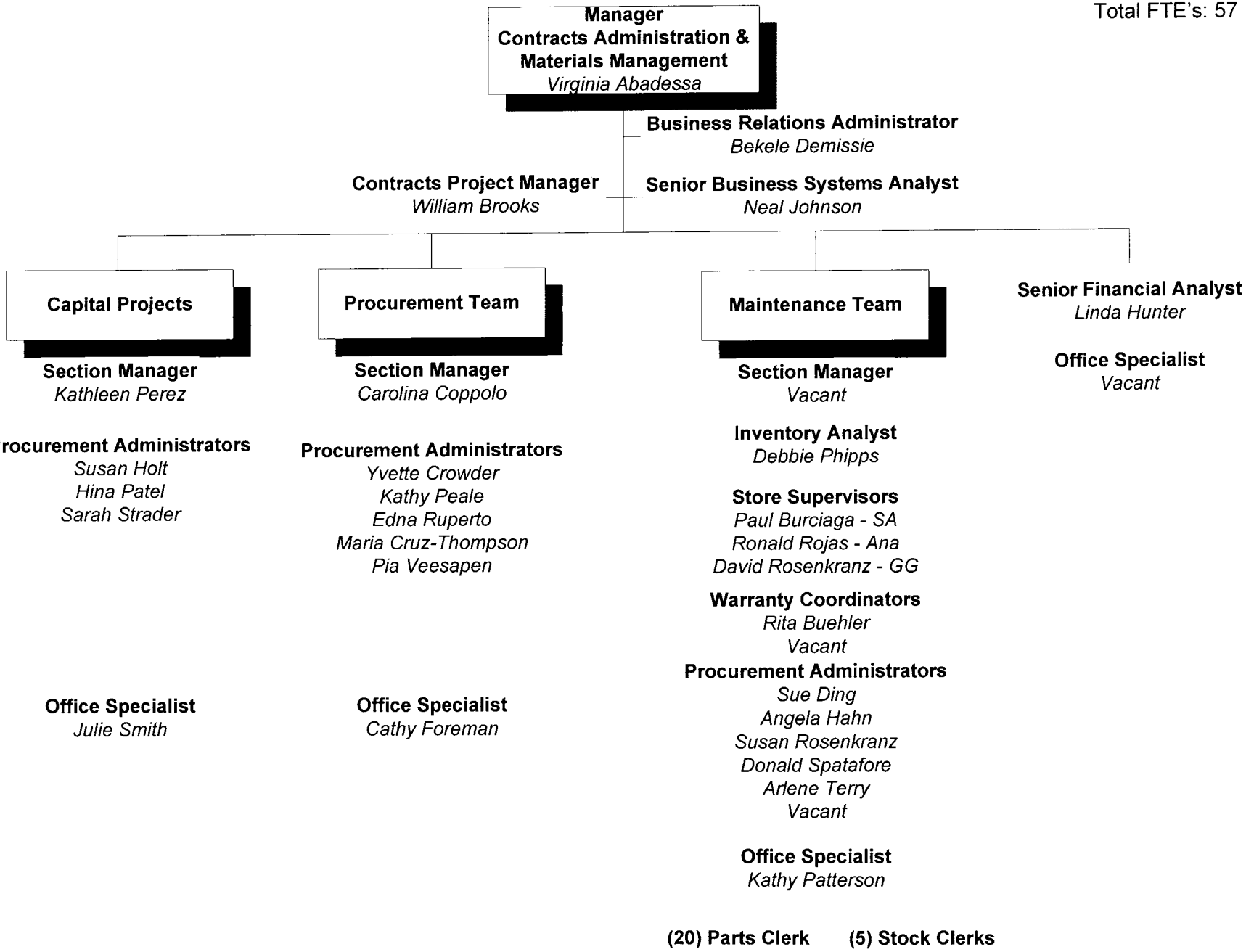


ATTACHMENT B

Effective July 1, 2007

Contracts Administration and Materials Management Department
Organizational Chart for Fiscal Year 2006-07

Total FTE's: 57

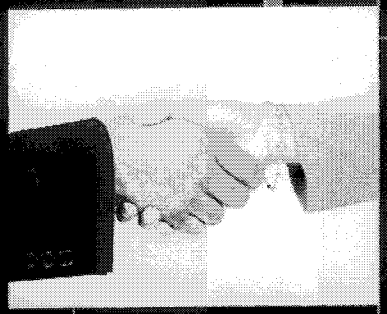


ATTACHMENT C

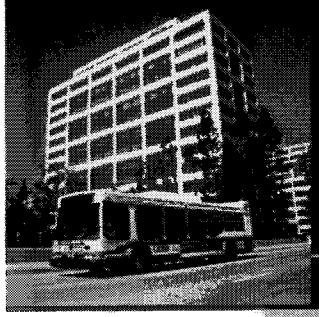
Item 7

PowerPoint Presentation

Attached



Contracts Administration and Materials Management Department Reorganization





Finance and Administration Committee
July 11, 2007

OCTA

Item 7

Study Goals:

- Ensure ability to handle routine plus M2 transportation projects
- Become more effective/efficient
- Develop automation tools

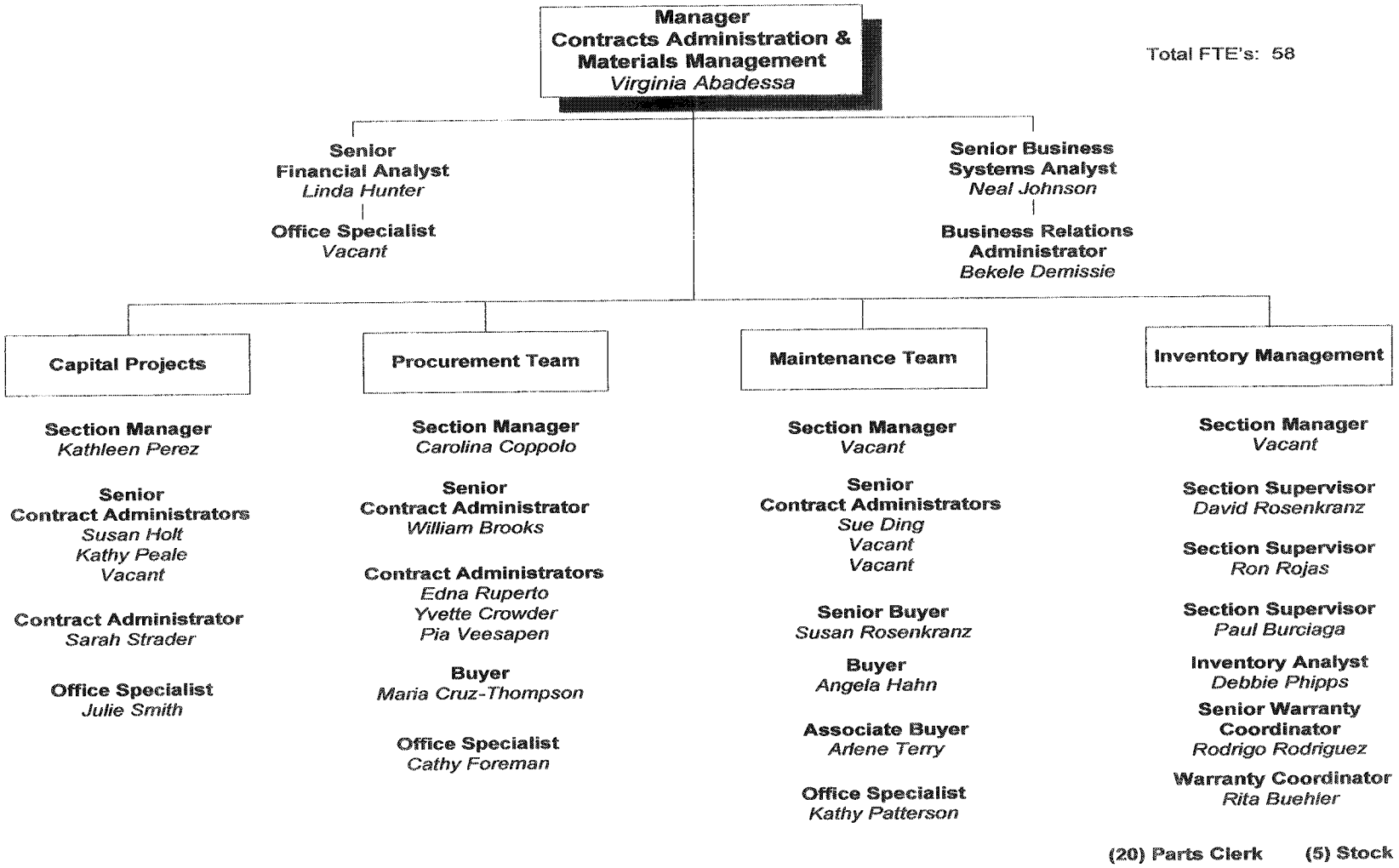
- Develop contract administration function
- Modify job classification structure
- Reorganize Maintenance Procurement Section
- Improve Inventory Management
- Assign Development Division Procurements to one section
- Coordinate Central Activities within CAMM
- Prepare detailed policies, procedures & processes
- Develop more document templates
- Develop workload planning tool
- Develop project tracking & performance tools
- Automate budget tracking for requisitions
- Provide greater department leadership

- Develop and process contracts, amendments & contract task orders
- Initiate contract file & distribute contracts
- Review/track insurance and bond documents
- Conduct kick-off meetings
- Process changes/resolve problems
- Administer vendor performance review

- Reconcile differences between proposals and scopes of work
- Improve/take ownership of staff reports
- Develop contract administration plan addresses roles and responsibilities
- Review and approve invoices

- Track receipt of SOW-required deliverables and schedule compliance
- Ensure compliance with contract terms and conditions
- Establish formal Change Order Review process
- Conduct contract close outs

Contracts Administration and Materials Management Department
Organizational Chart for Fiscal Year 2007-08



- CAMM positions have been redefined and staff are in the new positions
- Contract administration functions being fine-tuned with the executive management
- Project/workload tracking tools will be implemented in FY 2008

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement for Freeway Service Patrol Tow Services

Regional Planning and Highways Committee — July 16, 2007

Present: Directors Amante, Cavecche, Dixon, Glaab, Green, Mansoor, Pringle, and Rosen
Absent: Director Norby

Committee Vote

This item was passed by all Committee Members present.

Director Cavecche was not present to vote on this matter.

Committee Recommendations

A. Authorize the Chief Executive Officer to execute Agreement C-7-0898 between the Orange County Transportation Authority and Hadley Tow for beats 6, 6A&B, 8, 9, 9A&B, 14 and14A in an amount not to exceed $5,485,616, for the period of December 1, 2007 to November 30, 2010.

B. Authorize the Chief Executive Officer to execute Agreement C-7-0443 between the Orange County Transportation Authority and California Coach Orange, Incorporated for beat 13 in an amount not to exceed $1,658,218, for the period of December 1, 2007 to November 30, 2010.

C. Authorize the Chief Executive Officer to execute Agreement C-7-0899 between the Orange County Transportation Authority and A&B Towing for beat 7 in an amount not to exceed $1,740,486 for the period of December 1, 2007 to November 30, 2010.

OCTA

July 16, 2007

To: Regional Planning and Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for Freeway Service Patrol Tow Services

Overview

On November 30, 2007, several contracts for the provision of Freeway Service Patrol tow services will expire. To ensure the continuity of operations, the Orange County Transportation Authority issued a Request for Proposals and received offers in accordance with procurement procedures for professional and technical services. Board approval is requested to execute new agreements.

Recommendations

A. Authorize the Chief Executive Officer to execute Agreement C-7-0898 between the Orange County Transportation Authority and Hadley Tow for beats 6, 6A&B, 8, 9, 9A&B, 14 and14A, in an amount not to exceed $5,485,616, for the period of December 1, 2007 to November 30, 2010.

B. Authorize the Chief Executive Officer to execute Agreement C-7-0443 between the Orange County Transportation Authority and California Coach Orange, Incorporated for beat 13, in an amount not to exceed $1,658,218, for the period of December 1, 2007 to November 30, 2010.

C. Authorize the Chief Executive Officer to execute Agreement C-7-0899 between the Orange County Transportation Authority and A&B Towing for beat 7, in an amount not to exceed $1,740,486, for the period of December 1, 2007 to November 30, 2010.

Background

The Orange County Freeway Service Patrol (FSP) is a congestion relief program that provides timely response to accidents, incidents and debris on the roadway as well as assisting stranded motorists and disabled vehicles. In November 1992, the FSP began providing peak-hour traffic congestion

mitigation service on all Orange County freeways. In December 2003, service was added to the five busiest freeway interchanges in the County, and in December 2006, a weekend pilot program was initiated on the south San Diego Freeway (Interstate 5). The FSP program is a cooperative partnership between the California Department of Transportation (Caltrans), the California Highway Patrol (CHP), the Orange County Transportation Authority (Authority), and the FSP tow truck operators.

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 firms offering the most effective overall proposals, 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 March 21 and March 28, 2007, in a newspaper of general circulation, and on CAMMNET to 37 firms. A pre-proposal meeting was held on April 2, 2007, and was attended by six prospective offerors.

On April 30, 2007, seven offers were received. An evaluation committee composed of representatives from the following was established to review all offers submitted: the Motorist Services Department; the Regional Initiative Department; the Long-Range Strategic, Planning & Analysis Department; the Contracts Administration and Materials Management Department; and the CHP. The offers were evaluated on the basis of the following criteria and weightings assigned to each: Qualifications of the Firm (25 percent), Staffing and Project Organization (25 percent), Work Plan (25 percent), and Cost and Price (25 percent). The criteria-weightings were approved by the Regional Planning and Highway Committee on March 5, 2007, and by the Board of Directors on March 12, 2007. Based on their findings, the evaluation committee recommends the following firms to the Regional Planning and Highways Committee for consideration of an award:

Firm and Location

Hadley Tow
Orange, California

California Coach Orange, Inc.
Orange, California

A&B Towing
Costa Mesa, California

These three firms all have a wealth of experience and knowledge about the FSP program in Orange County. The proposals submitted by each of these firms demonstrated thorough and concise understanding of the program requirements, as well as extremely competitive rates.

Based upon proposal evaluation and interviews, the evaluation committee individually considered the beats and is recommending those contractors that would provide the best value for each.

Agreement C-7-0898 – Hadley Tow – Beats 6, 6A, 6B, 8, 9, 9A, 9B, 14, and 14A. (See attachments A and B for details.) The maximum cumulative amount to Hadley Tow is $5,485,616.

Agreement C-7-0443 – California Coach Orange, Incorporated – Beat 13. (See attachments C and D for details) The maximum cumulative amount to California Coach Orange, Incorporated is $1,658,218.

Agreement C-7-0899 – A&B Towing – Beat 7. (See attachments E and F for details.) The maximum cumulative amount to A&B Towing is $1,740,486.

Fiscal Impact

Funds for the operation of FSP service have been included in the approved Orange County Transportation Authority Fiscal Year 2007-08 Budget, Service Authority for Freeway Emergencies Fund 0013. The FSP program is funded 75 percent by the State of California and the Authority provides a 25 percent match, from local Department of Motor Vehicle registration funding.

Summary

Based on the information provided, staff recommends award of Agreement C-7-0898 to Hadley Tow, in an amount not to exceed $5,485,616, Agreement C-7-0443 to California Coach Orange, Incorporated, in an amount not to exceed $1,658,218, and Agreement C-7-0899 to A&B Towing, in an amount not to exceed $1,740,486 for Freeway Service Patrol.

Attachments

A. Hadley Tow, Agreement C-7-0898 Fact Sheet
B. Hadley Tow Agreement C-7-0898 Geographic Coverage
C. California Coach Orange, Inc., Agreement C-7-0443 Fact Sheet
D. California Coach Orange, Inc., Agreement C-7-0443 Geographic Coverage
E. A&B Towing, Agreement C-7-0899 Fact Sheet
F. A&B Towing, Agreement C-7-0899 Geographic Coverage

Prepared by:

Iain C. Fairweather
Manager Motorist Services
(714) 560-5858

Approved by:

Paul C. Taylor P.E.
Deputy Chief Executive Officer
(714) 560-5431

ATTACHMENT A

Hadley Tow
Agreement C-7-0898 Fact Sheet

1. July 23, 2007, Agreement C-7-0898, $5,485,616, pending approval by the Board of Directors.

   - To provide Freeway Service Patrol on selected freeways in Orange County for the period of December 1, 2007 to November 30, 2010.

     Total commitment to Hadley Tow, Agreement C-7-0898: $5,485,616

ATTACHMENT B

Hadley Tow
Agreement C-7-0898 Geographic Coverage

Beat Geographical Location	Current Contractor / Current Cost	Proposed Contractor / Proposed Cost	Service Provided
Beat 6: The Garden Grove Freeway (State Route 22) from the San Diego Freeway (Interstate 405) to the Costa Mesa Freeway (State Route 55)	Hadley Tow $1,331,636	Hadley Tow $1,214,741	Three tow trucks plus two back-up trucks
Beat 6A: The interchange of the Santa Ana Freeway (Interstate 5), the Orange Freeway (State Route 57), and State Route 22 (SR-22) **Beat 6B:** The interchange of Interstate 5 (I-5), State Route 55 (SR-55), and the SR-22	Hadley Tow $176,748	Hadley Tow $202,457	One tow truck for each beat
Beat 8: The I-5 from the SR-22 to the Los Angeles County line.	Hadley Tow $353,496	Hadley Tow $829,109	Two tow trucks plus one back-up truck
Beat 9: The Riverside Freeway (State Route 91) from State Route 57 (SR-57) to the Los Angeles County line	Hadley Tow $1,671,072	Hadley Tow $1,619,654	Four tow trucks plus two back-up trucks
Beat 9A: The interchange of the I-5 and State Route 91(SR-91) **Beat 9B:** The interchange of the SR-57 and SR-91	Hadley Tow $176,748	Hadley Tow $202,457	One tow truck for each beat
Beat 14: The Costa Mesa Freeway (State Route 55) from Interstate 405 (I-405) to the Corona Del Mar Freeway (State Route 73) (SR-73) and the SR-73 from Bison to I-405	A&B Towing $509,163	Hadley Tow $809,827	Two tow trucks plus one back-up trucks
Beat 14A: The interchange of I-405 and SR-73	A&B Towing $121,089	Hadley Tow $ 202,457	One tow truck
	Current Cost $4,693,448	**Proposed Cost** $5,485,616	

ATTACHMENT C

California Coach Orange, Incorporated
Agreement C-7-0443 Fact Sheet

1. July 23, 2007, Agreement C-7-0443, $1,658,218, pending approval by the Board of Directors.

   - To provide Freeway Service Patrol on selected freeways in Orange County for the period of December 1, 2007 to November 30, 2010.

     Total commitment to California Coach Orange, Incorporated Agreement C-7-0443: $1,658,218

ATTACHMENT D

California Coach Orange, Incorporated
Agreement C-7-0443 Geographic Coverage

Beat Geographical Location	Current Contractor / Current Cost	Proposed Contractor / Proposed Cost	Service Provided
Beat 13: The Santa Ana Freeway (Interstate 5) from Avery Parkway to the San Diego County line	GS California $1,578,520	California Coach Orange, Incorporated $1,658,218	Four tow trucks plus one back-up truck
	Current Cost $1,578,520	**Proposed Cost** $1,658,218	

ATTACHMENT E

A&B Towing
Agreement C-7-0899 Fact Sheet

1. July 23, 2007, Agreement C-7-0899, $1,740,486 pending approval by the Board of Directors.

   - To provide Freeway Service Patrol on selected freeways in Orange County for the period of December 1, 2007 to November 30, 2010.

     Total commitment to A&B Towing, Agreement C-7-0443: $1,740,486

ATTACHMENT F

A&B Towing
Agreement C-7-0899 Geographic Coverage

Beat Geographical Location	Current Contractor / Current Cost	Proposed Contractor / Proposed Cost	Service Provided
Beat 7: The San Diego Freeway (Interstate 405) from the Santa Ana River to the Santa Ana Freeway (Interstate 5	A&B Towing $1,029,895	A&B Towing $1,740,486	Four tow trucks plus one back-up truck
	Current Cost $1,029,895	**Proposed Cost** $1,740,486	

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Selection of a Consultant for Project Management Services for Facility Modifications at All Bases and Transportation Centers

Transit Planning and Operations Committee — July 12, 2007

Present: Directors Brown, Green, Moorlach, Nguyen, Pulido, and Winterbottom
Absent: Directors Dixon and Norby

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Select MARRS Services, Inc., as the top ranked firm to provide management services.

B. Authorize the Chief Executive Officer to request a cost proposal from MARRS Services, Inc., and negotiate a three-year agreement, in an amount not to exceed $900,000, for project management services.

C. Authorize the Chief Executive Officer to execute the final agreement.

OCTA

July 12, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Selection of a Consultant for Project Management Services for Facility Modifications at All Bases and Transportation Centers

Overview

The Orange County Transportation Authority is responsible for managing the design and construction of bus base and transportation center facility modification projects. Project management support services are required to assist the Orange County Transportation Authority in overseeing the design and construction of both current and future projects.

Recommendations

A. Select MARRS Services, Inc., as the top ranked firm to provide management services.

B. Authorize the Chief Executive Officer to request a cost proposal from MARRS Services, Inc., and negotiate a three-year agreement, in an amount not to exceed $900,000, for project management services.

C. Authorize the Chief Executive Officer to execute the final agreement.

Background

Consultant services augment existing staff resources by providing full-time personnel to support project management needs. The existing three-year contract with Hatch Mott MacDonald expires on August 31, 2007, and includes one full-time support staff for facility modification projects.

The Development Division has reviewed its current and future project development requirements and determined that a full-time individual is required to support future projects. This facilities project manager will develop scopes of work and oversee the design and construction of multiple bus base facility capital improvement projects, including compressed natural gas building

modifications at the Irvine Sand Canyon Base and facility modifications at the Irvine Construction Circle Base.

Discussion

This procurement was handled in accordance with the Orange County Transportation Authority's (Authority) procedures for architectural and engineering requirements, which conform to both federal and state law. Proposals are evaluated without consideration of cost and are ranked in accordance with the qualifications of the firm and the technical proposal. The highest ranked firm is requested to submit a cost proposal and the final agreement is negotiated. Should negotiations fail with the highest ranked firm, a cost proposal will be solicited from the second ranked firm in accordance with the procurement policies previously adopted by the Board of Directors.

The project was advertised on May 16 and May 21, 2007, in a newspaper of general circulation. On May 15, 2007, the Request for Proposals (RFP) was posted on CAMM NET. A pre-proposal meeting was held on May 22, 2007, and was attended by 16 firms. Addenda Nos. 1 and 2 were issued on May 31, 2007, to address administrative issues to the RFP.

On June 6, 2007, six proposals were received. An evaluation committee consisting of staff from the Development Division, and the Contracts Administration and Materials Management, Facility Maintenance, and Safety and Environmental Compliance departments met to review the proposed work plans and firm qualifications.

The evaluation committee reviewed all proposals and found two of the firms qualified for the work. The committee interviewed each of the qualified firms. The two firms are:

Firm and Location

MARRS Services, Inc.
Santa Fe Springs, California

Administrative Controls Management, Inc.
San Clemente, California

The evaluation committee concluded that MARRS Services, Inc.'s (MARRS) proposal provided excellent qualifications and best met the technical requirements identified by the Authority. The proposal demonstrated that the firm has a good understanding of the scope of work. The firm also provides

plan check review, quality and cost control, construction contract administration, construction management, scheduling, cost estimating services, and claims management services. The key person MARRS assigned to the project is a registered civil engineer with design, plan review, and extensive construction management experience. Previous construction management experience includes transit projects at the City of Norwalk, Foothill Transit, and the Authority.

Fiscal Impact

This reimbursable cash based agreement was approved for $300,000 in the Authority's Fiscal Year 2007-08 Budget, Development Division, Account 1722-7519-D3107-7RV, and is funded through the Local Transportation Fund. The balance of the contract value will be budgeted in subsequent fiscal years based on estimated annual expenditures.

Summary

The evaluation committee met and reviewed this item. Based on the material provided, the committee recommends the selection of MARRS Services, Inc., as the most qualified firm for project management services for facility modifications at all bases and transportation centers.

Staff is requesting authorization to request a cost proposal from MARRS Services, Inc., and negotiate an agreement, in an amount not to exceed $900,000.

Attachment

None.

Prepared by:

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Principal Civil Engineer
(714) 560-5866

Approved by:

Kia Mortazavi
Executive Director, Development
(714) 560-5741

13.

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Agreement for Major Bus Body Repair

Transit Planning and Operations Committee — July 12, 2007

Present: Directors Brown, Green, Moorlach, Nguyen, Pulido, and Winterbottom
Absent: Directors Dixon and Norby

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-7-0706 between the Orange County Transportation Authority and Smith and Hartford Coach Works, in an amount not to exceed $125,000, for major bus body repairs for a one-year period with one option year.

OCTA

July 12, 2007

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for Major Bus Body Repairs

Overview

The repair of major bus body damage requires specialized labor resources and equipment. The Orange County Transportation Authority does not have the resources to perform this function. The current agreement to provide major bus body repairs has expired. 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-7-0706 between the Orange County Transportation Authority and Smith and Hartford Coach Works, in an amount not to exceed $125,000, for major bus body repairs for a one-year period with one option year.

Background

The Orange County Transportation Authority (Authority) does not have the specialized labor or equipment to perform major bus body damage. This type of repair frequently requires a heavy-duty frame pulling machine to restore the bus to its original condition. It is not cost effective for the Authority to procure the specialized staff and equipment needed for repairs of major bus body damage.

Discussion

This procurement was handled in accordance with the Authority's procedures for professional and technical services. In addition to cost and price, 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 industry.

The project was advertised on April 24 and May 1, 2007, in the Orange County Register. A pre-proposal meeting was held on May 1, 2007, and was attended by five contractors.

On May 18, 2007, three offers were received. An evaluation committee composed of staff from Safety and Environmental Compliance, Facilities Maintenance Resource Management, and Contracts Administration and Materials Management was established to review all offers submitted. The offers were evaluated on the basis of qualifications of firm, staffing and project organization, work plan, and cost effectiveness. Based on their findings, the evaluation committee recommends the following firm for consideration of an award:

Firm and Location

Smith and Hartford Coach Works
Compton, California

Smith and Hartford achieved the highest score and exhibited a complete and thorough understanding of the Authority's requirements identified in the Request for Proposals. Although Universal Painting Company offered the lowest price, the firm did not demonstrate experience in body work repairs of this type.

Fiscal Impact

The project was approved in the Authority's Fiscal Year 2007-08 Budget, Transit Division, Maintenance Department, Accounts 2162-7613-D2108-2QJ, 2164-7613-D2108-2TP, 2168-7613-D2108-2RX and is funded through the Local Transportation Fund.

Summary

Staff recommends approval of Agreement C-7-0706 with Smith and Hartford Coach Works, in an amount not to exceed $125,000, for major bus body repairs.

Attachment

None.

Prepared by:

Lloyd R. Banta
Acting Manager, Maintenance
(714) 560-5975

Approved by:

Beth McCormick
Acting General Manager, Transit
(714) 560-5964

14.

OCTA

MEMO

July 17, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: **Principles for Container Fee Program**

This item was heard at the Transportation 2020 Committee meeting on Monday, July 16, 2007, and the transmittal attached summarizes what action took place at that meeting.

The item will also be heard at the Legislative and Government Affairs Committee meeting on Thursday, July 19. After that meeting, you will be provided with another transmittal advising you of any action taken by that Committee.

Thank you –

OCTA

BOARD COMMITTEE TRANSMITTAL

July 23, 2007

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Principles for a Container Fee Program

Transportation 2020 Committee — July 16, 2007

Present: Directors Amante, Brown, Campbell, Cavecche, Dixon, and Pringle
Absent: Director Buffa

Committee Vote

This item was passed by all Committee Members present.

Director Dixon was not present to vote on this item.

Committee Recommendation

Approve a set of principles that should be considered for any program which levies a fee on containers being transported though the Ports of Los Angeles, Long Beach, and Oakland for the purposes of providing an infrastructure system capable of handling increased trade volumes while mitigating the impacts of that trade on local communities.

Note:

Revised attachment included.

REVISED ATTACHMENT A

Proposed Principles For A Container Fee Program
As Revised by the Transportation 2020 Committee on July 16, 2007

- The port system in Southern California is defined as the entire network which supports the movement of goods to and from the Ports of Los Angeles and Long Beach including directly impacted infrastructure and communities in the counties of Los Angeles, Orange, Riverside, and San Bernardino.

- Any container fee program that is developed should fund projects which expand capacity and specifically mitigate the impacts of port activity and the movement of goods on local communities in Southern California (for example, increase capacity on rail lines should be coupled with grade separations).

- Any fee that is levied should be specifically designed to mitigate congestion and air quality issues directly associated with the movement of cargo from California Ports that is distributed in a fair and equitable manner to local and regional government agencies in Los Angeles, Orange, Riverside, and San Bernardino counties.~~:~~

- Fees collected should be placed in separate dedicated funds based on geographic region and project category. The program should specify a timeline in which fees will be collected, continuously appropriate revenues to locally identified projects, sunset once specified projects~~s~~ outcomes are achieved~~are fully funded~~, and be sufficiently firewalled in order to prohibit diversions by the State or any other entity for another purpose.

- Selected projects for congestion relief and mitigation should be clearly defined, separate accounts should be created for each category, and funds from these accounts should be eligible for port and inland transportation and air quality mitigation projects including upgrading and purchasing new equipment.

- ~~Funds allocated from a Los Angeles and Long Beach port container fee should be distributed in a fair and equitable manner to local and regional government agencies in Los Angeles, Orange, Riverside, and San Bernardino counties.~~

- Projects which are identified for each funding category should be intended to improve the efficiency of transporting cargo and mitigating the effects of port activity.

- Selected projects should not be intended to impose additional regulations and/or obligations on local municipalities and government entities.

- The State should not impose any unfunded mandates when developing policies which would administer or provide oversight regarding the establishment of a program to levy container fees.

- When developing guidelines for implementing the program, the appropriate public agencies should include strong accountability and oversight provisions to ensure that funds are used appropriately and effectively.

OCTA

July 16, *2007*

To: Transportation 2020 Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Principles for a Container Fee Program

Overview

With an estimated 15.7 million containers passing through the Ports of Los Angeles and Long Beach in 2006, these two ports stand as the fifth largest port complex in the world. With a daily rate of 40,000 containers moving through this port complex, the state's transportation system and environmental quality is severely impacted. Scarce financial resources require an innovative approach to finance mitigation measures to improve the movement of cargo through the ports.

Recommendation

Approve a set of principles that should be considered for any program which levies a fee on containers being transported though the Ports of Los Angeles, Long Beach, and Oakland for the purposes of providing an infrastructure system capable of handling increased trade volumes while mitigating the impacts of that trade on local communities.

Discussion

The port complex of Los Angeles and Long Beach handles an estimated 33 percent of all United States (U.S.) container traffic and 54 percent of U.S.-Asian containerized trade. The port activity at Los Angeles and Long Beach harbors generate roughly 259,000 jobs and $1.4 billion annually in revenue to the state and local economy.

As the world's fifth largest port complex, the movement of goods through Southern California severely impacts the region's transportation system and air quality. The Port of Long Beach and the Southern California Association of Governments (SCAG) reported that 50 to 70 percent of all cargo coming into this port complex is transported to destinations outside the Southern California region (SCAG, Goods Movement: a Plan for Action, 2005).

The region's railroads and highways are at near-capacity or capacity at a time when import volumes are continuing to rise. The freight rail system in California is the largest single intermodal operation in the United States transporting over five million containers annually. Recent truck counts in the region found that an estimated 144,883 trucks traveled daily through Los Angeles County (primarily traveling in the east-west direction through Los Angeles County) along Santa Monica Freeway (Interstate 10), Pomona Freeway (State Route 60), Santa Ana Freeway (Interstate 5), Glen Anderson Freeway (Interstate 105), Artesia Freeway (State Route 91), and San Diego Freeway (Interstate 405). Additionally, an estimated 91,934 trucks traveled daily in Orange County along Interstate 5, Orange Freeway (State Route 57), State Route 91, and Interstate 405.

Increasing port activity and the movement of cargo via truck and train have outpaced the state's progress in building the infrastructure needed to accommodate the demands on the region's transportation system. Moreover, the region's strained infrastructure coupled with the state's current fiscal condition leaves Southern California with scarce resources to address this escalating issue. As ideas continue to be discussed amongst industry stakeholders, levying a fee on imported cargo at the state's ports in order to mitigate the impacts of port activity, continues to be the one method widely discussed.

In order to evaluate the economic impact of such a program, Paul Bingham, an economist from Global Insight, recently provided a presentation to the Orange County Transportation Authority's (OCTA) Regional Planning and Highways Committee. Based on his research, Mr. Bingham has concluded that the average container has a value of $28,500. Mr. Bingham also found that a $30 container fee may lead to a 1.5 percent diversion of goods, but given the ports' expected growth of 8 to 10 percent over the next several years, a proposed container fee of up to $200 would not erode Southern California's market share. Additionally, the expansion of ports in Ensenada, the Sea of Cortez, San Diego, and Oakland would have little impact on container volumes in the Los Angeles and Long Beach port complex.

According to the Los Angeles Economic Development Corporation (LAEDC), Southern California must spend at least $10.5 billion to improve railroads, rail yards, and highways to keep up with surging international trade or risk losing more than 500,000 new jobs and more than $1 billion in local revenue annually. Regardless of efforts to develop alternative West Coast gateways, the Ports of Los Angeles and Long Beach will remain the primary entry points for eastbound imports into the United States. A 2005 study by University of California Berkeley economist Robert Leachman found even a fee as high as $150 per container did not seem to have significant economic impacts.

With container volumes expected to continue to increase, industry stakeholders and the State Legislature are discussing methods to finance projects which will improve the goods movement infrastructure in the Southern California region.

In April, OCTA's Legislative and Government Affairs/Public Communications Committee (LGA) discussed the concept of a potential container fee program for the Ports of Los Angeles, Long Beach, and Oakland. From these discussions, the LGA Committee requested that the Orange County Taxpayers Association (OCTax) weigh in on a potential container fee program. Primarily, OCTax examined whether a charge levied on containers entering California's ports are actually a fee or a tax. OCTax distinguishes a tax from a fee by saying taxes pay for any government service, in which the general public receives the primary benefit. The payment is mandatory, may be levied in any amount, and is levied equally on all similar payers. Alternately, a fee pays for a specific service where the payer receives the primary benefit and the payment is dependent upon the use of service, covers only the cost of service, and is levied in proportion to the impact or extent of an activity. OCTax has concluded after careful examination that: 1) a nexus exists between the payer and the charge levied to mitigate the impact of port activity and 2) a fee levied on containers entering the ports and are dedicated for specific purposes as discussed in this report are fees.

In April's meeting, the LGA Committee stated that additional policy issues related to administering a container fee program needed to be reviewed and recommendations needed to be identified. Several of these policy concerns included stronger accountability standards for stakeholders, policy language which is more project-oriented to meet current regulations, and a more specific argument to justify the necessity of levying such a fee plus how and when the fee will sunset. With OCTA being an active participant in goods movement discussions, the attached Principles (Attachment A) may be used as a tool to guide discussions and negotiations over a potential container fee program in Sacramento or within the Southern California region.

Summary

The movement of goods through the ports of Los Angeles and Long Beach significantly impacts the region's transportation system and air quality. Principles to guide the development of a funding mechanism and program to carry out projects designed to mitigate the impacts of the goods movement are outlined in this report.

Attachment

A. Proposed Principles For a Container Fee Program

Prepared by:

Manuel Leon
Senior Government
Relations Representative
(714) 560-5393

Approved by:

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

ATTACHMENT A

Proposed Principles For A Container Fee Program

- Any container fee program that is developed should fund projects which expand capacity and specifically mitigate the impacts of port activity on local communities in Southern California (for example, increase capacity on rail lines should be coupled with grade separations).

- Any fee that is levied should be specifically designed to mitigate congestion and air quality issues associated with the movement of cargo from California Ports.

- Fees collected should be placed in separate dedicated funds based on geographic region and project category. The program should specify a timeline in which fees will be collected, continuously appropriate revenues to locally identified projects, sunset once projects are fully funded, and be sufficiently firewalled in order to prohibit diversions by the State or any other entity for another purpose.

- Selected projects for congestion relief and mitigation should be clearly defined, separate accounts should be created for each category, and funds from these accounts should be eligible for port and inland transportation and air quality mitigation projects including upgrading and purchasing new equipment.

- Funds allocated from a Los Angeles and Long Beach port container fee should be distributed in a fair and equitable manner to local and regional government agencies in Los Angeles, Orange, Riverside, and San Bernardino counties.

- Projects which are identified for each funding category should be intended to improve the efficiency of transporting cargo and mitigating the effects of port activity.

- Selected projects should not be intended to impose additional regulations and/or obligations on local municipalities and government entities.

- The State should not impose any unfunded mandates when developing policies which would administer or provide oversight regarding the establishment of a program to levy container fees.

- When developing guidelines for implementing the program, the appropriate public agencies should include strong accountability and oversight provisions to ensure that funds are used appropriately and effectively.

15.

OCTA

MEMO

July 17, 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

July 19, 2007

To: Legislative and Government Affairs/Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Garden Grove Freeway (State Route 22) Carpool Survey

Overview

The Orange County Transportation Authority, in cooperation with the California Department of Transportation and Federal Highway Administration, is examining the potential of continuous access carpool lanes in Orange County. As part of the initial demonstration project on the Garden Grove Freeway (State Route 22), a survey has been conducted to assess commuter awareness of and attitudes towards continuous access carpool lanes. This report provides survey findings.

Recommendation

Receive and file as an information item.

Background

In December 2006, the California Department of Transportation (Caltrans), in consultation with the Orange County Transportation Authority and Federal Highway Administration (FHWA) initiated manual observations of continuous access carpool lanes along the Garden Grove Freeway (State Route 22). Once the traffic detection system is operating and reporting to the Caltrans' traffic management center, the official one-year study of traffic behavior on the continuous access carpool lanes will begin. The purpose of the study will be to determine feasibility of operating continuous access carpools on the State Route 22 (SR-22).

To support this effort, known as the Garden Grove Freeway High-Occupancy Vehicle Lane Demonstration Project, a telephone survey was conducted in spring 2007 with motorists who use the SR-22 at least once a year, with 74 percent using it at least once a month. The survey included a sampling of over

1,000 households selected via random digit dialing with over-sampling of those that use the SR-22.

The survey included questions to determine motorists awareness of the new carpool lanes; measured respondents' views regarding safety and ease of use; assessed attitudes about carpool lane operating policies (continuous or periodic access, part-time use during off peak hours); and examined perceptions about travel time savings.

Discussion

The Garden Grove Freeway (SR-22) Carpool Survey report by Strategic Consulting & Research (SCR) details the survey methodology and findings (Attachment A). Key findings include:

- Prior to participating in the survey, 42 percent of SR-22 users were aware that the high occupancy vehicle lanes (HOV) on SR-22 are continuous access lanes.

- Seventy-one percent believe that SR-22 should remain continuous access, and 59 percent believe that HOV lanes on other freeways in Orange County should be converted to continuous access.

- Sixty-two percent indicate they will be more likely to carpool if HOV lanes are continuous access.

- Almost two-thirds of SR-22 users (64 percent) believe that continuous access will improve freeway safety.

- Seventy-three percent believe continuous access will improve travel times for carpoolers and 65 percent believe it will improve travel times for all freeway travelers.

- Sixty-two percent also support the concept of opening HOV lanes to everyone during off-peak periods (9 a.m. - 3 p.m., 8 a.m. - 5 a.m., all day weekends).

Summary

The Garden Grove Freeway (SR-22) Carpool Survey is complete and included for Board of Directors' review. Findings indicate continuous access and part-time operations are supported by a clear majority of motorists.

These findings will be incorporated in the overall assessment of the operations of carpool lanes in Orange County.

Attachments

A. Orange County Transportation Authority Garden Grove Freeway (SR 22) Carpool Survey Report

Prepared by:

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(714) 560 -5334

Approved by:

Ellen Burton
Executive Director, External Affairs
(714) 560-5923

ATTACHMENT A

Orange County Transportation Authority

Garden Grove Freeway (SR-22) Carpool Survey

FINAL REPORT

Strategic Consulting & Research
Irvine, CA

June 19, 2007

OCTA

SCR

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1.0 KEY FINDINGS

- Prior to participating in the survey 42 percent of SR-22 users were aware that the HOV Lanes on SR-22 are continuous access lanes.
- Seventy-one percent believe that SR-22 should remain continuous access, and 59 percent believe that HOV Lanes on other freeways in Orange County should be converted to continuous access.
- Sixty-two percent indicate they will be more likely to carpool if HOV Lanes are continuous access.
- Almost two-thirds of SR-22 users (64%) believe that continuous access will improve freeway safety.
- Seventy-three percent believe continuous access will improve travel times for carpoolers and 65 percent believe it will improve travel times for all freeway travelers.
- Sixty-two percent also support the concept of opening HOV Lanes to everyone during off-peak periods (9AM-3PM, 8PM-5AM, all day weekends).

2.0 EXECUTIVE SUMMARY

A telephone survey of 1,084 households was conducted between April 30th and June 13th with motorists who use the SR-22 at least once a year, with 74 percent using it at least once a month. Households were selected geographically to be representative of SR-22 drivers based on a previous origin-destination survey of SR-22 users. The survey addresses policy issues related to HOV Lane access with the focus on 'Continuous Access' HOV Lanes. A sample of 1,084 provides statistical reporting accuracy of $\pm$ 3 percent.

Although awareness that the carpool lanes on SR-22 are continuous access is currently relatively low at 42 percent, support for the concept is relatively high with 71 percent indicating that they believe that SR-22 should remain continuous access and 59 percent believing that HOV Lanes on other freeways in Orange County should be converted to continuous access.

The primary reasons for supporting continuous access on SR-22 are improving freeway efficiency at 49 percent and greater safety at 37 percent. Although perceived improvement in safety is the second most important reason for support of continuous access, it is also the most frequently cited reason for supporting limited access on SR-22 at 61 percent.

At a more detailed level, the majority of SR-22 users believe that continuous access will improve safety by making it easier to get in or out near the desired entrance or exit (83% agree/strongly agree), because motorists will no longer need to quickly cross several lanes of traffic to enter or exit from an HOV Lane (76%), and because they can enter or exit anywhere rather than having to do it in a short distance (68%). Although 40 percent agree that continuous access will make it more dangerous because slower cars can enter at any point, an even larger 49 percent disagree with this statement. Taking all of these factors into consideration, a solid majority of 64 percent believe that continuous access will improve freeway safety.

Reflecting their opinion that continuous access will make freeways more efficient, 73 percent agree or strongly agree that continuous access will improve travel times for carpoolers. Further, 65 percent also believe that it will improve travel times for all drivers.

The survey also asked motorists if they support the potential policy change of opening the HOV Lanes to everyone during off-peak hours (9AM-3PM, 8PM-5AM, all day weekends). SR-22 users also support this concept by 62 percent 'yes' to 33 percent 'no.'

3.0 BACKGROUND

The Orange County Transportation Authority (OCTA), contracted with Strategic Consulting & Research (SCR) to conduct a study to secure motorist's awareness, knowledge and attitudes about alternative access modes for high-occupancy vehicle (HOV) lanes on the Garden Grove Freeway (State Route 22/SR-22). The study addresses maintaining continuous access on the SR-22, the potential expansion of this policy to other Orange County HOV lanes, and also the possibility of opening HOV lanes to all motorists during off-peak periods.

High-occupancy vehicle lanes are lanes reserved for drivers with one or more passengers. Vehicles included may be private automobiles or public transportation buses. In some cases, single occupant vehicles are allowed if they are hybrid vehicles.

In 2005, California had 1,169 miles of HOV designated lanes with 803 miles in Southern California and 366 miles in Northern California. Rules governing HOV lanes vary by location, with one difference being buffer-separated access entry vs. continuous access entry. Under the buffer-separated entry system, the HOV lanes are separated by two double yellow lines and vehicles may only enter or exit the lane in specific locations, which are marked by dashed white lines. In contrast, under continuous access vehicles can enter or exit at any location.

Based on a policy decision in March 2006, the Garden Grove Freeway's HOV lanes opened from approximately the Costa Mesa Freeway (SR-55) to Valley View Street in late April 2007 as a continuous access demonstration project.

4.0 STUDY AREA

The Garden Grove Freeway (SR-22) is a 12-mile freeway which carries an average of more than 200,000 vehicles daily. It runs east-west through the cities of Orange, Santa Ana, Garden Grove, and Westminster and is a connector to four major freeways (5/55/57/405).

Based on a previous origin-destination study of SR-22 users, the sampling plan was designed to survey respondents in approximate proportion to frequency of use by city of residence. Based on the origin-destination survey, approximately 90 percent of SR-22 use is from the list of following cities:

- Anaheim
- Fountain Valley
- Garden Grove
- Huntington Beach
- Irvine
- Long Beach
- Orange
- Santa Ana
- Stanton
- Tustin
- Westminster
- Unincorporated Orange County (selected zip codes)

Accordingly a target of approximately 90 percent was set for residents of these cities with the remainder coming from other Orange County residents and a small number of Los Angeles County residents living between Long Beach and the Western terminus of SR-22.

Additional quotas were established to ensure that at least 70 percent use SR-22 at least once a month, and that all respondents use SR-22 at least once a year. Survey participants were also balanced by gender. The final survey results include 89 percent from the targeted cities, a 50/50 split by gender, and 74 percent indicated that they use the SR-22 at least once a month.

5.0 RESEARCH METHODOLOGY

5.1: Kickoff Meeting

SCR began the project with a kickoff meeting to ensure all objectives were fully understood. We took all reporting audiences into consideration including technical staff, executive management, board committees, the Board of Directors, and the media. The kickoff meeting provided an opportunity to review all project objectives and methodology, address sampling frame and size, discuss survey screener and survey instrument design, and finalize the project schedule.

5.2: Survey Development

SCR's overall approach to Survey Development was to "reverse engineer" the project, starting with the desired results and working backwards to develop charts and tables that facilitate effective decision making, then designing the survey instrument and sampling plan needed to deliver the required data. This approach ensured the study would address all project objectives and produce actionable recommendations rather than "nice to know" information.

SCR used it's expertise in crafting survey instruments that avoid bias and effectively elicit the information for effective reporting. It is important that each question is clearly and consistently understood by the general public. Without this, it is possible that survey questions could be misinterpreted by respondents resulting in misleading and unusable data.

SCR incorporated desired changes by the OCTA Project Manager and only proceeded after receiving approval on the final survey. A copy of the final survey questions can be found in Appendix A.

5.3: Survey Sample Size

A sample size of 1,070 was selected to provide statistical accuracy of $\pm$ 3% at a 95% confidence level, the industry standard for consumer research. A total of 1,235 surveys were conducted between April 30th and June 13th. One hundred fifty-one surveys were screened out because they were either not in the desired geographic target area, did not use SR-22 sufficiently to qualify for the survey, or were over the quota for a specific segment of survey respondents. The remaining 1,084 surveys are included in the survey results.

5.4: Surveying

Prior to surveying, a total of 15 surveys were pre-tested to determine if skipping patterns were all correct and if any wording modifications were appropriate. Pretest results were reported to OCTA management with only minor modifications in wording to clarify questions for respondents. OCTA approved the modifications and surveying proceeded.

Evening and weekend surveys were conducted as the primary means of reaching the target sample. If a potential respondent was reached and could not complete the survey at that time, SCR scheduled a callback at the respondent's convenience. If a partially completed survey was interrupted by any respondent activity, SCR rescheduled for completion at a more convenient time, and re-entered the survey from the place where the respondent left off. If an answering machine was reached, SCR left a message indicating the purpose of the call and re-contacted them to complete the

survey. An 800 number was left in case they wanted to accelerate the process by calling us.

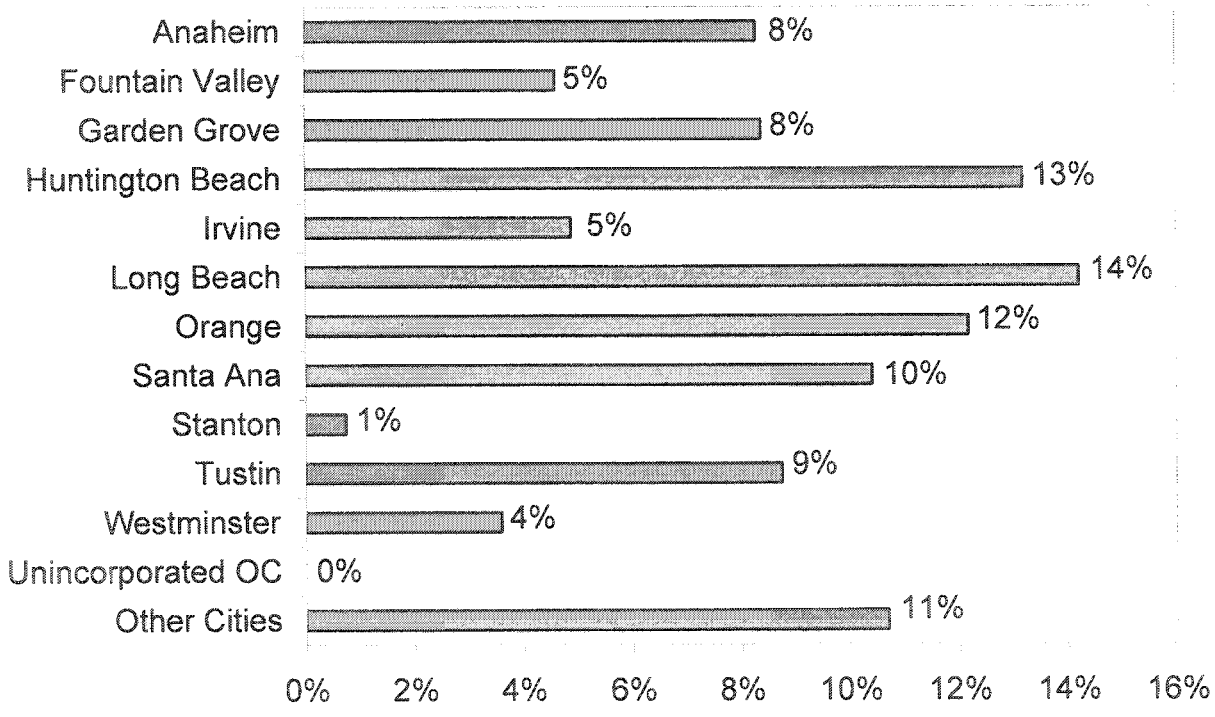
Surveyors were monitored on a random basis using a silent monitoring system. In addition, all surveys were reviewed by quality assurance staff to ensure that they were accurate and internally consistent. Some participants were re-contacted on a random basis to confirm responses to key questions.

6.0 SURVEY RESULTS

6.1: Survey Breakdown by City

Survey results were distributed relatively evenly across the target cities ranging from a high of 14 percent for Long Beach to a low one percent for Stanton. Long Beach, Huntington Beach, Orange, and Santa Ana each accounted for at least 10 percent of the sample. A complete breakdown by city can be seen in Figure 6.1 below.

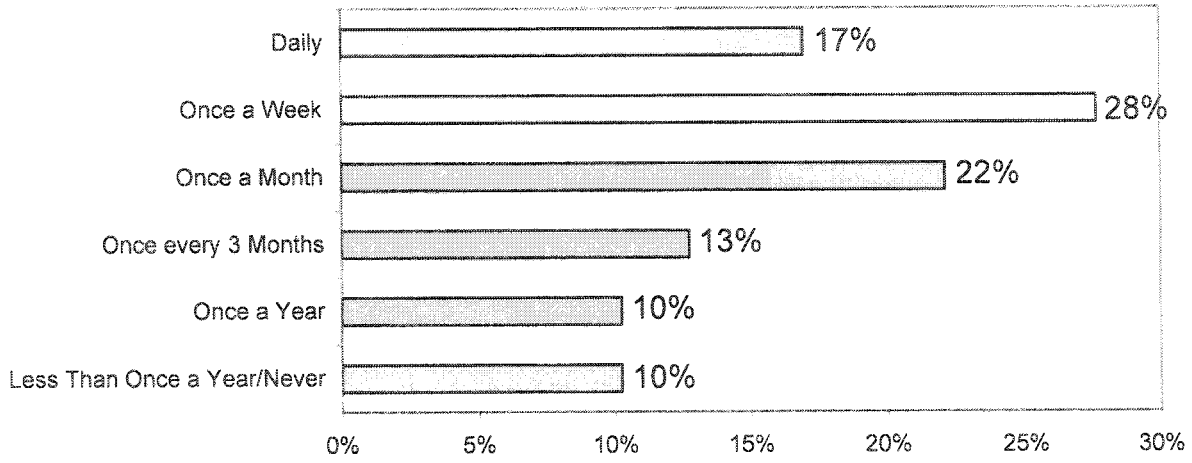
Figure 6.1: Percent Respondents by City



6.2: Frequency of Driving on SR-22 and SR-22 HOV Lane Use

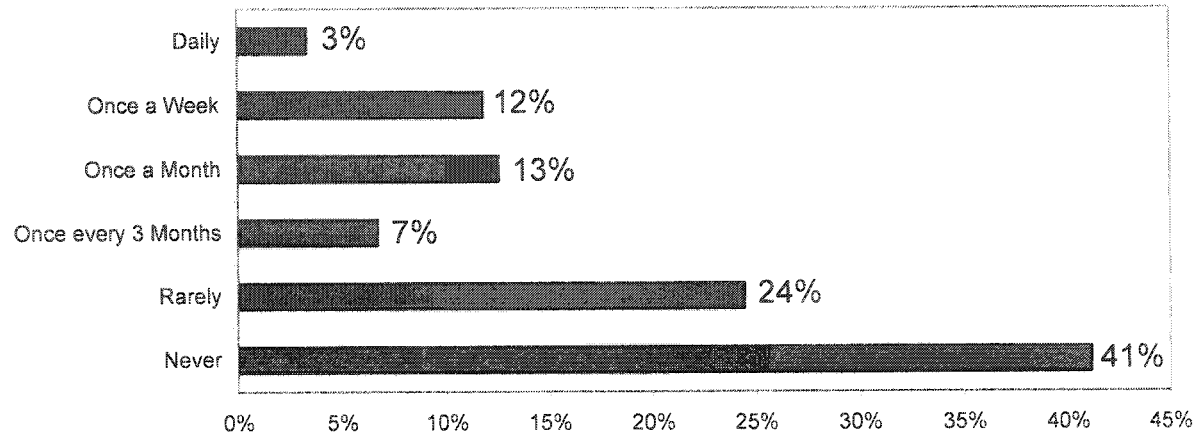
Ten percent of survey respondents use SR-22 less than once per year and were excluded from the survey. Respondents were also screened to ensure that at least 70 percent use SR-22 at least monthly. Figure 6.2 below shows the distribution survey respondents before screening. After screening, final survey results include 74 percent that use SR-22 at least monthly, 14 percent that use at least once every three months, and 11 percent at least annually.

Figure 6.2: Frequency of SR-22 Use



For SR-22 users, a majority currently say they use the HOV lanes rarely (24%) or never (41%). A total of twenty-five percent use the lanes once a month (13%) or once a week (12%) and three percent use them daily. The specifics are presented in Figure 6.3 below.

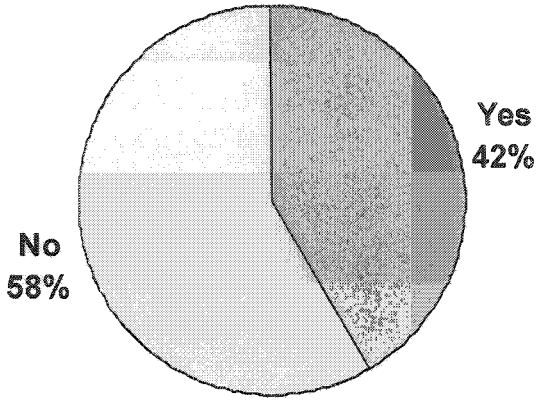
Figure 6.3: Frequency of SR-22 HOV Lane Use



6.3: Continuous Access Entry Awareness

Forty-two percent of SR-22 users were aware that the SR-22 HOV Lanes offer continuous access entry prior to hearing about it in the survey. As would be expected this varies based on frequency of use, ranging from a low of 13 percent for motorists using SR-22 once a year to a high of 64 percent for those who drive the SR-22 daily. It is also higher for those who use the HOV Lanes at least once a week (68%), and decreases with usage to 35 percent for those who rarely or never use the HOV Lanes.

Figure 6.4: Respondents Aware SR-22 is Continuous Access

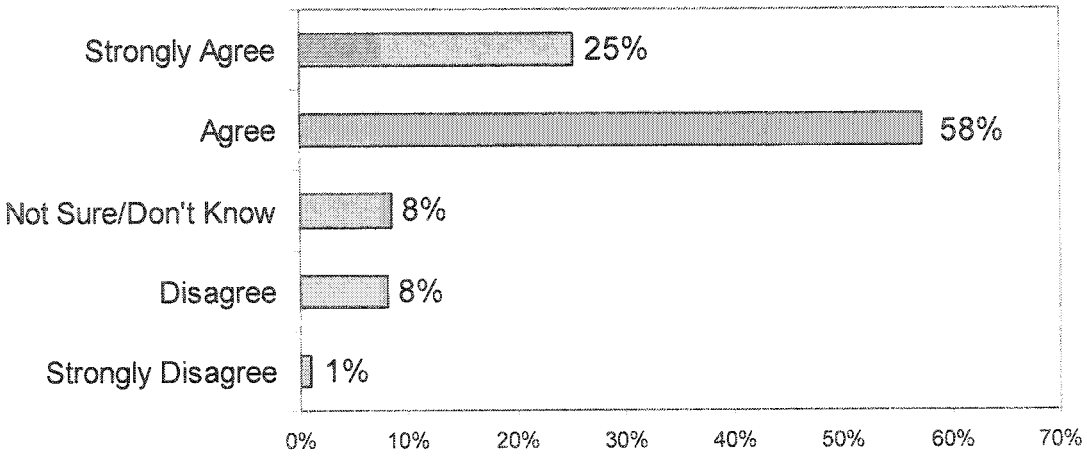


6.4: Attitudes Towards Continuous Access

Ease & Safety

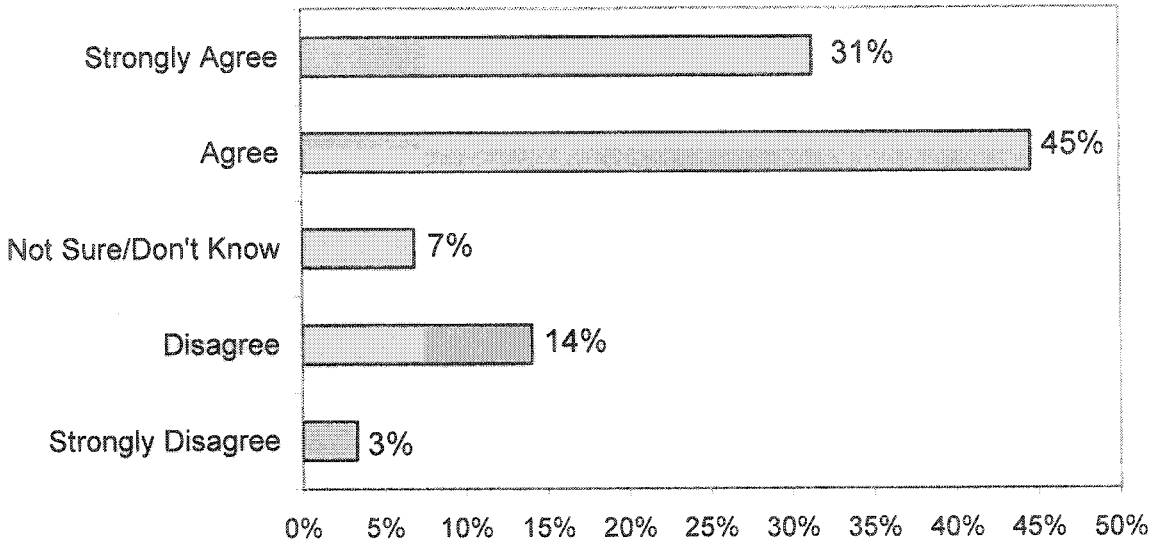
Over four out of five respondents (83%) either agree (58%) or strongly agree (25%) that continuous access will make it easier for more people who live near SR-22 to use the HOV lanes because it will make it easier to get in or out near their freeway entrance or exit. A total of nine percent disagree (8%) or strongly disagree (1%), and eight percent were undecided or didn't know.

Figure 6.5: Continuous Access Will Make it Easier to Get In/Out Near Entrance or Exit



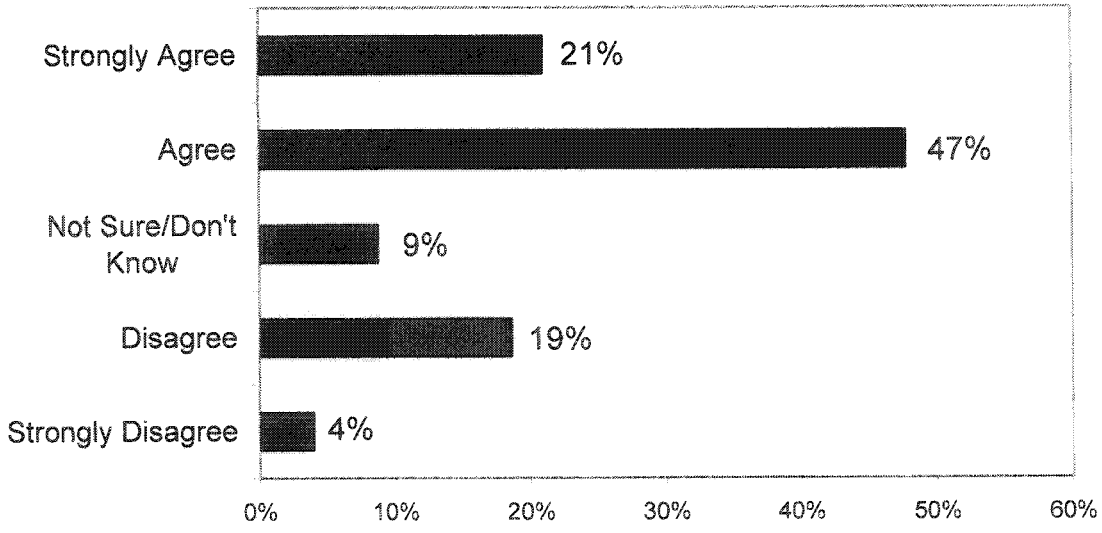
A significant majority also believe that continuous access will make it safer because people will no longer need to quickly cross several lanes of traffic to get from their freeway entrance to a carpool entry point. A total of 76 percent either strongly agree (31%) or agree (45%) with this statement, while only 17 percent strongly disagree (3%) or disagree (14%).

Figure 6.6: Continuous Access Will Make it Safer Because Drivers Won't Have to Quickly Cross Lanes to Get In/Out



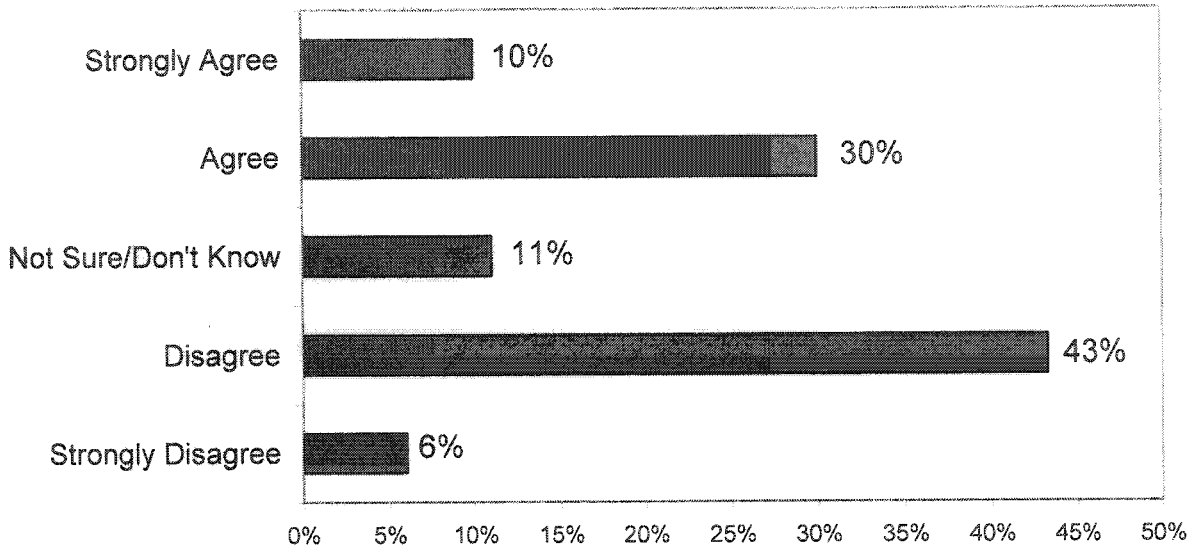
As shown in Figure 6.7 below, not only do the majority of people believe continuous access will make entering/exiting safer, but that it will make it safer for all drivers because entering and exiting can happen anywhere rather than having to happen within a short distance, with 68 percent either agreeing (47%) or strongly agreeing (21%).

Figure 6.7: Continuous Access Will Make it Safer For All Drivers Because Entering/Exiting Doesn't Have to Occur in a Short Distance



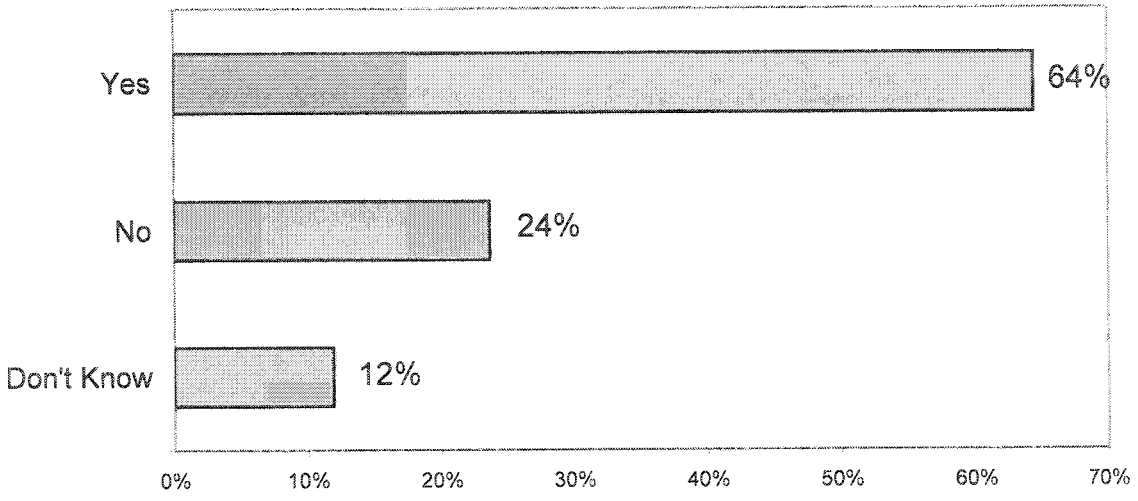
Although strong majorities of motorists agree that the previous factors will improve safety, some (40%) also believe that continuous access will make it more dangerous because slower cars can enter at any point. However, a larger proportion (49%), disagree with this. The results for this question do not appear to change between those who are regular SR-22 HOV Lane users and those who use it less often including those who use it rarely or never.

Figure 6.8: Continuous Access Will Make it More Dangerous because Slower Cars Can Enter at Any Point



Taking all of these safety factors into consideration, 64 percent of motorists believe that continuous access lanes will improve freeway safety. It is interesting to note that those that indicate that they were aware of continuous access before the survey provided higher ratings on all safety issues, indicating that as people become more familiar with continuous access their opinions become more positive.

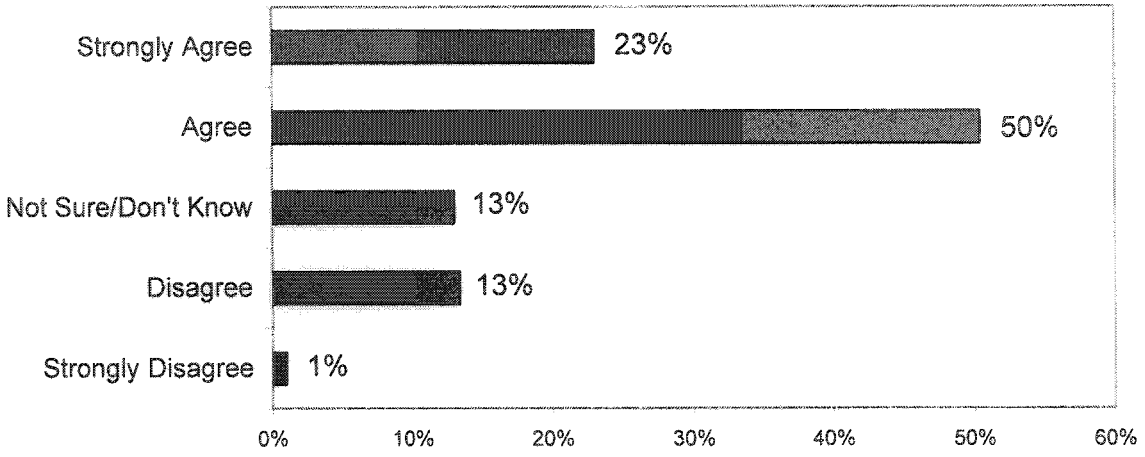
Figure 6.9: Continuous Access Will Improve Freeway Safety



Travel Times

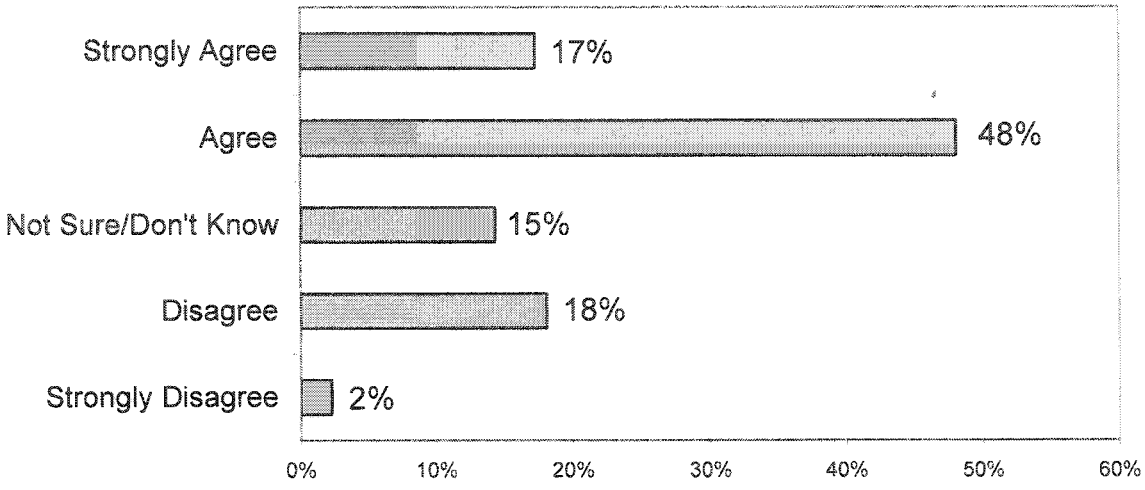
In addition to safety, respondents were asked to assess how they feel continuous access will impact travel times for carpoolers and all freeway users. For carpoolers the response was very positive with 50 percent agreeing and 23 percent strongly agreeing that having continuous access carpool lanes will improve travel times for carpoolers. Only 14 percent disagree (13%) or strongly disagree (1%), and an additional 13 percent are not sure or don't know.

Figure 6.10: Continuous Access Will Improve Travel Time for Carpoolers



Motorists also believe that continuous access will improve travel times for all freeway users, but to a slightly lesser extent with 65 percent agreeing (48%) or strongly agreeing (17%), and 20 percent disagreeing (18%) or strongly disagreeing (2%). As with safety issues, those who were familiar with continuous access prior to the survey had more positive opinions about its impact on travel time for both carpoolers and all freeway users.

Figure 6.11: Continuous Access Will Improve Travel Times for all Freeway Users



Future HOV Access Mode for SR-22 and Other Orange County Freeways

Given the positive responses to continuous access with regard to safety and travel time, it does not come as a surprise that 71 percent would like to see the SR-22 HOV Lanes remain continuous access and 59 percent believe continuous access should be extended to other OC freeways with HOV Lanes. Those who were aware of continuous access prior the survey were at least 10 percent more likely to support both the continuation on SR-22 and expansion of the concept to other freeways providing a preliminary indication that support may grow as people become more familiar with this new access mode.

Figure 6.12: SR-22 HOV Lanes Should Continue to be Continuous Access

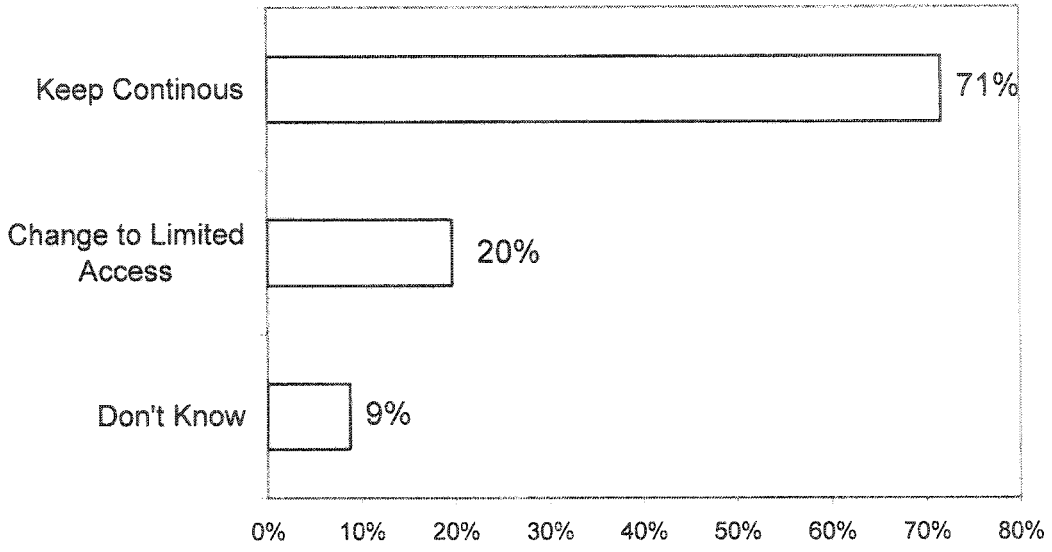
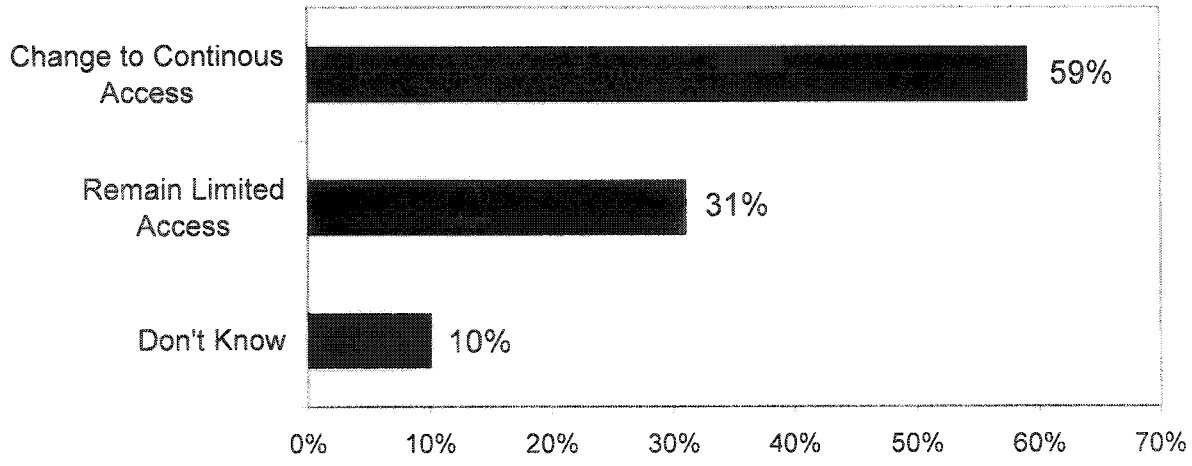


Figure 6.13: Other OC Freeway Carpool Lanes Should be Changed to Continuous Access or Remain as Limited Access



Continuous Access VS. Limited Access

While 71 percent of motorists support continuous access on SR-22 and 20 percent support limited access on SR-22, both sides list safety as one of the primary reasons for their decision. Thirty-seven percent of those in support of continuous access cite safety as their primary reason for supporting it, while 61 percent of those in support of limited access cite safety as their primary reason for supporting it. Although safety was a key factor for those in support of continuous access, making the freeway more efficient was the most frequently cited factor at 49 percent. No other factor was mentioned by five percent or more for those supporting continuous access. Eleven percent of those supporting limited access indicated their primary reason was that it would be faster for carpoolers this way.

Figure 6.14: Primary Reason in Support of Continuous Access

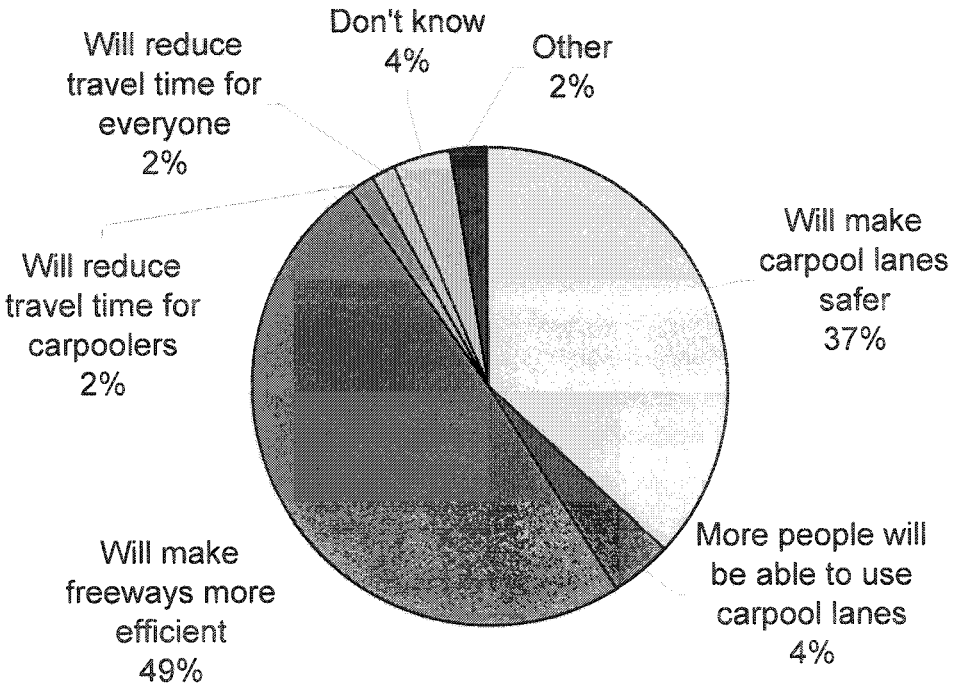
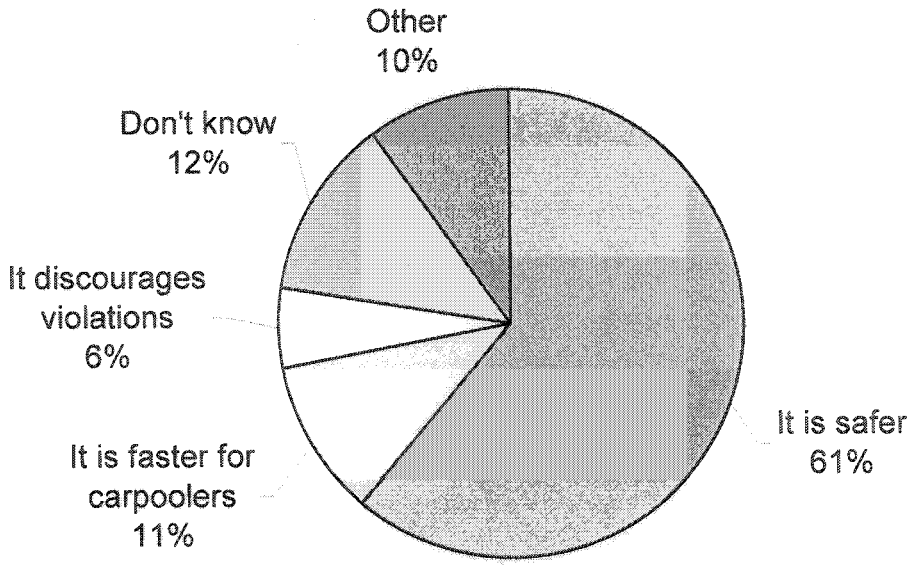
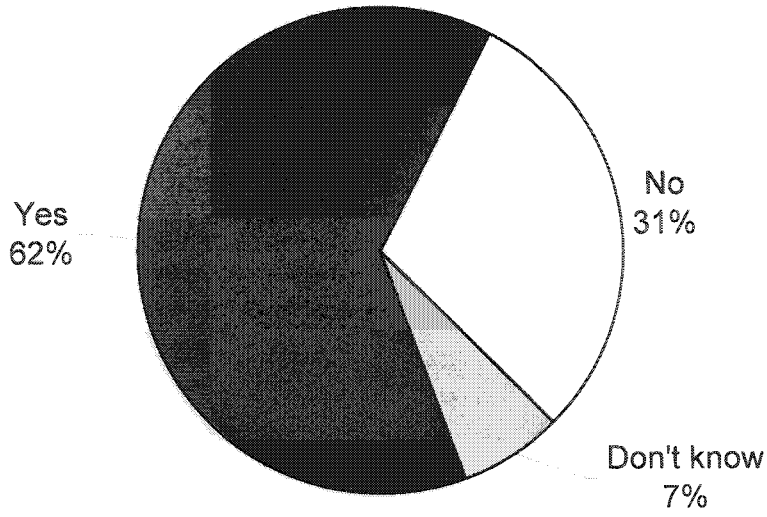


Figure 6.15: Primary Reason in Support of Limited Access



Respondents were also asked if they would be more likely to carpool if HOV Lanes were continuous access, and at 62 percent, a majority indicated they would. Limiting this to those who carpool less than once a month does not change the results significantly with 60 percent of this group saying they would be more likely to carpool if all Orange County carpool lanes were continuous access.

Figure 6.16: More Likely to Use Carpool Lanes if all OC Carpool Lanes were Continuous Access

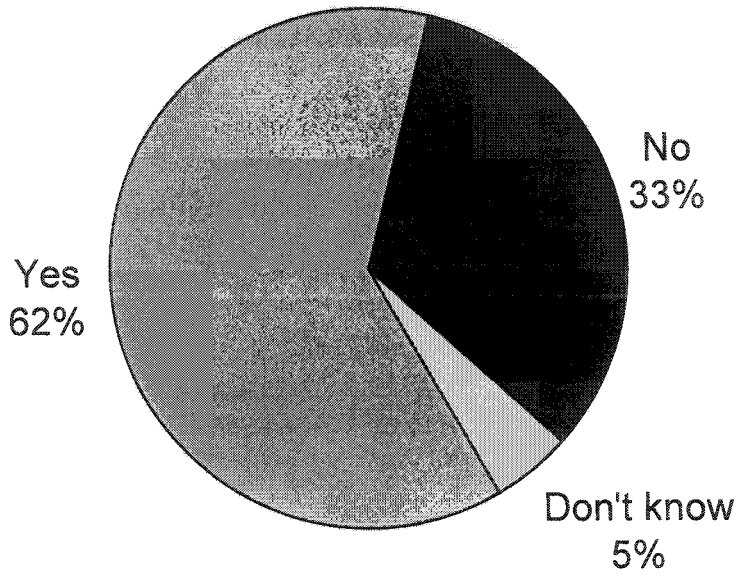


Off-Peak Use of HOV Lanes by Single Occupant Vehicles

Another potential policy change with regard to HOV Lane use was also explored; opening HOV Lanes to all drivers during off-peak periods (defined as weekdays between 9AM and 3PM, overnight between 8PM and 5AM, and all day on the weekend).

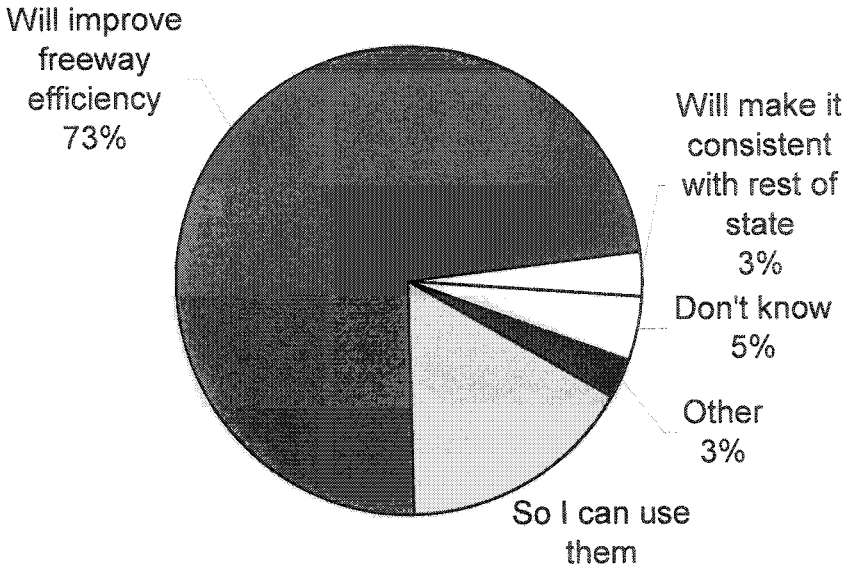
Sixty-two percent of those surveyed are in support of off-peak use by everyone and 33 percent are opposed. The remaining five percent don't know. Those who carpool are less supportive of this concept although even among those that carpool at least once a week, a majority (52%) still supports the concept. Support increases as frequency of carpooling declines, rising to 67 percent among those who rarely or never carpool.

Figure 6.17: Respondents Believe Carpool Lanes Should Be Open To Everyone During Off-Peak Hours



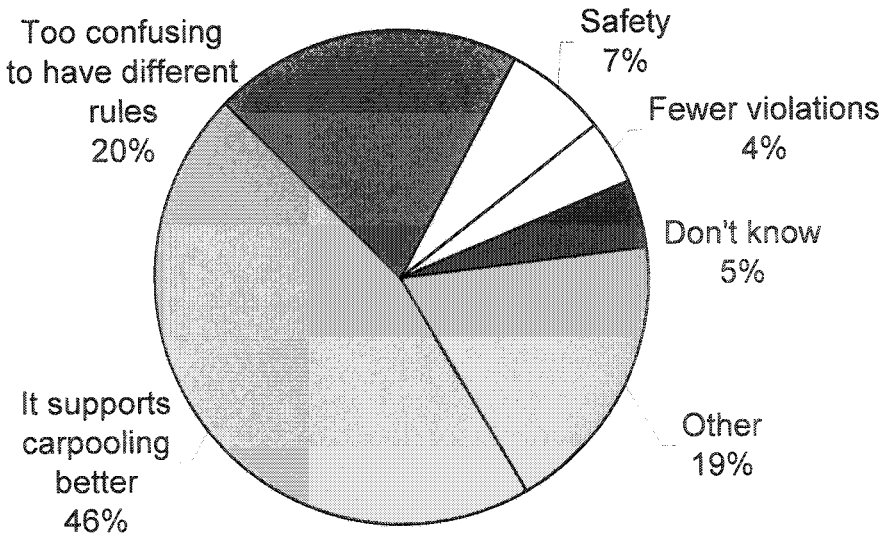
By far the most frequently cited factor for supporting opening HOV Lanes during off-peak hours is to improve freeway efficiency at 73 percent. "So I can use them" is a distant second at 16 percent. Five percent don't know why, three percent say to make it consistent with the rest of the state and three percent cite other reasons detailed in the cross tabulations under question 20.

Figure 6.18: Primary Reason in Support of Off-Peak Hour HOV Lane Use



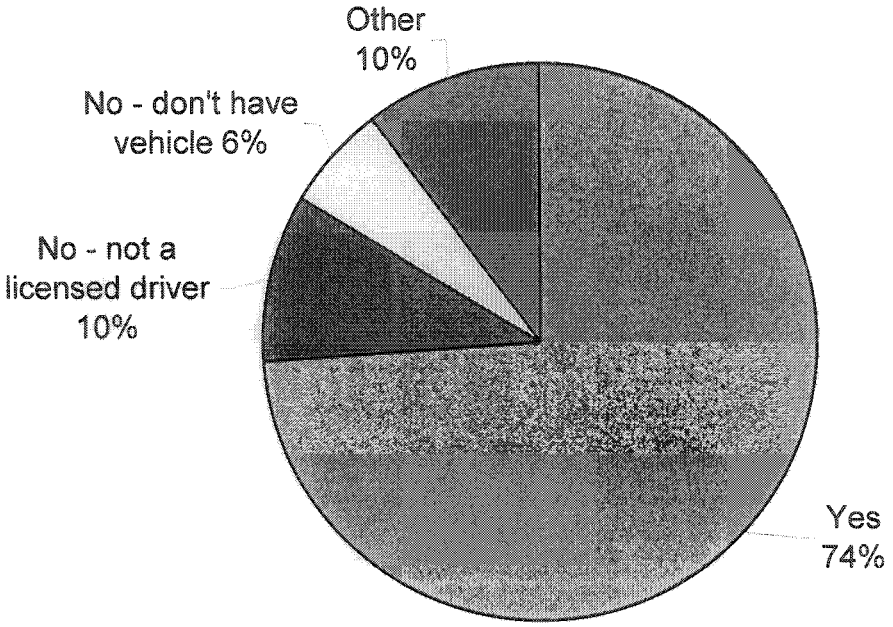
Of those opposed to off-peak HOV Lane use, the most frequently cited reason at 46 percent, is that limited access supports carpooling better. An additional 20 percent believe it is too confusing to have different rules for different times and days.

Figure 6.19: Primary Reason Opposed to Off-Peak Hour HOV Lane Use



Respondents were also asked "would you and the other members of your carpool drive alone if you weren't able to carpool?" Seventy-four percent said yes with 10 percent saying no because they are not licensed drive, and six percent saying no because they don't have a vehicle.

Figure 6.20: If Unable to Carpool, Would You Drive Alone?



7.0 DEMOGRAPHICS

Table 7.1: Demographics

	Description	2007 SR-22 Survey Respondents
Gender	Male	50%
	Female	50%
Age	Under 20	2%
	20's	10%
	30's	17%
	40's	25%
	50's	22%
	60's	14%
	70 or older	8%
	Refuse to Answer	1%
Ethnicity	White, not Hispanic	63%
	African American (Black)	2%
	Hispanic	18%
	Asian	11%
	American Indian	1%
	Refuse to Answer	4%
	Other	1%
Rent vs. Own Home	Rent	25%
	Own	73%
	Refuse to Answer	2%
Political Orientation	Liberal	21%
	Moderate	36%
	Conservative	36%
	Refuse to Answer/Don't Know	7%
Mode of Travel During Peak Rush Hour	Drive Alone	80%
	Carpool/Vanpool	17%
	Bus	1%
	Bicycle	1%

APPENDIX A – SURVEY QUESTIONS

QUESTIONNAIRE WITH SKIP PATTERNS

QUESTIONNAIRE = SR22
VERSION : 4.0

GOOD EVENING. THIS IS _____ WITH REDHILL GROUP, AN INDEPENDENT RESEARCH FIRM. WE ARE CONDUCTING A SHORT SURVEY ABOUT POSSIBLE CHANGES TO ORANGE COUNTY FREEWAYS.

IT ONLY TAKES A FEW MINUTES, AND YOUR OPINIONS ARE IMPORTANT TO US. CAN YOU HELP US OUT?

****

1. FIRST OF ALL, WHICH CITY DO YOU LIVE IN?

1. ANAHEIM
2. FOUNTAIN VALLEY
3. GARDEN GROVE
4. HUNTINGTON BEACH
5. IRVINE
6. LONG BEACH
7. ORANGE
8. SANTA ANA
9. STANTON
10. TUSTIN
11. WESTMINSTER
12. ALISO VIEJO
13. BALBOA
14. BREA
15. BUENA PARK
16. CORONA DEL MAR
17. COSTA MESA
18. COTO DE CAZA
19. CYPRESS
20. DANA POINT
21. DOVE CANYON
22. FOOTHILL RANCH
23. FULLERTON
24. LA HABRA
25. LA PALMA
26. LADERA RANCH
27. LAGUNA BEACH
28. LAGUNA HILLS
29. LAGUNA WOODS
30. LAKE FOREST
31. LOS ALAMITOS
32. MISSION VIEJO
33. MONARCH BEACH
34. NEWPORT BEACH
35. PLACENTIA
36. PORTOLA HILLS
37. RANCHO SANTA MARGARITA
38. SAN CLEMENTE
39. SAN JUAN CAPISTRANO
40. SEAL BEACH
41. TALEGA
42. TRABUCO CANYON
43. VILLA PARK
44. YORBA LINDA
45. UNINCORPORATED OC
46. OTHER

OTHER LINE = 49

(DON'T READ PRECODED RESPONSES)

SKIP AFTER Q1 IF Q<1> GE 12 AND Q<1> LE 44 THEN GO END

****

2. AND WHAT IS YOUR ZIP CODE ?

****

3. HOW OFTEN DO YOU USE THE GARDEN GROVE FREEWAY, ALSO KNOWN AS SR-22?

1. DAILY
2. AT LEAST ONCE A WEEK
3. AT LEAST ONCE A MONTH
4. AT LEAST ONCE EVERY 3 MONTHS
5. AT LEAST ONCE A YEAR
6. LESS THAN ONCE A YEAR/NEVER

(PROMPT ONLY IF NO ANSWER)

SKIP AFTER Q3 IF Q<3> EQ 6 THEN GO END

****

4. HOW OFTEN DO YOU USE THE CARPOOL LANES ON THE 22?

1. DAILY
2. AT LEAST ONCE A WEEK
3. AT LEAST ONCE A MONTH
4. AT LEAST ONCE EVERY 3 MONTHS
5. RARELY
6. NEVER

(PROMPT ONLY IF NO ANSWER)

****

5. SINCE THE CARPOOL LANES OPENED ON THE 22 IN DECEMBER 2006, THEY HAVE BEEN WHAT'S CALLED "CONTINUOUS ACCESS" CARPOOL LANES. THIS MEANS THAT YOU CAN ENTER OR EXIT THE CARPOOL LANES AT ANY POINT ALONG THE FREEWAY RATHER THAN ONLY AT LIMITED LOCATIONS.

THIS IS THE WAY THAT CARPOOL LANES WORK IN OTHER PARTS OF THE STATE.

PRIOR TO THIS SURVEY HAD YOU NOTICED THIS DIFFERENCE ON THE 22?

1. YES
2. NO

****

6. NOW I AM GOING TO READ YOU A LIST OF STATEMENTS ABOUT THE CARPOOL LANES. FOR EACH ONE, PLEASE TELL ME HOW STRONGLY YOU AGREE OR DISAGREE WITH THE STATEMENT. THE OPTIONS ARE STRONGLY AGREE, AGREE, NOT SURE, DISAGREE, OR STRONGLY DISAGREE.

OK THE FIRST ONE IS . . .

ENTER "XX" TO CONTINUE:

****

QUESTIONS 7-12 ARE RANDOMLY ROTATED

****

7. CONTINUOUS ACCESS TO THE CARPOOL LANES WILL MAKE IT POSSIBLE FOR MORE PEOPLE WHO LIVE NEAR THE 22 TO USE THE CARPOOL LANES BECAUSE IT MAKES IT EASIER TO GET IN OR OUT NEAR THEIR FREEWAY ENTRANCE OR EXIT.

1. STRONGLY AGREE
2. AGREE
3. NOT SURE/DON'T KNOW
4. DISAGREE
5. STRONGLY DISAGREE

(PROMPT ONLY IF NO ANSWER)

****

8. HAVING CONTINUOUS ACCESS TO THE CARPOOL LANES WILL MAKE IT SAFER BECAUSE PEOPLE WILL NO LONGER HAVE TO QUICKLY CROSS SEVERAL LANES OF TRAFFIC TO GET FROM THEIR FREEWAY ENTRANCE TO A CARPOOL LANE ENTRY POINT.

1. STRONGLY AGREE
2. AGREE
3. NOT SURE/DON'T KNOW
4. DISAGREE
5. STRONGLY DISAGREE

(PROMPT ONLY IF NO ANSWER)

****

9. HAVING CONTINUOUS ACCESS TO THE CARPOOL LANES WILL MAKE IT MORE DANGEROUS BECAUSE SLOWER TRAVELING CARS IN THE GENERAL LANES CAN ENTER AT ANY POINT INSTEAD OF JUST AT LIMITED ENTRY AND EXIT POINTS.

1. STRONGLY AGREE
2. AGREE
3. NOT SURE/DON'T KNOW
4. DISAGREE
5. STRONGLY DISAGREE

(PROMPT ONLY IF NO ANSWER)

****

10. HAVING CONTINUOUS ACCESS TO THE CARPOOL LANES WILL MAKE IT SAFER FOR ALL DRIVERS BECAUSE ENTERING AND EXITING THE CARPOOL LANES CAN HAPPEN ANYWHERE, RATHER THAN HAVING TO DO IT WITHIN A SHORT DISTANCE.

1. STRONGLY AGREE
2. AGREE
3. NOT SURE/DON'T KNOW
4. DISAGREE
5. STRONGLY DISAGREE

(PROMPT ONLY IF NO ANSWER)

****

11. HAVING CONTINUOUS ACCESS CARPOOL LANES WILL IMPROVE TRAVEL TIMES FOR CARPOOLERS.

1. STRONGLY AGREE
2. AGREE
3. NOT SURE/DON'T KNOW
4. DISAGREE
5. STRONGLY DISAGREE

(PROMPT ONLY IF NO ANSWER)

****

12. HAVING CONTINUOUS ACCESS CARPOOL LANES WILL IMPROVE TRAVEL TIMES FOR ALL FREEWAY USERS.

1. STRONGLY AGREE
2. AGREE
3. NOT SURE/DON'T KNOW
4. DISAGREE
5. STRONGLY DISAGREE

(PROMPT ONLY IF NO ANSWER)

****

13. TAKING ALL SAFETY ISSUES INTO CONSIDERATION, DO YOU THINK THAT CONTINUOUS ACCESS CARPOOL LANES WILL IMPROVE FREEWAY SAFETY?

1. YES
2. NO
3. DON'T KNOW

****

14. DO YOU THINK THAT THE CARPOOL LANES ON THE 22 SHOULD CONTINUE TO BE CONTINUOUS ACCESS LIKE OTHER PARTS OF THE STATE, OR BE CHANGED TO LIMITED ACCESS?

1. KEEP CONTINUOUS
2. CHANGE TO LIMITED ACCESS
3. DON'T KNOW

(PROMPT ONLY IF NO ANSWER)

****

15. DO YOU THINK THAT THE CARPOOL LANES ON ALL OTHER ORANGE COUNTY FREEWAYS SHOULD BE CHANGED TO CONTINUOUS ACCESS CARPOOL LANES LIKE THE 22 AND OTHER PARTS OF THE STATE, OR SHOULD THEY REMAIN AS LIMITED ACCESS CARPOOL LANES?

1. CHANGE TO CONTINUOUS ACCESS
2. REMAIN LIMITED ACCESS
3. DON'T KNOW

(PROMPT ONLY IF NO ANSWER)

****

16. WHAT IS YOUR PRIMARY REASON FOR SUPPORTING THE CONCEPT OF CONTINUOUS ACCESS TO THE CARPOOL LANES?

1. IT WILL MAKE CARPOOL LANES SAFER
2. MORE PEOPLE WILL BE ABLE TO USE THE CARPOOL LANES
3. IT WILL MAKE THE FREEWAYS MORE EFFICIENT
4. IT WILL REDUCE TRAVEL TIMES FOR CARPOOLERS
5. IT WILL REDUCE TRAVEL TIMES FOR EVERYONE
6. DON'T KNOW
7. OTHER

OTHER LINE = 51

(DON'T READ PRECODED RESPONSES)

SKIP BEFORE Q16 IF Q<14> NE 1
AND Q<15> NE 1 THEN GO 17

****

17. WHAT IS YOUR PRIMARY REASON FOR SUPPORTING LIMITED ACCESS FOR CARPOOL LANES?

1. IT IS SAFER
2. IT IS FASTER FOR CARPOOLERS
3. IT DISCOURAGES VIOLATIONS (UNQUALIFIED VEHICLES USING CARPOOL LANE)
4. DON'T KNOW
5. OTHER

OTHER LINE = 52

(DON'T READ PRECODED RESPONSES)

SKIP BEFORE Q17 IF Q<14> NE 2
AND Q<15> NE 2 THEN GO 18

****

18. DO YOU THINK YOU WOULD BE MORE LIKELY TO USE THE CARPOOL LANES IF ALL CARPOOL LANES IN ORANGE COUNTY WERE CONTINUOUS ACCESS INSTEAD OF LIMITED ACCESS?

1. YES
2. NO
3. DON'T KNOW

****

19. ANOTHER OPTION USED IN OTHER PARTS OF THE STATE IS OPENING THE CARPOOL LANES TO EVERYONE DURING OFF-PEAK HOURS. THIS WOULD MEAN ANYONE COULD USE THE CARPOOL LANES ON WEEKDAYS BETWEEN 9AM AND 3PM, AND OVERNIGHT BETWEEN 8PM AND 5AM, AND ALL DAY ON THE WEEKEND.

DO YOU THINK THAT THE CARPOOL LANES SHOULD BE OPEN TO EVERYONE DURING OFF-PEAK HOURS?

1. YES
2. NO
3. DON'T KNOW

****

20. WHAT IS YOUR PRIMARY REASON FOR SUPPORTING OPENING THE CARPOOL LANES DURING OFF-PEAK HOURS?

1. SO I CAN USE THEM
2. IT WILL IMPROVE FREEWAY EFFICIENCY
3. IT WILL MAKE IT CONSISTENT WITH THE REST OF THE STATE
4. DON'T KNOW
5. OTHER

OTHER LINE = 53

(DON'T READ PRECODED RESPONSES)

SKIP BEFORE Q20 IF Q<19> NE 1 THEN GO 21

****

21. WHAT IS YOUR PRIMARY REASON FOR WANTING TO KEEP THE CARPOOL LANES ONLY FOR CARPOOLERS 24 HOURS A DAY?

1. IT SUPPORTS CARPOOLING BETTER
2. IT IS TOO CONFUSING HAVING DIFFERENT RULES AT DIFFERENT TIMES
3. SAFETY
4. FEWER VIOLATIONS (UNQUALIFIED VEHICLES USING CARPOOL LANES)
5. DON'T KNOW
6. OTHER

OTHER LINE = 54

(DON'T READ PRECODED RESPONSES)

SKIP BEFORE Q21 IF Q<19> NE 2 THEN GO 22

****

22. OK, WE JUST HAVE A FEW QUICK QUESTIONS FOR DEMOGRAPHIC PURPOSES.

ARE YOU . . . ?

1. UNDER 20
2. IN YOUR 20'S
3. 30'S
4. 40'S
5. 50'S
6. 60'S
7. 70 OR OLDER
8. REFUSED

(READ PRE-CODED RESPONSES-EXCEPT FOR 'DON'T KNOW', 'REFUSED', ETC)

****

23. TO WHICH OF THE FOLLOWING ETHNIC GROUPS DO YOU BELONG ?

1. WHITE, NOT HISPANIC
2. AFRICAN AMERICAN (BLACK)
3. HISPANIC
4. ASIAN
5. AMERICAN INDIAN
6. REFUSED
7. OTHER

OTHER LINE = 55

(READ PRE-CODED RESPONSES-EXCEPT FOR 'DON'T KNOW', 'REFUSED', ETC)

****

24. AND DO YOU RENT OR OWN YOUR HOME ?

1. RENT
2. OWN
3. REFUSED

****

25. HOW DO YOU TRAVEL DURING THE PEAK RUSH HOUR PERIOD ?

1. DRIVE ALONE
2. CARPOOL/VANPOOL
3. BUS
4. TRAIN
5. MOTORCYCLE
6. BICYCLE
7. WALK OR JOG
8. OTHER

OTHER LINE = 56

(PROMPT ONLY IF NO ANSWER)

****

26. WOULD YOU AND THE OTHER MEMBERS OF YOUR CARPOOL DRIVE ALONE IF YOU WEREN'T ABLE TO CARPOOL?

1. YES
2. NO - I AM/PASSENGER IS NOT A LICENSED DRIVER
3. NO - I DON'T/PASSENGER DOESN'T HAVE A VEHICLE AVAILABLE TO DRIVE
4. OTHER

OTHER LINE = 57

(DON'T READ PRECODED RESPONSES)

SKIP BEFORE Q26 IF Q<25> NE 2 THEN GO 27

****

27. AND FINALLY WOULD YOU SAY YOU ARE . . . ?

1. LIBERAL,
2. MODERATE, OR
3. CONSERVATIVE
4. REFUSED/DON'T KNOW

(READ PRE-CODED RESPONSES-EXCEPT FOR 'DON'T KNOW', 'REFUSED', ETC)

****

28. GENDER:

1. MALE
2. FEMALE

(DON'T READ PRECODED RESPONSES)

****

THAT'S EVERYTHING – THANK YOU FOR PARTICIPATING!

PowerPoint Presentation

Attached



Garden Grove Freeway (State Route 22) Carpool Survey





Board of Directors

July 23, 2007

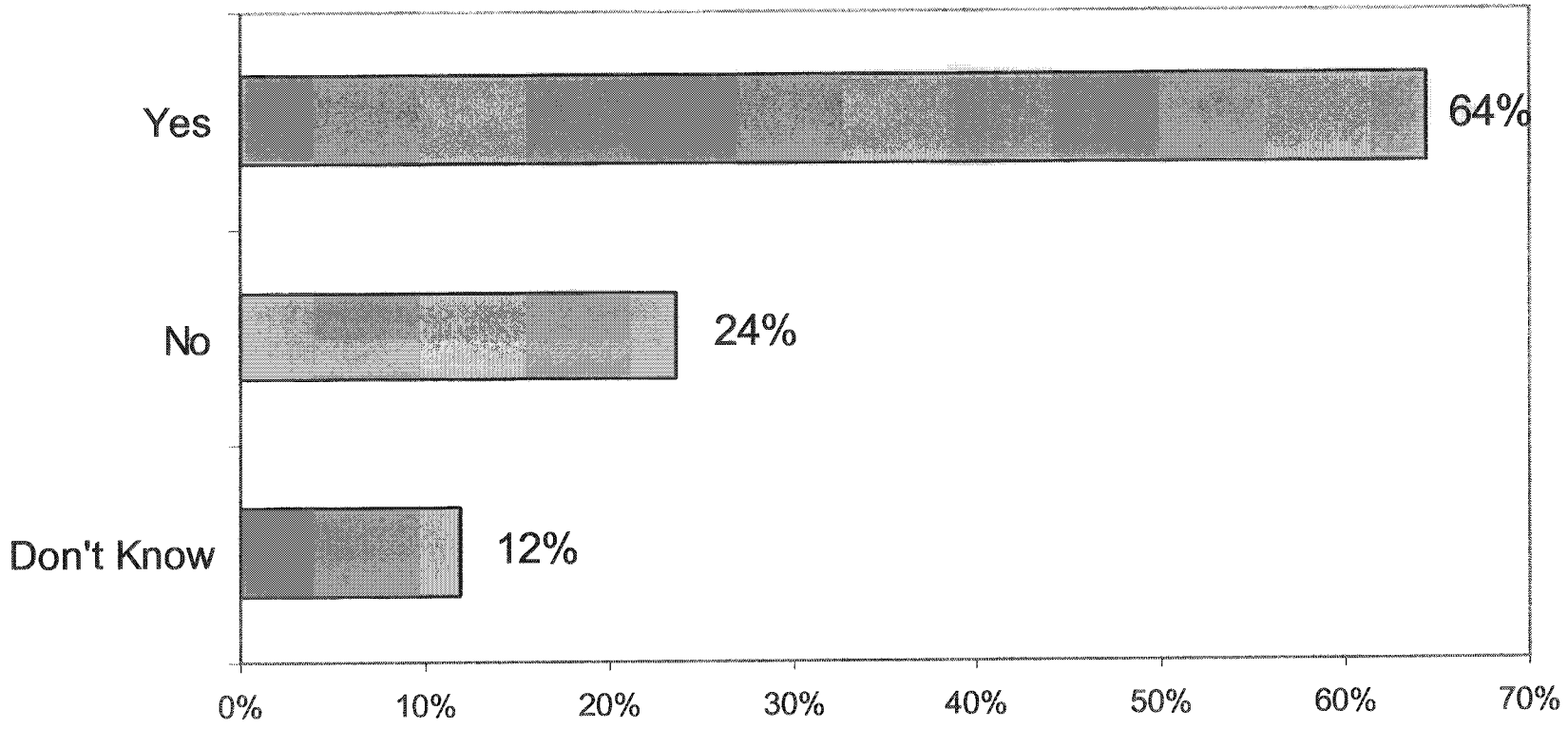
Overview

- Survey conducted between April 30 – June 13
- 1,084 households: +/- 3% accuracy at a 95% confidence level
- Sample based geographically
- Linked to origin/destination data

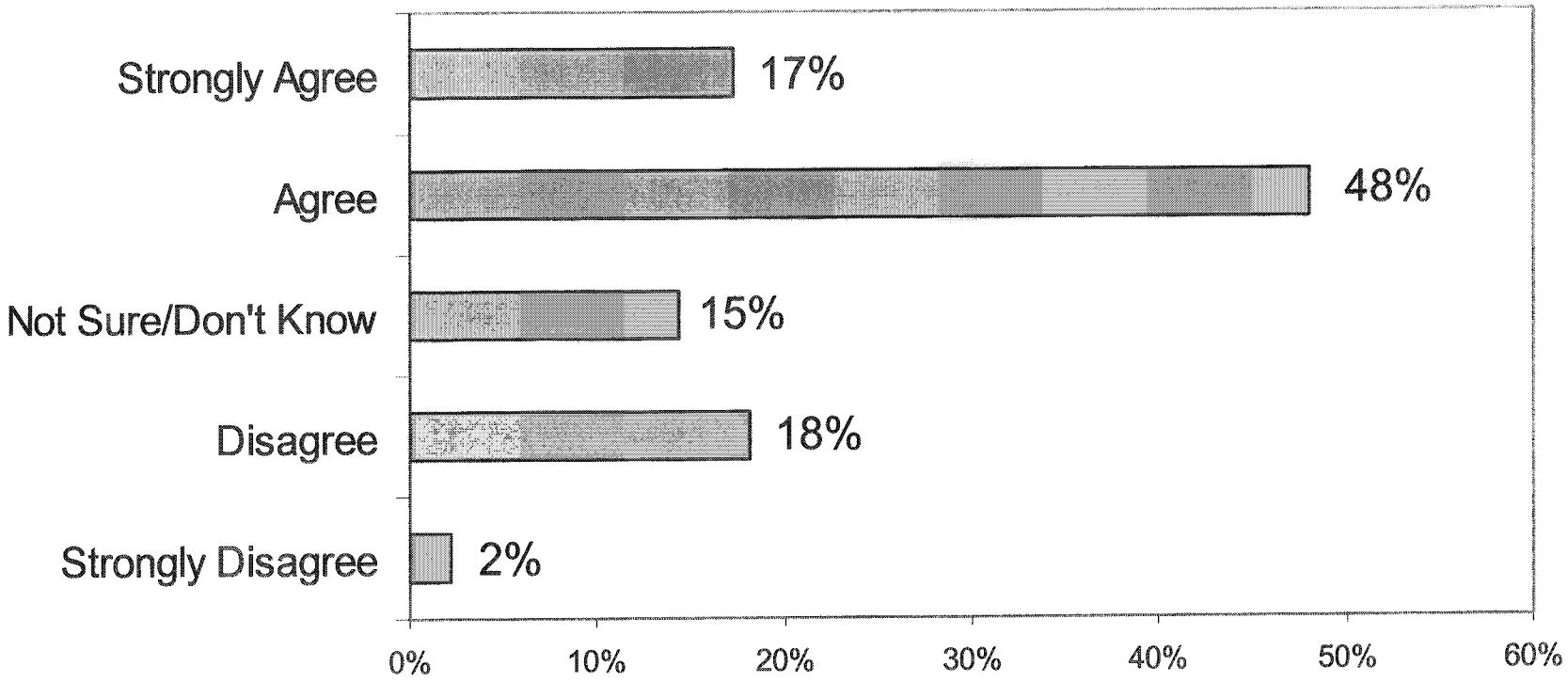
Key Findings

58%	Unaware HOV lanes are continuous access
64%	Believe continuous access improves safety
71%	Support continuous access on SR-22
59%	Support continuous access on other freeways
62%	Support off-peak usage of lanes by all

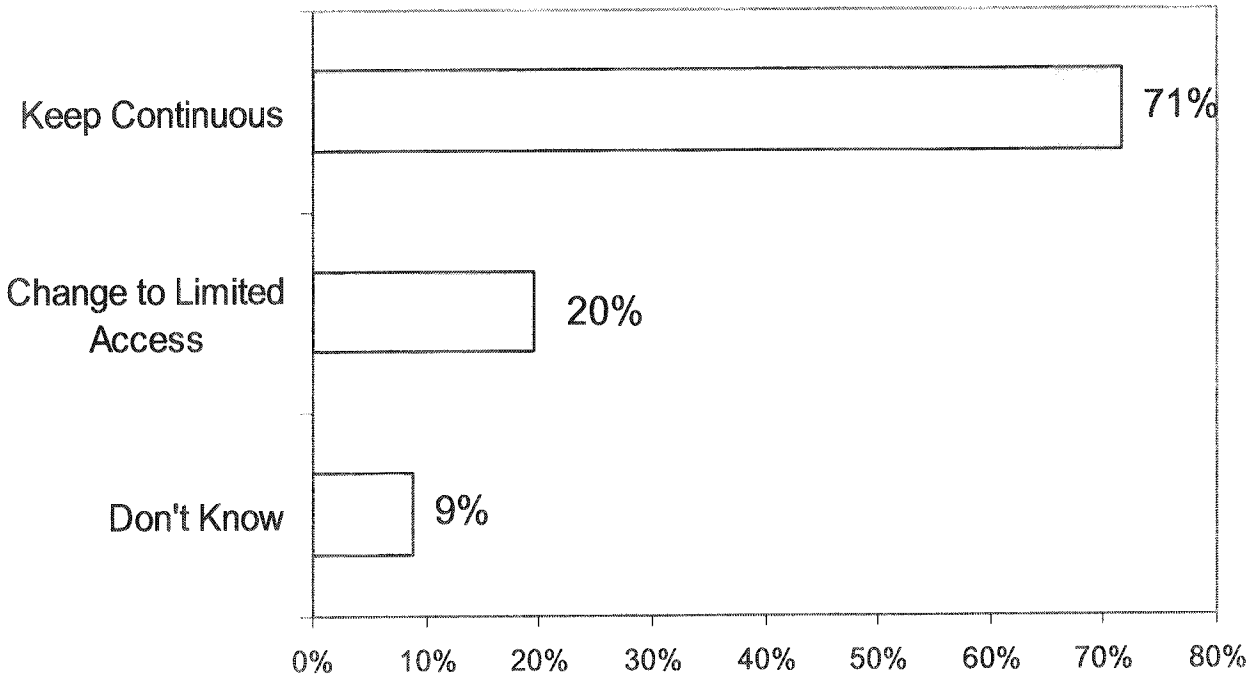
Improved Safety

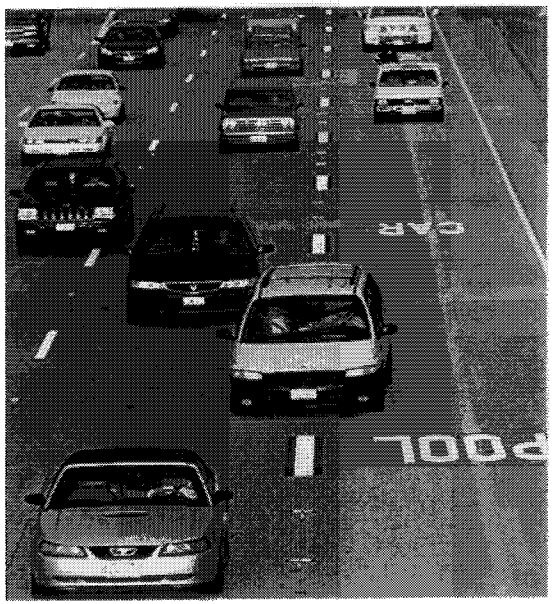


Improved Travel Times

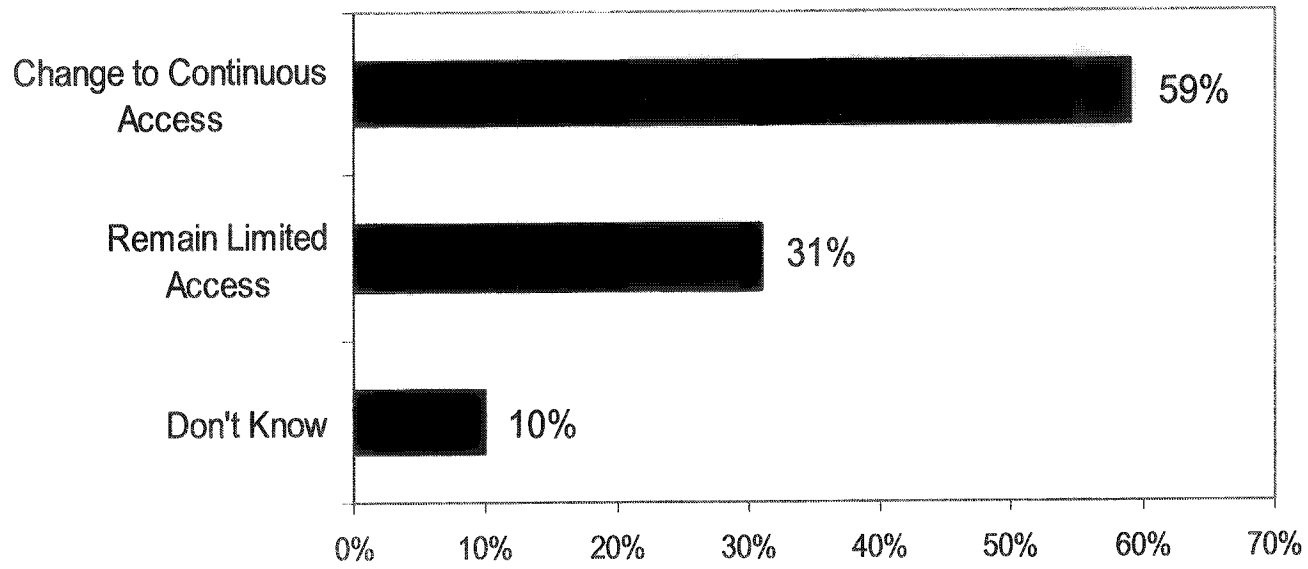


Keep SR-22 Continuous Access





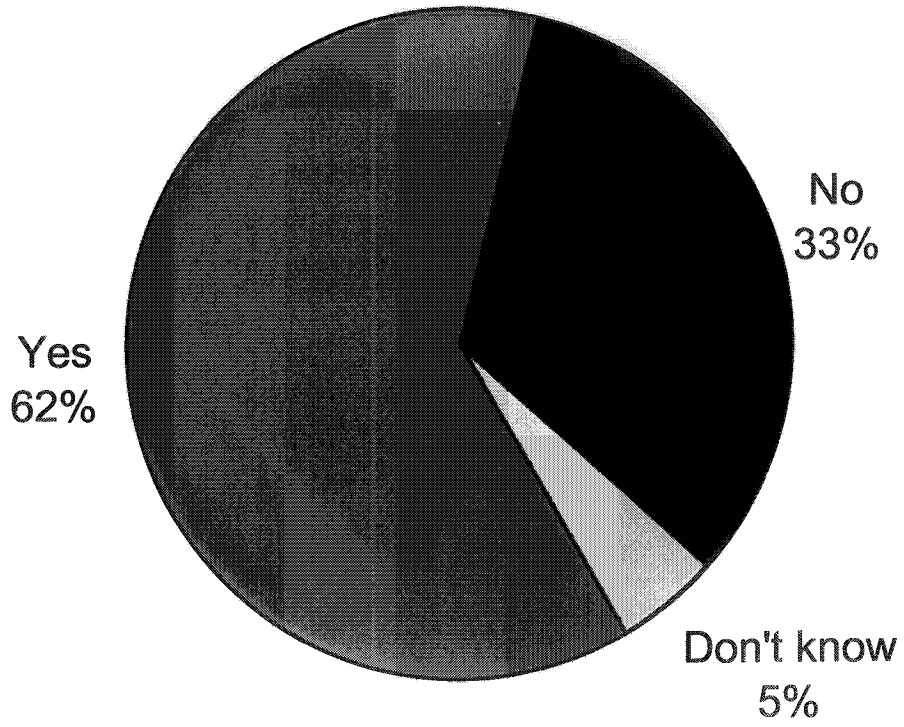
Change O.C. Freeways to Continuous Access



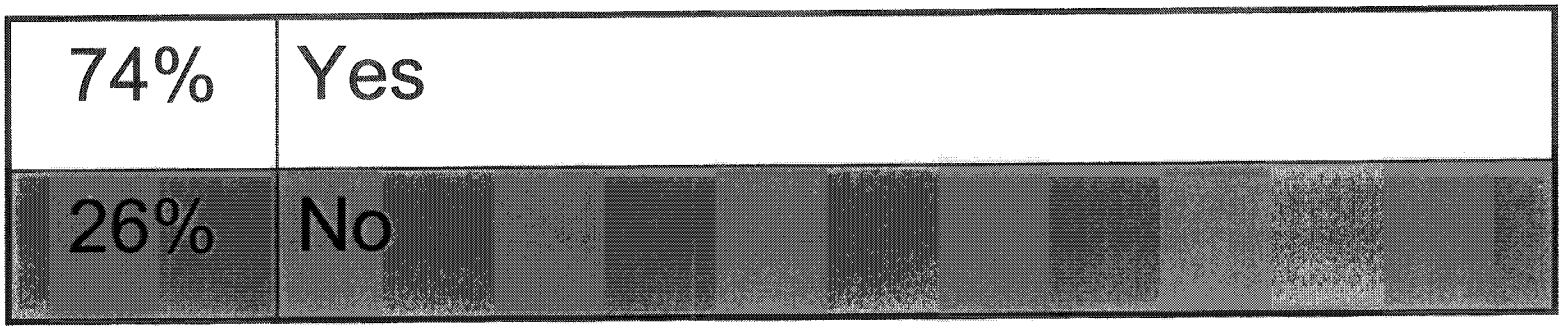




Support for Off-Peak Usage



Carpoolers Who Would Otherwise Drive Alone if Lanes Did Not Exist



Profile of Respondents

- Gender
- Age
- Ethnicity
- Home Ownership
- Political Orientation
- Travel Mode