Date:	**Monday, August 11, 2008**
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
Orange County Transportation Authority Headquarters
First Floor - Room 154, 600 South Main Street
Orange, California
Monday, August 11, 2008, 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.

Call to Order

Pledge of Allegiance

Director Brown

Invocation

Director Pringle

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 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.

Public Availability of Agenda Materials

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

OCTA

ACTIONS

Special Matters

There are no Special Matters items.

Consent Calendar (Items 1 through 6)

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 - Special Meeting**

   Of the Orange County Transportation Authority and affiliated agencies' special meeting of July 28, 2008.

2. **Approval of Minutes - Regular meeting**

   Of the Orange County Transportation Authority and affiliated agencies' regular meeting of July 28, 2008.

3. **Central County Corridor Major Investment Study Update**
   Fernando Chavarria/Ellen S. Burton

   Overview

   The Orange County Transportation Authority is launching a Central County Corridor Major Investment Study. This report provides an outline of the study process and previews the formation of policy and technical committees.

   Recommendation

   Receive and file as an information item.

ACTIONS

4. **Excess Liability Insurance Renewal**
Al Gorski/James S. Kenan

Overview

The Orange County Transportation Authority currently has excess liability insurance policies with Everest National Insurance Company and Great American Insurance Company. These policies are scheduled to expire on November 1, 2008.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order No. A09337, in an amount not to exceed $600,000, to Marsh Risk and Insurance Services, Inc., for the purchase of excess liability insurance for the period of November 1, 2008 to November 1, 2009.

Orange County Transit District Consent Calendar Matters

5. **Agreement for Printing Services for Bus Service Change Materials**
Stella Lin/Ellen S. Burton

Overview

The Orange County Transportation Authority provides bus service information through both printed materials and on-line. Printed materials include bus system maps and individual line timetables. Printing services are needed to print these materials for the four bus service changes each year.

Recommendation

Authorize the Chief Executive Officer to execute Agreement No. C-8-0813 between the Orange County Transportation Authority and Pacific Litho, Inc., in an amount not to exceed $68,292 for the first year, with two one-year option terms, for printing bus systems maps and individual timetables.

ACTIONS

Orange County Local Transportation Authority Consent Calendar Matters

6. Amendment to Agreement for Construction Support Services for the Santa Ana Freeway (Interstate 5) Gateway Project
Charles Guess/Kia Mortazavi

Overview

An amendment to the agreement with URS Corporation is proposed to authorize the final phase of a contract for construction support services for the Santa Ana Freeway (Interstate 5) Gateway Project.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 10 to Agreement No. C-2-0710 between the Orange County Transportation Authority and URS Corporation, in an amount not to exceed $627,200, for the last phase of construction support services and to extend the term of agreement to June 30, 2011.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

7. Annual Investment Policy Amendment and 91 Express Lanes Debt
Kirk Avila/James S. Kenan

Overview

In order to provide additional flexibility while the Orange County Transportation Authority analyzes and implements its restructuring options for the Ambac-insured variable rate demand bonds, staff is recommending the Board of Directors amend the Annual Investment Policy to allow for the temporary purchase of the outstanding $100 million of the 91 Express Lanes Series B variable rate demand bonds that have a final maturity date of December 15, 2030.

ACTIONS

7. **(Continued)**

Recommendations

A. Approve and authorize the Chief Executive Officer to execute all appropriate documents to provide for the acquisition by the Orange County Transportation Authority, or an affiliated entity, of all or a portion of the Orange County Transportation Authority Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003, with a final maturity date of December 15, 2030 (Acquisition).

B. Approve amendments of the Orange County Transportation Authority Annual Investment Policy to accomplish the acquisition.

Orange County Local Transportation Authority Regular Calendar Matters

8. **Garden Grove Freeway (State Route 22) Rubberized Asphalt Concrete Paving Demonstration Project**
Joe Toolson/Kia Mortazavi

Overview

In response to residents' concerns and requests, the Orange County Transportation Authority Board of Directors authorized the development of a rubberized asphalt concrete demonstration project to assess the noise reduction properties of this material. The demonstration project involved placing rubberized asphalt concrete paving on the westbound lanes of the Garden Grove Freeway (State Route 22) between Euclid Street and Magnolia Street. This report provides the findings of the initial noise study on the rubberized asphalt concrete paving.

Recommendation

Receive and file as an information item.

ACTIONS

Discussion Items

9. Chief Executive Officer's Report

10. Directors' Reports

11. 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.

12. Closed Session

A Closed Session is not scheduled

13. Adjournment

The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, August 25, 2008,** at Orange County Transportation Authority Headquarters.

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 28, 2008

Call to Order

The July 28, 2008, special meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Norby at 8:30 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

Roll Call

Directors Present:	Chris Norby, Chairman Peter Buffa, Vice Chair Jerry Amante Patricia Bates Arthur C. Brown Bill Campbell Carolyn V. Cavecche Paul Glaab Cathy Green Allan Mansoor John Moorlach Janet Nguyen Curt Pringle Mark Rosen Gregory T. Winterbottom
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:	Richard Dixon Miguel Pulido

Public Comments on Agenda Items

Chairman Norby 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.

No public comments were heard

1. Closed Session

A Closed Session was held:

Pursuant to Government Code Section 54956.9(b)(1).

2. Adjournment

The meeting adjourned at 8:57 a.m. Chairman Norby announced that the next regularly scheduled meeting of this Board would follow this meeting at the OCTA Headquarters.

ATTEST

Wendy Knowles
Clerk of the Board

Chris Norby
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 28, 2008

Call to Order

The July 28, 2008, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Norby at 9:00 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

Roll Call

Directors Present:	Chris Norby, Chairman Peter Buffa, Vice Chair Jerry Amante Patricia Bates Arthur C. Brown Bill Campbell Carolyn Cavecche Paul Glaab Cathy Green Allan Mansoor John Moorlach Janet Nguyen Curt Pringle 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:	Richard Dixon

Invocation

Director Amante gave the invocation.

Pledge of Allegiance

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

Public Comments on Agenda Items

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

Special Matters

1. Presentation of Resolutions of Appreciation for Employees of the Month for July 2008

Chairman Norby presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2008-41, 2008-40, 2008-42 to Carol Murdock, Coach Operator; Carlos Palacios, Maintenance; and Judy Leon, Administration, as Employees of the Month for July 2008.

2. Chairman's Goals Status Report

Chairman Norby reviewed his 2008 goals and provided status on various items, highlighting several completed goals.

Consent Calendar (Items 3 through 19)

Chairman Norby 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.

Orange County Transportation Authority Consent Calendar Matters

3. Approval of Minutes

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of July 14, 2008.

Director Pulido was not present to vote on this item.

4. **Approval of Resolutions of Appreciation for Employees of the Month for July 2008**

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2008-40, 2008-41, and 2008-42 to Carol Murdock, Coach Operator; Carlos Palacios, Maintenance; and Judy Leon, Administration, as Employees of the Month for July 2008.

Director Pulido was not present to vote on this item.

5. **Information Systems Audit Risk Assessment and Audit Plan**

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

Director Pulido was not present to vote on this item.

6. **Internal Control Review of Contributions and Participant Data Transmission to Orange County Employees Retirement System**

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to direct staff to implement the recommendations in the Internal Control Review of Contributions and Participant Data Transmission to Orange County Employees Retirement System, Internal Audit Report No. 07-033.

Director Pulido was not present to vote on this item.

7. **Ortega Highway (State Route 74) Widening Project Update**

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

A. Authorize staff to split the Ortega Highway (State Route 74) widening project into two segments for implementation.

B. Authorize the Chief Executive Officer to negotiate and execute a cooperative agreement with the County of Orange for the implementation and funding of the Ortega Highway (State Route 74) widening project.

C. Authorize staff to amend the Federal Transportation Improvement Program and the State Transportation Improvement Program and execute any necessary agreements to facilitate the delivery of the above.

Director Pulido was not present to vote on this item.

8. Proposed Regulation of Greenhouse Gas Emissions

Director Green pulled this item and inquired if OCTA will support Senate Bill 303 if amended. Director Bates offered that the Legislative and Communications Committee did not go that far in their discussions, as there were significant issues with the bill. It was hoped to have one or two of the suggested amendments incorporated.

Director Green asked for confirmation that this information has been shared with the cities in Orange County, and Director Amante stated that the Orange County League of Cities has been working on this issue and cities have been briefed.

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

A. Amend the existing Orange County Transportation Authority Principles for Amending SB 375 (Steinberg, D-Sacramento) to add a principle advocating for the streamlining of environmental analysis for greenhouse gas emissions at the project-level for transportation projects that meet certain requirements

B. Adopt the following recommended position on legislation:

   Oppose Unless Amended SB 303 (Ducheny, D-San Diego), which would require transportation agencies to create two growth scenarios to achieve regional greenhouse gas reductions.

Directors Brown and Pringle voted in opposition to this item.

9. Sole Source Agreement with SunGard Bi-Tech, Inc. for Accounting Software Upgrades and Services

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

A. Authorize the Chief Executive Officer to execute Agreement No. C-7-1434 between the Orange County Transportation Authority and SunGard Bi-Tech, Inc., in a firm-fixed price amount of $487,794, for software and services to upgrade the Orange County Transportation Authority's accounting software system to the most recent version and to implement two additional Integrated Financial and Administrative Solution software modules.

B. Authorize the Chief Executive Officer to amend the fiscal year 2009 budget, in the amount of $487,794, to fund Agreement No. C-7-1434.

Director Pulido was not present to vote on this item.

10. **Agreements for Contract Technical Staffing for Programming, Database Administration, Computer Operations, Network Administration, and Desktop Support**

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-0673 between the Orange County Transportation Authority and Digital Intelligence Systems Corporation, in a firm fixed-price amount of $4,182,000, for programming, database administration, computer operations, network administration, and desktop support.

Director Pulido was not present to vote on this item.

11. **New York Meetings with Rating Agencies and Investors**

Chairman Norby pulled this item and reported on his recent trip to Bogotá, Columbia, highlighting the TransMilenio System and showing a slide show of pictures from the trip.

Director Bates expressed her appreciation to those who attended the meetings in New York with the rating agencies on behalf of the OCTA.

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

12. **Second Quarter 2008 Debt and Investment Report**

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

Director Pulido was not present to vote on this item.

13. **Orange County Register Newspaper in Education Curriculum Outline**

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to provide comments and direct staff to finalize the Newspaper in Education transportation curriculum with the Orange County Register.

Director Pulido was not present to vote on this item.

Orange County Local Transportation Authority Consent Calendar Matters

14. Status of Go Local Step One Final Reports

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to direct staff to advise participating cities that final reports submitted prior to the June 30, 2008, deadline will receive timely consideration and those reports received after the deadline may received delayed consideration for Go Local Step Two.

Director Pulido was not present to vote on this item.

15. Release of Request for Proposals for Go Local Bus/Shuttle Service Planning and Program Management Oversight of Bus/Shuttle and Fixed-Guideway Proposals

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

A. Approve the proposed evaluation criteria and weightings for selection of consultants for Request for Proposals No. 8-1012.

B. Approve the release of Request for Proposals No. 8-1012 for consultant services to conduct service planning on Go Local mixed-flow bus/shuttle proposals that have been advanced to Step Two of the Go Local Program.

C. Approve the proposed evaluation criteria and weightings for selection of consultants for Request for Proposals No. 8-1013.

D. Approve the release of Request for Proposals No. 8-1013 for consultant services to provide program management oversight of the Go Local fixed-guideway proposals.

Director Pulido was not present to vote on this item.

16. Renewed Measure M Progress Report

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

Director Pulido was not present to vote on this item.

Orange County Transit District Consent Calendar Matters

17. Request for Authorization to Issue an Invitation for Bids for Paint and Decal Services for the Bravo! Bus Rapid Transit Vehicles

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to authorize staff to issue an invitation for bids for paint and decal services for the Bravo! bus rapid transit vehicles.
Director Pulido was not present to vote on this item.

18. ACCESS Performance Measurements Update and Amendment to Agreement with Veolia Transportation Services, Inc., for the Provision of ACCESS, Contracted Fixed Route, Stationlink, and Express Bus Services

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

A. Receive and file ACCESS Performance Measurements Update as an information item.

B. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-5-3021 between the Orange County Transportation Authority and Veolia Transportation Services, Inc., in the amount of $1,050,550, bringing the total contract value to $96,620,434.

Director Pulido was not present to vote on this item.

Director Nguyen abstained from voting on this item pursuant to Government Code Section 84308.

19. Amendment to Agreement for Lease of Non-Revenue Compact Vehicles
Connie Raya/Beth McCormick

A motion was made by Director Amante, seconded by Director Moorlach, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement No. C-3-1095 between the Orange County Transportation Authority and Enterprise Fleet Services, to extend the current agreement by two years and increase the maximum obligation by $634,200, bringing the total contract value to $3,434,200, for leased non-revenue vehicles.

Director Pulido was not present to vote on this item.

Regular Calendar

Orange County Transit District Regular Calendar Matters

20. Fuel Crisis Contingency Planning Update

Chief Executive Officer (CEO), Arthur T. Leahy, informed the Board that for some time, staff has been working on plans and actions to position the OCTA to respond in the event the fuel price crisis worsens. At this time, there has not been a shortage of fuel; the contingency plan anticipates being ready in the event there should be even higher prices or a disruption in the supply.

Scott Holmes, Manager of Service Planning and Customer Advocacy, presented this item for the Board, explained the plans for potential fuel cost increases, and what actions could be taken if necessary.

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

Discussion Items

21. Second Quarter Review of Chief Executive Officer's Goals for 2008

CEO, Arthur T. Leahy, provided an overview of the status of his goals for 2008, citing those which are completed and provided updates on those still in progress.

22. Bus Customer Satisfaction Survey

Jessie Quiroz, R&R Partners, presented an overview of the results of this survey conducted in November 2007. The survey reflected bus customer usage patterns, satisfaction, attitudes, and awareness. Questions were designed to gather customer demographic information which would be useful in future planning.

Director Pringle requested that in the future, when results of customer service surveys are provided, that a clearer presentation of the points of dissatisfaction be highlighted, along with a plan for targeting the areas for improvement.

Director Rosen requested an outline of a Marketing Plan regarding how OCTA will assist the Hispanic community with pass sales information.

Director Amante requested information on the cost of producing the bus book, what it means in real-time info and potential cell phone technology for communicating schedules.

22. (Continued)

Director Pringle asked that an item come to the Board in the near future on long-term goals of increasing ridership and potential ridership per route.

Director Cavecche asked that a plan be presented for promoting pass sales.

23. Southern California 511 Update

Iain C. Fairweather presented a demonstration of the Bay Bridge 511 Program to the Board. The first phase of this system will be launched in January 2009.

24. Caltrans Landscaping Plant Selection and Water Conservation Update

John Roberts, Landscape Architect, Caltrans District 12, provided an extensive presentation on the landscape and aesthetics process; corridor theme efforts; planting pallets; planting standards; landscape maintenance.

Vice Chair Buffa inquired requested Caltrans provide information regarding use of art on freeway areas in Orange County.

Director Pulido requested information on current landscaping at freeway interchanges and along freeways, as well as what is planned. He further stated he would like a comparison of how Orange County compares to other areas/counties.

25. Public Comments

At this time, Chairman Norby 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.

Three were no public comments offered.

26. Chief Executive Officer's Report

Chief Executive Officer (CEO), Arthur T. Leahy, reported:

- Congresswoman Corrine Brown from Florida will be visiting Orange County on Tuesday, July 29, who is a member of the Transportation and Infrastructure Committee;
- On July 30, there will be an OCTA/San Diego Association of Governments (SANDAG) meeting;

26. (Continued)

- On July 31; there will be a meeting in Westminster regarding the West County Connector Study;

- The South Orange County Major Investment Study is going to the full SANDAG Transportation Committee on Friday in San Diego.

- The Governor has signed Assembly Bill 387, authored by Assemblyman Michael Duvall, which will allow design-build work to be done on security systems.

- CEO, Mr. Leahy, met with the Chair of the California Transportation Commission regarding the Chair's idea of having non-stop or minimal-stop trains from San Diego to Los Angeles, skipping Orange County;

- The OCTA Roadeo was held over the week-end in Irvine, and winners were announced.

27. Directors' Reports

Director Glaab advised that the completion of the South Orange County Major Investment Study is near, and recent successful meetings have been held.

He further reported that Fredric (Jack) Zepp, appointee to the Special Needs in Transit Advisory Committee from San Juan Capistrano, passed away on June 18, and remembered Mr. Zepp for his dedication and service.

Director Amante informed Members that the July 25 meeting previously scheduled to address the 241 toll road extension has been canceled. Efforts are underway to determine a location at which to hold the meeting.

Director Bates thanked CEO, Mr. Leahy, OCTA staff, and Caltrans for the Interstate 5/Oso Parkway interchange project. A press conference was held last week.

She additionally thanked her colleagues who traveled recently to New York to attend the meeting with the rating agencies on behalf of OCTA.

Director Moorlach requested an update on personal rapid transit be provided.

Director Brown reported that the individuals from the Senior Center in Buena Park has an upcoming trip planned via Metrolink to Redondo Beach, return north on the Green and Blue Lines, then take the bus south on Pacific Coast Highway to link up with the Metrolink in South County and finally returning to the Buena Park station.

Director Quon reported that the State Route 55 high-occupancy buffer separation conversion will begin with a temporary striping on July 29; permanent striping will be done in August.

28. Closed Session

A Closed Session was held pursuant to Government Code Section 54956.9(b)(1).

General Counsel, Kennard R. Smart, Jr., reported the following action taken at the Closed Session:

A motion was made by Director Winterbottom, seconded by Vice Chair Buffa, and passed unanimously by those Board Members in attendance, to:

A. Approve and authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-5-3021 between the Orange County Transportation Authority and Veolia Transportation Services, Inc., in the amount of $125,446,560 to operate ACCESS services for three years, commencing July 1, 2009. The total contract amount will be $222,066,993.

B. Approve and authorize the Chief Executive Officer to execute the mutual releases and settlement agreement between the Orange County Transportation Authority and Veolia Transportation Services, Inc., regarding the claim submitted by Veolia Transportation Services, Inc., dated November 6, 2007.

Directors Bates, Nguyen, and Moorlach were not present for this vote.

29. Adjournment

The meeting adjourned at 11:52 a.m. The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, August 11, 2008,** at OCTA Headquarters.

ATTEST

Wendy Knowles
Clerk of the Board

Chris Norby
OCTA Chairman

OCTA

BOARD COMMITTEE TRANSMITTAL

August 11, 2008

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Central County Corridor Major Investment Study Update

Highways Committee Meeting of August 4, 2008

Present: Directors Amante, Dixon, Glaab, Green, Pringle, and Rosen
Absent: Director Cavecche, Mansoor, and Norby

Committee Vote

No action was taken.

Staff Recommendation

Receive and file as an information item.

Note: Staff verbally revised page two, bullet point one, of the staff report under "Supervisorial Districts – 1, 2, 3 and 4" to include District 4.

OCTA

August 4, 2008

To: Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Central County Corridor Major Investment Study Update

Overview

The Orange County Transportation Authority is launching a Central County Corridor Major Investment Study. This report provides an outline of the study process and previews the formation of policy and technical committees.

Recommendation

Receive and file as an information item.

Background

In 2004, the Orange County Transportation Authority (OCTA) initiated a study of transportation options to improve travel in the central part of Orange County. The Central County Corridor Study, which included both technical analyses and public outreach, resulted in the identification of conceptual alternatives to advance in the planning process.

In April 2005, the OCTA Board of Directors (Board) approved the following concepts to study in a formal Central County Corridor Major Investment Study (CCCMIS):

- Arterial street improvements
- Transit improvements in central Orange County
- Extension of the Orange Freeway (State Route 57) from the Garden Grove Freeway (State Route 22) to the San Diego Freeway (Interstate 405) along the Santa Ana River
- Widening the Costa Mesa Freeway (State Route 55)

Prior to moving forward, the Board directed staff to consult with the US Army Corp of Engineers and the Orange County Flood Control District regarding the technical feasibility of extending State Route 57 (SR-57) on structure via the Santa Ana River channel. To this end, OCTA began conducting the SR-57 Extension Planning Study.

In June 2007, after completing a procurement process consistent with Board policies and procedures, Schubert Flint Public Affairs was selected as the top ranked firm to assist with the public outreach consulting services for the CCCMIS. The contract award was $96,000 over an 18-month period.

In October 2007, the SR-57 Extension Concept Planning Study results were presented to the Board. As part of the review, the Board stipulated that only a SR-57 extension concept with a profile lower than the current bridges crossing the Santa Ana River would be studied during the CCCMIS. At that time, the Board also directed staff to initiate the procurement process to retain a technical consultant for the CCCMIS.

In April 2008, the Board approved the selection of URS Corporation as the top ranked firm to provide technical consulting services, and in June 2008, the Chief Executive Officer executed a final agreement, in an amount of $952,389, with URS Corporation to complete the technical work for the CCCMIS. Staff is now preparing to launch the CCCMIS.

Discussion

The CCCMIS is anticipated to be an 18-month study effort, which is intended to produce a recommended locally preferred strategy. The study area is bounded by Ball Road on the north, Beach Boulevard on the west, Pacific Coast Highway on the south, and State Route 55 (SR-55) on the east. As such, the following three districts and 12 cities are located within or adjacent to the study area:

- Supervisorial Districts – 1, 2, 3

- Cities – Anaheim, Costa Mesa, Fountain Valley, Garden Grove, Huntington Beach, Irvine, Newport Beach, Orange, Santa Ana, Stanton, Tustin, and Westminster

The study area also includes a number of agencies with jurisdictions, including the Federal Highway Administration, the California Department of Transportation, the US Army Corp of Engineers, and the Orange County Flood Control District.

During prior efforts, there was widespread interest in the study and alternatives, especially as it relates to the SR-55 expansion and SR-57 extension concepts.

During the CCCMIS, the level of interest will likely remain high, if not increase, given the changes that have occurred in the study area and the range of alternatives, which will be studied. As a result, the CCCMIS Policy and Technical Advisory committees, along with a stakeholder working group, will be essential for policy review, technical analysis, and public input. As with previous major investment studies, these committees will be key in driving consensus and developing a recommended locally preferred strategy for Board review and action.

In consultation with the Chairman of the OCTA Board, staff will begin forming and convening the CCCMIS Policy and Technical committees by October 2008.

Summary

A Central County Corridor Study and SR-57 Extension Concept Study have been completed and a CCCMIS is being launched. Both public outreach and technical consultants have been retained. Staff will being working with OCTA's Board Chairman to form and convene the policy and technical committees by October 2008. The CCCMIS is expected to be an 18-month study process.

Attachment

None.

Prepared by:

Fernando Chavarria
Community Relations Officer
(714) 560-5306

Approved by:

Ellen S. Burton
Ellen S. Burton
Executive Director, External Affairs
(714) 560-5923

4.

OCTA

BOARD COMMITTEE TRANSMITTAL

August 11, 2008

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

WK

Subject: Excess Liability Insurance Renewal

Finance and Administration Committee meeting of July 23, 2008

Present: Directors Amante, Campbell, Green, and Moorlach
Absent: Directors Brown and Buffa

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to issue Purchase Order No. A09337, in an amount not to exceed $600,000, to Marsh Risk and Insurance Services, Inc., for the purchase of excess liability insurance for the period of November 1, 2008 to November 1, 2009.

OCTA

July 23, 2008

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Excess Liability Insurance Renewal

Overview

The Orange County Transportation Authority currently has excess liability insurance policies with Everest National Insurance Company and Great American Insurance Company. These policies are scheduled to expire on November 1, 2008.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order No. A09337, in an amount not to exceed $600,000, to Marsh Risk and Insurance Services, Inc., for the purchase of excess liability insurance for the period of November 1, 2008 to November 1, 2009.

Background

The Orange County Transportation Authority (OCTA) has been self-insured for liability claims since 1977 and currently maintains a self-insured retention (SIR) of $4 million per claim. In addition, OCTA purchases $35 million in excess liability insurance above the current SIR to provide financial protection against potentially high exposure liability losses.

Excess liability insurance is a type of insurance policy purchased by OCTA to protect against liability claims for bodily injury and property damage arising out of premises, all operations including the 91 Express Lanes, products and completed operations, advertising and personal injury liability, errors and omissions liability (including public official's coverage), employment practices, and employee benefit liability.

The $35 million in excess liability insurance is provided by two insurance carriers, Everest National Insurance Company (Everest) and Great American Insurance Company (Great American).

Everest provides coverage of $10 million in excess of OCTA's $4 million SIR for a premium of $377,706. In addition, Great American provides an additional $25 million in coverage to OCTA beyond the Everest policy, for a premium of $158,204. The total premium for both policies is $535,910. These policies are scheduled to expire on November 1, 2008.

The OCTA's Broker of Record, Marsh Risk and Insurance Services, Inc. (Marsh), will provide marketing and placement of the excess liability insurance coverage for this renewal. Marsh is paid a flat fee of $110,000 for marketing and placing all property and casualty insurance per Agreement No. C-7-0632 approved by the Board of Directors (Board) on May 29, 2007. By agreement, Marsh does not earn any additional compensation or commission for its services. The contract further requires that any commissions offered by insurers will offset OCTA's premiums.

Marsh is currently contacting the insurance market for competitive quotes for the renewal of OCTA's excess liability insurance coverage. Marsh has been directed to explore multi-year policy options to entice carriers to reduce rates in exchange for a possible long-term commitment, and not to disclose broker compensation to prospective insurers to avoid having them net the broker's commission against their quoted premiums.

Discussion

Eleven insurance carriers that currently write public transportation excess liability insurance policies are being contacted for renewal quotes. These insurers have the financial capacity to provide the protection OCTA requires and have experience providing coverage to public transportation agencies that are permissively self-insured in the State of California. These carriers have an AM Best financial rating of A-7 or better:

- ACE American Insurance Company
- Allied World Assurance Company, LTD.
- Arch Insurance Company
- Catlin Specialty Insurance Company
- Discover Reinsurance Casualty Company
- Everest National Insurance Company
- Great American Insurance Company
- Lexington Insurance Company
- RSUI Indemnity Company
- Swiss Re America Group
- XL America Group

As outlined on page two of Attachment A, Marsh indicates that the current excess liability marketplace can be categorized as "soft." Due to the current market conditions, "OCTA can expect a flat to slight rate reduction" on the cost of the excess liability program at renewal without any changes to OCTA's current $4 million SIR. However, it is expected that premium rate reductions will be lessened if OCTA elects to reduce the current $4 million SIR.

OCTA will pursue five possible goals for renewing this policy as outlined in Attachment A. The goals are:

1. Obtain a rate reduction of 5 percent at the current SIR level.
2. Provide options for $2 million, $3 million, and $4 million SIR levels.
3. Include employment practices liability coverage for the full limits of the program.
4. Ensure that defense costs are outside the limit of liability.
5. Consider a multiple year program.

Fiscal Impact

The premium for this insurance policy was approved in OCTA's Fiscal Year 2009 Budget, Finance, Administration, and Human Resources Division, Risk Management Department, Account 0040-7562-A0017-DTN, and is funded through the General Fund.

Summary

Based on the information provided, staff recommends the approval to authorize the Chief Executive Officer to issue Purchase Order No. A09337, in an amount not-to-exceed $600,000, to Marsh Risk and Insurance Services, Inc., for the purchase of excess liability insurance for the period of November 1, 2008 to November 1, 2009.

Attachment

A. November 1, 2008 Excess Liability Risk Review and Renewal Strategy Plan

Prepared by:

Al Gorski
Manager,
Risk Management
(714) 560-5817

Approved by:

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

ATTACHMENT A

MARSH

Craig Morris
Senior Vice President

Marsh Risk & Insurance Services
4695 MacArthur Court, Suite 700
Newport Beach, CA 92660
California Insurance License # 0437153
949 399 5872 Fax 949 833 9518
craig.m.morris@marsh.com
www.marsh.com

June 25, 2008

Mr. Al Gorski
Chief Risk Officer
Orange County Transportation Authority
550 S. Main Street
Orange, CA 92863-1584

Subject:
November 1, 2008 Excess Liability Risk Review and Renewal Strategy Plan

Dear Al:

Thank you for the time you, Edwin and Marie spent with me on Wednesday, June 11, 2008 to outline your renewal goals and objectives for OCTA's November 1, 2008 Excess Liability insurance renewal. The following summarizes our discussion.

Recap of Risk Identification Review Discussion:

- OCTA is the county's primary transportation agency and continues to provide an efficient and safe transportation system for its residents and visitors. There have been no significant changes in operations this year.
- Ridership continues to increase since the higher cost of fuel is motivating people to use more public transportation.
- The increase in the cost of fuel has impacted OCTA, but the Authority is holding bus fares steady for now.

Recap of Renewal Strategy Meeting Discussion and Deliverables:

- We reviewed the current excess liability program structure.
    - OCTA's purchases a total of $35,000,000 excess liability limits above a $4,000,000 self insured retention. The current program limits reflect an increase from $20,000,000 last year and a decrease in the SIR from $5,000,000.
    - Everest National Insurance Company, new to OCTA's program in 2006, provides the primary excess limit of $10,000,000. Excess liability insurance is a type of insurance policy purchased by OCTA to protect against liability claims for bodily injury and property damage arising out of premises, operations, products, and completed operations; advertising and personal injury liability; errors and omissions liability (including public official's coverage); employment practices and employee benefit liability.
    - Great American Assurance Company provides the secondary $25,000,000 limit of excess liability coverage above Everest. Great American's policy follows the underlying Everest policy, but does not include coverage for Employment Practices Liability.

- Both Everest and Great American are admitted carriers and participated in the California Insurance Guarantee Fund. Both of the OCTA's prior year's carriers were non-admitted.

- OCTA's historical loss experience has been very good. There is only one claim (DOL 12/14/03) that exceeded OCTA's SIR and was paid by Clarendon, OCTA's previous carrier.

- We discussed the state of the current excess liability marketplace which can be categorized as "soft". There is adequate capacity as new carriers, such as Catlin, have entered the transit marketplace. Coincidently, Clarendon, OCTA's previous carrier, has decided to exit the market and is no longer writing transit risks. Based upon the state of the current marketplace, OCTA can expect a flat to slight rate reduction on the cost of their excess liability program at renewal. However, any reductions in OCTA's SIR may result in a less of a premium rate reduction.

- The goals for the renewal are:
  - Obtain a rate reduction of 5% at the current SIR level.
  - Provide options for $2, 3, and 4 million Self Insured Retentions.
  - Include Employment Practices Liability coverage for the full limits of the program.
  - Ensure that Defense Costs are outside the limit of liability.
  - Consider a multiple year program.

- We agreed to fully market OCTA's Excess Liability program to all markets A-7 or better that have experience with transit agencies. Specifically you would like us to seek proposals from the following markets:

  - Everett National Ins. Company through C.V. Starr – admitted
  - XL America Group – admitted
  - Arch Insurance Company – non admitted
  - Allied World Assurance Company, Ltd. – non admitted
  - Great American Ins. Company – admitted
  - Lexington Insurance Company – non admitted
  - ACE USA – admitted
  - Swiss Re America Group – non admitted
  - Catlin Specialty Ins. Company – non admitted
  - Discover Reinsurance Casualty Company – non admitted
  - RSUI Indemnity Company – non admitted

MARSH

In approaching these markets on your behalf, you have further directed Marsh to disclose the following information as part of our negotiating process:

- The names of the incumbent insurers and other prospective insurers to prospective insurers;
- Provide a specific price, range of prices or prioritization of terms that you seek in purchasing insurance;
- The structure, language and/or pricing of the expiring policy;
- Disclose aspects of the quote (including price, structure, and/or policy language) of a prospective insurer to other prospective insurers.

If during the marketing process you would like Marsh to provide the incumbent carriers with an opportunity to submit an improved quote after all other competing final quotes have been received, sometimes referred to as a "last look" please provide me with written direction to that effect.

Our agreed upon timeline reflects these key dates:

Excess Liability

▪ Renewal Strategy Meeting	06/11/08
▪ Staff Report due	07/01/08
▪ F&A Committee Meeting	07/23/08
▪ Updated renewal information from OCTA	07/31/08
▪ Renewal specifications sent to market	08/08/08
▪ Board Meeting	08/11/08
▪ Carrier quotes due	09/12/08
▪ Presentation to OCTA	09/19/08
▪ Approval from OCTA to bind coverage	10/17/08
▪ Provide confirmation of coverage to OCTA	10/24/08
▪ Coverage renews	11/01/08

It was very beneficial for us to meet and we appreciate the time you spent with us. We look forward to a successful renewal of your program.

Sincerely,

Craig Morris
Senior Vice President

5.

OCTA

MEMO

August 6, 2008

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

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

August 7, 2008

To: Legislative and Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for Printing Services for Bus Service Change Materials

Overview

The Orange County Transportation Authority provides bus service information through both printed materials and on-line. Printed materials include bus system maps and individual line timetables. Printing services are needed to print these materials for the four bus service changes each year.

Recommendation

Authorize the Chief Executive Officer to execute Agreement No. C-8-0813 between the Orange County Transportation Authority and Pacific Litho, Inc., in an amount not to exceed $68,292 for the first year, with two one-year option terms, for printing bus system maps and individual line timetables.

Background

The Orange County Transportation Authority (OCTA) operates 81 fixed-route bus lines with approximately 6,500 countywide bus stops. In March 2008, average weekday boardings exceeded 221,000. Two ways customers gather information about bus service are via individual line timetables and through bus system maps, which contain a map and general frequency information for individual lines. A quantity of approximately 100,000 system maps (25,000 per service change) and 1,000,000 individual timetables (51 routes at approximately 5,000 per service change) are anticipated to be produced during fiscal year (FY) 2008-09.

These materials are updated quarterly and distributed countywide in locations such as major transportation centers, libraries, city halls, schools, senior centers, outreach events, and other public information locations.

Orange County Transportation Authority
550 South Main Street / P.O. Box 14184 / Orange / California 92863-1584 / (714) 560-OCTA (6282)

Discussion

This procurement was conducted and managed in accordance with OCTA's procedures for professional services. The project was advertised in a newspaper of general circulation on May 1, 2008 and May 8, 2008, and on CAMM NET, OCTA's on-line procurement system.

The contract is time and expense and will be a one-year contract with a not-to-exceed amount of $68,292, with an option to renew yearly for two additional years at $71,720 for the first option year and $75,316 for the second option year. The total maximum cumulative contract obligation if both option terms are exercised is $215,328.

A total of 12 offers were received on May 28, 2008. An evaluation committee composed of staff from Marketing and Contracts Administration and Materials Management departments met to review the proposals. The proposals were evaluated consistent with Board-adopted policies and procedures using the following criteria:

• Qualifications of the Firm	30 percent
• Staffing and Project Organization	20 percent
• Work Plan	20 percent
• Cost and Price	30 percent

The qualifications of the firm performing the work and cost and price were deemed to be the most important factors when evaluating the proposals. Staff felt the best value firm would have the strongest qualifications as a printing agency while also having a very competitive price, which is why the extra weight was given to these two criterions.

After evaluation of the proposing firms by the evaluation committee, two firms were chosen which were the most technically qualified and the lowest priced of the proposing firms. The scores of the other proposing firms ranged from 24 to 78 points; the two highest firms had scores higher than 80 points. The committee asked the two top firms for a best and final offer (BAFO). The two top firms were:

<u>Firm and Location</u>

Pacific Litho, Inc.
Huntington Beach, California

Pacific Graphics, Inc.
City of Industry, California

Based on its evaluations of the proposals, the evaluation committee recommends Pacific Litho, Inc. for consideration of an award. Pacific Litho, Inc. currently holds this contract and has done outstanding print production of the bus system maps and individual line timetables. The scoring reflected a greater confidence in Pacific Litho, Inc.'s technical experience and understanding of the processes, which result in a quality product for the public.

Qualifications of Firm

Pacific Litho, Inc. was founded in 1993 and incorporated in 1998. It is a full service printing company with a 30,000 square foot facility and 35 full-time employees. Pacific Litho, Inc. is a fully qualified printing firm and has provided services for several governmental agencies including, the County of Orange, the City of Redondo Beach, the City of Vernon, the State of California, and John Wayne Airport.

Staffing and Project Organization

Pacific Litho, Inc. had the best staffing and project organization score from the evaluation committee. Its project manager, production manager, and lead press operator have had significant experience in the industry and working with large production runs of similar scope as OCTA. Pacific Litho, Inc. has dedicated a project manager to OCTA, which will provide continuity and a single point of contact for projects.

Work Plan

Pacific Litho, Inc. also had the highest scored work plan demonstrating its knowledge and experience in creating OCTA's varied printing products. The work plan was detailed, yet easy to understand, and followed a logical sequence of tasks. The quality of its sample work products was also exceptional and clearly showed the firm's ability to produce first-rate products.

Cost and Price

Pacific Litho, Inc.'s quote was the lowest of all the firms. Combining this with its exceptional staffing and technically superior work plan make it the best value for OCTA.

Fiscal Impact

The project was approved in OCTA's FY 2008-09 Budget, External Affairs, Marketing, Account 1837-7661-A3311-JGL, and is funded through the Orange County Transit District Fund 30.

Summary

Based on the information provided, staff recommends awarding a time and expense contract, Agreement No. C-8-0813 to Pacific Litho, Inc., in an amount not to exceed $68,292 for the initial one-year term, with two one-year option terms for printing services of bus system maps and individual line timetables.

Attachments

A. Proposal Evaluation Criteria Matrix – RFP No. 8-0813 Printing Services for Individual Route Maps
B. Printing Services for Individual Route Maps – Review of Proposal No. RFP 8-0813

Prepared by:

Ellen Burton
Stella Lin

Stella Lin
Marketing Manager
(714) 560-5342

Approved by:

Ellen S. Burton

Ellen S. Burton
Executive Director, External Affairs
(714) 560-5923

ATTACHMENT A

PROPOSAL EVALUATION CRITERIA MATRIX
RFP No. 8-0813 Printing Services for Individual Route Maps

Pacific Litho, Inc.

Evaluation Number	1	2	3	4	5	Weights	Overall Score
Qualifications of Firm	4.5	4.5	4.5	4.5	4.5	6	27.0
Staffing/Project Organization	4.5	4.5	4.5	4.0	4.0	4	17.2
Work Plan	4.5	4.5	5.0	5.0	5.0	4	19.2
Cost and Price	5.0	5.0	5.0	5.0	5.0	6	30.0
Overall Score	93.0	93.0	95.0	93.0	93.0		93

Pacific Graphics, Inc.

Evaluation Number	1	2	3	4	5	Weights	Overall Score
Qualifications of Firm	4.5	4.5	4.5	4.5	4.5	6	27.0
Staffing/Project Organization	4.0	3.5	4.5	4.5	4.5	4	16.8
Work Plan	3.5	4.0	4.0	4.0	4.0	4	15.6
Cost and Price	5.0	5.0	5.0	5.0	5.0	6	30.0
Overall Score	87.0	87.0	91.0	91.0	91.0		89

Printing Services for Individual Route Maps

Review of Proposal- RFP No. 8-0813

Presented to Legislative and Communications Committee on 8/7/2008

12 proposals were received, 2 firms were short-listed.

Overall Ranking	Proposal Score	Firm & Location	Sub-contractors	Evaluation Committee Comments	TIME AND EXPENSE
1	93	**Pacific Litho, Inc.** Huntington Beach, CA	None	Highest ranked firm Firm has wealth of experience with providing similar services Specializes in printing services Detailed work plan - Demonstrated thorough and concise understanding of project requirements Lowest price - within budget - all inclusive Federal Supply/Service Code Certification	**$68,292**
2	89	**Pacific Graphics Inc.** City of Industry, CA	None	Firm has very good experience with providing similar services. Well organized proposal No Detail on Key staff Good list of clients	**$88,620**

Evaluation Panel:

Contracts Administration and Materials Management

External Affairs

Evaluation Criteria	Weight Factors
Qualifications of Firm	30%
Staffing and Project Organization	20%
Work Plan	20%
Cost and Price	30%

ATTACHMENT B

6.

OCTA

BOARD COMMITTEE TRANSMITTAL

August 11, 2008

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for Construction Support Services for the Santa Ana Freeway (Interstate 5) Gateway Project

Highways Committee Meeting of August 4, 2008

Present: Directors Amante, Dixon, Glaab, Green, Pringle, and Rosen
Absent: Director Cavecche, Mansoor, and Norby

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 10 to Agreement No. C-2-0710 between the Orange County Transportation Authority and URS Corporation, in an amount not to exceed $627,200, for the last phase of construction support services and to extend the term of agreement to June 30, 2011.

OCTA

August 4, 2008

To:	Highways Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Amendment to Agreement for Construction Support Services for the Santa Ana Freeway (Interstate 5) Gateway Project

Overview

An amendment to the agreement with URS Corporation is proposed to authorize the final phase of a contract for construction support services for the Santa Ana Freeway (Interstate 5) Gateway Project.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 10 to Agreement No. C-2-0710 between the Orange County Transportation Authority and URS Corporation, in an amount not to exceed $627,200, for the last phase of construction support services and to extend the term of agreement to June 30, 2011.

Background

The Santa Ana Freeway (Interstate 5) Gateway Project is the last segment of the overall improvements to Interstate 5 through Orange County as part of the original Measure M Freeway Improvement Program. This project segment is a two-mile section through the City of Buena Park from just north of the Riverside Freeway (State Route 91) to the Orange County/Los Angeles County line just north of the Artesia Boulevard interchange. The project will improve the freeway by providing additional high-occupancy vehicle lanes, general purpose lanes, auxiliary lanes, and bridge crossing improvements.

The URS Corporation (URS) contract for design and construction support services was approved by the Orange County Transportation Authority (Authority) Board of Directors (Board) on August 12, 2002, in the amount of $12,000,000. The scope of URS's contract included construction support services during construction of the project, to be administered in phases, to be authorized through contract amendments. This work was divided into three phases to better manage URS's actual work effort on this lump-sum contract. The phased approach was necessary because of the difficulty of determining work scope related to design changes caused by design adjustments requested by the contractor. The first two phases of construction support services were authorized by the Board on February 27, 2006, in the amount of $1,508,000.

Discussion

Amendment No. 10 to Agreement No. C-2-0710 with URS is necessary to perform the last phase of construction support services for the Interstate 5 Gateway Project and to extend the term of the agreement to June 30, 2011. The previously approved authorization will be exhausted later this year. The third and last phase of URS's construction services will be from January 2009 to June 2011. This last phase includes the following work scope:

- Attend coordination meetings
- Review shop drawings and technical submittals
- Provide timely responses to the general contractor's requests for information
- Prepare drawings, exhibits, details, and engineering work for requests for information and change order requests
- Resolve unforseen field conditions
- Provide project close-out support

A lump-sum contract task order has been negotiated for the third phase of the construction support services, in an amount of $627,200. Agreement No. C-2-0710 with URS has been amended in the past as shown in Attachment A. The total amount obligated to URS after approval of Amendment No. 10 will be $14,135,200. This amount is within the current estimate for the Interstate 5 Gateway Project and will not increase the overall project budget.

Fiscal Impact

The additional work described in Amendment No. 10 to Agreement No. C-2-0170 is included in the Authority's Fiscal Year 2008-09 Budget, Account 0010-7519-F1610-5HT.

Summary

Staff recommends approval of Amendment No. 10 to Agreement No. C-2-0710 with URS Corporation, in the amount of $627,200, for the last phase of construction support services and to extend the term of agreement until June 30, 2011.

Attachment

A. URS Corporation Agreement No. C-2-0710 Fact Sheet

Prepared by:

Charles Guess, P.E. /FOR
Program Manager
(714) 560-5775

Approved by:

Kia Mortazavi
Executive Director, Development
(714) 560-5741

ATTACHMENT A

URS Corporation
Agreement No. C-2-0710 Fact Sheet

1. August 12, 2002, Agreement No. C-2-0710, $12,000,000 approved by Board of Directors.

    - Provide design services for the Santa Ana Freeway (Interstate 5) Gateway Project.

2. January 21, 2003, Amendment No. 1 to Agreement No. C-2-0710, $0, approved by procurement administrator.

    - Administrative change only. No changes made to term or dollar amount.

3. February 11, 2003, Amendment No. 2 to Agreement No. C-2-0710, $0, approved by procurement administrator.

    - Administrative change only. No changes made to term or dollar amount.

4. November 3, 2003, Amendment No. 3 to Agreement No. C-2-0710, $0, approved by procurement administrator.

    - Administrative change only. No changes made to term or dollar amount.

5. November 16, 2004, Amendment No. 4 to Agreement No. C-2-0710, $0, approved by procurement administrator.

    - Administrative change only. No changes made to term or dollar amount.

6. July 12, 2005, Amendment No. 5 to Agreement No. C-2-0710, $0, approved by procurement administrator.

    - Administrative change only. No changes made to term or dollar amount.

7. September 13, 2005, Amendment No. 6 Agreement No. C-2-0710, $0, approved by procurement administrator.

    - Administrative change only. No changes made to term or dollar amount.

8. February 27, 2006, Amendment 7 to Agreement No. C-2-0710, $1,508,000, approved by Board of Directors.

    - Add funds for the first two phases of construction support services.

9. December 4, 2006, Amendment No. 8 to Agreement No. C-2-0710, $0, approved by procurement administrator.

   - Administrative change only. No changes made to term or dollar amount.

10. November 19, 2007, Amendment No. 9 Agreement No. C-2-0710, $0, approved by procurement administrator.

    - Administrative change only. No changes made to term or dollar amount.

11. April 14, 2008, Amendment No. 10 to Agreement No. C-2-0710, $627,200, pending approval by Board of Directors.

    - Add funds for the third phase of construction support services.
    - Extended term of contract to June 30, 2011.

Total committed to URS Corporation after approval of Amendment No. 10 to Agreement No. C-2-0710: $14,135,200.

7.

OCTA

August 11, 2008

To: Members of the Board of Directors

From: Arthur T. Leahy, Chief Executive Officer

Subject: Annual Investment Policy Amendment and 91 Express Lanes Debt

Overview

In order to provide additional flexibility while the Orange County Transportation Authority analyzes and implements its restructuring options for the Ambac-insured variable rate demand bonds, staff is recommending the Board of Directors amend the Annual Investment Policy to allow for the temporary purchase of the outstanding $100 million of the 91 Express Lanes Series B variable rate demand bonds that have a final maturity date of December 15, 2030.

Recommendations

A. Approve and authorize the Chief Executive Officer to execute all appropriate documents to provide for the acquisition by the Orange County Transportation Authority, or an affiliated entity, of all or a portion of the Orange County Transportation Authority Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003, with a final maturity date of December 15, 2030 (Acquisition).

B. Approve amendments of the Orange County Transportation Authority Annual Investment Policy to accomplish the acquisition.

Background

The Orange County Transportation Authority (Authority) is currently evaluating several restructuring options for the $100 million in 91 Express Lanes variable rate demand bonds insured by Ambac. The bonds were issued in November 2003, as part of the $195.265 million in Toll Road Revenue Refunding Bonds to refinance the outstanding taxable bonds associated with the acquisition of the 91 Express Lanes.

When the bonds were issued, the Authority also entered into a Standby Purchase Agreement with JP Morgan Chase Bank and Dexia Credit Local Bank to provide liquidity for the variable rate demand bonds. The Standby Purchase Agreement expires on November 12, 2008.

An option currently being evaluated includes the temporary purchase for up to 90 days of the outstanding $100 million in 91 Express Lanes variable rate demand bonds that have a final maturity date of December 15, 2030. The purchase of the variable rate demand bonds will provide the Authority with additional flexibility as the Standby Purchase Agreement expires in November 2008. Federal tax law currently restricts the period of time during which the Authority may purchase the debt to 90 days or less if acquired after October 1, 2008. In order to move forward with this option, the Authority's Board of Directors (Board) will have to authorize changes to the Annual Investment Policy (Policy).

The Authority's investment portfolio totaled approximately $1 billion as of June 30, 2008. The majority of the funds in the portfolio are Measure M funds that have been earmarked for remaining freeway, transit, and streets and roads projects.

Discussion

The California Code Section 53601 prescribes the statutory requirements for local agency investments including investments made pursuant to the Authority's Policy. The Authority's Policy is adopted on an annual basis with the most recent adoption occurring on May 23, 2008.

Section 53601 and the Authority's Policy limit investments to a maximum maturity of five years. Section 53601 allows for investments in securities of greater than five years if the Board has granted express authority to make the investment no less than three months prior to the purchase date.

In addition, the Authority's Policy restricts investments in any one specific investment of a single issuer to no more than 5 percent of the total of all Authority investments in order to assure diversification of risk. The proposed changes to the Policy are provided in Attachment A and the black-line version is provided in Attachment B.

The Authority will continue to pursue various options regarding the 91 Express Lanes debt. The Finance and Administration Committee will receive an update on the various options on August 13, 2008.

If the Board adopts the changes to the Policy, the Authority will work with general counsel, bond counsel, and the Authority's financial advisor to determine the appropriate interest rate for the investment.

Summary

An amendment to the Annual Investment Policy to allow the Orange County Transportation Authority to purchase 91 Express Lanes debt for up to 90 days is presented to the Board of Directors for approval.

Attachments

A. Orange County Transportation Authority 2008 Annual Investment Policy August 11, 2008
B. Black-line Copy of the Orange County Transportation Authority 2008 Annual Investment Policy August 11, 2008

Prepared by:

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

Approved by:

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

Orange County Transportation Authority

2008 Annual Investment Policy

August 11, 2008

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after August 11 , 2008. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses nationally recognized fixed income security performance benchmarks to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, the Merrill Lynch 1-5 year Treasury Index benchmark is used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Agricultural Mortgage Corporation (Farmer Mac)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

OCTA may also purchase defeased state and local obligations as long as the obligations have been legally defeased with U.S. Treasury securities and such obligations mature or otherwise terminate within five years of the date of purchase.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and

C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated by two of the three rating agencies at the following level or better; P-1 by Moody's, A-1 by Standard & Poor's, or F-1 by Fitch

B. be issued by corporations rated A- or better by Standard & Poor's, A3 or better by Moody's or A- by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F-1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Annual Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

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

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated A- or better by Standard & Poor's, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three Nationally Recognized Statistical Rating Organizations.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

  1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

  2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

  3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities and is based on the investment guidelines detailed in the Code section 53601.7, which parallels Rule 2a-7. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635.

16) California Asset Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest Nationally Recognized Statistical Rating Organizations.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS)	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	$40mm maximum per entity
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements, Repurchase Agreements, and 91 Express Lanes Debt

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise 35%

Any one repurchase agreement counter-party name

If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

Issuer/Counter-Party Diversification Guidelines For OCTA's 91 Express Lanes Debt

The Authority can purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio.

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Agricultural Mortgage Corporation (Farmer Mac)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Orange County Transportation Authority

2008 Annual Investment Policy

~~May~~ August 11 ~~23~~, 2008

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after ~~May~~ August 11 ~~23~~, 2008. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses nationally recognized fixed income security performance benchmarks to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, the Merrill Lynch 1-5 year Treasury Index benchmark is used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The ~~Finance and Administration Committee of the~~ Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Agricultural Mortgage Corporation (Farmer Mac)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

OCTA may also purchase defeased state and local obligations as long as the obligations have been legally defeased with U.S. Treasury securities and such obligations mature or otherwise terminate within five years of the date of purchase.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and
C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated by two of the three rating agencies at the following level or better; P-1 by Moody's, A-1 by Standard & Poor's, or F-1 by Fitch

B. be issued by corporations rated A- or better by Standard & Poor's, A3 or better by Moody's or A- by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the Nationally Recognized Statistical Rating Organizations with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F-1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Annual Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

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

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated A- or better by Standard & Poor's, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three Nationally Recognized Statistical Rating Organizations.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest Nationally Recognized Statistical Rating Organizations.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organizations recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

    1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

    2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

    3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities and is based on the investment guidelines detailed in the Code section 53601.7, which parallels Rule 2a-7. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635.

16) California Asset Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest Nationally Recognized Statistical Rating Organizations.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS)....	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	$40mm maximum per entity
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements, ~~and~~ Repurchase Agreements and 91 Express Lanes Debt

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities.	5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise	35%
Any one repurchase agreement counter-party name	
If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

Issuer/Counter-Party Diversification Guidelines For OCTA's 91 Express Lanes Debt

The Authority can purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio.

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as “interest rate.”

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Agricultural Mortgage Corporation (Farmer Mac)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

8.

OCTA

BOARD COMMITTEE TRANSMITTAL

August 11, 2008

To:	Members of the Board of Directors
From:	Wendy Knowles, Clerk of the Board (WK)
Subject:	Garden Grove Freeway (State Route 22) Rubberized Asphalt Concrete Paving Demonstration Project

Highways Committee Meeting of June 16, 2008

Present: Directors Dixon, Green, Mansoor, Norby, Pringle, and Rosen
Absent: Directors Amante, Cavecche, and Glaab

Committee Vote

No action was taken; received and filed as an information item.

Staff Recommendation

Receive and file as an information item.

OCTA

June 16, 2008

To: Highways Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Garden Grove Freeway (State Route 22) Rubberized Asphalt Concrete Paving Demonstration Project

Overview

In response to residents' concerns and requests, the Orange County Transportation Authority Board of Directors authorized the development of a rubberized asphalt concrete demonstration project to assess the noise reduction properties of this material. The demonstration project involved placing rubberized asphalt concrete paving on the westbound lanes of the Garden Grove Freeway (State Route 22) between Euclid Street and Magnolia Street. This report provides the findings of the initial noise study on the rubberized asphalt concrete paving.

Recommendation

Receive and file as an information item.

Background

A noise report was prepared for the Garden Grove Freeway (State Route 22) project to determine noise impacts associated with the proposed improvements. The noise study concluded that a sound barrier along State Route 22, between Euclid Street and Magnolia Street, was not warranted based on state and federal sound criteria. After concerns were raised by adjacent residences, further sound studies were performed which concluded that both Trask Avenue and State Route 22 contributed to the traffic noise in the area, and that any State Route 22 noise mitigation would be negated by noise from Trask Avenue.

On January 23, 2006, the Orange County Transportation Authority Board of Directors (Board) authorized the development of a rubberized asphalt concrete (RAC) demonstration project on the westbound lanes of

State Route 22 between Euclid Street and Magnolia Street, and along Trask Avenue within the same limits. The residential areas impacted by the demonstration project are located on the north side of Trask Avenue, which is just north of State Route 22 (Attachment A).

Discussion

The demonstration project on the use of RAC paving required that noise readings be taken at three different times. The first reading was taken before placement of any RAC. The second reading was taken after placement of RAC on the westbound lanes of State Route 22, and the third reading will be taken after the placement of RAC on Trask Avenue. This report provides the findings of the first two readings. The readings related to Trask Avenue will be done after the RAC is placed by the City of Garden Grove in early 2009.

The threshold for requiring mitigation of freeway noise is when the level of noise exceeds 66 decibels (dBA) in frequently used outdoor areas. In the case of residences north of Trask Avenue, the initial peak readings were 62 dBA to 65 dBA, which are below this threshold. The readings taken at the same locations after the placement of RAC on the westbound lanes of the freeway were slightly less, at 61 dBA to 63 dBA.

The findings from the first two sets of noise readings is that the addition of RAC to the westbound lanes of State Route 22 resulted in a peak noise reduction of only 1 dBA to 3 dBA. Generally, this level of noise reduction is not perceptible by the human ear; therefore, the addition of RAC on the westbound lanes of State Route 22 did not provide a significant reduction in the noise levels at the residences north of Trask Avenue.

The executive summary of the findings of the noise study is found in Attachment B. A listing of the noise readings taken at the residential locations north of Trask Avenue is given in Attachment C.

A third set of noise readings will be taken at these same locations after the RAC is placed on Trask Avenue by the City of Garden Grove. Since Trask Avenue is closer to the affected residences, there may be a more significant noise reduction at those locations related to the traffic on Trask Avenue.

Summary

A recent noise study on the rubberized asphalt concrete paving concluded that the placement of rubberized asphalt concrete on the westbound lanes of the Garden Grove Freeway (State Route 22) did not provide a significant reduction in the noise levels at the residences north of Trask Avenue. An update on the noise study will be provided to the Board of Directors after the placement of rubberized asphalt concrete on Trask Avenue by the City of Garden Grove in early 2009.

Attachments

A. Noise Reading Locations
B. State Route 22 Pavement Surface Noise Study Executive Summary
C. Average Weekday Hourly Noise Level Comparison, Figures 5-9

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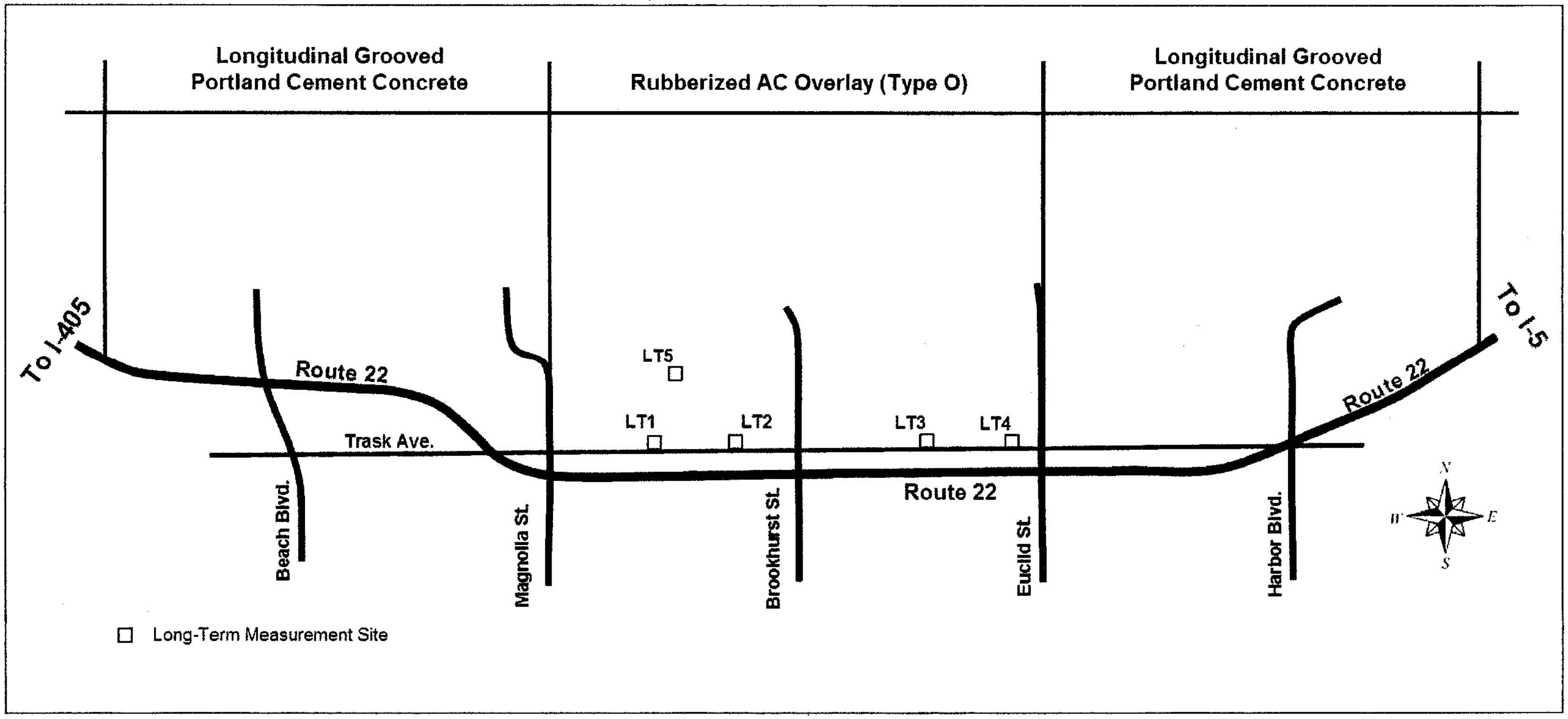

Figure 3 – Project Plan Diagram

STATE ROUTE 22
PAVEMENT SURFACE NOISE STUDY
EXECUTIVE SUMMARY

ATTACHMENT B

Executive Summary

The purpose of this study is to determine the noise-reduction benefits of resurfacing the roadway pavement on a section of westbound State Route 22 (SR–22) from the Euclid Street to Magnolia Street Bridges in Garden Grove, Orange County, California. Measurements were conducted to evaluate noise levels before and after the application of an open-grade rubberized asphalt concrete (RAC) overlay.

There are four general travel lanes and one HOV lane in each direction between Euclid Street and Magnolia Street, where the two outermost lanes are newly constructed as part of the SR–22 Project. The use of RAC overlay as a possible method to reduce traffic noise has received increased attention during the past few years; however, Federal Highway Administration (FHWA) policy does not allow the use of pavement type or surface texture as a noise abatement measure.

Long-term noise measurements were conducted at five sites, and the duration of the measurements at each site was approximately for two weeks before and after the RAC overlay application. The purpose of these long-term measurements was to study the acoustical effect of the RAC overlay application to the adjacent residences.

The results of the 24-hour measurements indicate that applying RAC on the westbound lanes of SR-22 did not provide any significant noise reduction at the adjacent residences. One of the long-term measurement locations, LT3, showed a consistent traffic noise reduction of 3.1 dB in overall noise levels. This particular long-term location has an unobstructed view of the freeway between commercial buildings south of Trask Avenue; however, no noticeable noise reduction could be found at the other long-term locations. The lack of clear noise reduction at these residences appears to have been caused by four significant factors: (a) traffic on Trask Avenue, (b) business activities at the adjacent car dealerships, (c) heavy truck pass-bys, and (d) vehicle pass-bys on the Portland cement concrete (PCC) surface in the eastbound direction. Because traffic noise from Trask Avenue is one of the major noise sources at the nearby residences, the planned RAC for the Trask Avenue should further reduce the traffic noise impacts. It would not be practical to consider noise reduction from activities in the car dealerships.

Applying RAC has shifted the peak noise to the lower frequencies. This is consistent with similar findings at other projects. Normally the peak noise at lower frequencies is considered less annoying than the noise at higher frequencies.

RAC pavement loses some of its effectiveness in reducing tire/pavement noise as the roadway surface ages. Some previous studies suggested that noise reduction benefits of open grade RAC could be reduced after a year or two. Although, results of recent studies on the RAC overlay surface and the efficacy of noise reduction conducted for Caltrans and FHWA show that the reduction is not as high as originally anticipated; however, there are no definite conclusions on this topic yet.

Caution should be used in applying the conclusions of this study to other projects because this study is based on the results of a project-specific noise study, which does not address factors other than relative noise comparisons at the measurement sites selected for this study. When test results are intended to be applied broadly, an ideal situation for a study of this type is a flat area with a straight roadway.

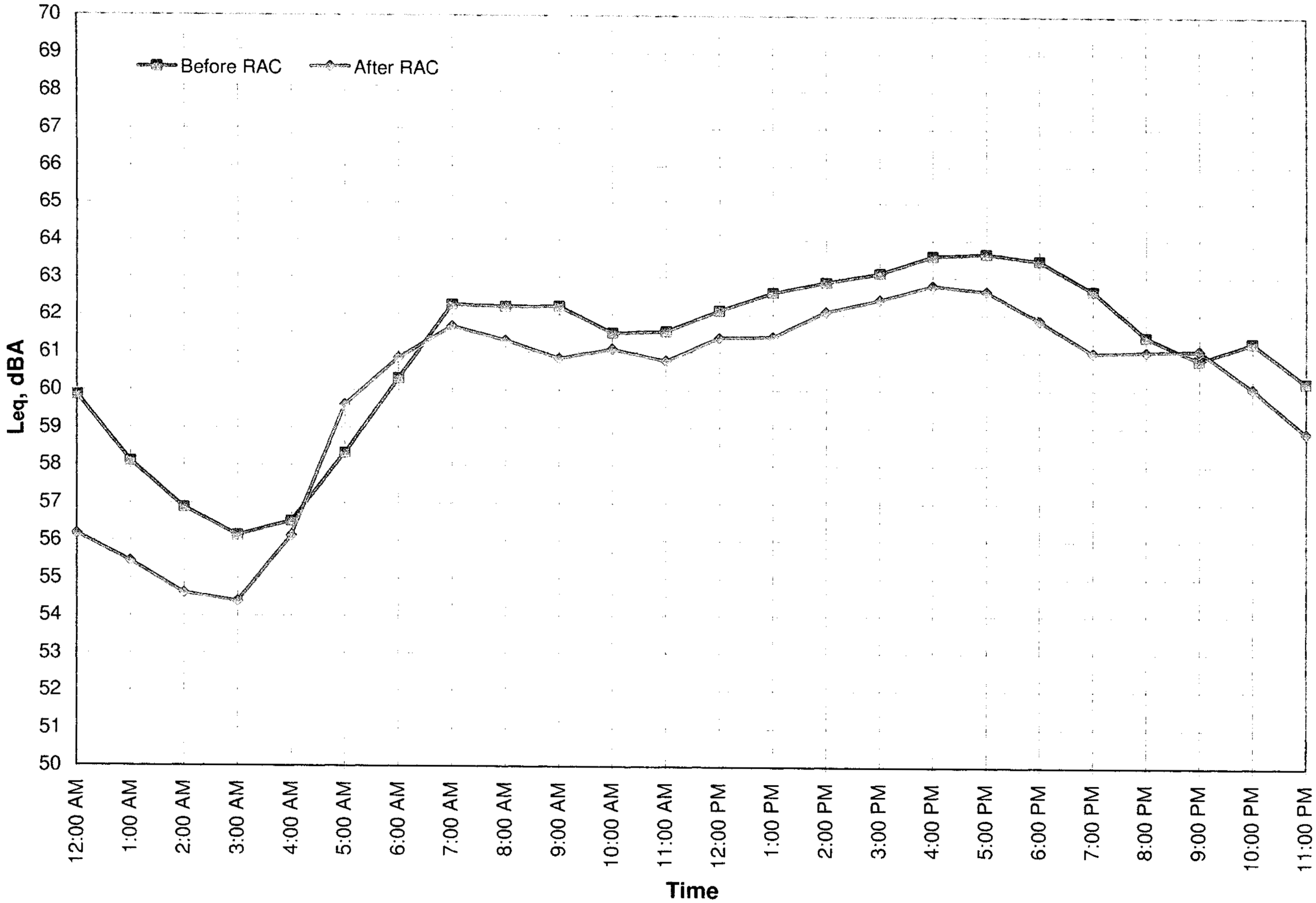

Figure 5 – Average Weekday Hourly Noise Level Comparison
LT1 – 9412 Souza Avenue, Garden Grove

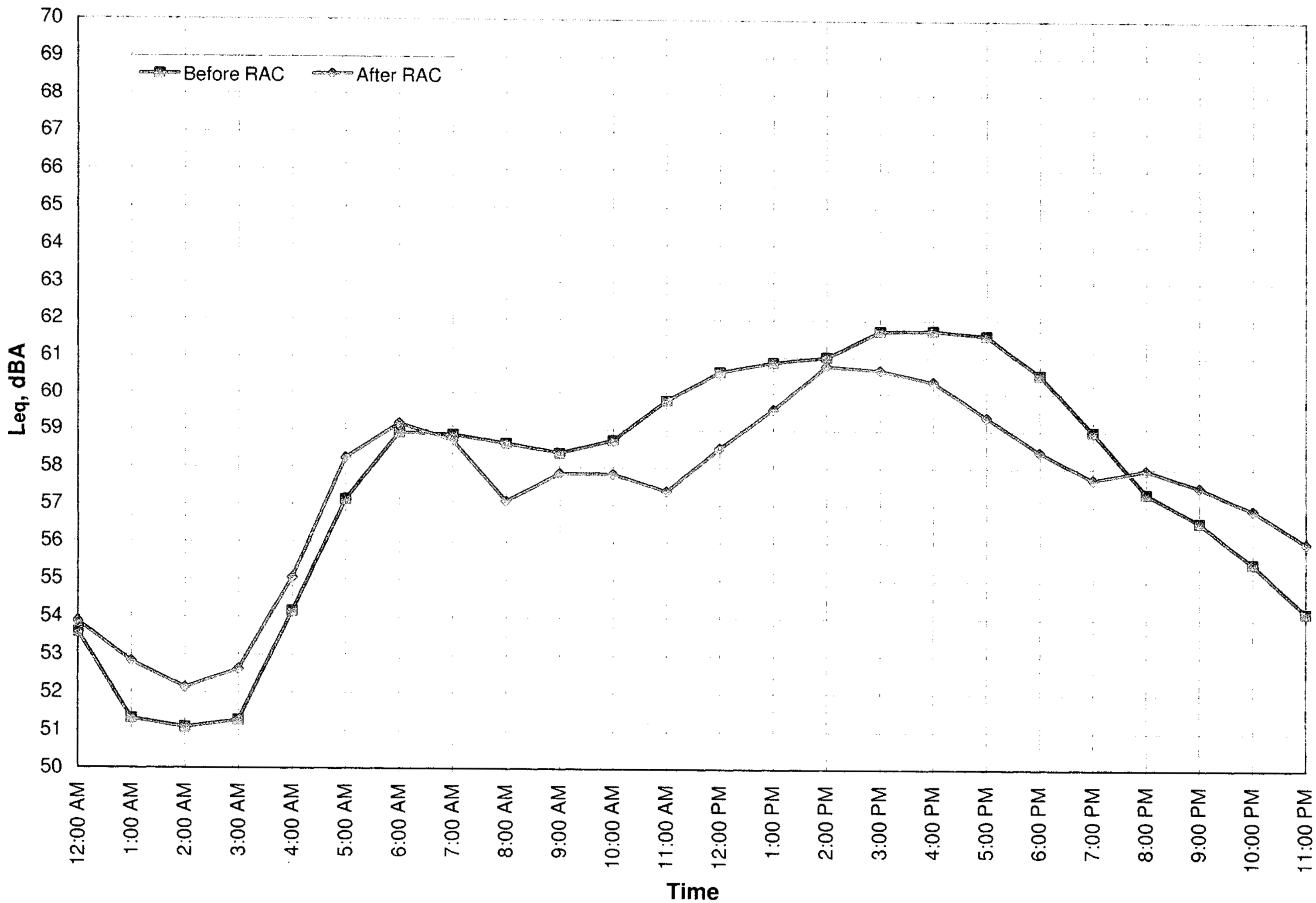

Figure 6 – Average Weekday Hourly Noise Level Comparison
LT2 – 9742 Luders Avenue, Garden Grove

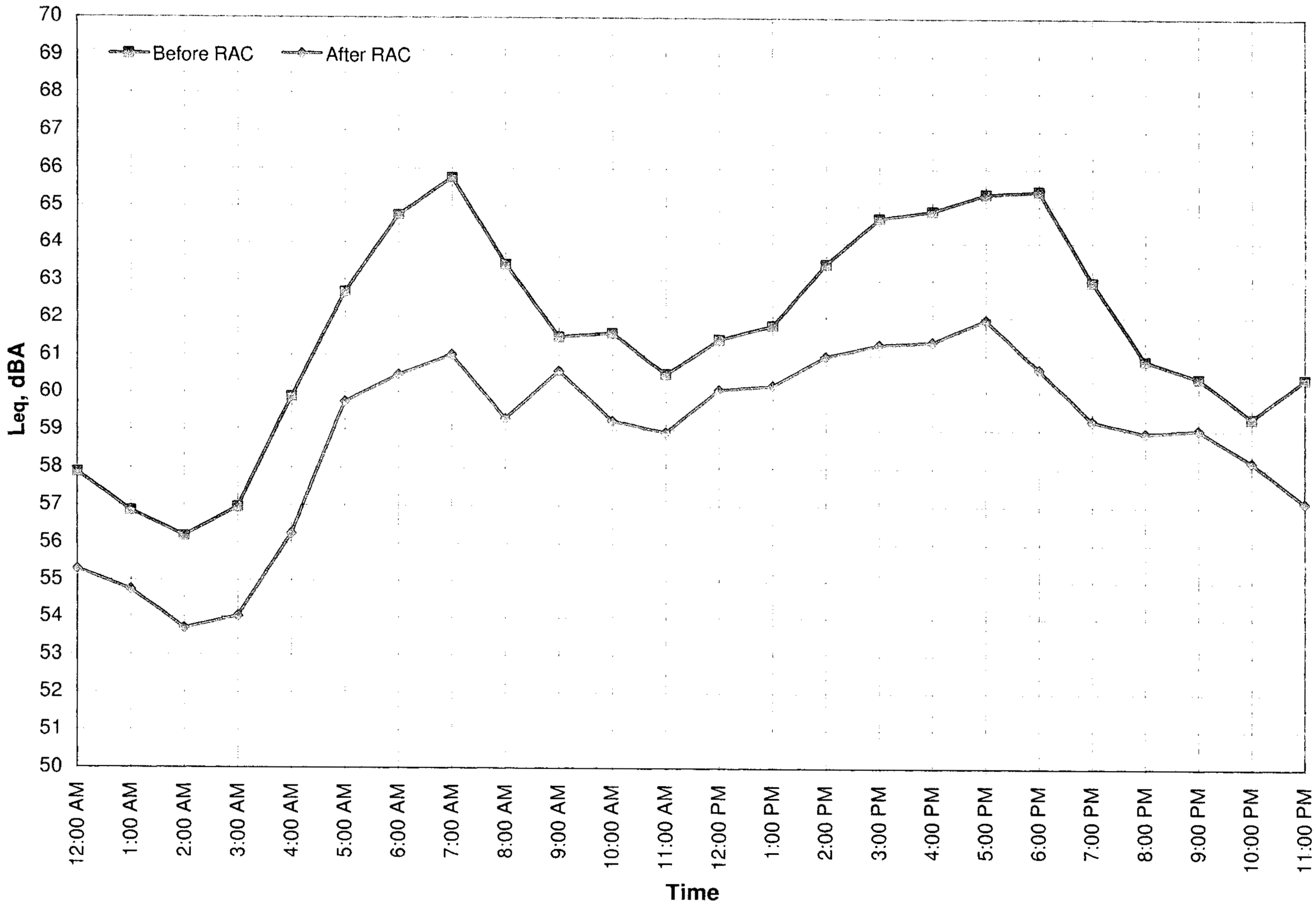

Figure 7 – Average Weekday Hourly Noise Level Comparison
LT3 – 13472 Benton Street, Garden Grove

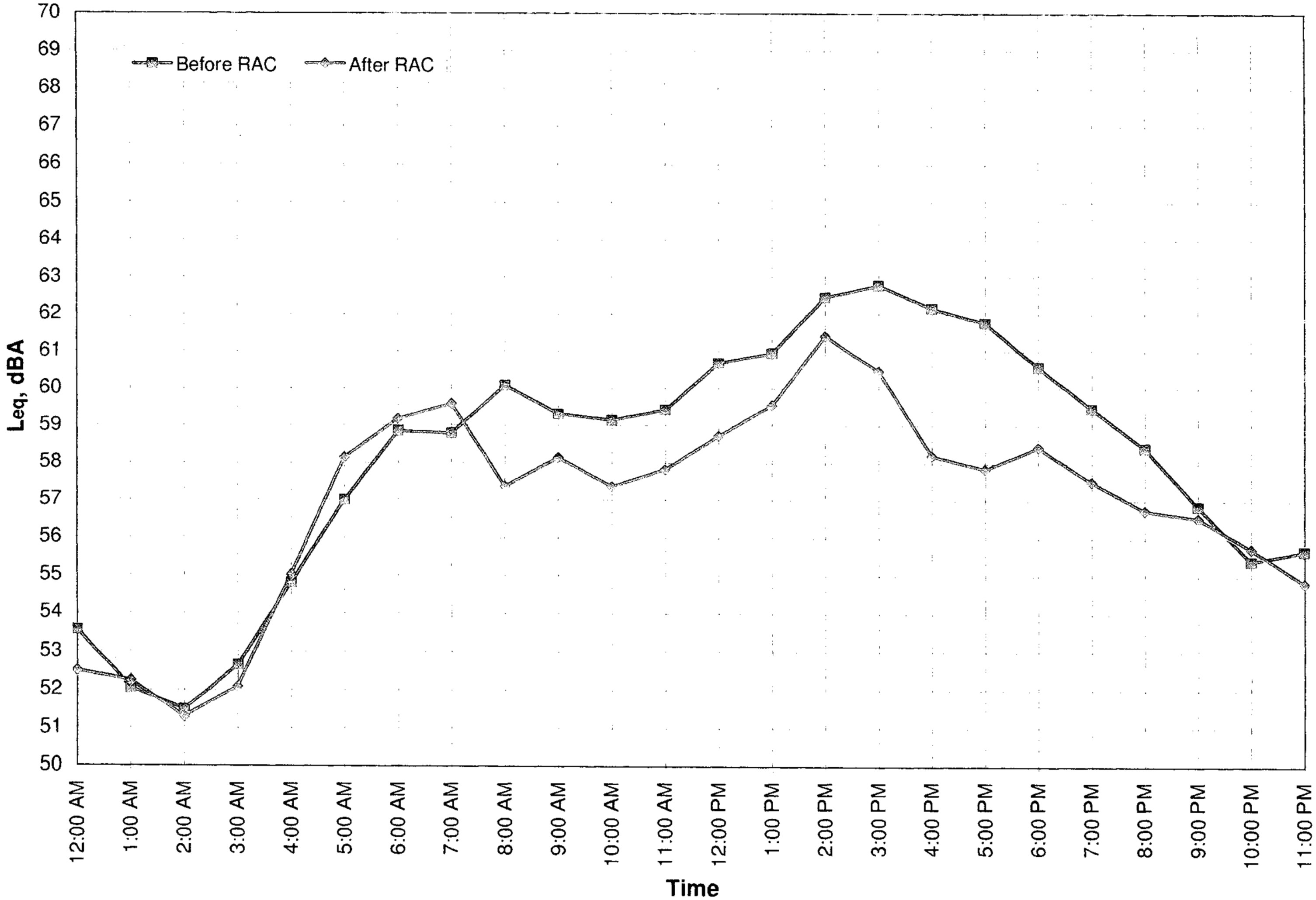

Figure 8 – Average Weekday Hourly Noise Level Comparison
LT4 – 10801 Trask Avenue, Garden Grove

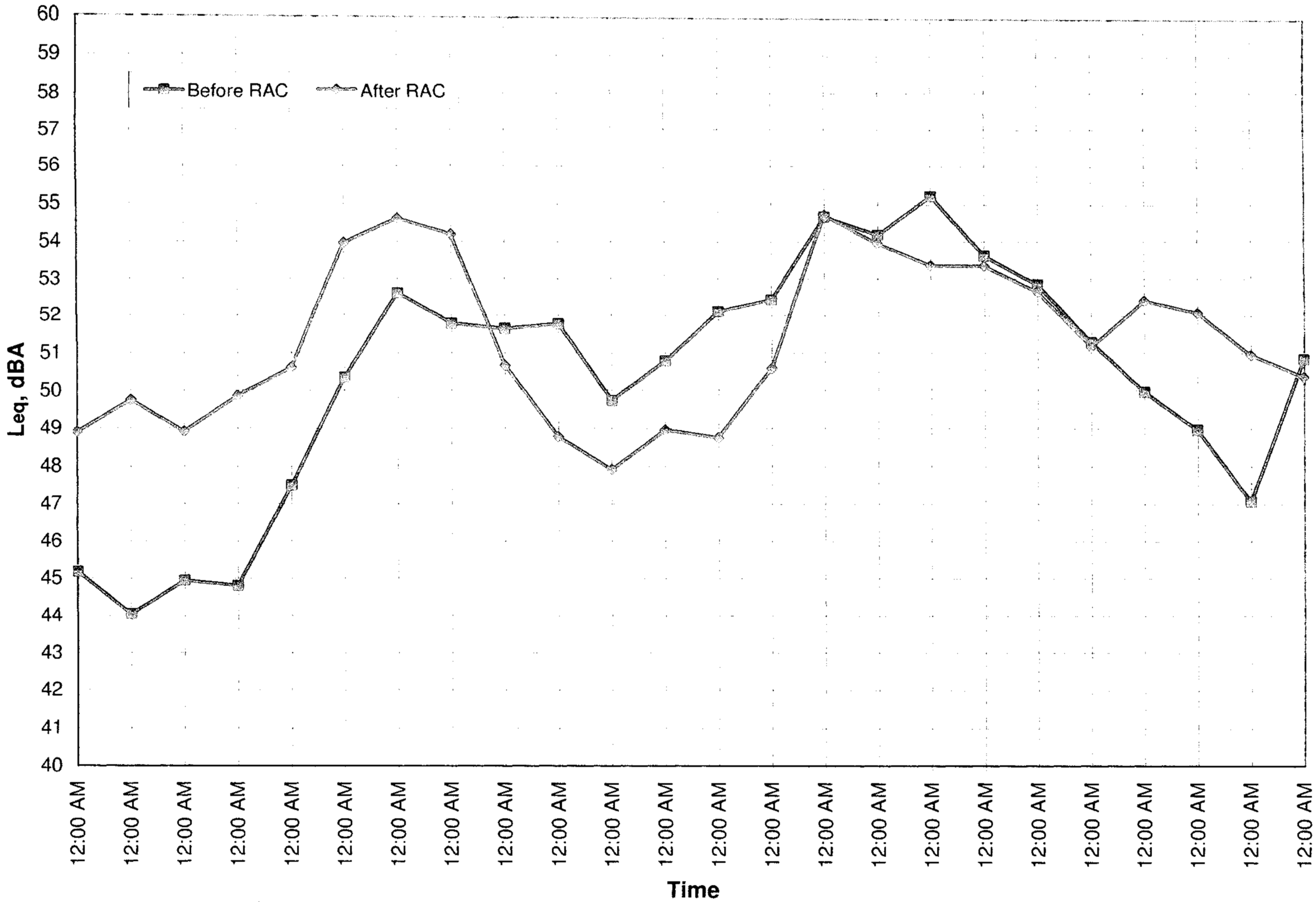

Figure 9 – Average Weekday Hourly Noise Level Comparison
LT5 – 13321 Galway Street, Garden Grove