Date:	**Monday, September 8, 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, September 8, 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.

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

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

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

BOARD AGENDA

ACTIONS

Call to Order

Invocation
Director Pringle

Pledge of Allegiance
Director Campbell

Special Matters

There are no Special Matter 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**

   Of the Orange County Transportation Authority and affiliated agencies' regular meeting of August 25, 2008.

2. **Customer Relations Report for Fourth Quarter Fiscal Year 2007-08**
   Adam Raley/Ellen S. Burton

   Overview

   The Customer Relations report is submitted to the Orange County Transportation Authority Board of Directors on a quarterly basis. The report provides an overview of customer communications received during the prior period of April through June 2008, as well as a review of the performance of Alta Resources, the contracted provider of the Customer Information Center.

   Recommendation

   Receive and file as an information item.

OCTA

BOARD AGENDA

ACTIONS

3. **Property Insurance Policy Renewal**
Al Gorski/James S. Kenan

Overview

The Orange County Transportation Authority has a property insurance policy with Traveler's Property Casualty Company of America. This policy is scheduled to expire on December 1, 2008.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order No. A09865, in an amount not to exceed $500,000 to Marsh Risk and Insurance Services, Inc., for the purchase of property insurance on behalf of the Orange County Transportation Authority for the period of December 1, 2008, to December 1, 2009.

4. **Workers' Compensation Program Review**
Al Gorski/James S. Kenan

Overview

The Orange County Transportation Authority self-insures and self-administers its Workers' Compensation Program. This report will provide a current status of the program and outline the progress made through the numerous initiatives implemented to reduce workplace injuries and program costs.

Recommendation

Receive and file as an information item.

OCTA

BOARD AGENDA

ACTIONS

5. **Agreements for Health Insurance Services and Health Brokerage Services**
Lisa Arosteguy-Brown/James S. Kenan

Overview

The Orange County Transportation Authority presently holds agreements with various companies to provide medical, dental, life, accidental death and dismemberment, and disability services for administrative employees and employees represented by the Transportation Communications Union. These agreements expire December 31, 2008.

In addition, The Orange County Transportation Authority presently holds an agreement with Mercer to assist the Human Resources Department, Benefits Section, in placing coverages for its employees' health benefits. This agreement expires November 30, 2008.

Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-5-0455 between the Orange County Transportation Authority and Kaiser Foundation Health Plan, Inc., on a cost per employee basis for prepaid medical services through December 31, 2009. The annual 2009 Kaiser Foundation Health Plan, Inc. premium costs will vary in accordance with actual enrollment.

B. Authorize the Chief Executive Officer to execute Agreement No. C-8-1054 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for prepaid medical services through December 31, 2009. The annual 2009 Aetna health maintenance organization premium costs will vary in accordance with actual enrollment.

C. Authorize the Chief Executive Officer to execute Agreement No. C-8-1055 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for open access managed choice medical services through December 31, 2009. The annual 2009 Aetna open access managed choice premium costs will vary in accordance with actual enrollment.

ACTIONS

5. **(Continued)**

D. Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement No. C-5-2862 between the Orange County Transportation Authority and MetLife Life Insurance Company dental preferred provider organization, on a cost per employee basis, for preferred provider organization dental services through December 31, 2009. The annual 2009 MetLife Insurance Company dental preferred provider organization premium costs will vary in accordance with actual enrollment.

E. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-5-0458 between the Orange County Transportation Authority and SmileSaver dental health maintenance organization, on a cost per employee basis, for prepaid dental services through December 31, 2010. The annual 2009 and 2010 SmileSaver dental health maintenance organization premium costs will vary in accordance with actual enrollment.

F. Authorize the Chief Executive Officer to execute Purchase Order No. C-6-0658 between the Orange County Transportation Authority and Lincoln Financial Group, on a cost per employee basis, for life and accidental death and dismemberment insurance through December 31, 2010. The annual 2009 and 2010 Lincoln Financial Group premium costs will vary in accordance with actual employee participation in the plan.

G. Authorize the Chief Executive Officer to execute Purchase Order No. C-6-0659 between the Orange County Transportation Authority and Lincoln Financial Group, on a cost per employee basis, for short-term and long-term disability insurance through December 31, 2010. The annual 2009 and 2010 Lincoln Financial Group premium costs will vary in accordance with actual employee participation in the plan.

H. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-4-1271 to exercise first option term between the Orange County Transportation Authority and Mercer through November 30, 2009, in an amount not to exceed $80,000, to continue to provide health brokerage services.

OCTA

BOARD AGENDA

ACTIONS

Orange County Service Authority for Freeway Emergencies Consent Calendar Matters

6. **Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements**
   Kathleen M. O'Connell

   Overview

   The Internal Audit Department completed a review of Agreement No. C-4-0793 between the Orange County Transportation Authority and Darrel Cohoon & Associates, as well as other related contracts, and has made recommendations to strengthen internal controls over payment requests and procurement policy.

   Recommendation

   Direct staff to implement recommendations in the Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008, with Revised Management Responses August 1, 2008.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

7. **Metrolink Ridership and On-Time Performance Report**
   Megan Taylor/Kia Mortazavi

   Overview

   A report on annual Metrolink ridership and on-time performance for service in Orange County, covering fiscal year 2007-08, is presented. Total annual ridership for Orange County has increased significantly and exceeded four million passengers for the fiscal year.

   Recommendation

   Receive and file as an information item.

ACTIONS

Discussion Items

8. 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.

9. Chief Executive Officer's Report

10. Directors' Reports

11. Closed Session

A. Pursuant to Government Code Section 54956.8 to meet with OCTA negotiator James Staudinger to discuss the purchase of real property interest identified as follows:

Assessor Parcel Number (APN)	Street Address	City
390-291-08	582 S. Devon Rd.	Orange

The negotiator for the property interest is the owner of the property.

Assessor Parcel Number (APN)	Street Address	City
339-442-01	450 S. Placentia Ave.	Placentia

The negotiator for the property interest is the owner of the property and Robert Kauppi, real estate broker.

B. Pursuant to Government Code Section 54957.6 to meet with designated representative Marva Phillips to discuss negotiations with Teamsters Local 952, representing maintenance employees.

12. Adjournment

The next regularly scheduled meeting of this Board will be held at **9:00 a,m, on Monday, September 22, 2008**, at the OCTA Headquarters.

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
August 25, 2008

Call to Order

The August 25, 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 Chairman
Jerry Amante
Patricia Bates
Arthur C. Brown
Bill Campbell
Carolyn Cavecche
Richard Dixon
Cathy Green
Allan Mansoor
John Moorlach
Curt Pringle
Miguel Pulido
Gregory T. Winterbottom
Jim Beil, attended for 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:
Paul Glaab
Janet Nguyen
Mark Rosen

Invocation

Director Amante gave the invocation.

Pledge of Allegiance

Director Mansoor 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. Recognition of OCTA's 2008 Annual Roadeo Winners

The Chairman recognized the winners of the 2008 Orange County Transportation Authority Annual Roadeo Competition: the Maintenance Competition winners were Ernie Booe, Ray Consiglio, and Paul Bagga; the Coach Operator Competition winner was Alonzo Valenzuela from the Anaheim Base.

2. Presentation of Resolutions of Appreciation for Employees of the Month for August 2008

The Chairman presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2008-52, 2008-53, 2008-54 to Arturo Corona, Coach Operator; Randy Binz, Maintenance; and Sara Grishkewich, Administration, as Employees of the Month for August 2008.

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 Green, seconded by Director Brown, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of August 11, 2008.

Director Pringle was not present to vote on this item; Director Amante abstained from voting on this item.

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

A motion was made by Director Green, seconded by Director Brown, and declared passed by those present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2008-52, 2008-53, and 2008-54 to Arturo Corona, Coach Operator; Randy Binz, Maintenance; and Sara Grishkewich, Administration, as Employees of the Month for August 2008.

Director Pringle was not present to vote on this item.

5. **Fiscal Year 2007-08 Internal Audit Plan, Fourth Quarter Update**

A motion was made by Director Green, seconded by Director Brown, and declared passed by those present, to receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2007-08 Internal Audit Plan.

Director Pringle was not present to vote on this item.

6. **Draft Fiscal Year 2008-09 Internal Audit Plan**

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

A. Approve the Draft Fiscal Year 2008-09 Internal Audit Plan.

B. Direct the Internal Audit Manager to provide quarterly updates on the Internal Audit Plan.

Director Pringle was not present to vote on this item.

7. **2007 Transit Security Grant Award Authorization**

A motion was made by Director Green, seconded by Director Brown, and declared passed by those present, to adopt Orange County Transportation Authority resolutions No. 2008-55 and No. 2008-56 authorizing the Chief Executive Officer to accept grant funds and file grant-related agreements with the Governor's Office of Homeland Security and the United States Department of Homeland Security to support on-board video surveillance on new buses and an exercise and training program.

Director Pringle was not present to vote on this item.

8. **Section 5310 Grant Program Recommendations for Fiscal Year 2008**

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

A. Approve the scores recommended by the Regional Evaluation Committee and authorize staff to include the recommended projects in the Regional Transportation Improvement Program.

B. Adopt Resolution No. 2008-57 authorizing the Chief Executive Officer to transmit the Section 5310 Regional Priority List and required Certification and Assurances to the California Department of Transportation for funding consideration.

Director Pringle was not present to vote on this item.

9. **Federal Legislative Status Report**

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

Director Pringle was not present to vote on this item.

10. **Agreement for On-Call Right-of-Way Services for the West County Connectors Project**

A motion was made by Director Green, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-0822 between the Orange County Transportation Authority and Overland, Pacific & Cutler, Inc., in an amount not to exceed $949,000, for an initial period of two years with two one-year options for on-call right-of-way services.

Director Pringle was not present to vote on this item.

11. **Amendment to Agreements for Final Design of the San Diego Freeway (Interstate 405) West County Connectors**

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

A. Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement No. C-6-0636 between the Orange County Transportation Authority and Parsons Transportation Group, Inc., to decrease the contract value, in the amount of $1 million, to provide engineering services for the easterly segment of the West County Connectors Project, for a revised contract value not to exceed $12 million.

11. (Continued)

B. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-7-0220 between the Orange County Transportation Authority and TRC Solutions, Inc., to increase the contract value, in the amount of $1 million, to provide engineering services for the westerly segment of the West County Connectors Project, for a revised contract value not to exceed $14 million.

12. Cooperative Agreements with the Cities of Anaheim, Dana Point, Fullerton, Irvine, Orange, San Clemente, San Juan Capistrano, Santa Ana, and Tustin for the Rail-Highway Grade Crossing Safety Enhancement Program and Safety Measures Related to Quiet Zone Implementation

Director Cavecche pulled this item and expressed concern regarding the cities' indemnification process which is reportedly due in October.

Darrell Johnson, Director of Transit Project Delivery, stated that the October date is the scheduled bid opening date for the construction contracts by the Metrolink Board of Directors. OCTA is striving to get the cooperative agreements in place by that time so the construction contracts can be awarded.

Director Cavecche inquired as to why the indemnification is required. Kennard R. Smart, Jr., General Counsel, informed Board Members that the structure of the process anticipates a separate agreement between each city and Metrolink, who is performing the construction. Mr. Smart indicated he would anticipate there would be indemnification provisions and issues in that agreement (between each city and Metrolink). He further stated that he would anticipate that there should be time to return to the Board with agreed-upon provisions between the cities and OCTA.

Director Cavecche expressed concern for indemnification for the quiet zones, and indicated the City Attorney for the City of Orange had questions regarding the legality of a city doing that. Director Cavecche again questioned why that has to be part of this cooperative agreement for construction and approval of design to begin.

Mr. Smart indicated that could be deferred to the point in time where the city indicates they do want a quiet zone.

Chief Executive Officer (CEO), Arthur T. Leahy, stated that the construction will proceed with or without a quiet zone.

A motion was made by Director Cavecche, and seconded by Director Bates, to approve staff recommendations as presented at this time, but amend the language to extend the indemnification deadline. A roll call vote followed, and the motion failed by a vote of 11-2.

12. (Continued)

Brad Fowler, Public Works Director and Director of Engineering Services for the City of Dana Point, offered public comment, stating that these processes are going through cities' attorneys and risk managers and there have been many questions arise. He stated that the cities need time to be comfortable with the terms in the cooperative agreements.

A lengthy discussion ensued, followed by a motion by Director Brown, seconded by Director Green, and declared passed by those present, to:

A. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0854 between the Orange County Transportation Authority and the City of Anaheim, in an amount equal to 12 percent of program costs, estimated at $559,982, for the City of Anaheim's share for early advancement of four rail-highway grade crossing safety enhancements and related improvements being advanced within its jurisdiction.

B. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0855 between the Orange County Transportation Authority and the City of Anaheim, in an amount equal to 12 percent of program costs, estimated at $1,114,612, for the City of Anaheim's share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

C. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0856 between the Orange County Transportation Authority and the City of Dana Point, in an amount equal to 12 percent of program costs, estimated at $203,819, for the City of Dana Point's share for railroad grade crossing safety enhancements and related improvements within its jurisdiction.

D. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0857 between the Orange County Transportation Authority and the City of Fullerton, in an amount equal to 12 percent of program costs, estimated at $97,751, for the City of Fullerton share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

E. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0858 between the Orange County Transportation Authority and the City of Irvine, in an amount equal to 12 percent of program costs, estimated at $417,806, for the City of Irvine's share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

F. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0859 between the Orange County Transportation Authority and the City of Orange, in an amount equal to 12 percent of program costs, estimated at $2,615,338, for the City of Orange's share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

12. **(Continued)**

G. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0860 between the Orange County Transportation Authority and the City of San Clemente, in an amount equal to 12 percent of program costs, estimated at $237,962, for the City of San Clemente's share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

H. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0861 between the Orange County Transportation Authority and the City of San Juan Capistrano, in an amount equal to 12 percent of program costs, estimated at $864,372, for the City of San Juan Capistrano's share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

I. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0862 between the Orange County Transportation Authority and the City of Santa Ana, in an amount equal to 12 percent of program costs, estimated at $1,670,420, for the City of Santa Ana's share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

J. Authorize the Chief Executive Officer to execute Cooperative Agreement No. C-8-0863 between the Orange County Transportation Authority and the City of Tustin, in an amount equal to 12 percent of program costs, estimated at $307,158, for the City of Tustin's share for rail-highway grade crossing safety enhancements and related improvements within its jurisdiction.

Director Moorlach was not present to vote on this item.

Director Cavecche requested that staff continue to work with the cities' public works directors on this issue.

13. **Status Report on Renewed Measure M Environmental Programs**

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

Director Pringle was not present to vote on this item.

14. Agreement for Radio Systems Support Specialist Services

A motion was made by Director Green, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-0801 between the Orange County Transportation Authority and TEK Systems, in an amount not to exceed $738,400 for a five-year term, for services to provide computer and software support for the Orange County Transportation Authority's two radio systems.

Director Pringle was not present to vote on this item.

15. Administrative Employees Benefits Study

A motion was made by Director Green, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-8-0516 between the Orange County Transportation Authority and The Segal Company, in the amount of $90,000, for a comprehensive benefits study for administrative employees.

Director Pringle was not present to vote on this item.

Orange County Local Transportation Authority Consent Calendar Matters

16. Measure M Quarterly Progress Report

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

Director Pringle was not present to vote on this item.

Orange County Transit District Consent Calendar Matters

17. Amendment to Agreement for Maintenance of the Integrated Transportation Communication System Radio Service

A motion was made by Director Green, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement No. C-6-0567 between the Orange County Transportation Authority and M/A-COM, Inc., in an amount not to exceed $100,000, for radio repair and maintenance service, for a total contract value of $200,000.

Director Pringle was not present to vote on this item.

18. **Award of Agreement to Provide Consultant Services to Conduct a Fare Integration Study**

Chairman Norby pulled this item and inquired if the people working on this item were in communication with those who get the contract on Item 20 as cooperative efforts would be very important.

CEO, Mr. Leahy, responded that the Fare Integration Study seeks to anticipate the implementation of Go Local programs and seeks to evaluate how to proceed with the new OCTA farebox when the current fareboxes are retired; it will also be important to understand how those systems link with the Metrolink system. He stated that staff will insure that the integration continues.

A motion was made by Chairman Norby, seconded by Director Winterbottom, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-0877 between the Orange County Transportation Authority and TranSystems, in the amount of $239,656, to conduct a fare integration study.

Directors Dixon, Moorlach, and Pulido were not present to vote on this item.

19. **Agreement for Graphic Design and Production Services for Bus Public Information**

Director Moorlach pulled this item for discussion; however, he had to leave the meeting before it was addressed. Director Green stated on Director Moorlach's behalf that he was concerned about using the same vendor when their work needs to be improved, and asking if further improvement will be made.

Ellen Burton, Executive Director of External Affairs, responded that staff went out with this proposal twice and asked for a Best and Final Offer; this vendor has done very good work for OCTA and is the lowest responsible bidder. Ms. Burton added that the quality of work performed by this vendor has been fine and there have been no complaints with the production on this job.

A motion was made by Director Green, seconded by Vice Chairman Buffa, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-0760 between the Orange County Transportation Authority and Digital Graphics Centre, Inc., in an amount not to exceed $420,000, for an initial term of two years with one two-year term option, for graphic design and production services for bus service information.

Directors Dixon and Moorlach were not present to vote on this item.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

20. Metrolink Short-Distance Fares

CEO, Mr. Leahy, provided opening comments stating that staff is requesting direction to negotiate with Metrolink regarding a demonstration program for short-distance fares.

Darrell Johnson, Director of Transit Project Delivery, presented an overview of the program, adding that much of the capital construction is underway and this focuses attention on the fare policy aspect of the program.

A motion was made by Director Campbell, seconded by Director Cavecche, and declared passed by those present, directing staff to work with the Southern California Regional Rail Authority to develop a demonstration program of short-distance one-way and round-trip fares within Orange County.

Director Moorlach was not present to vote on this item.

21. Los Angeles - San Diego Rail Corridor Service Integration Focus Group Findings

Ellen Burton, Executive Director of External Affairs, offered a presentation on the Los Angeles – San Diego (LOSSAN) Rail Corridor service integration focus groups' findings. She also informed the Board that this presentation was previously given to the Citizens' Advisory Committee.

Director Dixon requested a letter be written from the OCTA Board Chairman to the Metrolink Board Chairman offering a presentation by OCTA staff regarding the LOSSAN focus groups' findings, with copies to the Metropolitan Transportation Authority, Amtrak, San Diego Association of Governments, and LOSSAN.

No action was taken on this receive and file item.

Discussion Items

22. Public Comments

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.

22. (Continued)

Comments were heard by Ronald Vaught, resident of Anaheim, who stated that he often rides OCTA's buses and generally has no issues with OCTA policies; however, he has been challenged by some coach operators when he holds up signs expressing political messages.

CEO, Mr. Leahy, stated that passengers may wear a button or a shirt; the rules do not politicizing a bus trip or preaching. Politics and religion are avoided on the bus.

Director Pringle requested a memo explaining OCTA's policies regarding materials brought on-board by passengers, i.e., signage, etc. Staff agreed to provide this information to the Board.

23. Chief Executive Officer's Report

CEO, Arthur T. Leahy, reported:

- The Technical Assistance Committee will meet Wednesday this week at 1:30 p.m.;
- The Orange County Council of Governments will meet on Thursday this week at 10:30 at OCTA;
- The Monterey/Salinas District will be here on Friday this week to tour OCTA bus bases;
- The American Public Transportation Association's Annual meeting and Expo will be held in San Diego October 5-8;
- Railvolution will hold their annual conference in San Diego October 26-30.

24. Directors' Reports

Director Brown reported that last Friday, an OCTA bus broke down on northbound railroad tracks of the LOSSAN Corridor at Red Hill Avenue. The Authority is most appreciative to the driver of an Arrowhead water truck, who pushed the bus off the tracks and prevented the bus from being hit by an oncoming train.

Director Brown also informed Members that there is a new agreement with Amtrak; agents at Amtrak stations will assist at our vending machines because those machines will now vend both Metrolink and Amtrak tickets.

Director Brown reported that on Friday, the CEO of Metrolink signed a contract with New Jersey Transit to buy 15 of their "comet cars" which will replace the Seattle Sounder equipment, which was returned to New Jersey Transit. These cars will be only accessible by going through a Metrolink car to get on-board.

24. (Continued)

Chairman Norby inquired about the schedules for trains going to Angel games, and Director Pringle responded that special effort has been given this year to create "fan trains" which specifically brought guests from Fullerton to Anaheim and back again. He stated that he is not specifically aware if other event coordination is in place.

Director Dixon stated that there is an existing schedule for the trains that shows when the Angels' games start, though they are not specific "game trains."

Director Brown informed Members that there will be specific Metrolink trains for the Pomona Fair this year and for Lakers' games; however, the trains do not originate in Orange County.

Director Pringle asked requested information on the Lakers' promotional program which encourages ridership for Metrolink.

Director Pringle stated the U.S. Mens' Olympic volleyball team gold medal winners (housed and located in Anaheim) will arrive back in Orange County today.

25. Closed Session

A Closed Session was not conducted at this meeting.

26. Adjournment

The meeting adjourned at 10:40 a.m. The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, September 8, 2008,** at the OCTA Headquarters.

ATTEST

Wendy Knowles
Clerk of the Board

Chris Norby
OCTA Chairman

OCTA

BOARD COMMITTEE TRANSMITTAL

September 8, 2008

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject:	Customer Relations Report for Fourth Quarter Fiscal Year 2007-08

Transit Committee meeting of August 28, 2008

Present:	Directors Brown, Buffa, Dixon, Green, Nguyen, Pulido, and Winterbottom
Absent:	None

Committee Vote

This item was passed by all Committee Members present.

Director Pulido was not present to vote on this item.

Committee Recommendation

Receive and file as an information item.

OCTA

August 28, 2008

To: Transit Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Customer Relations Report for Fourth Quarter Fiscal Year 2007-08

Overview

The Customer Relations report is submitted to the Orange County Transportation Authority Board of Directors on a quarterly basis. The report provides an overview of customer communications received during the prior period of April through June 2008, as well as a review of the performance of Alta Resources, the contracted provider of the Customer Information Center.

Recommendation

Receive and file as an information item.

Background

The Customer Relations Department is responsible for identifying and resolving service issues through the use of proactive and responsive methods. Customer Relations disseminates information about the Orange County Transportation Authority (OCTA) services and policies and serves as a channel through which customers' opinions about those services and policies are transmitted to OCTA.

Discussion

Responsibilities within the Customer Relations Department are varied. As its primary function, Customer Relations takes written, verbal, and e-mailed comments and complaints and facilitates OCTA responses. Staff interacts closely with numerous departments to obtain resolution to customers' concerns. Customer Relations participates in monthly meetings with members of OCTA's Transit Division, as well as with the contractor responsible for providing ACCESS service and contracted fixed route service, to ensure customer concerns are heard and problems are resolved. Staff also interacts closely with the bus Service Planning and Customer Advocacy staff to ensure there is a forum to listen to the needs of riders.

The department also oversees the Customer Information Center (CIC) which provides trip routing information to bus riders; the issuance of Reduced Fare Identification (RFID) cards to seniors and persons with disabilities; and the sale of bus passes and ACCESS coupons to the public via mail, phone, and online. Customer Relations is also responsible for coordinating responses to customer service calls about the 91 Express Lanes Toll Road (91 Express Lanes); administration of the OCTA Store; production of Riders' Alerts to notify customers of changes to bus routes and schedules; and oversight of the Special Needs in Transit Advisory Committee. Below are highlights of Customer Relations activities during the period of April 1 through June 30, 2008.

Customer Communications

Customer Relations receives and processes communications from customers on a variety of topics including local bus service, intracounty and intercounty express routes, rail feeder routes, and ACCESS service. During the first quarter of the fiscal year, the volume of communications was elevated due to the coach operator work stoppage. In this quarter, the volume was elevated due to the increasing number of new riders as a result of increased fuel prices. Listed below is a breakdown of the communications that Customer Relations received during the quarter.

Total Communications

Fiscal Year 2007-08	Phone Calls	E-mails	Letters	Totals
1st Quarter (July – September)	13,790	1,012	95	*14,897
2nd Quarter (October – December)	9,896	580	64	10,540
3rd Quarter (January – March)	10,463	700	63	11,226
4th Quarter (April – June)	11,510	892	79	**12,481

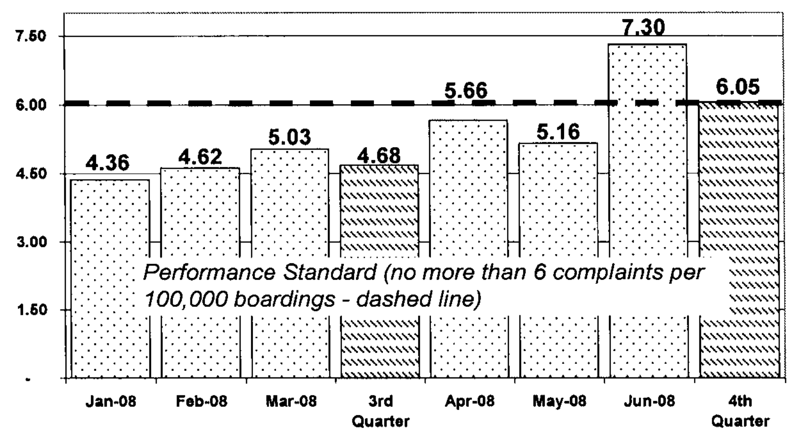
*Call volume was higher in this period due to the coach operator work stoppage in July 2007.
**During the 4th quarter, call volume increased due to new ridership.

Fixed Route Bus Operations

During this quarter, there were 17,730,758 fixed route boardings. Based on the customer communications received, there were a total of 1,072 complaints received, equaling 6.05 complaints per 100,000 boardings, which is just above the Transit Division's goal of no more than six complaints per 100,000 boardings. The increase in complaints is partially attributable to a number of new riders due to the rising cost of fuel, as well as a service change in June.

The concern most often expressed by customers of OCTA's fixed route service during the fourth quarter was being passed by while waiting for a bus, with an average of 81 monthly pass-by complaints received during the quarter. There were 295 compliments for the quarter compared to 212 for the previous quarter, representing a 39 percent increase in coach operator compliments.

Directly Operated Fixed Route Complaints per 100,000 Boardings



Feedback for Fixed Route Bus Service

1. Pass-bys

   A total of 243 complaints were received from passengers who reported being passed by OCTA buses compared to 195 complaints received last quarter. This is a 25 percent increase in the number of complaints about pass-bys.

2. Driver Judgment (any questionable decision, action, or omission on the part of a coach operator)

   There were 184 complaints received about the judgment displayed by OCTA coach operators versus 144 complaints received last quarter representing a 28 percent increase.

3. Buses Running Behind Schedule

   There were 130 complaints from riders about buses not arriving on time compared to the 109 complaints reported in the previous quarter. This is a 19 percent increase in the number of complaints about buses running behind schedule.

Attachment C describes the increased complaints received during the month of June. This increase in complaints during the latter part of the quarter is partially attributable to the June service change. It is common for complaints received as a result of the service change to diminish as coach operators become more familiar with their new work assignments.

There was also a large number of new riders as a result of rising fuel prices, which contributed to the increased number of complaints received during the quarter. In response to this increased ridership, each of the base managers met with their respective coach operators to discuss ways of educating and assisting new riders as well as helping them become transit savvy. Subsequent to these discussions, the "new rider" portion of the website was updated to reflect the input received.

<u>ACCESS Service</u>

Veolia Transportation, Inc. (Veolia) operates ACCESS service. During this quarter, there were 355,239 ACCESS boardings compared to 330,721 in the previous quarter, representing a 7.4 percent increase in ridership. The customer comments also increased but this is partially attributable to the increased ridership.

The complaint standard for ACCESS service is no more than one complaint for every 1,000 boardings. There were 893 complaints received about ACCESS representing 2.51 complaints per 1,000 boardings in the fourth quarter of fiscal year 2008. During the third quarter, there were 2.08 complaints per 1,000 boardings.

Continuing Key Issues for ACCESS

1. Vehicles Not Arriving

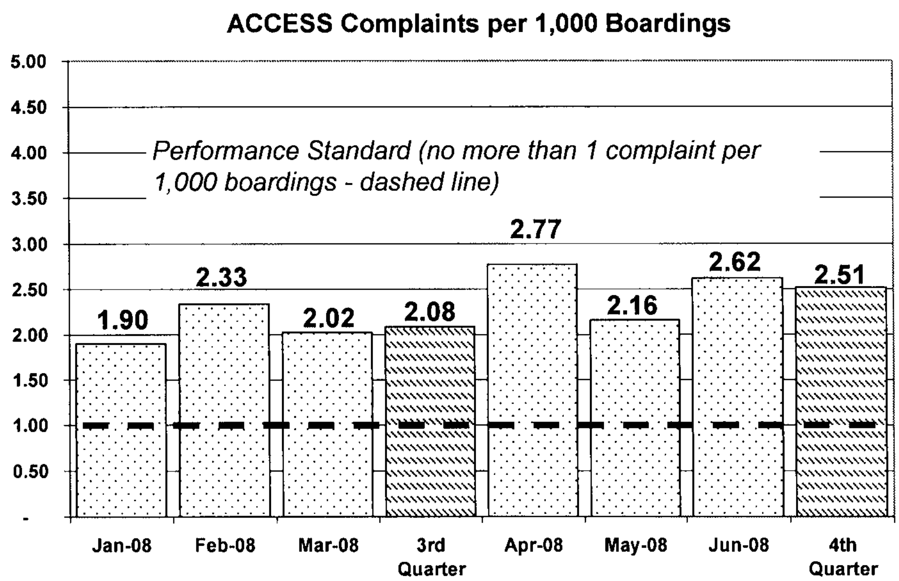
   From April 1, 2008 to June 30, 2008, there were 184 complaints about ACCESS vehicles not arriving to pick up passengers versus 130 in the previous quarter. This is a 42 percent increase in complaints about ACCESS vehicles not arriving.

2. Vehicles Running Behind Schedule

   Customer Relations received 147 complaints from riders about ACCESS drivers running behind schedule compared to the 115 complaints reported in the previous quarter. This is a 28 percent increase in complaints about ACCESS vehicles running late.

3. Driver Judgment (any questionable decision, action, or omission on the part of the ACCESS driver)

   A total of 126 complaints were received from riders about the judgment displayed by contracted ACCESS drivers compared to 104 received last quarter. This represents a 21 percent increase.

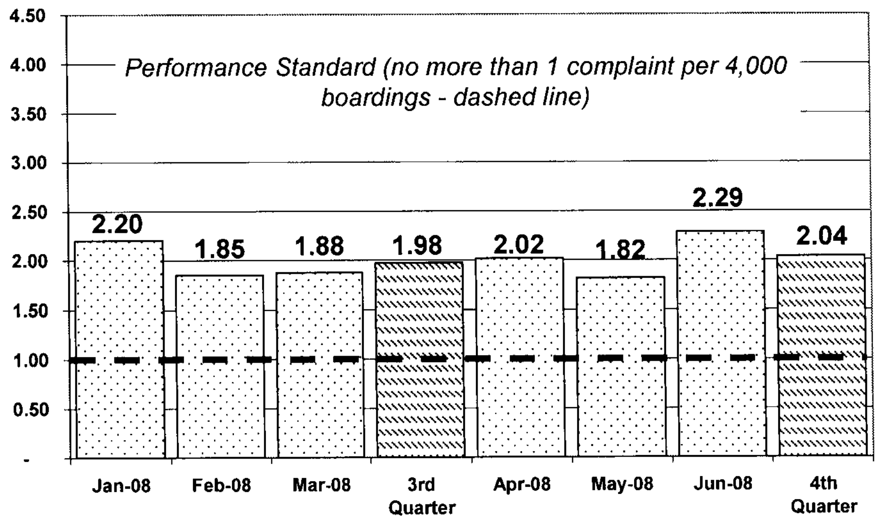


<u>Contracted Fixed Route Service</u>

In addition to ACCESS service, Veolia operates contracted fixed route service, which includes OCTA's community fixed routes, all StationLink routes, and the OC Express routes 757, 758, and 794. During this quarter, there were 314,199 boardings compared to 303,768 boardings in the previous quarter, a 3.4 percent increase.

The contractual complaint standard for contracted fixed route is no more than one complaint per 4,000 boardings. Veolia finished the quarter at 2.04 complaints per 4,000 boardings. There were 1.98 complaints per 4,000 boardings in the previous quarter.

Contracted Fixed Route Complaints per 4,000 Boardings



Continuing key issues for contracted fixed route:

1. Driver Judgment (any questionable decision, action, or omission on the part of the contracted service driver)

   Examples of judgment complaints include, but are not limited to, loading/unloading customers under unsafe conditions, conducting personal business while in service, failure to call medical or security assistance when warranted by circumstances, etc. A total of 22 complaints were received from riders about the judgment displayed by contracted drivers, compared to 11 received last quarter, representing a 100 percent increase.

2. Vehicles Running Behind Schedule

   There were 18 complaints about contracted drivers running late versus 28 complaints in the previous quarter. This is a 36 percent decrease in complaints about late buses.

3. Vehicles Not Arriving

Customer Relations received 14 complaints from riders about contracted vehicles not arriving to pick them up compared to the 28 complaints reported in the previous quarter, a 50 percent decrease.

Customer Information Center

The CIC is operated by Alta Resources. Alta Resources handled 204,719 calls for the quarter compared to 183,400 in the third quarter. The average monthly call volume for this quarter was 68,240 versus 61,133 in the previous quarter.

Customer Relations continues to work with Alta Resources to develop methods to handle the increased call volumes as well as identify ways to reduce the demand. Some of the strategies under review and consideration are the utilization of Integrated Voice Response (IVR) technology along with text messaging as well as a reduction in the hours of operation of the CIC. These efforts were presented in a detailed report to the Board in June 2008.

During the fourth quarter of the fiscal year, a total of 10 complaints and 34 compliments were received about Alta Resources compared to 14 complaints and 27 compliments during the third quarter.

Fiscal Year 2007-08

	Phone Calls	Compliments	Complaints
July *	85,673	4	3
August	62,601	8	5
September	58,417	5	6
October	59,331	10	4
November	56,587	10	3
December	58,129	4	0
January	60,086	9	2
February	58,836	7	4
March	64,478	11	8
April	64,087	15	2
May	66,572	7	4
June *	74,060	12	4

* The increased call volume in July occurred as a result of the coach operator work stoppage. The increased call volume in June was partially attributable to the increase in demand for public transportation information as a result of increased fuel prices.

Customer Relations Activities

- Coach Operator Training

  Customer Relations conducted two student coach operator training (SCOT) sessions and three customer relations training (CRT) sessions. The purpose of these classes is to improve and enhance the customer service that is provided to passengers by coach operators. In addition, 23 annual required training (ART) classes were conducted during the quarter.

- Service Excellence Awards

  The Service Excellence Awards are presented by Customer Relations to coach operators who provide excellent customer service in the performance of their duties. These awards demonstrate OCTA's appreciation for the hard work and the "Can Do Spirit" shown by coach operators. Customer Relations presented three coach operators with this award during the quarter.

- Night Owl Meetings

  Customer Relations staff regularly participates in these meetings with staff from Fixed Route Operations, Service Planning and Customer Advocacy, Transit Police Services, and coach operators to discuss issues faced by coach operators on routes providing late night service. During this quarter, the group continued to discuss the issue of homeless persons riding buses all night to stay off the streets. The group reviewed policies and procedures for handling issues of health and safety for coach operators and passengers. Transit Police Services agreed to play an active role in assisting coach operators and working with social service agencies to help homeless riders, especially those with problems involving mental health, alcoholism, illness, and drug addiction.

- ACCESS No-Show Appeals Hearings

  An ACCESS No-Show occurs when a customer misses a scheduled trip, cancels a ride with a driver upon arrival of the vehicle, or is not at the scheduled pick-up location at the scheduled time. A customer may accrue no more than two No-Shows during any single month with no penalty. ACCESS privileges may be suspended if an additional No-Show is received during the month. If an additional No-Show occurs, a notification is sent advising the customer of OCTA's intent to suspend the customer from ACCESS for a period of 30 days. Customers may appeal any No-Shows they believe to be incorrect or beyond their control.

Customer Relations participated in two No-Show appeals hearings during the quarter. The panel determines whether ACCESS customers have proven that accrued No-Shows were incorrect or beyond their control before a 30-day suspension of service is imposed.

- Riders' Alerts

Customer Relations issued 87 Riders' Alerts this quarter compared to 66 during the third quarter. Riders' Alerts inform bus riders about schedule adjustments and/or detours throughout the County as well as provide information about special promotions and events such as the Orange County Fair.

- 91 Express Lanes

The OCTA Store established 58 new accounts for the 91 Express Lanes compared to 105 in the previous quarter.

- OCTA Store Sales and Pass Sales

The OCTA Store had total sales of $354,144 during the quarter compared to $281,129 in the previous quarter. These sales figures include the sale of passes, merchandise, and Employee Recreation Association (ERA) tickets.

In addition to the OCTA Store sales, there was a total of $580,570 in passes sold within the Pass Sales Section compared to $521,720 in the previous quarter. The sales within this section are processed by Alta Resources, the contracted provider of the CIC.

The combined sales between the OCTA Store and the Pass Sales Section totaled $934,714 for the fourth quarter. The fiscal year sales for the OCTA Store were $1,140,178 and $1,914,519 for the Pass Sales Section, for a fiscal year combined total sales of $3,054,697.

- Special Needs in Transit Advisory Committee

During this quarter, the Special Needs in Transit Advisory Committee, facilitated by Customer Relations, presented the ACCESS Driver

Exceptional Service Awards to three ACCESS drivers for providing outstanding service to ACCESS passengers.

Committee members were also provided with an update on three project development workshops conducted as part of the outreach efforts to identify unmet transportation needs for seniors, persons with disabilities, and persons of low income.

Summary

Throughout the quarter, Customer Relations continued to address customer service issues. Customer comments for OCTA-operated fixed route bus service, as well as ACCESS and contracted fixed route service, operated by Veolia, did not meet established performance standards during the fourth quarter. However, Veolia staff continues to implement a strategic plan for corrective action and are working toward reducing customer comments. Alta Resources, the contractor responsible for the CIC, continued to operate within the performance standards established in their contract.

Attachments

A. ACCESS Complaints Fiscal Years 2006-2008
B. Contracted Fixed Route Complaints Fiscal Years 2006-2008
C. OCTA Operated Fixed Route Complaints Fiscal Years 2006-2008

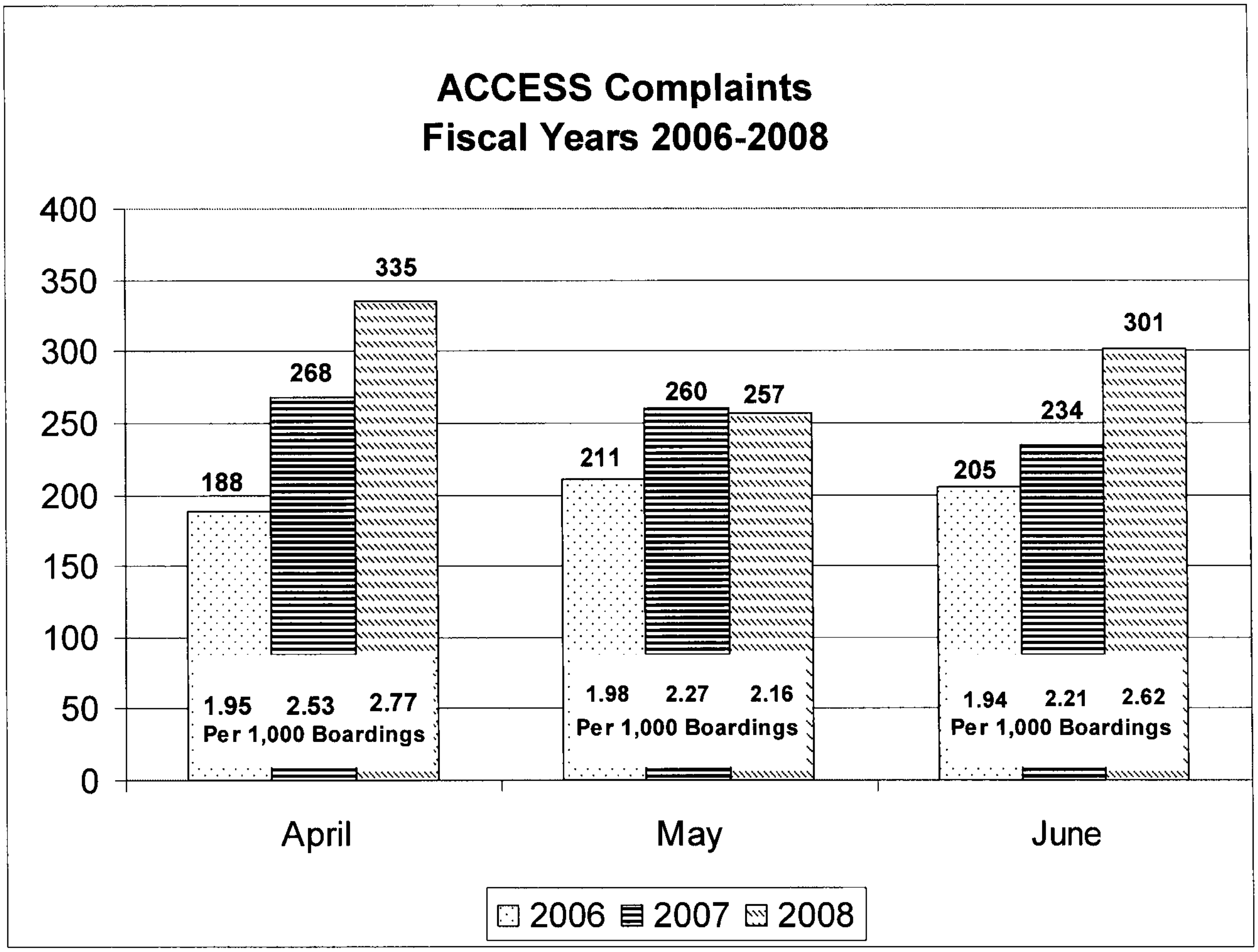
Prepared by

Adam D. Raley
Senior Customer Relations Specialist
(714) 560-5510

Approved by:

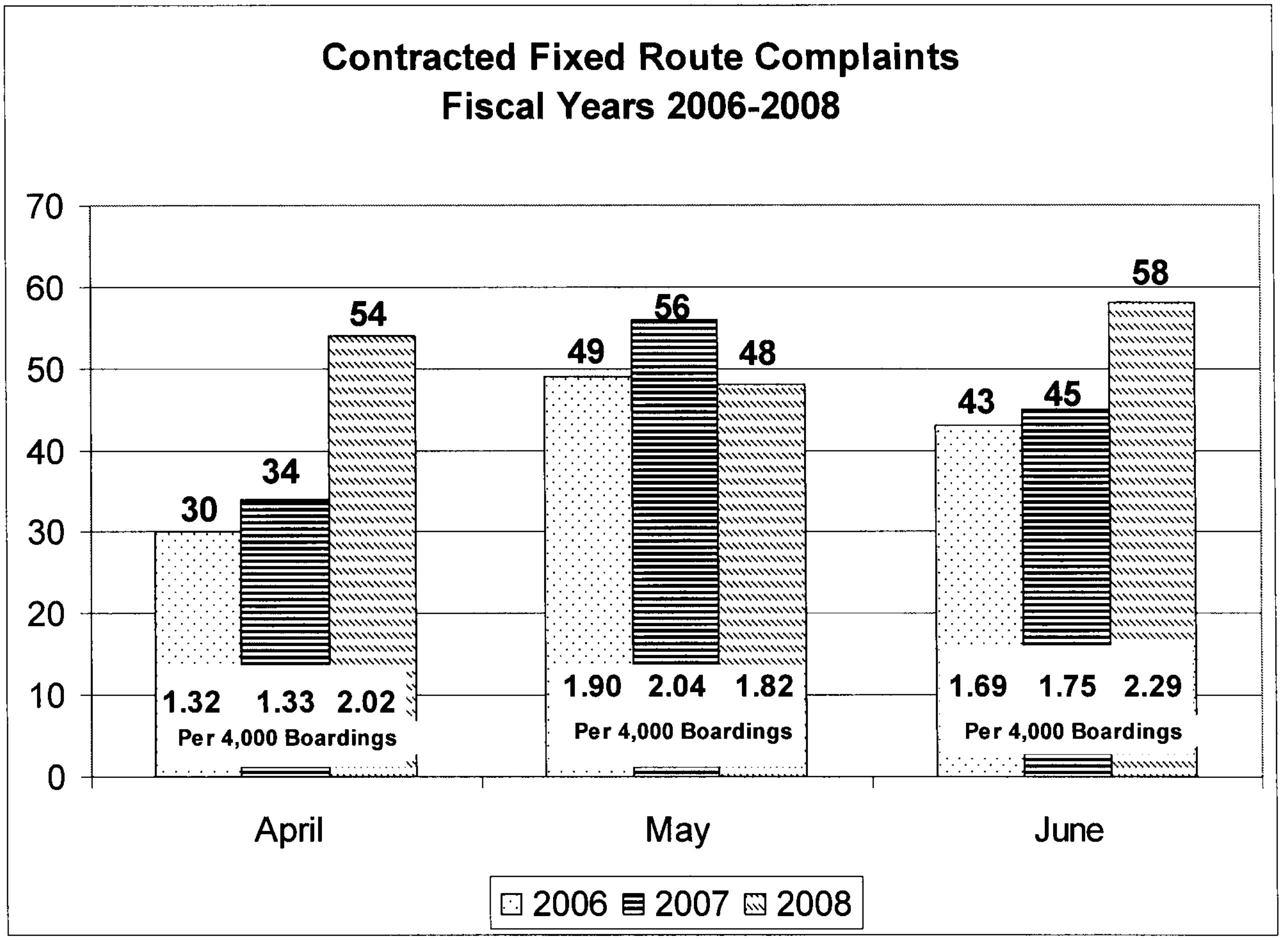
Ellen S. Burton
Executive Director, External Affairs
(714) 560-5923

ATTACHMENT A



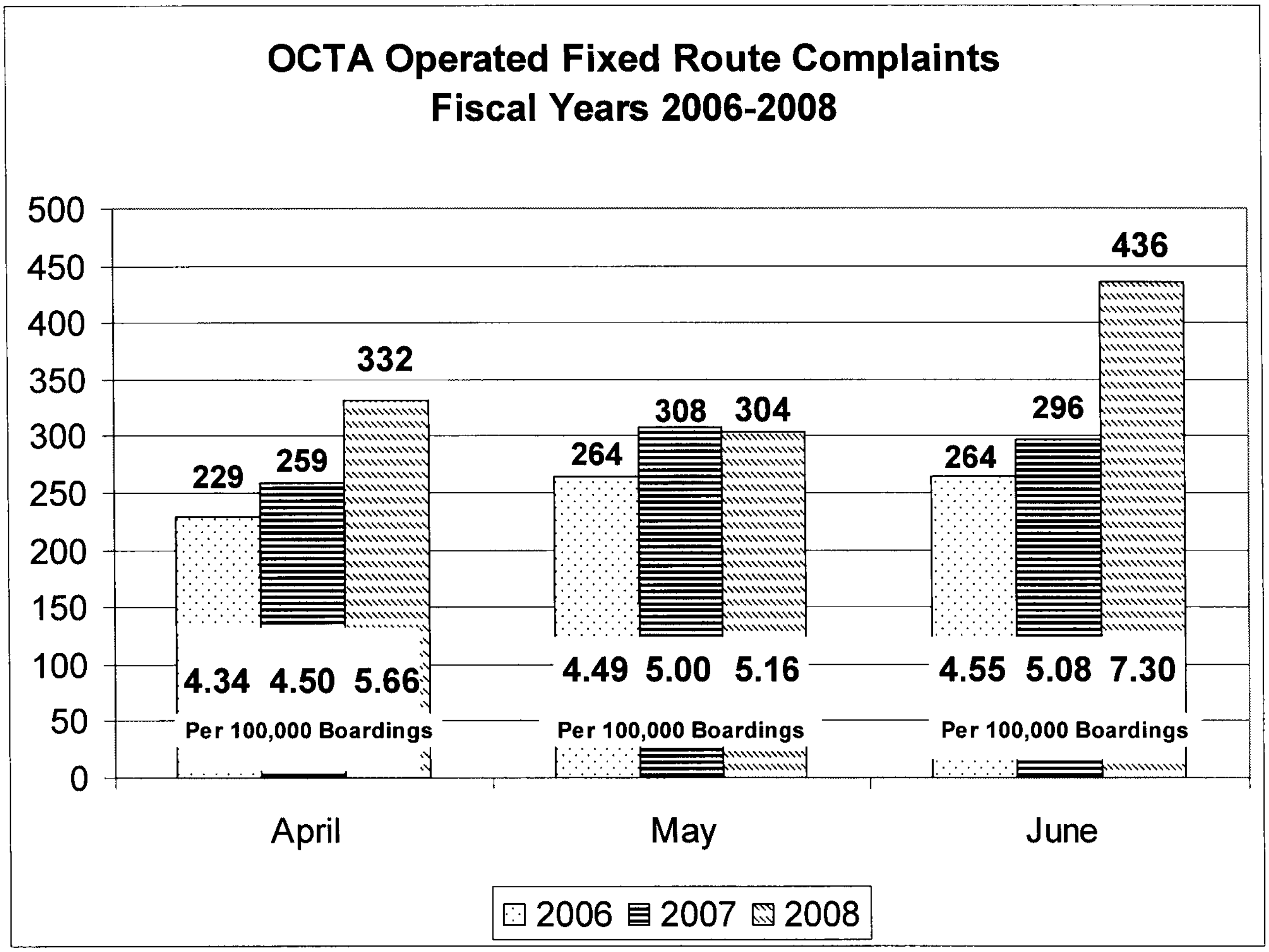
* The contractual complaint standard for ACCESS service is no more than one complaint for every 1,000 boardings.

ATTACHMENT B



* The complaint standard for contracted fixed route service is no more than one complaint for every 4,000 boardings.

ATTACHMENT C



* The complaint standard for fixed route service is no more than six complaints for every 100,000 boardings.

3.

OCTA

BOARD COMMITTEE TRANSMITTAL

September 8, 2008

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Property Insurance Policy Renewal

Finance and Administration Committee Meeting of August 27, 2008

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to issue Purchase Order No. A09865, in an amount not to exceed $500,000 to Marsh Risk and Insurance Services, Inc., for the purchase of property insurance on behalf of the Orange County Transportation Authority for the period of December 1, 2008, to December 1, 2009.

OCTA

August 27, 2008

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Property Insurance Policy Renewal

Overview

The Orange County Transportation Authority has a property insurance policy with Traveler's Property Casualty Company of America. This policy is scheduled to expire on December 1, 2008.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order No. A09865, in an amount not to exceed $500,000 to Marsh Risk and Insurance Services, Inc., for the purchase of property insurance on behalf of the Orange County Transportation Authority for the period of December 1, 2008 to December 1, 2009.

Background

The Orange County Transportation Authority (OCTA) currently owns buildings, contents, and buses with an insurable value of $512,689,469. OCTA purchases insurance to protect OCTA property from accidental loss. OCTA is currently insured with Traveler's Property Casualty Company of America (Travelers) for an annual premium of $369,317, which is based on the stated property values of $471,780,578, determined at the time this policy was purchased in November 2007. The 91 Express Lanes property is insured under a separate insurance policy.

Discussion

Insurance companies determine property insurance quotes based upon current insurance market conditions affecting rates per $100 in property values. The 2007-08 policy rate with the incumbent carrier, Travelers, was $0.0782 per $100 based on OCTA's 2007 property values of $471,780,578, which includes coverage for OCTA's bus fleet. For the 2008-09 policy renewal, the insurable property values have been adjusted to $512,689,469 to include real and business personal property, information systems equipment, revenue and non-revenue vehicles. Due to the large number of insured buses included in this policy, there is a special insurance condition that OCTA buses are only insured while parked at the bus base. In addition, due to the high replacement value, a $50,000 deductible is applied per occurrence for loss or damage to OCTA's bus fleet in this policy. Revenue vehicles are self-insured for property damage while in operation. OCTA's paratransit vehicles are not included in OCTA's insurable values since these vehicles are insured by Veolia Transportation Services, Inc., as required in Agreement No. C-5-3021 approved by the Board of Directors on February 27, 2006.

The property insurance policy limit is currently at $225,000,000, which provides catastrophic protection equivalent to a total loss just above the current insurable values at OCTA's single largest property value location, the Santa Ana Bus Base. The insurance provides protection for real and business personal property, improvements and betterments, rolling stock and extra expense incurred after a loss. Other coverages include fire, flood, terrorism, civil authority, ingress/egress, leaks to fire sprinkler pipes caused by earthquakes, valuable papers, and boiler and machinery. Policy deductibles for this policy vary by category of coverage. The policy has a $25,000 deductible that applies to all losses except:

- $10,000 deductible for boiler and machinery
- $10,000 deductible for non-revenue vehicles
- $50,000 deductible for revenue vehicles
- $50,000 deductible for earthquake sprinkler leakage
- $100,000 deductible for flood (except Flood Zone A)
- $500,000 deductible for flood in Flood Zone A

Flood protection is provided in the current policy with a $10,000,000 limit. Flood is defined in the policy as "surface water, underground water, waves, tides, tidal waves, tsunamis, overflow of any body of water, or its spray, all whether driven by wind or not." As with many properties in Orange County, OCTA has buildings that are in areas susceptible to flooding. Flood zones are identified by the National Flood Insurance Program and classified as a special flood hazard area if the area is within a 100-year flood boundary. A "100-year flood" does not refer to a flood that occurs once every 100 years, but refers to a flood level with a 1 percent or greater chance of being equaled or exceeded in any given year. Flood Zone A is an area of increased risk of flooding and carries a $500,000 deductible. Currently, OCTA's Garden Grove Maintenance, Operations, General Services Warehouse, and Annex buildings are in Flood

Zone A. The flood zone of each of OCTA's other locations is identified and an explanation of each category of flood zones is included in Attachment A.

Earthquake coverage was added at the direction of the Finance and Administration Committee during the last renewal of the property policy in 2007. The policy provides a $5,000,000 limit subject to a 5 percent deductible of the insurable value per location with a minimum of $250,000 damage.

Earthquake is defined in the policy "as the shaking or trembling of the earth's crust, caused by underground volcanic or tectonic forces, or by breaking or shifting of rock beneath the surface of the ground from natural causes, considering all events within a 168 hour period as one single event."

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

Marsh has been directed to approach all possible markets to obtain the best coverage and premium options for this renewal. In addition, OCTA will not use a target premium price with the potential insurers to avoid early premium price quote declinations. Furthermore, Marsh has been instructed not to disclose broker compensation to prospective insurers to avoid having insurers net the broker's commission against the quoted premiums.

OCTA will pursue three goals for renewing this policy as outlined in Attachment B. The goals are:

1. Obtain proposals for additional earthquake and flood coverage to bring OCTA's total limits for these perils to $10,000,000.

2. Increase the unreported premises limit from $2,500,000 to $5,000,000 for property damage and time element coverage from $1,000,000 to $2,500,000.

3. Seek quotes for $50,000 and $100,000 deductibles to provide additional premium price options to consider for this renewal.

The carriers that will be approached for proposals and have an AM Best financial rating of A-7 or better are listed below:

Travelers Property Casualty Company of America
Affiliated FM Insurance Company
Lexington Insurance Company
Allianz Insurance Group
Axis Insurance Company
Chubb Insurance Company
Continental Casualty Company (CNA)
Beazley Insurance Company, Inc.
Fireman's Fund Insurance Company
Liberty Mutual Insurance Company
XL Insurance Company
Zurich Insurance Company
ACE American Insurance Company
United States Fire Insurance Company

On November 8, 2006, the Finance and Administration Committee directed staff to follow a five-point process in the procurement of all insurance coverages and to submit a staff report to the Board of Directors for review and approval of this process.

The Finance and Administration Committee provided the following for all future OCTA insurance procurements:

1. There shall be an annual review of all insurance coverages by the Finance and Administration Committee. This shall include renewal dates, areas of liability, coverage amounts, and insurance carrier information. This review shall take place at the second Finance and Administration Committee meeting in May each year. The insurance coverage and renewal schedule will also be included in the budget workshop material that is presented annually to the Board of Directors.

2. All premiums and other compensation to insurance brokers and for insurance coverages shall be fully disclosed and presented to the Finance and Administration Committee for review on an annual basis. Any proposed changes to premiums and compensation paid to insurance brokers will be presented to the Finance and Administration Committee for approval as changes occur during the year.

3. The Finance and Administration Committee shall be presented with a staff report for each planned insurance renewal at least 90 days in advance of

the policy expiration. A copy of the Risk Review and Renewal Strategy Plan that has been agreed to by the OCTA's Risk Manager and OCTA's Broker of Record will be included as part of the staff report. The Risk Review and Renewal Strategy Plan will be discussed with the Finance and Administration Committee as part of each insurance renewal process.

4. Staff reports shall include a list of all companies that will be solicited on behalf of OCTA by its Broker of Record. Staff reports shall also fully disclose all insurance bids received including any compensation offers associated with the bids. A transparency disclosure form from the Broker of Record will be provided to the Finance and Administration Committee as part of the insurance renewal process.

5. Staff will require OCTA's Broker of Record to attend all Committee and Board meetings when insurance awards are on the agenda.

Staff will be certain that there is full compliance to these guidelines during this property insurance renewal.

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 0040-7563-A0017-DTS, and is funded through the Personal Liability/Property Damage Fund.

Summary

Based on the information provided, staff recommends the approval to authorize the Chief Executive Officer to issue Purchase Order No. A09865, in an amount not to exceed $500,000 to Marsh Risk and Insurance Services, Inc., for the purchase of property insurance on behalf of the Orange County Transportation Authority for the period of December 1, 2008 to December 1, 2009.

Attachments

A. Orange County Transportation Authority Fixed Asset Property Statement of Values Summary for OCTA's 12/1/08-09 Property Renewal
B. December 1, 2008 Property Risk Review and Renewal Strategy Plan

Prepared by:

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

Approved by:

for

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

Orange County Transportation Authority
Fixed Asset Property Statement of Values Summary for OCTA's 12/1/08-09 Property Renewal

As of June 30, 2008

Name	Address	City/State	Zip	Sq Ft	Flood Zone	Construction	Sprinklered	Occupancy	Year Built	Real Property	IS Equipment	Personal Property	Revenue Vehicles	Non Revenue Vehicles	Total Insurable Values
Santa Ana Operations/Maintenance	4301 W. MacArthur	Santa Ana, CA		867,964	X Shaded	Masonry Non-Comb	Y	Maintenance & Repair	2005	$51,089,184	$272,373	$8,253,277	$137,809,936	$1,142,699	$198,567,469
Garden Grove Maintenance Center	11790 Cardinal Circle	Garden Grove, CA	92643	43,740	A	Masonry Non-Comb	Y	Maintenance & Repair	1977	$14,727,683	$101,871	$6,658,467	$84,094,882	$4,940,269	$110,523,172
Garden Grove Operation Center/Annex	11800/11892 Woodbury Road	Garden Grove, CA	92643	83,116	A	Masonry Non-Comb	Y	Offices & Dispatch	1977	$4,300,883	$167,632	$623,862		$754,533	$5,846,910
Garden Grove General Svcs Warehouse	11911 Woodbury Road	Garden Grove, CA	92643	8,640	A	Masonry Non-Comb	Y	Warehouse	NA			$21,170		$72,511	$93,680
Anaheim Operations/Maintenance Center	1717 E. Via Burton	Anaheim, CA	92806	157,746	X Shaded	Masonry Non-Comb	Y	Maintenance & Repair	1983	$17,946,260	$110,065	$3,602,470	$80,572,583	$1,102,259	$103,333,638
Irvine Operations/Maintenance Center	14736 Sand Canyon Road	Irvine, CA	92714	67,927	X	Masonry Non-Comb	Y	Maintenance & Repair		$8,685,594		$67,165			$8,752,759
Laidlaw Transit Service (Irvine Base)	16281 Construction Circle West	Irvine, CA	92602	37,050		Masonry Non-Comb	Y	Laidlaw Facility		$5,790,889		$127,521	$0		$5,918,410
Administration Facility	550 / 600 South Main Street	Orange, CA	92863	103,070	X Shaded	Fire Resistive	Y	Office Building	NA	$4,742,339	$12,889,911	$4,900,198		$398,157	$22,930,604
Anaheim Regional Transp. Intermodal Ctr	1750 S. Douglass Road	Anaheim, CA		591,588						$0					$0
Brea Park and Ride	Lambert & 57 Freeway	Brea, CA		38,332	X	Non-Comb	N	Parking & Passenger Pick-up	1989	$312,880					$312,880
Fullerton Park and Ride	3000 W. Orangethorpe Avenue	Fullerton, CA	92633	483,516	AO	Non-Comb	N	Parking & Passenger Pick-up	Ph1 1974 Ph 2 1981	$2,159,944		$17,782			$2,177,726
Fullerton Transit Center	123 South Pomona	Fullerton, CA	92633	20,908	X	Masonry Non-Comb	N	Transfer & Passenger Pick-up	1983	$29,432					$29,432
Goldenwest Transit Center	7301 Center Drive	Huntington Beach, CA	92647	117,612	X	Masonry Non-Comb	N	Transfer & Passenger Pick-up	1994	$1,916,941					$1,916,941
Laguna Beach Transit Center	375 Broadway	Laguna Beach, CA	92651	19,166	AE	Masonry Non-Comb	N	Transfer & Passenger Pick-up	1958	$492,422					$492,422
Laguna Hills Transit Center	24282 Calle De Los Caballeros	Laguna Hills, CA	92653	100,188	X	Masonry Non-Comb	N	Transfer & Passenger Pick-up	1988	$4,922,545		$34,453			$4,956,998
Newport Beach Transit Center	1550 Avocado Avenue	Newport Beach, CA	92660	121,968	X	Masonry Non-Comb	N	Transfer & Passenger Pick-up	1991	$2,091,700					$2,091,700
Santa Ana Park and Ride	301 W. Fifth Street	Santa Ana, CA	92701	112,800	X	Non-Comb	N	Parking & Passenger Pick-up	1984	$3,501,440					$3,501,440
Santa Ana Transit Terminal	400 W. Santa Ana Blvd.	Santa Ana, CA	92701	130,680	X	Masonry Non-Comb	Y	Transfer & Passenger Pick-up	Ph 2 1984 Ph 3 1988	$2,851,965		$147,946			$2,999,911
Auto Service Building	1514 - 1520 Lincoln Ave	Anaheim, CA	92801	10,487		Masonry Non-Comb, Wood Roof	N	OCTA Owned property leased to others		$553,556					$553,556
Katella Yard	1750 S. Douglas Road	Anaheim, CA	92806				Y	Property used by the County of Orange	NA	$191,442					$191,442
Bus Shelters / Turnouts	various locations	CA								$0		$702,547			$702,547
Communication Equipment	various locations	CA								$0		$13,278,806			$13,278,806
Contingency Revenue Vehicles (2)										$0				$21,698,990	$21,698,990
Farebox Equipment (1)										$0		$1,818,035			$1,818,035
Assets used in multiple locations										$0		$0			$0
Totals										$126,307,099	$13,541,851	$40,253,699	$302,477,401	$30,109,419	$512,689,469

A. Gorski

Al Gorski, Risk Manager

8-11-08

Date

ATTACHMENT A

FLOOD HAZARD ZONES

Special Flood Hazard Areas are areas within the 100-year flood boundary. A "100-year flood" does not refer to a flood that occurs once every 100 year, but refers to a flood level with a 1% or greater chance of being equaled or exceeded in any given year.

A, A1-A3, AE, AH, AO, AR, A99, V, V1 - V30 and VE are all Special Flood Hazard Areas.

- A Areas of high risk where the Base Flood Elevations (BFEs) are not provided.
- Al-A30 Areas of high risk where the Base Flood Elevations (BFEs) are provided.
- AE The new designation for Al-A30 zones.
- AH Shallow water depths (ponding) and/or unpredictable flow paths between one and three feet occur. BFEs are provided.
- AO Shallow water paths (sheet flow) and/or unpredictable flow paths between one and three feet occur. BFEs are not provided. Base flood depths may be provided.
- A99 Where enough progress has been made on a protective system such as dikes, dams and levees, to consider it complete for insurance rating purposes. No BFEs are provided.
- AR High Risk areas that results from the decertification of a previous accredited flood protection system that is determined to be in the process of being restored to provide base flood protection.
- V An area which is inundated by tidal floods with velocity (coastal high hazard area). No BFEs are provided. (See Manual for definition of Coastal High Hazard Area).
- V1-V30 Identical to V zone, but BFEs are provided.
- VE The new designation for Vl-V30 zones.
- VO An area having shallow water depths and/or unpredictable flow paths between 1 and 3 feet with velocity.

Base Flood Depth (BFD) - The depth shown on the Flood Insurance Rate Map (FIRM) for Zone AO that indicates the depth of water above highest adjacent grade resulting from a flood that has a 1 percent chance of equaling or exceeding that level in any given year.

Base Flood Elevation (BFE) - The elevation shown on the Flood Insurance Rate Map (FIRM) for Zones AE, AH, A1-A30, V1-V30, and VE that indicates the water surface elevation resulting from a flood that has a 1 percent chance of equaling or exceeding that level in any given year.

Note: When there is a federally insured loan, it is a requirement that flood insurance be purchased if the property is located in a Special Flood Hazard Area.

- ***Moderate or Minimal Flood Hazard Areas*** **are areas that are between the 100 year and 500 year flood boundaries. Historically, 25-30% of claims paid by the NFIP are for flood damage in areas identified as having only "moderate" and "minimal" risk of flood.**

B, C, X and D are all Moderate and Minimal Flood Hazard Areas. Areas of moderate or minimal hazard subject to flooding from severe storm activity or local drainage problems. These zones may be lightly shaded or not shaded on the FIRM. (Zone X is used on new and revised maps in place of Zones B and C.)

X Shaded Areas: Areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood.

D An area where the flood hazard is undetermined and is usually very sparsely populated.

Note: The designation of Zone D can also be used for rating when one community incorporates portions of another community's area where no map has been prepared.

BUILDINGS LOCATED IN MORE THAN ONE FLOOD ZONE MUST BE RATED USING THE MORE HAZARDOUS ZONE.

MARSH

Craig Morris
Senior Vice President

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July 31, 2008

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

Subject:
December 1, 2008 Property Risk Review and Renewal Strategy Plan

Dear Al:

Thank you for the time you spent with Hector & me on Wednesday, July 23, 2008 to outline your renewal goals and objectives for OCTA's December 1, 2008 Property insurance renewal. The following summarizes our discussion.

Recap of Risk Identification Review Discussion:

- Last year OCTA purchased 299 new 40 foot, CNG buses valued at approximately $440,287 each. They will be added to your fleet of revenue buses to replace your older fleet. The older buses will be added to your contingency bus fleet. You expect to add approximately 5 buses to your active fleet per month. Once completed, you will have approximately 150 buses in your contingency fleet. In 2009 you expect to begin replacing your articulating buses.
- OCTA owns railroad right of way (land only) but the Metrolink stations along the track are owned by the City they are located in.
- Measure M, the ½ cent sales tax approved by the voters in 1990 to improve transportation in the County has been renewed and will provide OCTA with $11.8 billion over the next 30 years beginning in 2011.
- OCTA plans to transition from LNG to CNG as the fuel for operating buses.

Recap of Renewal Strategy Meeting Discussion and Deliverables:

- We reviewed OCTA's current property insurance program.
  - Travelers Ins. Co. has been OCTA's bus base property insurer for the past two years as they have provided broader coverage at a more competitive price than other insurers. Coverage for loss or damage caused by Earthquake and Flood is now provided with limits of $5,000,000 except a sublimit of $2,500,000 applies for flood losses occurring in Flood Zones A, B and shaded X (Attached - OCTA Flood Zones by Location). OCTA's bus bases in Santa Ana, Anaheim and Garden Grove are located in these higher risk flood zones due to their increased susceptibility to flood by the Santa Ana River.

- ➢ Other coverage improvements include:
  - Increasing the Newly Constructed or Acquired Property and Extra Expense limit to $5,000,000.
  - Increasing Outdoor Property and Personal Effects of Officers and Employees to $250,000.
  - Adding Terrorism coverage
  - Leasehold Interest coverage was increased to $1,000,000
- ➢ The property program policy limit was increased to $225,000,000 to provide catastrophic loss protection at the Santa Ana bus base, OCTA's single largest property value location. Coverage includes damage to real & personal property, including your fleet of buses while located at a bus base.
- ➢ The annual premium is $369,317 based upon $471,780,578 total insurable values and a $.0782 composite rate per $100 of insurable values.
- ➢ A $25,000 deductible applies to each loss except there is a $50,000 deductible for loss or damage to buses while on a base and $10,000 for non-revenue vehicles while on base.

- OCTA's loss experience has been excellent as you have never submitted a property damage claim to your property carrier. This experience makes OCTA an attractive risk to property insurance carriers.

- The property insurance marketplace is beginning to see a slow down in rate decreases as we near the end of the second quarter. This slowdown is attributed to a few factors, including the onset of the 2008 Atlantic Hurricane season (June 1), and continued negative industry loss experience.

  The first quarter of 2008 was one of the worst on record for losses without a single catastrophe (CAT) event. Globally, in the first quarter of 2008 there were 15 individual losses greater than $100 million that were considered non-CAT events. Seven of these losses were in excess of $350 million from events connected with explosion, fire, or flooding. The second quarter has seen more of the same with several more large losses: Canfar (Fire), Universal Studios (Fire), Cummins Engine (Flooding), Quaker Oats (Flooding), and the floods in the Midwest. That adding up to insurers, including FM and Zurich, reporting that loss ratios are now in excess of 100 percent for the first 6 months of the year without a single CAT. Based upon the state of the current marketplace, OCTA should expect a flat to a slight decrease in renewal rates.

- The goals for the renewal are:
  - Obtain proposals for additional earthquake and flood coverage to bring OCTA's total limits to $10,000,000.
  - Increasing the Unreported Premises limit from $2,500,000 to $5,000,000 for Property Damage and from $1,000,000 to $2,500,000 for Time Element.
  - Seek quotes for $50,000 and $100,000 deductible options

- We agreed to fully market OCTA's Property Insurance risk to all markets A-7 or better that have experience with transit agencies. Specifically we will seek proposals from the following insurers:

  - Travelers Ins. Co (incumbent carrier)
  - Allianz
  - CNA
  - Liberty Mutual
  - ACE
  - Affiliated FM
  - Axis
  - Beazley
  - XL Ins. Co.
  - US Fire
  - Lexington Ins. Co.
  - Chubb
  - Fireman's Fund
  - Zurich
  - Other insurers as necessary

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;

If during the marketing process you would like Marsh to:
  - 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;
  - 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.

MARSH

In order to submit OCTA's risks to the property insurance marketplace and obtain proposals from the carriers we will need an updated list of locations and statement of values. We agreed to follow Marshall & Swift's average inflationary index of 3.5% to bring OCTA's fixed real property values to 2008 amounts. OCTA's business personal property and upcoming fleet replacement cost values will also be updated to reflect any recent purchases or dispositions. We will use the July 2008 OCTA accounting department fixed asset report to provide updated business personal property values.

Our agreed upon timeline reflects these key dates:

Property Insurance	
▪ Renewal Strategy Meeting	07/23/08
▪ Updated renewal information from OCTA	07/29/08
▪ Fact Sheet due	07/30/08
▪ Staff Report due	08/06/08
▪ F&A Committee Meeting	08/27/08
▪ Board Meeting	09/08/08
▪ Renewal specifications sent to market	09/09/08
▪ Carrier quotes due	10/24/08
▪ Presentation to OCTA Risk Management	10/31/08
▪ Presentation to F&A Committee	11/12/08
▪ Approval from OCTA to bind coverage	11/14/08
▪ Provide confirmation of coverage to OCTA	11/28/08
▪ Coverage renews	12/01/08

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

Craig Morris
Senior Vice President

4.

OCTA

BOARD COMMITTEE TRANSMITTAL

September 8, 2008

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Workers' Compensation Program Review

Finance and Administration Committee Meeting of August 27, 2008

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file as an information item.

Note

Subsequent to the Committee meeting, staff provided the following revision to page 2 of the staff report, Table 1.1, the information for 2008 had been omitted.

Table 1.1 - Revised

Fiscal Year	New Claims	Claim Payments	Outstanding Reserves
2004	336	$ 6,678,372	$ 10,106,679
2005	306	5,942,503	8,729,553
2006	271	4,697,720	8,725,916
2007	160	4,344,114	7,844,375
2008	143	3,564,052	7,627,667

OCTA

August 27, 2008

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Workers' Compensation Program Review

Overview

The Orange County Transportation Authority self-insures and self-administers its Workers' Compensation Program. This report will provide a current status of the program and outline the progress made through the numerous initiatives implemented to reduce workplace injuries and program costs.

Recommendation

Receive and file as an information item.

Background

California employers are required by Section 3700 of the California Labor Code to secure payment of workers' compensation benefits by being insured or self-insured with the approval of the Department of Industrial Relations. Orange County Transportation Authority (OCTA) has been self-insured since 1977.

As a result of the 2004 reorganization, the responsibility for the administration of the Workers' Compensation Program was transferred from the Benefits Section of the Human Resources Department to the Risk Management Department. The transfer of this responsibility to the Risk Management Department represented a philosophical shift to treat workers' compensation as a liability instead of a benefit.

At the time of the transfer, workers' compensation payouts, new claims, insurance, and other administrative costs associated with the program were trending negatively illustrating consistent increases per year in claim costs from fiscal year (FY) 2000 to FY 2004 (Attachment A).

While OCTA committed to reforming its Workers' Compensation Program, the State of California enacted legislative changes in the form of

SB 899 (Chapter 34, Statutes of 2004) to assist employers like OCTA to contain medical and permanent disability costs in exchange for the increased benefit levels. Although the law was enacted in 2004, OCTA continues to benefit from the changes.

Discussion

As workers' compensation injury claims mature, there is a larger financial impact. OCTA experienced a 198 percent increase in claims payouts in the five years preceding the transfer of responsibility to the Risk Management Department. In response to this increase, OCTA's Risk Management Department focused on four major areas to reverse the negative trending and to reduce the costs of administering the workers' compensation program. The four areas of focus are workplace safety, claims administration, creative approach, and insurance.

Results Summary

Since the last Workers' Compensation Program review staff report dated May 23, 2007, OCTA's Workers' Compensation Program has continued to perform well, achieving a reduction of 17 new injuries compared to the prior year, an 11 percent decrease. OCTA also saved $834,160 in claim costs when compared to FY 2007, a 19 percent reduction.

Overall, program initiatives reduced new injury claims from 336 in FY 2004 to 143 in FY 2008, a 57 percent reduction. Effective claims management oversight contributed to a reduction in claim payouts from $6,678,372 in FY 2004 to $3,564, 052 in FY 2008, or a 47 percent reduction.

The claim payments and outstanding reserves since 2004 are summarized below in Table 1.1.

Table 1.1

Fiscal Year	New Claims	Claim Payments	Outstanding Reserves
2004	336	$ 6,678,372	$ 10,106,679
2005	306	5,942,503	8,729,553
2006	271	4,697,720	8,725,916
2007	160	4,398,212	7,844,375

The outside administrative costs of managing the program since 2004 are summarized on the next page in Table 1.2.

Table 1.2

Fiscal Year	Third Party Administrator	Bill Review	Utilization Review	Nurse Case Management	Undercover Surveillance	Defense Legal Cost	Total
2005	$ 241,664	$273,961	$ 39,860	$ 23,689	$ 125,553	$ 381,747	$ 1,086,474
2006	335,836	140,896	45,115	16,386	91,473	395,079	1,024,785
2007	378,380	124,679	52,122	40,904	23,402	537,355	1,156,842
2008	391,620	69,163	31,878	9,403	18,626	371,599	892,289

Workplace Safety

Work rule enforcement and discipline standards are applied to all accidents caused by work rule violations regardless of whether the violation caused an injury. Previously, work rule violations that resulted in employee injuries were not subject to discipline. This has provided an additional safety incentive, resulting in a reduction of new claims.

The OCTA Transitional Work Program which provides 30 work days of temporary light duty work for injured employees provides an injured worker with safe alternative work duties while they are receiving medical care. This program keeps the injured employee connected with the OCTA workplace and aids an injured employee's speedy recovery by focusing their energies on their capabilities and not their injury, saving OCTA disability benefit costs. This program resulted in the reduction of lost work days from 5,963 to 5,470 or an 8 percent reduction in FY 2008 compared to FY 2007.

On October 24, 2004, in order to facilitate a cultural change and reduce workers' compensation claim costs, OCTA proposed a workers' compensation cost-savings sharing initiative with Teamster's Union Local 952 (Union) on behalf of OCTA's coach operators. The plan, known as the Coach Operator Workers' Compensation Reduction Plan, was executed and went into effect through June 30, 2007. Since the plan was successful, OCTA and the Union agreed to renew the program for an additional three years at the time of contract negotiations in July 2007. However, new program baseline goals were established for the new three-year contract period of May 1, 2007 to April 30, 2010. These new baselines require greater reductions in coach operator claims frequency and claim payouts compared to the prior contract period baseline goals. As an additional condition of the program, the Union was asked and agreed to take active steps in promoting workplace safety with Union members to reduce workplace injuries and associated costs. The Union initiatives for FY 2008 are listed on the following page:

- A safety pamphlet that was distributed to all coach operators
- An article promoting workplace safety in the Union newsletter
- An ice cream rally promoting safe workplace practices
- Coach operator safety training provided at the union hall

At the conclusion of FY 2008, the Coach Operator Workers' Compensation Reduction Plan results were positive. Coach operator injuries and claim payouts were further reduced and fell below the revised baseline goals. New coach operator injuries fell to 114, which was six injuries below the 120 new injury baseline, and claim payouts of $2,719,422 fell $580,578 below the $3,300,000 baseline goal. As a result of these reductions, OCTA was able to share 50 percent of the $580,578 plan savings or $290,289 with the Union. Distribution of the checks is currently being scheduled to take place at the bases in September 2008.

In addition, to work rule enforcement, transitional work, and Union participation, the Risk Management Department facilitates a section of the Annual Required Training (ART) Program for coach operators to emphasize the importance of workplace safety. ART classes are a great opportunity to interact one on one with each coach operator to provide them with techniques to avoid common workplace accidents and associated injuries. Approximately 1,200 coach operators complete this training each year.

Operation Teamwork is another safety program that was put in place by the Transit Division to have peers ride along to observe fellow coach operator behaviors and to provide non-disciplinary feedback to improve safe driving practices. This is an excellent loss prevention technique as unsafe behavior is immediately identified and corrected before an accident can occur.

Claims Administration

While OCTA is self-insured for workers' compensation, the administration of workers' compensation claims is handled by a third party administrator (TPA). Tristar Risk Management was contracted by OCTA to administer all claims arising from work related injuries or illnesses, administering all components of a claim including but not limited to the paying of benefits, medical case management, and management of the claims through conclusion. The OCTA Board of Directors (Board) approved Agreement No. C-5-2590 with Tristar Risk Management for three years on October 14, 2005. On May 28, 2008, the Board approved extending the contract until November 1, 2009.

Besides the TPA, other vendors work with OCTA and the TPA to provide additional services to assist in the cost-efficient resolution of workers' compensation claims. These other vendors are on a 30 day letter of agreement as approved by the OCTA Board. To avoid unnecessary costs, the Risk Management Department has implemented strict protocols for the use of these additional vendors. Adherence to OCTA's strict protocols has resulted in a savings of $112,036 for the above services in FY 2008 compared to the prior year.

These services are:

- Medical bill review- A service that monitors all medical bills submitted in a claim to assure adherence to California State billing regulations
- Medical providers- Physicians, physical therapists, and other ancillary medical professionals that provide medical treatment to OCTA's injured workers
- Utilization review- A service which reviews medical treatment requests to ensure these treatments fall within the standards of the American College of Occupational and Environmental Medicine's (ACOEM) guidelines

Sometimes employees are injured on the job as a result of the negligence of a third party. In every case, OCTA actively attempts to recover or subrogate against responsible parties. OCTA subrogation recovery efforts have also resulted in very good results. Since 2004, OCTA recovered a total of $430,366 from responsible parties.

When a claim is made, a reserve fund is created in an amount to pay all claim costs throughout the life of the claim. Outstanding reserves are remaining funds not yet expended which reflect the future potential claims expense. The level of outstanding reserves for each claim is carefully analyzed by OCTA to determine which claims need special handling to avoid an adverse financial impact for OCTA. Careful scrutiny and proper claims handling has reduced outstanding reserves in FY 2008 to $7,627,667 from $7,844,375 in FY 2007, for a 3 percent reduction. Overall, outstanding reserves were reduced to $7,627,667 in FY 2008 from $10,106,679 in FY 2004, for a 25 percent reduction.

Creative Approach

Aside from developing cost-effective claims handling strategies, the Risk Management Department has developed a philosophical approach to encourage cost-effective behaviors. For example, it is believed that injured workers often seek legal advocacy when they are either confused by the workers' compensation process, or they believe that they are not obtaining the best medical care. To avoid this, risk management staff and all vendors are required to be highly responsive to injured worker's needs and to provide them with superior customer service. To measure the effectiveness of this approach, the number of new litigation cases is tracked. This approach has proven to be effective as OCTA experienced only nine new litigated cases in FY 2008 compared to a high of 45 new litigated cases in FY 2005.

Another creative approach OCTA has implemented is to bifurcate OCTA's legal component into two groups. Litigated cases are cost-effectively settled by attorneys whereas liens remaining, once a case is settled, are handled by lien resolution specialists. By doing this, OCTA has taken an innovative approach to resolve outstanding liens at a lower cost because attorneys are no longer handling matters that do not require an attorney. Also, attorneys that work on OCTA's claims defense meet with the Risk Management Department monthly to discuss protocols, case reviews, and defense litigation strategies.

A recently implemented approach, requires that all new work related injuries must be reported to the injured worker's direct supervisor. This was done to discourage fraudulent claims and to commence an immediate investigation so as to remedy any safety hazards found. In addition, it also serves to improve timely processing of the workers' compensation claims as required by law.

All OCTA employees are provided prompt medical treatment at Concentra Occupational Medical Center for all workplace injuries. Field management has been instructed to notify Risk Management of all workplace injuries as soon as possible. The medical clinic is then immediately contacted by Risk Management staff and updated as to the specifics of the case so that the most appropriate medical treatment decisions are made, as well as informing them of any non-work related issues that may clarify any claims compensability issues. Then, by using the medical treatment protocols and procedures, OCTA assures that its injured workers receive quality and cost-effective medical care in keeping with the goals of the program.

Insurance

OCTA purchases excess workers' compensation insurance to provide coverage for major losses. The excess insurance company, known as a reinsurer, provides statutory workers' compensation liability coverage above the self-insured retention (SIR) or the amount specified that the OCTA must pay before the insurer starts to pay for a loss. OCTA workers' compensation insurance premiums doubled from \$122,259 in FY 2002 to \$334,931 in FY 2003 due to negative claims development. OCTA increased the SIR from \$300,000 to \$500,000, for FY 2004 in an effort to halt further premium increases. OCTA's insurance premium doubled again from \$334,931 in

FY 2003 to $770,878 in FY 2004 despite further increasing the SIR from $500,000 to $1,000,000, for FY 2005 in another attempt to halt increases in the insurance premium. However, in FY 2005, OCTA was able to reduce the SIR level from $1,000,000 to $750,000 without an increase in our excess workers' compensation premium rate because the loss experience improved significantly and the insurer was confident that OCTA's loss prevention and claims management programs would continue to reduce the loss exposure.

Summary

Since the 2004 transfer of the workers' compensation responsibilities, partnerships were formed and strategic and technical plans were developed and implemented to achieve necessary and significant accomplishments in this program. From the support and direction of the Board of Directors and executive management, to the assistance and partnerships of the Health, Safety and Environmental Compliance Department and the Transit Division, the program accomplishments truly exemplify the Orange County Transportation Authority's values at work.

Overall, the new Workers' Compensation Program has experienced a significant trend reversal since the transfer of the program responsibilities in 2004. Total cost savings during this period of time are $3,114,320, while outstanding claims reserves have been lowered by $2,479,012. While future enhancements will be explored and further direction and support from the Board of Directors will be sought, the program continues to achieve its stated goals and objectives.

Attachment

A. Total Historical Cost of Risk Orange County Transportation Authority Workers' Compensation Program

Prepared by:

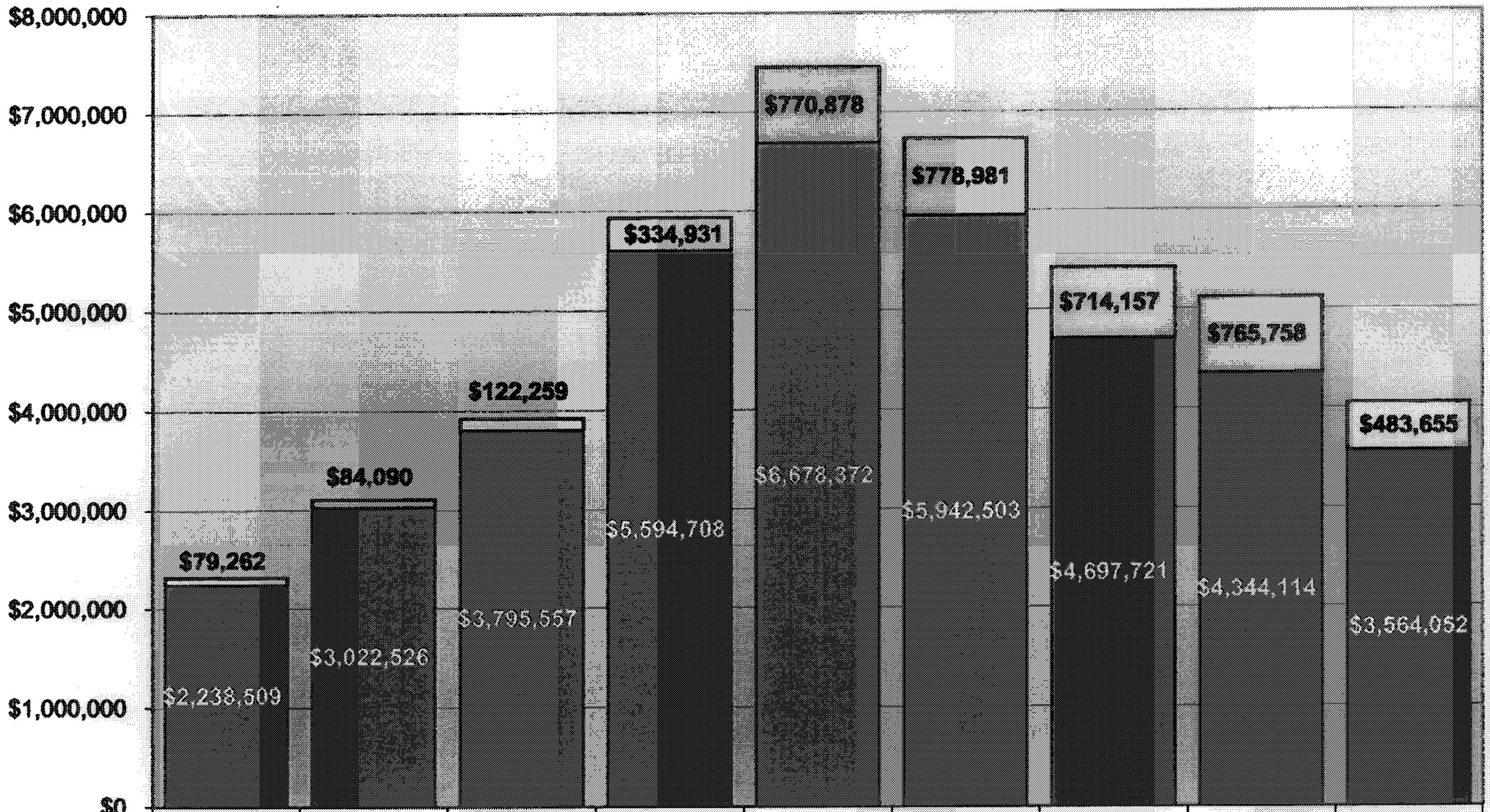
Al Gorski
Department Manager
Risk Management
(714) 560-5817

Approved by:

Kenneth Phipps for

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

Total Historical Cost of Risk
Orange County Transportation Authority Workers' Compensation Program



	7/1/99–00	7/1/00–01	7/1/01–02	7/1/02–03	7/1/03–04	7/1/04–05	7/1/05–06	7/1/06–07	7/1/07-08
□ Insurance Premium	$79,262	$84,090	$122,259	$334,931	$770,878	$778,981	$714,157	$765,758	$483,655
■ Benefits Paid	$2,238,509	$3,022,526	$3,795,557	$5,594,708	$6,678,372	$5,942,503	$4,697,721	$4,344,114	$3,564,052

ATTACHMENT A

5.

OCTA

BOARD COMMITTEE TRANSMITTAL

September 8, 2008

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Agreements to Health Insurance Services and Health Brokerage Services

Finance and Administration Committee Meeting of August 27, 2008

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-5-0455 between the Orange County Transportation Authority and Kaiser Foundation Health Plan, Inc., on a cost per employee basis for prepaid medical services through December 31, 2009. The annual 2009 Kaiser Foundation Health Plan, Inc. premium costs will vary in accordance with actual enrollment.

B. Authorize the Chief Executive Officer to execute Agreement No. C-8-1054 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for prepaid medical services through December 31, 2009. The annual 2009 Aetna health maintenance organization premium costs will vary in accordance with actual enrollment.

C. Authorize the Chief Executive Officer to execute Agreement No. C-8-1055 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for open access managed choice medical services through December 31, 2009. The annual 2009 Aetna open access managed choice premium costs will vary in accordance with actual enrollment.

D. Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement No. C-5-2862 between the Orange County Transportation Authority and MetLife Life Insurance Company dental preferred provider organization, on a cost per employee basis, for preferred provider organization dental services through December 31, 2009. The annual 2009 MetLife Insurance Company dental preferred provider organization premium costs will vary in accordance with actual enrollment.

E. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-5-0458 between the Orange County Transportation Authority and SmileSaver dental health maintenance organization, on a cost per employee basis, for prepaid dental services through December 31, 2010. The annual 2009 and 2010 SmileSaver dental health maintenance organization premium costs will vary in accordance with actual enrollment.

F. Authorize the Chief Executive Officer to execute Purchase Order No. C-6-0658 between the Orange County Transportation Authority and Lincoln Financial Group, on a cost per employee basis, for life and accidental death and dismemberment insurance through December 31, 2010. The annual 2009 and 2010 Lincoln Financial Group premium costs will vary in accordance with actual employee participation in the plan.

G. Authorize the Chief Executive Officer to execute Purchase Order No. C-6-0659 between the Orange County Transportation Authority and Lincoln Financial Group, on a cost per employee basis, for short-term and long-term disability insurance through December 31, 2010. The annual 2009 and 2010 Lincoln Financial Group premium costs will vary in accordance with actual employee participation in the plan.

H. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-4-1271 to exercise first option term between the Orange County Transportation Authority and Mercer through November 30, 2009, in an amount not to exceed $80,000, to continue to provide health brokerage services.

OCTA

August 27, 2008

To:	Finance and Administration Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Agreements for Health Insurance Services and Health Brokerage Services

Overview

The Orange County Transportation Authority presently holds agreements with various companies to provide medical, dental, life, accidental death and dismemberment, and disability services for administrative employees and employees represented by the Transportation Communications Union. These agreements expire December 31, 2008.

In addition, The Orange County Transportation Authority presently holds an agreement with Mercer to assist the Human Resources Department, Benefits Section, in placing coverages for its employees' health benefits. This agreement expires November 30, 2008.

Recommendations

A. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-5-0455 between the Orange County Transportation Authority and Kaiser Foundation Health Plan, Inc., on a cost per employee basis for prepaid medical services through December 31, 2009. The annual 2009 Kaiser Foundation Health Plan, Inc. premium costs will vary in accordance with actual enrollment.

B. Authorize the Chief Executive Officer to execute Agreement No. C-8-1054 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for prepaid medical services through December 31, 2009. The annual 2009 Aetna health maintenance organization premium costs will vary in accordance with actual enrollment.

C. Authorize the Chief Executive Officer to execute Agreement No. C-8-1055 between the Orange County Transportation Authority and Aetna, on a cost per employee basis, for open access managed choice medical services through December 31, 2009. The annual 2009 Aetna open access managed choice premium costs will vary in accordance with actual enrollment.

D. Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement No. C-5-2862 between the Orange County Transportation Authority and MetLife Life Insurance Company dental preferred provider organization, on a cost per employee basis, for preferred provider organization dental services through December 31, 2009. The annual 2009 MetLife Insurance Company dental preferred provider organization premium costs will vary in accordance with actual enrollment.

E. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-5-0458 between the Orange County Transportation Authority and SmileSaver dental health maintenance organization, on a cost per employee basis, for prepaid dental services through December 31, 2010. The annual 2009 and 2010 SmileSaver dental health maintenance organization premium costs will vary in accordance with actual enrollment.

F. Authorize the Chief Executive Officer to execute Purchase Order No. C-6-0658 between the Orange County Transportation Authority and Lincoln Financial Group, on a cost per employee basis, for life and accidental death and dismemberment insurance through December 31, 2010. The annual 2009 and 2010 Lincoln Financial Group premium costs will vary in accordance with actual employee participation in the plan.

G. Authorize the Chief Executive Officer to execute Purchase Order No. C-6-0659 between the Orange County Transportation Authority and Lincoln Financial Group, on a cost per employee basis, for short-term and long-term disability insurance through December 31, 2010. The annual 2009 and 2010 Lincoln Financial Group premium costs will vary in accordance with actual employee participation in the plan.

H. Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement No. C-4-1271 to exercise first option term between the Orange County Transportation Authority and Mercer through November 30, 2009, in an amount not to exceed $80,000, to continue to provide health brokerage services.

Background

The Orange County Transportation Authority (Authority) has implemented a Board of Directors (Board) approved benefits program designed to attract and retain a productive workforce in a competitive labor market. Health Insurance is an essential element of this benefits program.

The Authority uses a broker of record to assist the Human Resources Department, Benefits Section, to implement and maintain the Authority's benefit program for its employees. These services are required to maximize benefits for the Authority employees and contain costs for both the Authority and its employees.

Medical Services

The Authority has offered three choices of medical plans to its employees and their families since 1981. On September 26, 2007, the Board approved new contracts with CIGNA Healthcare of California (CIGNA) to provide a health maintenance organization (HMO) plan and an open access plus (OAP) plan for the period January 1, 2008 through December 31, 2008. In addition, the Board approved an amendment to the agreement with Kaiser Foundation Health Plan, Inc. (Kaiser) to provide an HMO plan for the period January 1, 2008 through December 31, 2008.

Dental Services

The Authority has offered two choices of dental plans to its employees and their families since 1981. On September 26, 2007, the Board approved extending the contracts with SmileSaver for the period January 1, 2008 through December 31, 2009, and with MetLife Insurance Company (MetLife) for the period January 1, 2008 through December 31, 2008.

Life and Disability Insurances

To provide for the employee's financial security and for the Authority to be competitive in the labor market, life insurance, accidental death and dismemberment (AD&D), short-term and long-term disability coverages are purchased. Short-term and long-term disability programs provide financial protection to employees by paying a portion of their income while they are disabled for an extended period of time. On September 13, 2006, the Board approved extending the contract with Lincoln Financial Group from January 1, 2007 through December 31, 2008.

Health Brokerage Services

The broker of record, Mercer, provides the following services in addition to marketing and placing coverages: assists the Authority in developing a comprehensive, cost-effective health and welfare program, supports and assists the Authority in resolving any carrier problems, informs of new legislation that may affect the Authority and assists as necessary in implementing new legislation to maintain compliance, performs research and analysis as requested, develops benefit communication pieces, assists with open enrollment, and assists with meetings to explain health plan changes to employees.

Discussion

The Authority asked Mercer to request proposals for its medical, dental, life, AD&D, and disability employee benefit programs effective January 1, 2009. Requests were sent to six medical plans, nine dental plans, and 12 insurance carriers.

On May 23, 2008, proposal quotes were received from five medical plans, five dental plans, and six insurance carriers. A Healthcare Advisory Committee (Committee) comprised of representatives from the Finance, Administration and Human Resources Division met with Mercer on June 17, 2008, to evaluate the proposals. Mercer negotiated with each carrier to ensure the best possible rates for the Authority. The annual 2009 premium costs are estimates due to the fact the actual total annual premium will vary in accordance with actual enrollment.

Medical Services

To continue the HMO plan, Kaiser offered a 10.2 percent premium renewal increase, which is lower than the renewal rates of 17.3 percent and 13.2 percent for calendar years 2007 and 2008, respectively. Amendment No. 3 to Agreement No. C-5-0455 was approved by the Board to extend the prior contract an additional year for the period January 1, 2008 through December 31, 2008. Effective January 1, 2007, Kaiser changed its rating methodology, applying higher group-specific risk adjustment factors rather than spreading the risk among many employers. The heavier weighting applied to risk factors was the main contribution to the relatively higher rate increase for calendar year 2007. This year's rate increase is significantly lower than the previous two years' renewal rates, which seems to represent a leveling off of the change in Kaiser's rating methodology. Annual premiums are compared on Attachment A.

For the other HMO plan and OAP plan, Mercer received proposals from Aetna, Blue Cross, CIGNA, Health Net, and United Healthcare. The Committee short-listed the carriers to Aetna and CIGNA, the incumbent, and invited them for interviews. Blue Cross and Health Net were unable to provide competitive rates, unwilling to provide performance guarantees, and both would have produced significant provider disruption. Blue Cross submitted an incomplete proposal that would have caused a significant reduction in benefits, and Health Net possessed weak financial ratings.

The other excluded carrier, United Healthcare, possessed the most competitive rates; however, United Healthcare was not able to match current plan designs, was unwilling to customize the plans, was unable to provide performance guarantees, and like Health Net, possessed weak financial ratings.

Aetna's bid represented the lowest cost increase at 2 percent over current spending for an annual amount of $4,065,348, guaranteed through December 31, 2009. CIGNA provided a 12 percent increase for an annual amount of $4,462,534. The Authority will save about $397,186 by changing from CIGNA to Aetna. Aetna has a provider disruption of approximately 7 percent, meaning of the in-network providers in CIGNA, approximately 7 percent of providers are not in Aetna's network. Of the current out-of-network providers that are utilized by OCTA employees, Aetna includes 55 percent of this group in its network.

Aetna contracts with more providers than the current CIGNA network. This will benefit employees and lower costs for the Authority because more claims will be processed in-network rather than out-of-network. Aetna provided a comparable but not identical plan design; however, most changes are improved benefits including robust disease management programs targeting over 30 chronic conditions, health risk assessments, and personal health records. Both Aetna and CIGNA provided performance guarantees and had strong financial ratings. Aetna provided a very good presentation and interviewed well. The committee ranked CIGNA second and Aetna first for having the best proposal. A comparison of Aetna's proposed plan design with that of the current CIGNA plans is provided in Attachment B.

Dental Services

Although the SmileSaver agreement does not expire until December 31, 2009, it was more cost effective for the Authority to solicit proposals from the carriers for both a preferred provider organization (PPO) plan and an HMO plan. Mercer received proposals from CIGNA, Delta Dental, MetLife/Safeguard, SmileSaver and United Healthcare. CIGNA dental was most competitive with SmileSaver for prepaid dental services. SmileSaver, the incumbent, offered a decrease of 5.6 percent below the current rate, guaranteed through December 31, 2010. CIGNA quoted 0.8 percent higher than SmileSaver's current rate, guaranteed for one year with no maximum rate provided for second year.

For PPO dental services, MetLife dental PPO, the incumbent, provided no rate increase and guaranteed rates for one year.

Life and Disability Insurances

Since the maximum monthly benefit amount of the long-term disability plan had not been modified in several years, Mercer requested alternate plan options. After analysis, it was recommended to increase the monthly maximum benefit from $6,000 to $8,000. By increasing the maximum benefit amount, 45 out of 60 employees who have monthly salaries in excess of $8,000 would receive an enhanced benefit amount of up to an additional $2,000 a month, while on disability.

Mercer received proposals from The Hartford, ING, Lincoln Financial Group, Prudential, Standard and UNUM. Prudential was most competitive with Lincoln Financial Group. Lincoln Financial Group offered a rate decrease, guaranteed through December 31, 2010, with an increase to the monthly maximum benefit amount for long-term disability from $6,000 to $8,000. Prudential quoted a 5.4 percent higher rate than Lincoln Financial Group.

Health Brokerage Services

This procurement was originally handled in accordance with the Authority's procedures for professional and technical services. This agreement provided for an initial term of three years with two option terms.

The original agreement awarded on March 14, 2005, was for a contract maximum of $265,000. On March 7, 2006, Amendment No. 1 to conduct additional marketing for the conversion of the Authority's self-funded to fully insured health plan at an increase of $23,500, was approved by the purchasing agent. On September 11, 2006, Amendment No. 2 to add a flexible spending account to the health brokerage services at an increase of $7,500 to the Authority's maximum cumulative obligation amount, was approved by the purchasing agent. The contract maximum obligation after approval of Amendment No. 4 will be $376,000.

Health brokerage services are required to maximize benefits for the Authority employees and contain costs for both the Authority and its employees. Staff is satisfied with the services provided as outlined in Mercer's Stewardship Report in Attachment C, and recommends exercising the first option term with Mercer to maintain health brokerage services.

Summary

Based on the information provided, staff recommends approval of agreements with Kaiser Foundation Health Plan, Inc., Aetna, SmileSaver, MetLife Insurance Company preferred provider organization and Lincoln Financial Group.

Based on the material provided, staff recommends approval of Amendment No. 4, in an amount not to exceed $80,000, to Agreement No. C-4-1271 with Mercer for the period of December 1, 2008 through November 30, 2009. The contract maximum obligation after approval of Amendment No. 4 will be $376,000.

Attachments

A. Annual Premium Comparison 2008 Versus 2009
B. Medical Plan Design Discrepancies - CIGNA
C. Mercer's Stewardship Report Orange County Transportation Authority
D. Fact Sheet Kaiser Foundation Health Plan, Inc., Agreement No. C-5-0455
E. Fact Sheet Aetna, Agreement No. C-8-1054
F. Fact Sheet Aetna, Agreement No. C-8-1055
G. Fact Sheet MetLife, Agreement No. C-5-2862
H. Fact Sheet SmileSaver, Agreement No. C-5-0458
I. Fact Sheet Lincoln Financial Group, Purchase Order No. C-6-0658
J. Fact Sheet Lincoln Financial Group, Purchase Order No. C-6-0659
K. Fact Sheet Mercer, Agreement No. C-4-1271

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ATTACHMENT A

Annual Premium Comparison
2008 Versus 2009

Coverage	Current Enrollment*	2008 Current Rates/Fees	2009 Proposed Rates/Fees	2008/2009 $ Change	2008/2009 Percent Change
Kaiser Permanente					
Employee Only	52	$335.57	$369.73		
Employee + One	35	671.14	739.46		
Family	55	949.66	1,046.34		
Total Estimated Annual Premium	**142**	**$1,118,050**	**$1,231,869**	**$113,819**	**10.2 percent**
Aetna HMO					
Employee Only	72	$316.47	$339.53		
Employee + One	34	680.41	729.99		
Family	55	917.76	984.64		
Total Estimated Annual Premium	**161**	**$1,156,759**	**$1,241,052**	**$84,233**	**7.3 percent**
Aetna Open Access Managed Choice					
Employee Only	70	$529.19	$528.30		
Employee + One	60	1,137.77	1,135.85		
Family	85	1,534.68	1,532.07		
Total Estimated Annual Premium	**215**	**$2,829,088**	**$2,824,295**	**-$4,792.00**	**-0.2 percent**
Total Medical	**518**	**$5,103,897**	**$5,297,217**	**$193,320**	**3.8 percent**
MetLife					
Employee Only	150	$59.04	$59.04		
Employee + One	112	126.82	126.82		
Family	154	170.43	170.43		
Total Estimated Annual Premium	**416**	**$591,673**	**$591,673**	**$0**	**0 percent**
SmileSaver					
Employee Only	47	$10.97	$10.35		
Employee + One	22	16.96	16.00		
Family	51	22.26	21.00		
Total Estimated Annual Premium	**120**	**$24,288**	**$22,913**	**$1,374**	**-5.7 percent**
Total Dental	**536**	**$615,960**	**$614,586**	**$1,374**	**-0.2 percent**

***CIGNA enrollment as of June 2008**

Medical Plan Design Discrepancies - CIGNA

Orange County Transportation Authority - Open Access Plan/Open Access Managed Choice Plan Discrepancies

	Current Plan Details		Discrepancy	
	Open Access Plan Provider	*Non-Open Access Plan Provider*	*Open Access Managed Choice Provider*	*Non-Open Access Managed Choice Provider*
Convalescent Hospital	80 percent after deductible 180 days per benefit period (combined with out-of-network)	60 percent of usual, customary and reasonable after deductible 180 days per benefit period (combined with in-network)	120 days- combined with out-of-network	120 days-combined with in-network
Inpatient Mental Health and Substance Abuse	$50 per day copayment then 80 percent after deductible 30 days per calendar year (combined with out-of-network)	$50 per day copayment then 60 percent after deductible 30 days per calendar year (combined with in-network)	80 percent after deductible	60 percent after deductible
Doctor's Visits	80 percent after deductible	60 percent of usual, customary and reasonable after deductible	$15 copayment, deductible waived	
Outpatient Mental Health and Substance Abuse	80 percent after deductible 50 visits per calendar year (combined with out-of-network)	60 percent of usual, customary and reasonable after deductible 50 visits per calendar year (combined with in-network)	$15 copayment, deductible waived	
Maternity Care	80 percent after deductible	60 percent of usual, customary and reasonable after deductible	$15 copayment, deductible waived	
Well Child Care	80 percent after deductible through age 16	60 percent of usual, customary and reasonable after deductible through age 16	$15 copayment, deductible waived	
Routine Physical Exams	80 percent after deductible $300 maximum per calendar year age 17 and over	Not covered	$15 copayment, deductible waived	
Physical, Occupational or Speech Therapy	80 percent after deductible 60 days combined for all therapies in- and out-of network	60 percent of usual, customary and reasonable after deductible 60 days combined for all therapies in- and out-of network	$15 copayment,deductible waived	
Immunizations (Specific)	No charge	60 percent of usual, customary and reasonable after deductible through age 16	$15 copayment, deductible waived	
Allergy Test/Treatment	80 percent after deductible	60 percent of usual, customary and reasonable after deductible	$15 copayment, deductible waived	
Serum	80 percent after deductible	60 percent of usual, customary and reasonable after deductible	$15 copayment, deductible waived	
Prescription Drugs Retail (30-day supply)	Generic:$10 copayment Brand name formulary: $20 copayment Non-formulary: $40 copayment	Not covered	Non-formulary: $35 copayment	
Prescription Drugs Mail Order (90-day supply)	Generic:$20 copayment Brand name formulary: $40 copayment Non-formulary: $80 copayment	Not covered	Non-formulary: $70 copayment	
Ambulance (Local)	80 percent after deductible	80 percent of usual, customary and reasonable after deductible if true emergency 60 percent of usual, customary and reasonable after deductible if non-emergency		60 percent after deductible
Chiropractic Care	80 percent after deductible inluded in physical, occupational or speech therapy above	60 percent of usual, customary and reasonable after deductible inluded in physical, occupational or speech therapy above	$15 copayment; deductible waived, 20 visits per calendar year	
Home Health Care	80 percent after deductible	60 percent of usual, customary and reasonable after deductible	Covered 100 percent after deductible	

ATTACHMENT B

ATTACHMENT C

June 9, 2008

Stewardship Report

Orange County Transportation Authority

March 14, 2005 - Present

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Consulting. Outsourcing. Investments.

Contents

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1

Executive Summary

The intent of the Stewardship Report is to briefly review the last three year's major goals and accomplishments as well as to collaborate in the development and ongoing implementation of goals and objectives for OCTA's Employee Benefits Program. It is our expectation this process will not only validate our prior deliverables and the extension of our current contract, but also more importantly, set the stage for enhance our understanding of OCTA's future business needs and provide a framework for establishing our Employee Benefits Service Plan commitments.

Mercer, with services provided by Mercer Health & Benefits, remains committed to its extensive efforts in keeping OCTA fully informed of critical issues and developments impacting its programs. Before reviewing the materials herein, we wish to reflect on a few characteristics of the 2008 employee benefits market and provide some indicative trends for the coming year.

The market conditions during 2007 were characterized by:

- Continued consolidation of the markets, evidenced by the merger of Wellpoint (the parent of Blue Cross of CA) and Anthem
- Continuance of "double digit" carrier trends in the 11-15% range
- The California initiative to create a state run healthcare program for all employers
- Heightened attention towards Consumerism and Consumer Directed Healthcare strategies to help employers curb rising costs
- More emphasis on workforce wellness and health management strategies

In summary, economics continued to play a critical factor for healthcare along with the continued political uncertainties. However, several reasons exist for some optimism in 2008:

- A slight easing of the Carrier's double digit trends in medical costs seen in prior years
- Carrier capacity remains steady and there is a strong desire to retain "preferred" existing clients and maintain the number of covered participants
- More medications are coming off patent and generic drugs will be more readily available
- Less interest in cost-shifting
- Growing focus on data transparency and health IT as a means of improving provider quality and cost-efficiency

We believe Mercer has demonstrated a very solid track record during its three-years working with OCTA to 1) Keep program offerings competitive and meaningful for your employees; 2) helped to identify efficiencies in how you administer the plans; and 3) help you cut costs significantly.

- With some basic recommendations, reduced July 1, 2005 renewal to +5%, from prior double digit increases
- Reduced benefit costs over $843,000 for January 1, 2006
- Moved from self-funded TPA to fully insured programs through CIGNA
- Developed a three-year (2007 – 2010) Healthcare Strategy for 2007 with estimated savings impact
- Provided in depth modeling and discussion with Consumerism Specialist, Sander Domaszewicz
- Reviewed Flex Credit model applicability to OCTA
- Helped set up outsourced FSA administrator
- Negotiated January 1, 2007 renewal increase down to +15% ($142,000 savings)
- Negotiated January 1, 2008 renewal increase down to +8% ($136,000 savings)

Based on the amount of savings achieved versus the total Mercer fees, OCTA's return-on-investment (ROI) is 1:3.8. Meaning, OCTA has saved nearly four times the amount paid for consulting fees.

In summary, Mercer believes health care costs will continue to outpace the rate of inflation and wage increases. We also fully understand the impact that will have on California public agencies faced with significant budget pressures. We are, committed to continuing support of OCTA in mitigating the immediate and future economic impact on its employee benefits programs and look forward to continuing to partner with OCTA in the future.

2

Major Accomplishments

July 1, 2005 Renewal

Within a very short timeframe, Mercer accomplished the following:

- For the July, 2005 renewal, Mercer conducted a marketing of OCTA's medical, dental and stop loss coverage
- Final fixed cost increases were estimated at 2.3% or approximately $58,000 gross annual increase
- Gross cost increases were estimated at 3.9% or approximately $253,000 gross annual increase
- The most significant increases were on the self-funded medical and dental plans
- Mercer suggested several plan design which OCTA implemented on July 1, 2005 which include:
  - Unbundling the medical and dental plans
  - Increasing the out-of-network coinsurance to 40% for employees
  - Preventive care covered at 100%, not subject to the deductible, for the dental PPO plan
  - Introduced employee only contribution of 10%
- The overall impact to OCTA's net cost was a 5% increase, significantly below what was achieved previously

January 1, 2006 Renewal

- Mercer recommended OCTA transition the self-funded medical and dental programs to a fully-insured basis to reduce costs and employee program offerings
- Since the ASO contracts would expire December 1, 2005, Mercer also recommended transitioning all health and welfare plans to a January 1 contract period
- Again, Mercer conducted a marketing for the medical and dental programs and obtained competitive bids
- Based on the bids received, CIGNA Healthcare was implemented as the medical carrier for both HMO and PPO, MetLife was implemented as the dental PPO carrier
- No changes to the benefits design was made and contributions remained the same
- Results of the marketing resulted in a gross savings of 14.4% or gross annual reduction in costs of $843,000

January 1, 2007 Renewal

- Developed a three-year strategy with elements of medical management as well as consumerism
- Provided in depth modeling and discussion with Consumerism Specialist, Sander Domaszewicz
- Reviewed flex credit model and its applicability to OCTA
  - Will not work due to size of population with more than seven years of service
- Marketed and implemented outsourced vendor for flexible spending account
- Marketed life/accidental death & dismemberment and disability coverage with no cost increase and improved benefit levels on the life and accidental death and dismemberment plans
- Negotiated renewal increase down from 17.2% to 15% for a savings of $142,000
- Provided a number of consumerism strategies for consideration

January 1, 2008 Renewal

- Updated three-year strategy
- Fully review by CIGNA of their medical management results were obtained and presented
- Recommended modifications to the dental PPO out-of-network plan design to improve network utilization and achieve significant cost savings
- Negotiated renewal down from 10.4% to 8% for a savings of approximately $136,000
- Provided some revised consumerism strategies as well as a number of care management approaches
- Provided ideas around incentives to encourage employee health improvement

January 1, 2009 Renewal

- Currently in the process of marketing the medical, dental, life/accidental death and dismemberment and disability policies for 2009
- Coordinating discussion around health management

3

Services and Fees

The terms of the agreement between OCTA and Mercer state the firm-fixed-price of:

First Year – March 1, 2005 through November 30, 2006	$120,000
Second Year – December 1, 2006 through November 30, 2007	$ 70,000
Third Year – December 1, 2007 through November 30, 2008	$ 75,000

Payment made at 50% upon fully-executed agreement by both parties for 6 months and the remaining 50% on September 1, 2005 for 15 months. Future payments are to be made every six months on December 1st and June 1st of each contract year.

This pricing included, but was not limited to, Mercer marketing OCTA's insurance coverage/policies in anticipation of the expiration date of those policies as outlined in the Scope of Services. In addition, the agreement also indicates that if the Scope of Services should change and the resulting change would increase the pricing of the agreement, Mercer should notify OCTA within ten (10) calendar days after the change and an equitable adjustment shall be negotiated.

Mercer requested an increase in the year one fees of $23,500 for activities related to the second marketing performed to transition plans to a January effective date, converting the self-funded plans to fully-insured and consolidating the number of plan administrators. This was approved and amended in the contract. The contract was also amended in 2006 to include the additional fees of $7,500 to modify the "Scope of Work" to include the marketing and consulting for the flexible spending account administration.

Additionally, Mercer was hired in 2007 to perform a review and analysis of OCTA's FMLA related leaves. The work performed was under a separate contract awarded to Mercer through a competitive bidding process and was separate from our ongoing consulting relationship.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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ATTACHMENT D

Fact Sheet
Kaiser Foundation Health Plan, Inc.
Agreement No. C-5-0455

1. May 23, 2005, Agreement No. C-5-0455, $850,000, approved by Board of Directors.

   - To provide prepaid medical services for Orange County Transportation Authority's administrative employees and employees represented by Transportation Communications Union for the period July 1, 2005 through June 30, 2006.

2. November 14, 2005, Amendment No. 1 to Agreement No. C-5-0455, $450,000, approved by Board of Directors.

   - To extend the termination date to December 31, 2006.

3. September 25, 2006, Amendment No. 2 to Agreement No. C-5-0455, $881,000, approved by Board of Directors.

   - To extend contract for period January 1, 2007 through December 31, 2007.

4. September 26, 2007, Amendment No. 3 to Agreement No. C-5-0455, $1,100,000, approved by Board of Directors.

   - To extend contract for period January 1, 2008 through December 31, 2008.

5. September 8, 2008, Amendment No. 4 to Agreement No. C-5-0455, $1,232,000, pending approval by Board of Directors.

   - To extend contract for period January 1, 2009 through December 31, 2009.

Total budget allocation to Kaiser Foundation Health Plan, Inc., Agreement No. C-5-0455 for the amount of $4,513,000.

ATTACHMENT E

Fact Sheet
Aetna
Agreement No. C-8-1054

1. September 8, 2008, Agreement No. C-8-1054, $1,250,000, pending approval by Board of Directors.

    - To provide prepaid medical services for Orange County Transportation Authority's administrative employees and employees represented by Transportation Communications Union for the period January 1, 2009 through December 31, 2009.

Total budget allocation to Aetna, Agreement No. C-8-1054 for the amount of $1,250,000.

ATTACHMENT F

Fact Sheet
Aetna
Agreement No. C-8-1055

1. September 8, 2008, Agreement No. C-8-1055, $2,900,000, pending approval by Board of Directors.

    - To provide open access managed choice medical services for Orange County Transportation Authority's administrative employees and employees represented by Transportation Communications Union for the period January 1, 2009 through December 31, 2009.

Total budget allocation to Aetna, Agreement No. C-8-1055 for the amount of $2,900,000.

ATTACHMENT G

Fact Sheet
MetLife
Agreement No. C-5-2862

1. November 14, 2005, Agreement No. C-5-2862, $880,000, approved by Board of Directors.

   - To provide preferred provider organization dental services for OCTA's administrative employees and employees represented by Transportation Communications Union for the period January 1, 2007 through December 31, 2007.

2. October 5, 2007, Amendment No. 1 to Agreement No. C-5-2862, $570,000, approved by Board of Directors.

   - To extend contract for period January 1, 2008 through December 31, 2008.

3. September 8, 2008, Amendment No. 2 to Agreement No. C-5-2862, $592,000, pending approval by Board of Directors.

   - To extend contract for period January 1, 2009 through December 31, 2009.

Total budget allocation to MetLife, Agreement No. C-5-2862 for the amount of $2,042,000.

ATTACHMENT H

Fact Sheet
SmileSaver
Agreement No. C-5-0458

1. May 23, 2005, Agreement No. C-5-0458, $105,000, approved by Board of Directors.

   - To provide prepaid dental services for OCTA's administrative employees and employees represented by Transportation Communications Union for the period July 1, 2005 through June 30, 2007.

2. November 14, 2005, Amendment No. 1 to Agreement No. C-5-0458, $13,000, approved by Board of Directors.

   - To extend the termination date to December 31, 2007.

3. October 5, 2007, Amendment No. 2 to Agreement No. C-5-0458, $51,000, approved by Board of Directors.

   - To extend contract for period January 1, 2008 through December 31, 2009.

4. September 8, 2007, Amendment No. 3 to Agreement No. C-5-0458, $23,000, pending approval by Board of Directors.

   - To extend contract for period January 1, 2009 through December 31, 2010.

Total budget allocation to SmileSaver, Agreement No. C-5-0458 for the amount of $192,000.

ATTACHMENT I

Fact Sheet
Lincoln Financial Group
Purchase Order No. C-6-0658

1. September 25, 2006, Purchase Order No. C-6-0658, $151,000, approved by Board of Directors.

    - To provide life insurance and accidental death and dismemberment policies for Orange County Transportation Authority's administrative employees and employees represented by Transportation Communications Union for period January 1, 2006, through December 31, 2008.

2. January 2, 2008, Amendment No. 1 to Purchase Order No. C-6-0658, $22,650, approved by purchasing agent.

    - To increase contract amount to meet payment obligations due to increase in payroll.

3. September 8, 2008, Amendment No. 2 to Purchase Order No. C-6-0658, $144,000, pending approval by Board of Directors

    - To extend contract for period January 1, 2009 through December 31, 2010.

Total budget allocation to Lincoln Financial Group, Purchase Order No. C-6-0658 for the amount of $317,650.

ATTACHMENT J

Fact Sheet
Lincoln Financial Group
Purchase Order No. C-6-0659

1. September 25, 2006, Purchase Order No. C-6-0659, $119,000, approved by Board of Directors.

   - To provide short-term and long-term disability coverage for Orange County Transportation Authority's administrative employees and employees represented by Transportation Communications Union for period January 1, 2007, through December 31, 2008.

2. December 31, 2008, Amendment No. 1 to Purchase Order No. C-6-0659, $17,850, approved by purchasing agent.

   - To increase contract amount to meet payment obligations due to increase in payroll.

3. September 8, 2008, Amendment No. 2 to Purchase Order No. C-6-0659, $117,000, pending approval by Board of Directors.

   - To extend contract for period January 1, 2009 through December 31, 2010.

Total budget allocation to Lincoln Financial Group, Purchase Order No. C-6-0659 for the amount of $253,850.

ATTACHMENT K

Fact Sheet
Mercer
Agreement No. C-4-1271

1. March 14, 2005, Agreement No. C-4-1271, $265,000, approved by Board of Directors.

   - To provide health insurance brokerage services for OCTA's administrative employees and employees represented by Transportation Communications Union for the period March 14, 2005 through November 30, 2008.

2. March 7, 2006, Amendment No. 1 to Agreement No. C-4-1271, $23,500, approved by purchasing agent.

   - To conduct additional marketing for the conversion of OCTA's self-funded to fully-insured health plan.
   - To revise agreement's designated key personnel.

3. September 11, 2006, Amendment No. 2 to Agreement No. C-4-1271, $7,500, approved by purchasing agent.

   - To add flexible spending account to health brokerage services.

4. February 1, 2008, Amendment No. 3 to Agreement No. C-4-1271, approved by Purchasing Agent.

   - To change consultant name from Mercer Human Resource Consulting to Mercer. No increase in the cumulative payment obligation.

5. June 11, 2008, Amendment No. 4 to Agreement No. C-4-1271, approved by purchasing agent.

   - To add the Business Associate Agreement for Health Insurance Portability and Accountability Act. No increase in the cumulative payment obligation.

6. September 8, 2008, Amendment No. 2 to Agreement No. C-4-1271, $80,000, pending approval by Board of Directors.

   - To exercise first option term to Agreement No. C-4-1271 to continue to provide health brokerage services for period December 1, 2008 through November 30, 2009.

Total budget allocation to Mercer, Agreement No. C-4-1271 for the amount of $376,000.

6.

OCTA

BOARD COMMITTEE TRANSMITTAL

September 8, 2008

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements

Finance and Administration Committee Meeting of August 27, 2008

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Direct staff to implement recommendations in the Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008, with Revised Management Responses August 1, 2008.

Note

Committee members received a revised copy of Attachment A that noted verbage that had been omitted to Attachment A, page 14, as follows:

Paragraph 3

"Greater outreach for multidisciplinary on-call services could also be achieved with the circulation of solicitations to additional commodity codes within CAMM NET, OCTA's Electronic solicitation notification system."

Paragraph 4

"Management agrees that greater circulation of solicitations can be achieved through CAMM NET."

REVISED ATTACHMENT A

OCTA

INTEROFFICE MEMO

August 18, 2008

To: Paul Taylor, Deputy Chief Executive Officer

Jim Kenan, Executive Director
Finance, Administration and Human Resources

SN

From: Serena Ng, Senior Internal Auditor
Internal Audit

Subject: **Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008 with Revised Management Responses August 1, 2008**

The Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008, was provided to the Finance and Administration Committee (Committee) on May 14, 2008. On August 1, 2008, management provided revised management responses, which have been incorporated into the attached audit report.

This report with the revised management responses will be provided to the Committee on August 27, 2008. Internal Audit will follow up on any corrective action in six months.

Appendix: Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008 with Revised Management Responses August 1, 2008

c: Iain Fairweather
Tom Wulf
Virginia Abadessa
Kathleen O'Connell

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

OCTA

Review of Agreement No. C-4-0793
Darrel Cohoon & Associates
and Other Related Agreements

INTERNAL AUDIT REPORT NO. 08-008

with Revised Management Responses
August 1, 2008

Audit Team

Kathleen M. O'Connell, CPA, Internal Audit Manager
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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

CONCLUSION

Internal Audit has conducted a review of Agreement No. (Contract) C-4-0793 between the Orange County Transportation Authority (OCTA) and Darrel Cohoon & Associates (DCA). Based on preliminary findings during the review, the scope of the review was expanded to include all open contracts during the 24 months ended September 30, 2007, for which DCA and its subcontractors are identified as prime contractors or subcontractors on other OCTA contracts.

Based on Internal Audit's review of the DCA contract, it appears that Payment Requests were used to continue contracted services following the exhaustion of contract authority. Internal Audit also identified payments for services outside the defined scope of work for this contract, misleading general ledger payment postings, and inappropriate or unsupported expenses billed by the contractor. In addition, Internal Audit has identified issues related to on-call contracts. Internal Audit has offered recommendations to improve policies, procedures, and controls over the procurement and contracting processes.

While this review focused on certain contracts and related Payment Requests, it is possible through review of Payment Requests processed over the 24 months ended September 30, 2007, that Payment Requests for other goods and/or services have been processed that may also be inconsistent with OCTA procurement policy. The Accounting Department has begun a review of these Payment Requests. Internal Audit will include reviews of other on-call contracts in its next annual audit plan.

BACKGROUND

Motorist Services Contract

OCTA manages certain countywide services for motorists (Motorist Services or Programs), including the Freeway Service Patrol program (FSP), the Freeway Callbox system, the Orange County Taxicab Administration Program (OCTAP) and the Service Authority for Abandoned Vehicles (SAAV). The Programs are administered by the Section Manager for Motorist Services (Program Manager) who has responsibility for the day-to-day operation of the Programs, preparing the annual budget for the Programs, and preparing any required longer-term financial plans.

In October 2004, a one-year contract with two option terms was executed between OCTA and DCA to provide consultant services to administer the Programs, excluding OCTAP, in an amount not to exceed $125,000. The scope of work provided that the consultant would perform tasks such as interagency relations (California Highway Patrol and the California Department of Transportation), cash flow modeling, developing financial plans, participating in meetings, and calculating and reporting on performance measures.

Amendment No. 1 to the Contract, executed on October 14, 2005, exercised the first one-year option term for the period November 1, 2005 through October 31, 2006, increased the maximum obligation to $225,000 and added one subcontractor. Amendment No. 2, executed on October 6, 2006, exercised the second one-year option term for the period November 1, 2006 through October 31, 2007, and increased the maximum obligation to $325,000. Amendment No. 3, executed on March 19, 2007, added two subcontractors.

Amendment No. 4 to the contract was executed on September 5, 2007, to increase the maximum obligation on the contract by $18,750, or 15 percent of the original $125,000 contract amount, to a total obligation of $343,750.

Procurement

OCTA has established policies and procedures for purchasing and contracting that are developed by the Contracts Administration and Materials Management (CAMM) Department and reflect Board of Directors' policy. Those policies and procedures specify thresholds upon which competitive procurements must be conducted, generally, for goods and services greater than $2,500.

OCTA has three primary mechanisms for making payments: payments against contracts, payments on purchase orders, and payments using Payment Requests. Generally, payments using Payment Requests are of small dollar amount (<$2,500) and are of a non-recurring nature. Examples of the legitimate use of Payment Requests for non-recurring payments include training and conferences, publications, dues or memberships and emergency services or supplies. Payment Requests are also used for certain large (>$2,500) recurring payments such as the payment of deferred compensation withholdings to OCTA's plan administrator and Measure M turnback payments to cities.

Procurement policy allows for Contract Task Orders under master, on-call agreements. On-call contracts are competitively established under a general scope of work developed by the contracting OCTA department. According to procurement policy, these contracts are for "certain services such as real property appraisals, asbestos removal, auditing, training, graphic arts, human resources and public communications consulting." On-call contracts allow OCTA staff the flexibility to have consultants respond quickly to evolving or time sensitive needs. Below is a summary of multi-vendor, multi-year on-call contracts open as of November 1, 2007.

Division	Description	Contract Value	# of On-Call Contract Pools
Development	Soundwall Noise Barrier	$ 1,280,000	1
Development	Commuter Rail Support Services	2,800,000	2
Development	Other (Right of Way Engineering, Appraisal, etc.)	2,050,000	4
External Affairs	Vanpool Services	5,246,400	1
External Affairs	Other (Printing, Graphics, Outreach, Mailhouse, etc.)	776,222	13
Finance, Administration & HR	Temporary Staffing Services	1,495,000	1
Finance, Administration & HR	Other (Financial Management, Technology)	350,000	2
Internal Audit	General Auditing & Consulting Services	1,800,000	1
Transit	Graphic Design Services	60,000	1
		$ 15,857,622	26

Note: This summary is based on information provided by CAMM and is unaudited. On-call contract pools with contract values exceeding $1,000,000 have been separately identified, with all other on-call contract pools for the division grouped as "Other." The Finance, Administration & HR Other contracts include a $50,000 technology services contract.

REVIEW SCOPE

On September 11, 2007, Internal Audit initiated a follow-up review to an operational audit of the Freeway Service Patrol Program that was conducted as part of the Fiscal Year 2006-07 Annual Internal Audit Plan (Internal Audit Report No. 07-011, dated March 16, 2007). The audit identified issues related to Agreement No. C-4-0793. Follow-up review procedures, including management concerns about the re-procurement for contracted assistance for the Programs, identified both unresolved and additional issues. These unresolved and additional issues prompted Internal Audit to expand the scope of the follow-up review.

The scope of Internal Audit's review included a review of Contract C-4-0793 and other open contracts for which DCA and its subcontractors are prime contractors or subcontractors during the 24 months ended September 30, 2007. The review also included summarizing and reviewing all Contract Task Orders issued on certain on-call contracts and a review of certain records from the accounting system for the 24 months ended September 30, 2007.

Internal Audit's procedures included the following:

- Reviewed Contract C-4-0793 between OCTA and DCA.
- Reviewed other contracts between OCTA and DCA as prime contractor.

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- Reviewed contracts between subcontractors to Contract C-4-0793 and OCTA.
- Reviewed all Contract Task Orders issued on these contracts.
- Obtained and reviewed paid invoices for DCA and all subcontractors for the 15 months ended September 30, 2007, for compliance with contractual rates, maximum obligation amounts and scopes of work, invoice support for billed hours and expenses, invoice approval, and account coding.
- Obtained and reviewed Payment Request data for the 24 months ended September 30, 2007.
- Interviewed OCTA employees involved in procurement and contracting activities.

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AUDIT FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES – MOTORIST SERVICES CONTRACT C-4-0793

Finding 1: Use of Payment Requests

For the period under review, Internal Audit identified 18 payments to DCA and approved subcontractors using Payment Requests and totaling $30,027. All but one in the amount of $935 were made when the maximum contract amount had been exhausted.

Contract Year	Payee	Amount	No. Payment Requests
2006	DCA	$ 4,521	1
	DCA (for approved subcontractors)	3,426	2
2007	DCA	935*	1
	DCA	12,350	6
	Approved subcontractors	8,795	8
		$ 30,027	18

* With the exception of this payment, all payments were made when the maximum contract obligation had been exhausted.

Internal Audit noted that the pattern of invoices changed in 2007 after the maximum contract amount was exhausted. The contractor's usual monthly billing changed to multiple invoices covering the same month. Two invoices specified services for the SAAV program rather than simply "Motorist Services" as had been the case. On one invoice, the Motorist Services contract number was whited-out. Additionally, the general ledger account numbers used on the Payment Requests included "Contributions to Other Agencies", "Equipment Repair/Maintenance" and "Business Expenses" accounts. Based on the documentation, it appears that the use of Payment Requests and invoice alterations allowed payments to the contractor beyond the maximum contract obligation.

While there is no formal policy at OCTA for the use of Payment Requests, procurement policies and procedures require that departments use the established procurement process for purchases over $2,500. Discussions concerning the appropriate use of Payment Requests have been surfaced by the Manager of the Accounting Department. In fact, DCA, as a subcontractor to LMS Consulting (LMS) during the State Triennial Audit of the OCTA for the three-year period ended June 30, 2006, identified the issue of possible misuse of Payment Requests:

> *"Whenever possible, departments are required to go through CAMM's normal procurement process for purchases over $2,500. In practice,*

some departments repeatedly issue numerous payment requests that if properly consolidated would exceed the $2,500 threshold."[1]

During interviews with the Program Manager and others involved in procurement and contracting (see Finding 6), employees cited a lack of specific guidance in procurement policy and/or conflicting guidance from the CAMM or Accounting Department staff.

While it is the responsibility of each project or program manager to adhere to OCTA procurement policy, the CAMM Department, which is responsible for procurement activities, and the Accounting Department, which processes Payment Requests, should also participate in ensuring policy compliance.

Recommendation 1: A sound system of internal control in any organization relies on both "prevent" and "detect" controls. Comprehensive procurement policies, procedures, training and enforcement are the most effective means of "preventing" inappropriate use of Payment Requests and ensuring procurement policy compliance. CAMM should develop, maintain and enforce all procurement policies.

The Accounting Department (Accounting) should be formally charged with "detect" responsibilities. Accounting should monitor the use of Payment Requests and report any suspected misuse to the appropriate department manager. CAMM should also be notified of potential misuse of Payment Requests in order to assist departments in policy compliance.

In the last year, OCTA conducted a procurement training session entitled "Plan-Buy-Pay" which highlighted some of the more common issues encountered in the procurement cycle. Internal Audit recommends that OCTA develop a more formal, organization-wide procurement training program for all employees with signature authority on contracts, purchase orders, or Payment Requests. Employees should be trained both before participating in the OCTA procurement process, as well as at reasonable intervals thereafter particularly when assuming new authority, or when changes to procurement policy and procedures are adopted.

Management Responses to Recommendation 1

Management agrees that Payment Requests and other irregular practices allowed payments to the contractor beyond the maximum contract obligation. In fact, this occurred at two periods during the time subject to audit. In September and October, 2006, the Program Manager used Payment Requests to pay a subconsultant to DCA in

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[1] "Report To: The Orange County Transportation Authority, FY 2004-FY 2006 TDA Performance Audits", LMS Consulting, May 2007.

order to expense that subconsultant's invoice to SAAV or OCTAP and preserve contract authority for more general Motorist Services activities necessary before a requested option year could be exercised for DCA. In July, 2007, the Program Manager resumed use of Payment Requests in anticipation of a further extension of the maximum contract obligation that never materialized due to several factors; some of those confounding factors should have been anticipated by the Program Manager. Management believes that failure to plan ahead to allow sufficient time to process the correct paperwork to allow continuance of support in Motorist Services reflects poor planning on the part of the Program Manager, who has been counseled to that effect. Management is convinced the Motorist Services Program Manager did not use payment requests to circumvent Procurement Policies and Procedures and/or to avoid competitive procurement. Most of the payment requests were issued to ensure continuation of critical operational-support services in a period when the contract's spending limit had been reached, but while an amendment for further funding was being processed.

CAMM has assisted the Accounting Department in developing a policy that details the appropriate use of the payment request form. The policy prohibits the use of payment requests for goods or services covered by a current contract or purchase order. Additionally, the policy states that payment requests are not to be used as a means to avoid amending a contract to extend the term or increase the dollar amount.

The Accounting Department is also responsible for maintaining and monitoring the proper use of payment requests and, in concert with the individual user and user's department/division management, is charged with monitoring compliance with payment request policies and procedures.

To detect the improper use of payment requests, the Accounting Department conducts a quarterly analysis of payment requests for the preceding 12-month period. The analysis identifies one-time payment requests over $2,500 as well as multiple payments to a single vendor that total over $2,500 within the 12-month period. It identifies possible payment request violations as well as legitimate uses of payment requests that might benefit from the establishment of a blanket purchase order. The report is delivered to CAMM for further review and follow-up with the user departments. In addition, accounts payable clerks are instructed to bring any apparent payment request abuse to the attention of the Manager of Accounting.

The Plan-Buy-Pay training program was developed by the managers of CAMM, Accounting and FP&A in conjunction with the training department, to educate staff with signature authority on contracts, purchase orders or payment requests. The existing training program will be expanded and made more structured to continue to address these concerns.

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Finding 2: Payment Requests for Unapproved Contractor

In March 2007, Internal Audit issued an operational audit report of the FSP program. The audit identified numerous issues with the DCA contract. Invoices lacked sufficient detail as to the services performed, progress reports were not being provided by the contractor as required by the contract, a subcontractor was billing in excess of the prime's billing rate, subcontractors not specified within the contract had billed and were paid $60,344, and out-of-pocket expenses of $4,699, were reimbursed without adequate documentation. Management agreed with the findings and recommendations and stated that these issues would be resolved.

The current review of this contract identified additional issues. During Internal Audit's review of Payment Requests to DCA, numerous Payment Requests were identified that appeared to be for an additional contractor or subcontractor to DCA. During the 24 months ended September 30, 2007, Internal Audit identified 32 payments totaling $7,763, to a FSP contractor. Many of these Payment Requests indicated "FSP Data Project" or "FSP Data Collection." Payments, however, were all coded and posted to the general ledger to "Business Expenses", "Leases–Equipment and Furniture", "Other Miscellaneous Expenses", or "Non-Office Supplies."

In combination with Finding 1, there have been 50 Payment Requests related to Motorist Services and totaling $37,790.

Recommendation 2: The use of Payment Requests for contractors or subcontractors is similar to the use of Payment Requests following the exhaustion of maximum authorized contract amounts. Please see recommendations to Finding 1.

Furthermore, as Internal Audit recommended in its March 2007 audit of the FSP program, all subcontractors should be incorporated into the Motorist Services contract or these services should be procured under a separate contract.

Management Responses to Recommendation 2

Management's response is the same as to Recommendation #1. In addition, management acknowledges that staff did not follow the prescribed recommendation from the FSP audit dated March 2007; the Program Manager for Motorist Services has been directed to adhere to those guidelines.

CAMM will ensure that future contracts include all subcontractors. All project managers will be instructed to work with CAMM to amend a contract any time there is a change in the subcontractor status.

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Finding 3: Contract Scope

The scope of work for the Motorist Services contract includes Freeway Callboxes, FSP, and SAAV but does NOT include OCTAP. A review of contract payments found at least $32,000, of contract payments related to OCTAP.

Recommendation 3: Internal Audit recommends that the Program Manager for Motorist Services ensure that contract payments be limited to the services identified in the scope of work.

Management Responses to Recommendation 3

Management agrees with the finding and recommendation. The Orange County Taxicab Administration Program (OCTAP) was transferred to Motorist Services in June of 2005, after the contract was approved.

Finding 4: Progress Billing Detail

Following Internal Audit's operational audit of the FSP Program, the contractor began providing detail to support its invoices. However, of the six invoices submitted subsequent to the audit report, Internal Audit identified two instances where the supporting detail did not match the invoiced hours. For example, a July 5, 2007, invoice for 28.5 hours of contractor time was supported by detail showing 48 hours. Conversely, a September 5, 2007, invoice for 49 hours was supported by a detailed activity report showing only 45 hours.

Project or program managers are responsible for ensuring that all goods or services billed have been received and that appropriate documentation is provided to support the invoices.

Recommendation 4: Internal Audit recommends that the Program Manager for Motorist Services more thoroughly review contract invoices and ensure that all billed services are properly supported.

Management Responses to Recommendation 4

Management agrees with the finding and recommendation; the Program Manager for Motorist Services has been counseled to follow this recommendation to the letter.

Finding 5: Expense Charges

During the review of payments on the Motorist Services contract, Internal Audit noted several instances of inappropriate expense charges. In total, during the 15 months ended September 30, 2007, the contractor billed and was paid for $175.16 for lunches for the contractor, the Program Manager, and subcontractors.

Recommendation 5: OCTA contract language should be amended to prohibit contractors from billing for local meals with OCTA employees.

Management Responses to Recommendation 5

Motorist Services Management agrees with the finding and recommendation. The contractor has refunded the $175.16 payment.

As a matter of practice, CAMM is incorporating this prohibition into all new contracts executed by the Authority.

AUDIT FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES – OTHER RELATED CONTRACTS

As indicated in the **CONCLUSION** and **REVIEW SCOPE**, Internal Audit expanded its scope to include DCA and all subcontractors to the Motorist Services contract serving as prime contractors or subcontractors on other OCTA contracts during the review period, or "Other Related Contracts." During the review, Internal Audit identified issues related to on-call contracts, a subset on these "Other Related Contracts."

OCTA's procurement policy provides management with the flexibility to respond to time sensitive or evolving issues. Master on-call agreements are competitively procured. Contract Task Orders are issued on these master on-call agreements as the need for particular services arise. Procurement policy requires that the Contract Task Orders drawn on master agreements be awarded on a competitive or sequential basis. This means that on-call contract work is awarded in a two-step process.

Finding 6: On-Call Contract Issues

On-Call Contract Task Awards

During Internal Audit's review of on-call contracts and interviews of staff, it appeared staff are either unaware of the requirement for competitive or sequential Contract Task Order awarding, believed there is flexibility in its application, or stated that Contract Task Orders are not subject to competitive pricing or sequential awarding procedures if the master on-call contract procurement was competitive. Some management staff indicated that compliance with the second step requirement could be achieved through disclosure in the Request for Proposals and staff reports, as was the case with the most recent re-procurement of the Financial Planning & Analysis Department (FP&A) on-call contract. The Request for Proposals indicated that the circulation of Contract Task Orders would be to "one or more" on-call contractors, rather than competitively or sequentially.

Department	Contract Term	Contract Maximum	Payments	Contract Tasks Competitively or Sequentially Awarded
Financial Planning & Analysis	4/04-2/07 (expired)	$ 300,000	$ 213,910	$ 0
Financial Planning & Analysis	11/06-11/09	300,000	156,525	0
Internal Audit	5/03-6/08	1,800,000	1,249,357	656,529

As shown above, no competitive or sequential awards of Contract Task Orders were granted on the FP&A on-call contract since at least 2004. Only 53 percent of Contract

Task Orders on the Internal Audit on-call contract were awarded using a competitive pricing procedure since 2003.

While Internal Audit's procedures were limited to just a few on-call contracts, some of those interviewed stated that non-sequential or non-competitive Contract Task Order awarding practices are followed organization-wide.

On-Call Contract Scopes of Work

Internal Audit reviewed the Contract Task Orders awarded under several on-call contracts and the related Scopes of Work developed during the procurement process. It appeared that some tasks may be inconsistent with the general Scope of Work or the project examples cited in the Scope of Work.

Specifically, the Scope of Work for the FP&A on-call contracts (Appendix) indicated that the OCTA "awarded Agreements to on-call consultants with expertise in general financial management." The Scope of Work stated that the types of assignments would not be limited to the examples cited. The examples cited were development or design of a mid-range financial plan, an Access based budget system, financial models, revenue and forecasting models, a performance reporting system, fare elasticity models, and the determination of grant eligibility requirements. Internal Audit considered some of the tasks awarded under the FP&A on-call contracts to be considerably different than this Scope of Work:

- Assistance in Scope of Work for vanpool services
- Assistance with implementation of vanpool services
- Bus book and bus schedule analysis
- Management review of OCTA CAMM Department[2]
- Implementation of recommendations from CAMM review[2]
- Services related to Operator Uniform tracking system and business process
- NTD reporting requirements - determine best means, additional operating modes, additional costs
- Feasibility study of potential of utilizing Clerk-Recorder capabilities to address M1 archival requirements
- Assisting in analysis of performance management opportunities regarding new contract with Alta Resources for Call Center

According to management, OCTA cannot reasonably predict all of its service needs over the ensuing three-year contract period. As such, language in the Scope of Work is included to capture unspecified or "other" projects.

[2] Payments to DCA for these two tasks totaled $109,291.

For the Internal Audit on-call contract, the Scope of Work indicated that the objective was for "specialized consulting or financial and operational audit services, including audits of vendor cost proposals." Project examples cited were construction and engineering audits, financial/compliance audits, operational audits, information system audits, cost proposal analysis/price reviews, and administrative. Tasks that Internal Audit considered inconsistent with the Internal Audit on-call contract Scope of Work are as follows:

- Survey of Measure M close-out requirements
- Review Measure M Project Delivery Guidelines
- Assessment of feasibility of in-house proposal to provide currently contracted transportation services
- Provide direction and supervision to OCTA staff in development of analysis of staffing costs for OCTA programs
- Provide monitoring and consulting assistance related to project and program closeout activities for Measure M
- Development of project coding for tracking purposes
- Monitoring and consulting assistance related to project and program closeout activities related to Measure M

In addition to the challenge of better defining the scopes of work for on-call contracts, Internal Audit believes that greater scrutiny should be conducted of work performed under the Internal Audit on-call contract. Work conducted under this contract represents, in many instances, management services that conflict with the Internal Audit Department's independence.

Expired Contracts

When the maximum amount of Contract C-4-0250 for operational, financial and technical support for the 91 Express Lanes had been substantially exhausted at $472,500, an additional $50,000 project for 91 Express Lanes services was assigned under the FP&A on-call contract to the contractor, also a qualified contractor under the FP&A on-call contract. Total amounts paid subsequent to the 91 Express Lanes contract date on the on-call contract were $50,000.

Internal Audit recognizes that there were issues, which prolonged the 91 Express Lanes re-procurement leading to this Contract Task Order award. During interviews, staff indicated that use of an on-call award to prevent an interruption in service is appropriate.

Recommendation 6: Internal Audit recommends that policies governing on-call contracts be refined. As in Recommendation 1, employees with contract authority should be trained.

The CAMM Department should have primary responsibility for enforcing procurement policy including the competitive or sequential award of Contract Task Orders under on-call contracts. Internal Audit noted that on-call contracts are used across department lines so individuals preparing Contract Task Orders are not necessarily familiar with the master scopes of work. As such, CAMM should also ensure that the Contract Task Orders under on-call agreements are consistent with the master Scopes of Work.

Internal Audit recommends that the Scopes of Work for master on-call contracts accurately reflect the nature of services and the skill sets, experience or expertise required of contractors to encourage competition and ensure depth in the pool of qualified consultants. <u>Greater outreach for multidisciplinary on-call services could also be achieved with the circulation of solicitations to additional commodity codes within CAMM NET, OCTA's electronic solicitation notification system.</u>

Management Response to Recommendation 6:

While management is not in full agreement with Finding #6, it understands the Auditor's reasoning in reporting it. The current policy regarding on-call contracts does not adequately address circumstances where a competitive or sequential award of a Contract Task Order is not practical. As a result, management agrees that policies governing on-call contracts should be refined to clarify any ambiguity. Specifically, management would recommend that procurement policies and procedures be revised to require project managers to clearly disclose in the Scope of Work for the RFP and in the staff report to the Board of Directors the methodology that will be used in distributing work from a competitively-established on-call list. Acceptable means for distributing work via contract task order would be on a competitive or sequential basis or at the discretion of the project manager when the on-call contract has been structured to provide a variety of vendors with distinct expertise. Additionally, for this approach to be utilized effectively, some level of flexibility will need to be articulated in the Scope of Work and allowed by the Board of Directors. <u>Management agrees that greater circulation of solicitations can be achieved through CAMM NET.</u>

Management recognizes and therefore agrees that the CAMM department has primary responsibility for enforcing procurement policy including assurance that Contract Task Orders under on-call agreements are consistent with master Scopes of Work.

Finding 7: Conflict of Interest

Two projects have been conducted by DCA related to the CAMM Department. The first, initiated on August 2, 2006, with the execution of a Contract Task Order, concluded with a report dated January 30, 2007, and was an evaluation of the CAMM Department that resulted in recommendations including, but not limited to, the reorganization of the Department.

The second project, initiated on February 1, 2007, under another Contract Task Order was the implementation of the recommendations made by the contractor during the initial project. Among other things, the contractor and his subcontractor interviewed Department staff, including Procurement Administrators, and made recommendations as to staffing, including staff classification. The Contract Task Order for this work expired on November 30, 2007.

During the course of these two projects, or August 2, 2006 through November 30, 2007, Internal Audit noted that there were seven procurements underway in which DCA or his subcontractor, as either prime or subcontractor, were competing.

Procurement Administrators serve on procurement selection teams as voting members. Internal Audit considers the consultant's work with regard to the CAMM Study and reorganization a conflict of interest in these procurements.

Recommendation 7: Internal Audit recommends that CAMM communicate the expectation to contractors during the procurement cycle that they remain free from conflicts of interest during the conduct of their work with OCTA.

Management Response to Recommendation 7:

Management agrees that CAMM is in the best position to identify potential conflicts of interest, or perceptions of a conflict of interest with contractors that are doing business with OCTA. CAMM will take responsibility for communications with the contractor as appropriate.

Finding 8: Subcontractor Billing Errors

Internal Audit identified several billing errors related to DCA subcontractors. For External Affair's on-call Contract No. C-6-0534, DCA billed for a subcontractor in November and December 2006, for a total of $5,585, even though that subcontractor was not added to the contract until March 20, 2007.

On that same contract, DCA billed $22,000 for another subcontractor for June 2007. The supporting invoice from the subcontractor showed 240 hours at a $175 unit price, with a $20,000 discount, resulting in the $22,000 invoice amount. However, the contract rate for this subcontractor is $84 per hour. Using the contract rate of $84 and 240 hours, Internal Audit determined that the subcontractor's payment should have been $20,160. As a result, it appears OCTA was over billed $1,840.

On Contract Task Order No. 3 of Financial Planning & Analysis Department's on-call Contract No. C-3-1157, DCA billed a total of $3,410 for an unapproved subcontractor in the contract and the Contract Task Order.

Recommendation 8: As in Recommendation 2, only approved subcontractors should be billed by contractors. Furthermore, contractors should only bill at contract specified subcontractor rates. The over-billing should be reviewed and collected as appropriate.

Management Response to Recommendation 8:

Management concurs with this recommendation. The project manager authorized to approve an invoice for payment has responsibility for the accuracy of the invoice that he or she approves.

Finding 9: Independent Contractors

During the course of this review, Internal Audit identified certain circumstances, which could call into question the status of the prime contractors cited herein as independent contractors, rather than employees. The factors considered by the Internal Revenue Service in determining independent contractor status include supervision and direction, ability to fire the contractor, similarity of work to regular business operations, and provisions provided to the contractor.

Internal Audit noted during review of contract files, that in some instances, Contract Task Orders were written in such a way as to imply that OCTA had control over the manner in which work was performed. For example, the scope of work for Contract Task Order No. 8 under Internal Audit's on-call Contract C-3-0433 indicated "at the direction of the Internal Audit Manager" and "at the direction of the Deputy CEO." Similarly, some of the work performed under the Motorist Services contract closely tracks to the job description for the Program Manager.

Finally, at least two of the contractors have been given permanent work locations, access to OCTA's e-mail and calendaring systems and security badges that allow two-year, administrative building access. Internal Audit understands that all OCTA on-site contractors are granted physical access comparable to that of employees.

Recommendation 9: OCTA should conduct a review and seek a legal opinion as to the tax status of OCTA contractors. Appropriate and necessary steps should be taken to maintain independent contractor status for all contractors. Furthermore, access to OCTA facilities for all OCTA contractors should be restricted as appropriate given contractor tasks.

Management Response to Recommendation 9:

As recommended by the Auditor, over the past few weeks, legal counsel has reviewed the tax status of OCTA contractors and the Authority's access card policy. In addition, legal counsel now signs-off on all Authority agreements with independent contractors.

With regards to access to OCTA facilities, the General Services Department conducts a bi-monthly review of contractor access cards to determine that access is still appropriate based on the contractors' work duties.

Finding 10: Ethics Policy and Code of Conduct

Through interviews with project and program managers, and discussions with CAMM management, Internal Audit determined that many OCTA employees perceive procurement policies to be primarily restrictions, rather than governing principles for fair and competitive procurement activities. Employees stated that, absent a specific "rule" prohibiting certain practices, they were conducting business consistent with procurement and contracting policy. For example, employees indicated that use of Payment Requests or on-call contracts following exhaustion of contract authority was not specifically prohibited by policy and, thus, believed it appropriate.

In 2002, as a means of improving public confidence in the financial markets, the Sarbanes-Oxley Act (SOX) was passed. Section 406 specifically deals with the disclosure of fundamental values by which public companies operate. Public companies are required to disclose whether they have a code of ethics and to disclose any waivers of those codes. Through the application of SOX, public companies are encouraged to communicate the ethical tone of the organization.

Many government and not-for-profit entities are implementing ethics policies as a best-practice and a means of setting standards above the "floor" of the law or adopted policies and procedures.

CAMM policies and procedures currently include Standards of Conduct for OCTA employees, officers or agents participating in procurement activities but they generally relate to conflicts of interest arising from financial interests.

Recommendation 10: As a means of improving public confidence in OCTA procurement and contracting processes, and to provide guidance to staff where policy may be absent, insufficient or inconsistent, Internal Audit recommends that OCTA develop an organization-wide Ethics Policy. The policy should include a statement of core values and principles, behavioral examples, a description of the infrastructure that supports the code (Frequently Asked Questions, reporting misconduct, processes for confidentiality, etc), and communication standards. The policy should also stress personal responsibility and disciplinary consequences for misconduct. Finally, all employees should be trained on the policy and its application.

In addition to the inclusion of statements concerning conflicts of interest in an organization-wide Ethics Policy, Internal Audit recommends that CAMM revise its Standards of Conduct for procurement activities for those conflicts that may arise beyond financial interest conflicts.

Management Response to Recommendation 10:

Management agrees that an organization-wide ethics policy should be developed and appropriate training sessions should be conducted and that the Standards of Conduct for procurement activities be expanded beyond financial conflicts of interest.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

Appendix: Agreement No. 3-1157 Attachment A Scope of Work Financial Management Consultant Services

Agreement No. 3-1157
Attachment A

SCOPE OF WORK

FINANCIAL MANAGEMENT CONSULTANT SERVICES

1. BACKGROUND

The Orange County Transportation Authority is a state-mandated, countywide transportation agency. The Authority was formed in 1991 to develop and implement transportation programs designed to reduce traffic congestion and improve air quality. As one agency, the Authority provides Orange County with a single point of accountability and a greater voice for local residents for all transportation issues.

The Authority's Financial Planning and Analysis Department is responsible for developing and maintaining the financial plans of the Authority, which include the OCTA budget, Comprehensive Business Plan, and fixed asset replacement planning. The department is also responsible for conducting various fiscal studies, monitoring operating, capital expenditures, and managing a variety of funding sources for the Authority. In addition, the department ensures that grant reports are completed in a timely and accurate manner to maximize Federal and other discretionary funding. The department also oversees Transportation Development Act programs, property taxes, fare subsidy and gas tax exchange.

2. CONTRACT TASK ORDERS

To maximize the consulting resources available to the Financial Planning and Analysis Department, a list of on-call consultants with expertise in general financial management will be developed to support the Financial Planning and Analysis Department. During the term of the Agreement, the Financial Planning and Analysis staff will identify needs for service and projects. A Scope of Work will be developed and forwarded to the on-call consultants. The consultants will prepare a brief proposal, which will include a work plan a firm-fixed price proposal.

3. WORK PLAN

3.1. Scope of Services

The Authority's Financial Planning and Analysis Department has established an on-call list of professional consultants to provide general financial management consulting services on an as needed basis.

The following are descriptions of consulting services awarded under pervious on-cal agreements. The types of future assignments will not be limited to the projects below but may also include yet unspecified projects as they arise and are required by the Authority.

A. Develop a Mid Range Financial Plan

B. Develop an Access based budget system. Assist in training and implementation of the budget system. Provide system documentation and user training manuals.

C. Develop financial models- Development of model specifications (formulas, data elements) and analysis of information to be used in the baseline model.

D. Design revenue and forecasting models

E. Develop a P erformance Reporting System

F. Survey Fare Elasticity Models

Project Management

The Manager of the Financial Planning and Analysis Department will be the Authority's main contact and will be responsible for management of this program including developing all Scopes of Work: determining time schedules for all projects and approving all work complete by consultant.

Scope of Work

On–Call Financial Management Services

Background

The Authority's Financial Planning and Analysis Department is responsible for developing and maintaining the financial plans of the Authority which include the OCTA budget, Comprehensive Business Plan, and fixed asset replacement planning. The department is also responsible for conducting various fiscal studies, monitoring operating and capital expenditures and managing a variety of funding sources for the Authority. In addition, the department ensures that grant reports are completed in a timely and accurate manner to maximize Federal and other discretionary funding. The department also oversees Transportation Development Act programs, property taxes, fare subsidy and gas tax exchange program.

Scope of Services

To maximize the consulting resources available to the Financial Planning and Analysis Department, the Authority has awarded Agreements to on-call consultants with expertise in general financial management on an as-needed basis. During the term of the Agreements, the Financial Planning and Analysis staff will identify needs for services and projects. A Scope of Work will be developed and forwarded to one or more of the on-call consultants. The consultants will be required to prepare brief proposals which will include only a work plan for the specific project and firm-fixed price cost proposal or time and expense proposal.

The following are descriptions of consulting services awarded under previous on-call agreements. The types of assignments will not be limited to the projects below but may also include yet unspecified projects as they arise and are required by the Authority. The descriptions provided by the Authority in this Scope of Work are very broad due to the fact that no specific projects have been developed.

- Develop a Mid Range Financial Plan
- Develop an Access based budget system. Assist in training and implementation of the budget system. Provide system documentation and user training manuals.
- Develop financial models – Development of model specifications (formulas, data, elements) and analysis of information to be used in the baseline model.
- Design revenue and forecasting models
- Develop a Performance Reporting System
- Survey Fare Elasticity Models
- Determine grant eligibility requirements

Project Management

The Manager of the Financial Planning and Analysis Department will be the Authority's main contact and will be responsible for the management of this program including developing all Scopes of Work; determining time schedules for all projects and approving all work completed by consultant.

OCTA

August 27, 2008

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements

Overview

The Internal Audit Department completed a review of Agreement No. C-4-0793 between the Orange County Transportation Authority and Darrel Cohoon & Associates, as well as other related contracts, and has made recommendations to strengthen internal controls over payment requests and procurement policy.

Recommendation

Direct staff to implement recommendations in the Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008, with Revised Management Responses August 1, 2008.

Background

On September 11, 2007, the Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) initiated a follow-up review to an operational audit of the Freeway Service Patrol Program that was conducted as part of the fiscal year 2006-07 annual Internal Audit plan (Internal Audit Report No. 07-011, dated March 16, 2007). The audit identified issues related to Agreement No. C-4-0793 (Agreement). Follow-up procedures, including management concerns about the re-procurement for contracted assistance for motorist service programs, identified both unresolved and additional issues. Internal Audit expanded the scope of the follow up review to include other related contracts, payment requests, and on-call contracts.

The Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008, was provided to the Finance and Administration Committee (Committee) on May 14, 2008.

Following discussion with the Committee, management revised its initial responses to several recommendations.

Discussion

OCTA has three primary mechanisms for making payments for goods and services: payments against contracts, payments on purchase orders, and payments using payment requests. Generally, payments using payment requests are of a small dollar amount (less than $2,500) and are of a non-recurring nature. Examples of the legitimate use of payment requests for non-recurring payments include training and conferences, publications, dues or memberships, and emergency services or supplies. Payment requests are also used for certain large (more than $2,500) recurring payments such as the payment of deferred compensation withholdings to OCTA's plan administrator and Measure M turnback payments to cities.

During the course of this review, Internal Audit identified issues related to the use of payment requests wherein the authorized contract value was exceeded and additional program consulting costs were paid using payment requests. Review of contractor invoices also identified issues with progress billings and expense charges. Internal Audit made recommendations to improve controls related to payment requests and invoice review. Management concurred with the recommendations and is implementing corrective action.

Internal Audit also found that the scope of work for the Freeway Service Patrol contract changed with the addition of work related to the Orange County Taxi Administration Program and recommended that payments under the Agreement be limited to only those services identified in the contract. Management agreed with the recommendation.

Internal Audit also reviewed other contracts for which the prime and subcontractors under the Agreement also serve as prime or subcontractors on other OCTA contracts, including several "on-call" contracts. On-call contracts are established to allow OCTA staff the flexibility to have consultants respond quickly to evolving or time sensitive needs. Internal Audit concluded that on-call contract scopes of work should be better defined and that the policy requiring competitive or sequential award of task orders under on-call contracts be enforced. Management is proposing that procurement policies and procedures be revised to require project managers to clearly disclose in the scope of work and the staff report the methodology that will be used in distributing work from a competitively-established on-call list. Management indicated that acceptable means would be on a competitive or sequential basis or at the discretion of the project manager when the on-call contract has been structured to provide a variety of vendors with distinct expertise.

Finally, Internal Audit has recommended that OCTA evaluate the status of independent contractors, communicate the expectation to contractors that the contractors remain free from conflicts of interest while working with OCTA, and that OCTA develop an agency-wide ethics policy and code of conduct.

Summary

Based on the review, Internal Audit offered ten recommendations to strengthen internal controls over payment requests and procurement policy. The management responses satisfactorily address these recommendations. Management is proposing revisions to procurement policy to enhance existing procurement practices.

Attachment

A. Review of Agreement No. C-4-0793 Darrel Cohoon and Associates and Other Related Agreements, Internal Audit Report No. 08-008, with Revised Management Responses August 1, 2008

Prepared by:

Kathleen M. O'Connell

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

ATTACHMENT A

OCTA

INTEROFFICE MEMO

August 18, 2008

To: Paul Taylor, Deputy Chief Executive Officer

Jim Kenan, Executive Director
Finance, Administration and Human Resources

SN

From: Serena Ng, Senior Internal Auditor
Internal Audit

Subject: **Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008 with Revised Management Responses August 1, 2008**

The Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008, was provided to the Finance and Administration Committee (Committee) on May 14, 2008. On August 1, 2008, management provided revised management responses, which have been incorporated into the attached audit report.

This report with the revised management responses will be provided to the Committee on August 27, 2008. Internal Audit will follow up on any corrective action in six months.

Appendix: Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements, Internal Audit Report No. 08-008 with Revised Management Responses August 1, 2008

c: Iain Fairweather
Tom Wulf
Virginia Abadessa
Kathleen O'Connell

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793
Darrel Cohoon & Associates
and Other Related Agreements

INTERNAL AUDIT REPORT NO. 08-008

with Revised Management Responses
August 1, 2008

<u>Audit Team</u>

Kathleen M. O'Connell, CPA, Internal Audit Manager
Serena Ng, CPA, Senior Internal Auditor

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

CONCLUSION

Internal Audit has conducted a review of Agreement No. (Contract) C-4-0793 between the Orange County Transportation Authority (OCTA) and Darrel Cohoon & Associates (DCA). Based on preliminary findings during the review, the scope of the review was expanded to include all open contracts during the 24 months ended September 30, 2007, for which DCA and its subcontractors are identified as prime contractors or subcontractors on other OCTA contracts.

Based on Internal Audit's review of the DCA contract, it appears that Payment Requests were used to continue contracted services following the exhaustion of contract authority. Internal Audit also identified payments for services outside the defined scope of work for this contract, misleading general ledger payment postings, and inappropriate or unsupported expenses billed by the contractor. In addition, Internal Audit has identified issues related to on-call contracts. Internal Audit has offered recommendations to improve policies, procedures, and controls over the procurement and contracting processes.

While this review focused on certain contracts and related Payment Requests, it is possible through review of Payment Requests processed over the 24 months ended September 30, 2007, that Payment Requests for other goods and/or services have been processed that may also be inconsistent with OCTA procurement policy. The Accounting Department has begun a review of these Payment Requests. Internal Audit will include reviews of other on-call contracts in its next annual audit plan.

BACKGROUND

Motorist Services Contract

OCTA manages certain countywide services for motorists (Motorist Services or Programs), including the Freeway Service Patrol program (FSP), the Freeway Callbox system, the Orange County Taxicab Administration Program (OCTAP) and the Service Authority for Abandoned Vehicles (SAAV). The Programs are administered by the Section Manager for Motorist Services (Program Manager) who has responsibility for the day-to-day operation of the Programs, preparing the annual budget for the Programs, and preparing any required longer-term financial plans.

In October 2004, a one-year contract with two option terms was executed between OCTA and DCA to provide consultant services to administer the Programs, excluding OCTAP, in an amount not to exceed $125,000. The scope of work provided that the consultant would perform tasks such as interagency relations (California Highway Patrol and the California Department of Transportation), cash flow modeling, developing financial plans, participating in meetings, and calculating and reporting on performance measures.

Amendment No. 1 to the Contract, executed on October 14, 2005, exercised the first one-year option term for the period November 1, 2005 through October 31, 2006, increased the maximum obligation to $225,000 and added one subcontractor. Amendment No. 2, executed on October 6, 2006, exercised the second one-year option term for the period November 1, 2006 through October 31, 2007, and increased the maximum obligation to $325,000. Amendment No. 3, executed on March 19, 2007, added two subcontractors.

Amendment No. 4 to the contract was executed on September 5, 2007, to increase the maximum obligation on the contract by $18,750, or 15 percent of the original $125,000 contract amount, to a total obligation of $343,750.

Procurement

OCTA has established policies and procedures for purchasing and contracting that are developed by the Contracts Administration and Materials Management (CAMM) Department and reflect Board of Directors' policy. Those policies and procedures specify thresholds upon which competitive procurements must be conducted, generally, for goods and services greater than $2,500.

OCTA has three primary mechanisms for making payments: payments against contracts, payments on purchase orders, and payments using Payment Requests. Generally, payments using Payment Requests are of small dollar amount (<$2,500) and are of a non-recurring nature. Examples of the legitimate use of Payment Requests for non-recurring payments include training and conferences, publications, dues or memberships and emergency services or supplies. Payment Requests are also used for certain large (>$2,500) recurring payments such as the payment of deferred compensation withholdings to OCTA's plan administrator and Measure M turnback payments to cities.

Procurement policy allows for Contract Task Orders under master, on-call agreements. On-call contracts are competitively established under a general scope of work developed by the contracting OCTA department. According to procurement policy, these contracts are for "certain services such as real property appraisals, asbestos removal, auditing, training, graphic arts, human resources and public communications consulting." On-call contracts allow OCTA staff the flexibility to have consultants respond quickly to evolving or time sensitive needs. Below is a summary of multi-vendor, multi-year on-call contracts open as of November 1, 2007.

Division	Description	Contract Value	# of On-Call Contract Pools
Development	Soundwall Noise Barrier	$ 1,280,000	1
Development	Commuter Rail Support Services	2,800,000	2
Development	Other (Right of Way Engineering, Appraisal, etc.)	2,050,000	4
External Affairs	Vanpool Services	5,246,400	1
External Affairs	Other (Printing, Graphics, Outreach, Mailhouse, etc.)	776,222	13
Finance, Administration & HR	Temporary Staffing Services	1,495,000	1
Finance, Administration & HR	Other (Financial Management, Technology)	350,000	2
Internal Audit	General Auditing & Consulting Services	1,800,000	1
Transit	Graphic Design Services	60,000	1
		$ 15,857,622	26

Note: This summary is based on information provided by CAMM and is unaudited. On-call contract pools with contract values exceeding $1,000,000 have been separately identified, with all other on-call contract pools for the division grouped as "Other." The Finance, Administration & HR Other contracts include a $50,000 technology services contract.

REVIEW SCOPE

On September 11, 2007, Internal Audit initiated a follow-up review to an operational audit of the Freeway Service Patrol Program that was conducted as part of the Fiscal Year 2006-07 Annual Internal Audit Plan (Internal Audit Report No. 07-011, dated March 16, 2007). The audit identified issues related to Agreement No. C-4-0793. Follow-up review procedures, including management concerns about the re-procurement for contracted assistance for the Programs, identified both unresolved and additional issues. These unresolved and additional issues prompted Internal Audit to expand the scope of the follow-up review.

The scope of Internal Audit's review included a review of Contract C-4-0793 and other open contracts for which DCA and its subcontractors are prime contractors or subcontractors during the 24 months ended September 30, 2007. The review also included summarizing and reviewing all Contract Task Orders issued on certain on-call contracts and a review of certain records from the accounting system for the 24 months ended September 30, 2007.

Internal Audit's procedures included the following:

- Reviewed Contract C-4-0793 between OCTA and DCA.
- Reviewed other contracts between OCTA and DCA as prime contractor.

- Reviewed contracts between subcontractors to Contract C-4-0793 and OCTA.
- Reviewed all Contract Task Orders issued on these contracts.
- Obtained and reviewed paid invoices for DCA and all subcontractors for the 15 months ended September 30, 2007, for compliance with contractual rates, maximum obligation amounts and scopes of work, invoice support for billed hours and expenses, invoice approval, and account coding.
- Obtained and reviewed Payment Request data for the 24 months ended September 30, 2007.
- Interviewed OCTA employees involved in procurement and contracting activities.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

AUDIT FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES – MOTORIST SERVICES CONTRACT C-4-0793

Finding 1: Use of Payment Requests

For the period under review, Internal Audit identified 18 payments to DCA and approved subcontractors using Payment Requests and totaling $30,027. All but one in the amount of $935 were made when the maximum contract amount had been exhausted.

Contract Year	Payee	Amount	No. Payment Requests
2006	DCA	$ 4,521	1
	DCA (for approved subcontractors)	3,426	2
2007	DCA	935*	1
	DCA	12,350	6
	Approved subcontractors	8,795	8
		$ 30,027	18

* With the exception of this payment, all payments were made when the maximum contract obligation had been exhausted.

Internal Audit noted that the pattern of invoices changed in 2007 after the maximum contract amount was exhausted. The contractor's usual monthly billing changed to multiple invoices covering the same month. Two invoices specified services for the SAAV program rather than simply "Motorist Services" as had been the case. On one invoice, the Motorist Services contract number was whited-out. Additionally, the general ledger account numbers used on the Payment Requests included "Contributions to Other Agencies", "Equipment Repair/Maintenance" and "Business Expenses" accounts. Based on the documentation, it appears that the use of Payment Requests and invoice alterations allowed payments to the contractor beyond the maximum contract obligation.

While there is no formal policy at OCTA for the use of Payment Requests, procurement policies and procedures require that departments use the established procurement process for purchases over $2,500. Discussions concerning the appropriate use of Payment Requests have been surfaced by the Manager of the Accounting Department. In fact, DCA, as a subcontractor to LMS Consulting (LMS) during the State Triennial Audit of the OCTA for the three-year period ended June 30, 2006, identified the issue of possible misuse of Payment Requests:

> *"Whenever possible, departments are required to go through CAMM's normal procurement process for purchases over $2,500. In practice,*

some departments repeatedly issue numerous payment requests that if properly consolidated would exceed the $2,500 threshold."[1]

During interviews with the Program Manager and others involved in procurement and contracting (see Finding 6), employees cited a lack of specific guidance in procurement policy and/or conflicting guidance from the CAMM or Accounting Department staff.

While it is the responsibility of each project or program manager to adhere to OCTA procurement policy, the CAMM Department, which is responsible for procurement activities, and the Accounting Department, which processes Payment Requests, should also participate in ensuring policy compliance.

Recommendation 1: A sound system of internal control in any organization relies on both "prevent" and "detect" controls. Comprehensive procurement policies, procedures, training and enforcement are the most effective means of "preventing" inappropriate use of Payment Requests and ensuring procurement policy compliance. CAMM should develop, maintain and enforce all procurement policies.

The Accounting Department (Accounting) should be formally charged with "detect" responsibilities. Accounting should monitor the use of Payment Requests and report any suspected misuse to the appropriate department manager. CAMM should also be notified of potential misuse of Payment Requests in order to assist departments in policy compliance.

In the last year, OCTA conducted a procurement training session entitled "Plan-Buy-Pay" which highlighted some of the more common issues encountered in the procurement cycle. Internal Audit recommends that OCTA develop a more formal, organization-wide procurement training program for all employees with signature authority on contracts, purchase orders, or Payment Requests. Employees should be trained both before participating in the OCTA procurement process, as well as at reasonable intervals thereafter particularly when assuming new authority, or when changes to procurement policy and procedures are adopted.

Management Responses to Recommendation 1

Management agrees that Payment Requests and other irregular practices allowed payments to the contractor beyond the maximum contract obligation. In fact, this occurred at two periods during the time subject to audit. In September and October, 2006, the Program Manager used Payment Requests to pay a subconsultant

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[1] "Report To: The Orange County Transportation Authority, FY 2004-FY 2006 TDA Performance Audits", LMS Consulting, May 2007.

to DCA in order to expense that subconsultant's invoice to SAAV or OCTAP, and preserve contract authority for more general Motorist Services activities necessary before a requested option year could be exercised for DCA. In July 2007, the Program Manager resumed use of Payment Requests in anticipation of a further extension of the maximum contract obligation that never materialized due to several factors; some of those confounding factors should have been anticipated by the Program Manager. Management believes that failure to plan ahead to allow sufficient time to process the correct paperwork to allow continuance of support in Motorist Services reflects poor planning on the part of the Program Manager, who has been counseled to that effect. Management is convinced the Motorist Services Program Manager did not use payment requests to circumvent Procurement Policies and Procedures and/or to avoid competitive procurement. Most of the payment requests were issued to ensure continuation of critical operational-support services in a period when the contract's spending limit had been reached, but while an amendment for further funding was being processed.

CAMM has assisted the Accounting Department in developing a policy that details the appropriate use of the payment request form. The policy prohibits the use of payment requests for goods or services covered by a current contract or purchase order. Additionally, the policy states that payment requests are not to be used as a means to avoid amending a contract to extend the term or increase the dollar amount.

The Accounting Department is also responsible for maintaining and monitoring the proper use of payment requests and, in concert with the individual user and user's department/division management, is charged with monitoring compliance with payment request policies and procedures.

To detect the improper use of payment requests, the Accounting Department conducts a quarterly analysis of payment requests for the preceding 12-month period. The analysis identifies one-time payment requests over $2,500 as well as multiple payments to a single vendor that total over $2,500 within the 12-month period. It identifies possible payment request violations as well as legitimate uses of payment requests that might benefit from the establishment of a blanket purchase order. The report is delivered to CAMM for further review and follow-up with the user departments. In addition, accounts payable clerks are instructed to bring any apparent payment request abuse to the attention of the Manager of Accounting.

The Plan-Buy-Pay training program was developed by the managers of CAMM, Accounting and FP&A in conjunction with the training department, to educate staff with signature authority on contracts, purchase orders or payment requests. The existing training program will be expanded and made more structured to continue to address these concerns.

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

Finding 2: Payment Requests for Unapproved Contractor

In March 2007, Internal Audit issued an operational audit report of the FSP program. The audit identified numerous issues with the DCA contract. Invoices lacked sufficient detail as to the services performed, progress reports were not being provided by the contractor as required by the contract, a subcontractor was billing in excess of the prime's billing rate, subcontractors not specified within the contract had billed and were paid $60,344, and out-of-pocket expenses of $4,699, were reimbursed without adequate documentation. Management agreed with the findings and recommendations and stated that these issues would be resolved.

The current review of this contract identified additional issues. During Internal Audit's review of Payment Requests to DCA, numerous Payment Requests were identified that appeared to be for an additional contractor or subcontractor to DCA. During the 24 months ended September 30, 2007, Internal Audit identified 32 payments totaling $7,763, to a FSP contractor. Many of these Payment Requests indicated "FSP Data Project" or "FSP Data Collection." Payments, however, were all coded and posted to the general ledger to "Business Expenses", "Leases–Equipment and Furniture", "Other Miscellaneous Expenses", or "Non-Office Supplies."

In combination with Finding 1, there have been 50 Payment Requests related to Motorist Services and totaling $37,790.

Recommendation 2: The use of Payment Requests for contractors or subcontractors is similar to the use of Payment Requests following the exhaustion of maximum authorized contract amounts. Please see recommendations to Finding 1.

Furthermore, as Internal Audit recommended in its March 2007 audit of the FSP program, all subcontractors should be incorporated into the Motorist Services contract or these services should be procured under a separate contract.

Management Responses to Recommendation 2

Management's response is the same as to Recommendation #1. In addition, management acknowledges that staff did not follow the prescribed recommendation from the FSP audit dated March 2007; the Program Manager for Motorist Services has been directed to adhere to those guidelines.

CAMM will ensure that future contracts include all subcontractors. All project managers will be instructed to work with CAMM to amend a contract any time there is a change in the subcontractor status.

Finding 3: Contract Scope

The scope of work for the Motorist Services contract includes Freeway Callboxes, FSP, and SAAV but does NOT include OCTAP. A review of contract payments found at least $32,000, of contract payments related to OCTAP.

Recommendation 3: Internal Audit recommends that the Program Manager for Motorist Services ensure that contract payments be limited to the services identified in the scope of work.

Management Responses to Recommendation 3

Management agrees with the finding and recommendation. The Orange County Taxicab Administration Program (OCTAP) was transferred to Motorist Services in June of 2005, after the contract was approved.

Finding 4: Progress Billing Detail

Following Internal Audit's operational audit of the FSP Program, the contractor began providing detail to support its invoices. However, of the six invoices submitted subsequent to the audit report, Internal Audit identified two instances where the supporting detail did not match the invoiced hours. For example, a July 5, 2007, invoice for 28.5 hours of contractor time was supported by detail showing 48 hours. Conversely, a September 5, 2007, invoice for 49 hours was supported by a detailed activity report showing only 45 hours.

Project or program managers are responsible for ensuring that all goods or services billed have been received and that appropriate documentation is provided to support the invoices.

Recommendation 4: Internal Audit recommends that the Program Manager for Motorist Services more thoroughly review contract invoices and ensure that all billed services are properly supported.

Management Responses to Recommendation 4

Management agrees with the finding and recommendation; the Program Manager for Motorist Services has been counseled to follow this recommendation to the letter.

Finding 5: Expense Charges

During the review of payments on the Motorist Services contract, Internal Audit noted several instances of inappropriate expense charges. In total, during the 15 months ended September 30, 2007, the contractor billed and was paid for $175.16 for lunches for the contractor, the Program Manager, and subcontractors.

Recommendation 5: OCTA contract language should be amended to prohibit contractors from billing for local meals with OCTA employees.

Management Responses to Recommendation 5

Motorist Services Management agrees with the finding and recommendation. The contractor has refunded the $175.16 payment.

As a matter of practice, CAMM is incorporating this prohibition into all new contracts executed by the Authority.

AUDIT FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES – OTHER RELATED CONTRACTS

As indicated in the **CONCLUSION** and **REVIEW SCOPE**, Internal Audit expanded its scope to include DCA and all subcontractors to the Motorist Services contract serving as prime contractors or subcontractors on other OCTA contracts during the review period, or "Other Related Contracts." During the review, Internal Audit identified issues related to on-call contracts, a subset on these "Other Related Contracts."

OCTA's procurement policy provides management with the flexibility to respond to time sensitive or evolving issues. Master on-call agreements are competitively procured. Contract Task Orders are issued on these master on-call agreements as the need for particular services arise. Procurement policy requires that the Contract Task Orders drawn on master agreements be awarded on a competitive or sequential basis. This means that on-call contract work is awarded in a two-step process.

Finding 6: On-Call Contract Issues

On-Call Contract Task Awards

During Internal Audit's review of on-call contracts and interviews of staff, it appeared staff are either unaware of the requirement for competitive or sequential Contract Task Order awarding, believed there is flexibility in its application, or stated that Contract Task Orders are not subject to competitive pricing or sequential awarding procedures if the master on-call contract procurement was competitive. Some management staff indicated that compliance with the second step requirement could be achieved through disclosure in the Request for Proposals and staff reports, as was the case with the most recent re-procurement of the Financial Planning & Analysis Department (FP&A) on-call contract. The Request for Proposals indicated that the circulation of Contract Task Orders would be to "one or more" on-call contractors, rather than competitively or sequentially.

Department	Contract Term	Contract Maximum	Payments	Contract Tasks Competitively or Sequentially Awarded
Financial Planning & Analysis	4/04-2/07 (expired)	$ 300,000	$ 213,910	$ 0
Financial Planning & Analysis	11/06-11/09	300,000	156,525	0
Internal Audit	5/03-6/08	1,800,000	1,249,357	656,529

As shown above, no competitive or sequential awards of Contract Task Orders were granted on the FP&A on-call contract since at least 2004. Only 53 percent of Contract

Task Orders on the Internal Audit on-call contract were awarded using a competitive pricing procedure since 2003.

While Internal Audit's procedures were limited to just a few on-call contracts, some of those interviewed stated that non-sequential or non-competitive Contract Task Order awarding practices are followed organization-wide.

On-Call Contract Scopes of Work

Internal Audit reviewed the Contract Task Orders awarded under several on-call contracts and the related Scopes of Work developed during the procurement process. It appeared that some tasks may be inconsistent with the general Scope of Work or the project examples cited in the Scope of Work.

Specifically, the Scope of Work for the FP&A on-call contracts (Appendix) indicated that the OCTA "awarded Agreements to on-call consultants with expertise in general financial management." The Scope of Work stated that the types of assignments would not be limited to the examples cited. The examples cited were development or design of a mid-range financial plan, an Access based budget system, financial models, revenue and forecasting models, a performance reporting system, fare elasticity models, and the determination of grant eligibility requirements. Internal Audit considered some of the tasks awarded under the FP&A on-call contracts to be considerably different than this Scope of Work:

- Assistance in Scope of Work for vanpool services
- Assistance with implementation of vanpool services
- Bus book and bus schedule analysis
- Management review of OCTA CAMM Department[2]
- Implementation of recommendations from CAMM review[2]
- Services related to Operator Uniform tracking system and business process
- NTD reporting requirements - determine best means, additional operating modes, additional costs
- Feasibility study of potential of utilizing Clerk-Recorder capabilities to address M1 archival requirements
- Assisting in analysis of performance management opportunities regarding new contract with Alta Resources for Call Center

According to management, OCTA cannot reasonably predict all of its service needs over the ensuing three-year contract period. As such, language in the Scope of Work is included to capture unspecified or "other" projects.

[2] Payments to DCA for these two tasks totaled $109,291.

For the Internal Audit on-call contract, the Scope of Work indicated that the objective was for "specialized consulting or financial and operational audit services, including audits of vendor cost proposals." Project examples cited were construction and engineering audits, financial/compliance audits, operational audits, information system audits, cost proposal analysis/price reviews, and administrative. Tasks that Internal Audit considered inconsistent with the Internal Audit on-call contract Scope of Work are as follows:

- Survey of Measure M close-out requirements
- Review Measure M Project Delivery Guidelines
- Assessment of feasibility of in-house proposal to provide currently contracted transportation services
- Provide direction and supervision to OCTA staff in development of analysis of staffing costs for OCTA programs
- Provide monitoring and consulting assistance related to project and program closeout activities for Measure M
- Development of project coding for tracking purposes
- Monitoring and consulting assistance related to project and program closeout activities related to Measure M

In addition to the challenge of better defining the scopes of work for on-call contracts, Internal Audit believes that greater scrutiny should be conducted of work performed under the Internal Audit on-call contract. Work conducted under this contract represents, in many instances, management services that conflict with the Internal Audit Department's independence.

Expired Contracts

When the maximum amount of Contract C-4-0250 for operational, financial and technical support for the 91 Express Lanes had been substantially exhausted at $472,500, an additional $50,000 project for 91 Express Lanes services was assigned under the FP&A on-call contract to the contractor, also a qualified contractor under the FP&A on-call contract. Total amounts paid subsequent to the 91 Express Lanes contract date on the on-call contract were $50,000.

Internal Audit recognizes that there were issues, which prolonged the 91 Express Lanes re-procurement leading to this Contract Task Order award. During interviews, staff indicated that use of an on-call award to prevent an interruption in service is appropriate.

Recommendation 6: Internal Audit recommends that policies governing on-call contracts be refined. As in Recommendation 1, employees with contract authority should be trained.

The CAMM Department should have primary responsibility for enforcing procurement policy including the competitive or sequential award of Contract Task Orders under on-call contracts. Internal Audit noted that on-call contracts are used across department lines so individuals preparing Contract Task Orders are not necessarily familiar with the master scopes of work. As such, CAMM should also ensure that the Contract Task Orders under on-call agreements are consistent with the master Scopes of Work.

Internal Audit recommends that the Scopes of Work for master on-call contracts accurately reflect the nature of services and the skill sets, experience or expertise required of contractors to encourage competition and ensure depth in the pool of qualified consultants.

Management Response to Recommendation 6:

While management is not in full agreement with Finding #6, it understands the Auditor's reasoning in reporting it. The current policy regarding on-call contracts does not adequately address circumstances where a competitive or sequential award of a Contract Task Order is not practical. As a result, management agrees that policies governing on-call contracts should be refined to clarify any ambiguity. Specifically, management would recommend that procurement policies and procedures be revised to require project managers to clearly disclose in the Scope of Work for the RFP and in the staff report to the Board of Directors the methodology that will be used in distributing work from a competitively-established on-call list. Acceptable means for distributing work via contract task order would be on a competitive or sequential basis or at the discretion of the project manager when the on-call contract has been structured to provide a variety of vendors with distinct expertise. Additionally, for this approach to be utilized effectively, some level of flexibility will need to be articulated in the Scope of Work and allowed by the Board of Directors.

Management recognizes and therefore agrees that the CAMM department has primary responsibility for enforcing procurement policy including assurance that Contract Task Orders under on-call agreements are consistent with master Scopes of Work.

Finding 7: Conflict of Interest

Two projects have been conducted by DCA related to the CAMM Department. The first, initiated on August 2, 2006, with the execution of a Contract Task Order, concluded with a report dated January 30, 2007, and was an evaluation of the CAMM Department that resulted in recommendations including, but not limited to, the reorganization of the Department.

The second project, initiated on February 1, 2007, under another Contract Task Order was the implementation of the recommendations made by the contractor during the initial project. Among other things, the contractor and his subcontractor interviewed Department staff, including Procurement Administrators, and made recommendations as to staffing, including staff classification. The Contract Task Order for this work expired on November 30, 2007.

During the course of these two projects, or August 2, 2006 through November 30, 2007, Internal Audit noted that there were seven procurements underway in which DCA or his subcontractor, as either prime or subcontractor, were competing.

Procurement Administrators serve on procurement selection teams as voting members. Internal Audit considers the consultant's work with regard to the CAMM Study and reorganization a conflict of interest in these procurements.

Recommendation 7: Internal Audit recommends that CAMM communicate the expectation to contractors during the procurement cycle that they remain free from conflicts of interest during the conduct of their work with OCTA.

Management Response to Recommendation 7:

Management agrees that CAMM is in the best position to identify potential conflicts of interest, or perceptions of a conflict of interest with contractors that are doing business with OCTA. CAMM will take responsibility for communications with the contractor as appropriate.

Finding 8: Subcontractor Billing Errors

Internal Audit identified several billing errors related to DCA subcontractors. For External Affair's on-call Contract No. C-6-0534, DCA billed for a subcontractor in November and December 2006, for a total of $5,585, even though that subcontractor was not added to the contract until March 20, 2007.

On that same contract, DCA billed $22,000 for another subcontractor for June 2007. The supporting invoice from the subcontractor showed 240 hours at a $175 unit price, with a $20,000 discount, resulting in the $22,000 invoice amount. However, the contract rate for this subcontractor is $84 per hour. Using the contract rate of $84 and 240 hours, Internal Audit determined that the subcontractor's payment should have been $20,160. As a result, it appears OCTA was over billed $1,840.

On Contract Task Order No. 3 of Financial Planning & Analysis Department's on-call Contract No. C-3-1157, DCA billed a total of $3,410 for an unapproved subcontractor in the contract and the Contract Task Order.

Recommendation 8: As in Recommendation 2, only approved subcontractors should be billed by contractors. Furthermore, contractors should only bill at contract specified subcontractor rates. The over-billing should be reviewed and collected as appropriate.

Management Response to Recommendation 8:

Management concurs with this recommendation. The project manager authorized to approve an invoice for payment has responsibility for the accuracy of the invoice that he or she approves.

Finding 9: Independent Contractors

During the course of this review, Internal Audit identified certain circumstances, which could call into question the status of the prime contractors cited herein as independent contractors, rather than employees. The factors considered by the Internal Revenue Service in determining independent contractor status include supervision and direction, ability to fire the contractor, similarity of work to regular business operations, and provisions provided to the contractor.

Internal Audit noted during review of contract files, that in some instances, Contract Task Orders were written in such a way as to imply that OCTA had control over the manner in which work was performed. For example, the scope of work for Contract Task Order No. 8 under Internal Audit's on-call Contract C-3-0433 indicated "at the direction of the Internal Audit Manager" and "at the direction of the Deputy CEO." Similarly, some of the work performed under the Motorist Services contract closely tracks to the job description for the Program Manager.

Finally, at least two of the contractors have been given permanent work locations, access to OCTA's e-mail and calendaring systems and security badges that allow two-year, administrative building access. Internal Audit understands that all OCTA on-site contractors are granted physical access comparable to that of employees.

Recommendation 9: OCTA should conduct a review and seek a legal opinion as to the tax status of OCTA contractors. Appropriate and necessary steps should be taken to maintain independent contractor status for all contractors. Furthermore, access to

OCTA facilities for all OCTA contractors should be restricted as appropriate given contractor tasks.

Management Response to Recommendation 9:

As recommended by the Auditor, over the past few weeks, legal counsel has reviewed the tax status of OCTA contractors and the Authority's access card policy. In addition, legal counsel now signs-off on all Authority agreements with independent contractors.

With regards to access to OCTA facilities, the General Services Department conducts a bi-monthly review of contractor access cards to determine that access is still appropriate based on the contractors' work duties.

Finding 10: Ethics Policy and Code of Conduct

Through interviews with project and program managers, and discussions with CAMM management, Internal Audit determined that many OCTA employees perceive procurement policies to be primarily restrictions, rather than governing principles for fair and competitive procurement activities. Employees stated that, absent a specific "rule" prohibiting certain practices, they were conducting business consistent with procurement and contracting policy. For example, employees indicated that use of Payment Requests or on-call contracts following exhaustion of contract authority was not specifically prohibited by policy and, thus, believed it appropriate.

In 2002, as a means of improving public confidence in the financial markets, the Sarbanes-Oxley Act (SOX) was passed. Section 406 specifically deals with the disclosure of fundamental values by which public companies operate. Public companies are required to disclose whether they have a code of ethics and to disclose any waivers of those codes. Through the application of SOX, public companies are encouraged to communicate the ethical tone of the organization.

Many government and not-for-profit entities are implementing ethics policies as a best-practice and a means of setting standards above the "floor" of the law or adopted policies and procedures.

CAMM policies and procedures currently include Standards of Conduct for OCTA employees, officers or agents participating in procurement activities but they generally relate to conflicts of interest arising from financial interests.

Recommendation 10: As a means of improving public confidence in OCTA procurement and contracting processes, and to provide guidance to staff where policy may be absent, insufficient or inconsistent, Internal Audit recommends that OCTA develop an organization-wide Ethics Policy. The policy should include a statement of core values and principles, behavioral examples, a description of the infrastructure that supports the code (Frequently Asked Questions, reporting misconduct, processes for confidentiality, etc), and communication standards. The policy should also stress personal responsibility and disciplinary consequences for misconduct. Finally, all employees should be trained on the policy and its application.

In addition to the inclusion of statements concerning conflicts of interest in an organization-wide Ethics Policy, Internal Audit recommends that CAMM revise its Standards of Conduct for procurement activities for those conflicts that may arise beyond financial interest conflicts.

Management Response to Recommendation 10:

Management agrees that an organization-wide ethics policy should be developed and appropriate training sessions should be conducted and that the Standards of Conduct for procurement activities be expanded beyond financial conflicts of interest.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Review of Agreement No. C-4-0793 Darrel Cohoon & Associates and Other Related Agreements with Revised Management Responses August 1, 2008

Appendix: Agreement No. 3-1157 Attachment A Scope of Work Financial Management Consultant Services

7.

OCTA

BOARD COMMITTEE TRANSMITTAL

September 8, 2008

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject: Metrolink Ridership and On-Time Performance Report

Transit Committee meeting of August 28, 2008

Present: Directors Brown, Buffa, Dixon, Green, Nguyen, Pulido, and Winterbottom
Absent: None

Committee Vote

No action was taken.

Staff Recommendation

Receive and file as an information item.

OCTA

August 28, 2008

To:	Transit Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Metrolink Ridership and On-Time Performance Report

Overview

A report on annual Metrolink ridership and on-time performance for service in Orange County, covering fiscal year 2007-08, is presented. Total annual ridership for Orange County has increased significantly and exceeded four million passengers for the fiscal year.

Recommendation

Receive and file as an information item.

Background

The Southern California Regional Rail Authority (SCRRA), a regional joint powers authority (JPA), operates seven lines throughout Southern California's five-county, 400-mile commuter rail system known as Metrolink. Metrolink's five-agency membership includes the Los Angeles County Metropolitan Transportation Authority , the Orange County Transportation Authority (OCTA), the Riverside County Transportation Commission (RCTC), the San Bernardino Associated Governments (SANBAG), and the Ventura County Transportation Commission. Metrolink operates 145 daily trains, serving 55 stations, and carries nearly 48,000 riders per day. This year, the Metrolink system exceeded 50,000 riders per day on multiple occasions.

The Metrolink Orange County (OC) Line service began in 1994, followed by the Inland Empire – Orange County (IEOC) Line in 1995 and the 91 Line in 2002. Today, the three lines serving Orange County provide a total of 44 daily weekday trains to 11 Orange County stations. The Rail 2 Rail Program, which began in 2003, allows Metrolink monthly pass holders the option of riding Amtrak Pacific Surfliner trains at no additional charge, provided the pass holder travels within the designated stations identified on the pass holder's monthly pass.

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

The OC and IEOC lines' weekend services are in the second year of operation. The OC Line provides four round trips on Saturday and Sunday year-round and is funded by OCTA. The year-round IEOC Line weekend service operates three round trips on Saturday and two round trips on Sunday. OCTA, RCTC, and SANBAG are partners in funding the IEOC Line weekend service.

Discussion

This report provides a fiscal year (FY) 2007-08 update of annual weekday and weekend ridership and on-time performance results. Detailed information regarding performance statistics is delineated in Attachments A, B, C, and D.

<u>Ridership and On-Time Performance Report</u>

Total Ridership

Total ridership for all three Metrolink lines serving Orange County, including Rail 2 Rail, has exceeded four million riders during FY 2007-08 and is the highest annual ridership since inception. Since FY 2002-03, ridership has shown an increase of 60 percent over a five-year period with a minimal increase in service levels (Attachment A). Only two additional IEOC Line weekday midday trains were added in 2006, plus the introduction of weekend service in summer 2006, with 12 trains and two additional weekend trains added in 2007

Weekday Ridership

Combined daily average ridership on the OC, IEOC, and 91 lines is 15,408, including Rail 2 Rail, or 5.3 percent above FY 2006-07. The OC Line daily average is up 6.1 percent, the IEOC Line is up 4 percent, and the 91 Line is up 2.9 percent compared to last year. The Rail 2 Rail Program has become more successful over the past few years, up 9.7 percent versus last year, mainly due to additional schedule options offered to Metrolink monthly pass holders via Amtrak.

The rising cost of fuel appears to have significantly affected ridership in the fourth quarter (Attachment B). Indications are that the public is looking for ways to save money on daily commute, thereby turning to Metrolink. The average Metrolink systemwide weekday ridership increase has typically been 3 to 4 percent year to year; however, June 2008 was 12 percent higher than June 2007 of which 8 percent can be attributed to rising gas prices.

The increase in ridership has had a considerable impact on parking capacity at Orange County stations, which are owned and operated by each city. The stations with known parking capacity issues include Buena Park, Fullerton, Anaheim Canyon, Tustin, and Laguna Niguel/Mission Viejo.

Weekend Ridership

Metrolink weekend service carried a total of 119,698 Orange County riders during FY 2007-08, 19.9 percent above last year. Average daily ridership on the OC Line is up 34.5 percent on Saturday and 19.7 percent on Sunday compared to last year. Average Saturday ridership on the IEOC Line is up 16.2 percent over last year, while the IEOC Line Sunday ridership is up 0.6 percent (Attachment C).

Typically, weekend trips increase during summer months as both lines bring riders to beach and holiday destinations. Seasonality is more common on the IEOC Line, as most inbound trips from the Inland Empire occur during summer months.

Maintenance and construction work occurs primarily on the weekends and can further influence ridership. On the weekend of September 15, 2007, the OC Line service south of Anaheim and all IEOC Line service was cancelled to complete the Santa Ana double track project, bringing total September weekend ridership down 20.6 percent versus the previous month. While not ideal, current practice focuses on keeping weekday disruptions minimized in comparison to weekend service.

On-Time Performance

Growth in ridership is an important indicator of the success of commuter rail service, and on-time performance is a central component of providing quality service. A Metrolink train is considered to be on time if it arrives within five minutes of the scheduled arrival.

The OC Line weekday trains averaged 95 percent on-time performance during FY 2007-08, while the IEOC Line had 95.2 percent on-time performance and the 91 Line had 96.5 percent on-time performance. Overall, 95.6 percent of all weekday trains serving Orange County have been within five minutes of the scheduled time compared to the systemwide average of 95.5 percent.

Trains can be delayed for a variety of reasons, including equipment issues, unscheduled delays (or "meets") with other trains, delays from other operators on the tracks, construction or track maintenance, and incidents.

In May 2008 weekday on-time performance fell to 94.3 percent, as demonstrated in Attachment D, directly related to the following incidents. On May 7, 2008, a fatality incident occurred involving an Amtrak train and a Burlington Northern Santa Fe contract employee at the Valley View Avenue crossing in La Mirada, resulting in a track closure. On May 9, 2008, a contractor working on the Jeffrey Road underpass for the City of Irvine caused a gas leak, shutting down service south of the Tustin Station. As a result of these two incidents, Metrolink and OCTA are working to develop and implement internal and external communication changes focused on improving communication to passengers in the event of such major service disruptions. While these types of incidents that incur extended service disruptions are rare, they do impact on-time performance and can have lasting effects on ridership.

Weekend trains operated on average 87.4 percent on time during FY 2007-08, compared to 92.6 percent systemwide. Weekend on-time performance is lower than weekday on-time performance mainly due to scheduled maintenance and construction work that occurs primarily on the weekends, as shown in Attachment D. For example, in February 2008 there were work windows for the Jeffrey Road underpass project and some trains were delayed by freight train conflicts. Staff will continue to monitor daily on-time performance reports received from Metrolink operations to improve weekend on-time performance.

Bus Shuttle Service

Upon opening of the Buena Park Station, all 300 parking spaces were immediately occupied. The City of Buena Park and OCTA implemented a one-year demonstration of shuttle bus service between the Buena Park Metrolink Station and the Fullerton Park-and-Ride facility during weekday peak hours to help alleviate the lack of available parking. Average daily morning shuttle peak bus boardings reached 26 passengers by the end of June 2008. OCTA and the City of Buena Park are working to develop a long-term parking solution for Metrolink passengers.

Operated by the City of Irvine, the *i* shuttle Routes A and B began service on June 9, 2008, from the Tustin Metrolink Station to the Irvine Business Complex area. Through July 15, 2008, 11,522 total peak period boardings have been recorded.

<u>Service Changes</u>

Since three trains were extended from Irvine south to the Laguna Niguel/ Mission Viejo Station in the fall of 2007, morning peak boardings at the Laguna Niguel/Mission Viejo Station have increased by 9.7 percent. In October 2007, Amtrak provided two more Orange County stops on four trains, prompting a total of 31,790 Metrolink monthly pass holders to use the added trains.

The Buena Park Station average weekday morning peak boardings have evened out. In October 2007 approximately 680 daily morning peak boardings took place, while in May 2008 the number dropped to about 400. The reduction in boardings is most likely attributed to the lack of station parking.

Summary

This report provides a FY 2007-08 update on the OCTA commuter rail ridership and on-time performance. Weekday and weekend ridership is increasing on all three lines serving Orange County. In FY 2007-08, a new milestone was reached by Metrolink in Orange County, with more than four million annual riders using the Metrolink service between July 1, 2007 and June 30, 2008.

Attachments

A. Metrolink Ridership
B. Total Orange County Ridership Trends
C. Metrolink Weekend Ridership
D. Metrolink On-Time Performance

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Approved by:

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

ATTACHMENT A

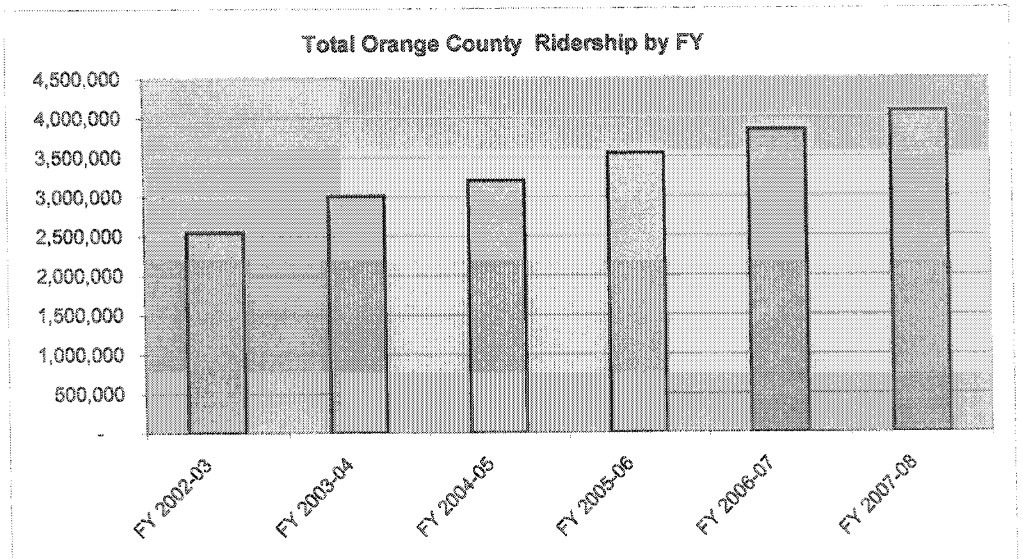
METROLINK RIDERSHIP

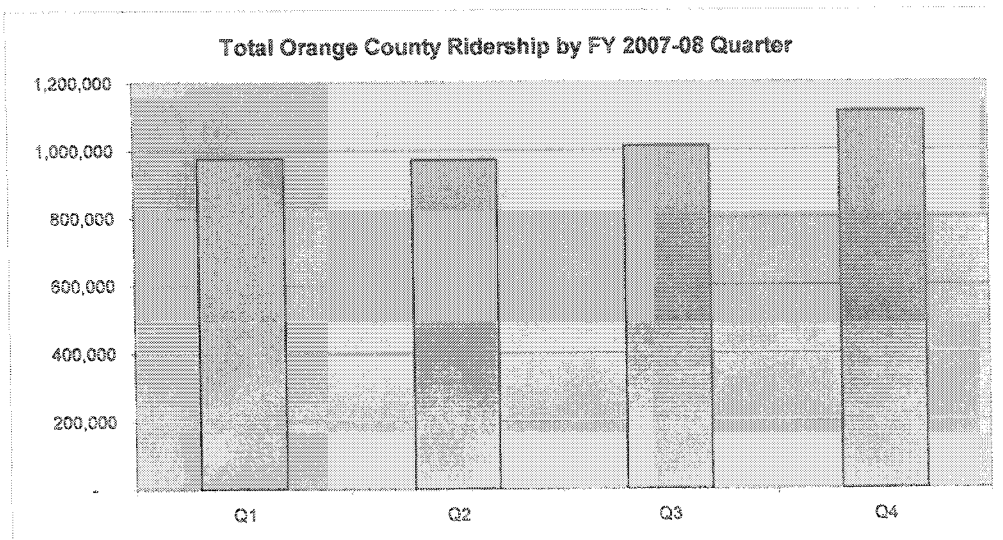
Total Ridership

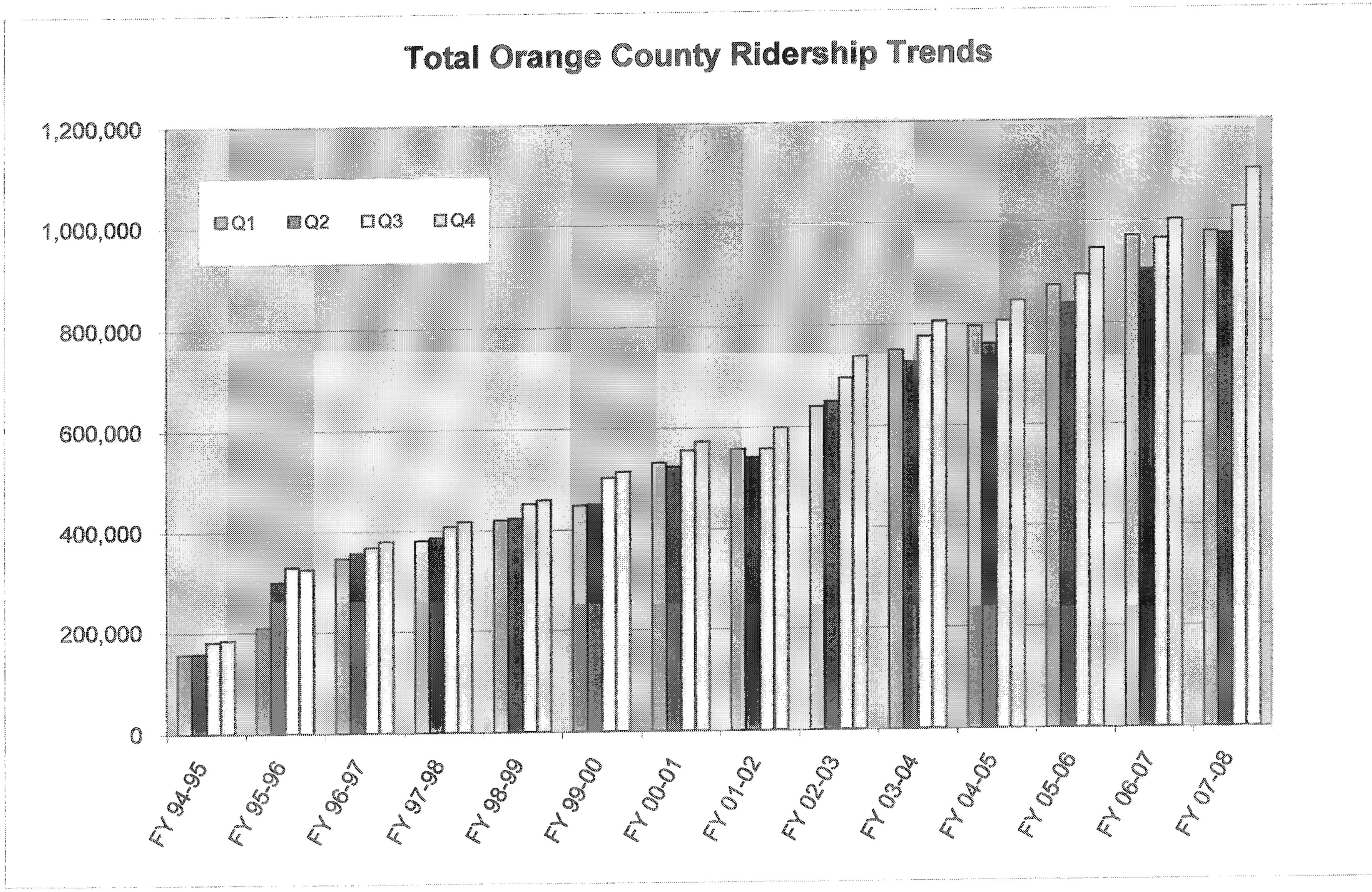
Fiscal Year (FY)	OC Line	IEOC Line	91 Line	Rail 2 Rail	Total	% Change
2002-03	1,360,631	795,511	391,078	---	2,547,220	---
2003-04	1,422,770	913,528	428,572	240,272	3,005,142	18.0%
2004-05	1,485,342	918,057	473,820	324,983	3,202,202	6.6%
2005-06	1,597,992	1,066,558	531,930	351,217	3,547,697	10.8%
2006-07	1,677,978	1,218,638	572,756	371,887	3,841,259	8.3%
2007-08	*1,807,103*	*1,282,610*	*570,164*	*414,566*	*4,074,443*	*6.1%*

Daily Average Weekday

FY	OC Line	IEOC Line	91 Line	Rail 2 Rail	Total
2006-07	6,478	4,649	2,184	1,325	14,636
2007-08	6,872	4,835	2,248	1,453	15,408
Change	*6.1%*	*4.0%*	*2.9%*	*9.7%*	*5.3%*







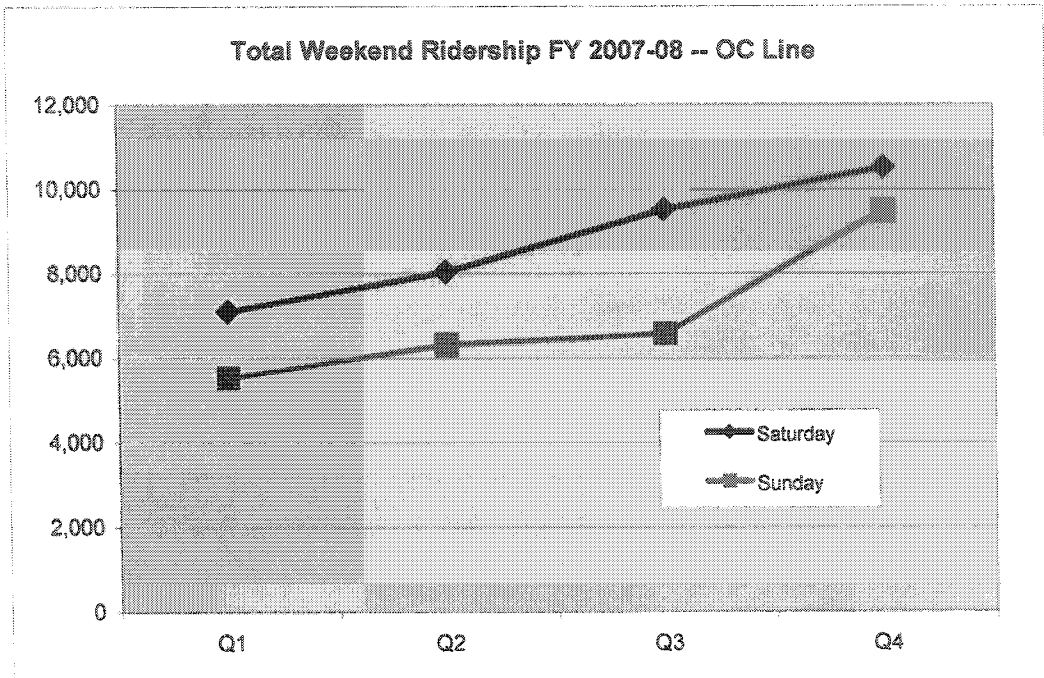
ATTACHMENT B

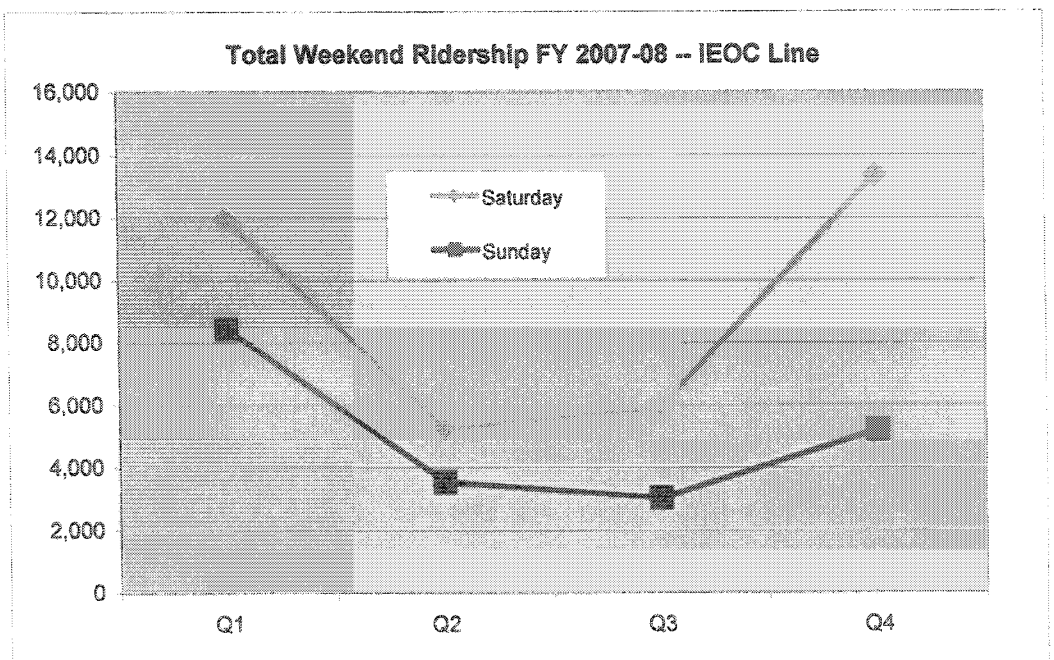
ATTACHMENT C

METROLINK WEEKEND RIDERSHIP

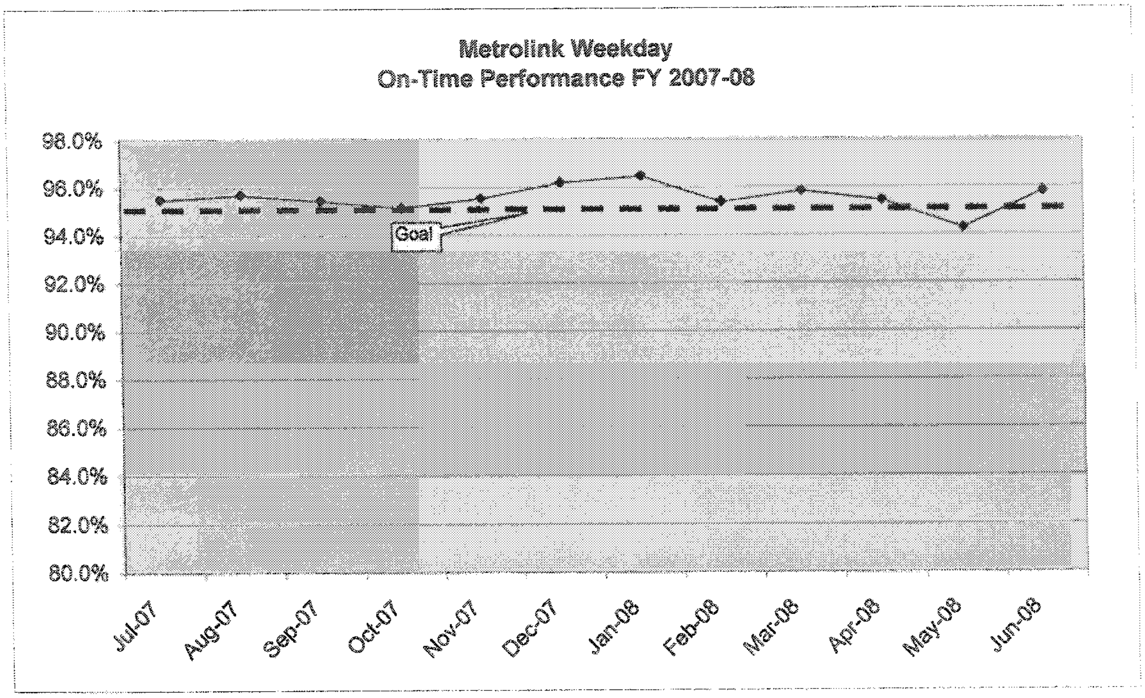
Daily Average Weekend

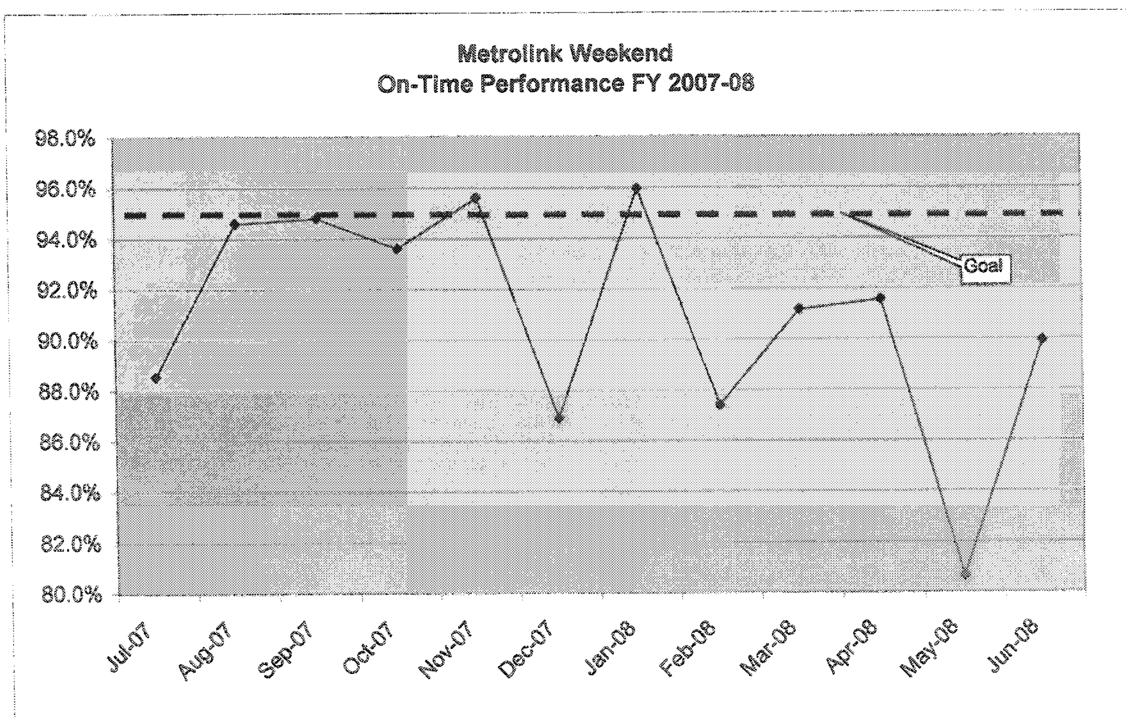
FY	OC Line (Saturday)	OC Line (Sunday)	IEOC Line (Saturday)	IEOC Line (Sunday)
2006-07	542	440	614	383
2007-08	729	526	714	385
Change	34.5%	19.7%	16.2%	0.6%





METROLINK ON-TIME PERFORMANCE





Notes:
- On-time performance is shown as percentage of trains arriving within five minutes of scheduled time
- Metrolink systemwide goal is 95 percent
- Weekday and weekend totals shown are for the OC, IEOC, and 91 lines

POWERPOINT

PRESENTATION

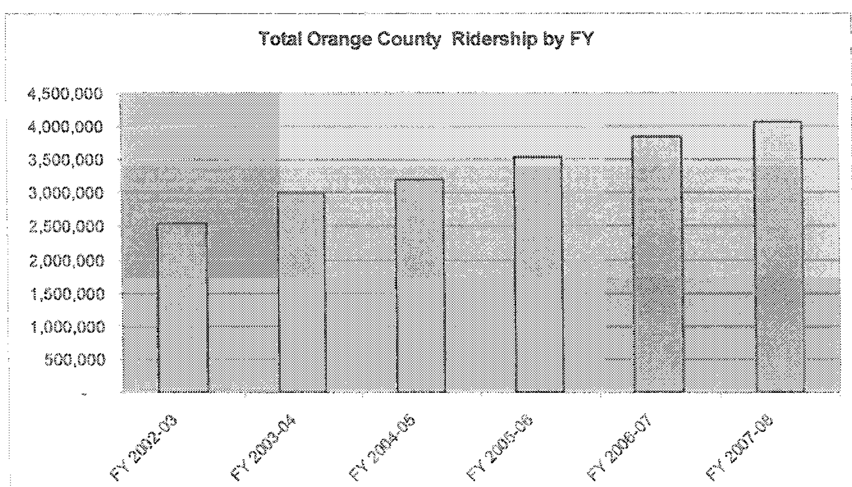
OCTA

Metrolink Ridership and On-Time Performance Report

Board of Directors' Meeting
September 8, 2008

Total Ridership by Fiscal Year (FY)

OCTA



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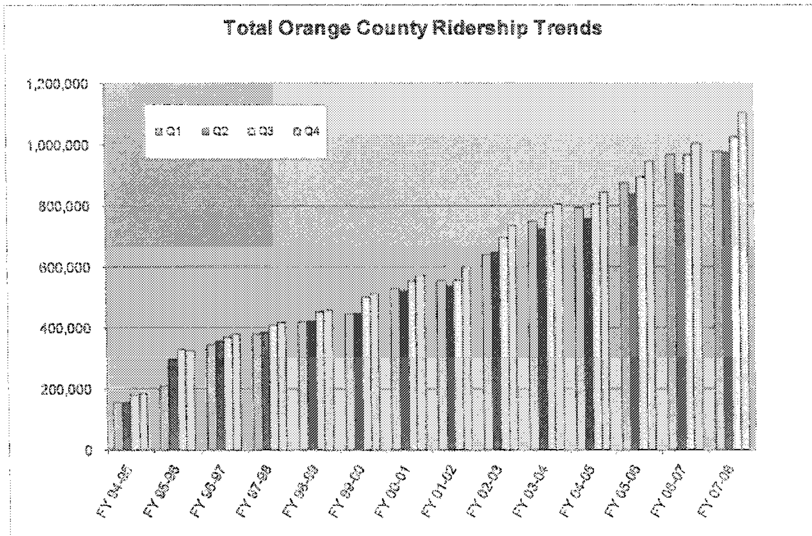
Ridership Trends



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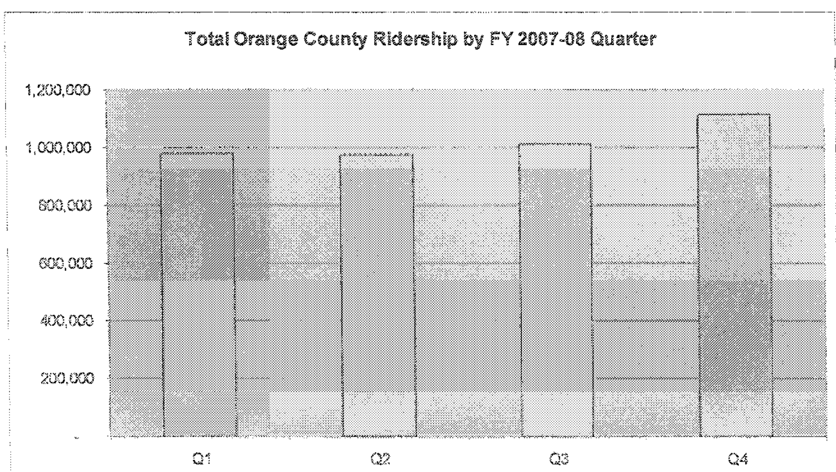
Total Ridership by Quarter



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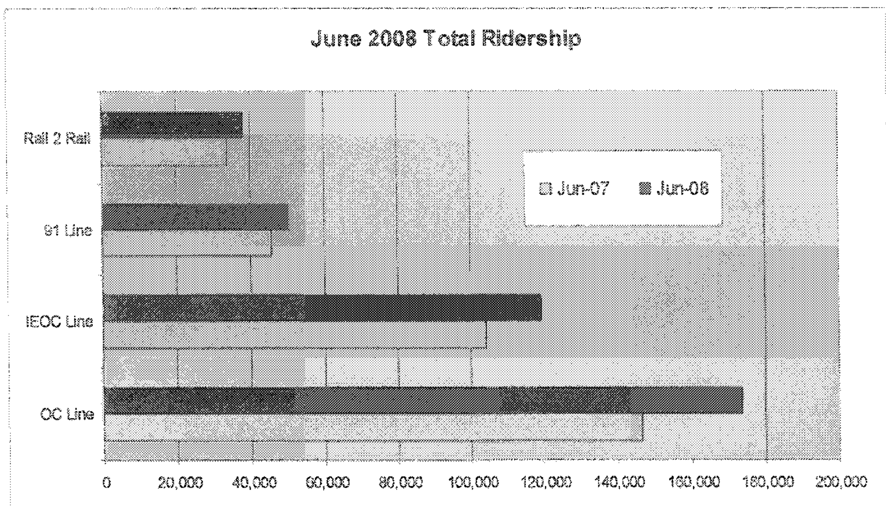
June 2008 Ridership



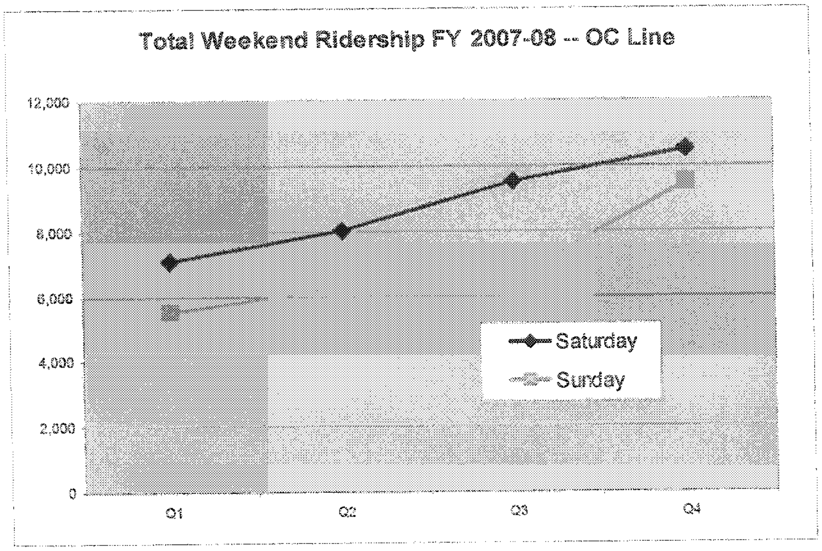
5

Station Parking Capacity Issues

- Buena Park Station
  - 300 spaces full
- Fullerton Station
  - 510 spaces near capacity
- Anaheim Canyon Station
  - 50 spaces full
- Tustin Station
  - 304 spaces full
- Laguna Niguel/Mission Viejo Station
  - 280 spaces near capacity

6

Weekend Ridership – OC Line



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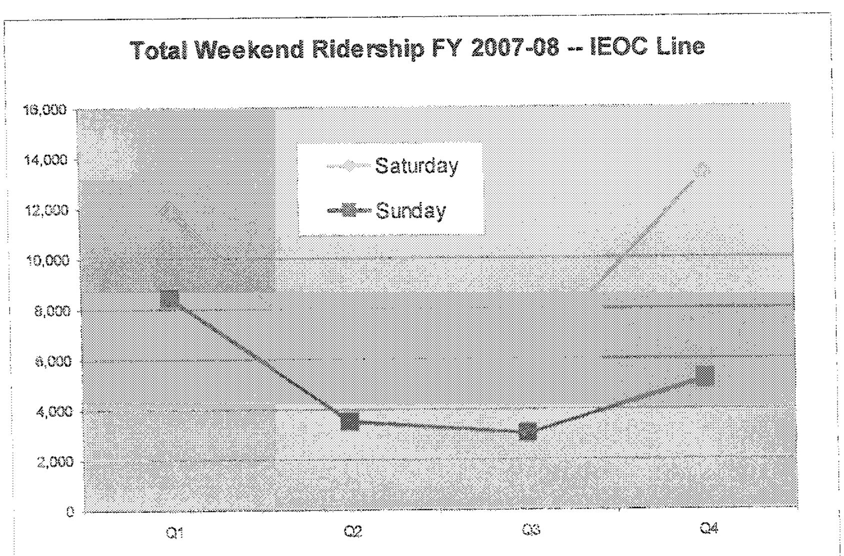
Weekend Ridership – IEOC Line



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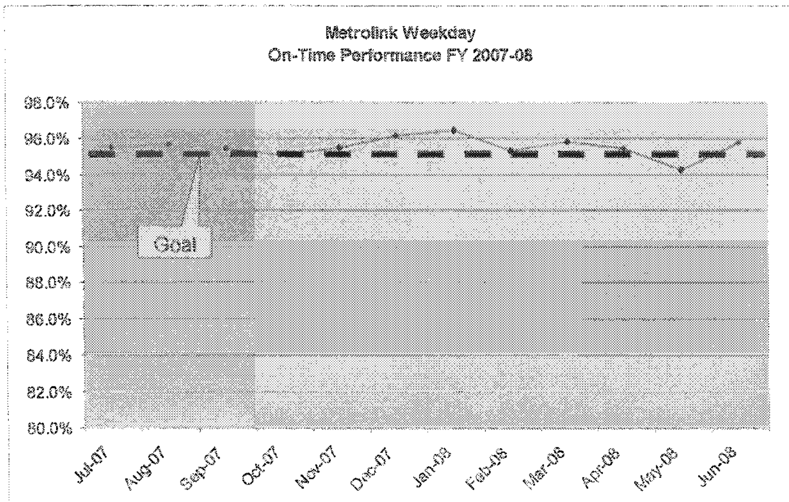
Weekday On-Time Performance

OCTA



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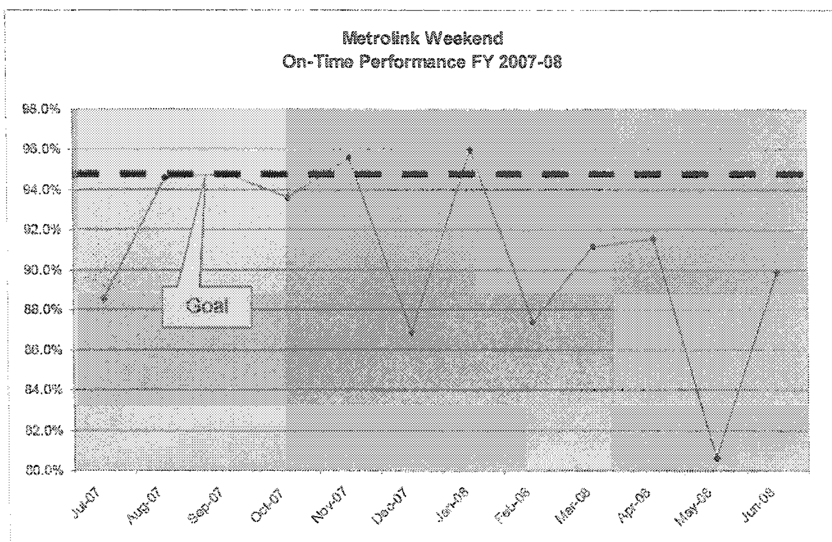
Weekend On-Time Performance

OCTA



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