



AGENDA

Finance and Administration Committee Meeting

Committee Members

*Bill Campbell, Chairman
Jerry Amante, Vice Chairman
Patricia Bates
Arthur C. Brown
Peter Buffa
Cathy Green
John Moorlach*

*Orange County Transportation Authority Headquarters
600 South Main Street, First Floor - Room 154
Orange, California
Wednesday, August 26, 2009, at 10:30 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 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 Committee 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.

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.

Call to Order

Invocation

Committee Vice Chairman Amante

Pledge of Allegiance

Director Brown

1. Public Comments

Special Calendar

There are no Special Calendar matters.



AGENDA

Finance and Administration Committee Meeting

Consent Calendar (Items 2 through 6)

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

2. Approval of Minutes

Of the August 12, 2009, Finance and Administration Committee meeting.

3. Local Agency Investment Fund - July 2009

Kirk Avila/Kenneth Phipps

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending July 31, 2009.

Recommendation

Receive and file as an information item.

4. Orange County Treasurer's Management Report - July 2009

Kirk Avila/Kenneth Phipps

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending July 31, 2009.

Recommendation

Receive and file as information item.



AGENDA

Finance and Administration Committee Meeting

5. **Orange County Transportation Authority Investment and Debt Programs Report - July 2009**
Kirk Avila/Kenneth Phipps

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending July 31, 2009.

Recommendation

Receive and file as an information item.

6. **Property Insurance Policy Renewal**
Al Gorski/Patrick J. Gough

Overview

The Orange County Transportation Authority holds a property insurance policy with Traveler's Property Casualty Company of America. This policy is scheduled to expire on December 1, 2009.

Recommendation

Authorize the Chief Executive officer to issue Purchase Order No. A14591, in an amount not to exceed \$475,000, with Marsh Risk and Insurance Services.

Regular Calendar

7. **Follow-Up to Prevailing Wage Finding Included in a 2008 Audit of Agreement No. C-1-2069 Between Orange County Transportation Authority and Parsons Transportation Group, Inc.**
Kathleen M. O'Connell

Overview

Satisfactory evidence of compliance with prevailing wage requirements has not yet been provided by Parsons Transportation Group, Inc. to the Orange County Transportation Authority Internal Audit Department following issuance of a close-out audit of Agreement No. C-1-2069 between the Orange County Transportation Authority and Parsons Transportation Group, Inc. for project management services for the Garden Grove Freeway (State Route 22) Design-Build Project.



AGENDA

Finance and Administration Committee Meeting

7. (Continued)

Recommendation

Direct staff to refer finding and recommendation related to prevailing wage compliance to the California Department of Industrial Relations, if satisfactory evidence of compliance is not provided by Parsons Transportation Group, Inc. to the Orange County Transportation Authority Internal Audit Department by August 29, 2009.

8. **Accounts Payable Invoice Review Procedure**

Tom Wulf/Kenneth Phipps

Overview

On January 29, 2009, GCAP Services, Inc. issued the final report on its audit of Agreement No. C-1-2069 between Orange County Transportation Authority and Parsons Transportation Group, Inc. for the Garden Grove Freeway (State Route 22) Design-Build Project. One of the recommendations in the report was to develop written standard operating procedures for the invoice review process that included enhanced reviews for contract compliance.

Recommendation

Receive and file as an information item.

9. **Workers' Compensation Program Review**

Al Gorski/Patrick J. Gough

Overview

The Orange County Transportation Authority self-insures 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.



AGENDA

Finance and Administration Committee Meeting

Discussion Items

10. Possible Bus Operations Funding

Kenneth Phipps

The Transit Advocates of Orange County have provided a list of revenue sources that could possibly be redirected to bus service and some cost-cutting measures that could be pursued to prevent or defer planned reductions in bus service. Staff will discuss with the Committee the status and feasibility of implementing the various items identified on the list.

11. Chief Executive Officer's Report

12. Committee Members' Reports

13. Closed Session

There is no Closed Session scheduled.

14. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, September 9, 2009**, at the OCTA Headquarters.



MINUTES

Finance and Administration Committee Meeting

Committee Members Present

*Bill Campbell, Chairman
Jerry Amante, Vice Chairman
Arthur C. Brown
Peter Buffa
Cathy Green
John Moorlach*

Staff Present

*James S. Kenan, Deputy Chief Executive Officer
Wendy Knowles, Clerk of the Board
Tammy Doran, Deputy Clerk of the Board
Kennard R. Smart, Jr., General Counsel
OCTA Staff and members of the General Public*

Committee Members Absent

Patricia Bates

Call to Order

The August 12, 2009, regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Campbell at 10:304 a.m.

Invocation

Director Moorlach gave the invocation.

Pledge of Allegiance

Committee Vice Chairman Amante led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 5)

2. Approval of Minutes

A motion was made by Director Buffa, seconded by Director Brown, and declared passed by those present, to approve minutes of the July 22, 2009, meeting.

3. Fiscal Year 2008-09 Internal Audit Plan, Fourth Quarter Update

A motion was made by Director Buffa, 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 2008-09 Internal Audit Plan.



MINUTES

Finance and Administration Committee Meeting

4. Draft Fiscal Year 2009-10 Internal Audit Plan

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

- A. Approve the Draft Fiscal Year 2009-10 Internal Audit Plan.
- B. Direct the Executive Director, Internal Audit to provide quarterly updates on the Internal Audit Plan.

5. Agreement for Oniqua Analytic Suite Maintenance Implementation

A motion was made by Director Buffa, seconded by Director Brown, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. 9-0555 between the Orange County Transportation Authority and Oniqua, Inc., in an amount of \$129,700, for implementation assistance and expertise with the maintenance module of the Oniqua Analytic Suite. The scope of this effort will include project management, design, configuration, programming, training, testing, and go-live support.

Regular Calendar

6. 2008 Audit of Agreement C-1-2069 Between Orange County Transportation Authority and Parsons Transportation Group, Inc. - Project Management Services for Garden Grove Freeway (State Route 22) Design-Build Project

Kathleen O'Connell, Executive Director of Internal Audit, reported on the audit of Agreement C-1-2069 with Parsons Transportation Group, Inc. (Parsons), that was conducted by one of OCTA's contract auditors, GCAP Services, Inc. (GCAP).

Ms. O'Connell stated there were five recommendations offered for improvements in contract management and administration and noted that one recommendation remains outstanding. Parsons has not yet provided evidence of their compliance with prevailing wage requirements under California law.

Although the California Prevailing Wage Law requires that contractors provide copies of certified payrolls within ten days of request, Parsons was granted a seven-week extension in order to gather and provide the information. The information that has been provided by Parsons to-date is not adequate or accurate evidence of compliance; therefore, the staff recommendation is to refer the matter to the State Board of Industrial Relations if Parsons does not provide the certified payrolls by the end of this month.



MINUTES

Finance and Administration Committee Meeting

6. (Continued)

Committee Chairman Campbell asked Kennard R. Smart, Jr., General Counsel, for clarification regarding the obligation that OCTA has in providing this information to the California Department of Industrial Relations. Mr. Smart stated that OCTA is obligated to notify the California Department of Industrial Relations of suspected violations; the Department will then determine whether, in fact, there has been a violation.

Maureen Hayes, Vice President, Parsons, commented that Parsons was not aware of the issue until June 23, 2009, due to the closure of their project office. Ms. Hayes noted this situation has been escalated to the highest level in the organization to ensure that the correct documentation is gathered and provided before the end of the month.

James S. Kenan, Deputy Chief Executive Officer, reported that staff would provide an update on this matter at the next Committee meeting scheduled for August 26, 2009.

Director Moorlach inquired about other major projects that require project management services and staff provided the following names of firms and projects:

- Hatch Mott McDonald for the freeway projects;
- Jacob Carter Burgess for the Bus Rapid Transit program; and
- Parson Brinckerhoff for the rail program.

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

- A. Direct Orange County Transportation Authority staff to implement recommendations in the 2008 Audit of Agreement No. C-1-2069 between Orange County Transportation Authority and Parsons Transportation Group, Inc. - Project Management Services for the Garden Grove Freeway (State Route 22) Design-Build Project.
- B. Direct staff to refer finding and recommendation number two related to prevailing wage compliance to the California Department of Industrial Relations, if satisfactory evidence of compliance has not been provided by Parsons Transportation Group, Inc. to the Orange County Transportation Authority Internal Audit Department by August 29, 2009.



Discussion Items

7. Audit Leverage Software Demonstration

Kathleen O'Connell, Executive Director of Internal Audit, provided a demonstration of the Leverage software that is being implemented by the Internal Audit Department.

Ms. O'Connell stated the software contains the tools to manage the department's workload and the "audit work papers", the ability to create a complete repository of all audit work and related material, and the quality assurance components that are necessary.

Ms. O'Connell added this software also allows the Internal Audit Department to participate in the Chairman's initiative of "going green".

8. Chief Executive Officer's Report

Deputy Chief Executive Officer, James S. Kenan, reported that Chief Executive Officer, Will Kempton, is attending the California Transportation Commission meeting in Sacramento.

Mr. Kenan provided updates on upcoming events and meetings and commented a the memo would be sent to Board Members that announces the promotion of Ken Phipps to Executive Director of Finance and Administration.

9. Committee Members' Reports

Committee Chairman Campbell requested that staff review the Accounts Payable procedures for the screening and processing of invoices and return to this Committee in one month to report what new procedures are necessary and to provide cost information. Mr. Kenan responded that this information would be provided at the next Finance and Administration Committee meeting.

Committee Chairman Campbell reported that this week is the 40th anniversary of Woodstock and that on Saturday, August 15, 2009, the 4th Annual Woodstock '69 Music Festival will be held at Irvine Lake.

10. Closed Session

A Closed Session was not conducted at this meeting.



MINUTES

Finance and Administration Committee Meeting

11. Adjournment

The meeting adjourned at 11:17 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, August 26, 2009**, at the OCTA Headquarters.

ATTEST

Tammy Doran
Deputy Clerk of the Board

Bill Campbell
Committee Chairman



August 26, 2009

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Local Agency Investment Fund - July 2009

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending July 31, 2009.

Recommendation

Receive and file as an information item.

Discussion

As of July 31, 2009, the fair value including accrued interest of the Local Agency Investment Fund (LAIF) was \$64,718,882,982 with a monthly average yield of 1.03 percent and a month-end weighted average maturity of 188 days. The Orange County Transportation Authority's month-end balance in LAIF was \$53,706.

Summary

The Orange County Transportation Authority is submitting a copy of the Local Agency Investment Fund statements and summary reports to the Finance and Administration Committee. The statements are for the month ending July 31, 2009.

Attachment

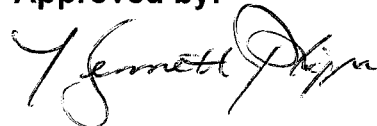
A. Local Agency Investment Fund – As of July 31, 2009

Prepared by:



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

Approved by:



Kenneth Phipps
Executive Director,
Finance and Administration
(714) 560-5637

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
August 12, 2009

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGER, TREASURY/PUBLIC FINANCE
550 SOUTH MAIN STREET
P.O. BOX 14184
ORANGE, CA 92613-1584

PMIA Average Monthl

Account Number: 80-30-001

Transactions

Tran Type Definitions

July 2009 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
7/15/2009	7/14/2009	QRD	1231592	SYSTEM	12,792.12

Account Summary

Total Deposit:	12,792.12	Beginning Balance:	40,913.95
Total Withdrawal:	0.00	Ending Balance:	53,706.07

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
August 12, 2009

ORANGE COUNTY LOCAL TRANSPORTATION
AUTHORITY

PMIA Average Monthl

Account Number: 80-30-003

Transactions

Tran Type Definitions

July 2009 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	0.00
Total Withdrawal:	0.00	Ending Balance:	0.00

Bill Lockyer, State Treasurer
Inside the State Treasurer's Office
Local Agency Investment Fund (LAIF)



SAVE THE DATE: LAIF ANNUAL CONFERENCE, OCTOBER 21-22, 2009

PMIA Performance Report

Date	Daily Yield	Quarter to Date Yield	Average Maturity (in days)
7/29/2009	0.93	1.04	188
7/30/2009	0.96	1.04	197
7/31/2009	0.95	1.03	188
8/1/2009	0.95	1.03	188
8/2/2009	0.95	1.03	188
8/3/2009	0.95	1.03	187
8/4/2009	0.94	1.03	186
8/5/2009	0.92	1.03	190
8/6/2009	0.91	1.02	191
8/7/2009	0.91	1.02	194
8/8/2009	0.91	1.02	194
8/9/2009	0.91	1.01	194
8/10/2009	0.91	1.01	191
8/11/2009	0.90	1.01	191

LAIF Performance Report

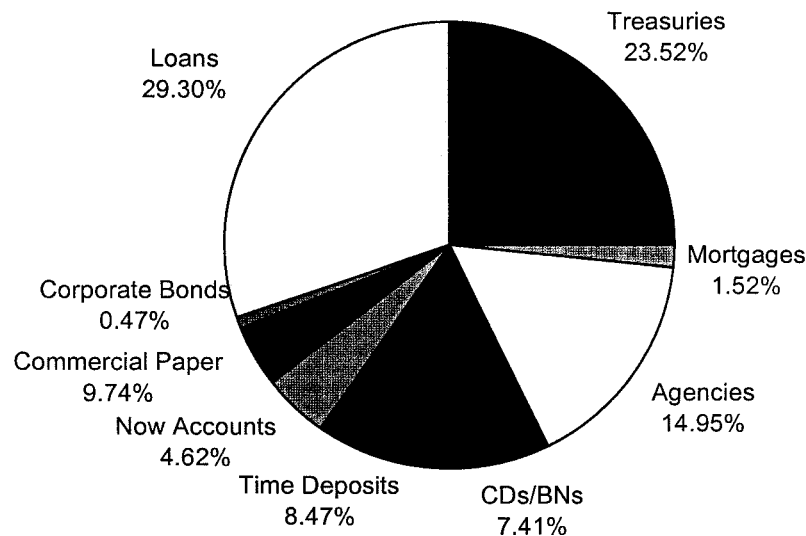
Quarter ending 6/30/2009

Apportionment Rate: 1.51%
 Earnings Ratio: .00004133177972413
 Fair Value Factor: 1.001304743

PMIA Average Monthly Effective Yields

July 2009 1.035%
 Jun 2009 1.377%
 May 2009 1.530%

Pooled Money Investment Account
Portfolio Composition
\$64.5 Billion
07/31/09



State of California
Pooled Money Investment Account
Market Valuation
7/31/2009

Carrying Cost Plus			
Description	Accrued Interest Purch.	Fair Value	Accrued Interest
United States Treasury:			
Bills	\$ 11,320,485,821.54	\$ 11,385,117,000.00	NA
Notes	\$ 3,860,610,663.18	\$ 3,871,047,500.00	\$ 7,419,003.50
Federal Agency:			
SBA	\$ 545,175,013.68	\$ 534,694,644.04	\$ 566,132.78
MBS-REMICs	\$ 980,190,922.03	\$ 1,018,815,904.01	\$ 4,662,166.77
Debentures	\$ 1,957,867,865.43	\$ 1,987,298,600.00	\$ 16,483,508.42
Debentures FR	\$ 4,398,788,891.02	\$ 4,400,785,220.00	\$ 5,672,278.93
Discount Notes	\$ 2,443,166,056.72	\$ 2,443,636,800.00	NA
FHLMC PC	\$ 42.10	\$ 42.49	\$ 0.75
GNMA	\$ 122,800.07	\$ 136,898.25	\$ 1,212.97
IBRD Deb FR	\$ 300,000,000.00	\$ 300,729,900.00	\$ 48,458.67
CDs and YCDs FR	\$ -	\$ -	\$ -
Bank Notes	\$ -	\$ -	\$ -
CDs and YCDs	\$ 4,785,006,801.92	\$ 4,785,089,938.75	\$ 922,766.68
Commercial Paper	\$ 6,287,515,711.15	\$ 6,288,595,083.34	NA
Corporate:			
Bonds FR	\$ 270,690,746.73	\$ 270,148,551.14	\$ 382,907.71
Bonds	\$ 33,249,054.65	\$ 33,454,078.00	\$ 519,468.75
Repurchase Agreements	\$ -	\$ -	NA
Reverse Repurchase	\$ -	\$ -	\$ -
Time Deposits	\$ 5,469,700,000.00	\$ 5,469,700,000.00	NA
NOW Account	\$ 2,982,729,433.85	\$ 2,982,729,433.85	NA
AB 55 & GF Loans	\$ 18,910,225,481.79	\$ 18,910,225,481.79	NA
TOTAL	\$ 64,545,525,305.86	\$ 64,682,205,075.66	\$ 36,677,905.93

Fair Value Including Accrued Interest	\$	64,718,882,981.59
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Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).



August 26, 2009

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Orange County Treasurer's Management Report - July 2009

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending July 31, 2009.

Recommendation

Receive and file as an information item.

Discussion

As of July 31, 2009, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$2,426,056,387 with an average monthly yield of 0.51 percent and a month-end average days to maturity of 53 days. The OCIP Extended Fund book value was \$2,182,657,359 with an average yield of 3.98 percent and a month-end average days to maturity of 578 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$5,010,184.

Summary

The Orange County Transportation Authority is submitting a copy of the Orange County Treasurer's Management Report to the Finance and Administration Committee. The report is for the month ending July 31, 2009.

Attachment

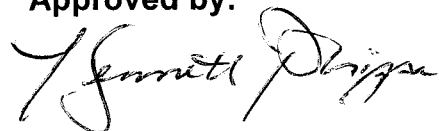
- A. Treasurer's Management Report – For the month ended July 31, 2009

Prepared by:



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

Approved by:



Kenneth Phipps
Executive Director,
Finance and Administration
(714) 560-5637



Treasurer's Monthly Management Report

From the Office of the Treasurer,
Chriss W. Street

ORANGE COUNTY MONEY MARKET POOLS

Month Ended July 31, 2009

CHRISS W. STREET
ORANGE COUNTY TREASURER-TAX COLLECTOR

TREASURER'S MANAGEMENT REPORT
For the month ended July 31, 2009
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OFFICE OF THE TREASURER-TAX COLLECTOR

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11 CIVIC CENTER PLAZA, SUITE G76
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SANTA ANA, CA 92701
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CHRISS W. STREET
TREASURER-TAX COLLECTOR


PAUL C. GORMAN, C.P.A., CTP
CHIEF ASSISTANT TREASURER-TAX COLLECTOR

JENNIFER BURKHART, CFA
ASSISTANT TREASURER-TAX COLLECTOR

ROBIN RUSSELL
ASSISTANT TREASURER-TAX COLLECTOR
ADMINISTRATION

August 14, 2009

TO: Board of Supervisors
Thomas G. Mauk, County Executive Officer
Treasury Oversight Committee
Treasurer's Advisory Committee
Participants

FROM: Chriss W. Street 
Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for July 31, 2009

Attached please find the Treasurer's Management Report for the County of Orange for the month ended July 31, 2009. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website www.ttc.ocgov.com.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending July 31st. Each money market fund has an average maturity of less than sixty days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the cost and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

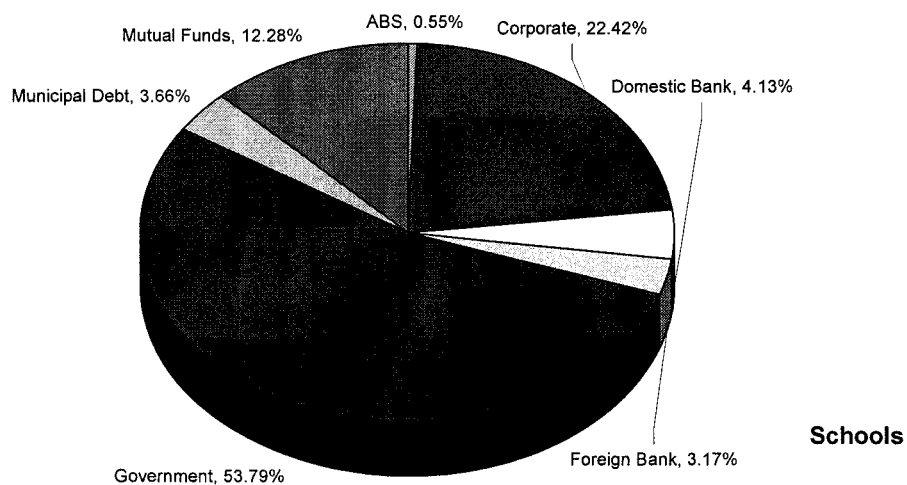
APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Investment Pool's May 2009, June 2009 and July 2009 interest apportionments. The May 2009 interest apportionment was posted to participants' cash accounts in the County general ledger on Aug 7, 2009. We anticipate posting the June 2009 and July 2009 interest apportionments to participants' cash accounts in the County general ledger by approximately August 17 and September 3, 2009 respectively.

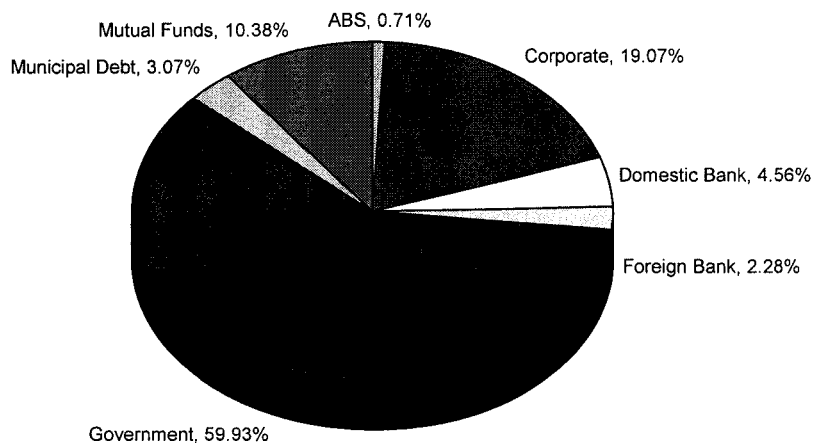
PORTFOLIO COMPOSITION

The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

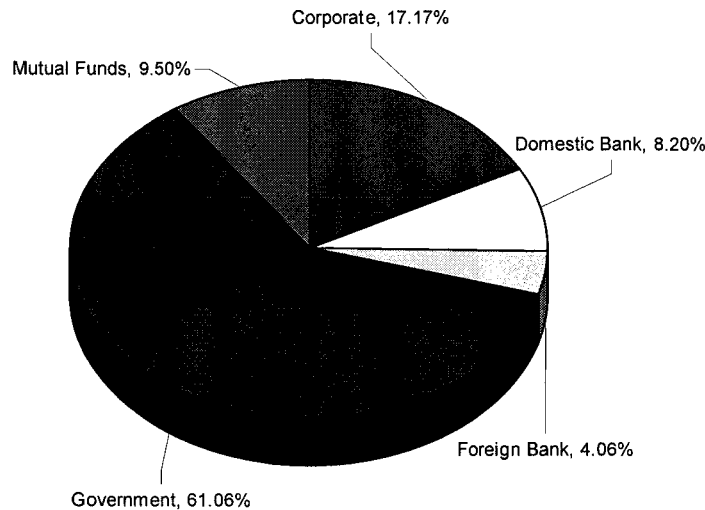
Exhibit 1: **County**



Schools



John Wayne Airport



MARKET OBSERVATIONS

The Orange County Treasurer's office is on record that we believe that the economy is only at the mid-point of the recession and that next year, for the first time since the 1930s, America will actually suffer deflation. In June, we changed our investment stance to expecting interest rate to stay relatively consistent, following a huge fall in yields. We are proud to report that this strategy has been successful in allowing our Orange County School Fund to achieve the second highest return for a government fund in the United States at 2.25% and our Orange County Pool to achieve the third highest yield with a return of 1.75%. This outstanding management performance is even more meaningful when bolstered by the fact that the Orange County Pool and Orange County School Fund maintain AAAm, the highest rating for credit quality and liquidity by Standard & Poors rating service.

Remember back at the start of the year when many in government were warning that America might be headed for another Great Depression? Our national leaders stressed with straight faces that the appropriate cure for the credit crisis was to immediately stimulate the economy with a trillion dollars of spending and many trillions more in government guarantees. Now that much of that money has found its way into good old fashion "pork" projects, those same national leaders are declaring victory and are looking for GDP growth to exceed 4% by the end of this year.

We did not buy the end of the world story then and we do not buy the great recovery. The argument for the return of fast economic growth is premised on the following fairy-tale: whenever the economy has dug itself a deep hole it will rebound very quickly when the economy starts to turn because of "pent-up" consumer demand to catch up on delayed spending. Historically, this has not been the case. In the deep recessions of the 1950s, 1970s and 1990s, it took an average of 3 years for consumer spending to turn around even after the economy had bottomed out. In each in the past, the growth of the economy was a very slow 1-2% for several years after the bottom of a deep recession. Given that the work force grows by over 2-3% a year, unemployment tended to continue to rise in the past and we think it will continue to rise this time around.

Perhaps there is no greater consumer paradise than "The O C". The Housewives of the OC may be seen each week on cable TV shopping and dining with abandon, but the real Orange County is substantially different. As the County Treasury, we can observe consumer spending immediately as revenues come in each week.

- Orange County voters passed a sales tax increase for the Sheriff and the DA's office called Proposition 172. Over the last year those tax collections are down 10%, even with the automotive incentives of "cash for clunkers", and we expect another fall in retail sales taxes this year.
- Revenues for our local 91 toll road are down almost 20%.
- Last week one of our largest owners of commercial real estate investors turned back 6 of the most exclusive properties in the county to their lender.
- After a year of continuous monthly declines in inventory, the inventory to sales ratio for the US is still 10% higher than at the start of the recession.

We continue to believe that America does not have a credit problem, America has a solvency problem! The good news here is that most of the stimulus money that was received by US taxpayers has gone into savings. The savings rate dropped from 9% in 1993 to -1% in 2007 and has rebounded to 5%. We believe that when the rate gets back by the end of next year to 9%, maybe the OC will be ready to shop 'til they drop again.

The Treasurer's office is very concerned that as the false optimism of a big bounce in the economy fades, equity markets and more risky investments will fall. Over 75% of our investments are in extremely conservative US government backed investments and we intend to remain cautious through the first half of next year.

Interest Apportionment Disclosure

From time to time we receive questions about our interest apportionment practices and "how it works." In a recent audit report Internal Audit recommended we provide disclosures to Investment Pool participants about the interest apportionment process. Please see the attached letter "Overview Disclosure of Allocation and Apportionment of

Investment Pool Earnings" (Exhibit A). If you have questions or would like further explanation please feel free to contact Paul Gorman at 714-834-2288.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you exemplary portfolio and cash management services in the future. Please call Orange County Treasurer, Chriss W. Street, at 714-834-7625 with any questions or to arrange a personal visit to see "Your Money".

ORANGE COUNTY TREASURER-TAX COLLECTOR

EXECUTIVE SUMMARY

August 1, 2008 - July 31, 2009

PERIOD ENDING - MONTH / YEAR	MARKET VALUE	EARNINGS FOR MONTH	YIELD FOR MONTH	MONTH END WAM
Current Month - July 2009				
County Pool - Money Market Fund	\$ 2,426,411,208	\$ 951,216	0.51%	53
Educational Pool - Money Market Fund	\$ 1,664,060,971	\$ 763,406	0.62%	59
Extended Fund	\$ 2,202,254,242	\$ 8,680,964	3.98%	578
OC Extended Fund B	\$ 39,228,860	\$ -	N/A	309
Current Month - June 2009				
County Pool - Money Market Fund	\$ 1,715,299,012	\$ 953,720	0.64%	48
Educational Pool - Money Market Fund	\$ 1,403,295,309	\$ 870,875	0.65%	52
Extended Fund	\$ 2,717,967,912	\$ 5,043,252	2.32%	491
OC Extended Fund B	\$ 39,948,442	\$ -	N/A	340
May 2009				
County Pool - Money Market Fund	\$ 1,930,854,836	\$ 1,331,283	0.84%	49
Educational Pool - Money Market Fund	\$ 1,557,527,352	\$ 969,271	0.68%	52
Extended Fund	\$ 2,570,383,695	\$ 5,244,514	2.27%	423
OC Extended Fund B	\$ 49,011,934	\$ -	N/A	369
April 2009				
County Pool - Money Market Fund	\$ 2,179,797,628	\$ 1,444,232	0.64%	51
Educational Pool - Money Market Fund	\$ 1,787,863,217	\$ 854,923	0.74%	50
Extended Fund	\$ 2,667,974,783	\$ 4,796,125	2.17%	417
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	61
March 2009				
County Pool - Money Market Fund	\$ 2,029,134,964	\$ 1,400,404	0.81%	48
Educational Pool - Money Market Fund	\$ 1,338,411,552	\$ 1,109,701	0.88%	48
Extended Fund	\$ 2,645,713,854	\$ 5,538,166	2.57%	428
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	91
February 2009				
County Pool - Money Market Fund	\$ 2,169,443,772	\$ 1,630,117	1.00%	53
Educational Pool - Money Market Fund	\$ 1,576,700,518	\$ 1,540,126	1.17%	59
Extended Fund	\$ 2,350,452,260	\$ 5,828,257	3.12%	387
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	122
January 2009				
County Pool - Money Market Fund	\$ 2,014,879,118	\$ 1,827,150	0.99%	50
Educational Pool - Money Market Fund	\$ 1,856,648,856	\$ 1,820,578	1.13%	53
Extended Fund	\$ 2,533,665,548	\$ 7,079,923	3.32%	281
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	150
December 2008				
County Pool - Money Market Fund	\$ 2,308,197,426	\$ 3,627,727	1.77%	58
Educational Pool - Money Market Fund	\$ 2,152,827,732	\$ 2,244,826	1.46%	55
Extended Fund	\$ 2,503,173,696	\$ 7,054,362	3.32%	325
OC Extended Fund B	\$ 52,200,929	\$ -	N/A	25
November 2008				
County Pool - Money Market Fund	\$ 1,923,820,987	\$ 3,212,472	2.18%	30
Educational Pool - Money Market Fund	\$ 1,591,357,027	\$ 2,695,568	2.01%	48
Extended Fund	\$ 2,337,562,301	\$ 6,880,107	3.45%	349
OC Extended Fund B	\$ 53,690,396	\$ -	N/A	56
October 2008				
County Pool - Money Market Fund	\$ 1,693,321,937	\$ 3,606,898	2.55%	36
Educational Pool - Money Market Fund	\$ 1,716,217,568	\$ 3,457,222	2.36%	43
Extended Fund	\$ 2,491,877,137	\$ 6,881,334	3.30%	345
OC Extended Fund B	\$ 53,690,395	\$ -	N/A	86
September 2008				
County Pool - Money Market Fund	\$ 1,633,383,931	\$ 3,733,815	2.64%	51
Educational Pool - Money Market Fund	\$ 1,707,114,565	\$ 3,660,952	2.52%	52
Extended Fund	\$ 2,333,839,343	\$ 3,483,307	1.84%	393
OC Extended Fund B	\$ 69,117,440	\$ -	N/A	117
August 2008				
County Pool - Money Market Fund	\$ 1,735,397,363	\$ 3,733,249	2.51%	47
Educational Pool - Money Market Fund	\$ 1,839,799,053	\$ 3,658,783	2.42%	45
Extended Fund	\$ 2,182,413,404	\$ 6,883,249	3.74%	477
OC Extended Fund B	\$ 69,117,440	\$ -	N/A	147
August 1, 2008 - July 31, 2009	Annual Average	Total for Year	Annual Average	Annual Average
County Pool - Money Market Fund	\$ 1,979,995,182	\$ 27,452,284	1.42%	48
Educational Pool - Money Market Fund	\$ 1,682,651,977	\$ 23,646,231	1.39%	51
Extended Fund	\$ 2,514,340,644	\$ 73,393,560	2.95%	408

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: JULY 31, 2009

INVESTMENT STATISTICS - By Investment Fund*

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Current Yield	MONTH Average Yield	Current NAV
<u>O.C. Money Market Fund</u>	MARKET Value \$ 2,426,411,208 COST (Capital) \$ 2,427,830,243 MONTHLY AVG Balance \$ 2,180,397,048 BOOK Value \$ 2,426,056,387	53	0.46%	0.51%	1.000
<u>O.C. Educational Money Market Fund</u>	MARKET Value \$ 1,664,060,971 COST (Capital) \$ 1,662,328,759 MONTHLY AVG Balance \$ 1,443,099,088 BOOK Value \$ 1,663,683,293	59	0.57%	0.62%	1.000
<u>Extended Fund</u>	MARKET Value \$ 2,202,254,242 COST (Capital) \$ 2,184,133,268 MONTHLY AVG Balance \$ 2,565,854,122 BOOK Value \$ 2,182,657,359	578	1.94%	3.98%	1.009
<u>OC Extended Fund B</u>	MARKET Value \$ 39,228,860 COST (Capital) \$ 52,006,146	309	NA	NA	NA
Allocation of Extended Funds					
<u>Extended Fund (X Fund)</u> <i>County's Share of X Fund</i>	MARKET Value \$ 865,008,146 COST (Capital) \$ 857,890,535 MONTHLY AVG Balance \$ 1,215,854,122 BOOK Value \$ 857,310,822	578	1.94%	3.98%	1.009
<i>Educational Share of X Fund</i>	MARKET Value \$ 1,337,246,096 COST (Capital) \$ 1,326,242,734 MONTHLY AVG Balance \$ 1,350,000,000 BOOK Value \$ 1,325,346,536	578	1.94%	3.99%	1.009
<u>OC Extended Fund B</u> <i>County's Share</i>	MARKET Value \$ 21,308,469 COST (Capital) \$ 28,248,880	309	NA	NA	NA
<i>Educational Share</i>	MARKET Value \$ 17,920,391 COST (Capital) \$ 23,757,266	309	NA	NA	NA

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: JULY 31, 2009

INVESTMENT STATISTICS - By Investment Pool***

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Current Yield	MONTH Average Yield	Current NAV
COMBINED POOL					
<i>County Pool</i>	MARKET Value \$	3,312,727,823	191	0.99%	1.000
	COST (Capital) \$	3,313,969,657			
	MONTHLY AVG Balance \$	3,396,251,170		1.75%	
	BOOK Value \$	3,311,616,089			
<i>Educational Pool</i>	MARKET Value \$	3,019,227,458	289	1.23%	1.002
	COST (Capital) \$	3,012,328,759			
	MONTHLY AVG Balance \$	2,793,099,088		2.25%	
	BOOK Value \$	3,012,787,096			

INVESTMENT STATISTICS - Non Pooled Investments **

DESCRIPTION	CURRENT BALANCE	BOOK BALANCE BY INVESTMENT TYPE
Specific Investment Funds: 100, 112, 161, 225, 283, 480, 482 483, 494, 497, 505, 510, 514, 546 15B	MARKET Value \$ 102,488,469 COST (Capital) \$ 102,278,649 MONTHLY AVG Balance \$ 93,910,408	Interest Bearing Accounts 32591.260 Money Market Funds 21420171.670 Repurchase Agreements 1081500.000 John Wayne Airport Investment Pool 44567893.210 Children & Families Commission 35043372.890 GNMA Mortgage-Backed Security 133120.030 102278649.060

FISCAL YEAR END TOTALS

INVESTMENTS & CASH		FUND ACCOUNTING & SPECIFIC INVESTMENTS	
County Money Market Fund	\$ 2,427,830,243	County Funds	3317055441.380
County Cash	3,085,784	School Funds	3013669669.010
Educational Money Market Fund	1,662,328,759	Specific Investments	102278649.060
Extended Fund	2,184,133,268		
OC Extended Fund B	52,006,146		
School Cash****	1,340,909		
Non Pooled Investments @ Cost	102,278,649		
	\$ 6,433,003,759		6433003759.450

* Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII.

***The Combined Pool Balances include the County and Educational Money Market Fund, and portions of the Extended Fund and Extended Fund B

ORANGE COUNTY TREASURY INVESTMENT POOL RESULTS with Benchmark Comparisons (1)

	MARKET VALUE (\$MM)				AVERAGE DAYS TO MATURITY				MONTHLY AVERAGE % YIELD (2)				12 MONTH AVG % YIELD (3)				
	OCIP- NET	SCHOOLS	MMF	X-FUND*	TOTAL	OCIP- NET	SCHOOLS	MMF	X-FUND*	OCIP- NET	SCHOOLS	MMF	X-FUND*	OCIP- NET	SCHOOLS	MMF	X-FUND*
July 2008	2,026.4	1,684.1	2,241.5	6,332.0	53	59	59	573	0.51	0.82	0.36	3.98	1.67	1.81	1.67	1.81	2.40
August 2008	1,715.3	1,403.3	2,157.9	5,876.5	48	52	50	487	0.64	0.65	0.49	2.32	1.33	2.00	2.32	2.00	2.49
September 2008	1,900.9	1,557.5	2,169.4	6,107.8	49	52	56	422	0.84	0.88	0.58	2.27	1.31	2.20	2.43	2.20	2.64
October 2008	2,179.8	1,787.9	2,720.2	6,687.9	51	50	52	578	0.64	0.74	0.63	2.17	1.19	2.43	2.17	2.43	2.84
November 2008	2,028.1	1,338.4	2,097.6	6,065.4	48	48	48	428	0.81	0.88	0.72	2.57	1.51	2.70	2.57	2.70	3.08
December 2008	2,168.4	1,576.7	2,402.7	6,148.8	53	59	53	381	1.00	1.17	1.02	3.12	1.77	3.01	3.12	3.01	3.34
January 2009	2,014.8	1,856.6	2,585.9	6,457.4	50	53	52	386	0.89	1.13	1.36	3.32	1.86	2.93	3.32	2.93	3.19
February 2009	2,308.2	2,152.8	2,555.4	7,016.4	58	55	49	325	1.77	1.46	1.80	3.32	2.14	3.21	3.32	3.21	3.44
March 2009	1,933.8	1,591.4	2,391.3	5,906.5	30	48	41	342	2.18	2.01	2.33	3.45	2.55	3.47	3.69	3.47	3.69
April 2009	1,693.3	1,716.2	2,545.6	5,955.1	36	43	43	340	2.55	2.36	2.58	3.30	2.72	3.69	3.30	3.69	3.91
May 2009	1,633.4	1,707.1	2,402.9	5,743.4	51	52	44	385	2.64	2.52	2.50	1.84	2.17	3.91	2.17	3.91	4.12
June 2009	1,735.4	1,839.8	2,251.5	5,826.7	47	45	46	467	2.51	2.42	2.43	3.74	2.85	4.14	4.37	4.14	4.37
July 2009	1,787.3	1,797.7	2,173.7	5,756.7	50	48	47	472	2.41	2.38	2.44	3.73	2.80	4.37	2.80	4.37	4.56
August 2009	1,922.7	1,707.5	2,263.3	5,893.5	33	33	48	494	2.44	2.46	2.49	3.92	2.91	4.16	4.33	4.16	4.33
September 2009	2,052.1	2,208.6	2,188.2	6,448.9	29	35	34	456	2.42	2.45	2.62	3.81	2.80	4.39	4.52	4.39	4.52
October 2009	2,313.7	2,328.1	2,281.0	6,922.8	33	42	49	466	2.66	2.62	2.89	4.15	3.04	4.60	4.72	4.60	4.72
November 2009	2,015.4	1,953.0	2,298.1	6,266.5	23	42	42	465	2.34	3.03	3.39	5.77	3.71	4.79	4.90	4.79	4.90
December 2009	2,068.2	2,012.5	2,116.8	6,199.5	34	34	42	443	3.66	3.74	3.82	5.17	4.10	4.94	5.02	4.94	5.02
January 2010	1,977.7	2,132.7	2,176.7	6,287.1	29	33	48	466	4.55	4.53	4.52	5.13	4.65	5.05	5.13	5.05	5.13
February 2010	2,241.1	2,347.1	2,205.7	6,793.9	21	27	48	457	4.91	4.83	4.75	5.21	4.88	5.10	5.15	5.10	5.15
March 2010	1,982.3	2,331.9	2,331.9	5,923.5	33	37	41	477	5.05	5.00	4.86	5.35	5.05	5.13	5.18	5.13	5.18
April 2010	1,782.5	1,684.7	2,402.8	5,880.0	38	43	45	484	5.35	5.22	5.07	5.28	5.18	5.18	5.18	5.18	5.18
May 2010	1,432.1	1,819.5	2,430.3	5,781.3	45	46	45	468	5.41	5.37	5.22	5.24	5.22	5.16	5.16	5.16	5.16
June 2010	1,504.3	1,888.1	2,562.1	5,804.5	52	54	40	462	5.43	5.40	5.17	5.16	5.21	5.16	5.16	5.16	5.16
July 2010	1,391.3	1,955.0	2,496.8	6,043.4	51	58	35	479	5.40	5.39	5.17	5.16	5.19	5.16	5.16	5.16	5.16
August 2010	1,677.1	1,786.8	2,380.8	6,094.7	54	58	36	496	5.40	5.37	5.17	5.29	5.25	5.15	5.15	5.15	5.15
September 2010	2,036.4	2,283.4	2,289.8	6,561.6	56	55	39	422	5.38	5.35	5.16	5.11	5.17	5.13	5.13	5.13	5.13
October 2010	2,310.1	2,584.2	2,037.6	6,931.9	51	53	38	463	5.38	5.36	5.17	5.25	5.24	5.08	5.08	5.08	5.08
November 2010	1,800.4	2,156.5	2,257.1	6,214.0	58	50	39	444	5.30	5.29	5.16	4.99	5.09	5.03	4.99	5.03	4.98
December 2010	1,707.5	2,273.7	2,278.9	6,260.1	69	56	37	441	5.40	5.34	5.16	5.42	5.29	4.97	4.91	4.97	4.91
January 2011	1,702.2	2,171.9	2,250.7	6,124.8	51	40	48	447	5.38	5.31	5.15	4.92	5.09	4.90	4.90	4.90	4.92
February 2011	2,459.8	2,364.2	1,997.2	6,821.2	46	44	51	455	5.38	5.37	5.16	4.92	5.14	4.82	4.73	4.82	4.73
March 2011	1,834.1	1,914.0	1,971.6	5,719.7	61	62	51	457	5.39	5.36	5.15	4.99	5.14	4.73	4.73	4.73	4.82
April 2011	1,792.1	1,923.7	1,944.7	5,660.5	57	60	43	483	5.39	5.35	5.15	4.80	5.07	4.62	4.62	4.62	4.80
May 2011	1,615.1	1,948.3	1,803.9	5,467.3	60	66	38	454	5.41	5.40	5.15	4.78	5.09	4.49	4.49	4.49	4.37
June 2011	1,614.9	2,035.8	1,895.8	5,546.5	63	64	38	414	5.40	5.38	5.15	4.60	5.02	4.35	4.35	4.35	4.37
July 2011	1,584.7	2,135.8	1,777.4	5,497.9	57	50	32	376	5.29	5.24	5.09	4.45	4.80	4.20	4.20	4.20	4.08
August 2011	1,802.4	1,877.5	1,695.0	5,374.9	55	50	37	335	5.18	5.09	4.90	4.48	4.81	4.03	4.03	4.03	3.93
September 2011	1,816.3	2,235.0	1,713.1	5,766.4	29	38	31	287	4.98	4.93	4.53	4.27	4.64	3.87	3.78	3.87	3.78
October 2011	2,369.9	2,240.6	1,702.9	6,313.4	25	40	37	280	4.80	4.81	4.62	4.13	4.51	3.72	3.64	3.72	3.64
November 2011	1,933.9	1,975.2	1,691.0	5,620.1	30	47	38	267	4.60	4.60	4.44	3.82	4.25	3.56	3.49	4.25	3.56
December 2011	1,928.2	2,156.5	1,542.7	5,627.4	32	54	37	293	4.48	4.47	4.34	3.97	4.22	3.39	3.34	4.22	3.39
January 2012	2,730.8	2,229.8	1,667.6	5,628.2	28	38	38	267	4.33	4.33	4.18	3.52	3.97	3.21	3.18	3.97	3.21
February 2012	2,273.5	2,251.8	1,666.9	5,192.2	36	45	36	264	4.20	4.17	4.04	3.44	3.87	3.04	3.04	3.87	3.04
March 2012	1,764.2	1,795.3	1,616.2	5,175.7	36	55	35	280	3.98	3.97	3.84	3.46	3.89	2.86	2.86	3.89	2.86
April 2012	1,587.6	1,834.7	1,659.6	5,080.0	54	63	32	297	3.77	3.79	3.65	3.32	3.52	2.68	2.68	3.52	2.68
May 2012	1,511.9	1,967.5	1,585.5	5,064.9	52	61	36	304	3.63	3.61	3.46	3.11	3.35	2.51	2.51	3.35	2.51
June 2012	1,576.2	2,070.8	1,520.8	5,169.6	55	54	37	283	3.50	3.46	3.28	3.05	3.23	2.34	2.34	3.23	2.34
July 2012	1,704.8	2,097.4	1,508.3	5,310.4	55	53	37	301	3.30	3.28	3.10	3.03	3.16	2.17	2.17	3.16	2.17
August 2012	1,965.6	2,024.0	1,511.1	5,500.7	50	45	39	331	3.14	3.12	2.93	3.14	3.02	2.01	2.13	3.02	2.01
September 2012	2,037.9	2,265.2	1,461.3	5,764.1	50	45	34	334	3.03	3.02	2.81	2.93	2.89	1.84	1.98	2.89	1.84
October 2012	2,525.7	2,257.4	1,473.1	6,256.2	46	54	33	352	2.75	2.86	2.63	2.88	2.71	1.69	1.83	2.71	1.69
November 2012	2,180.9	1,927.0	1,458.4	5,566.3	44	58	39	361	2.54	2.69	2.41	2.50	2.47	1.54	1.59	2.47	1.54
December 2012	2,196.4	2,066.3	1,202.1	5,464.8	51	49	33	327	2.42	2.51	2.26	2.57	2.37	1.42	1.42	2.37	1.42
January 2013	2,075.4	2,116.0	1,204.1	5,395.5	40	47	35	346	2.23	2.38	2.08	2.36	2.21	1.31	1.48	2.23	1.31
February 2013	2,343.9	2,255.0	1,202.9	5,801.8	45	42	45	360	2.16	2.18	1.91	2.28	2.07	1.21	1.38	2.07	1.21
March 2013	2,124.0	1,712.0	1,140.0	4,976.0	56	46	45	383	1.95	1.94	1.70	2.19	1.86	1.06	1.22	1.86	1.06
April 2013	2,023.2	1,781.9	1,118.3	4,923.4	50	55	52	371	1.77	1.75	1.57	2.05	1.70	0.91	1.06	1.70	0.91
May 2013	1,911.8	1,944.3	1,036.9	4,893.0	53	55	57	359	1.60	1.58	1.43	2.09	1.57	0.78	0.92	1.57	0.78
June 2013	1,935.3	1,849.0	1,065.2	4,849.5	54	44	53	347	1.43	1.41	1.28	1.95	1.41	1.13	1.16	1.41	1.13
July 2013	1,924.3	1,766.4	1,063.1	4,753.8	55	50	53	382	1.29	1.26	1.14	1.82	1.27	1.10	1.10	1.27	1.10
August 2013	2,020.2	1,847.7	1,058.7	4,927.6	64	57	54	368	1.19	1.16	0.95	1.81	1.19	1.09	1.09	1.19	1.09
September 2013	2,055.2	2,163.3	1,021.3	5,239.8	81	66	54	402									

NOTES: (1) MMF AVERAGE - BENCHMARK COMPARISON FUNDS: Dryfus Government Cash Management, Temporary Investment Fund, Fidelity Institutional Cash Management and Merrill Lynch Institutional Cash Management.

OCIP - NET is the dollar weighted average yield for the pools less the basis-point management fee.

(2) MONTHLY AVERAGE YIELD is the average earned income (OCIP-NET) for an investment in the Pool for a given month stated as an annual rate.

(3) LATEST 12 MONTHS AVERAGE YIELD

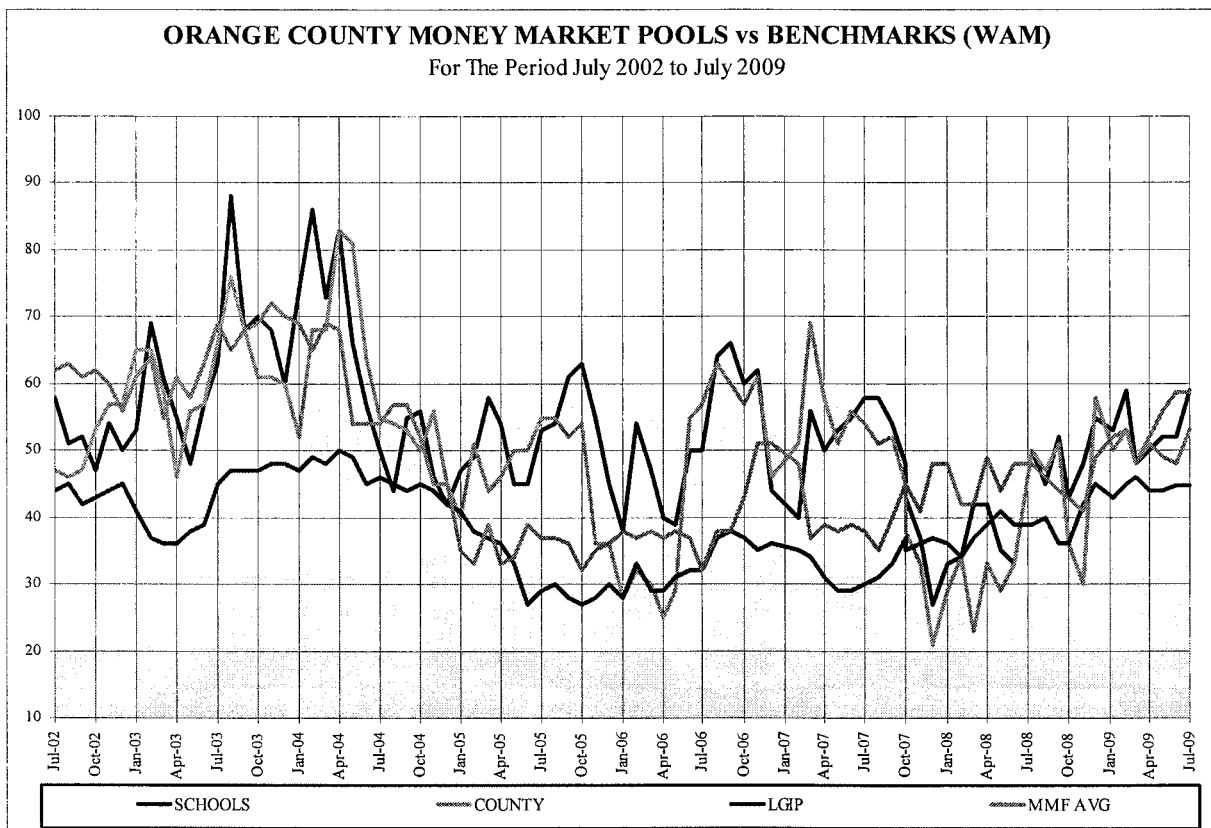
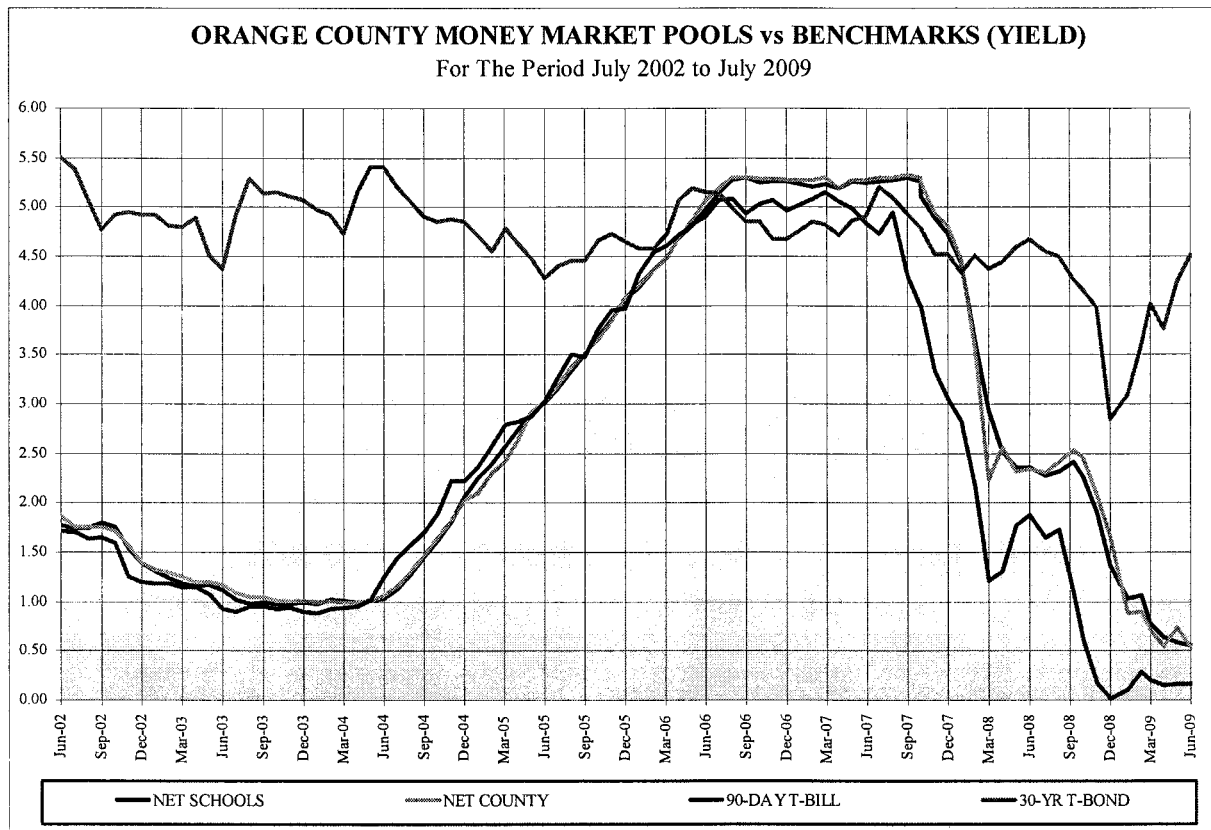
JOHN WAYNE AIRPORT PORTFOLIO									
INVESTMENT PORTFOLIO RESULTS with Benchmark Comparisons (1)									
	MARKET VALUE (000)	AVERAGE DAYS TO MATURITY				MONTHLY AVERAGE % YIELD (2)			
		JW AIRPORT	MMF AVG	S&P LGIP	S&P LGIP	JW AIRPORT	90 DAY T-BILL	MMF AVG	S&P LGIP
July 2009	49,205.0	54	59	45	0.80	0.18	0.36	0.38	
June 2009	49,210.6	55	50	44	0.74	0.17	0.49	0.44	
May 2009	49,342.9	51	56	44	0.82	0.17	0.58	0.52	
April 2009	49,278.3	55	52	44	0.77	0.15	0.63	0.60	
March 2009	56,249.5	53	48	46	0.99	0.20	0.72	0.73	
February 2009	56,161.3	53	53	45	1.23	0.29	1.02	0.84	
January 2009	56,189.3	42	52	43	1.11	0.12	1.36	1.18	
December 2008	58,183.0	52	49	45	1.49	0.02	1.80	1.54	
November 2008	58,109.9	46	41	42	1.91	0.18	2.33	1.92	
October 2008	57,990.7	42	43	36	2.27	0.62	2.58	2.17	
September 2008	57,831.7	49	44	36	2.49	1.10	2.50	2.32	
August 2008	57,733.6	30	46	40	2.42	1.74	2.43	2.28	
July 2008	57,617.8	42	48	39	2.40	1.65	2.49	2.26	
June 2008	57,488.0	31	48	39	2.49	1.88	2.49	2.29	
May 2008	57,349.8	29	44	41	2.58	1.78	2.62	2.42	
April 2008	57,234.7	35	49	39	2.68	1.31	2.89	2.73	
March 2008	57,137.5	26	42	37	2.92	1.22	3.39	3.24	
February 2008	56,938.3	33	42	34	3.87	2.16	3.82	3.84	
January 2008	56,897.5	36	48	36	4.47	2.83	4.52	4.45	
December 2007	56,441.0	26	48	37	4.71	3.06	4.75	4.59	
November 2007	56,262.6	27	41	36	4.95	3.34	4.86	5.06	
October 2007	56,098.4	37	45	35	5.21	4.00	5.07	4.95	
September 2007	55,836.8	32	45	37	5.27	3.81	5.22	5.07	
August 2007	55,595.6	36	40	33	5.40	4.31	5.17	5.09	
July 2007	55,360.6	43	35	31	5.32	4.95	5.17	5.10	
June 2007	55,118.3	41	38	30	5.35	4.74	5.17	5.10	
May 2007	54,760.8	43	39	29	5.33	4.85	5.16	5.09	
April 2007	54,451.0	40	38	29	5.36	4.99	5.17	5.14	
March 2007	54,213.5	38	39	31	5.23	5.06	5.16	5.14	
February 2007	54,064.7	49	37	34	5.39	5.15	5.16	5.12	
January 2007	53,626.1	54	48	35	5.32	5.09	5.15	5.12	
December 2006	53,406.0	41	51	36	5.27	4.97	5.16	5.12	
November 2006	53,178.4	62	51	35	5.31	5.07	5.15	5.10	
October 2006	52,904.0	68	43	37	5.38	5.04	5.15	5.10	
September 2006	52,646.3	66	38	36	5.46	4.93	5.15	5.09	
August 2006	52,488.9	71	38	37	5.39	5.09	5.15	5.05	
July 2006	52,303.6	66	32	32	5.28	5.07	5.09	4.97	
June 2006	52,137.8	64	37	32	5.17	4.91	4.90	4.79	
May 2006	52,446.9	37	38	31	4.94	4.83	4.53	4.63	
April 2006	51,782.1	39	37	29	4.76	4.72	4.62	4.49	
March 2006	51,556.1	43	38	29	4.83	4.62	4.44	4.32	
February 2006	51,364.6	45	37	33	4.43	4.54	4.34	4.20	
January 2006	51,183.0	27	38	28	4.25	4.32	4.18	4.05	
December 2005	50,996.9	32	36	30	4.10	3.97	4.04	3.92	
November 2005	50,829.5	45	35	28	3.99	3.96	3.84	3.70	
October 2005	50,708.0	58	32	27	3.84	3.76	3.65	3.47	
September 2005	50,557.0	51	36	28	3.64	3.48	3.46	3.29	
August 2005	50,435.0	49	37	30	3.51	3.50	3.28	3.11	
July 2005	50,237.7	55	37	29	3.32	3.27	3.10	2.91	
June 2005	50,088.0	34	39	27	3.10	3.02	2.93	2.76	
May 2005	49,980.1	39	34	33	3.00	2.88	2.81	2.64	
April 2005	48,856.3	44	33	36	2.87	2.82	2.63	2.43	
March 2005	46,747.5	49	39	37	2.67	2.79	2.41	2.28	
February 2005	49,635.8	53	33	38	2.52	2.58	2.26	2.12	
January 2005	44,561.4	50	35	41	2.32	2.36	2.08	1.96	
December 2004	44,489.7	32	45	42	2.13	2.22	1.91	1.77	
November 2004	44,427.0	39	45	44	1.93	2.10	1.70	1.58	
October 2004	44,344.5	40	52	45	1.78	1.78	1.57	1.44	
September 2004	44,283.5	46	57	44	1.57	1.67	1.43	1.29	
August 2004	44,223.1	38	57	45	1.39	1.49	1.28	1.14	
July 2004	44,179.9	37	53	46	1.23	1.34	1.14	1.00	
June 2004	44,132.8	46	54	45	1.11	1.26	0.95	0.86	
May 2004	44,107.2	64	54	49	1.09	1.03	0.92	0.84	
April 2004	44,075.8	75	68	50	1.08	0.84	0.86	0.84	
March 2004	44,044.3	45	69	48	1.05	0.95	0.93	0.85	
February 2004	44,004.8	51	65	49	1.06	0.93	0.95	0.85	
January 2004	38,900.5	57	69	47	1.06	0.89	0.96	0.85	
December 2003	38,881.0	48	56	48	1.08	0.90	0.96	0.85	
November 2003	38,854.0	56	60	48	1.07	0.94	0.94	0.85	
October 2003	38,837.3	61	62	47	1.08	0.93	0.93	0.83	
September 2003	38,819.4	72	68	47	1.08	0.95	0.93	0.83	
August 2003	38,789.7	60	65	47	1.10	0.96	0.94	0.83	
July 2003	38,695.5	71	69	45	1.14	0.90	0.96	0.90	
June 2003	38,677.3	67	63	39	1.12	0.93	1.09	1.01	
May 2003	38,698.1	49	58	38	1.25	1.08	1.15	1.04	
April 2003	38,656.0	50	61	38	1.23	1.14	1.16	1.07	
March 2003	38,578.0	59	55	36	1.24	1.14	1.18	1.10	
February 2003	38,580.0	53	64	37	1.29	1.18	1.22	1.13	
January 2003	38,556.4	30	61	41	1.34	1.18	1.27	1.19	
December 2002	38,514.6	27	56	45	1.42	1.20	1.47	1.27	
November 2002	38,476.7	28	60	44	1.65	1.25	1.50	1.49	
October 2002	38,431.9	28	62	43	1.78	1.60	1.70	1.58	
September 2002	38,380.4	43	61	42	1.77	1.65	1.72	1.60	
August 2002	38,331.6	37	63	45	1.80	1.64	1.74	1.63	
July 2002	38,279.8	36	62	44	1.85	1.71	1.77	1.65	
June 2002	38,226.0	48	62	44	1.86	1.72	1.81	1.66	
May 2002	38,168.1	59	62	46	1.86	1.76	1.82	1.69	
April 2002	38,108.7	31	62	45	1.85	1.74	1.89	1.70	
March 2002	38,000.2	29	59	47	1.84	1.81	1.90	1.75	
February 2002	37,958.1	34	64	46	1.85	1.75	1.93	1.85	
January 2002	37,815.3	39	63	47	1.91	1.68	2.01	1.98	
December 2001	37,894.9	22	60	46	2.49	1.72	2.14	2.13	
November 2001	37,817.5	38	61	46	2.59	1.90	2.45	2.47	
October 2001	37,746.8	39	60	45	2.86	2.20	3.16	3.16	
September 2001	37,626.7	24	60	508	3.54	2.81	3.39	3.39	
August 2001	37,517.2	29	58	527	3.82	3.44	3.71	3.71	
July 2001	37,356.9	35	64	494	4.13	3.58	3.87	3.87	
June 2001	37,108.6	22	65	501	4.40	3.55	4.11	4.11	
May 2001	36,919.5	25	65	485	4.73	3.69	4.47	4.47	
April 2001	40,829.9	27	64	496	5.15	3.96	4.99	4.99	
March 2001	46,683.5	53	70	530	5.53	4.53	5.32	5.32	
February 2001	46,322.5	50	45	29	6.06	5.01	5.73	5.63	

* Airport withdrew \$2 million each on 4/25/01, 4/27/01, 4/30/01, 5/1/01 and 5/14/01

(1) MMF AVERAGE - BENCHMARK COMPARISON FUNDS:

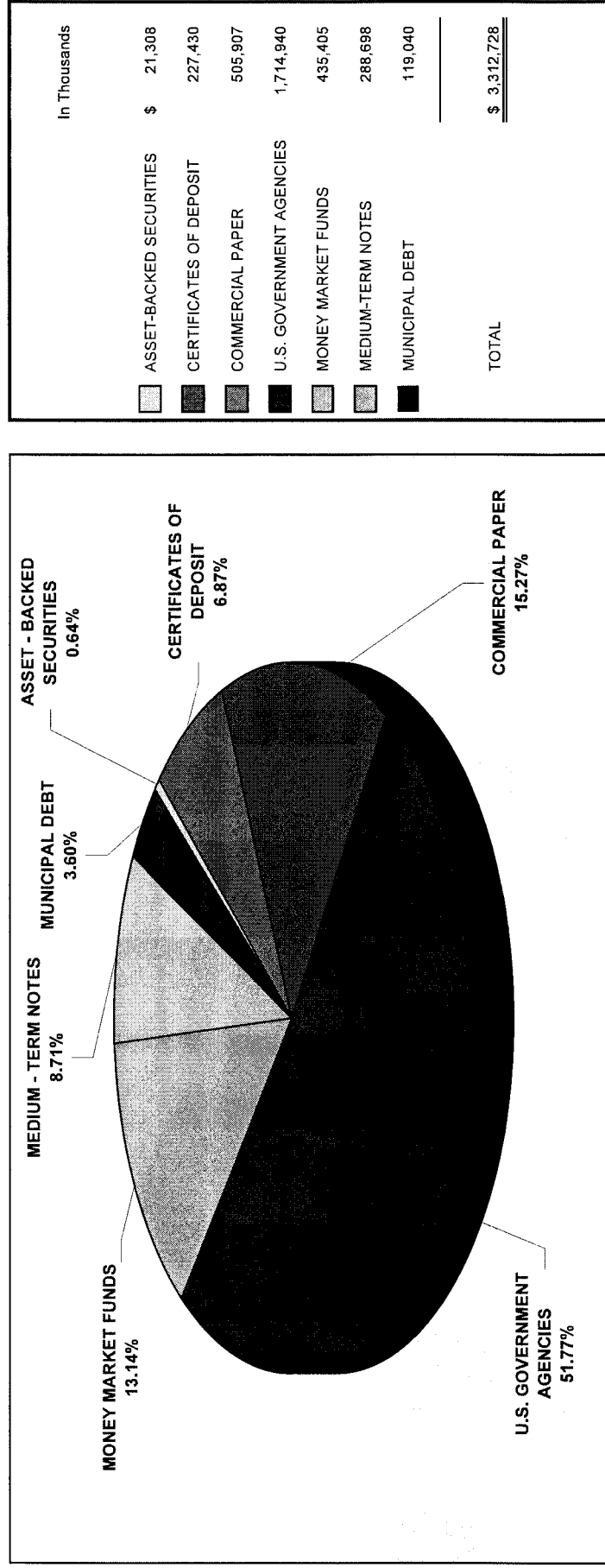
- Dreyfus Government Cash Management
- Temporary Investment Fund
- Fidelity Institutional Cash Management
- Merrill Lynch Institutional Money Market

(2) MONTHLY AVERAGE YIELD is the average earned income for an investment in the Portfolio for a given month, stated as an annual rate.



ORANGE COUNTY TREASURER - TAX COLLECTOR
ORANGE COUNTY INVESTMENT POOL
PORTFOLIO COMPOSITION - COMBINED **

July 31, 2009



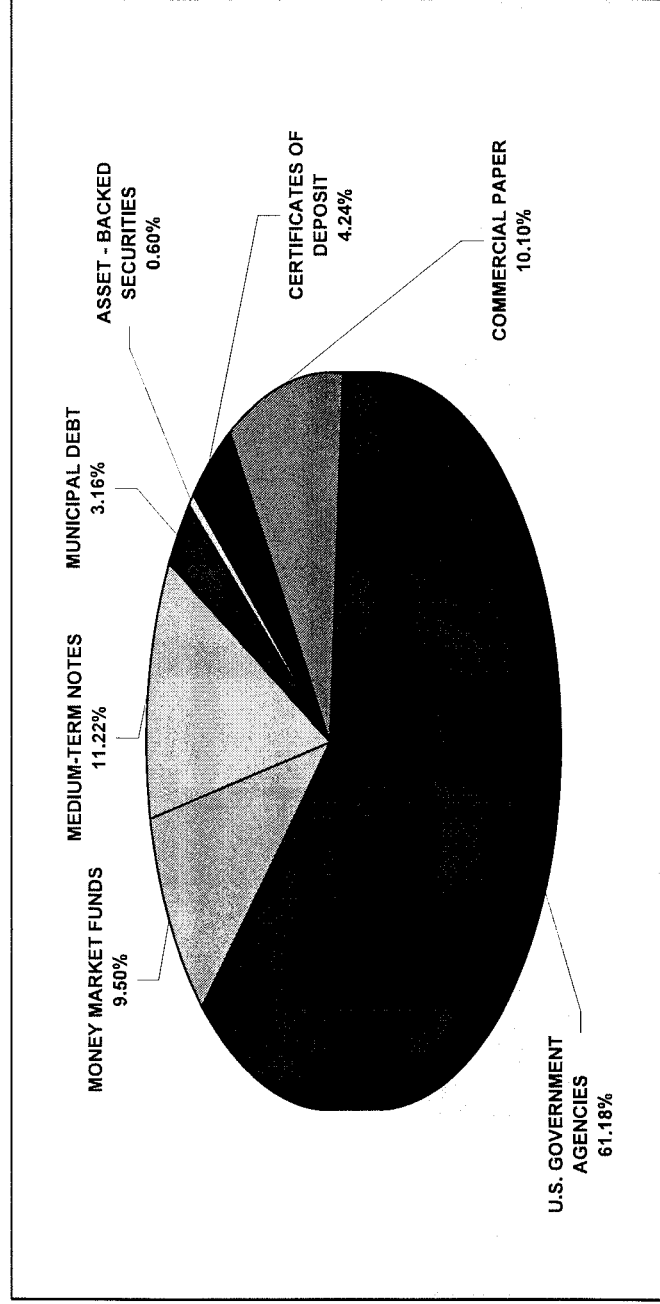
Investment Composition Is In Compliance With The Orange County Treasurer's Investment Policy Statement

**County Investment Pool Includes: Money Market Fund, Extended Fund, & Extended Fund B*

*** Calculated Using Market Value at 7/31/2009*

ORANGE COUNTY TREASURER - TAX COLLECTOR
ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
PORTFOLIO COMPOSITION - COMBINED **

July 31, 2009



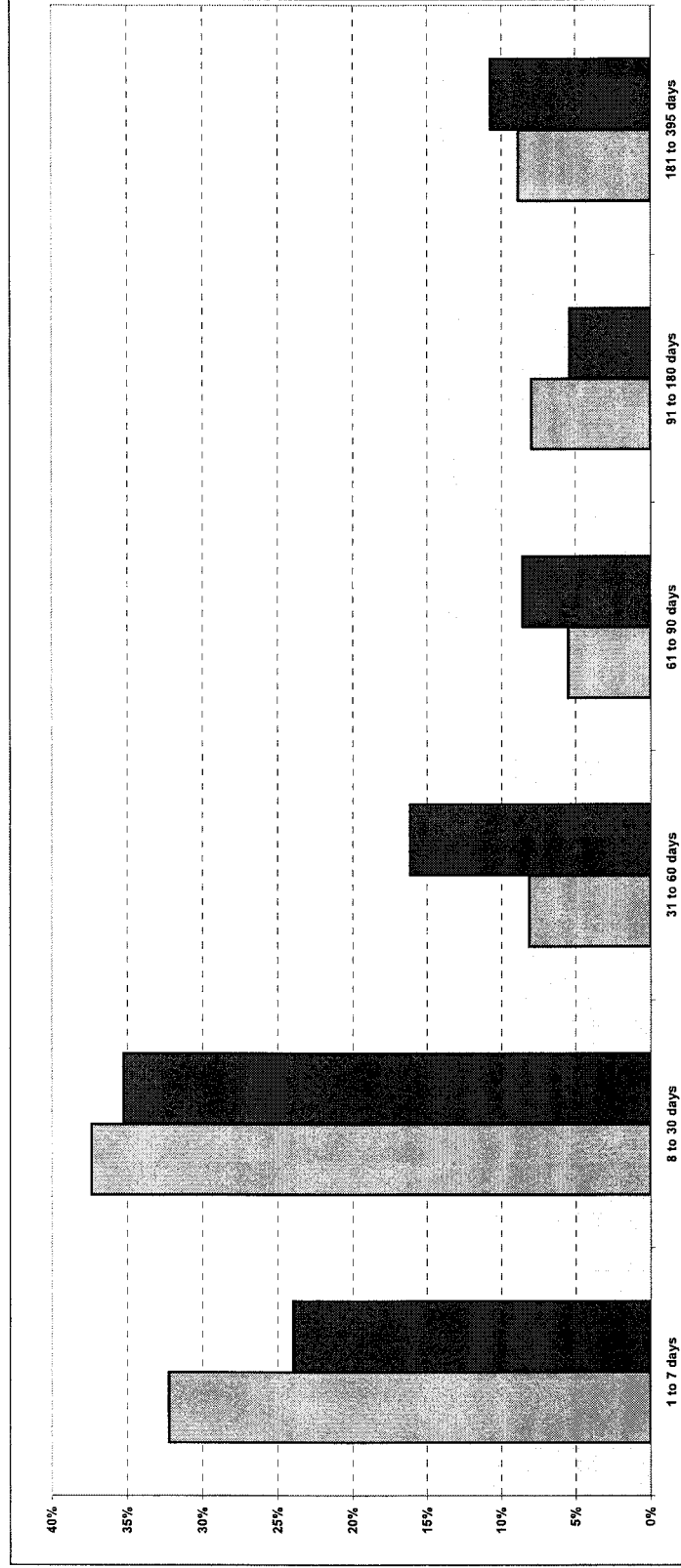
	In Thousands
ASSET-BACKED SECURITIES	\$ 17,920
CERTIFICATES OF DEPOSIT	128,013
COMMERCIAL PAPER	304,964
U.S. GOVERNMENT AGENCIES	1,847,025
MONEY MARKET FUNDS	286,970
MEDIUM-TERM NOTES	338,798
MUNICIPAL DEBT	95,537
TOTAL	\$ 3,019,227

Investment Composition Is In Compliance With The Orange County Treasurer's Investment Policy Statement
**Educational Investment Pool Includes: Money Market Fund, Extended Fund, & Extended Fund B*

**** Calculated Using Market Value at 7/31/2009**

ORANGE COUNTY TREASURER - TAX COLLECTOR
ORANGE COUNTY MONEY MARKET FUND AND EDUCATIONAL MONEY MARKET FUND
MATURITIES DISTRIBUTION

July 31, 2009



O.C. INVESTMENT POOL MONEY MARKET FUND			
	In Thousands		%
1 TO 7 DAYS	\$ 781,405		32.24%
8 TO 30 DAYS	906,130		37.39%
31 TO 60 DAYS	196,615		8.11%
61 TO 90 DAYS	132,500		5.47%
91 TO 180 DAYS	192,864		7.95%
181 TO 395 DAYS	214,252		8.84%
TOTAL	\$ 2,423,766		100.00%

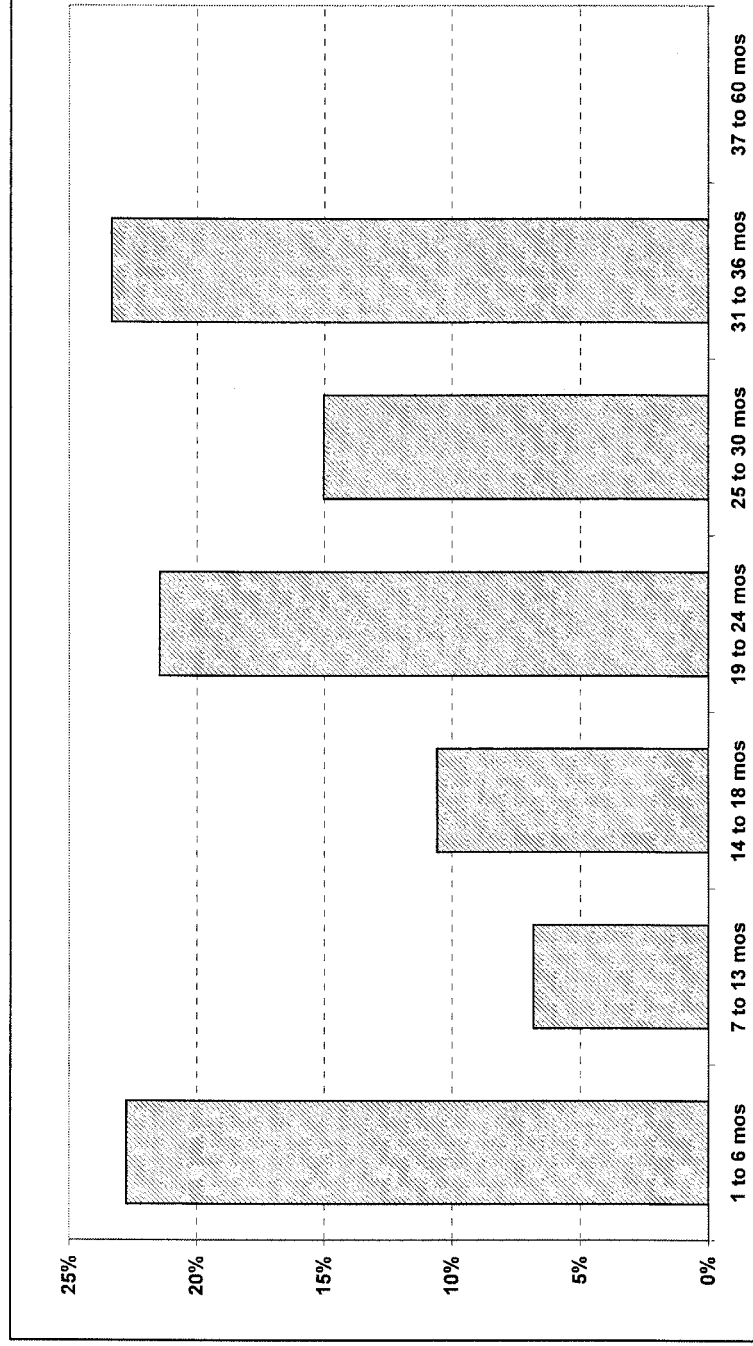
O.C. EDUCATIONAL MONEY MARKET FUND			
	In Thousands		%
1 TO 7 DAYS	\$ 398,370		23.96%
8 TO 30 DAYS	566,052		35.25%
31 TO 60 DAYS	268,414		16.14%
61 TO 90 DAYS	142,000		8.54%
91 TO 180 DAYS	89,518		5.38%
181 TO 395 DAYS	178,350		10.73%
TOTAL	\$ 1,662,704		100.00%

Maturity Limits Are In Compliance With The Orange County Treasurer's Investment Policy Statement

Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date.
 At 7/31/2009 Floating Rate Notes comprise 23.50% and 25.90% of the O.C. Money Market Fund and Educational Money Market Fund respectively.

ORANGE COUNTY TREASURER - TAX COLLECTOR ORANGE COUNTY - EXTENDED FUND MATURITIES DISTRIBUTION

July 31, 2009



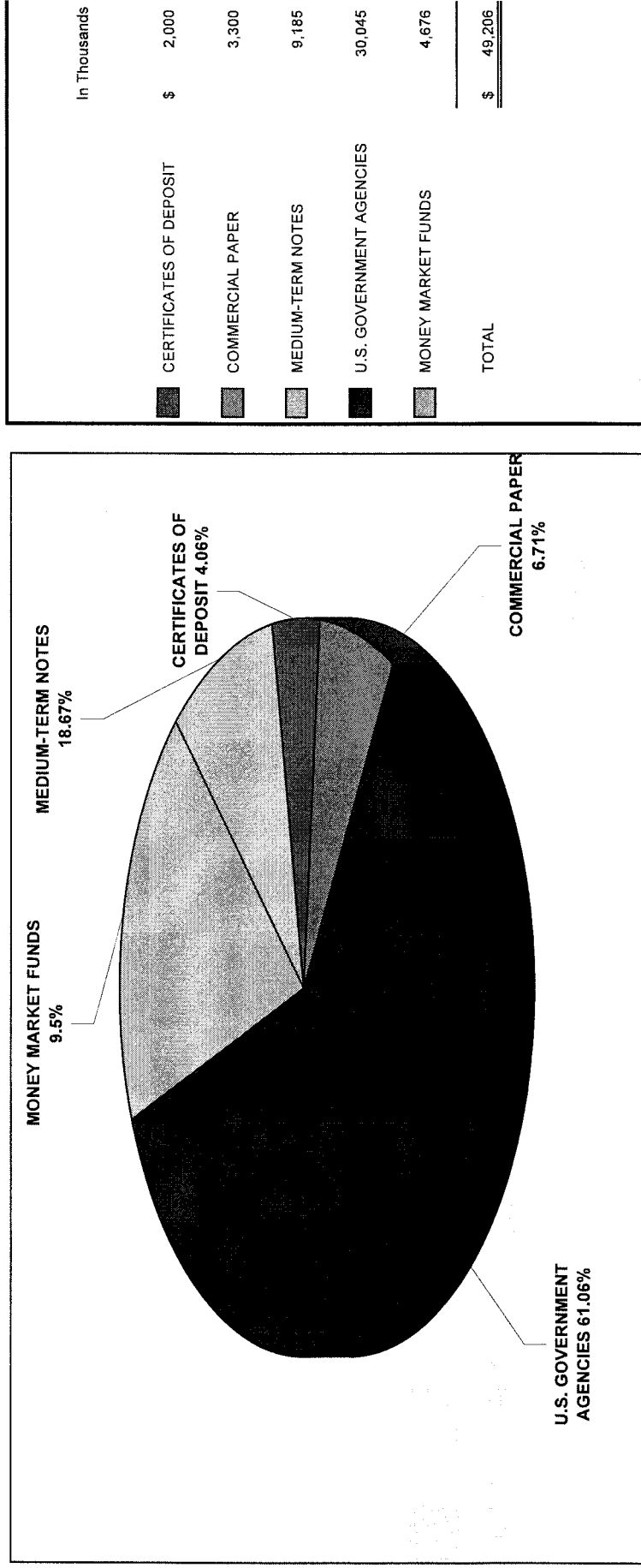
ORANGE COUNTY EXTENDED FUND (includes Extended Fund B)			
	In Thousands		%
1 TO 6 MOS	\$ 507,334		22.76%
7 TO 13 MOS	152,006		6.82%
14 TO 18 MOS	235,675		10.58%
19 TO 24 MOS	478,450		21.47%
25 TO 30 MOS	334,845		15.03%
31 TO 36 MOS	520,000		23.34%
37 TO 60 MOS	-		0.00%
TOTAL	\$ 2,228,310		100.00%

Maturity Limits Are In Compliance With The Orange County Treasurer's Investment Policy Statement

Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date.
At 07/31/2009, Floating Rate Notes comprise 17.10% of the O.C. Extended Fund.

ORANGE COUNTY TREASURER - TAX COLLECTOR JOHN WAYNE AIRPORT INVESTMENT POOL PORTFOLIO COMPOSITION **

July 31, 2009

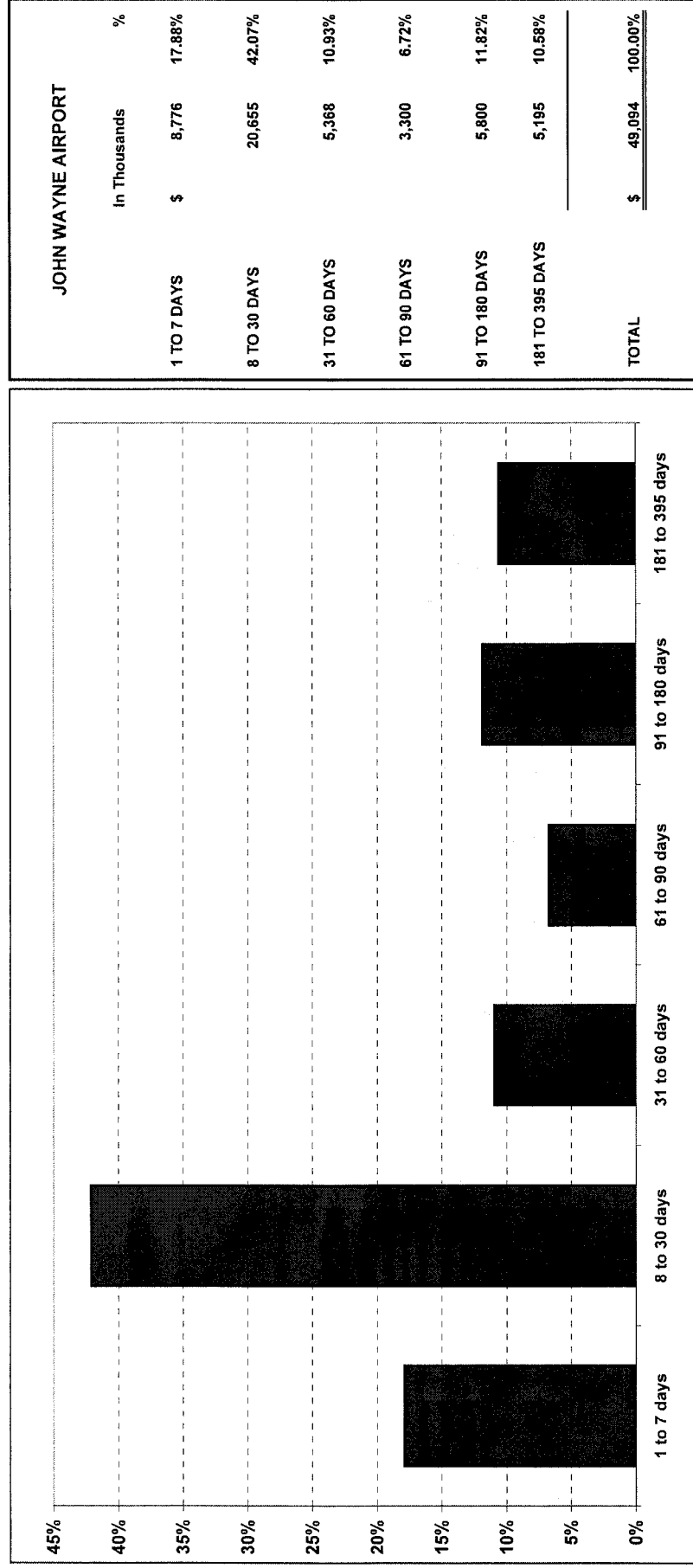


Investment Composition Is In Compliance With The Orange County Treasurer's Investment Policy Statement

** Calculated Using Market Value at 7/31/2009

ORANGE COUNTY TREASURER - TAX COLLECTOR
JOHN WAYNE AIRPORT INVESTMENT POOL
MATURITIES DISTRIBUTION

July 31, 2009



Maturity Limits Are In Compliance With The Orange County Treasurer's Investment Policy Statement

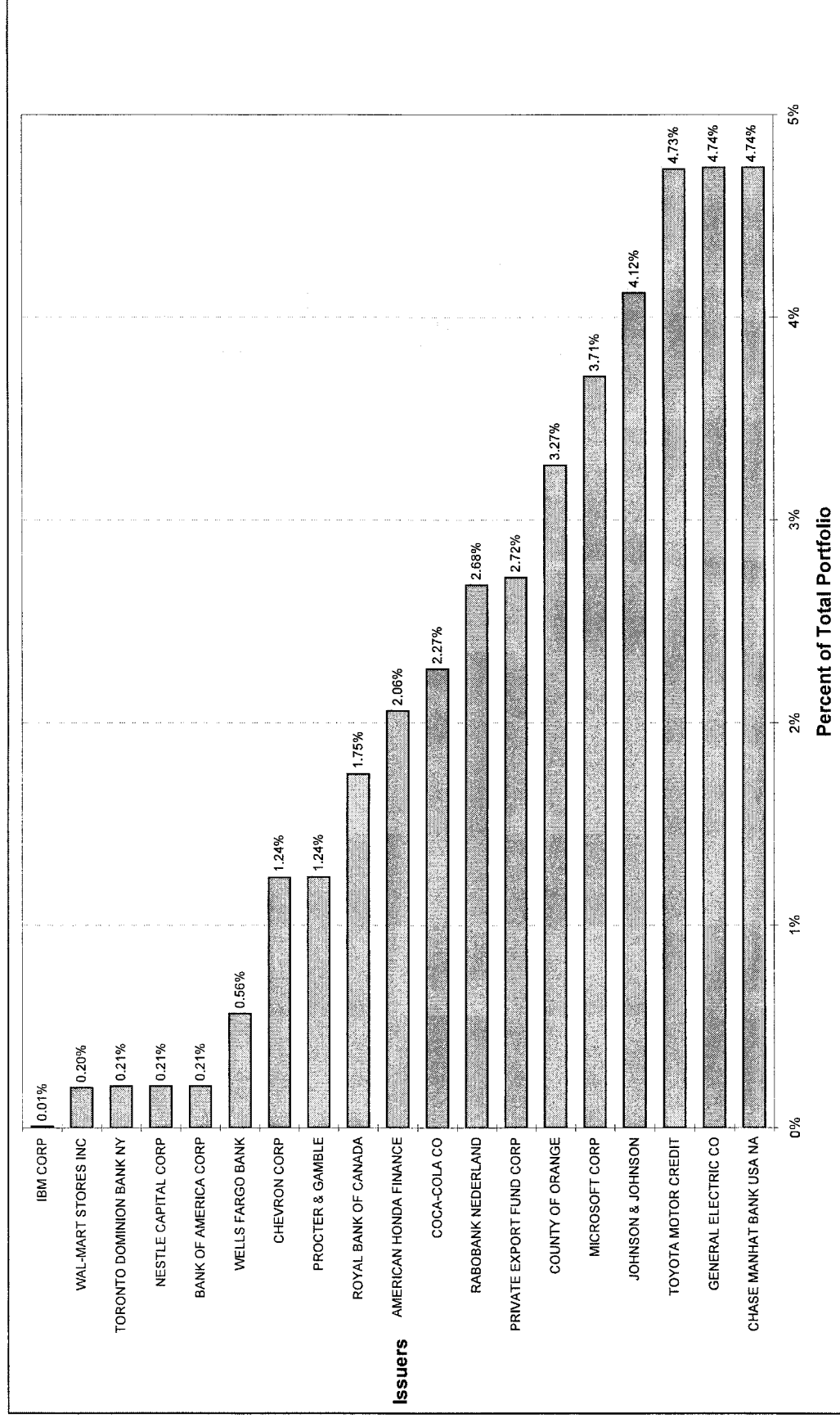
Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date.

At 7/31/2009, Floating Rate Notes comprise 49.25% of the John Wayne Airport

ORANGE COUNTY TREASURER - TAX COLLECTOR

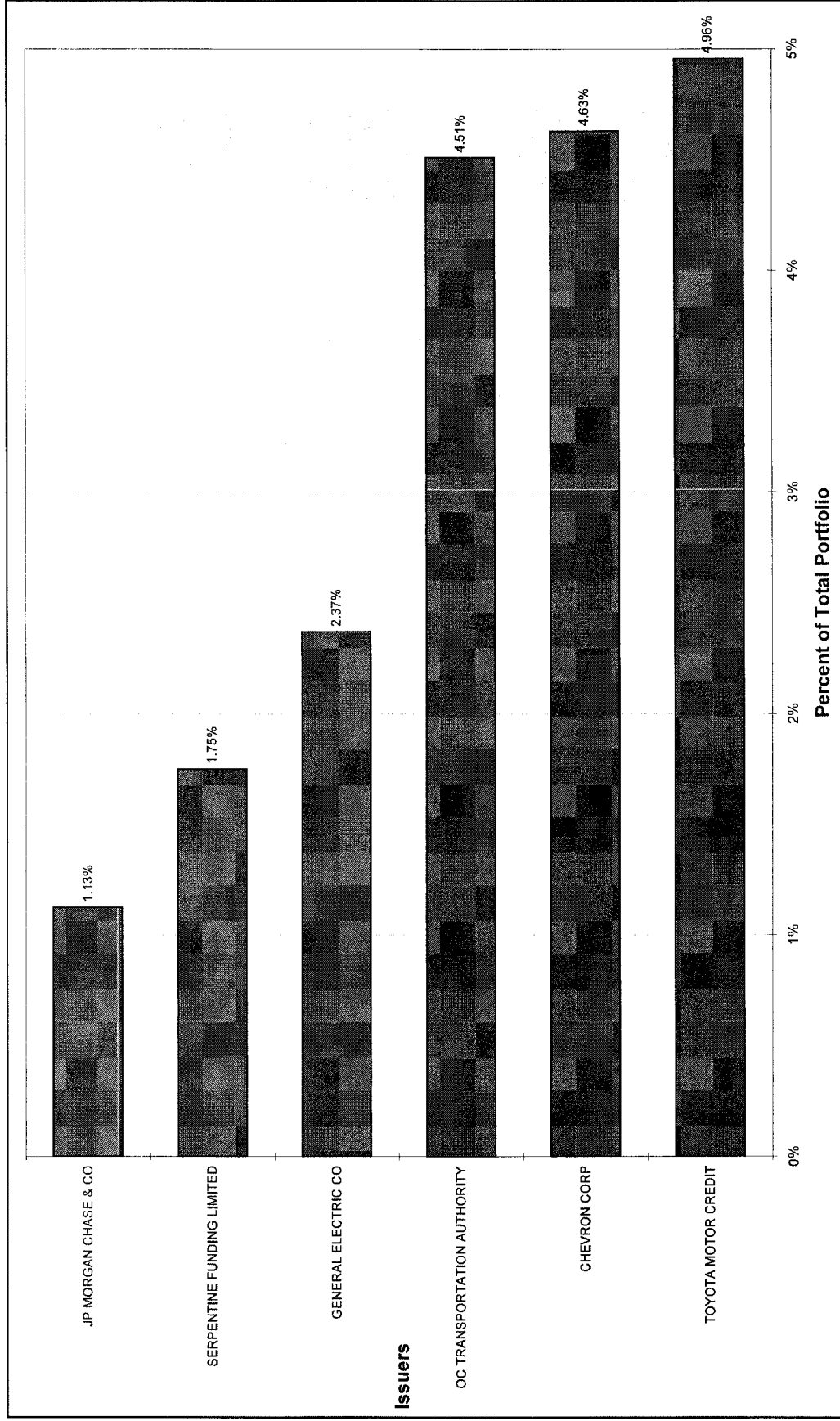
ORANGE COUNTY MONEY MARKET FUND - ISSUER CONCENTRATION

July 31, 2009



ORANGE COUNTY TREASURER - TAX COLLECTOR ORANGE COUNTY EXTENDED FUND - ISSUER CONCENTRATION

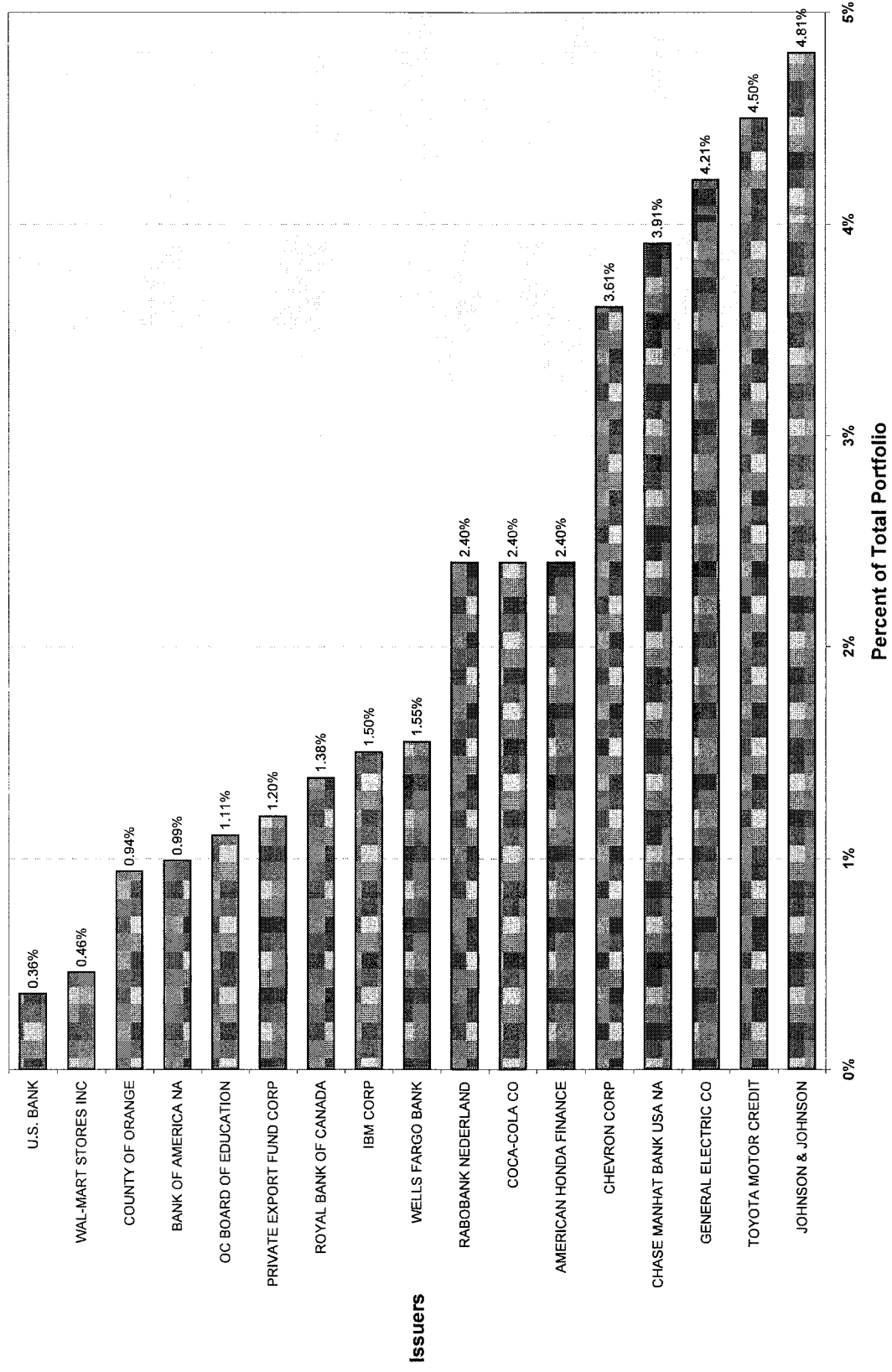
July 31, 2009



Note: Extended Fund includes Extended Fund B

ORANGE COUNTY TREASURER - TAX COLLECTOR EDUCATIONAL MONEY MARKET FUND - ISSUER CONCENTRATION

July 31, 2009



ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING January 31, 2010

Government Code Section 53646 (b) (3), effective on January 1, 1996, requires the Treasurer-Tax Collector to include a statement in the investment report, denoting the ability of the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP) to meet their expenditure requirements for the next six months.

The OCIP and OCEIP consist of funds in the treasury deposited by various entities required to do so by statute, as well as those entities voluntarily depositing monies in accordance with Government Code Section 53684.

The Treasurer-Tax Collector is required to disburse monies placed in the treasury as directed by the Auditor-Controller and the Department of Education, except for the making of legal investments, to the extent funds are transferred to one or more clearing funds in accordance with Government Code Section 29808.

The Treasurer-Tax Collector, in his projection of cash availability to disburse funds as directed by the Auditor-Controller and the Department of Education, is relying exclusively on historical activity involving deposits and disbursements and future cash flow projections. No representation is made as to an individual depositor's ability to meet their anticipated expenditures with anticipated revenues.

The Cash Availability Projection for the six months ending January 31, 2010, indicates the ability of the pools to meet projected cash flow requirements. However, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
July 2009 - Ending Cash				\$ 3,085,784
August	\$ 1,405,887,132	\$ 360,103,184	\$ 398,701,987	1,370,374,113
September	322,005,792	277,067,123	416,571,831	1,552,875,198
October	102,917,800	534,251,624	365,539,769	1,824,504,852
November	86,124,702	719,232,611	614,901,336	2,014,960,829
December	272,313,385	2,037,882,635	1,821,574,115	2,503,582,734
January	75,265,522	365,940,703	694,068,738	2,250,720,220

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
July 2009 - Ending Cash				\$ 1,340,910
August	\$ 821,075,846	\$ 264,164,369	\$ 356,249,643	730,331,482
September	329,491,964	353,285,080	517,830,020	895,278,506
October	45,052,897	505,489,499	579,222,841	866,598,062
November	60,922,584	416,814,695	560,681,159	783,654,182
December	84,224,514	1,220,803,965	359,726,455	1,728,956,206
January	18,141,653	415,291,772	714,436,339	1,447,953,292

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
FOR THE MONTH ENDED: July 31, 2009

Treasurer's Accountability at the Beginning of the Month		<u>\$5,963,577,928.07</u>
Cash Receipts:		
County	\$893,981,275.59	
Schools	<u>695,247,930.00</u>	
Total Cash Receipts		1,589,229,205.59
Cash Disbursements:		
County	699,727,611.04	
Schools	425,163,605.86	
Checks returned for non sufficient funds	<u>366,413.00</u>	
Total Cash Disbursements		<u>1,125,257,629.90</u>
Net Change in Book Value of Pooled Assets		<u>463,971,575.69</u>
Net Increase in Specific Investments		<u>5,454,255.69</u>
Treasurer's Accountability at the End of the Month		<u><u>\$6,433,003,759.45</u></u>

Assets in the Treasury at May 31, 2009

O.C. Investment Pool	\$3,313,969,657.15	
Specific investments	102,278,649.06	
Cash in banks (including Schools)	4,398,633.57	
Cash in vault	28,060.37	
O.C. Educational Investment Pool	<u>3,012,328,759.30</u>	
		<u><u>\$6,433,003,759.45</u></u>

ORANGE COUNTY TREASURER-TAX COLLECTOR **INVESTMENT POLICY COMPLIANCE**

July 31, 2009

Investment Policy Guidelines	Investment Type	Orange County Money Market Fund		Extended Fund		Orange County Educational Money Market Fund		John Wayne Airport Investment Pool	
		Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio
100%	U.S. Treasuries	\$ -	-	\$ -	-	\$ -	-	\$ -	-
40%	Bankers' Acceptances	-	-	-	-	-	-	-	-
30%	Negotiable Certificates of Deposit	227,429,934	9.37%	-	-	128,013,939	7.69%	2,000,032	4.06%
45%	Commercial Paper	505,907,086	20.85%	-	-	304,963,717	18.33%	3,299,751	6.71%
100%	U.S. Government Agencies	1,004,811,838	41.41%	1,807,939,852	80.66%	749,212,985	45.02%	30,044,661	61.06%
20%	Money Market Funds	435,404,581	17.95%	-	-	286,969,568	17.25%	4,676,078	9.50%
30%	Medium-Term Notes	173,532,775	7.15%	293,203,391	13.08%	160,760,268	9.66%	9,185,061	18.67%
50%	Repurchase Agreements	-	-	-	-	-	-	-	-
30%	Municipal Debt	79,324,995	3.27%	101,111,000	4.51%	34,140,495	2.05%	-	-
10%	Asset Backed Securities	-	-	39,228,860	1.75%	-	-	-	-
		\$ 2,426,411,208	100.00%	\$ 2,241,483,103	100.00%	\$ 1,664,060,971	100.00%	\$ 49,205,583	100.00%

Compliance Category (Yes/No)	Orange County Money Market Fund	Extended Fund	Orange County Educational Money Market Fund	John Wayne Airport Investment Pool
Percentage Limits	Yes	Yes	Yes	Yes
Maturity Limits	Yes	Yes	Yes	Yes
Quality Limits	Yes		Yes	Yes
Net Asset Value Limits	Yes		Yes	Yes

- Notes: (1) The Money Market Fund (MMF) is authorized to purchase an additional 5-percent of its total assets in any authorized investment type, except commercial paper, for a period not to exceed 30 business days.
- (2) The Money Market Fund (MMF) is authorized to purchase up to 12.5 percent of its total assets in any authorized issuer for a period not to exceed 3 business days.
- (3) The Extended Fund includes the Extended Fund and OC Extended Fund B.

**Noncompliance Report Summary
For the Month Ended July 31, 2009**

During July, the Orange County Money Market Fund, John Wayne Airport, and the Children and Families Commission Investment Pools were all free of noncompliance incidents. Although certain Investment Policy Statement (IPS) guidelines were temporarily exceeded during the month in the Educational Money Market Fund and the Extended Fund, the Treasurer believes these technical incidents did not cause any material impact of a negative nature.

ORANGE COUNTY TREASURER-TAX COLLECTOR

APPROVED ISSUER LIST

COMMERCIAL PAPER / MEDIUM TERM NOTES

AS OF: 8/3/2009

TICKER	ISSUER (Shared Structure)	CR	S/T RATINGS			L/T RATINGS			PROG RATINGS			PARENT/ ADMINISTRATOR	IND. CODE	
			#	S&P	MDY	FI	S&P	MDY	FI	S&P	MDY			FI
ADPTAX CP M-Mkt	ADP TAX SERVICES INC	1	A-1+	P-1	NR	AAA	Aaa	NR	A-1+	P-1	NR	AUTO DATA PROCES	4.4	
ACLCAP CP M-Mkt	ALCON CAPITAL CORP	4	A-1+	P-1	NR	AA	Aa1	AA+	A-1+	P-1	F1+	NESTLE SA	4.7	
ADPPP CP M-Mkt	AUTOMATIC DATA PROCESSNG	1	A-1+	P-1	NR	AAA	Aaa	NR	A-1+	P-1	NR	AUTOMATIC DATA PROCESSING	4.4	
BAC CP M-Mkt	BANK OF AMERICA CORP	10	A-1	P-1	F1+	A	A2	A+	A-1	P-1	F1+		7.1	
PARFIN CP M-Mkt	BNP PARIBAS FINANCE INC	4	A-1+	P-1	F1+	AA	Aa1	AA	A-1+	P-1	NR	BNP PARIBAS	7.4	
CATFIN CP M-Mkt	CATERPILLAR FIN SERV CRP	11	A-1	P-1	F1	A	A2	A	A-1	P-1	F1	CATERPILLAR INC	8.8	
CATA MTN M-Mkt	CATERPILLAR INC	11	A-1	P-1	F1	A	A2	A	A	A2	A		8.8	
CVXFUN CP M-Mkt	CHEVRON FUNDING CORP	4	A-1+	P-1	F1+	NR	NR	NR	A-1+	P-1	F1+	CHEVRON CORP	6.4	
CVXCP CP M-Mkt	CHEVRON CORPORATION	4	A-1+	P-1	F1+	AA	Aa1	AA	A-1+	P-1	F1+	CHEVRON CORP	6.4	
I7314AAB8 CORP CU	CITIGROUP FUNDING INC	1	#N/A	F	P-1	F1+	AAA	Aaa	AAA	#N/A	P-1	F1+		7.4
KO CP M-Mkt	COCA-COLA CO	8	A-1	P-1	F1	A+	Aa3	A+	A-1	P-1	F1		4.2	
DNSKEC CP M-Mkt	DANSKE CORPORATION	8.33	A-1	P-1	NR	A+	NR	NR	A-1	P-1	NR	DANSKE BANK A/S	7.4	
DBKFIN CP M-Mkt	DEUTSCHE BANK FINL LLC	6.33	A-1	P-1	F1+	A+	Aa1	AA-	A-1	P-1	F1+	DEUTSCHE BK AG	7.1	
DEXDEL CP M-Mkt	DEXIA DELAWARE LLC	9	A-1	P-1	F1+	A	A1	AA-	A-1	P-1	F1+	DEXIA CRDT LOCAL	7.4	
DD CP M-Mkt	DUPONT EI DE NEMOURS CO	11	A-1	P-1	F1	A	A2	A	A-1	P-1	NR		1.1	
GECC CP M-Mkt	GENERAL ELEC CAP CORP	4	A-1+	P-1	NR	AA+	Aa2	NR	A-1+	P-1	NR	GENERAL ELECTRIC	8.11	
GECS CP M-Mkt	GENERAL ELEC CAP SVCS	4	A-1+	P-1	NR	AA+	Aa2	NR	A-1+	P-1	NR	GENERAL ELECTRIC	8.11	
GE CP M-Mkt	GENERAL ELECTRIC CO	4	A-1+	P-1	NR	AA+	Aa2	NR	A-1+	P-1	NR		8.11	
GRECAP CP M-Mkt	GREENWICH CAPITAL HLDGS	8	A-1	P-1	F1+	A+	Aa3	AA-	A-1	P-1	F1+	ROYAL BK OF SCOT	7.4	
IBM CP M-Mkt	IBM CORP	9	A-1	P-1	F1	A+	A1	A+	A-1	P-1	F1		9.1	
IBMCAP CP M-Mkt	IBM CAPITAL INC	9	A-1	P-1	NR	NR	NR	NR	A-1	P-1	NR	IBM CORP	9.1	
IBMIGR CP M-Mkt	IBM INTL GROUP CAPITAL	9	A-1	P-1	F1	NA	A1	A+	A-1	P-1	F1	IBM CORPORATION	9.1	
JNJPP CP M-Mkt	JOHNSON & JOHNSON	1	A-1+	P-1	F1+	AAA	Aaa	AAA	A-1+	P-1	F1+		4.7	
JPMCC CP M-Mkt	JP MORGAN CHASE & CO	8	A-1	P-1	F1+	A+	Aa3	AA-	A-1	P-1	F1+		7.1	
KFW CP M-Mkt	KFW INTERNATL FINANCE	1	A-1+	P-1	F1+	AAA	Aaa	AAA	A-1+	P-1	F1+	KREDIT WIEDERAUF	7.4	
LOREAL CP M-Mkt	L'OREAL USA INC	3	A-1+	P-1	F1+	NR	NR	NR	A-1+	P-1	F1+	L'OREAL SA	4.5	
MSFT CP M-Mkt	MICROSOFT CORP	2	A-1+	P-1	F1+	AAA	Aaa	AA+	A-1+	P-1	NR		9.4	
MMM CP M-Mkt	MINNESOTA MINING & MANUF	6	A-1+	P-1	NR	AA-	Aa2	NR	A-1+	P-1	NR		8.11	
NESCAP CP M-Mkt	NESTLE CAPITAL CORP	4	A-1+	P-1	F1+	AA	Aa1	AA+	A-1+	P-1	F1+	NESTLE SA	4.6	
NORDNA CP M-Mkt	NORDEA NORTH AMERICA INC	7	A-1+	P-1	F1+	NR	NR	NR	A-1+	P-1	F1+	NORDEA BANK AB	7.4	
PCAR CP M-Mkt	PACCAR FINANCIAL CORP	8	A-1+	P-1	NR	AA-	A1	NR	A-1+	P-1	NR	PACCAR INC	3.3	
PEFCO CP M-Mkt	PRIVATE EXPORT FUND CORP	5	A-1	P-1	NR	A+	Aaa	NR	A-1	P-1	NR		7.4	
PGPP CP M-Mkt	PROCTER & GAMBLE CO	7	A-1+	P-1	NR	AA-	Aa3	NR	A-1+	P-1	NR	Procter & Gamble Co.	4.5	
RABUSA CP M-Mkt	RABOBANK USA FIN CORP	2	A-1+	P-1	F1+	AAA	Aaa	AA+	A-1+	P-1	NR	RABOBANK NED	7.4	
SOCNAM CP M-Mkt	SOCIETE GENERALE N AMER	6	A-1	P-1	F1+	AA-	Aa2	AA-	A-1	P-1	NR	SOC GENERALE	7.4	
SVSS CP M-Mkt	SVENSKA HANDELSBANK INC	7	A-1+	P-1	F1+	AA-	NR	AA-	A-1+	P-1	F1+	SVENSKA HNDLSBKN	7.4	
TOYCC CP M-Mkt	TOYOTA MOTOR CREDIT CORP	6	A-1+	P-1	NR	AA	Aa1	A+	A-1+	P-1	NR	TOYOTA MOTOR CORP	3.3	
WMTFDG CP M-Mkt	WAL-MART FUNDING CORP	5	A-1	P-1	NR	NR	NR	NR	A-1	P-1	NR	WAL-MART STORES INC	7.4 AB	
WMT CP M-Mkt	WAL-MART STORES INC	5	A-1+	P-1	F1+	AA	Aa2	AA	A-1+	P-1	F1+		3.14	

**ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST**

DOMESTIC BANKS

TICKER	BANK	CR #	S/T RATING			L/T RATING			PARENT COMPANY	IND. CODE
			S&P	MDY	FI	S&P	MDY	FI		
BACNA CD M-M	BANK OF AMERICA NA	8	A-1	P-1	F1+	A+	Aa3	AA-	Bank of America Corp	7.1
BKNY CD M-M	BANK OF NEW YORK	4	A-1+	P-1	F1+	AA	Aaa	AA	Bank of New York Mellon Corp/T	7.1
CMBDE CD M-M	CHASE BANK USA NA	5	A-1+	P-1	F1+	AA-	Aa1	AA	JPMorgan Chase & Co	7.1
HSBCUS CD M-M	HSBC BANK USA NA	5	A-1+	P-1	F1+	AA	Aa3	AA+	HSBC Holdings PLC	7.1
JPMCBK CD M-M	JPMORGAN CHASE BANK	5	A-1+	P-1	F1+	AA-	Aa1	AA	JPMorgan Chase & Co	7.1
USBNA CD M-M	US BANK NA CINCINNATI	5	A-1+	P-1	F1+	AA-	Aa1	AA	US Bancorp	7.1
WFFB CD M-M	WELLS FARGO BANK NA	6	A-1+	P-1	F1+	AA	Aa2	AA-	Wells Fargo & Co	7.1

**ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST**

FOREIGN BANKS

TICKER	BANK	CR #	S/T RATING			L/T RATING			PARENT COMPANY	IND. CODE	
			S&P	MDY	FI	S&P	MDY	FI			
BNPPNY YCD M-Mkt	BNP PARIBAS NY BRANCH	4	A-1+	P-1	F1+	AA	Aa1	AA	BNP Paribas	7.1	FR
CSFBNY YCD M-Mkt	CREDIT SUISSE NEW YORK	6	A-1	P-1	F1+	A+	Aa1	AA-	Credit Suisse	7.1	SW
DBNY YCD M-Mkt	DEUTSCHE BANK NY	6	A-1	P-1	F1+	A+	Aa1	AA-	Deutsche Bank AG	7.1	GR
DEXNY YCD M-Mkt	DEXIA BANK NY BRANCH	9	A-1	P-1	F1+	A	A1	AA-	Dexia Bank NV	7.1	BE
NDAFNY YCD M-Mkt	NORDEA BANK FINLAND NY	7	A-1+	P-1	F1+	AA-	Aa1	*-	Nordea Bank Finland ABP	7.1	NE
RABONY YCD M-Mkt	RABOBANK NEDERLAND NV NY	2	A-1+	P-1	F1+	AAA	Aaa	AA+	Rabobank Nederland NV	7.1	NE
RY YCD M-Mkt	ROYAL BANK OF CANADA NY	4	A-1+	P-1	F1+	AA-	Aaa	AA	Royal Bank of Canada	7.1	CN
SOCGEN CD M-Mkt	SOCIETE GENERALE	6	A-1+	P-1	F1+	AA-	Aa2	AA-	Societe Generale	7.1	FR
SVSNY YCD M-Mkt	SVENSKA HANDELSBANKEN NY	7	A-1+	P-1	F1+	AA-	Aa1	*-		7.1	SV
TDNY YCD M-Mkt	TORONTO DOMINION BANK NY	5	A-1+	P-1	F1+	AA-	Aaa	AA-	Toronto-Dominion Bank/The	7.1	CN

**MUNICIPAL BONDS
APPROVED ISSUER LIST**

MUNICIPAL BONDS

TICKER	NAME	CR #	S/I RATING			L/I RATING			BANK
			S&P	MDY	FI	S&P	MDY	FI	
ORATRN	ORANGE CNTY CALIF TRANS	8	A-1+	SG	#N/A	AA	A1/SG	A	JP MORGAN/ DEXIA
ORATRN	ORANGE CNTY CALIF TRANS	8	A-1+	SG	#N/A	AA	A1/SG	A	JP MORGAN/DEXIA
ORAEDU	ORANGE CNTY CALIF BRD ED	2	A-1	VMIG1	#N/A	AAA	Aa3	AA+	DEXIA CREDIT LOCAL
OCCALA	ORANGE CNTY CALIF TEETER	3	A-1+	P-1	F1+	#N/A N/A	P-1	F1+	DEXIA CREDIT LOCAL



OFFICE OF THE TREASURER-TAX COLLECTOR

HALL OF FINANCE & RECORDS
11 CIVIC CENTER PLAZA, SUITE G76
POST OFFICE BOX 4515
SANTA ANA, CA 92702
www.ttc.ocgov.com

CHRISS W. STREET
TREASURER-TAX COLLECTOR

PAUL C. GORMAN, C.P.A., CTP
CHIEF ASSISTANT TREASURER-TAX COLLECTOR

JENNIFER BURKHART, CFA
ASSISTANT TREASURER-TAX COLLECTOR

ROBIN RUSSELL
ASSISTANT TREASURER-TAX COLLECTOR
ADMINISTRATION

MEMORANDUM

CHANGES IN ELIGIBLE CREDITS

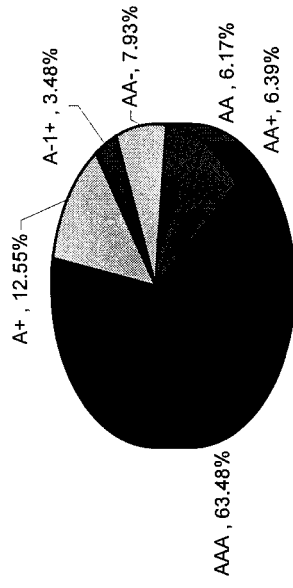
In the month of July, there were no changes to the Treasurer's approved list of issuers.

The following are Asset Backed Securities that the County holds as pass-thru notes from the restructuring of WhistleJacket.

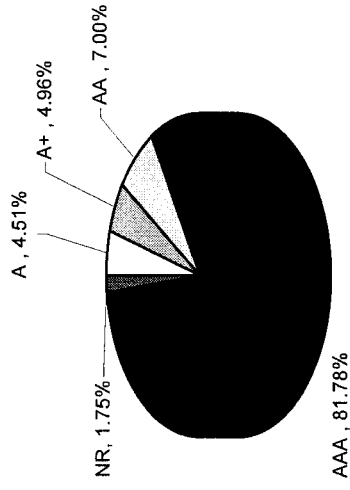
OC Extended Fund B	Security Type	Maturity Date	Market Value	% of Fund	ST Ratings, LT Ratings
Serpentine Funding	US Notes	6/05/10	\$7,506,172.61		N/R
Serpentine Funding	US Notes	6/05/10	5,899,542.63		N/R
Serpentine Funding	US Notes	6/05/10	14,711,853.10		N/R
Serpentine Funding	US Notes	6/05/10	5,970,277.39		N/R
Serpentine Funding	US Notes	6/05/10	5,141,014.60		N/R
			<u>\$39,228,860.33</u>	1.75%	

CREDIT QUALITY
BY MARKET VALUE AS OF 07-31-2009

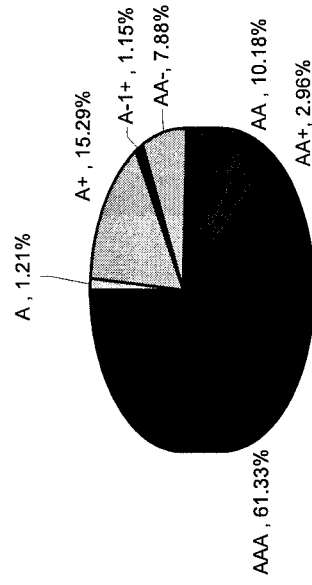
Money Market Fund



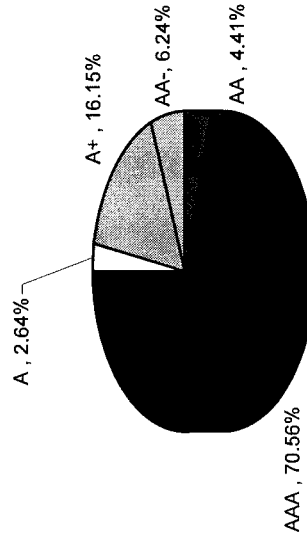
Extended Fund



School's Fund



John Wayne Airport



MONTHLY TREASURER'S MANAGEMENT REPORT

Distribution List

The Orange County Board of Supervisors

Hon. Janet Nguyen – 1st District
Hon. John M. W. Moorlach – 2nd District
Hon. Bill Campbell – 3rd District
Hon. Chris Norby – 4th District
Hon. Pat Bates – 5th District
Darlene Bloom, Clerk of the Board

The Orange County Electeds

Hon. Tom Daly, Clerk-Recorder
Hon. Webster J. Guillory, Assessor
Hon. Anthony J. Rackauckas, District Attorney
Hon. David Sundstrom, Auditor-Controller
Hon. John S. Williams, Public Administrator

The State of California Officials

Hon. Bill Lockyer, State Treasurer
John Decker, CDIA

The Orange County Grand Jury

Treasury Oversight Committee

Hon. Bill Habermehl
Thomas G. Mauk
Hon. David Sundstrom
George Jeffries
Dr. Raghu Mathur

Treasurer's Advisory Committee

Dr. Wendy Benkert
Blake Christian
Jerry Slusiewicz
Timothy Tunney
Jack Wu
Carol Rudat
David Padilla

The County of Orange Departments

Chief Executive Officer
Children & Families Commission
Child Support Services
Civic Center Commission
Community Services Agency
County Counsel
Fire Authority
Health Care Agency
Housing & Community Development
Human Resources
Integrated Waste Management
Internal Audit
John Wayne Airport
Law Library
Local Agency Formation Commission
Orange County Employees Retirement System
Orange County Cemetery District
Orange County Library
Orange County Marina Agency
Orange County Transportation Authority
Planning & Development Services
Probation

Public Defender
Public Facilities & Resources
Registrar of Voters
Social Services Agency
Superior Court
Victim/Witness Program
Transportation Corridor Agencies

The Orange County School Districts

Orange County Department of Education
Anaheim City
Anaheim Union High
Brea-Olinda Unified
Buena Park
Capistrano Unified
Centralia
Cypress
Fountain Valley
Fullerton
Fullerton Joint Union High
Garden Grove Unified
Huntington Beach City
Huntington Beach Union High
Irvine Unified
Laguna Beach Unified
La Habra City
Los Alamitos Unified
Lowell Joint
Magnolia
Newport-Mesa Unified
Ocean View
Orange Unified
Placentia-Yorba Linda Unified
Saddleback Valley Unified
Santa Ana Unified
Savanna
Tustin Unified
Westminster
North Orange County CCD
Rancho-Santiago CCD
South Orange County CCD
Coast Community CCD

The Voluntary Participants (date approved)

Serrano County Water District (6-22-99)
Costa Mesa Sanitary District (12-7-99)
Mesa Consolidated Water District (9-12-00)
City of Villa Park (10-2-01)
City of Tustin (5-21-02)
Yorba Linda Water District (8-12-03)
Orange County Water District (3-30-04)
Municipal Water District of Orange County (7-27-04)
City of San Clemente (5-17-05)
Orange County Vector Control District (11-14-06)
South Coast Water District (6-16-09)



August 26, 2009

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Orange County Transportation Authority Investment and Debt Programs Report - July 2009

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending July 31, 2009.

Recommendation

Receive and file as an information item.

Discussion

As of July 31, 2009, the Orange County Transportation Authority's (Authority) outstanding investments totaled \$961,319,658. The portfolio is divided into two managed portfolios: the liquid portfolio for immediate cash needs and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, the Authority has funds invested in debt service reserve funds for the various outstanding debt obligations.

The Authority's debt portfolio had an outstanding principal balance of \$386.1 million as of July 31, 2009. Approximately 42 percent of the outstanding balance is comprised of Measure M debt, 13 percent is associated with the Renewed Measure M Program, and the remaining 45 percent is for the 91 Express Lanes.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending July 31, 2009.

Attachment

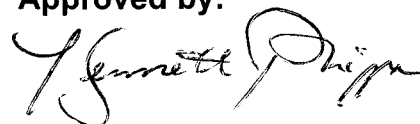
- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending July 31, 2009

Prepared by:



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

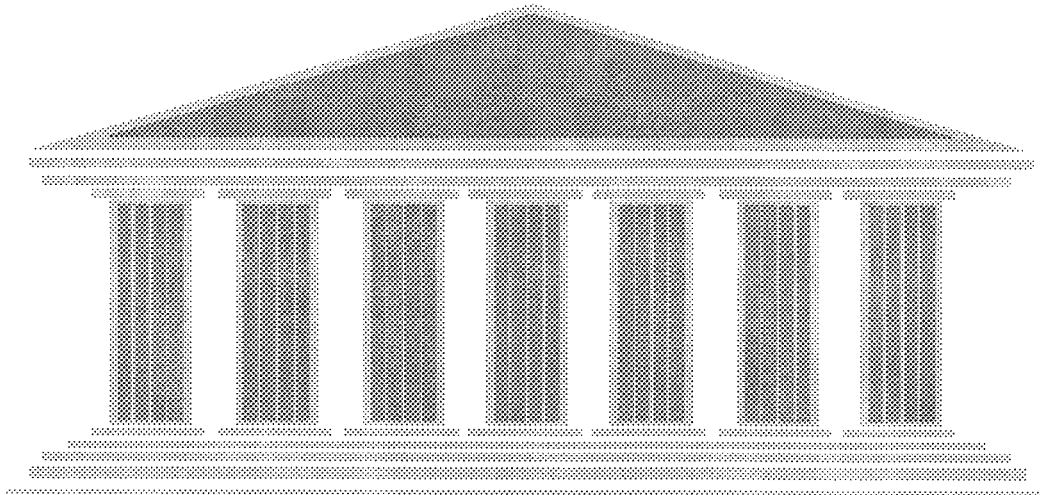
Approved by:



Kenneth Phipps
Executive Director,
Finance and Administration
(714) 560-5637

**Treasury/Public Finance Department's
Report On**

**Orange County Transportation Authority
Investment and Debt Programs**



**Presented to the
Finance and Administration Committee**

**For The Period Ending
July 31, 2009**

INVESTMENT PROGRAM

Investment Profile

As of 7/31/09

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>ACTIVELY MANAGED INVESTMENTS</i>				
JP Morgan	Bank of New York	Custodian	Short-Term Operating	164.6
State Street Global Advisors	Bank of New York	Custodian	Short-Term Operating	168.2
Payden & Rygel Investment Counsel	Bank of New York	Custodian	Short-Term Operating	168.7
Western Asset Management	Bank of New York	Custodian	Short-Term Operating	173.3
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	0.0
Orange County Treasurer	OCIP	Custodian	Legal Requirement	5.0
<i>CASH INVESTMENTS</i>				
OCTA	Bank of New York	Trustee	Liquid	101.0
OCTA	Bank of the West	Broker	Liquid	67.8
OCTA	U.S Bank	Trustee	Liquid	0.2
OCTA	Deutsche Bank	Trustee	M2 TECP Funds	15.8
<i>DEBT SERVICE RESERVE FUNDS</i>				
1992 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	5.4
1992 LTA Sales Tax Bonds	Bank of New York	Trustee	Guaranteed Inv. Contract	9.0
1994 LTA Sales Tax Bonds	Bank of New York	Trustee	Put Agreement	11.4
1997 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	0.8
1997 LTA Sales Tax Bonds	Bank of New York	Trustee	Guaranteed Inv. Contract	1.2
1998 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	24.6
2001 LTA Sales Tax Bonds	Bank of New York	Trustee	Liquid	6.3
91 Express Lanes 2003 Ref. Bonds	U.S Bank	Trustee	Liquid	0.6
91 Express Lanes 2003 Ref. Bonds	U.S Bank	Trustee	FNMA Disc. Notes	24.2
91 Express Lanes 2003 Ref. Bonds	Bank of the West	Trustee	BofW Certificate of Dep.	10.1
91 Express Lanes 2003 Ref. Bonds	Bank of the West	Trustee	BofW Certificate of Dep.	3.2
TOTAL				\$961.3

Short-Term Portfolio - \$675 M

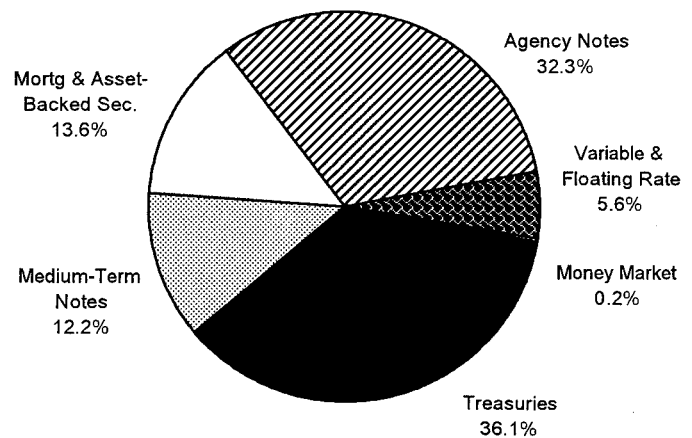
As of 7/31/09

Part 1 of 2

JP Morgan

Book Value \$ 164,595,521

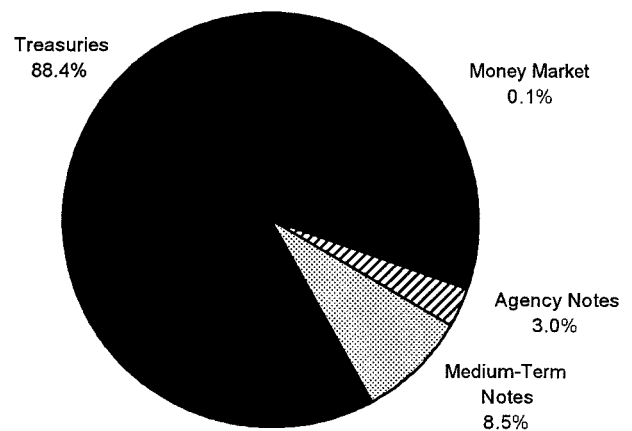
Market Value \$ 167,164,045



State Street Global

Book Value \$ 168,207,912

Market Value \$ 168,346,409



Market Value Reported By Custodial Bank

Short-Term Portfolio - \$675 M

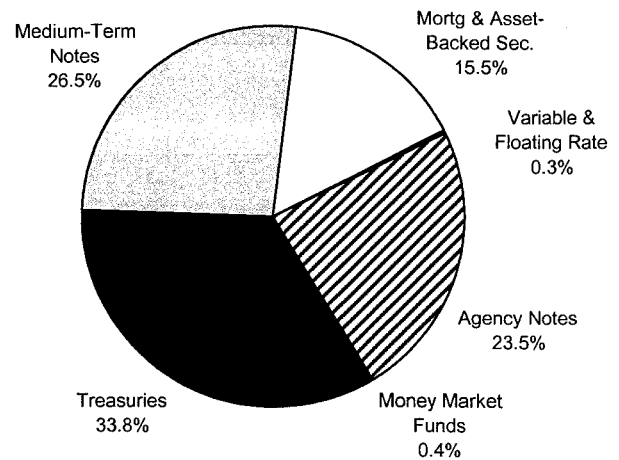
As of 7/31/09

Part 2 of 2

Payden & Rygel

Book Value \$ 168,669,250

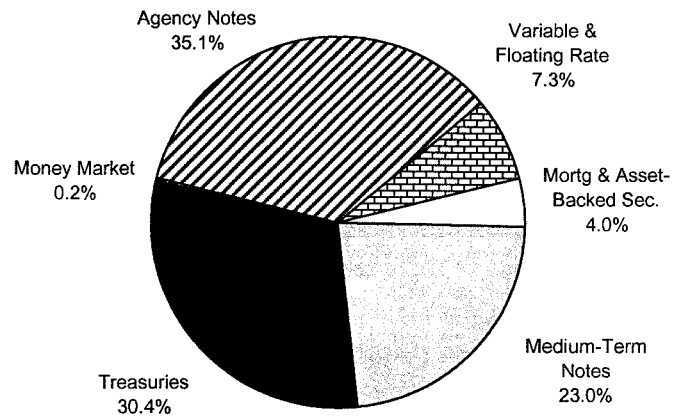
Market Value \$ 170,135,711



Western Asset Management

Book Value \$ 173,290,441

Market Value \$ 173,765,799



Short-Term Portfolio Maturity Schedule

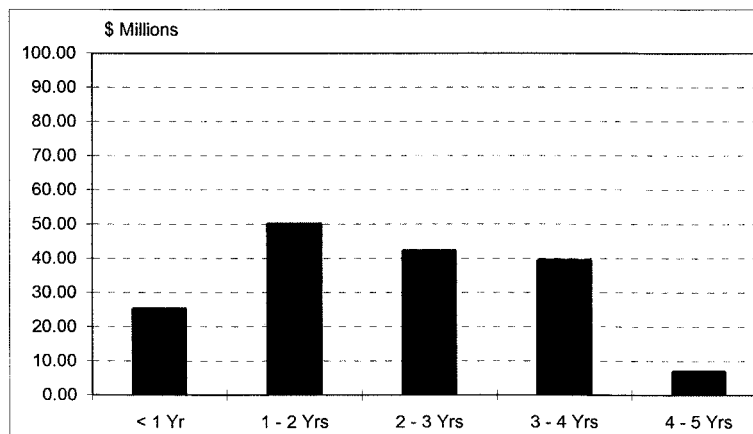
As of 7/31/09

JP Morgan (\$164.6 M)

Monthly Return 0.34%
 Benchmark Comparison 0.13%

Fiscal YTD Return 0.34%
 Benchmark Comparison 0.13%

12 Month Return 4.39%
 Benchmark Comparison 4.11%

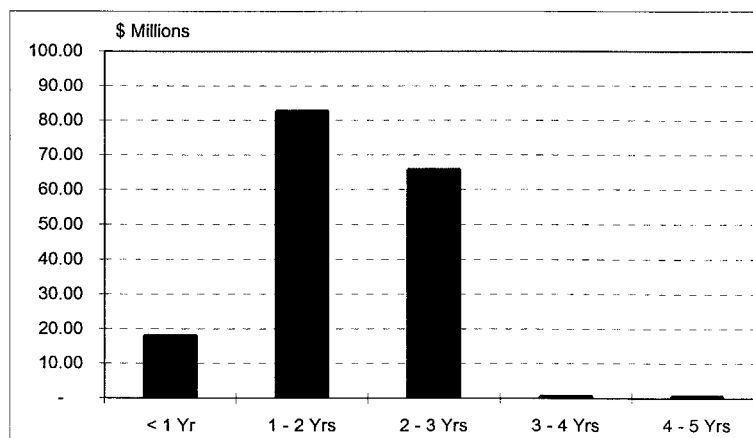


State Street Global (\$168.2 M)

Monthly Return 0.17%
 Benchmark Comparison 0.13%

Fiscal YTD Return 0.17%
 Benchmark Comparison 0.13%

12 Month Return 4.27%
 Benchmark Comparison 4.11%



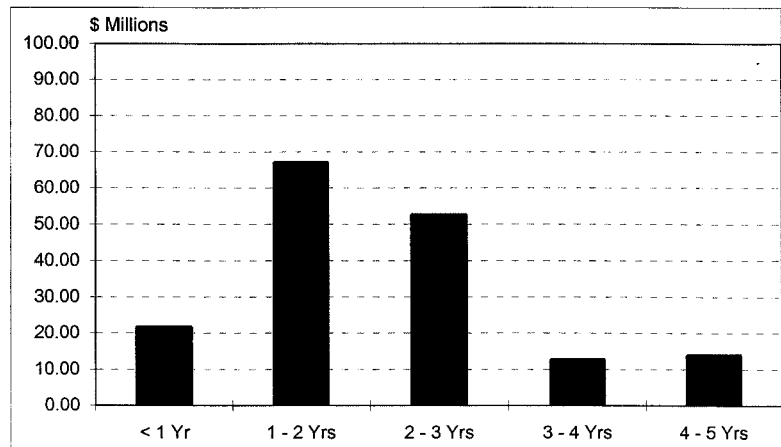
Yield Curve Change From 6/30/09 to 7/31/09			
	6/30/09	7/31/09	Change
1 Year	0.482%	0.468%	-0.0140%
2 Year	1.109%	1.111%	0.0020%
3 Year	1.619%	1.587%	-0.0320%
5 Year	2.555%	2.514%	-0.0410%
30 Year	4.329%	4.298%	-0.0310%

Short-Term Portfolio Maturity Schedule

As of 7/31/09

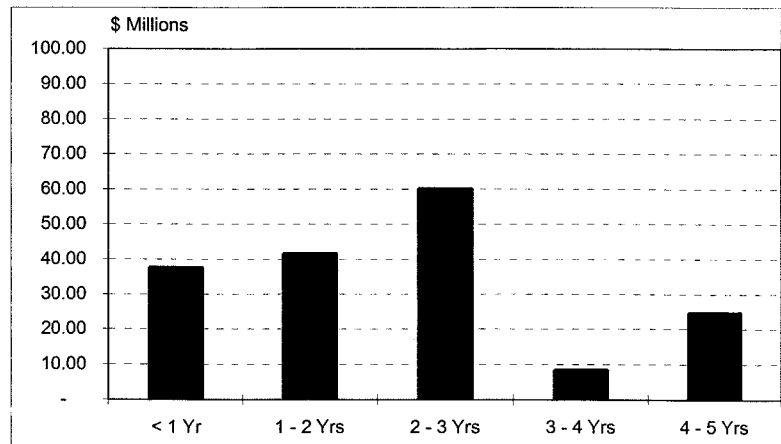
Payden & Rygel (\$168.7 M)

Monthly Return	0.42%
Benchmark Comparison	0.13%
Fiscal YTD Return	0.42%
Benchmark Comparison	0.13%
12 Month Return	5.72%
Benchmark Comparison	4.11%



Western Asset Management (\$173.3 M)

Monthly Return	0.43%
Benchmark Comparison	0.13%
Fiscal YTD Return	0.43%
Benchmark Comparison	0.13%
12 Month Return	4.65%
Benchmark Comparison	4.11%

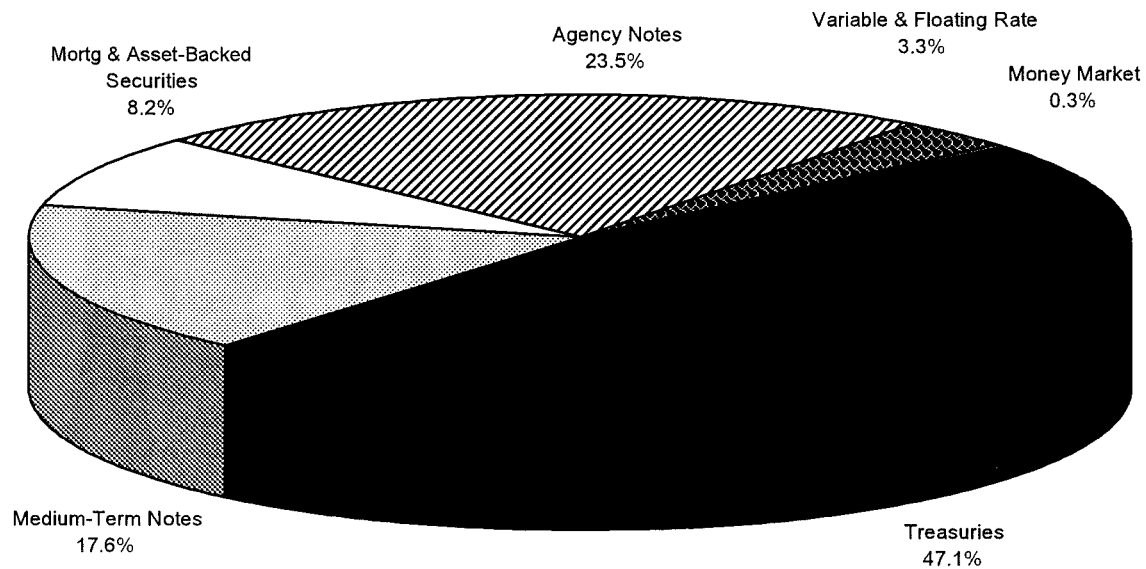


Yield Curve Change From 6/30/09 to 7/31/09			
	<u>6/30/09</u>	<u>7/31/09</u>	<u>Change</u>
1 Year	0.482%	0.468%	-0.0140%
2 Year	1.109%	1.111%	0.0020%
3 Year	1.619%	1.587%	-0.0320%
5 Year	2.555%	2.514%	-0.0410%
30 Year	4.329%	4.298%	-0.0310%

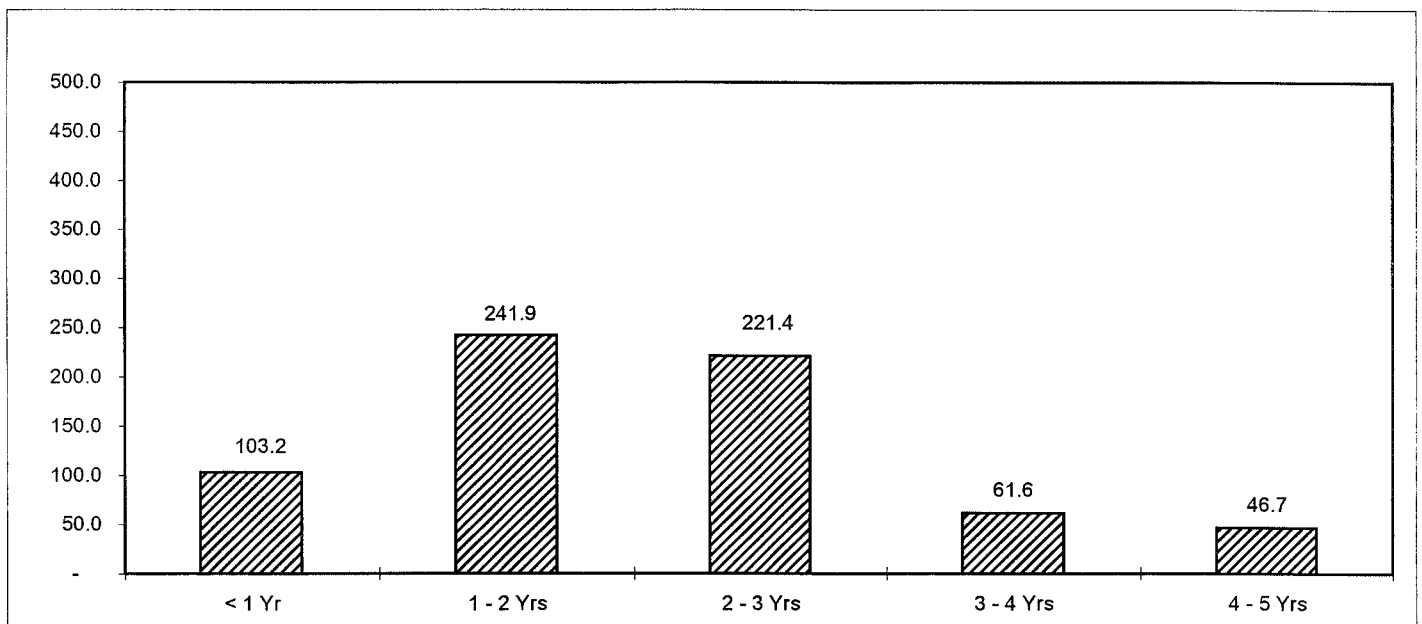
Short-Term Portfolio

As of 7/31/09

Total Portfolio Composition



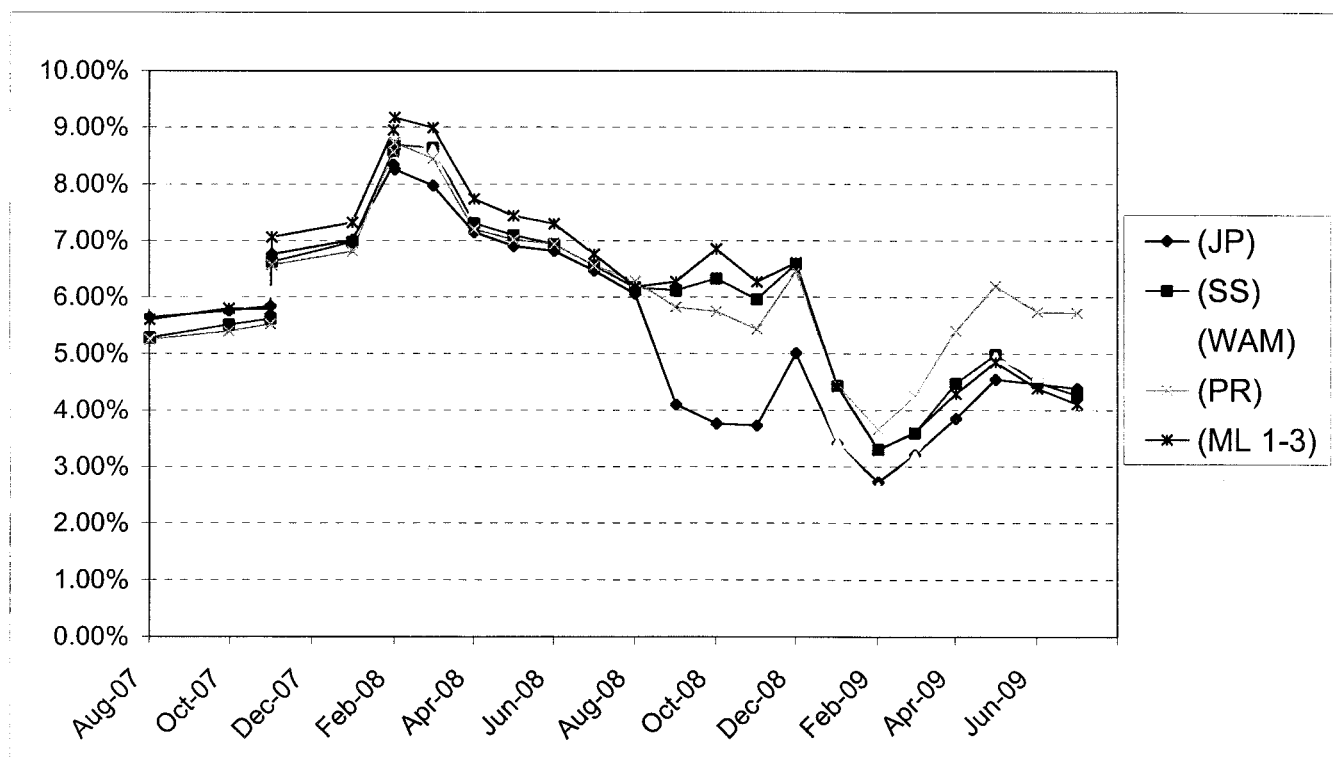
Total Portfolio Maturity Schedule



Short-Term Portfolio Performance

As of 7/31/09

Trailing 1-Year Total Return Vs. The Merrill Lynch 1-3 Treasury Benchmark

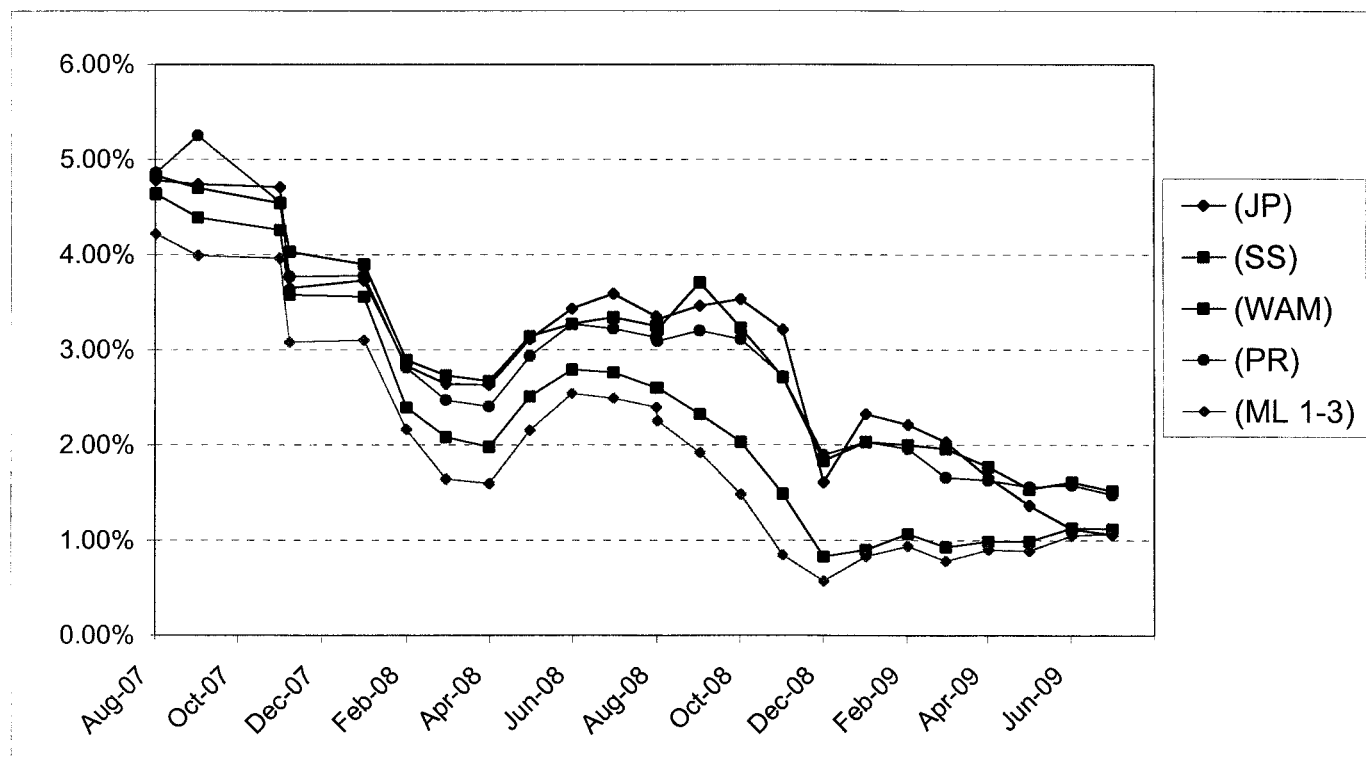


	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	Merrill Lynch 1-3 Yr (ML 1-3)
Aug-07	5.64%	5.28%	5.90%	5.25%	5.60%
Sep-07	5.76%	5.51%	6.01%	5.39%	5.80%
Oct-07	5.84%	5.62%	6.10%	5.52%	5.78%
Nov-07	6.76%	6.63%	7.07%	6.57%	7.06%
Dec-07	7.01%	6.97%	7.35%	6.81%	7.32%
Jan-08	8.34%	8.59%	8.99%	8.57%	8.95%
Feb-08	8.26%	8.69%	8.89%	8.73%	9.17%
Mar-08	7.97%	8.64%	8.60%	8.45%	8.99%
Apr-08	7.15%	7.31%	7.54%	7.20%	7.74%
May-08	6.90%	7.09%	7.45%	7.02%	7.44%
Jun-08	6.82%	6.94%	7.45%	6.94%	7.30%
Jul-08	6.47%	6.56%	6.89%	6.56%	6.76%
Aug-08	6.05%	6.17%	6.41%	6.29%	6.18%
Sep-08	4.10%	6.12%	4.86%	5.82%	6.27%
Oct-08	3.76%	6.33%	4.33%	5.75%	6.85%
Nov-08	3.73%	5.96%	4.15%	5.43%	6.27%
Dec-08	5.01%	6.59%	5.27%	6.46%	6.61%
Jan-09	3.41%	4.44%	3.42%	4.45%	4.43%
Feb-09	2.73%	3.31%	2.64%	3.66%	3.30%
Mar-09	3.21%	3.59%	3.19%	4.25%	3.61%
Apr-09	3.85%	4.48%	4.16%	5.40%	4.29%
May-09	4.55%	4.98%	4.93%	6.19%	4.85%
Jun-09	4.46%	4.49%	4.62%	5.74%	4.39%
Jul-09	4.39%	4.27%	4.65%	5.72%	4.11%

Comparative Yield Performance

As of 7/31/09

Historical Yields Vs. The Merrill Lynch 1-3 Treasury Benchmark



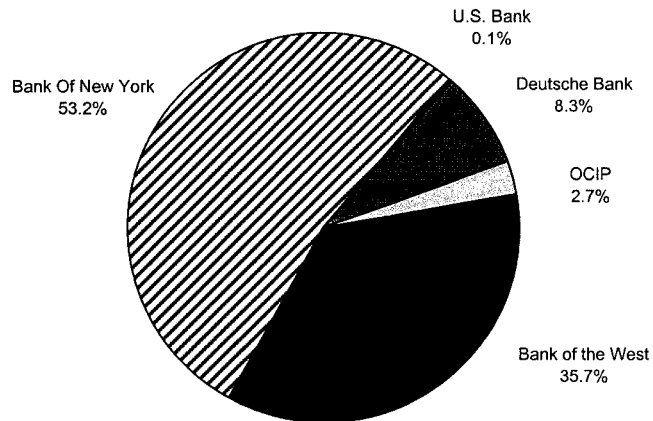
	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	Merrill Lynch 1-3 Yr (ML 1-3)
Aug-07	4.78%	4.64%	4.83%	4.86%	4.22%
Sep-07	4.74%	4.39%	4.70%	5.25%	3.99%
Oct-07	4.71%	4.26%	4.54%	4.55%	3.96%
Nov-07	3.65%	3.58%	4.03%	3.77%	3.08%
Dec-07	3.73%	3.56%	3.90%	3.78%	3.10%
Jan-08	2.83%	2.39%	2.89%	2.81%	2.16%
Feb-08	2.64%	2.08%	2.73%	2.47%	1.64%
Mar-08	2.63%	1.98%	2.67%	2.40%	1.60%
Apr-08	3.11%	2.51%	3.14%	2.93%	2.15%
May-08	3.43%	2.79%	3.27%	3.27%	2.54%
Jun-08	3.59%	2.76%	3.34%	3.22%	2.49%
Jul-08	3.35%	2.60%	3.25%	3.13%	2.40%
Aug-08	3.32%	2.60%	3.21%	3.09%	2.25%
Sep-08	3.46%	2.32%	3.71%	3.20%	1.92%
Oct-08	3.53%	2.03%	3.23%	3.11%	1.49%
Nov-08	3.21%	1.49%	2.71%	2.72%	0.84%
Dec-08	1.61%	0.83%	1.83%	1.89%	0.57%
Jan-09	2.32%	0.90%	2.03%	2.03%	0.83%
Feb-09	2.21%	1.07%	2.00%	1.96%	0.94%
Mar-09	2.03%	0.93%	1.96%	1.66%	0.78%
Apr-09	1.66%	0.99%	1.77%	1.63%	0.90%
May-09	1.37%	0.99%	1.54%	1.56%	0.89%
Jun-09	1.12%	1.13%	1.61%	1.58%	1.05%
Jul-09	1.06%	1.12%	1.52%	1.48%	1.07%

Liquid Funds Portfolio - \$189.8 M

As of 7/31/09

Other Liquid Funds

Book Value	\$	189,775,610
Market Value	\$	189,872,129



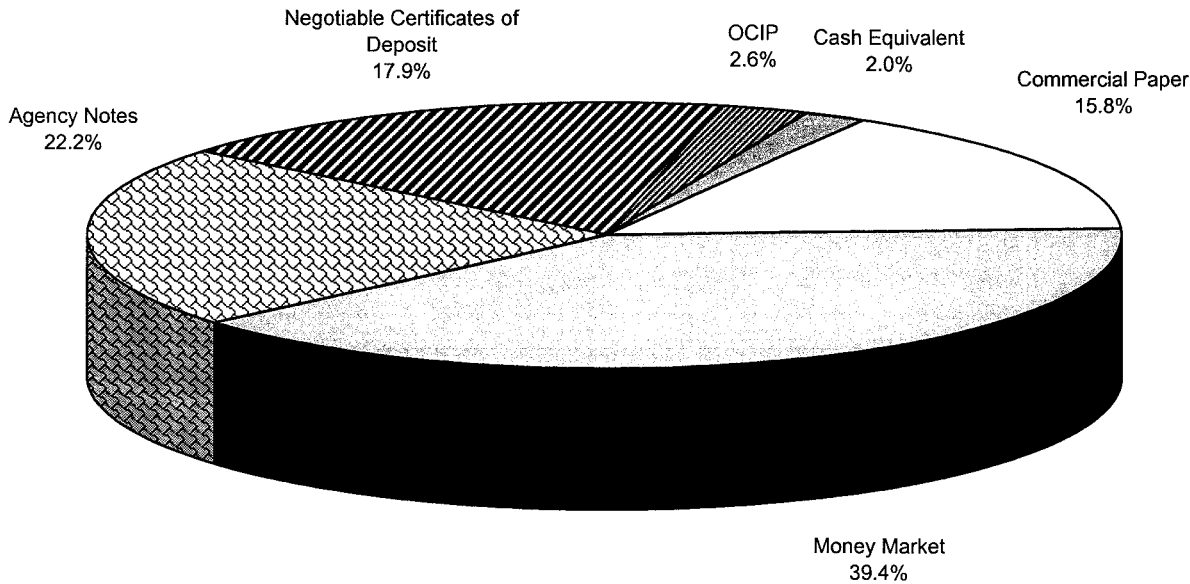
Yield Curve Change From 6/30/09 to 7/31/09			
	<u>6/30/09</u>	<u>7/31/09</u>	<u>Change</u>
1 Month	0.155%	0.125%	-0.0300%
3 Month	0.178%	0.175%	-0.0030%
6 Month	0.340%	0.249%	-0.0910%

Market Value Reported By Custodial Bank

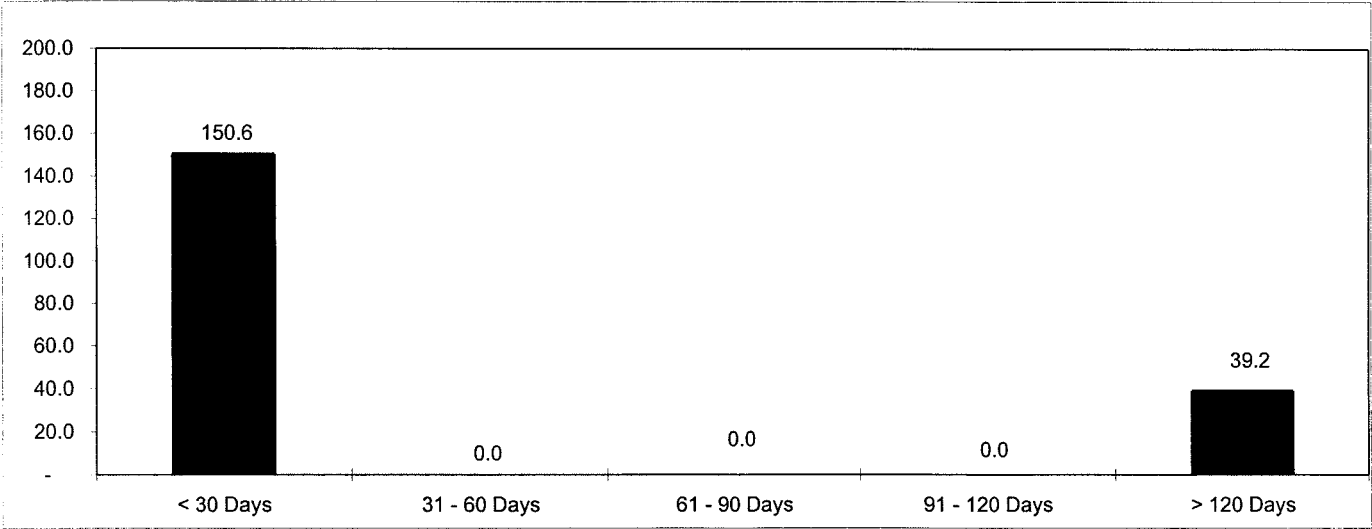
Liquid Portfolio

As of 7/31/09

Total Portfolio Composition



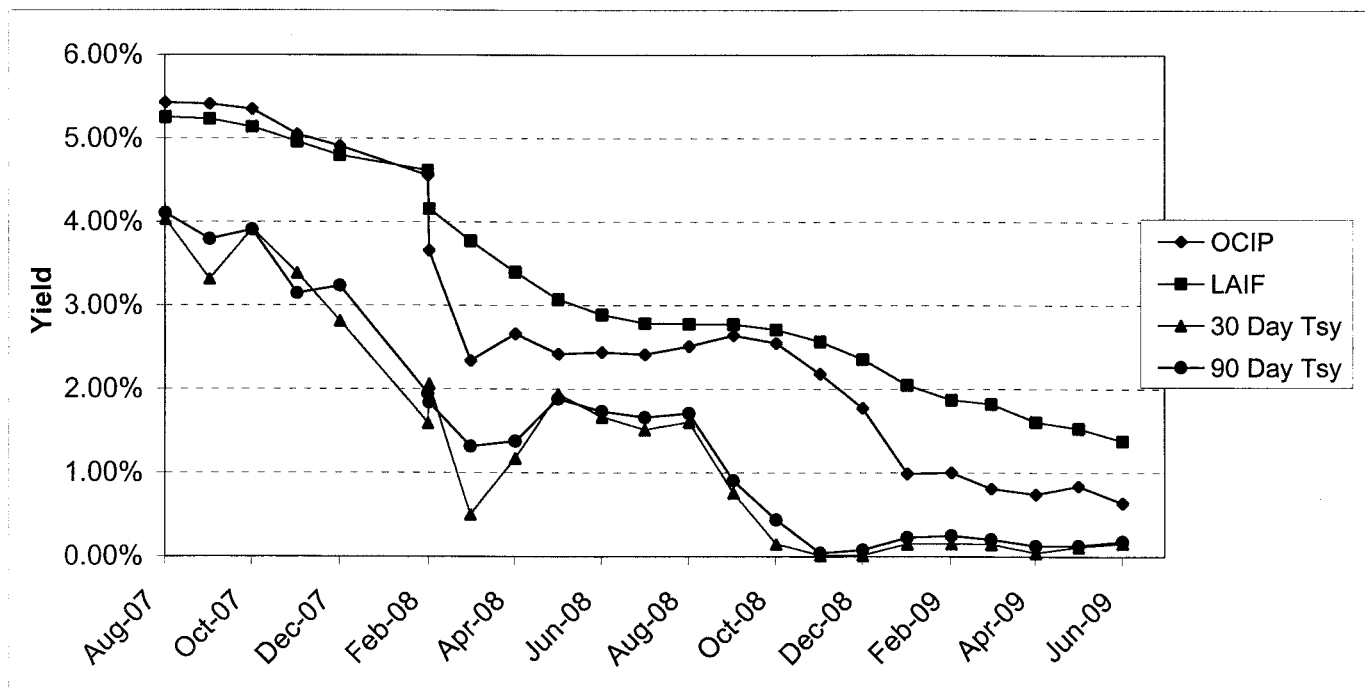
Maturity Schedule For Liquid Portfolio



Liquid Portfolio Performance

As of 6/30/09

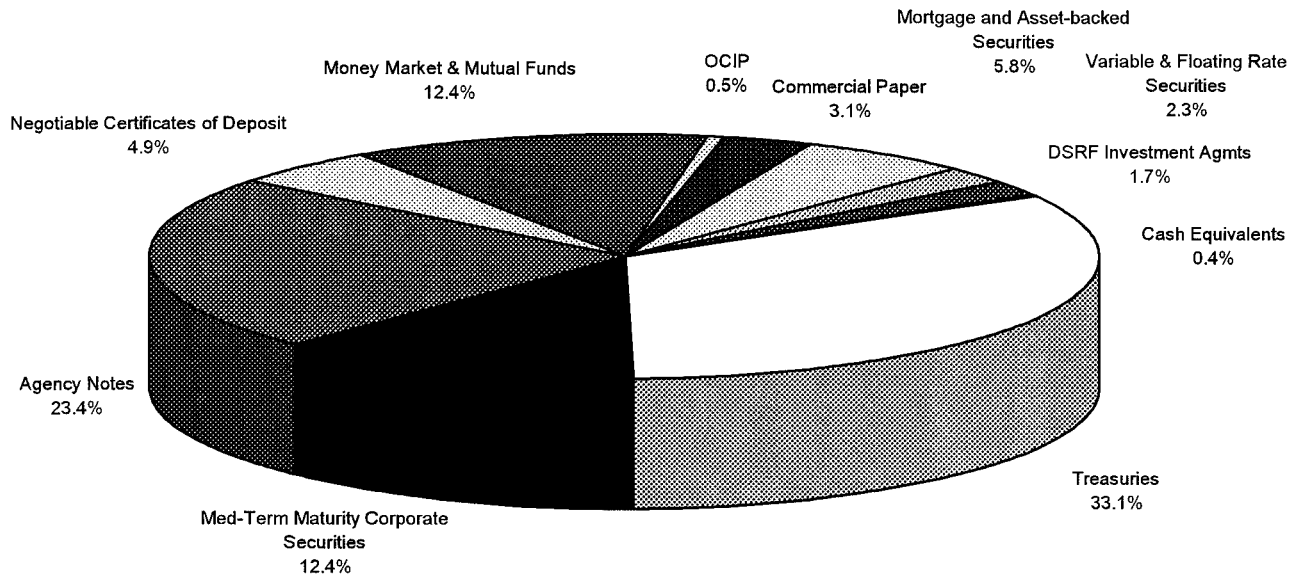
Trailing 2-Year Yield OCIP, LAIF, 30 & 90 Day Treasury Bills



	OCIP	LAIF	30 Day Tsy	90 Day Tsy
Aug-07	5.43%	5.25%	4.03%	4.11%
Sep-07	5.41%	5.23%	3.32%	3.80%
Oct-07	5.35%	5.14%	3.92%	3.91%
Nov-07	5.05%	4.96%	3.40%	3.14%
Dec-07	4.91%	4.80%	2.82%	3.24%
Jan-08	4.56%	4.62%	1.60%	1.94%
Feb-08	3.66%	4.16%	2.06%	1.84%
Mar-08	2.34%	3.78%	0.50%	1.32%
Apr-08	2.66%	3.40%	1.18%	1.38%
May-08	2.42%	3.07%	1.94%	1.88%
Jun-08	2.44%	2.89%	1.67%	1.73%
Jul-08	2.41%	2.79%	1.52%	1.66%
Aug-08	2.51%	2.78%	1.61%	1.71%
Sep-08	2.64%	2.77%	0.76%	0.90%
Oct-08	2.55%	2.71%	0.15%	0.44%
Nov-08	2.18%	2.57%	0.02%	0.04%
Dec-08	1.77%	2.35%	0.02%	0.08%
Jan-09	0.99%	2.05%	0.15%	0.23%
Feb-09	1.00%	1.87%	0.15%	0.25%
Mar-09	0.81%	1.82%	0.15%	0.20%
Apr-09	0.74%	1.61%	0.04%	0.13%
May-09	0.84%	1.53%	0.11%	0.13%
Jun-09	0.64%	1.38%	0.16%	0.18%
Jul-09	0.51%	1.04%	0.13%	0.18%

Investment Allocation

As of 7/31/09



Investment Policy Compliance

As of 7/31/09

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	317,733,767	33.1%	100%
Federal Agencies & U.S. Government Sponsored *	225,046,152	23.4%	100%
State of California & Local Agencies **	-	0.0%	25%
Money Market Funds & Mutual Funds *	119,083,904	12.4%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	47,329,847	4.9%	30%
Commercial Paper	29,997,725	3.1%	25%
Medium Term Maturity Corporate Securities	118,947,555	12.4%	30%
Mortgage and Asset-backed Securities	55,574,902	5.8%	20%
Repurchase Agreements	0	0.0%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	53,706	0.0%	\$ 40 Million
Orange County Investment Pool (OCIP)	5,010,184	0.5%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	22,379,618	2.3%	30%
Debt Service Reserve Funds - Investment Agreements	16,348,970	1.7%	Not Applicable
Cash Equivalents	3,813,329	0.4%	Not Applicable
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	961,319,658	100.0%	

* See attached page for a detailed listing of this category

** Balance does not include intra-agency borrowing for the purchase of the 91 Express Lanes in the amount of \$25,417,051

Investment Policy Compliance

As of 7/31/09

Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<i><u>Federal Agencies & U.S. Government Sponsored</u></i>			
Federal Home Loan Bank (FHLB)	85,059,512	8.8%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	70,014,757	7.3%	35%
Federal Farm Credit Bank (FFCB)	3,919,783	0.4%	35%
Student Loan Marketing Association (SLMA)	0	0.0%	35%
Federal National Mortgage Association (FNMA)	<u>81,657,451</u>	<u>8.5%</u>	35%
	240,651,503 *	25.0%	

* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

Money Market Funds (MMF) & Mutual Funds

Fidelity Funds Treasury I MMF	48,927,197	5.1%
First American Obligations Treasury Fund	756,659	0.1%
Goldman Sach Fin. Square Govt. MMF	15,750,106	1.6%
Milestone Funds Treasury Obligations MMF	<u>53,649,943</u>	5.6%
	119,083,904	12.4%

Negative Credit Watch

As of 7/31/09

<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
---------------------------	-------------------	-----------------	----------------	----------------	----------------------

JP Morgan Asset Management

BB&T	200,000	10/1/2012	A	A1	A+
<i>Moody's placed the long-term ratings of BB&T under review for possible downgrade on March 12, 2009.</i>					

PepsiCo	700,000	3/1/2014	A+	Aa2	A+
<i>Moody's placed the long-term ratings of PepsiCo under review for possible downgrade on April 20, 2009.</i>					

Payden & Rygel

Pfizer	1,100,000	3/15/2012	AAA	Aa2	AA
<i>All three rating agencies placed the long-term ratings of Pfizer under review for possible downgrade during March 2009.</i>					

PepsiCo	700,000	3/1/2014	A+	Aa2	A+
<i>Moody's placed the long-term ratings of PepsiCo under review for possible downgrade on April 20, 2009.</i>					

Western Asset Management

Lehman Brothers	1,000,000	12/15/2009	NR	NR	NR
-----------------	-----------	------------	----	----	----

UBS/Stamford Branch	2,000,000	7/23/2009	AA+	Aa2	A+
<i>Moody's placed the long-term ratings of UBS under review for possible downgrade on June 15, 2009.</i>					

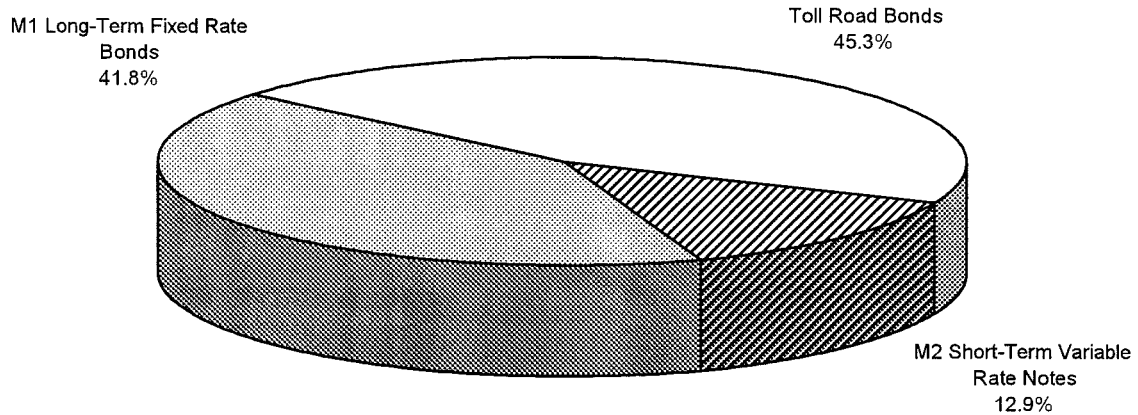
World Savings Bank of Oakland (Wachovia)	2,000,000	12/15/2009	AA	Aa2	AA
<i>Fitch placed the long-term ratings of WSB of Oakland under review for possible downgrade on May 15, 2009.</i>					

DEBT PROGRAM

Total Outstanding Debt

As of 7/31/09

Outstanding Debt



TOTAL OUTSTANDING DEBT: \$386,140,000

Outstanding Debt

As of 7/31/09

Orange County Local Transportation Authority (OCLTA-M1)

2001 Second Senior Sales Tax Revenue Refunding Bonds

Issued:	\$	48,430,000
Outstanding:		32,970,000
Debt Service FY 2010:		17,668,500
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings	Aa3/AA/AA-	
Final Maturity		2011

1998 Second Senior Sales Tax Revenue Bonds

Issued:	\$	213,985,000
Outstanding:		45,385,000
Debt Service FY 2010:		24,581,175
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings	Aa3/AA/AA-	
Final Maturity		2011

1997 Second Senior Sales Tax Revenue Refunding Bonds

Issued:	\$	57,730,000
Outstanding:		30,145,000
Debt Service FY 2010:		16,418,265
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings	Aa3/AA/AA-	
Final Maturity		2011

Outstanding Debt

As of 7/31/09

Orange County Local Transportation Authority (OCLTA-M1) - Continued

1992 First Senior Sales Tax Revenue Bonds

Issued:	\$	350,000,000
Outstanding:		52,700,000
Debt Service FY 2010:		28,736,791
Pledged Revenue Source:	M1 Sales Tax Revenues	
Underlying Ratings	Aa2/AAA/AA	
Final Maturity		2011

Orange County Local Transportation Authority (OCLTA-M2)

2008 Tax-Exempt Commercial Paper

Issued:	\$	50,000,000
Outstanding:		50,000,000
Estimated Interest Debt Service FY 2010:		375,000
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings	A-1+ / P-1 / F1+	

Outstanding Debt

As of 7/31/09

91 Express Lanes *

2003 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	195,265,000
Outstanding:		174,940,000
Debt Service FY 2010:		15,000,000
Pledged Revenue Source:		Toll Road Revenues
Underlying Ratings		A1/A/A
Final Maturity		2030

* Not reflected is the intra-agency borrowing (subordinated debt) for the purchase of the 91 Express Lanes in the amount of \$25,417,051



August 26, 2009

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Property Insurance Policy Renewal

Overview

The Orange County Transportation Authority holds a property insurance policy with Traveler's Property Casualty Company of America. This policy is scheduled to expire on December 1, 2009.

Recommendation

Authorize the Chief Executive officer to issue Purchase Order No. A14591, in an amount not to exceed \$475,000, with Marsh Risk and Insurance Services.

Discussion

The Orange County Transportation Authority (OCTA) currently owns buildings, contents, and buses with an insurable value of \$482,580,774. 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 net of commission premium of \$379,390, which is based on the stated property values of \$512,689,469, determined at the time this policy was purchased in November 2008. The 91 Express Lanes property is insured under a separate insurance policy.

Insurance companies determine property insurance quotes based upon current insurance market conditions affecting rates per \$100 in property values. The current contract runs December 1, 2008 through December 1, 2009. The 2008-09 composite policy rate with the incumbent carrier, Travelers, was .0782 per \$100 based on OCTA's 2007 property values of \$512,689,469, which includes coverage for OCTA's bus fleet. For the 2009-10 policy renewal, the insurable property values have been adjusted to \$482,580,774 to include real and business personal property, information system 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 the contractor. Veolia Transportation Services, Inc., insures vehicles as required in Agreement No. C-5-3021 approved by the Board of Directors (Board) on July 28, 2008. Additional vehicles are also insured by MV Transportation, as required in Agreement No. C-8-1326 approved by the Board on April 27, 2009.

The property insurance policy limit is currently set 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 earthquake sprinkler leakage
- \$50,000 deductible for revenue vehicles
- \$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 their 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 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."

Marsh Risk and Insurance Services, Inc. (Marsh), the OCTA's Broker of Record, will provide marketing and placement of the property insurance coverage for this renewal. Marsh is paid a flat fee of \$115,000 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. Per this agreement, Marsh does not earn any additional compensation or commission for their services outside of the flat fee paid by OCTA. 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 them net the broker's commission against their quoted premiums.

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

1. Obtain a flat or lower rate at the same deductible levels.
2. Increase all flood coverage sublimits to \$10,000,000.
3. Negotiate a sublimit of coverage for OCTA-owned railroad track, ties and ballast.
4. Increase the unreported premises limit from \$2,500,000 to \$5,000,000.
5. Reduce the bus deductible from \$50,000 to \$25,000.
6. Obtain overall policy deductible options of \$50,000 and \$100,000.

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

ACE American Insurance Company
Affiliated FM Insurance Company
Allianz Insurance Group
Axis Insurance Company
Beazley Insurance Company, Inc.
Chubb Insurance Company
Continental Casualty Company (CNA)
Fireman's Fund Insurance Company
Lexington Insurance Company
Liberty Mutual Insurance Company
Travelers Property Casualty Company of America
United States Fire Insurance Company
XL Insurance Company
Zurich 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 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 project was approved in OCTA's FY 2009-2010 Budget, Human Resources and Organizational Development Division, Risk Management Department Account 0040-7563-A0017-ATS, and is funded through the Internal Service Fund.

Summary

Based on the information provided, staff recommends award of Purchase Order No. A14591 to Marsh Risk & Insurance Services, in the amount not to exceed \$475,000, for property insurance renewal for the period of December 1, 2009 to December 1, 2010.

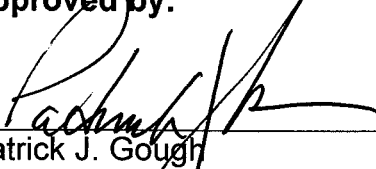
Attachments

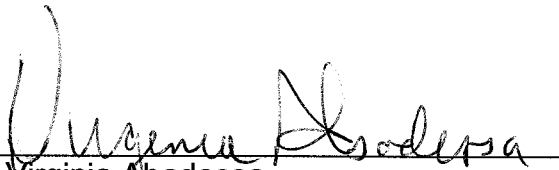
- A. Orange County Transportation Authority – Fixed Asset Property Statement of Values Summary
- B. December 1, 2009 Property Risk Review and Renewal Strategy Plan

Prepared by:


Al Gorski
Department Manager
Risk Management
714-560-5817

Approved by:


Patrick J. Gough
Executive Director, Human Resources
& Organizational Development
714-560-5824


Virginia Abadessa
Director, Contracts Administration and
Materials Management
714-560-5623

Orange County Transportation Authority
Fixed Asset Property Statement of Values Summary

As of June 30, 2009

ATTACHMENT A

Name	Address	City/State	Zip	Sq. Ft.	Flood Zone	Sprinklered	Construction	Occupancy	Year Built	Real	I.S.				Other		Revenue
											Equipment	Personal	Property	Vehicles	Rpt. Total		
Auto Service Building	1514-1520 W. Lincoln Ave.	Anaheim, CA		124,195			Masonry Non-Comb, Wood Roof	N	OCTA Owned property leased to others		697,655.00						697,655
TCA Laguna Niguel	Laguna Niguel, CA	Laguna Niguel, CA						N					60,000				60,000
Brea Park and Ride	Lambert & 57 Freeway	Brea, CA		38,332	X		Non-Comb	N	Parking & Passenger Pick-up	1989	293,495						293,495
Fullerton Park and Ride	3000 W. Orangefelt Avenue	Fullerton, CA	92633	483,516	AO		Non-Comb	N	Parking & Passenger Pick-up	1974 1981	715,311		17,782				733,092
Santa Ana Park and Ride	301 W. Fifth Street	Santa Ana, CA	92701	112,800	X		Non-Comb	N	Parking & Passenger Pick-up	1984	3,284,499						3,284,499
Fullerton Transit Center	123 South Pomona	Fullerton, CA	92633	20,908	X		Masonry Non-Comb	N	Transfer & Passenger Pick-up	1983	27,608						27,608
Santa Ana Transit Terminal	400 W. Santa Ana Blvd.	Santa Ana, CA	92701	130,680	X		Masonry Non-Comb	Y	Transfer & Passenger Pick-up	1981 1984 1988				147,946			2,823,210
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	4,669,501			34,453			4,703,954
Laguna Beach Transit Center	375 Broadway	Laguna Beach, CA	92651	19,166	AE		Masonry Non-Comb	N	Transfer & Passenger Pick-up	1958	329,281						329,281
Goldenwest Transit Center	7301 Center Drive	Huntington Beach, CA	92647	117,612	X		Masonry Non-Comb	N	Transfer & Passenger Pick-up	1994	1,809,048						1,809,048
Newport Beach Transit Center	1550 Avocado Avenue	Newport Beach, CA	92660	121,968	X		Masonry Non-Comb	N	Transfer & Passenger Pick-up	1991	1,982,103						1,982,103
Santa Ana Operations/Maintenance Communication Equipment	4301 W. MacArthur various locations	Santa Ana, CA		867,964	X Shaded		Masonry Non-Comb	Y	Maintenance & Repair	2005	47,578,848	272,373	6,524,914	2,018,283	151,352,955		207,747,373
Bus Shelters / Turnouts	various locations	CA										13,278,806					13,278,806
Garden Grove Operation Center/Annex	1180011892 Woodbury Road	Garden Grove, CA	92643	83,116	A		Masonry Non-Comb	Y	Offices & Dispatch	1977	4,358,438	953,423	1,407,372				702,547
Garden Grove Maintenance Center	11790 Cardinal Circle	Garden Grove, CA	92643	43,740	A		Masonry Non-Comb	Y	Maintenance & Repair	1977	19,290,453	101,871	3,303,159	203,614	68,992,800	91,891,897	
Garden Grove General Svcs Warehouse	11911 Woodbury Road	Garden Grove, CA	92643	8,640	A		Masonry Non-Comb	Y	Warehouse	NA			67,664				67,664
Anaheim Regional Transp. Intermodal Ctr (Katella Yard)	1750 S. Douglass Road	Anaheim, CA		591,588				Y	Property used by the County of Orange	NA	191,442						191,442
Anaheim Operations/Maintenance Center	1717 E. Via Burton	Anaheim, CA	92806	157,746	X Shaded		Masonry Non-Comb	Y	Maintenance & Repair	1983	22,744,880	110,065	2,121,457	1,423,303	73,736,055	100,135,760	
Irvine Operations/Maintenance Center	14736 Sand Canyon Road	Irvine, CA	92714	67,927	X		Masonry Non-Comb	Y	Maintenance & Repair		9,157,367		67,165			9,224,532	
Laidlaw Transit Service	16281 Constitution Circle West	Irvine, CA	92602	37,050			Masonry Non-Comb	Y	Laidlaw Facility		7,866,510		325,989			7,992,499	
Farebox Equipment													1,818,034.89			1,818,035	
Contingency Revenue Vehicles														114,086	882,410		976,496
Devon Drive House	582 S Devon Drive	Orange, CA	92663	1,295			Wood Frame	N	Residential / Rental	NA	259,000						259,000
Administration Facility	5501 50th South Main Street	Orange, CA	92663	103,070	X Shaded		Fire Resistive	Y	Office Building	NA	5,630,092	13,631,721	5,546,741	53,000			24,861,544
Totals											133,330,795	15,069,453	35,424,030	3,812,287	294,944,220	482,580,774	

AI Gershon Risk Manager
8-10-09

Date

MARSH

Craig Morris
Senior Vice President

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July 31, 2009

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

Subject:
December 1, 2009 Property Risk Review and Renewal Strategy Plan

Dear Al:

Thank you for the time you and Marie spent with Hector & me on Tuesday, July 21, 2009 to outline your renewal goals and objectives for OCTA's December 1, 2009 Property insurance renewal. The following summarizes our discussion.

Recap of Risk Identification Review Discussion:

- OCTA is the county's primary transportation agency and continues to provide an efficient and safe transportation system for its residents and visitors. There have been no significant changes in OCTA's method of operation over the past year.
- Will Kempton, head of the California Department of Transportation for the past five years, was hired June 22 to become the new chief executive officer of OCTA.
- OCTA is being impacted by the financial crisis. Per OCTA's website, a record loss of revenues totaling \$36.4 million in fiscal year 2008-09 is putting OCTA bus operations at risk. As a result OCTA is implementing the following cost cutting measures:
 - Eliminating salary increase and special performance awards for all administrative employees beginning July 1;
 - Implementing hiring limits;
 - Reducing bus services;
 - Eliminating capital expenditures;
 - Cutting services and supplies;
 - Requiring one furlough day for employees in Grades V and above.
- To date there have been 42 layoffs in the rank and file collective bargaining units with additional layoffs expected in September 2009 and March 2010. Least experienced drivers would be more likely to be involved in further layoffs.
- On June 8, OCTA's Board of Director's approved the elimination of 100,000 service hours on 31 routes for the September bus service change, which will result in a savings of \$8.5

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million. OCTA staff will return within a month and propose a plan to reduce an additional 300,000 hours necessary to balance the budget during this fiscal year.

- OCTA will have a new fixed route contractor, MV, at the Sand Canyon base in Irvine effective July 1, 2010.
- In May 2009, Viola relocated to the Construction Circle base in Irvine.
- The Devon Drive residence in Orange was acquired earlier this year and will be added to the list of OCTA owned assets.
- OCTA owns railroad right of way in Orange County including the track, ties and ballasts that Metrolink operates on, but the stations along the track are owned by the City they are located in.
- OCTA is continuing with its plan 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 three 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.
 - Increased Hazardous Substance, Ammonia Contamination, and Consequential Damage on the boiler & machinery policy to \$1,000,000.
 - 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

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location. Coverage includes damage to real & personal property, including your fleet of buses while located at a bus base.

- The annual premium is \$379,390 based upon \$512,689,469 total insurable values and a \$.0740 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 insurers.
 - The commercial property insurance market for the first half of 2009 has been in an extended state of transition. While initial signs pointed to a more rapid "hardening" market in the second quarter, renewal results proved otherwise.

The overall market continues to be driven by three main factors: (1) lack of investment returns; (2) lack of available capital to allow markets to recapitalize in the event of catastrophic loss; and (3) losses from lines other than property continuing to deteriorate overall combined ratios as well as policy holder surplus.

For the second quarter of 2009 the average rate increase was between flat and 10%, but extremes can be found on either side of this range. Accounts with heavy catastrophic (CAT) loss exposure or adverse loss history have been seeing higher rates of increase than the general market. Accounts with significant CAT exposure averaged rate increases between 10% and 20%.

With a limited CAT exposure, excellent loss history and good attention to safety, OCTA is a good risk for insurers and will help keep OCTA property rate flat or with a slight reduction.

- The goals for the renewal are:
 - Obtain a flat or lower rate at the same deductible levels.
 - Increase all Flood coverage sublimits to \$10,000,000.
 - Negotiate a sublimit of coverage for OCTA owned railroad track, ties and ballast.
 - Increase the Unreported Premises limit from \$2,500,000 to \$5,000,000.
 - Reduce the bus deductible from \$50,000 to \$25,000.
 - Obtain overall policy deductible options of \$50,000 and \$100,000.
- 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:

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Orange County Transportation Authority

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

In order to submit OCTA's risks to the property insurance marketplace and obtain proposals from the insurers we will need an updated list of locations and statement of values. We agreed to follow Marshall & Swift's average inflationary index to bring OCTA's fixed real property values to 2009 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 2009 OCTA accounting department fixed asset report to provide updated business personal property values.

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Mr. Al Gorski
Orange County Transportation Authority

Our agreed upon timeline reflects these key dates:

Property Insurance

- | | |
|--|----------|
| ▪ Renewal Strategy Meeting | 07/21/09 |
| ▪ Updated renewal information from OCTA | 08/04/09 |
| ▪ Fact Sheet due | 07/31/09 |
| ▪ Staff Report due | 08/05/09 |
| ▪ F&A Committee Meeting | 08/26/09 |
| ▪ Board Meeting | 09/14/09 |
| ▪ Renewal specifications sent to market | 09/15/09 |
| ▪ Carrier quotes due | 10/23/09 |
| ▪ Presentation to OCTA Risk Management | 10/30/09 |
| ▪ Presentation to F&A Committee | 11/18/09 |
| ▪ Approval from OCTA to bind coverage | 11/19/09 |
| ▪ Provide confirmation of coverage to OCTA | 11/23/09 |
| ▪ Coverage renews | 12/01/09 |

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

Sincerely,



Craig Morris
Senior Vice President



August 26, 2009

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Follow-Up to Prevailing Wage Finding Included in the 2008 Audit of Agreement No. C-1-2069 Between Orange County Transportation Authority and Parsons Transportation Group, Inc.

Overview

Satisfactory evidence of compliance with prevailing wage requirements has not yet been provided by Parsons Transportation Group, Inc. to the Orange County Transportation Authority Internal Audit Department following issuance of a close-out audit of Agreement No. C-1-2069 between the Orange County Transportation Authority and Parsons Transportation Group, Inc. for project management services for the Garden Grove Freeway (State Route 22) Design-Build Project.

Recommendation

Direct staff to refer finding and recommendation related to prevailing wage compliance to the California Department of Industrial Relations, if satisfactory evidence of compliance is not provided by Parsons Transportation Group, Inc. to the Orange County Transportation Authority Internal Audit Department by August 29, 2009.

Background

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA), through a competitively-awarded contract, engaged GCAP Services, Inc. (GCAP), a professional audit firm, to perform a close-out audit of Agreement No. C-1-2069 (Agreement) between the Orange County Transportation Authority and Parsons Transportation Group, Inc. (PTG) for project management services for the Garden Grove Freeway (State Route 22) Design-Build Project.

The audit identified five findings and recommendations that are included in the audit report in Attachment A. Four of the five findings are being addressed by management as indicated in their responses as Attachments B, C and D.

The second finding and recommendation on page 12 of the audit report relates to provisions in the Agreement with PTG related to prevailing wages. In short, the eighth amendment to the Agreement requires that PTG comply with the California Labor Code (Code). During its review of hourly rates, GCAP noted several PTG prevailing wage-covered employees and requested documentation to substantiate compliance. PTG was unwilling or unable to provide this documentation. Since GCAP issued its report, Internal Audit has requested that PTG provide, directly to Internal Audit, certified payrolls as evidence of compliance with the Code.

Discussion

On August 12, 2009, Internal Audit presented the audit report to the Finance and Administration Committee (Committee) and recommended that the Committee direct staff to refer the finding related to prevailing wage compliance to the California Department of Industrial Relations, if satisfactory evidence of compliance was not provided by Parsons Transportation Group, Inc. to the Orange County Transportation Authority Internal Audit Department by August 29, 2009. To date, PTG has not provided satisfactory evidence of compliance.

Summary

Satisfactory evidence of compliance with prevailing wage requirements has not yet been provided by PTG to OCTA's Internal Audit Department as requested following issuance of the close-out audit of Agreement No. C-1-2069 between the OCTA and PTG for project management services for the State Route 22 Design-Build Project.

Attachments

- A. 2008 Audit of Agreement C-1-2069 Between Orange County Transportation Authority (OCTA) and Parsons Transportation Group, Inc. (PTG) – Project Management Services for State Route 22 Design-Build Project
- B. 2008 Audit of Agreement Between Orange County Transportation Authority and Parsons Transportation Group, Inc., Memo Dated May 4, 2009
- C. Audit of Agreement C-1-2069 Management Response, Memo Dated April 9, 2009
- D. Response to 2008 Audit of Agreement Between Orange County Transportation Authority and Parsons Transportation Group, Inc., Memo Dated April 10, 2009

Prepared by:



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



**2008 AUDIT OF AGREEMENT C-1-2069 BETWEEN
ORANGE COUNTY TRANSPORTATION AUTHORITY (OCTA)
AND
PARSONS TRANSPORTATION GROUP, INC. (PTG)**

**PROJECT MANAGEMENT SERVICES
FOR
STATE ROUTE 22 DESIGN-BUILD PROJECT**

**PREPARED BY
GCAP SERVICES, INC.**



**FINAL REPORT
JANUARY 29, 2009**

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Appendix A – Testing of Schedule 1 to Agreement # C-1-2069

1.0 Introduction

1.1 Background

The Orange County Transportation Authority (OCTA) issued contract agreement C-1-2069 Contract to Parsons Transportation Group (PTG) to provide Project Management Services for the Garden Grove State Route-22 Design-Build project. The term of this agreement is from January 16, 2002 through December 31, 2007. The contract is a modified time and expense contract with a current total value of \$44,600,000, pending the signed issuance of Amendment 13. As of November 2007, OCTA has paid approximately \$41,305,000 or 92.6% of the contract value.

1.2 Objective

The SR-22 Design-Build project is the first of its nature and magnitude to be directly managed by OCTA. The objectives of Task 1 and 2 of the review were to review invoices and documentation to assure contract compliance, and to determine if adequate internal controls have been used and are currently being utilized in the management and oversight of the Contract for management of the SR-22 Design-Build project.

1.3 Scope and Methodology

The Internal Audit Department of OCTA engaged GCAP Services, Inc., and our subcontractor, Equals & Kita, LLP to perform a contract compliance and fiscal review of the State Route 22 project for the period between July 2005 and December 2007. Following a negotiated settlement with construction contractor Granite-Myers-Rados (GMR), the scope of the review was revised per Amendment No. 2 to Agreement No. A03449 between GCAP Services, Inc. and OCTA. Amendment No. 2 became effective on April 29th, 2008. Therefore, GCAP's review work was discontinued with respect to GMR since April 29, 2008. Task 1 included a review of PTG and its subcontractors' compliance with contract terms and conditions. Task 2 involved a review of OCTA's management of the PTG contract. This report addresses both review tasks.

GCAP Services and our audit team, Equals & Kita, performed a similar review of Agreement C-1-2069 in 2005 (Audit Report dated December 06, 2005) and opined that PTG was generally in compliance with the fiscal contract terms (since the execution of Amendment 8 to the Contract). We also found that both PTG and OCTA had addressed our concerns regarding labor escalation and retention.

The following is a summary of the amendments issued under Agreement C-1-2069 during the period under review:

- Amendment 8 fixed the hourly labor rates according to "Schedule I" along with the overhead rates, other direct costs, and labor escalation of 4% (as of January 2006, and each year thereafter).

- Amendment 9 amended the overhead rate of Cordoba Corporation and the "Other Direct Costs" schedule. Other Direct Costs will be paid at actual cost, with the exception of computers, networks, and internet access.
- Amendment 10 increased the maximum obligation by \$7,811,946., to a total contract value of \$39.8 million. This increase was attributed to additional project management services, additional seismic work, and bridge reconstruction.
- Amendment 11 increased the maximum obligation by \$2.5 million to fund project closeout efforts.
- Amendment 12 extended the agreement to February 29, 2008, from December 31, 2007. This resulted in approximately a two month extension of terms.

A thirteenth amendment to revise the contract from \$42.3 to \$44.6 million was pending at the time this report was written.

1.4 Task 1 - On-Site Contract Compliance & Fiscal Audit of PTG

Task 1 was performed utilizing an audit program developed by Equals & Kita to ensure compliance with both the scope of GCAP's agreement with OCTA's Internal Audit Department as well as GCAP's compliance with generally accepted auditing standards (GAAS).

In conducting the review, the GCAP team performed the following tasks:

Fiscal Review Task	Performed on
1. Review contractor invoices and detailed supporting documentation, including payroll and other accounting records	PTG and Subcontractors (See Appendix)
2. Review other documentation and reports required by the Contract	PTG and Subcontractors
3. Review any contractor rate changes that were not approved by OCTA management	PTG and Subcontractors
4. Review contractor compliance with applicable laws and regulations; and	PTG and Subcontractors
5. Evaluate internal controls over management of the Contract	PTG

1.5 Task 2- Review of OCTA's Management of the Contract

A review of internal controls used by OCTA to manage the PTG contract was performed. The review included the following tasks:

- Review of all invoice supporting documentation;
- Review OCTA approvals for processed invoices;
- Interview PTG project staff;
- Review Contract amendments;
- Review Monthly Progress Reports;
- Review PTG contract; and
- Review signed Approval Letters

A detailed Examination Phase was conducted between February 29, 2008 and May 29, 2008. During this period, GCAP Services reviewed key documents and conducted a series of interviews with OCTA management and key staff within the Contracts Administration & Materials Management (CAMM) Department, the Accounting & Financial Reporting Department, and the Transportation Systems Development Division. The GCAP Team selected a judgmental sample of data from PTG and OCTA supporting material, which included data from July 2005 through December 2007. The PTG Project Controls Manager and Document Control Staff were also interviewed. The following table lists the OCTA and PTG personnel interviewed.

Title	Department/Division
Contracts Manager – Capital Projects	CAMM
Contract Administrator	CAMM
Program Manager SR-22	Parsons Transportation Group
Project Controls Manager	Transportation Systems Development Division
Accounts Payable Supervisor	Accounting Department
Project Controls Manager	Hatch Mott MacDonald
Document Control	Cordoba Corp.

Key documents reviewed by GCAP Services included:

- Agreement C-1-2069 between OCTA and PTG
- Amendments 8 through 12 (Amendment 13 was not executed during the review period)
- Final Cost Proposal, dated March 27, 2002
- CAMM Policies and Procedures Manual
- PTG monthly progress reports submitted between July 2005 and December 2007
- Payroll related documentation
- Approval letters (applicable contractor/subcontractor rates)
- Subcontracts
- Invoices (PTG and Subcontractors)
- Board of Directors reports and supporting documentation

2.0 Executive Summary

Both PTG and OCTA support staff were helpful and knowledgeable about their areas of expertise and responsibilities related to this contract. In conducting our review, GCAP performed a follow up to our previous review findings. Although we found that both PTG and OCTA have improved many of the internal control deficiencies identified early in the project, we identified several areas in need of further improvement.

OCTA executed the 8th amendment to Agreement No. C-1-2069 to modify the hourly rate schedule and require approval letters from PTG for all future amendments to the schedule. The modified rate schedule, referred to as "Schedule 1" to the Contract (Schedule 1) includes nine subcontractors, but is missing Padilla & Associates (Padilla). In addition, we found that one subcontractor (AIG) had rates included in Schedule 1 that were incorrectly calculated.

One key area of concern related to PTG is the review of PTG's prevailing wage compliance. Although Padilla was hired by PTG to perform such reviews for GMR and GMR's subcontractors, there was no similar compliance reviews performed on PTG. During the audit period, PTG had periods of time when a significant level of prevailing wage work was being performed. For example, we selected five PTG invoices to review and analyzed three of these invoices for the level of prevailing wage labor. We found that over 40% (\$551,523 of \$1,226,000) of the total PTG labor for these invoices (January 2006, June 2007, and November 2007) were subject to prevailing wage labor requirements. The GCAP team was unable to verify PTG's compliance with the prevailing wage requirements as we were not provided prevailing wage submittals, including certified payroll records or documentation showing payment of bona fide fringe benefits. PTG's contract did not require that certified payroll documents be submitted to OCTA; however, this did not relieve PTG from complying with prevailing wage requirements.

The Padilla subcontract contains some ambiguity with regard to their scope of work for PTG. In Attachment A, Scope of Services, of the Padilla Subcontractor Agreement, item no. 3 states that Padilla shall "monitor consultant reporting mechanism to ensure compliance with all applicable labor standards..." The Scope also includes a review of certified payroll records (item 4). However, according to PTG Staff, Padilla did not perform labor compliance verification for PTG. Padilla limited its payroll/labor compliance review to GMR and its subcontractors. The work described in Padilla's subcontractor agreement requires a review of consultant, contractor and subcontractor certified payroll records.

While reviewing OCTA's management of the PTG contract, we found that OCTA has continued adequate internal control safeguards. However, we determined that the Accounting Department only conducts a limited review of invoices. While they verify the signature was of the appropriate certifying official, no additional review of rates or other direct costs takes place. In other words, the Project Controls Department performs a detailed review of PTG invoices, including verifying approved staff, rates, and proper coding of work. The Accounting department does not perform any rate verifications or

math checks for the invoices. We recommend that the Accounting Department perform a limited rate and math check on invoices. This would be consistent with similarly situated organizations and provide OCTA with a secondary check of invoice accuracy. We also recommend that the Accounting Department develop policies and procedures that define responsibility for specific review tasks.

In our limited review of invoices, we found incorrect rates in the Amendment 8 Schedule 1 table and in some of the rates submitted as part of added PTG and subcontractor employees. A limited review by the Accounting Department will improve the internal controls thus reducing the likelihood of incorrect rates being included in contract documents.

3.0 Procedures and Results

Because the procedures we developed for our review of the Contract are in principle “agreed upon procedures” and do not constitute an audit conducted in accordance with auditing standards generally accepted in the United States, we cannot express a formal audit opinion. Except for the findings specified in this report, no other matters came to our attention that caused us to believe that the Contract requires further adjustments. Had we performed additional procedures, the certified payroll submittals for PTG and its subcontractors, or had we conducted an audit of the indirect rates of PTG and its ten subcontractors in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

This report relates only to contract compliance referred to in the scope and methodology and does not extend to any financial statements, PTG indirect rates, or any of the subcontractors taken as a whole. In fact, this review of PTG and its subcontractors specifically limits the scope to exclude any consideration or review by us as to compliance of FAR indirect cost rates.

The following sections describe the key findings for PTG and its subcontractors.

3.1 Task 1- On-Site Contract Compliance and Fiscal Audit of PTG

The GCAP team executed written requests to PTG and each of its subcontractors, as appropriate, and in concert with Contract terms and conditions. We requested that PTG provide supporting accounts payable records, payroll records, escalations in direct labor wage rates, and other supporting documents to facilitate our review. We invited the PTG Project Director and OCTA's Project Controls Manager to our conferences, and we found their support helpful to our review.

During our review, the GCAP team identified 10 subcontractors. Nine had been identified by OCTA Internal Audit Department in the original scope of work for this review. PTG identified another subcontractor that was added to the contract through Amendment No. 7.

The following sections describe the key findings for Task 1 of our review. We have included a general finding for our review of the contract and contracting process.

3.1.1 Review of Contract

In 2005 GCAP performed a general review of the Request for Proposal (RFP), Contract, and amendments. During our current review, we reviewed amendments for the period September 2005 through December 2007. We found the following general Contract provisions:

- Amendment 8 changed the billing approach for labor by establishing fixed rates for PTG and subconsultants.

- The contract is a time and expense contract with provisions that allow for “as-needed” adjustment of direct labor rates.
- Other Direct Costs are compensated at both established unit rates and actual costs depending on the type of cost.

Based on our review of Amendment No. 8, OCTA will pay the consultant at the hourly rates specified in Schedule I of the amendment, and other direct costs specified in Schedule II, identified as “Other Direct Costs” and Schedule III identified as “Overhead Rate Schedule.” These fixed rates were based on actual payroll-based hourly direct labor rates, approved overhead rates which were fixed for the Contract period, and profit. Schedule I may only be amended on an “as-needed basis” by letter approval from OCTA to reflect changes in project personnel. The amendment also states that rates are subject to an annual salary escalation factor of 4% each year, effective January 1, 2006.

As a part of our review, we selected a random sample of 14 approval letters issued by OCTA. The sample selection was made in order to include 11 different months of approvals spanning from May 2006 to October 2007. These letters are submitted by PTG to request approvals of added project personnel. A review of these submittals was performed to determine accuracy and compliance with the Amendment 8 rate schedule. GCAP also performed testing to validate the rates of additional personnel.

There were two exceptions identified based on the testing performed. One exception shows a discrepancy between the direct labor rate in Schedule 1 of the Contract and the direct labor rate calculated based on attached payroll documentation. Moreover, the technician working both prevailing wage covered work and other work was paid different rates, which Schedule I did not address. The second exception can be attributed to inaccurate and insufficient support provided for a subcontractor addition during the month of November, 2006.

The following table summarizes these direct labor rate exceptions:

<i>Classification</i>	<i>Employee Name</i>	<i>Direct Labor Rate Provided per Schedule I</i>	<i>Rate according to payroll documentation</i>	<i>Letter Approval Date</i>
Technician, PW ST	Sparks, D	\$28.73	\$16.50 Direct; \$33.66 Prevailing Wage	January 2006
Labor Compliance	Leung, F*	\$31.46	Unable to confirm	November 2006

*Unable to confirm hourly rate of \$31.46. No overhead rate provided by subcontractor.

The GCAP Team also performed testing on Schedule 1 included in Amendment 8. We recalculated the hourly rates based on the fixed direct labor rate, overhead rate, and given profit percentage. Although our analysis did not result in any major findings or instances of non-compliance, four exceptions occurred with respect to the rates for AIG subcontractor staff.

The following table summarizes these exceptions for subcontractor AIG:

AIG Rate Exceptions:

The following table summarizes differences between the contractual fully burdened labor rate and those calculated by GCAP.

Classification	AIG Employee Name	Direct Labor Rate per Schedule I A	Overhead (197.83%) B	Direct Labor+ Overhead Subtotal A+B=C	Profit 8% C*.09=D	GCAP Calculated Rate C+D=E	Hourly Rate Per Schedule I F	Rate Variance F-E
PW-ST	Blanco, C	\$28.73	\$56.84	\$85.57	\$7.70	\$93.27	\$94.69	\$1.42
PW-ST	Chun, K	\$28.73	\$56.84	\$85.57	\$7.70	\$93.27	\$99.33	\$6.06
Technician	Greene, R	\$34.62	\$68.49	\$103.11	\$9.28	\$112.39	\$112.37	(\$0.02)
PW-ST	Palma, F	\$28.73	\$56.84	\$85.57	\$7.70	\$93.27	\$101.79	\$8.52

We were not able to calculate the total project impact of these rate differences because we did not review all of AIG invoice data for these staff members.

Recommendation:

We recommend that OCTA verify the accuracy of all fully burdened rates prior to contract execution or amendments.

3.1.2 Review of Labor Escalation Rate Comparison

Since our 2005 review, the labor escalation was changed to establish a fixed escalation rate of 4% annually (effective January, 2006) and a fixed overhead rate was applied throughout the contract period. GCAP confirms that, for the sample tested, PTG is in compliance with contract terms and requirements as it relates to the not-to-exceed labor escalation rate of 4%.

3.1.3 Review of Contractor Compliance with Applicable Laws and Regulations

Based on a review of monthly progress reports prepared by PTG and limited discussions with both OCTA project management staff and the PTG Project Controls Manager, the GCAP team believes PTG provided appropriate measures during Phase I of the SR-22 Design Build Project to ensure compliance with applicable Federal, State

and local laws, regulations, rules and mandates. However, we were unable to determine compliance with one area – prevailing wage compliance.

Additionally, through our interviews with PTG Management and Document Control Staff, we believe PTG is aware and compliant with Federal Highway Administration (FHWA), Caltrans, and FAR requirements. GCAP obtained a "FHWA Final Acceptance Checklist" which is an internal document created by PTG in order to manage the compliance standards for FHWA. According to Federal standards, change orders at or exceeding \$200,000 require FHWA and Caltrans approval. These signed approval letters are maintained with the change order file on site. Change orders in excess of \$150,000 require OCTA Board of Directors approval and this is documented in the Board of Directors Staff Reports and included with the corresponding folder.

PTG is also subject to certified payroll requirements for personnel and subcontractor personnel covered by prevailing wages under California prevailing wage requirements (California Labor Code Part 7, Chapter 1, Article 2, various sections). After speaking with subcontractor Cordoba, we were informed that subconsultant Padilla was responsible for managing PTG's labor compliance requirements. However, we understand that Padilla did not perform labor compliance verification of PTG but focused their analysis on GMR and GMR's subcontractors. However, Padilla did review PTG's and its subcontractors' initial prevailing wages for compliance with California prevailing wages.

GCAP formally requested certified payroll submittals accompanying the prevailing wage covered employees for PTG. PTG stated that they would not be able to provide certified payroll information, and that they believed they were not required to maintain this. However, according to the California Labor Code 1776(b) 1, "A certified copy of an employee's payroll record shall be made available for inspection at all reasonable hours at the principle office of the contractor." PTG is also required to keep accurate payroll records that show the "per diem wages" paid to the prevailing wage covered employee. These payroll records require a written declaration that is made under penalty of perjury that the record is true and correct.

OCTA's Contract with PTG does not specifically mention compliance with California labor laws. However, Amendment 8 adds Article 26, General Wage Rules, which incorporate the requirements to comply with California Labor Code and prevailing wage requirements. Under Article 17, Federal, State, and Local Laws, also state that Consultant (PTG) represents that in the performance of the Agreement, it will comply with federal, state, and local laws. Additionally, the Agreement includes an audit clause (Article 16, Audit and Inspection of Records), which requires that PTG provide Authority and agents of Authority with access to accounting books, records, and payroll documents as Authority deems necessary.

Because we were not provided any evidence by PTG that PTG and PTG's subconsultant's employees subject to prevailing wages were paid the required basic hourly rate, health and welfare, pension, vacation/holiday and training payments

required under the applicable wage determination, we are unable to determine PTG's compliance with these requirements.

The total hourly rates required to be paid prevailing wage covered employees during the review period (July 2005 through December 2007) are \$41.93 for Field Testers and \$43.71 for Inspectors. We noted that many inspectors were paid \$40.00 an hour for the basic direct labor rate and also verified that some inspectors were paid at least this rate (\$43.71) for the basic hourly rate by reviewing the monthly approval submittals for new inspectors, however, we were not provided any supporting documentation that other payments under the wage determination were provided to these and all other prevailing wage covered employees. Some inspectors were paid less than the total hourly rate required by the Wage Determination (note that PTG's overhead rate covers benefits included in the other payments portion of the wages, but we received no evidence that these employees received such benefits). PTG was able to provide us with some payroll register screen shots, but not able to provide us with most of the payroll register screen shots or any other documentation for the prevailing wage covered employees identified as a sample for our review. Because of this, we were unable to verify that PTG met the minimum hourly payment/ fringe benefit payments to the covered employees.

Because the PTG Agreement did not include specific labor compliance provisions, there was no review by OCTA of PTG or PTG subcontractor compliance with prevailing wages. The work performed by PTG and its subcontractors that was covered by the prevailing wage law occurred primarily during the construction phase of the project.

Recommendation:

GCAP recommends that OCTA review its current agreements to determine if prevailing wage language and provisions are missing. Current and future OCTA agreements where construction work is anticipated should include these provisions. This would be especially helpful for construction management and project management contracts where the likelihood of construction work for surveying, inspection and testing may occur. GCAP also recommends that adequate reviews be conducted to insure compliance with all necessary prevailing wage requirements and other related labor laws and regulations for all agreements involved in construction work, including project management firms.

3.2 Task 2- Review of OCTA's Management of the Contract

Our review of OCTA internal controls over invoice review and approval, issuance of contract amendments, and PTG's compliance with contract terms and conditions determined that there is room for improvement within the invoice review process.

The GCAP Team met with both OCTA's Project Controls Staff and Accounting Department Staff. According to Project Controls, they receive PTG invoices after the PTG Project Manager has approved them. Project Controls then reviews the invoice to determine compliance with contract terms, and to ensure it is not in excess of the overall contract value. Progress Reports, rate schedules, and timesheets are also sent

with the invoice and reviewed as supporting documentation. We met with the Accounting Department and have included our analysis of the invoice review process from the Accounting Department perspective in section 3.2.3.

3.2.1 Follow-up on Prior Review Findings

The GCAP Team followed up on key findings from our 2005 review. We found that PTG has internal controls which address document control and record retention. The GCAP Team interviewed Document Control Personnel of PTG who are responsible for coordinating the documentation requests/requirements between PTG, OCTA, and the construction contractor. To assist with the closeout process, Documents Control Personnel utilize a "Project Closeout Checklist," an internal document that tracks the items that must be completed prior to closeout. Additionally, a closeout log is maintained that includes pending items, ongoing items, and closed items. Pending items are those that Documents Control Personnel have sent requests for; while ongoing items may include those that have received some documents, but not the entire request. Finally, the closed section includes documents that have been completed, received, and approved.

Finally, the prior key findings from our report in 2005 have been fully addressed. In 2005, we found that PTG had no instances of non-compliance with the not-to-exceed labor escalation rates of 4% in the aggregate, and they maintained compliance during this review period.

3.2.2 Review of Internal Controls of Issuance of Contract Amendments

GCAP reviewed Contract amendments and determined that 5 additional amendments were created since our 2005 review, and one additional amendment (No. 13) was being processed during the preparation of this report.

Amendment No. 11 increased the maximum obligation and we formally requested supporting documentation for the increase. OCTA provided GCAP with the May 7, 2007 Board of Directors Staff Report, which contained four possible recommendations for increased funding for the closeout process.

- Option 1 provided additional funding in the amount of \$2.5 million, of which \$1.9 million would be applied to maintain PTG's involvement in the project through the end of 2007.
- Option 2 would keep some level of PTG core staff while providing an increased level of effort for Hatch Mott MacDonald (HMM).
- Option 3 would replace all PTG staff with those provided by HMM.
- Option 4 would reduce the role of the consultants and use OCTA or Caltrans staff to complete work.

The Report indicates that Staff recommended Option 2, while the OCTA Board Committee recommended Option 1. The scope of services for the Option 1 difference of

\$600,000 was not identified initially, but was to “be determined at a later date.” The Board of Directors approved Option 2, which was incorporated into Amendment 11, Article 7 for a maximum obligation of \$2.5 million.

GCAP requested documentation to support the \$2.5 million increase. We received a one page excel worksheet that did not include any date or additional detail. This cost breakdown showed a total estimated cost of approximately \$2.45 million, rather than the approved \$2.5 million. The entire amount (\$2.45M) was identified as PTG and PTG subcontractor costs.

Recommendation:

GCAP was unable to obtain adequate support for the Amendment No. 11 increase, and therefore, recommends that OCTA retain formal and detailed estimates used to determine increases to the maximum obligation of the Contract, and keep these in the OCTA contract and project management files.

3.2.3 Review of OCTA Process for Approving PTG Invoices for Payment

As in our previous review, we found that the process for approving and processing PTG invoices appears to be conducted appropriately. According to OCTA Accounting & Financial Reporting Staff, the extent of their review consists of verifying that an authorized signature is present on the invoice and sufficient funds are available to complete payment. Staff also expressed that there are not currently any written desk procedures or standard operating procedures for the invoice review process.

Recommendation:

GCAP found that the Accounting Department verification was sufficient. However, it would be significantly improved if Accounting Department Staff performed additional math checks according to contract terms and compliance. This would serve as an added internal control measure, in the event that Project Controls misses an issue or error. Although there is a low turnover within the Accounting Department, a written invoice review procedure/checklist should be developed to assist new employees.

3.2.4 Review of PTG’s Compliance with Contract Terms and Conditions

GCAP interviewed the PTG contracts manager, and reviewed contract amendments, progress reports, and other documents to determine PTG’s compliance with contract terms and conditions. We found that PTG’s contract manager and OCTA’s SR-22 contract manager work closely together on contract compliance.

GCAP did not review the indirect rates for PTG or its subcontractors as part of this review. We were advised by OCTA that Amendment 8 incorporated the reviewed 2003 overhead rates for both PTG and its subcontractors as a fixed rate for the remainder of the contract. Although the PTG contract under Article 5, Payment, item B, 1. Hourly Rate Schedule requires the submittal of revised overhead rates and revisions by July 1, of each year, this term of the Contract became unnecessary with the execution of Amendment 8.

We found that during the construction phase, communication and coordination between OCTA and PTG has continued to be well coordinated. We met with OCTA's SR-22 Contract Manager and found that she continued to be involved in the contract and also assigned a CAMM Contract Administrator to the project. OCTA has maintained close involvement with the contract administration process since our 2005 review.

3.2.5 Review of Contractor and Subcontractor Invoices

In order to complete Task 2, review of contractor invoices and detailed supporting documentation (including payroll), GCAP randomly selected five months for PTG and subcontractor invoices. For each selected month, we selected four to six individuals and verified that labor rates were consistent with the Schedule 1 in Amendment 8. Moreover, we reviewed the invoices for supporting time sheets and labor reports to ensure that the hours actually worked were consistent with the hours invoiced.

GCAP documented several direct labor rate variances from the direct labor rates specified in Schedule 1. Although the billed rates were compliant with the Schedule 1 rates established, our review disclosed that some direct labor rates varied from those listed in Schedule 1. These direct labor rate variances are summarized in Appendix A of this report. The variances were both under and above the specified direct labor rate in Schedule 1; however, there is no impact to the billing amount because the rates established per the Schedule have been billed.

Recommendations:

GCAP recommends that the OCTA staff perform similar analyses by comparing direct labor rates established in contracts to the actual direct labor rates paid to consultants and subconsultants on large construction management contracts. This comparison should be used to determine the effectiveness of negotiating fixed direct labor, indirect and escalation rates for these types of projects.

PTG AND SUBCONTRACTOR 5 MONTH INVOICE SAMPLING ANALYSIS

(See Section 3.2.5 above)

5 Month Random Sample of PTG and Subcontractor Invoices and Supporting Documentation

Name	SCHEDULE 1		ACTUAL DIRECT LABOR RATE		
	<u>Direct</u>	<u>Schedule</u>	<u>Per</u>		
	<u>Labor Rate</u>	<u>Year*</u>	<u>Documentation</u>	<u>Month/Year</u>	<u>Variance</u>
Yu-Sheng Fan	\$50.89	Yr. 2	\$52.00	Jan. 06	(\$1.11)
Richard Ivy	\$72.30	Yr. 4	\$72.68	Jun., Nov. 07	(\$0.38)
Salim Khalil	\$43.26	Yr. 4	\$43.68	Nov. 07	(\$0.42)
Ahn Ly	\$44.02	Yr. 4	\$44.63	Nov. 07	(\$0.61)
Gharabegian, Areg	\$70.44	Yr. 4	\$79.33	Nov. 07	(\$8.89)
James Blevins	\$50.14	Yr. 4	\$51.10	Dec. 06, Feb. 07, Jun.07, Nov. 07	(\$0.96)
Sanny Khov	\$43.35	Yr. 4	\$42.00	Dec. 06, Feb. 07	\$1.35
Steven Lees	\$41.05	Yr. 3	\$42.29	Feb. 07	(\$1.24)
Richard Campbell	\$49.92	Yr. 3	\$55.00	Dec. 06, Feb. 07	(\$5.08)
Toby Erion	\$41.60	Yr. 3	\$41.20	Dec. 06, Feb. 07	\$0.40
Jeff Lormand	\$40.21	Yr. 4	\$39.04	Dec. 06, Feb. 07, Jun. 07	\$1.17
Yoji Matsuo	\$47.53	Yr. 4	\$45.70	Dec. 06, Feb. 07	\$1.83
David Pearman	\$38.88	Yr. 4	\$39.06	Jun. 07	(\$0.18)
Lorrie Alexander	\$27.04	Yr. 4	\$25.64	Jun. 07	\$1.40
Brady Harnish	\$43.26	Yr. 4	\$42.85	Feb. 07, Jun. 07, Nov. 07	\$0.41
Jack Shockley	\$86.53	Yr. 4	\$80.00	Feb. 07, Jun. 07, Nov. 07	\$6.53

*Year 2 is effective beginning with invoice period July 2005

*Year 3 is effective beginning with invoice period January 2006

*Year 4 is effective beginning with invoice period January 2007



INTEROFFICE MEMO

Date: May 4, 2009

To: Kathleen O'Connell, Executive Director
Internal Audit

From: M. Joseph Toolson, SR-22 Design-Build Program Manager *mt*

Subject: **2008 Audit of Agreement between Orange County
Transportation Authority and Parsons Transportation
Group, Inc.**

The 2008 GCAP audit of Parsons Transportation Group (PTG) Agreement No. C-1-2069 indicated that adequate support for the Amendment No. 11 could not be found within the project files and recommended the Authority obtain formal and detailed information to increase the maximum obligation.

Upon review of project records and from conversations with previous Authority and PTG staff, I was able to obtain a Parsons cost proposal (Attachment 1) which requests a contract amendment increase of \$2.505 million for Amendment No. 11. Since the existing agreement between the Authority and PTG was based on time and expense, the cost proposal was submitted identifying individual salaries marked up by a pre-approved overhead rate and profit. It also took into consideration yearly escalation as identified within the existing Authority/PTG Agreement and average expenditures of other direct costs. An independent cost estimate (attachment 2) was developed by the Authority to negotiate the final amendment price. Multiple draft iterations of the cost proposal were submitted by PTG and reviewed by Authority staff. Prior to the approval of amendment no. 11, a meeting was held to negotiate the final amendment price utilizing Parsons final submittal and the Independent Cost Estimate. In this negotiation meeting, it was agreed to increase the PTG contract maximum obligation by \$2.5 million. This net increase was considered both fair and reasonable based on the understanding of the necessary oversight required for the Granite-Myers-Rados, Joint Venture design-build contract. The parties involved in the final negotiation of amendment no. 11 were Mr. Rick Grebner of the Authority, and Mr. Jack Meifert of PTG.

If you have any questions, please contact me at x 5406 or at jtoolson@octa.net.

Joe Toolson

From: Meifert, John J [John.J.Meifert@parsons.com]

Sent: Monday, May 04, 2009 12:45 PM

To: Joe Toolson

Subject: Amendment 11 Back-up

Joe,

Attached is our cost proposal previously provided for amendment No. 11 to OCTA prior to amendment 11. Subsequent to this submittal, a meeting was held between OCTA and Parsons to discuss this cost proposal in order to reconcile an independent estimate developed Mr. Grebner. At this meeting, an agreement was reached to amend the PTG agreement for \$2.5 million dollars based on the terms of the processed amendment no. 11.

Thank you.

Jack

5/4/2009

[illegible]

SR 22 Program Management Labor Budget

SR 22 Program Management Labor Budget										Amendment 11			Developed by:		R. Grebner																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
SR-22 Independent Estimate										2007 ST		1		2		3		4		5		6		7		8		9		Total Hours		Budgeted Cost																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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Program Manager	Jack Harford	Field	Parsons	\$ 204.33	200	160	160	200	160	160	160	160	160	1,520	\$	310,582																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Jerry Beddeman	Field	Parsons	\$ 119.85	180	160	160	160	120	120	120	120	120	1,240	\$	148,618																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Administrative Assistant	Field	Parsons	\$ 50.36	200	160	160	160	160	160	160	160	160	160	1,460	\$	87,648																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Documents Control/Claims/Contracts	Jack Shockley	Field	Parsons	\$ 189.94	200	120	160	200	200	160	160	160	160	1,480	\$	281,114																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Madeline Rayn	Field	Cordoba	\$ 57.79	200	160	160	200	200	160	160	160	160	1,520	\$	87,844																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Documents Control Clerk	Field	Cordoba	\$ 53.44	200	160	160	200	200	160	160	160	160	1,520	\$	81,224																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
EEO/Labor Compliance	Christina Lujan	Home	Padilla	\$ 156.40	8	8	8	8	8	8	8	8	8	72	\$	11,261																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Patricia Padilla	Home	Padilla	\$ 80.53	8	8	8	8	8	8	8	8	8	72	\$	5,798																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	EEO/Labor Compliance	Home	Padilla	\$ 70.04	8	8	8	8	8	8	8	8	8	72	\$	5,043																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
EEO/Labor Compliance	Miguel Cabral	Field	Parsons	\$ 146.73	40	40	40	160	160	160	160	160	160	800	\$	11,738																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Dan Powell	Field	Parsons	\$ 150.70	160	160	160	160	160	160	160	160	160	800	\$	126,957																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	MOT & Traffic	Home	Parsons	\$ 102.55	40	40	40	160	160	160	160	160	160	80	\$	8,204																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
Landscape	Jeff Lomand	Field	Parsons	\$ 141.27	40	40	40	160	160	160	160	160	160	80	\$	11,302																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	M. Mohseini	Field	Parsons	\$ 182.80	40	40	40	160	160	160	160	160	160	80	\$	11,302																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Construction Manager	Field	Parsons	\$ 134.33	120	40	40	160	160	160	160	160	160	40	\$	7,316																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
Resident Engineer	Natall Frywat	Field	Parsons	\$ 202.73	120	40	40	160	160	160	160	160	160	440	\$	87,904																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Brett Barnett	Field	Harris	\$ 94.97	200	160	160	200	200	200	200	200	200	360	\$	34,190																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Office Engineer	Field	Parsons	\$ 94.97	200	160	160	200	200	200	200	200	200	360	\$	34,190																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
Roadway Inspector	Ziad Rizk	Field	Parsons	\$ 94.97	200	200	200	200	200	200	200	200	200	1,800	\$	170,948																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Jerry Marquez	Field	Parsons	\$ 94.97	200	200	200	200	200	200	200	200	200	1,800	\$	170,948																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Electrical Inspector	Field	Parsons	\$ 110.05	200	200	200	200	200	200	200	200	200	1,800	\$	198,086																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
Structures Inspector	Paul Blevins	Field	Parsons	\$ 96.63	40	40	40	160	160	160	160	160	160	360	\$	34,788																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Ani Ly	Field	Parsons	\$ 96.63	40	40	40	160	160	160	160	160	160	360	\$	34,788																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Structures Inspector	Field	Parsons	\$ 96.72	200	200	200	200	200	200	200	200	200	1,800	\$	179,495																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
Landscape Inspector	Bill Decker	Field	Parsons	\$ 96.72	200	200	200	200	200	200	200	200	200	1,800	\$	179,495																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Brady Hamish	Field	Parsons	\$ 94.97	200	160	160	200	200	100	160	160	160	1,520	\$	144,356																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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INTEROFFICE MEMO

April 9, 2009

To: Kathleen O'Connell, Executive Director, Internal Audit
From: *VP* Ken Phipps, Director of Finance and Administration
Subject: **Audit of Agreement C-1-2069 Management Response**

3.2.3 Review of OCTA Process for Approving PTG Invoices for Payments.

Recommendation: GCAP found that the Accounting Department verification was sufficient. However, it would be significantly improved if Accounting Department Staff performed additional math checks according to contract terms and compliance. This would serve as an added internal control measure, in the event that Project Controls misses an issue or error. Although there is low turnover within the Accounting Department, a written invoice review procedure/checklist should be developed to assist new employees.

Response: A procedure/checklist detailing invoice review expectations has been developed and distributed to staff. Among other things, the procedure includes random mathematical checks and verification of charge rates to ensure contract compliance.



April 10, 2009

INTEROFFICE MEMO

To: Kathleen O'Connell, Executive Director
Internal Audit

From: Kathleen Perez, Manager
Contracts Administration and Materials Management

Subject: Response to 2008 Audit of Agreement Between Orange County
Transportation Authority and Parsons Transportation Group, Inc.

I have been asked to respond to the final audit report dated January 29, 2009, prepared by GCAP Services on Project Management Services for the State Route 22 (SR-22) Design Build Project.

Management responses are as follows:

Recommendation No. 1 – Management agrees with the recommendation regarding verification of all fully burdened rates prior to contract execution or amendments. Contracts Administration and Materials Management (CAMM) management has previously instructed staff to verify all labor hour calculations. We will continue to work with staff to ensure consistency in its application.

Recommendation No. 2 – Management has reviewed the recommendation and believes that no further action is required. CAMM management and OCTA's General Counsel has reviewed current contract language and believe that the contract language is consistent with regulatory and statutory requirements.

The reference made on page 12 of 16 of the report that CAMM did not include "specific labor compliance provisions" is inaccurate and contradicts what the auditor states on page 11, which states in part that "Amendment No. 8 adds Article 26, General Wage Rules which incorporate the requirements to comply with California Labor Code and prevailing wage requirements..." Prevailing wage language was included in Amendment No. 8 in response to changes to the statutory requirements that occurred after the contract was executed.

Regarding to the auditors reference on page 12 of 16 that because the "PTG Agreement did not include specific labor compliance provisions..., there was no review by OCTA of PTG or PTG subcontractor compliance with prevailing wages...." CAMM management' response to this specific point raised by the

auditor is that OCTA review of certified payrolls is not required under the statute. California Labor Code Section 1776 (2), states in part that "A certified copy of all payroll records...shall be available for inspection or furnished upon request to a representative of the body awarding [OCTA]...." There is no statutory requirement nor does the contract require PTG to submit certified payroll records for OCTA' review. It is understood that PTG must pay appropriate prevailing wages to covered employees and that PTG is to keep records of such payment, and that those records must be made available upon OCTA' request. Therefore, the auditors' recommendation that "adequate reviews be conducted to insure compliance with all necessary prevailing wage requirements" is not required by state statute.

Recommendation No. 5 –

Management agrees with the recommendation. OCTA Contracts Administration and Materials Management (CAMM) management has previously instructed staff to verify all labor hour calculations. We will continue to work with staff to ensure consistency in its application.

Please contact me should you have any questions. I can be reached at 714/560-5743.

C: James S. Kenan
Virginia Abadessa
Kia Mortazavi



August 26, 2009

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Accounts Payable Invoice Review Procedure

Overview

On January 29, 2009, GCAP Services, Inc. issued the final report on its audit of Agreement No. C-1-2069 between Orange County Transportation Authority and Parsons Transportation Group, Inc. for the Garden Grove Freeway (State Route 22) Design-Build Project. One of the recommendations in the report was to develop written standard operating procedures for the invoice review process that included enhanced reviews for contract compliance.

Recommendation

Receive and file as an information item.

Background

Historically, the Accounts Payable Section's audit of contract invoices focused on proper authorization, availability of budget, proper account codes, retention, and sales tax. Staff would also audit invoices for compliance with various contract terms, on an ad hoc basis.

During its audit of the Garden Grove Freeway (State Route 22) Design-Build Project, GCAP Services, Inc. (GCAP) discovered invoices that were incorrectly billed and paid. One of the sampled invoices had mathematical errors and another did not comply with rates specified in the contract. Although GCAP noted that primary responsibility for the accuracy of an invoice and for contract compliance rests with the project manager, GCAP also stated that verification by the accounts payable staff would serve as an added internal control.

Discussion

As a result of the audit, the Accounting Department developed a written operating procedure for the audit of vendor invoices. The new procedure specifically addresses the errors found in the GCAP review.

To identify mathematical errors, staff will verify all manual calculations that appear on an invoice. Staff will also randomly verify calculations on unaltered system generated invoices. Calculator tapes will be attached to invoices to document the verification process.

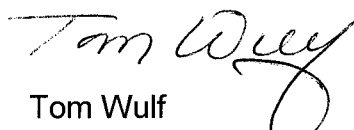
To ensure compliance with contract terms, staff will begin verifying rates that appear on contract invoices. To assist staff, the Contracts Administration and Materials Management (CAMM) Department will create summary worksheets that will detail contract rates. Staff will verify rates on invoices as part of the payment process using the worksheets provided by CAMM.

Summary

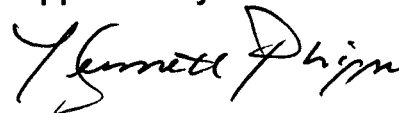
In response to a recommendation from the GCAP's review of Agreement No. C-1-2069, the Accounts Payable Section has developed a written procedure detailing the components of an invoice audit. Included in this procedure are two new requirements. The first requirement is that Accounts Payable staff verify the mathematical accuracy of all invoices that contain manual calculations. The second requirement is that accounts payable staff verify billing rates on contract invoices to ensure compliance with applicable contract terms.

Attachment

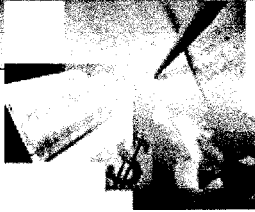
- A. Accounting and Financial Reporting Department, AP Invoice Review

Prepared by:

Tom Wulf
Manager, Accounting and Financial
Reporting
(714) 560-5659

Approved by:

Kenneth Phipps,
Executive Director,
Finance and Administration
(714) 560-5637



Accounting and Financial Reporting Department

AP Invoice Review

I. Practice

AP Staff shall review all invoices for accuracy, reasonableness of documentation, compliance with applicable OCTA policies, practices and procedures and proper authorization prior to payment.

II. Invoice Review Overview

All invoices shall be reviewed for accuracy, compliance and authorization as part of the payment process. The extent of the review shall be commensurate with the risk and dollar amount of the payment. Accounts Payable staff is expected to exercise reasonable judgment in determining what to review on each invoice.

III. General Review Checklist

- Ensure that each invoice is dated stamped with the date it was received by the AP section
- Verify signature to ensure that the employee authorizing the payment has the appropriate signature authority.
- Verify that account codes appear reasonable. If not, follow-up with the department. Any changes to account codes must be approved by the department being charged. Document approval of changes in comment section of AP screen.
- On a random basis, verify the calculations on unaltered system generated invoices. Always verify calculations if the invoice was manually prepared or if there are any manual adjustments to the invoice. Attach calculator tape showing verification of extensions and totals.
- Verify that the correct vendor name and remittance address chosen in the system agrees with the remittance information on the invoice.
- Review the invoice for sales tax compliance. If tax is applicable but not charged by the vendor, accrue use tax. If unsure of the taxability of the purchase, seek assistance. In general, goods are taxable and services are not. Special rules may apply to maintenance contracts and software purchases.
- Verify that documentation for reimbursable expenses is adequate and appears reasonable.

- For employee expenses (object codes 7655, 7756, 7657) ensure that each charge is assigned to a specific employee's vendor ID number in reference field 2.
- If the system provides a duplicate invoice warning, investigate the reason for the warning to ensure no duplicate payment is processed. Next to the duplicate warning message on the batch proof, initial the warning to document your investigation. Document in comment section of AP screen.
- Verify compliance with applicable OCTA policies, practices and procedures.
- If anything seems unusual or does not look right, seek assistance.
- Verify that a payment request is not being used in lieu of an amendment to an existing contract.
- Verify that amount of the payment agrees with the backup.

IV. Contracts and Purchase Orders

- Verify that the purchase order or contract number is correct.
- If the invoice is being paid against a contract or purchase order, the account codes on the invoice must match those in the system. If the account codes in the system are incorrect, they must be amended by CAMM prior to payment. If the account codes on the invoice are incorrect, correct the codes on the invoice and document who you contacted in the department in the comment section of the AP screen.
- If applicable, verify that the retention percent and the current retention amount are correct.
- Verify that the invoice amount does not exceed available funds on the contract or purchase order.
- For encumbered contracts and purchase orders, run an encumbrance report before and after processing to ensure that no line item is negative.
- For inventory purchases, invoice shall be matched to receiving records within the financial system. Matching to receipts is required. Price discrepancies outside approved tolerances shall be investigated and resolved prior to payment.
- If detailed on contract invoices, verify that billing rates agree with rates stated in the contract. Initial next to the rates to document verification.



August 26, 2009

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Workers' Compensation Program Review

Overview

The Orange County Transportation Authority self-insures 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.

Discussion

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. The Orange County Transportation Authority (OCTA) has been self-insured since 1977.

As a result of a reorganization in 2004, 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 reform its workers' compensation program, the State of California enacted legislative changes in the form of Senate Bill 899 (Chapter 34, Statutes of 2004) to assist employers like OCTA in containing 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.

As workers' compensation injury claims mature, there is a larger financial impact. OCTA experienced a 198 percent increase in claim payouts in the five years preceding the shift in 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 August 27, 2008, OCTA's Workers' Compensation Program has continued to perform well, despite rising medical expenses and an uncertain employment climate at OCTA. Although OCTA experienced 24 more injury claims compared to the prior year, total claim payouts dropped 3.1 percent or \$102,897, and outside administrative costs were reduced by 3 percent for an additional savings of \$27,196.

Overall, long term program initiatives have reduced new injury claims from 336 in FY 2004 to 167 in FY 2009, for a 50.3 percent reduction. Effective claims management oversight contributed to a reduction in claim payouts from \$6,678,372 in FY 2004 to \$3,200,382 in FY 2009, for a 52 percent reduction.

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

Fiscal Year	New Claims	Claim Payouts	Outstanding Reserves
2004	336	\$6,678,372	\$10,106,679
2005	306	\$5,942,503	\$8,729,553
2006	271	\$4,697,721	\$8,725,916
2007	160	\$4,344,114	\$7,844,375
2008	143	\$3,209,620	\$7,627,667
2009	167	\$3,200,382	\$7,367,456

Table 1.1

The major outside administrative costs by category of managing the program since 2005 are summarized in Table 1.2.

Fiscal Year	Third Party Administrator	Bill Review	Utilization Review	Nurse Case Management	Investigations	Defense Legal Costs
2005	\$214,664	\$273,961	\$39,860	\$23,689	\$125,553	\$381,747
2006	\$335,836	\$140,896	\$45,115	\$16,386	\$91,473	\$395,079
2007	\$378,380	\$124,679	\$52,122	\$40,904	\$23,402	\$537,355
2008	\$391,620	\$69,163	\$31,878	\$9,403	\$18,626	\$371,599
2009	\$405,324	\$108,176	\$13,024	\$4,856	\$18,292	\$303,928

Table 1.2

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 revised approach has provided an additional safety incentive, resulting in a long-term overall reduction of new claims.

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 Teamsters' Union Local 952 (Union) on behalf of OCTA's coach operators. The Coach Operator Workers' Compensation Reduction Plan was executed and went into effect through June 30, 2007. Given the success of the initial plan, 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 to Union members in order to reduce workplace injuries and associated costs. The Union initiatives for FY 2009 are listed below:

- The Union participated in the base functions to celebrate and assist in handing out workers' compensation bonus checks for a successful year of reductions in claims payouts and the number of new claims for FY 2008. As a result, The Union produced a CD of photographs taken at the event where pictures were distributed to each coach operator.
- In early February 2009, the Union distributed a "Work Smart! Work Safe!" information flyer which reminded coach operators about the

Workers' Compensation Reduction Plan, defensive driving, and common preventable accidents.

- In early June 2009, the Union distributed a Union bulletin reminding coach operators about the workers' compensation reduction plan and to report the increase in the number of wheelchair related accidents for the fiscal year as a means of elevating coach operator awareness.
- While not a new initiative, the Union has continued to maintain a photograph on the Teamsters 952 Website of the Union Business Representative and the Shop Stewards along with the statement: "Teamsters 952 Promotes Workplace Safety."

At the conclusion of FY 2009, the Coach Operator Workers' Compensation Reduction Plan results were largely positive. Coach operator claim payouts of \$2,619,790 were 0.23 percent or \$5,973 below last fiscal year and fell \$680,210 below the \$3,300,000 baseline goal. Unfortunately, coach operator injuries increased to 131, which was eleven injuries above the 120 new injury baseline, causing a 10 percent penalty. As a result of the claim payout reductions, OCTA will be able to share 40 percent out of a possible 50 percent of the \$680,210 plan savings or \$272,084 with the coach operators. Risk Management provides a monthly program status update that is broadcasted to all the base digital signage monitors to encourage the coach operators to work safely. Distribution of the checks to individual coach operators is currently being scheduled to take place at the bases later this 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 March 11, 2009, the Board approved exercising the second option year to extend the contract until November 1, 2010.

Besides the TPA contractor, 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 greatly reduced the annual cost of administering the program from \$1,086,474 in FY 2005 to \$868,440 in FY 2009. The management of outside services in this year alone resulted in a savings of \$23,849 compared to the prior year.

These additional vendor 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 has recovered a total of \$512,295 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 2009 to \$7,367,456 from \$7,627,667 in FY 2008, for a 3.4 percent reduction. Overall, outstanding reserves were reduced to \$7,367,456 in FY 2008 from \$10,106,679 in FY 2004, for a 27 percent reduction.

An annual financial analysis is performed by an actuary to ensure that OCTA maintains appropriate funding to pay outstanding losses. Due to the recent favorable loss trends, the September 2008 actuarial study provided OCTA with an indication that funds in the amount of \$14 million were transferred out of the

workers' compensation fund. In June 2008, \$13 million was transferred to the Orange County Transit District (OCTD) fund and \$1 million was transferred to the General Fund.

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 the number of new litigated claims was reduced from 45 in FY 2005 to 26 in FY 2009.

Another creative approach that OCTA has implemented is to bifurcate OCTA's legal component into two groups. Litigated cases are cost-effectively settled by attorneys whereas remaining post settlement liens 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 these matters. Also, defense attorneys that work for OCTA meet with the Risk Management Department monthly to discuss protocols, case reviews, and defense litigation strategies.

The Transit Division implemented a requirement 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.

OCTA has been very aggressive in identifying and prosecuting workers' compensation fraud cases. Working with outside investigators, OCTA has provided the Orange County District Attorney's (OCDA) Office with sufficient evidence to prosecute two fraud cases since 2005. In one case, the prosecution was successful in obtaining two felony fraud convictions, court ordered jail time, and full restitution as part of the sentence. Currently, OCTA is following the prosecution of a former employee charged with five counts of workers' compensation fraud. This case is expected to conclude this year. An OCTA fraud hotline is being created and will be available for use in FY 2010.

During FY 2009, all OCTA employees were 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 established medical treatment protocols and procedures, OCTA assures that its injured workers receive quality and cost-effective medical care thereby satisfying the goals of the program.

In keeping with OCTA's commitment to provide quality medical care to its injured workers, the OCTA's Risk Management Department, with collaboration from Transit, Health, Safety and Environmental Compliance, and Labor and Employee Relations, have commenced a six month pilot program to evaluate an alternate industrial medical care facility for injuries to the Santa Ana Base employees. This pilot began on July 1, 2009, with Procure Medical Center and is intended as a periodic effort by Risk Management to ensure the availability of the best possible medical care for OCTA's injured workers. Concentra Occupational Medical Center will continue to provide medical treatment to injured workers from the Garden Grove and Anaheim bases during the pilot program. Surveys will be provided to all medically treated employees at both medical facilities to encourage employee feedback in order to improve their medical care experience.

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 that the OCTA must pay before the insurer starts to pay for a loss. OCTA workers' compensation insurance premiums nearly tripled 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 increasing the SIR from \$500,000 to \$1,000,000. 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, and further reduced the SIR for FY 2008 to \$500,000 at the same 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. On August 10, 2009, the Board directed staff to renew the current coverage at the same premium rate at an amount not to exceed \$500,000, at a \$500,000 SIR or less, which provides 50 percent more protection and a 35 percent reduction in premium from FY 2004.

OCTA's partnership with the current excess workers' compensation insurance carrier, ACE American Insurance Company, has enabled OCTA to reduce premiums, reduce self-insured retentions, and obtain multiple year guaranteed rates favorable to OCTA and the insurer. In fact, the partnership was so successful that ACE American Insurance Company approached *Rough Notes*, an insurance industry magazine, to write about the success of OCTA's program (Attachment B).

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 while providing good customer service 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 \$11.9 million had the trend continued at FY 2004 levels, while outstanding claims reserves have been lowered by \$2.7 million. 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.

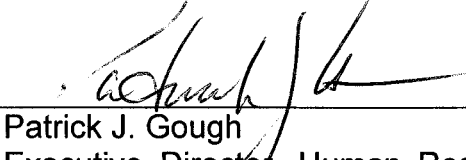
Attachments

- A. OCTA - Total Workers' Compensation Net Historical Cost of Risk
- B. Rough Notes Magazine Article

Prepared by:

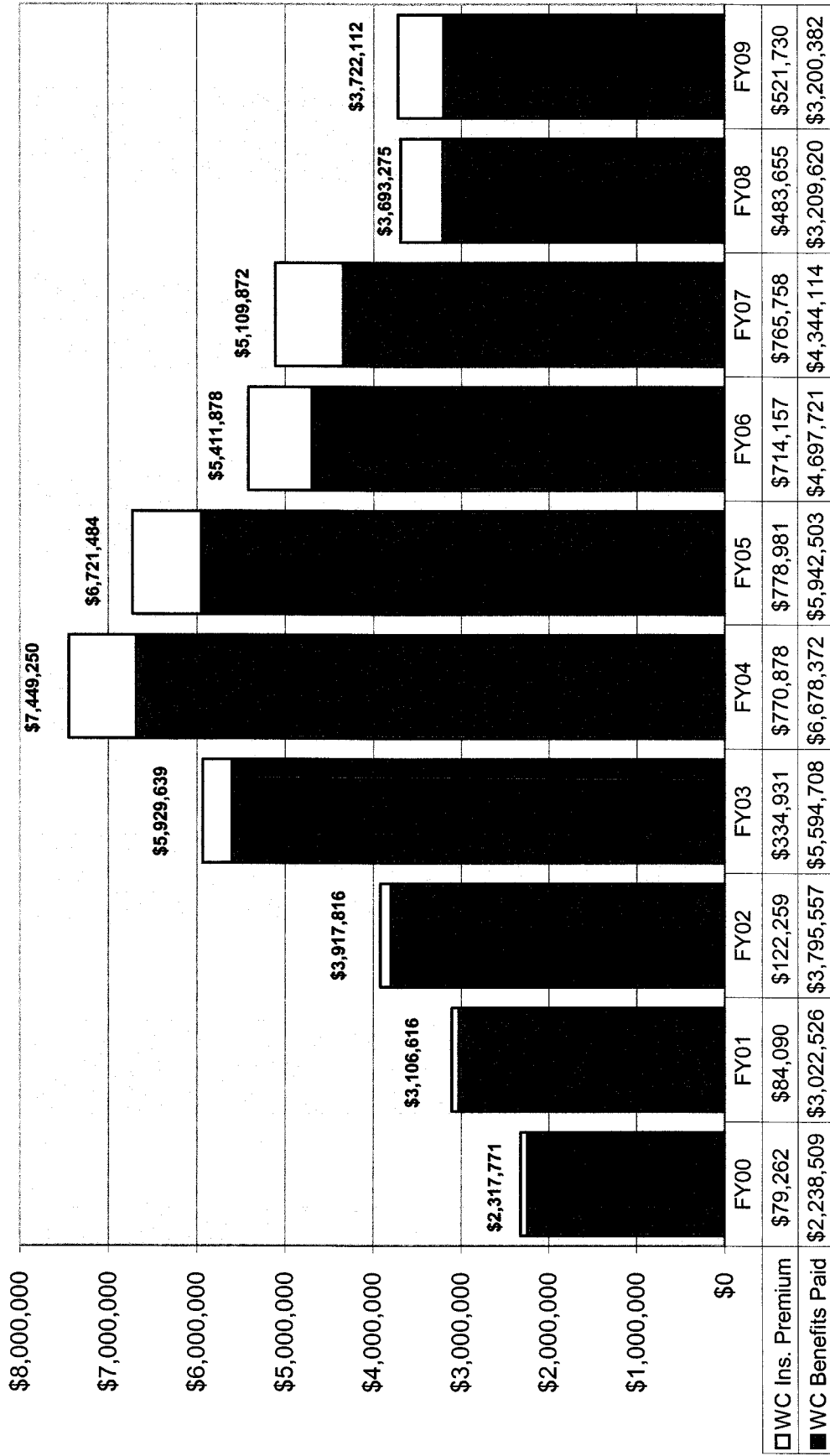

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ALSO: A SELF-INSURED WORKERS COMP SUCCESS STORY



Edwin Byrne, Claims Manager of the Orange County (California) Transportation Authority (OCTA) (left) and Al Gorski, OCTA's Chief Risk Officer, worked together to build a self-insured workers comp program.

SELF-INSURING WORKERS COMPENSATION

A case study of a county transportation unit

By Michael J. Moody,
ARM, MBA

Each of the 1,200 coach operators could be eligible to receive \$150 to \$430 per year, "depending upon the organization's claim experience."

— Al Gorski

There are few lines of insurance coverage that are common to most businesses. One of them—workers compensation—represents the largest insurance expenditure to businesses. With rare exception, all employers are required to provide workers compensation coverage for their employees. It is little wonder, then, that employers search for a cost-effective method of providing this coverage.

Many employers self-insure their workers compensation exposure and, historically, that method has proven to be one of the most cost-effective approaches for satisfying a firm's workers compensation obligation.

Case in point

One organization that availed itself of the self-insurance option was the Orange County Transportation

Authority (OCTA), which was granted approval to self-insure by the state of California in 1977. OCTA has been self-insured since that time. However, their loss experience began to deteriorate in early 2000. They saw significant increases in both the cost of their claims as well as the cost of their excess workers compensation coverage.

For example, 2003-04 losses increased to \$6,678,372 from the prior year's \$5,594,706. A similar comparison for excess workers comp coverage showed a \$770,878 premium in 2003-04, up sharply from the 2002-03 premium of \$334,931. Additionally, the SIR on the excess policy increased from a 2002-03 level of \$300,000 to \$500,000 for 2003-04.

OCTA recognized that program changes were needed. One of the first changes instituted was that the responsibility for the administration of the workers comp program was transferred from the employee benefits section of the human resources department to the risk

"I was confident that if the changes were successfully implemented, OCTA's loss experience would significantly improve; and that certainly turned out to be the case."

—Deborah Alleyne
Senior Vice President
ACE Excess Workers Compensation



management department. This represented a significant philosophical shift, notes Al Gorski, OCTA's chief risk officer. Historically, since the workers comp function reported to the HR department, "many people believed that it was a 'benefit,' rather than a liability," he says. He believed that it was important for the organization to begin to realize it was not an "employee benefit," and, as a result, the organization's whole approach to workers compensation needed to be changed.

Cultural change

Moving the administration of the program from HR to risk management was a pretty easy task. However, "it was the cultural changes that took some time to complete," Gorski notes. "But this is a governmental agency and we have to be good stewards of public funds." Recognizing the need to begin to better control work comp costs, OCTA executive management also realized that an important aspect to changing the culture was "getting the buy-in of the union involved with OCTA's bus operation," Gorski notes. "But, it was not enough to get the union's buy-in; the union must also actively participate in our common goal."

In order to gain the union's active participation, OCTA has found that by partnering with the union they are

better able to control their cost, so they devised a unique plan that allowed union members to share in the actual cost savings. Each of the 1,200 coach operators could be eligible to receive \$150 to \$430 per year, "depending upon the organization's claim experience," Gorski points out. "Now we have 1,200 people to help promote a safe working environment."

Participating in the program savings has proven to be an effective "carrot" for the workers compensation program area. A change in the "stick" has gotten the employee's attention. Gorski indicates that, "OCTA is now aggressively pursuing fraud cases." This aggressive prosecution includes both restitution and jail time. "News of a fraud conviction goes through the organization quickly." And he says, "Now, the employees all know that we are serious about the fraud side of this issue."

In addition to the union, another important key relationship was forged with ACE USA, the U.S.-based retail operating division of ACE Group. Gorski notes that the cost for OCTA's excess workers compensation coverage was on track to increase 15% and "something had to be done." Along with his broker, Marsh, he approached ACE in 2004 with the plan of attack to begin controlling OCTA's workers comp costs. "I made a lot of promises to them, and I said we were going to

do a lot of work," he remembers. "ACE was there for us at that time and they believed in what I could do."

Since those early days, OCTA and ACE have developed a mutual alliance. "It was important to me," Gorski says, "to establish a good relationship with ACE. Even though I felt I had little credibility with ACE, Deborah Alleyne, SVP of ACE Excess Workers Compensation, was willing to sit down and listen to our strategies and believed in what I was proposing."

Alleyne points out, "The changes that Al proposed when ACE was initially approached to provide excess coverage for OCTA were substantial. I was confident that if the changes were successfully implemented, OCTA's loss experience would significantly improve; and that certainly turned out to be the case."

Since that time, Gorski states, "ACE has been a valuable asset throughout this process and they have given me the opportunity to provide input and suggestions with regards to the workers comp program. While there have been many important changes in the program, this was one of the most important."

Other important aspects

Gorski identifies several key elements for developing and maintaining a successful self-insured workers compensation program. The

first important step was to obtain approval from executive management to hire a very technically sound claims manager. In addition, he says, other stakeholders, including OCTA's excess work comp insurer and contract team members, needed to have a full understanding of OCTA's operation.

To make this happen, the claims manager, Edwin Byrne, invites all participants who have a vested interest in the success of the program to visit the bus bays. Here, Gorski says, "Edwin demonstrates how our drivers do their jobs." For example, "We show them how our drivers deal with disabled customers. It's important to show them how the whole thing works." He notes that everyone from employees who work in OCTA's office to claims assistants and paralegals from our law firms "get to see the operation firsthand." Even the clinic doctors get an opportunity to see what the drivers do, "even sitting in the driver's seats, to gain a better understanding of the process and procedures.

"It's important to let the employees know that they are valuable to us as well," Gorski says. "We make certain that every employee knows we want them to have the best possible care. To do

this," he says, "we continue to survey our employees to make certain that our industrial clinics are giving the best possible care." This is important feedback, he notes.

An additional area of change occurred when OCTA unbundled its claims management process and moved to a variety of specialized service providers. Gorski says: "The entire workers compensation program received a complete and comprehensive review, once risk management took over. We did this by returning to the basics; every program element was reviewed." All key cost drivers and individual program vendors received a review from OCTA's internal audit staff. As a result of the review, "it appeared that the bundled claims administration was subject to a great deal of scrutiny of this integrated approach."

Today, the TPA has just a claims adjusting contract, and everyone else is unbundled on a 30-day, opt-out agreement, "so we can better control and manage the entire claims process," says Gorski. He holds quarterly strategy meetings with all the various vendors, many of whom are competitors, to discuss the progress of the program. He believes this gives him "the ability to provide

proper oversight to continue to achieve the goals of the program."

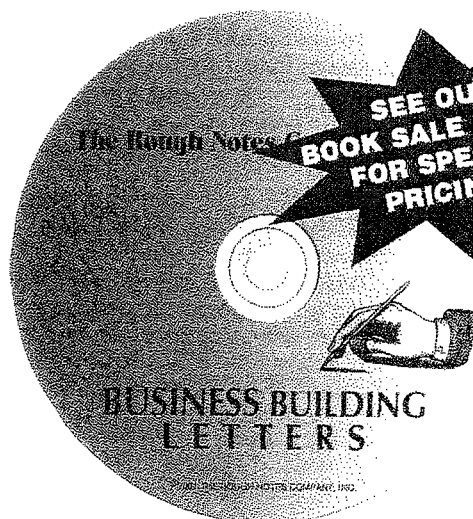
Lessons learned

Despite the fact that Gorski only picked up the responsibility for OCTA's workers comp program in June 2004, it has already shown remarkable success. He says one of the hard lessons OCTA has had to learn is that "if you let a program get out of hand, the cost will also get out of control and can quickly become insurmountable." When he took over the program, "it was headed in the wrong direction," Gorski says.

However, the top to bottom review revealed what needed to be done. This process began by engaging key stakeholders and recommending changes in every process and approach the firm used, resulting in a good roadmap for success.

What kind of success has OCTA been able to accomplish in just five short years? The work comp benefits paid by OCTA have been reduced by 53% from the '03-'04 policy year to the '07-'08 policy year. Even more impressive was the excess workers compensation premium for the same period, which decreased by 63%. ■

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