Date:	**Monday, January 12, 2009**
Time:	**9:00 a.m.**
Where:	**Orange County Transportation Authority Headquarters** **600 South Main Street, First Floor - Conference Room 154** **Orange, California 92868**

OCTA

BOARD AGENDA

ACTIONS

Orange County Transportation Authority Board Meeting
Orange County Transportation Authority Headquarters
First Floor - Room 154
600 South Main Street, Orange, California
Monday, January 12, 2009, at 9:00 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

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

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

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

OCTA

BOARD AGENDA

ACTIONS

Call to Order

Invocation
Director Cavecche

Pledge of Allegiance
Director Campbell

Special Matters

1. **Administration of Oaths of Office to New and Returning OCTA Board Members**

   Oaths of office will be administered to Directors Amante, Brown, Campbell, Dalton, Dixon, Mansoor, Pulido, and Winterbottom.

2. **Chairman's Goals Final Status Report**

3. **Election of Orange County Transportation Authority Board Chair**

4. **Election of Orange County Transportation Authority Board Vice Chair**

5. **Salute to Chairman Chris Norby**

6. **Presentation from State Legislative Advocate**
   Moira Topp/P. Sue Zuhlke

Consent Calendar (Items 7 through 12)

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

Orange County Transportation Authority Consent Calendar Matters

7. **Approval of Minutes**

   Of the Orange County Transportation Authority and affiliated agencies' regular meeting of December 8, 2008.

8. Approval of Board Member Travel

Approval is requested for Vice Chairman Buffa to travel to Washington, D.C., from January 12 – 15, 2009, to meet with the Authority's federal legislative advocates regarding the Federal Legislative Platform and agenda for 2009.

9. Payroll System Controls Final Audit Report
Kathleen M. O'Connell

Overview

At the direction of the Internal Audit Department of the Orange County Transportation Authority, an audit of payroll system controls has been completed. Recommendations have been offered to improve controls over the payroll system. Additional recommendations, which are not exclusively payroll related, have also been made to improve the information systems general control environment at the Orange County Transportation Authority.

Recommendation

Direct staff to implement recommendations in the Payroll System Controls Final Audit Report, Internal Audit Report No. 08-001a.

10. Orange County Employees Retirement System Early Payment for Fiscal Year 2010
Rodney Johnson/James S. Kenan

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 7.75 percent if the agencies elect to prepay contributions for fiscal year 2010. Advance payments must be received before January 16, 2009. The Orange County Transportation Authority has estimated the savings over the next year and a half under this payment option to total approximately $1.29 million.

Recommendation

Authorize the early payment of approximately $16.2 million before January 16, 2009, to the Orange County Employees Retirement System for member contributions for fiscal year 2010.

11. 91 Express Lanes Software Development
Kirk Avila/James S. Kenan

Overview

In April 2003, TollPro back-office software was deployed on the 91 Express Lanes. TollPro retrieves data from the in-lane Electronic Traffic and Toll Management System, calculates the correct toll amount, and automatically charges customer accounts. TollPro is approaching the end of its useful life and new software is required for the 91 Express Lanes. Cofiroute USA, the 91 Express Lanes operator, has approached the Orange County Transportation Authority with a proposal to develop and deploy new back-office software for the 91 Express Lanes.

Recommendation

Authorize the Chief Executive Officer to negotiate a contract with Cofiroute USA, which includes the development and deployment of new back-office software for the 91 Express Lanes, and return to the Finance and Administration Committee with the final terms for review and approval.

Orange County Local Transportation Authority Consent Calendar Matters

12. Go Local Step One Proposals from the Cities of Aliso Viejo and Fullerton
Kelly Long/Kia Mortazavi

Overview

The deadline for Go Local Step One was June 30, 2008. Consistent with prior Orange County Transportation Authority Board of Directors' action, Go Local Step One final reports received after the deadline would receive consideration in the order the reports were received. The cities of Aliso Viejo and Fullerton have submitted final reports and have requested that the proposals submitted be considered for Step Two. The proposals have been evaluated consistent with the Board of Directors-approved Go Local criteria. The results of the screening are presented for Board of Directors' review and approval.

12. (Continued)

Committee Recommendations

A. Approve the Go Local Program Step One mixed-flow bus/shuttle proposals recommended for advancement into Step Two service planning as presented.

B. Encourage the City of Fullerton to work with OCTA in exploring options for a fixed-guideway project and continue to pursue the right-of-way option, should it become available.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

13. Economic Stimulus Actions and Guiding Principles for Implementation
Wendy Villa/P. Sue Zuhlke

Overview

As the federal government considers adopting a plan to stimulate the economy through infrastructure investments, a set of principles are proposed to guide discussions.

Recommendation

Adopt the Guiding Principles for the Implementation of an Economic Stimulus Package.

Discussion Items

14. Measure M Readiness and Market Studies
Andrew Oftelie/James S. Kenan

15. Irvine Guideway Demonstration Project Update
Kurt Brotcke/Kia Mortazavi

ACTIONS

16. Public Comments

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

17. Chief Executive Officer's Report

18. Directors' Reports

19. Closed Session

Pursuant to Government Code Section 54956.9(a) to discuss Pamela Avery, et. al. vs. Orange County Transportation Authority, et al., OCSC Case No. 07CC0004.

20. Adjournment

The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on January 26, 2009,** at the OCTA Headquarters.

Chairman Norby's Goals For 2008
Final Status Report

1. Pursue an equitable share of state and federal funding for Orange County.
    - Secured $218 million from the Trade Corridor Improvement Fund of Proposition 1B for seven grade separation and one highway projects
    - Secured $4 million from the Proposition 1B Traffic Light Synchronization Program, with a total of $5.86 million to Orange County
    - Secured federal appropriations of $2.7 million
    - Secured $1 million Department of Homeland Security grant for bus video surveillance
    - Secured $82.3 million from the State-Local Partnership Program from Proposition 1B for Orange County projects
    - Secured $8 million for the Sand Canyon Grade Crossing from the Highway Railroad Crossing Safety Account from Proposition 1B
    - Developed list of ready-to-go Orange County transportation projects for federal economic stimulus and delivered to Congressional delegation, Presidential transition team, and California Administration

2. Advance bus rapid transit to ensure that the Harbor Boulevard line is operational by mid 2009.
    - Executed the BRT shelter/station and technology contracts
    - Conducted the public hearing for the implementation of the Harbor Boulevard Corridor
    - Finalized Bravo! bus branding and received first prototype vehicle which was displayed for the Board in December
    - Conducted 80 meetings with agencies and stakeholders across Orange and Los Angeles counties to progress the shelter/station and technology design efforts
    - Working towards completing the 30 percent preliminary designs by finalizing the conceptual shelter and station designs, identifying real-time passenger information system infrastructure requirements, and collecting data for traffic signal synchronization and transit signal priority for all three corridors
    - Provided internal consultant from Human Resource and Organizational Development division to play a key role in pushing forward the development of the scopes of work, restructuring the internal project task force, and providing coaching to the new bus rapid transit project manager

3. Increase bus system marketing and communication efforts to teenagers.
    - Conducted 65 presentations/events focusing on how to ride the bus with youth, schools/PTAs, and youth organizations with an estimated attendance of 11,900
    - Summer youth marketing program launched in May with 64,000 mailers, containing information on nearby routes and youth bus pass, sent to families with teenagers living within a quarter mile of a bus stop

- *Road Trip to Learning*, a 16-page student curriculum program launched October 1 to provide educators with an in-classroom tool designed to teach youth about OCTA and its transportation services.
- Worked with the American Public Transportation Association to provide local promotion for the 2008 Youth Summit, an educational program held in Washington, D.C., that promotes transportation and careers in transportation

4. Expand Metrolink in Orange County and work with Los Angeles and San Diego counties to better coordinate service in the Los Angeles-San Diego (LOSSAN) corridor.
   - Completed design and issued request for bids (through Metrolink) for the infrastructure improvements required to increase service between Laguna Niguel/Mission Viejo Station and Fullerton Station
   - OCTA, Caltrans and the LOSSAN Technical Advisory Committee completed a study that identifies 20 service improvements that could be implemented over the course of the next year
   - Four focus groups were conducted to learn about rider and non-rider attitudes toward rail transit and to assess opportunities for better integration of Metrolink, Amtrak, and Coaster rail services. A final report of findings has been completed.

5. Work with neighboring counties and agencies to improve freeway and rail connections between counties.
   - OC/LA Intercounty Transportation Study has identified at least seven major congestion "hotspots" in the county border area for potential improvement
   - Collaborated with Riverside County Transportation Commission to advance legislation to extend the 91 Express Lanes into Riverside County through the Senate and Assembly Transportation Committee
   - Awarded a contract to conduct a strategic assessment to coordinate and improve passenger rail service in the LOSSAN corridor

6. Develop a strategic plan for the use of a Pacific Electric right-of-way (PE ROW) in Orange County.
   - Conducted several tours of the PE ROW, with 19 total participants
   - Completed study of PE ROW as part of the OC/LA Intercounty Transportation Study
   - Conducted PE ROW virtual tour and presented on several occasions such as the leadership forums

7. Support construction of the Foothill Eastern 241 Extension.
   - Provided letter of support for Foothill Eastern 241 Extension to the California Coastal Commission and coordinated participation of five Board Members at the public hearing

- Provided letter of support for the Transportation Corridor Agency's appeal of California Coastal Commission's decision to the Secretary of Commerce and coordinated participation of Board Members at the public hearing

8. Convene the Central County Corridor Major Investment Study (CCCMIS) working group that will review technical data and seek public input necessary to pursue potential options to extending the Orange Freeway (State Route 57).
   - Selected technical consultant to begin Central County Corridor MIS
   - CCCMIS officially began in late July
   - Director Jerry Amante appointed as Chairman of the CCCMIS Policy Advisory Committee
   - Policy Advisory Committee and Technical Advisory Committee meetings were initiated in September
   - Stakeholder Working Group held its kick-off meeting in November
   - Policy Advisory Committee reviewing draft evaluation criteria and draft alternative strategy in December

9. Enhance transparency of internal operations with the public, including implementing streaming audio of Board meetings for easy access through the Internet.
   - Audio streaming of Board meetings went into operation on June 23
   - Developed integrated procurement module for M2 website listing current and upcoming projects

10. Reinstitute the Procurement Task Force to evaluate the implementation of previous procurement policy actions.
    - The Executive Committee agreed to act as the Committee to discuss procurement issues. In November and December, staff presented a series of recommendations to the Committee to obtain their comments and feedback. Staff will bring a formal request to the Executive Committee in February to approve several of the recommendations. The item will then go to the last Board meeting in February for final adoption.
    - Provided internal consulting from Human Resource and Organizational Development division to facilitate Contracts Administration and Materials Management (CAMM) Department members in designing and implementing departmental improvements in support of improvements to the procurement process. CAMM staff were invited to participate on one of three teams – Process, Customer Relations, and Board Interactions Team.

SLOAT HIGGINS JENSEN & ASSOCIATES

Orange County Transportation Authority

Board of Directors' Meeting

Agenda

January 12, 2009

1. State Budget Update – January Budget Proposal
2. Economic Stimulus Update
3. Update on priority legislation and sponsor bills
4. Questions/Comments

7.

Minutes of the Meeting of the
Orange County Transportation Authority
Orange County Service Authority for Freeway Emergencies
Orange County Local Transportation Authority
Orange County Transit District
Board of Directors
December 8, 2008

Call to Order

The December 8, 2008, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order by Chairman Norby at 9:02 a.m. at the Orange County Transportation Authority Headquarters, Orange, California.

Roll Call

Directors Present:	Chris Norby, Chairman Peter Buffa, Vice Chairman Jerry Amante Patricia Bates Arthur C. Brown Bill Campbell Carolyn Cavecche Richard Dixon Paul Glaab Cathy Green Allan Mansoor John Moorlach Janet Nguyen Curt Pringle Miguel Pulido Mark Rosen Gregory T. Winterbottom Cindy Quon, Governor's Ex-Officio Member
Also Present:	Arthur T. Leahy, Chief Executive Officer Paul C. Taylor, Deputy Chief Executive Officer Wendy Knowles, Clerk of the Board Laurena Weinert, Assistant Clerk of the Board Kennard R. Smart, Jr., General Counsel Members of the Press and the General Public
Directors Absent:	None

Invocation

Director Pringle gave the invocation.

Pledge of Allegiance

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

Public Comments on Agenda Items

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

Special Matters

1. **Presentation of Resolution of Appreciation to Director Mark Rosen**

   Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-87 to Director Mark Rosen for his years of service on the Board of Directors.

2. **Presentation of Resolution of Appreciation to Senator Lou Correa**

   Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-69, to Senator Lou Correa in recognition of his authorship of Senate Bill 1316, which will provide a framework for the extension of the 91 Express Lanes to Interstate 15.

3. **Presentation of Resolutions of Appreciation to Assembly Member Todd Spitzer**

   Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-72, to Assembly Member Todd Spitzer in recognition of his principal co-authorship of Senate Bill 1316, which will provide a framework for the extension of the 91 Express Lanes to Interstate 15.

4. **Presentation of Resolution of Appreciation to Assembly Member Michael Duvall**

   Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-70, to Assembly Member Michael Duvall in recognition of his authorship of Assembly Bill 387, which will allow transit agencies to use design-build for safety, security, and disaster preparedness projects.

5. Presentation of Resolution of Appreciation to Assembly Member Van Tran

Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-73, to Dave Everett, on behalf of Assembly Member Van Tran, in recognition of his authorship of Assembly Bill 2906, which will allow for the expansion of the continuous access high occupancy vehicle lane program to State Route 55.

6. Presentation of Resolution of Appreciation to Senator Bob Huff

Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-71, to Senator Bob Huff in recognition of his authorship of Assembly Bill 2906, which will allow for the expansion of the continuous access high occupancy vehicle lane program to State Route 55.

7. Presentation of Resolution of Appreciation of Maintenance Employee of the Month for November 2008

Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-66, to Jose Ruiz, Maintenance Employee of the Month for November.

8. Presentation of Resolutions of Appreciation for Employees of the Month for December 2008

Chairman Norby presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2008-99, 2008-100, 2008-101 to Ignacio Cuica, Coach Operator; Dan McKenzie, Maintenance; and Kristin Essner, Administration, as Employees of the Month for December 2008.

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

Chairman Norby presented Orange County Transportation Authority Resolution of Appreciation No. 2008-102 for Orange County Sheriff's Deputy David Harris.

10. Public Hearing for Proposed New Bus Rapid Transit Service on Harbor Boulevard

Gordon Robinson, Project Manager for Bus Rapid Transit, presented this item for the Board, and a public hearing was conducted to receive public input on proposed Route 543, providing service along Harbor Boulevard between Cal State Fullerton and the Newport Beach Pier. This service is designed to save travel time for customers and improve travel speed along routes with heavy ridership.

10. (Continued)

Director Pringle expressed concern for separate bus rapid transit (BRT) shelters and the need to work with cities to insure the style/design of shelters will blend with each city's surroundings and their individual city plan. He suggested that the design work for the shelters be put out to bid as a separate component of the Bravo! BRT program. Mr. Robinson assured Director Pringle that OCTA staff is working with city staff

Members were invited to view the first fully-branded Bravo! BRT vehicle on display outside Headquarters following the meeting.

Vice Chairman Buffa questioned if there is a valid timesaving and asked staff to review if all the stops indicated currently are necessary or could be reduced to improve travel time.

Director Campbell asked staff to look at the BRT model in York in Ontario, Canada, where he previously observed that type of service, and which has a dedicated lane which optimized travel time.

Director Nguyen asked for follow-up information regarding the boarding times and what time is required for wheelchair tie-downs.

Public comments were heard from:

Steven Chan, student at University of California at Irvine, who stated that he feels OCTA's bus service is clean and reliable. He expressed concern for students passed by at the auxiliary Irvine campus and would like to see dedicated bus lanes, such as Santa Clara Transit utilizes.

Beverly Korda, resident of Fullerton, inquired if buses are subject to noise and air pollution laws and expressed her concern for reduced service hours and timesaving with BRT service.

Director Pulido indicated he would like this issue to return to the Transit Committee to look at the service in further detail and look carefully at the timesaving realized and the necessity for the number of stops anticipated at this time. He also asked staff to look at if there is a connection between ridership and air quality benefits.

Director Amante asked that staff look at what the components of the air quality requirements are for a replacement project of CenterLine and what the number of stops are between the Tustin station and Laguna Niguel.

10. (Continued)

Director Bates requested that staff prepare a 'Question & Answer' sheet for BRT service to explain the air quality requirements for the region.

Director Pringle indicated he would like to see automated machines for fare media for BRT.

A motion was made by Vice Chair Buffa, seconded by Director Pulido, and declared passed by those present, to direct staff to return to the Board of Directors on January 26, 2009, with results of the public hearing and final recommendations.

11. Adopt a Resolution of Necessity for Acquisition of Property Interests by Eminent Domain for the Metrolink Service Expansion Program

(At the request of General Counsel, this agenda item was continued to the end of this meeting to be discussed following the Closed Session, Item 41B).

Subsequent to the Closed Session, a motion was made by Director Amante, seconded by Director Brown, and declared passed unanimously by those present, to:

A. Adopt Resolution of Necessity No. 2008-89 for acquisition by eminent domain of property interests necessary for the construction of the Metrolink Service Expansion Program.

B. Authorize Orange County Transportation Authority staff and legal counsel to take all steps necessary to acquire the specified necessary property interests through the eminent domain process.

Present for vote: Chairman Norby, Vice Chairman Buffa, Directors Amante, Brown, Cavecche, Glaab, Green, Mansoor, Moorlach, Nguyen, Pringle, Rosen, and Winterbottom.

Absent from vote: Directors Bates, Campbell, Dixon, and Pulido were not present for this vote.

Consent Calendar (Items 12 through 36)

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

Orange County Transportation Authority Consent Calendar Matters

12. Approval of the Resolution of Appreciation for Director Mark Rosen

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-87 to Director Mark Rosen for his service on the Board of Directors.

13. Approval of Resolution of Appreciation to Senator Lou Correa

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-69, to Senator Lou Correa in recognition of his authorship of Senate Bill 1316, which will provide a framework for the extension of the 91 Express Lanes to Interstate 15.

14. Approval of Resolutions of Appreciation to Assembly Member Todd Spitzer

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-72, to Assembly Member Todd Spitzer in recognition of his principal co-authorship of Senate Bill 1316, which will provide a framework for the extension of the 91 Express Lanes to Interstate 15.

15. Approval of Resolution of Appreciation to Assembly Member Michael Duvall

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-70, to Assembly Member Michael Duvall in recognition of his authorship of Assembly Bill 387, which will allow transit agencies to use design-build for safety, security, and disaster preparedness projects.

16. Approval of Resolution of Appreciation to Assembly Member Van Tran

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-73, to Assembly Member Van Tran in recognition of his authorship of Assembly Bill 2906, which will allow for the expansion of the continuous access high occupancy vehicle lane program to State Route 55.

17. Approval of Resolution of Appreciation to Senator Bob Huff

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-71, to Senator Bob Huff in recognition of his authorship of Assembly Bill 2906, which will allow for the expansion of the continuous access high occupancy vehicle lane program to State Route 55.

18. Approval of Resolution of Appreciation of Maintenance Employee of the Month for November 2008

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-66, to Jose Ruiz, Maintenance Employee of the Month for November.

19. Approval of Resolutions of Appreciation for Employees of the Month for December 2008

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2008-99, 2008-100, 2008-101 to Ignacio Cuica, Coach Operator; Dan McKenzie, Maintenance; and Kristin Essner, Administration, as Employees of the Month for December 2008.

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

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt Orange County Transportation Authority Resolution of Appreciation No. 2008-102 for Orange County Sheriff's Deputy David Harris.

21. Approval of Minutes

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of November 24, 2008.

22. Proposed Board of Directors' Meeting Calendar for the Year 2009

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to adopt the Orange County Transportation Authority and affiliated agencies' Board of Directors' meeting calendar for the year 2009.

23. State Legislative Status Report

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

24. Orange County Transportation Authority's Draft 2009 Federal Legislative Platform

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to authorize staff to circulate copies of the Draft 2009 Federal Legislative Platform to advisory groups, Orange County legislative delegations, cities, and interested members of the public.

25. Guiding Principles for Consideration of Experimental Transit Technologies

Director Moorlach pulled this item and stated while he appreciates the conservative principles which staff has presented, he feels it is restrictive and seems to foreclose on innovation. He stated he would like to see consideration for funds for new technologies addressed in the new budget and through public/private partnerships.

Director Campbell stated that while he does not want OCTA to preclude early stage investments, his preference would be to not be the "test driving" system for experimental technology.

Public comment was heard from Roy Reynolds, who provided comments regarding personal rapid transit technology. Mr. Reynolds asked that the Board remove "personal rapid transit" language from this item as it is in revenue service, therefore, not appropriately represented in this information.

A motion was made by Director Moorlach, seconded by Director Pulido, and declared passed by those present, to change the word "revenue" to "test" and remove the word "not" in the first bullet in staff report.

26. Traffic Light Synchronization Program Schedule

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

27. 91 Express Lanes Property Insurance Policy Renewal

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to authorize the Chief Executive Officer to issue Purchase Order A10913 with Marsh Risk and Insurance Services, Inc., in an amount not to exceed $550,000, for the purchase of property and earthquake insurance for the period of March 1, 2009, to March 1, 2010.

28. First Quarter Fiscal Year 2008-09 Grant Status Report

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

29. Fiscal Year 2008-09 First Quarter Budget Status Report

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

Orange County Local Transportation Authority Consent Calendar Matters

30. Agreement for Rail Safety Communications Outreach Program

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement No. C-8-1153 between the Orange County Transportation Authority and Katz & Associates, in an amount not to exceed $378,000, for a term of two years for rail safety communications outreach.

Pursuant to Government Code 84308, Directors Bates, Campbell, Cavecche, Glaab, and Nguyen recused themselves from the discussion and vote on this item.

Orange County Transit District Consent Calendar Matters

31. Southern Counties Oil Company Contract Compliance Review

A motion was made by Director Green, seconded by Director Moorlach, and declared passed by those present, to direct staff to implement recommendations in the Southern Counties Oil Company Contract Compliance Review, Internal Audit Report No. 08 026.

Pursuant to Government Code 84308, Director Campbell recused himself from the discussion and vote on this item.

32. Call for Projects for Section 5316 and 5317 Federal Funding Programs

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

A. Approve the call for projects for the Federal Transit Administration Section 5316 and 5317 grant programs.

B. Approve Amendment No. 2 to Agreement No. C-7-1177 with A Menninger-Mayeda Alternative, in the amount of $21,000.

33. Approval to Release Request for Proposals for Contracted Fixed Route, StationLink, and Express Bus Services

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

A. Approve the release of Request for Proposals No. 8-1326 for contracted fixed route, StationLink, and express bus service.

B. Approve the proposed weighted evaluation criteria for contractor selection.

34. Special Needs in Transit Advisory Committee Appointments and Report of Activities for 2008

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

A. Approve the appointment of members to serve on the Special Needs in Transit Advisory Committee.

B. Adopt resolutions of appreciation for committee members who have served with distinction.

C. Receive and file the Special Needs in Transit Advisory Committee's Report of Activities for 2008.

35. Customer Relations Report for First Quarter Fiscal Year 2008-09

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

36. California Air Resources Board Fleet Rule Compliance

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

Regular Calendar

There were no Regular Calendar matters.

Discussion Items

37. Capital Program Cost Trends

Tom Bogard, Director of Highway Project Delivery, presented this item for the Board, providing comments on how potential changes in the economy may affect capital programs at OCTA.

A motion was made by Director Amante, seconded by Director Glaab, and declared passed by those present, to receive and file this item for information.

Director Pringle was not present for this vote.

38. Public Comments

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

No public comments were offered at this time.

39. Chief Executive Officer's Report

A report was not presented at this time.

40. Directors' Reports

Directors individually thanked outgoing Director Rosen for his service on the Board and for his many contributions regarding issues addressed by the Board over the past several years.

Director Rosen expressed his appreciation to staff and stated he had enjoyed his years of service on the Board.

41. Closed Session

A Closed Session was held:

A. Pursuant to Government Code Section 54956.9(a) to discuss Pamela Avery, et. al. vs. Orange County Transportation Authority, et al., OCSC Case No. 07CC0004.

B. Pursuant to Government Code Section 54956.8 to discuss the purchase of real property interests identified as Assessor's Parcel Number 264-051-20 in the City of Anaheim, owned by Commercial Family Limited Partnership. James Staudinger is the negotiator for the Orange County Transportation Authority and C.B. Nanda is the negotiator for the property owner.

42. Adjournment

The meeting adjourned at 12:10 p.m. The next regularly scheduled meeting of this Board will be held at **9:00 a.m. on Monday, January 12, 2009**, at the OCTA Headquarters.

ATTEST

Wendy Knowles
Clerk of the Board

Chris Norby
OCTA Chairman

8.

OCTA

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

Attach copy of the **Travel Worksheet**, **Registration Forms**, and other pertinent documentation for this claim.
Travel **will not** be processed until all information is received.

CONFERENCE/SEMINAR INFORMATION

Name: Peter Buffa **Job Title:** Vice Chairman

Department: Executive - Board of Directors **Destination:** Washington, DC

Program Name: Federal Legislative Advocates

Description/Justification: To meet with the Orange County Transportation Authority's federal legislative advocates to discuss the Federal Legislative Platform and agenda for 2009.

COMMENTS

Other = ground transportation, parking

Conference/Seminar Date:	**Departure Date:**	1-12-09	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:	**Return Date:**	1-15-09	**Course Hours:**

ESTIMATED EXPENDITURES

Transportation	$650.00
Meals	$0.00
Lodging	$627.00
Registration	$0.00
Other	$50.00
Total	$1,327.00

APPROVALS

Please Initial:

Finance* Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board Date

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** EV9

Ref #:	**Board Date:**	**T/A #:**

9.

OCTA

BOARD COMMITTEE TRANSMITTAL

January 12, 2009

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Payroll System Controls Final Audit Report

Finance and Administration Committee Meeting of December 10, 2008

Present: Directors Amante, Brown, Buffa, Campbell, Green, and Moorlach
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Direct staff to implement recommendations in the Payroll System Controls Final Audit Report, Internal Audit Report No. 08-001a.

OCTA

December 10, 2008

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Payroll System Controls Final Audit Report

Overview

At the direction of the Internal Audit Department of the Orange County Transportation Authority, an audit of payroll system controls has been completed. Recommendations have been offered to improve controls over the payroll system. Additional recommendations, which are not exclusively payroll related, have also been made to improve the information systems general control environment at the Orange County Transportation Authority.

Recommendation

Direct staff to implement recommendations in the Payroll System Controls Final Audit Report, Internal Audit Report No. 08-001a.

Background

The Internal Audit Department (Internal Audit), of the Orange County Transportation Authority (OCTA) procured the services of an information systems audit firm, Thompson, Cobb, Bazilio and Associates, PC (TCBA), to perform an audit of OCTA's payroll system.

OCTA utilizes the web-based Lawson Enterprise Resource Planning System (Lawson) as its human resources management system. Lawson is the primary system supporting human resource management, payroll processing, and benefit administration. Lawson interfaces with several other of OCTA's systems including the Electronic Timekeeping System (ETS) and the Integrated Financial Accounting System (IFAS).

Discussion

The fiscal year 2007-08 Internal Audit Plan included an audit of the payroll function, including information systems internal controls. Internal Audit

conducted an operational review that was provided to the Board of Directors on October 27, 2008. The primary purpose of the payroll information system audit was to ensure that the control environment supporting OCTA's payroll system is effective. Considered during the payroll information system audit were logical access control, data protection, change management and control, interface controls, data transmission controls, application logging and audit trails, input controls, processing controls, and output controls.

The approach and methodology utilized by TCBA was consistent with the Information Systems Audit and Control Association's (ISACA) Control Objectives for Information and Related Technology (CoBIT). TCBA developed control objectives for each of the audit areas identified above and procedures and specific tasks to test internal controls.

As a result of the audit, TCBA provided ten recommendations to improve information systems and related controls at OCTA. Five of these recommendations are directly related to the payroll information system control environment while the other five are directed toward improving the general control environment. Management concurs with the recommendations.

Summary

Based on the audit, ten recommendations were provided to improve controls over both the payroll information system and the general control environment at OCTA. Management indicated their concurrence with the observations and provided an action plan to address each recommendation.

Attachment

A. Orange County Transportation Authority Payroll System Controls Final Audit Report

Prepared by:

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

ATTACHMENT A

ORANGE COUNTY TRANSPORTATION AUTHORITY

Payroll System Controls Final Audit Report

November 19, 2008

Submitted by

TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

Certified Public Accountants & Management Systems and Financial Consultants

21250 Hawthorne Blvd. Suite 150 Torrance, CA 90503

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FINAL REPORT

ORANGE COUNTY TRANSPORTATION AUTHORITY

Payroll System Controls Audit Report

Page

EXECUTIVE SUMMARY

Introduction

The Internal Audit department, of the Orange County Transportation Authority (OCTA), issued a Request for Proposal (RFP) in 2007 for a payroll system controls audit. Thompson, Cobb, Bazilio and Associates, PC (TCBA) submitted a proposal and was selected to perform the audit. However, the audit was delayed until after the completion of an upgrade to OCTA's payroll system. The entrance conference was conducted on August 18, 2008, and fieldwork was completed on September 30, 2008.

OCTA is a state-mandated, county-wide transportation agency formed in 1991. OCTA employs approximately 1,961 people. OCTA's mission is developing and implementing transportation programs designed to reduce traffic congestion and improve air quality. The budgeted salaries and benefits cost for fiscal year 2007-08 was $157 million. OCTA utilizes the web-based Lawson Enterprise Resource Planning (Lawson) System as its human resources management system. Lawson is used for payroll processing and for administering employee benefits. Lawson interfaces with several other of OCTA's systems including the Electronic Timekeeping System (ETS) and the Integrated Financial Accounting System (IFAS) the primary financial management system.

In December 2007, OCTA contracted with TCBA, an independent and qualified firm, to perform the Payroll System Controls Audit. This report provides the results of this audit.

Purpose

The primary purpose and objective of this audit was to assess the following controls:

1. Logical access control
2. Data protection
3. Change management and control
4. Interface controls
5. Data transmission controls
6. Application logging and audit trails
7. Input controls
8. Processing controls
9. Output controls

Approach and Methodology

Our approach and methodology is consistent with the Information Systems Audit and Control Association's (ISACA) Control Objectives for Information and Related Technology (CoBIT). TCBA performed a risk assessment and developed control

objectives for each of the audit areas identified in the scope of work. TCBA developed audit steps to test the implemented controls. The following tasks, related to all of the audit areas, were proposed in our proposal and completed during the course of the audit:

- Conducted a formal entrance conference with key stakeholders where we confirmed the scope of the audit, discussed the logistics of the audit, the time frame for the audit and the deliverables.
- Requested and reviewed OCTA's information security policies and procedures, payroll system documentation, prior audit reports and any other relevant documentation.
- Developed an audit program guide.
- Determined the existence and adequacy of existing controls.
- Tested the existing controls for each of the audit areas.
- Conducted weekly status meetings during fieldwork with Internal Audit to evaluate observations and audit progress.

Audit Conclusion

The results of the audit are summarized below and in the Audit Results section of this report.

1. **Lawson system password administration and user account management should be improved.**

2. **Controls surrounding the Lawson Payroll and Human Resources processes do not enforce proper segregation of duties.**

3. **Existing controls do not provide an adequate audit trail for corrections and modifications to time cards.**

4. **Existing controls will not prevent or detect unauthorized or erroneous changes to employee data in the master file.**

5. **A knowledge transfer and personnel training program should be developed and implemented.**

In addition to these findings, during the course of our audit, we identified other opportunities for OCTA to enhance controls within the information systems environment at OCTA:

6. **Oracle database control parameters can be strengthened.**

7. **In order to improve services, Information Systems Help desk metrics and benchmarks should be developed and documented in a service level agreement.**

8. **Procedures for Information Systems problem management and resolution can be improved.**

9. **Controls over the use of laptops should be enhanced.**

10. **OCTA's Business Continuity and Resumption Plan should be updated and procedures for the recovery of the data center should be included.**

The remainder of this page was intentionally left blank.

INTRODUCTION

Background

OCTA is a state-mandated, county-wide transportation agency formed in 1991. OCTA employs approximately 1,961 people and develops and implements transportation programs designed to reduce traffic congestion and improve air quality. The budgeted salaries and benefits cost for fiscal year 2007-08 was $157 million. OCTA utilizes the web-based Lawson Enterprise Resource Planning System as its human resources management system. Lawson is the primary system supporting human resource management, payroll processing and benefit administration. Lawson interfaces with several other OCTA's systems including the Electronic Timekeeping System (ETS) and the Integrated Financial Accounting System (IFAS). In December 2007, OCTA contracted with TCBA, an independent firm, to conduct an audit of the Lawson payroll component. This report provides the results of this audit

There are three sources of input into the payroll system;

- Administrative staff use timesheets that are manually entered through a batch entry process. Timesheets are delivered every non-payroll week on Thursday. As part of the data preparation for entry, payroll staff review timesheets for mathematical accuracy, arrange timesheets in alphabetical order, and prepare the batches. There are about 400 timesheets usually arranged in 13 batches.

- Maintenance staff and radio operators utilize ETS. ETS is made up of two applications. ETOS is the proprietary biometric scanner, and ETA is an in-house developed systems designed to collect the scanned biometrics from ETOS. The payroll manager receives a Time Detail Report from the Maintenance Department every two weeks. ETS will be replaced by Kronos in December 2008.

- The Automated Coach Operator Reporting System (ACORS) is an in-house developed application that tracks coach operator attendance, training, work rule violations, accidents, workers compensation and seniority. Coach operators fill out physical timesheets only by exception to scheduled time in ACORS.

Once all data from the various sources is entered, the payroll manager runs a job in Lawson that calculates the gross pay based on employee rates in the Human Resources files. Other calculations, such as income taxes and deductions, are performed using the associated tables in the Lawson system.

Upon completion of the job, two output files are created. One file is transmitted to the bank for direct deposits and the other file is loaded into the MHC Document express for laser check printing. Pay summaries are then uploaded to IFAS.

Purpose

The primary purpose and objective of this audit was to assess the following controls:

1. Logical access control
2. Data protection
3. Change management and control
4. Interface controls
5. Data transmission controls
6. Application logging and audit trails
7. Input controls
8. Processing controls
9. Output controls

Approach and Methodology

Our approach and methodology is consistent with the Information Systems Audit and Control Association's (ISACA) Control Objectives for Information and Related Technology (CoBIT). TCBA developed control objectives for each of the audit areas identified in the scope of work and developed procedures and specific tasks to test the implemented controls. We aligned our methodology with OCTA's expectations by cross-walking existing OCTA policies, procedures and standards with the related control objectives.

The following tasks related to the audit areas were included in our proposal and completed during the course of the audit:

- Conducted a formal Entrance Conference with key stakeholders where we discussed the logistics of the audit, the time frame for the audit and the deliverables.
- Requested and reviewed OCTA's information security policies and procedures, payroll system documentation, prior audit reports and any other relevant documentation.
- Developed an audit program guide.
- Determined the existence and adequacy of existing controls.
- Tested the existing controls for each of the audit areas.
- Conducted weekly status meeting during field work with Internal Audit to evaluate observations and audit progress.

AUDIT RESULTS

The detailed results of our audit are presented below.

Lawson Access Control

1. **Lawson System password administration and user account management should be improved.**

   Currently the following situations exist:

   - There is no password aging
   - There is no minimum length for passwords
   - There is no monitoring for weak passwords
   - No password enforcement features have been configured
   - No minimum age for password changes.

   Recommendation

   Management should develop and implement password administration controls to address the above weaknesses.

   Management Response (Information Systems)

   Management is aware and concurs with the principle of the finding. Current OCTA Security policy #900.07 (Access Control Security Policy), supports the recommendation.

   Lawson's support website quotes:

   "Expiring user's passwords or forcing a certain format is not available within Lawson Portal. Lawson does not store or maintain passwords; therefore, there are no password expiration features or utilities in Portal to do this".

   The Authority's implementation of Lawson utilizes IBM's Tivoli Directory Server (TDS) as its Lightweight Directory Access Protocol (LDAP). OCTA Information Systems (IS) staff is recommending that we bind passwords to LDAP with our Windows Active Directory.

   For the binding to occur would require the implementation of Lawson's new security model. This is a major project requiring considerable analysis, planning, resources and user training.

   This project is not scheduled in OCTA's current technology project portfolio list and will be considered in next fiscal year's budget request.

Payroll Processing

2. Controls surrounding the Lawson Payroll and Human Resources do not enforce proper segregation of duties.

The payroll input screen, used by payroll personnel to enter timesheets into the Lawson system, has an active field for pay rate changes. As a result, payroll staff can make changes to pay rates for employees.

Recommendation

Management should ensure that adequate controls exist within the payroll and human resources processes. Controls may include:

- Policies restricting pay rate changes and personnel data changes to authorized personnel only.
- Establishing an audit trail and performing continuous independent reviews of edits made to personnel data.

Management Response (Accounting and Financial Reporting / Human Resources)

Management agrees with the recommendations. The Lawson System security has been configured to restrict access to update payroll master file records, including pay rates and personnel data, to personnel within the Human Resource Department. Lawson Security has also been configured to restrict access to the Time Entry Screen to Payroll Section personnel.

The Time Entry Screen contains a dual purpose field that is used by payroll staff to enter flat dollar payments such as Special Awards and Metrolink reimbursements, but may also be used to make one time adjustments to an employee's pay rate. The dual functionality of this field is a system design that cannot be changed. To prevent unauthorized changes to pay rates, management will implement a mitigating control in the form of a new variance report and review process. This mitigating control is detailed below (Variance Audit Report.)

Information Systems will write a program to generate three reports every pay period: two will be provided to Human Resources and one will be provided to Payroll.

A. Variance Audit Report - to Human Resources

This report will show any variances to payments resulting from differences between the rate on the time record and the actual pay rate on the system (aka overrides). It will also identify misused pay codes. For example: The report will reflect if an employee who is not a Coach Operator has hours charged to the pay code for Accident Reporting. Because only Coach Operators are eligible to charge to Accident Reporting, no other employees should be shown.

This report will reflect the badge number, name, department, union, pay rate, and pay code. It will display the information from the time record if there is a discrepancy.

This report will be received and reviewed by the Principal Compensation Analyst with clerical support from Personnel Records. Discrepancies will be researched and, in the event there is inadequate documentation to support a change, management and Internal Audit will be informed.

B. Rate Change PAF Audit - to Payroll

This report will list all rate changes to be validated by assuring an approved Personnel Action Form (PAF) was provided for each change. It will be printed in alphabetical order by union code and will reflect the badge number, name, department, union, and pay rate.

This report will be received and reviewed by the Payroll Coordinator. Discrepancies will be researched and, in the event there is inadequate documentation to support a change, management and Internal Audit will be informed.

C. Dollars Only Payments - to Human Resources

This report will display any payments made to "dollars only pay codes". This will include items such as Special Performance Awards and Computer Purchase Reimbursements. Human Resources will verify that the total dollars paid for selected "dollar only pay codes" matches the total reflected on an original PAF.

All "dollars only pay code" payments will be printed on the verification report; however, at this time, only the total for the Computer Purchase Reimbursements and Special Performance Awards codes will be matched to the total for the documentation every pay period. The remaining "dollars only pay codes" will be checked in detail based on a schedule yet to be determined but will be checked for reasonableness every pay period.

This report will be received and reviewed by the Principal Compensation Analyst with clerical support from Personnel Records. Discrepancies will be researched and, in the event there is inadequate documentation to support a change, management and Internal Audit will be informed.

3. Existing controls do not provide an adequate audit trail for corrections and modifications to time cards.

During our review of timesheets, we noted several modifications and we were unable to determine whether the timesheets were modified before or after approval by the appropriate department manager. The hours on some timesheets were erased with "white-out." In one instance, a timesheet was completed in pencil.

Recommendation

Management should develop and implement policies and procedures to verify that changes made to timesheets are properly crossed out and initialed by the person who revised the timesheet. This will provide a good audit trail. Changes made by the payroll department should have additional documentation on file, authorizing the change. Also, timesheets should be completed in ink.

Management Response (Accounting and Financial Reporting)

Management will require that all timesheets be completed in ink and that all corrections be initialed by the person making the change. If the change is made by staff in the Payroll Section, the basis of the change shall be noted and communicated back to the employee.

The Authority has plans to migrate administrative employees to online entry of timesheets. Once implemented, manual timesheet will no longer be used. A pilot program is scheduled for the current fiscal year.

4. Existing controls will not prevent or detect unauthorized or erroneous changes to employee data in the master file.

We noted, during our review of the Employee Edit Report for the pay-period 8/2/2008 through 8/16/2008, that changes to the employee master file were not always supported by documentation. These included changes made to employee banking information such as a status change from direct deposit to issuing checks.

Recommendation

Management should implement controls to ensure all critical changes to employee records are independently reviewed and verified as authorized. Changes to employee files that are accepted verbally from the employee should be properly documented to indicate that the employee was properly identified.

Management Response (Accounting and Financial Reporting)

Payroll will ensure that all changes in direct deposit status for active employees are fully documented. If the change is a last minute oral request from the employee, Payroll requests name and badge number from the caller to verify the identity of the employee. Payroll will also print the screen detailing the call to document the change. Payroll will change the direct deposit flag to No for terminated employees. This is to prevent an automatic direct deposit from being made in the event the employee is rehired at a later date.

Knowledge Transfer

5. A knowledge transfer and personnel training program should be developed and implemented.

Management is dependent on one employee for all critical Lawson administration functions.

Recommendation

Management should develop and implement a knowledge transfer and training program to address this situation.

Management Response (Information Systems)

Management concurs with the general finding but does not agree with the current state it represents as worded. OCTA maintains an annual services agreement with Hitachi Consulting, the original developer of many of the data interfaces involving Lawson. Hitachi Consulting is capable of providing programming services for work needed on these interfaces upon request. This is the planned means of providing backup support for interfaces in the absence or incapacitation of the one OCTA employee.

OCTA will consider the following approaches and alternatives to address this finding.

For support of the Lawson 9 System Foundation technologies, OCTA is pursuing a competitive procurement for on-call services to provide support when needed. Part of the orientation to the successful vendor will be knowledge transfer about the OCTA environment. These are services that are called upon on an as-needed basis and a formal training program among internal staff may not be effective as the opportunity to exercise skills will be infrequent.

For other Lawson administration duties, OCTA may pursue one of the following alternatives after an evaluation:

a) Implement a cross-training program with the HRIS Analyst which reports to the Human Resources Department. The Department Managers of Human Resources will have to agree to allocate a percentage of that Analyst's time to this program on an on going basis.
b) Hire another employee to be an effective backup to the one existing OCTA employee.
c) Contract for support personnel to receive cross-training and perform in a backup capacity.
d) Contract with a certified Lawson support vendor for services to be cross-trained in our environment and be accessible on-call when needed in a backup capacity.
e) Implement a cross-training program with another IS BCSS staff member, or other IS employee.

The remainder of this page was intentionally left blank.

General Controls Environment

We noted the following observations during the course of the audit; however, these observations are not exclusively related to the Lawson system and payroll processing:

Oracle Database

6. Oracle database controls parameters can be strengthened.

The password strength, account lockout, and resource-related parameters for the user are set using profiles. The default value of these parameters is set to "unlimited." The table below shows the current settings.

Parameter	Definition	Default Value	Current Value
FAILED_LOGIN_ATTEMPTS	Limits # of failed login attempts that are allowed before account is locked out.	Unlimited	UNLIMITED
PASSWORD_LOCK_TIME	Sets # of days that a user account will be locked out if the # of unsuccessful login attempts > than set failed value.	Unlimited	UNLIMITED
PASSWORD_LIFE_TIME	Maximum period during which a password is valid. Best practice = 90 days.	Unlimited	UNLIMITED
PASSWORD_REUSE_TIME	# of days before a password can be reused.	Unlimited	UNLIMITED
PASSWORD_REUSE_MAX	# of password changes a user must make before reusing his or her current password.	Unlimited	UNLIMITED
PASSWORD_VERIFY_FUNCTION	Specifies a PL/SQL function which can be used to validate password strength by requiring passwords to a pass a strength test.	Unlimited	NULL

Recommendation

Management should strengthen the access controls to the Lawson databases to ensure unauthorized access and modification of data in the databases are prevented, detected and/or corrected.

Management Response (Information Systems)

Management concurs with the recommendation and will implement the first two (Failed Login Attempts and Password Lock Time) parameters. Management has control over these two.

Parameters 3 through 6: Password Life time, Password Grace Time, Password Re-use Time, and Password Re-use Max,

Management concurs with the recommendation but cannot comply as vendor has embedded the password in the application. Lawson established the database parameters during installation. If the application password is changed, the application will fail since a multitude of programs require authentication. This is a vended product and staff does not know where the application password may be required. Staff has limited control of user passwords and therefore can create control parameters around them but staff has very limited access and control to application passwords. Staff will keep the application password static.

Parameter 7: Password Verify Function

This parameter will be tested to ensure that it can be implemented. In general this function applies to environments with a 3 tiered application and a single login. If feasible, staff will implement this recommendation.

Help Desk

7. In order to improve services, IS Help desk metrics and benchmarks should be developed and documented in a service level agreement.

No service level agreement between the IS department and users has been developed. As a result, there are no documented standards for timely and effective response to user's requests for services.

Recommendation

Management should develop standards, metrics and benchmarks in alignment with user needs to improve user satisfaction. These standards

and metrics can be included in a service level agreement between the IS department and OCTA user community.

Management Response (Information Systems)

Management is aware and generally concurs with spirit of the findings, however, current operational processes ensure that service level agreements are not required for Lawson. Prompt attention and resources are available whenever this application requires it. The Lawson application is considered "Mission Critical" to the operation of OCTA. As such, dedicated staff are assigned to the application in the form of a senior 'Business Computing Solutions Specialist' (BCSS). The BCSS is a senior position in the IS department and has authorization to invoke resource prioritization whenever the application requires it. Past practice has shown that any requests and issues presented by the Lawson application have been successfully addressed in both a timely and proper manner.

Management believes that current service levels for the Lawson application meet the requirements and business needs of OCTA. If current levels of service did not meet business unit requirements, IS would work in conjunction with the affected business units to develop agreements to meet requirements. Management does not plan to develop dedicated service level agreements to solely support the Lawson application.

8. Procedures for IS problem management and resolution can be improved.

The Helpdesk Expert Automation Tool (HEAT) system is expected to be the single point of entry for all Help desk requests from users. The objective is to properly track all helpdesk requests; however, users consistently bypass the Help Desk and contact IS personnel directly for assistance.

A centralized repository not only provides adequate controls over Help Desk requests, it can also be used to generate management information reports.

Recommendation

Management should ensure that all requests go through the Help Desk as required.

Management Response (Information Systems)

Management concurs with this finding. Current Information Systems (IS) department operational processes require that all requests for help and information from business units go through the IS department's Help Desk for proper logging, documentation and problem resolution explanation. IS management understands the need to track calls for analysis and pattern discovery. IS management will reinforce this and inform all IS staff to comply with and support this requirement. A communiqué will be issued to staff to continue to provide excellent customer service and 'delight' our users, but equally important, to ensure all calls are logged by the Help Desk into the HEAT system.

Data Protection

9. Controls over the use of laptops should be enhanced.

There are approximately 150 laptops in use. These laptops are the primary machines for some employees and a temporary machine for others. There are no specific policies for protecting data that may be stored on the laptops.

Recommendation

Management should adopt security measures for laptops including hard drive encryption and Bios passwords.

Management Response (Information Systems)

Management is aware and concurs with the principle of the finding. OCTA Security policies # 900.07 (Access Control Security Policy) and # 900.08 (Data classification Policy) support the recommended action. Staff is currently developing a new user policy which outlines the policy, standards, and processes for securing laptops and smart phones (Mobile/Portable Electronic Device Security Policy 900.20.)

All OCTA laptops require secure password for access. IS staff will review current laptop hard drive encryptions technologies; as well as other security measures, and if feasible, may implement the processes and technology discovered on select or all laptops.

Business Continuity

10. OCTA's Business Continuity and Resumption Plan should be updated and procedures for the recovery of the data center should be included.

OCTA's most recent business continuity plan is dated April 1998. The procedures and steps in the plan are outdated and cannot be used to assist OCTA when recovering from a natural or man-made interruption of normal business operations.

Recommendation

Management should prioritize the development of a comprehensive business continuity plan.

Management Response (Security and Emergency Preparedness)

OCTA's business continuity plan will be updated in 2009.

10.

OCTA

BOARD COMMITTEE TRANSMITTAL

January 12, 2009

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Orange County Employees Retirement System Early Payment for Fiscal Year 2010

Finance and Administration Committee Meeting of December 10, 2008

Present: Directors Amante, Brown, Buffa, Campbell, Green, and Moorlach
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the early payment of approximately $16.2 million before January 16, 2009, to the Orange County Employees Retirement System for member contributions for fiscal year 2010.

OCTA

December 10, 2008

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Orange County Employees Retirement System Early Payment for Fiscal Year 2010

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 7.75 percent if the agencies elect to prepay contributions for fiscal year 2010. Advance payments must be received before January 16, 2009. The Orange County Transportation Authority has estimated the savings over the next year and a half under this payment option to total approximately $1.29 million.

Recommendation

Authorize the early payment of approximately $16.2 million before January 16, 2009, to the Orange County Employees Retirement System for member contributions for fiscal year 2010.

Background

The Orange County Employees Retirement System (OCERS) provides retirement benefits to Orange County Transportation Authority (Authority) employees. The majority of Authority employees and retirees are covered by the OCERS plan. OCERS is a defined benefit plan with benefits determined by a formula based on years of service, age at retirement, and highest average salary. OCERS is administered by a nine-member retirement board, with one alternate member. The OCERS Retirement Board serves as fiduciary and administrative authority over investments and benefits. The plan has over $6.3 billion in net assets. OCERS operates under the state statutory requirements of the County Employees Retirement Act of 1937, a section of the California Government Code.

Employer contributions to OCERS are calculated each pay period by the Authority and are paid electronically every two weeks. During fiscal year (FY) 2009, based on data from the working budget, the Authority will contribute approximately $18.3 million to OCERS, based upon wages of approximately $114.3 million. The Authority's employer rate for FY 2009 is16.02 percent.

Discussion

In November 2008, the OCERS Retirement Board voted to offer an early payment discount on employer contribution payments made before January 16, 2009, for the succeeding fiscal year. OCERS offered to discount the contributions for FY 2010 by 7.75 percent. If the early payment option is exercised, OCERS will reconcile the projected payroll wages for the fiscal year and collect appropriate additions or provide credits against future payments from the Authority upon the close of FY 2010.

The Authority's Board of Directors approved a similar action in previous years where the early payment option was exercised. By using available cash now, the Authority will reduce the overall cost of future budgeted expenditures.

For FY 2010, OCERS reduced the Authority's employer rate to 15.02 percent from the FY 2009 rate of 16.02 percent. The employer rate is being reduced because the investment returns have exceeded the 7.75 percent earnings assumption during each of the past five years. The Authority's estimated wages for FY 2010 are $116.4 million. Applying the 15.02 percent employer's rate to the estimated wages for the year translates into a contribution value of approximately $17.5 million for FY 2010.

Under the early payment option, the Authority has the choice of paying OCERS $16.2 million (or 92.25 percent of $17.5 million) before January 16, 2009, or the Authority could make the regular biweekly payments of approximately $673,485, (for a total of $17.5 million) during FY 2010. The yields on short-term treasury securities are at historic lows with three-month securities at 0.02 percent and securities with approximately nine months to maturity yielding 0.63 percent. Given these assumptions, the Authority has calculated the savings to equal approximately $1.29 million, under this early payment option.

Based upon this analysis, it is financially advantageous for the Authority to exercise this early payment option. If this option were to be exercised, these funds would be deposited into OCERS on behalf of the Authority and be credited to the Authority's account.

Summary

The Orange County Employees Retirement System has offered an early payment of contributions to member agencies for the upcoming fiscal year. Under this early payment option, a discount of 7.75 percent will be applied to the amounts due for employer contributions. The Orange County Transportation Authority has calculated the savings to equal approximately $1.29 million. Staff recommends exercising this early payment option.

Attachment

None.

Prepared by:

Rodney Johnson
Deputy Treasurer
Treasury and Public Finance
(714) 560-5675

Approved by:

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

OCTA

BOARD COMMITTEE TRANSMITTAL

January 12, 2009

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: 91 Express Lanes Software Development

Finance and Administration Committee Meeting of December 10, 2008

Present: Directors Amante, Brown, Buffa, Campbell, Green, and Moorlach
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Director Moorlach voted to oppose.

Committee Recommendation

Authorize the Chief Executive Officer to negotiate a contract with Cofiroute USA, which includes the development and deployment of new back-office software for the 91 Express Lanes, and return to the Finance and Administration Committee with the final terms for review and approval.

OCTA

December 10, 2008

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: 91 Express Lanes Software Development

Overview

In April 2003, TollPro back-office software was deployed on the 91 Express Lanes. TollPro retrieves data from the in-lane Electronic Traffic and Toll Management System, calculates the correct toll amount, and automatically charges customer accounts. TollPro is approaching the end of its useful life and new software is required for the 91 Express Lanes. Cofiroute USA, the 91 Express Lanes operator, has approached the Orange County Transportation Authority with a proposal to develop and deploy new back-office software for the 91 Express Lanes.

Recommendation

Authorize the Chief Executive Officer to negotiate a contract with Cofiroute USA, which includes the development and deployment of new back-office software for the 91 Express Lanes, and return to the Finance and Administration Committee with the final terms for review and approval.

Background

The purchase of the 91 Express Lanes included the assumption by the Orange County Transportation Authority (Authority) of all the contracts entered into by the previous owner, California Private Transportation Company (CPTC). One of those contracts was with Northern Lakes Development Corporation (NLDC), a software development company. In 2002, prior to the Authority's purchase, CPTC contracted with NLDC to update the existing back office revenue and account management software which ran on a UNIX/Informix platform, to a more robust system with added functionality, capable of handling the rapidly increasing traffic and revenue volumes. Built on a Microsoft platform, the new software, TollPro, implemented in April 2003, was state-of-the-art in software development for the time and the only toll facility software specifically designed to process transactions for an all-electronic toll collection (ETC) facility. The

Authority pays an annual licensing and maintenance fee to NLDC for continued use of the software.

TollPro retrieves traffic data from the in-lane Electronic Traffic and Toll Management (ETTM) System, calculates the correct toll amount, and automatically charges customer accounts. TollPro also retrieves license plate images and data from the ETTM System, electronically sends the images to the Department of Motor Vehicles for identification of vehicle owner and if appropriate, generates violation notices to be mailed to users of the facility who cannot be identified as customers. TollPro electronically interfaces with the Transportation Corridor Agencies (TCA) and other toll agencies for cross billing purposes to account for other agency customers traveling on the 91 Express Lanes and for customers traveling on other toll facilities. TollPro also electronically interfaces with the Customer Service Center telephone system and the 91 Express Lanes Web site, both mediums used by customers to update account information.

The development of TollPro required Cofiroute USA (CUSA), as operator of the facility, to work closely with NLDC as the company developed software specifications detailing the business rules and processes to be followed and incorporated into the programming of the new software. CUSA also assisted the developer during the implementation phase, testing the software functionality and viability of data migration from the old Informix database to TollPro structured query language server database. CUSA continues to work with NLDC to initiate changes to TollPro required by changing business rules, customer service requirements and Authority needs, and also provides additional quality assurance for program accuracy and reliability.

Discussion

By April 2009, the current version of TollPro will be six years old. Several iterations of the most recent version have been deployed by NLDC incorporating the changing traffic and revenue management structure and the needs of the Authority and the 91 Express Lanes customers. TollPro is proprietary software with unique coding and structure that can only be understood and accessed for maintenance and changes by the developer, NLDC.

In spite of the changes that have been made since 2003, the current version of TollPro is reaching the outer limits of its viability. TollPro is transaction-based and has limited ability to reconcile financial accounts as required by Generally Accepted Accounting Principles (GAAP) and was not designed to solve or address accounting issues. The Microsoft platform upon which TollPro was

built will not be supported by Microsoft for much longer necessitating a major effort to be undertaken by NLDC to revise and migrate the TollPro code and database to a Microsoft ".net" platform. Also, the changing security requirements of the credit card industry are requiring more and more sophisticated controls that are going to necessitate continuing and ongoing programming changes.

For these reasons, the Authority believes it is time to begin the process of selecting and implementing a more robust revenue and account management software for the 91 Express Lanes capable of meeting the current and future needs of the Authority and our customers. The 91 Express Lanes generates approximately $50 million in annual revenues. Over 13.4 million trips are taken annually on the 91 Express Lanes and these customers rely upon the Authority to quickly and accurately process their charges and payments.

There are four options available to the Authority regarding the replacement of TollPro. These include: authorize NLDC to program new software, issue a request for proposals (RFP) to purchase existing toll road software, issue an RFP for development of new software, or accept a proposal offered by CUSA. The advantages and disadvantages of each option are detailed below:

Option 1 – Authorize NLDC to program new software for the 91 Express Lanes

This option has several advantages to it. The Authority already has a relationship with the current developer, NLDC, so the development process could be initiated more quickly. Additionally, as the developer of the current TollPro software, NLDC is familiar with the business rules and processes required for operation of the 91 Express Lanes. NLDC also understands the TollPro data structure and functions, theoretically making migration of critical data from TollPro to a new, updated Microsoft ".net" platform easier and less prone to error. Reprogramming TollPro may also be less expensive than starting from scratch with another developer. Additionally, the necessity of issuing an RFP could be avoided along with the time requirements and uncertainty of that process which means less Authority staff time expended.

However, reprogramming TollPro to a more robust version will entail much more than simply migrating the existing data and code to a Microsoft ".net" platform. TollPro will need significant reprogramming to create software better designed to today's environment of enhanced data security capabilities, with the ability to appropriately reconcile critical accounts in accordance with GAAP and with a data structure more conducive to change and change management. CUSA will need to be significantly involved in development of new specifications, deployment, and testing.

Unfortunately, the deployment of TollPro 4.0, a precursor to migrating TollPro to a ".net" environment, was difficult and took many more months than previously estimated by the developer. During that process, it became apparent that the TollPro programming staffing was inadequate and deployment bugs were repeatedly uncovered. It was frequently necessary for the developer/owner of NLDC to travel to Orange County to access the system to correct the problems that were caused by programming errors. CUSA staff, as the Authority's contracted operator, spent many hours testing and retesting the software before it could be implemented.

Therefore, although the costs to create and deploy a new version of TollPro should be less expensive than designing new software with a new developer, the costs at this point cannot be estimated with any certainty. The developer would need to station critical staff for programming and quality assurance at the Anaheim facility until development and implementation had been successfully completed. Based on recent history with upgrading TollPro to the current version, adherence to a predetermined schedule and expectation of a problem free transition cannot be guaranteed, raising concerns about customer account integrity and service. If the Authority chooses to authorize NLDC to reprogram TollPro to meet current needs and operational requirements, an annual license and maintenance fee will still be due NLDC. It is expected these fees will increase substantially above those currently in place.

Option 2 – Issue an RFP to purchase existing toll road software

Although the 91 Express Lanes continues to be a unique ETC facility, there are many toll roads in the United States and in the world. In Orange County alone there are several other toll roads, the Eastern/Foothill Transportation Corridor (State Route 241), Eastern Transportation Corridor (State Route-261), Laguna Canyon Road (State Route-133), and San Joaquin Hills Toll Road (State Route-73) that are owned and operated by TCA. There are two facilities in San Diego County, the Escondido Freeway (Interstate 15) High Occupancy Toll Lanes and the South Bay Expressway (Interstate 125), which recently opened in November 2007.

All toll facilities must have the capability to establish and update customer accounts through automatic credit card charges as well as cash transactions, accurately account for transactions and calculate and collect revenues and pursue collection efforts for those who refuse to pay. California toll roads must also be capable of exchanging information with other California toll facilities. The sheer volume and nature of these activities mandate some sort of electronic processing software. Presumably, some or all of the developers of

existing toll road software would be interested in deploying software on the 91 Express Lanes.

This option, therefore, would provide the Authority with the opportunity to review and examine each proposer's software while it is in operation and discuss its pros and cons with other toll road operators. Such software could be examined to ensure it had adequate security safeguards built in and that it was operationally capable of providing the types of transactional processing and accounting support needed to accurately account for transactions and revenues and support needed accounting functions, and be easily modified for future needs. The Authority could also ensure the developer was of sufficient size and with adequate personnel and financial resources to support on-going maintenance and change management requirements and to guarantee successful deployment and implementation. Ideally, such software would be built on a Microsoft ".net" platform, be well documented and capable of being supported and/or modified by expert programmers other than those provided by the developer. This option could be less expensive than developing completely new software but would require a significant commitment of Authority staff and consultant time and would require a significant commitment of time by CUSA.

However, although in operation on another toll road, existing software will not have been developed with the same business rules and customer service options in operation on the 91 Express Lanes. As with any toll facility, the 91 Express Lanes operational requirements have been developed and modified over time to reflect the unique requirements of our customers and those of the Authority. Therefore, written specifications would have to be provided to software developers to ensure their existing software could be modified before deployment to meet unique requirements of the 91 Express Lanes. Such modifications will be time consuming and expensive. Development of such specifications would also require significant CUSA involvement. Additionally, the database structure of existing software is certain to be significantly different than the database structure of TollPro. If a developer other than NLDC were selected, data migration could be difficult. Extensive quality control and testing processes would have to be established to ensure data integrity, requiring significant CUSA involvement.

Development and issuance of an RFP and selection of a software vendor would be time consuming. The degree of specificity included in the RFP would have a direct bearing on the quality and viability of the software selection. Ideally, design specifications detailing 91 Express Lanes business rules and functionality requirements should be developed and included in the RFP. This process alone could take months of work and would require significant CUSA

involvement. Under an ideal situation, it is doubtful an RFP of this significance could be developed in less than nine months. Certainly, because of the complexity of the proposal, the Authority would need to hire an expert to assist in the development of the RFP. This could take another six months from issuance of the proposal to vendor selection and contract finalization. Selection of the ultimate software provider could take more than another six months. Significant staff involvement by the Authority and CUSA would be required throughout the process.

The Authority would be responsible for all costs associated with RFP development and vendor selection, purchasing or leasing the software, modifications to meet 91 Express Lanes needs, deployment and testing, and CUSA assistance. Because of the uncertainty associated with changing and deploying software developed for a different facility, it is impossible to estimate total costs. The risk to the Authority of lost revenue and cost and schedule overruns is considerable given the Authority's previous experience with software development and deployment. The Authority would also expect to pay an annual license and maintenance fee to the developer.

Option 3 - Issue an RFP for development of new software

The development of new software unique to the 91 Express Lanes has several advantages. Building new complicated software from scratch is often less subject to programming errors than modifying existing software. As with Option 2, the Authority would need to provide detailed specifications for inclusion in the RFP. Those specifications can require the software developer to design flexible and expandable software and provide adequate documentation. The Authority can also require the software developer to sell or license the code to the Authority, thereby permitting the Authority to hire programmers other than the developer to maintain and make changes, giving the Authority better control over programming quality and service. The Authority could also ensure the selected developer had adequate resources to guarantee successful implementation and to provide on-site systems analysts and programmers during development, implementation and as long as needed throughout the life of the software.

However, many of the same problems inherent in Option 2 are also inherent in this option. Currently there is no new toll road software currently available on the market. Other toll road software in operation was developed and deployed some time ago based on business rules and customer service processes different from those of the 91 Express Lanes. Accordingly, although the Authority may be able to get a feel for the quality and viability of a developer's existing products, the Authority will not be able to judge with certainty a

developer's ability to successfully develop and implement software unique to the 91 Express Lanes. Data migration from the existing software to new software is likely to be difficult due to the new developer's unfamiliarity with TollPro's unique and proprietary database schema. There are few software developers in the market with expertise in toll road operation, the cost is likely to be high. Again, this solution would require development of a complicated RFP accompanied with detailed specifications. The entire process would require significant Authority and CUSA staff involvement and could take many years from initiation of the RFP process to successful implementation.

As in Option 2, the Authority would be responsible for all costs associated with RFP development and vendor selection, purchasing or leasing the software, deployment and testing, and the costs of CUSA assistance. Due to uncertainty associated with deploying new software and migrating data from the existing TollPro software, is impossible to estimate total costs with certainty but a rough order of magnitude could be estimated at several million dollars. The risk to the Authority of lost revenue and schedule overruns is very high. The Authority would expect to pay an annual license and maintenance fee to the developer.

Option 4 – CUSA proposal

In addition to the options discussed above, another option is available. CUSA approached the Authority with an alternative of developing back-office software that is fully compliant with the Payment Card Industry (PCI) Data Security Standards (DSS) specifically for the 91 Express Lanes. CUSA would take on the risks of developing the software with no direct cost to the Authority. In return, CUSA has requested a change to the terms of their contract with the Authority. Currently, the agreement with the Authority expires in January 2011 and there are two, two-year option periods available. Therefore, the agreement could potentially expire in January 2015 if both option terms are exercised.

In return for the software development and deployment, CUSA has requested that a five-year extension be approved by the Board of Directors (Board) in January 2011 and a five-year option period be added to the contract at the expiration of first five-year period in January 2016. In essence, this would add an additional year to the existing contract if both two-year option periods were exercised plus the Board could elect to exercise the additional five-year option in 2016.

Cofiroute SA (owner of CUSA) and its parent company, Vinci, with a combined net worth of 25 billion Euros own and operate more than 10,000 miles of toll roads and a multitude of other toll facilities such as bridges and tunnels in

France, Germany, England, Greece, South America, and the United States. Many, if not all of these facilities, will convert to ETC facilities in the relatively near future. Cofiroute SA informed the Authority that in preparation for the upgrade of other toll facilities to ETC facilities, Cofiroute SA and Thales, a multi-billion dollar international software development company, are partnering to develop new state-of-the-art ETC software. Thales has developed and deployed toll road software on a variety of toll facilities throughout the world and CUSA and its parent companies have offered to develop this next generation software using 91 Express Lanes specified business rules and operating policies as a model. CUSA and Thales will implement and test the completed software on the 91 Express Lanes and assume full responsibility for all development and implementation costs.

Cofiroute SA, supported by its parent company Vinci, has made this proposal in furtherance of the companies' business interests. Developing and deploying software for the 91 Express Lanes will provide the companies with a demonstration project for new business development in the United States and world-wide and provide a core platform that can be modified for current facilities as they are upgraded to ETC.

For the Authority, this option has several advantages. CUSA will provide assistance and support without cost to the Authority as Thales develops design specifications unique to the 91 Express Lanes. All risk of cost overruns will be assumed by Cofiroute SA and Vinci, both multi-billion dollar companies with significant personnel and financial resources. In addition to development of specifications, deployment and testing will be controlled by CUSA who is thoroughly familiar with the Authority's business rules and operating policies. The Authority will not be required to compensate CUSA for their involvement. Thales will provide ongoing maintenance and change support with on-site personnel. Cofiroute SA will guarantee to provide the code in escrow along with complete and thorough documentation and to ensure the software is flexible and expandable and developed on a Microsoft ".net" platform capable of being maintained and changed by programmers of the Authority's choice should the need arise. The time and expense to develop an RFP and select a vendor will be eliminated. CUSA is a known entity with a long standing working relationship with the Authority in operating the 91 Express Lanes. Involvement of Authority staff will be significantly reduced.

Although this option will avoid out-of-pocket costs and overrun risks for the Authority, CUSA has stated their proposal will require a change to their existing operating contract to permit a reasonable time-frame for amortization of initial development costs. Additionally, the Authority will need to provide space at the Anaheim facility for system analysts and programmers and permit CUSA staff

to participate in development, testing, and deployment. The same data migration problems inherent in other options will also exist with this option. Once deployed, the Authority will be required to pay an ongoing annual license and maintenance fee to CUSA.

This option will not create financial risk for the Authority. As in any new software development, there may be some risk of schedule delay, particularly during data migration; however, CUSA will also absorb the impact of that risk.

At the request of the Authority, the 91 Express Lanes consultant, eTrans, evaluated the various options available to replace the back-office software. eTrans contacted several toll entities and reviewed various commercial off-the-shelf products and compared these systems to the 91 Express Lanes. Their conclusions are provided as Attachment A.

Options 1, 2, and 3 all require significant staff time and cost commitments for the Authority and carry an inherent risk to the Authority of schedule delays, cost overruns, and deployment problems. The option proposed by CUSA, and its parent companies, eliminates Authority risk and significantly decreases staff commitments. Additionally this option will significantly speed up deployment of new software by eliminating the time required to develop and issue an RFP, review and analyze responses and educate the selected vendor on the intricacies of the 91 Express Lanes operations.

Next Steps

If approved by the Board of Directors, the Authority will begin discussions with CUSA to develop back-office software. Once negotiated, the Authority will return to the Finance and Administration Committee with the terms of the contract.

Summary

TollPro, the 91 Express Lanes back-office software, is approaching the end of its useful life. Cofiroute USA has proposed to develop and deploy a replacement system that meets the operational needs of the 91 Express Lanes and is fully compliant with the Payment Card Industry Data Security Standards.

Attachment

A. 91 Express Lanes Back Office Systems Upgrade Options Final Report

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ATTACHMENT A

91 Express Lanes

Back Office Systems Upgrade Options

Final Report

December 1, 2008

The eTrans Group, Inc.

1.0 Problem Description / Goals and Objectives

1.1 The Challenge

The existing SR-91 Express Lanes® back office software was included as part of the 2003 OCTA purchase. The current version was deployed in April 2003, shortly after the OCTA purchase. In today's rapidly moving Information Technology environment, most software is usually considered outdated after five years. Additionally, new Payment Card Industry ("PCI") Data Security Standard ("DSS") requirements to ensure system security and data integrity are now in effect for software that processes and/or stores sensitive customer data.

The Authority has authorized periodic upgrades to the existing software to provide more efficient transaction processing and implement changing business rules, including upgrading to newer Structured Query Language ("SQL") and operating system versions. However, implementation of these upgrades has been slow and fraught with problems. Our discussions with those currently responsible for the SR-91 Express Lanes® operations indicate that a lack of configuration management and other controls have also led to reporting and other inconsistencies. Additionally, it appears that problems are being encountered because the existing software does not utilize conventional accounting methods to maintain financial integrity. Therefore, OCTA wishes to explore alternative back office software solutions that will sustain SR-91 Express Lanes® operations in a reliable, secure and cost-effective manner.

1.2 Goals

OCTA goals are to provide upgraded back office software to support operations for the SR-91 Express Lanes® that:

- Effectively meets current back office operating and security requirements
- Is capable of efficiently interfacing with existing in-lane software and other systems necessary to sustain toll operations
- Provides financial integrity for toll operations
- Meets PCI DSS requirements
- Is supported by a company capable of providing an adequate level of experienced and highly competent maintenance services, and
- Conforms with generally accepted industry practices

The Authority wishes to minimize the risks associated with completing this task, including scope and cost creep and operational disruption, particularly during the critical transition period from using the existing legacy software and subsequent operations utilizing the new system.

1.3 Objectives

The Authority has several primary objectives in acquiring or developing alternative software to support back office operations, including:

- Cost Control
- Compliance with OCTA's Desired Schedule
- PCI DSS Compliance
- Efficient Functionality (Operations)
- Flexible and Reliable Reporting Capabilities
- Documentation of the Software Deployed
- Sustaining Public Confidence (Reliability of Operations)
- Flexibility for Expansion, and
- Program Management.

Maintenance of this software also needs to include configuration management and other controls considered to be Good Industry Practice.

2.0 Commercial Off-the-Shelf (COTS) Options

The potential for acquiring a software solution for the SR-91 Express Lanes® from a current provider of software for a back office operation(s) on some other U.S. toll facility was explored. The software solutions investigated include those presented in Table 1. The tolling agencies selected have chosen different software vendors who are all well respected in the industry. The information on software capabilities presented in Table 2 was provided by the tolling agency and/or toll facility operator shown in Table 1.

Table 1
Agencies / Software Solutions Investigated

Agency	Vendor / Remarks
New Jersey Turnpike Authority (NJTA)	Vendor is ACS. * NJTA is a technology leader within the IAG and, in addition to supporting core ETC functions, is required to manage complex Away Agency interoperability requirements.
North Texas Tollway Authority (NTTA)	Vendor is ETCC. * NTTA is a leading technology adopter.
Puerto Rico Highways and Transportation Authority (PRHTA)	Vendor is TransCore. * PRHTA is a leading technology adopter. .
Miami Dade Expressway (MDX)	Vendor is UTS. MDX is a leading technology adopter.

* These software vendors also provide some or all of the toll facility operations.

2.1 Functionality Offered by Other Existing Solutions

Core functionality necessary to sustain back office processing that was reported by the software/toll operator as being provided by software solutions currently deployed at each of the above agencies is presented in Table 2. In some cases functionality is supported by others outside of the toll agency for legal or other reasons. However, as reported by the tolling agency or toll operator, it appears the software solutions examined are comprehensive with respect to the functionality that they support. However, these data reported were not all independently verified as to their accuracy. All four solutions, or some variation thereof, are also deployed at several other toll facilities.

Table 2
Core Functions Supported at Agencies Reviewed

Function \ Agency	NJTA	NTTA	PRHTA	MDX
Manage transactions effectively	✓	✓	✓	✓
Support different toll schedules	✓	✓	✓	✓
Manage non-rev transactions	✓	✓	✓	✓
Manage tag misreads	✓	✓	✓	✓
3rd party transaction management	✓	✓	✓	✓
Robust information exchange	✓	✓	✓	✓
Built in chart of accounts	✓	✓	✓	✓
Accounting system interface	✓	✓	✓	✓
Robust routine reports	✓	✓	✓	✓
SQL capabilities	✓	✓	✓	✓
Reported PCI DSS compliant	✓	✓	✓	✓
Manage different account types	✓	✓	✓	✓
Manage variety of discount programs	✓	✓	✓	✓
Manage different fees	✓	✓	✓	✓
Manage tag inventories	✓	✓	✓	F
Manage rental/ lease cars	✓	✓	✓	✓
Manage confidential plates	✓	✓	✓	✓
IVR interface	✓	✓	✓	F
Website Interface	✓	✓	✓	M
Integrated violations enforcement	✓	✓	✓	✓
Manage both tag and image data	✓	✓	✓	✓
Interface w/ away agencies	✓	✓	✓	F
Away agency interoperability	✓	✓	✓	F
Enforces out of state plates	✓	✓		

1) 'F' in table means function done by Florida Turnpike Enterprises.
2) 'M' in table means function done manually.

2.2 Ability of Existing Software solutions to Cost-effectively Meet SR-91 Express Lanes® Needs

Vendors have provided the following software back-office solutions at these and other agencies:

Vendor	Software
Affiliated Computer Services (ACS)	Vector®
Electronic Transaction Consultants Corp. (ETCC)	Rite® Solution
TransCore	Forte®
United Toll Systems (UTS)	Infinity∞

Toll operation plans and business rules at other toll facilities are different than those utilized on the SR-91 Express Lanes®. However, the operator/software vendors report that their software solutions are flexible and capable of meeting different operating requirements as each meets a range of unique toll operations and business rule requirements of multiple agencies. These solutions are thus likely capable of supporting OCTA's unique operations plan and business rules; however, not without modifications. The extent of modifications necessary to retrofit a specific software for SR-91 Express Lanes® requirements can only be determined by comparing system functional specifications for the SR-91 Express Lanes® to the system functional specifications of the subject software vendor.

Additionally, though proven reliable under live toll operations, the solutions examined are complex applications that provide more functionality than OCTA needs to sustain reliable operations on the SR-91 Express Lanes®. Unnecessary functionality generally adds unnecessary cost. For example, to be cost-effective in smaller, less demanding toll applications, at least one of the vendors of the software we explored has established central computer facilities to support toll operations for multiple agencies. This deployment methodology can significantly reduce the Authority's ability to manage and control its customer interfaces, a critical aspect of sustaining SR-91 Express Lanes® ETC operations in a reliable manner acceptable to OCTA customers.

A number of other vendors also offer software solutions that support ETC back office operations, or a portion thereof, at toll facilities in North America. The more notable of these include:

Vendor	Software
InTrans	Fastflow™ / TollCRM™
Ascom	MultiToll Solutions
VESystems	VTX Software Suite

With modifications to accommodate SR-91 Express Lanes® unique operating requirements and business rules, these solutions may also be capable of meeting most of OCTA's needs. However, unlike the other solutions examined, these software products are generally deployed in only a few locations in North America and/or do not appear to offer a full suite of functionality necessary to support the SR-91 Express Lanes® back office functions. One of the above solutions is also provided by a relatively small, closely held private firm, similar to that of the current legacy software provider, which could present undesirable performance and other risks for OCTA.

2.3 State of the Practice Reporting Capabilities

All operators reported that their back office systems support extensive routine and ad hoc reporting requirements. Specific reports supported by each vendor reflect functions of particular importance to and requested by the tolling agency. The extent and variety of reports being generated appear to indicate that a great amount and variety of information is routinely recorded.

The failure of a specific report to note parameters of interest to OCTA does not necessarily mean that the functionality is missing from the software solution. Whether reports required by OCTA can be satisfied by each product offering is a function of the type and format of data collected and the type of database employed and would need to be explored in detail with each software vendor on a case by case basis.

For OCTA to manage reporting requirements effectively, two software requirements must be met. First, the software should employ a commercially available relational database with an expandable platform and SQL capabilities. Second, all routine and anticipated ad hoc reporting requirements need to be clearly delineated in system functional specifications prepared as part of the development process. Meeting these two criteria is particularly important to accommodating any unique OCTA reporting needs such as tolls assessed by

time of day based on vehicle occupancy. This approach would also minimize data transition risks during an upgrade.

2.4 Unique Challenges Specific to SR-91 Express Lanes

In addition to OCTA's unique business rules that have been established to effectively manage operations of the SR-91 Express Lanes®, a number of specific back office functions must be supported to sustain current and anticipated future operations. The more significant of this functionality that may not be deployed at other toll facilities, includes:

- Establishing tolls in the back office (vs. in-lane)
- Toll variations based on vehicle occupancy
- Time-of-day (TOD) pricing
- Reporting traffic conditions on toll and freeway lanes
- Enforcement of vehicle entry / exit locations

OCTA is also in the unique position of having purchased this facility from the private developer. Therefore, in addition to developing the usual rigorous structure and tools necessary to effectively manage a facility of this nature under public scrutiny, OCTA has been under the scrutiny of several other agencies in California that were given oversight responsibility of this facility while it was being operated by the private developer. The recent decision to expand the SR-91 Express Lanes® into Riverside County further complicates this situation. This is especially true where OCTA wishes to deploy a solution to resolve its back office challenges now as significant flexibility may be required of the solution it chooses if this upgrade is to adequately support operating requirements of the facility once the expansion is open to revenue service.

3.0 Candidate Approaches (Anticipated Costs and Risks to OCTA)

There are three basic approaches to upgrading software in situations such as this:

- Status quo (issue sole source contract to existing vendor to upgrade or patch existing system)

- Solicit proposals from vendors to provide software to meet SR-91 Express Lanes® functionality requirements, or

- Negotiate an agreement with a selected vendor to provide software to meet SR-91 Express Lanes® Functionality Requirements

To ensure the successful implementation and required functionality specific to the SR-91 Express Lanes® utilizing any of the above solutions first requires OCTA to document its back-office business rules and operating requirements, as well as delineate desired systems functional, reliability and performance specifications.

3.1 Status Quo

Of the three options for software upgrades, patching or upgrading the legacy system may be the least expensive but is generally the least commonly chosen. In general, if the existing software were operating satisfactorily there would be no interest in considering a change in the software or vendor. Continuing with the status quo is usually a preferred option when only incremental changes are desired or when an owner is for various reasons unable to pursue other options. When an owner suspects that system problems are affecting transaction integrity or efficient operations, remaining with the status quo, typically considered to be a short term decision, is not deemed appropriate. In this situation, several attempts to patch and/or upgrade the existing software have reportedly led to other problems without resolving primary concerns with the legacy software.

3.2 Solicit Proposals (RFQ/RFP)

The most common vehicle in the toll industry for upgrading from a legacy software system is to solicit proposals from the industry. Since most facility owners are public sector entities, the general consensus is that the owner should pursue a strategy of RATYC (re-compete any time you can). Historically, the result has almost always been a more up-to-date solution – sometimes even at a lower price. However, there are several challenges and costs associated with taking this approach which can be expensive and time consuming.

As noted above, detailed functional, reliability and performance specifications must be written before an RFQ/RFP can be issued to select a new software vendor. Generally, developing detailed functional specifications for a software application is a time consuming process requiring significant expertise, including the cooperation and assistance of the SR 91 Express Lanes operator.
While the functional specifications are being developed, an RFP/RFQ would need to be written and issued to secure the services of the software provider.

Though these tasks are usually completed in parallel, they typically take 6 to 9 months to complete. The solicitation, vendor selection and contract negotiation process typically requires an additional 6 to 9 months to complete.

Once under contract, the vendor would need to modify existing and/or develop new software to meet the functional specifications, develop a test and transition plan, and replace the legacy software with the new software. This process typically requires 12 to 18 months and, as noted above, requires the cooperation and assistance of the SR-91 Express Lanes® operator. Since most of these tasks cannot be completed in parallel, the result is a process that requires from 24 to 36 months to complete successfully.

The ultimate cost to OCTA would also be significant. In addition to the fee to the new software vendor, which could exceed $10,000,000 (Ten Million Dollars), OCTA would incur a number of additional costs. These would include fees incurred in soliciting the co-operation and support of the existing operator (including preparing a formal agreement), fees associated with providing professional, industry oversight during development, delivery and initial operations of the upgraded system, and OCTA's own internal management costs.

The result is a project that could cost OCTA well over $12,000,000 (Twelve Million Dollars) for which OCTA would not likely receive any benefit for nearly 3 (three) years. In addition, factors such as the software provider's familiarity with the existing application (necessary to ensure successful data migration to the new system) and unique toll operations and business rules (necessary to ensure a successful software development and transition period) can add significantly to the deployment time and cost. Both of these issues are of particular concern in this situation.

Soliciting proposals thus tends to be the option that consumes the most schedule (calendar time), imposes the most cost and schedule risk, and costs the Authority the most in terms of internal preparation, evaluation and management of the procurement process. Balanced against these costs is the potential benefit of a lower price. However, the risk to the Authority of scope and cost creep when replacing complicated software on an operating facility is not insignificant and in many instances results in unanticipated problems and costs that more than offset the potential lower systems price.

3.3 Negotiated Agreement

A third method for upgrading a legacy system in the toll industry is a negotiated agreement for new software, either with the existing software provider or with another software provider. Though more common when the facility owner is a private entity, a number of such agreements have been proposed and some implemented by public sector owners. These proposals must be carefully drafted and managed to pass the scrutiny of legal and political review and to avoid falling apart during negotiation of the detailed agreement necessary to protect both the vendor and the agency during development, deployment and operation of the upgraded software. Nevertheless, some public sector owners have been successful in negotiating agreements and implementing replacements for legacy software systems in lieu of following the more traditional RFQ/RFP process.

Negotiating an agreement with the current system provider to develop new software or modify the existing software may not be prudent given problems encountered with the current vendor's reported history of not providing sufficient management and controls during upgrades of the legacy system. However, negotiating an agreement with a different software provider who is unfamiliar with OCTA business rules and operating parameters, even with detailed system functional, reliability and operational specifications available for interested software providers to review, presents its own set of unique challenges.

A negotiated process, whether with the current legacy system vendor or a different software provider, would not eliminate the need for the development of detailed system functional, reliability and performance specifications as described under the RFQ/RFP process nor would it necessarily reduce the risks associated with schedule and cost creep. This is particularly true if a software provider is selected who is unfamiliar with the existing application, unique toll operations and business rules of the SR-91 Express Lanes® and potential data migration issues. However, a negotiated process with a vendor familiar with all of the above could substantially reduce these risks.

Risks associated with schedule (calendar time), direct program cost , and indirect program costs to the Authority in terms of internal preparation, evaluation and management of the procurement process may also be significantly less under the Negotiated Agreement option. For example, this approach could allow the Authority to complete some tasks in parallel such as development of the functional, performance and reliability specifications with the support of the

vendor during development of the negotiated agreement. This would result in a significant benefit by reducing the time required to successfully complete the software upgrade. Whether negotiating such an agreement with a selected software provider would be prudent and/or competitive with the RFP/RFQ option can only be determined on a case-specific basis.

4.0 Framework for Execution

Regardless of which approach OCTA wishes to take to upgrade its legacy back office software, the Authority needs to effectively manage the risks associated with that approach. This includes conducting a thorough requirements analysis to identify OCTA's needs that must be supported by the upgraded system once installed. Risk management also includes establishing a contractual agreement between OCTA and the vendor OCTA chooses to upgrade the legacy back office system. This agreement is necessary to enable OCTA to manage the risks during development and delivery of the upgraded back-office system, as well as provide OCTA with the tools for managing this upgraded system once installed and supporting live operations.

In addition to the usual legal, insurance and other mandates, the contractual agreement must include a number of other requirements to ensure that both the Authority and the vendor have a thorough understanding of what is to be provided under the agreement. These requirements typically include a:

- Statement of Work (SOW) that describes in detail the upgraded system to be provided

- Master Project Schedule (MPS) that identifies expected project milestones and deliverables to enable both the Authority and vendor to program their respective resources and that the project stays on track (typically scheduled at on-month intervals for software development).

- Functional, reliability and performance metrics to ensure that the system provided meets the Authority's needs and provides the Authority with a means for managing its operation once it is supporting live toll operations

- Testing requirements to establish how the vendor and Authority will verify that the system provided meets the Authority's needs

- Price and Payment Schedule for vendor remuneration
- Penalties to be assessed should the vendor fail to maintain the MPS
- Documentation to be provided (e.g. design documents, a transition plan, maintenance plan and disaster response and recovery plan, and succession plan, and
- Software escrow and other requirements necessary to ensure continuity of toll operations should the vendor no longer be available to support the upgraded system.

The contractual agreement must also conform to all applicable laws, directives and guidelines established by OCTA's charter, covenants, Board of Directors and oversight agencies.

Should OCTA elect to procure this upgrade through the RFQ/RFP process a number of other tasks are also a necessary part of the procurement effort. These include:

- Establishing the rules associated with the solicitation process
- Developing a schedule for the solicitation process
- Determining most appropriate approach for evaluating proposals (e.g. best value vs. low price)
- Identifying the criteria to be used in the evaluation of alternative proposals
- Reviewing / evaluating the proposals to determine the most appropriate vendor to provide the upgrade, and
- Preparing formal documentation of the proposal solicitation and evaluation process.

Once these tasks are completed the contractual agreement as described above can then be established. Regardless of the procurement approach chosen, OCTA needs to ensure that development and deployment of the upgraded back office system follows a systems engineering methodology that has been proven over time.

5.0 Summary

OCTA requires an upgrade of its back office legacy system. Suggested goals and objectives were identified for this project. Three alternative approaches to accomplishing this challenge were also presented:

- Patch or upgrade the existing legacy system
- Solicit proposals for a new system, and
- Negotiate an agreement for a new system with a reputable vendor.

We have explored anticipated costs, schedule impacts and other issues associated with all three solutions. Unique requirements of the SR 91 Express Lanes® have also been considered.

Since OCTA has been unable to successfully overcome the weaknesses of the legacy system via patching and/or upgrades, the option to further patch or upgrade the existing system no longer appears appropriate. Soliciting proposals via an RFQ/RFP or negotiating an agreement with a reputable vendor appear to be viable solutions, with the RFQ/RFP process likely taking the longest time and being the most expensive and staff intensive for OCTA.

Currently there appears to be no existing software available and in use on another toll facility that can be placed into operation on the SR 91 Express Lanes® without modification. Successful implementation of either of the RFQ/RFP or negotiated agreement options will thus require the development of detailed functional specifications and the cooperation and expertise of the existing operator. Both options will also entail a major commitment of OCTA staff time (although the RFQ/RFP option will likely require a significantly larger commitment of OCTA staff time) and both approaches will include cost, scope and schedule risks as well as the potential for operational disruption. However, with careful planning, the development of detailed system functional specifications, a thorough evaluation of alternatives and vendors for potential pitfalls, a contractual agreement to establish vendor requirements, deployment of industry accepted methods for systems development and deployment and good project management these risks should be manageable.

OCTA

BOARD COMMITTEE TRANSMITTAL

January 12, 2009

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: Go Local Step One Proposals from the Cities of Aliso Viejo and Fullerton

Transportation 2020 Committee Meeting of December 15, 2008

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations (reflects a change from staff recommendation)

A. Approve the Go Local Program Step One mixed-flow bus/shuttle proposals recommended for advancement into Step Two service planning as presented.

B. Encourage the City of Fullerton to work with OCTA in exploring options for a fixed-guideway project and continue to pursue the right-of-way option, should it become available.

OCTA

December 15, 2008

To: Transportation 2020 Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Go Local Step One Proposals from the Cities of Aliso Viejo and Fullerton

Overview

The deadline for Go Local Step One was June 30, 2008. Consistent with prior Orange County Transportation Authority Board of Directors' action, Go Local Step One final reports received after the deadline would receive consideration in the order the reports were received. The cities of Aliso Viejo and Fullerton have submitted final reports and have requested that the proposals submitted be considered for Step Two. The proposals have been evaluated consistent with the Board of Directors-approved Go Local criteria. The results of the screening are presented for Board of Directors' review and approval.

Recommendation

Approve the Go Local Program Step One mixed-flow bus/shuttle proposals recommended for advancement into Step Two service planning as presented.

Background

The Orange County Transportation Authority (OCTA) Board of Directors (Board) directed staff to screen the submission of Step One final reports according to the Go Local Step One Final Reports Screening Checklist and the Board-approved Go Local evaluation criteria (Attachment A). On July 28, 2008, the Board directed that reports received before the June 30, 2008, deadline would receive timely consideration and those received after the deadline may receive delayed consideration. The city teams that submitted proposals by the deadline and requested advancement into Step Two have been evaluated and presented to the Board. Since that time, two additional cities, Aliso Viejo and Fullerton, have submitted final reports for consideration. Two additional final reports remain outstanding from the city teams of Newport Beach/ Costa Mesa and Laguna Woods. The Newport Beach/Costa Mesa project team has reported that its final report is expected in late December. At this time, the

project team does not anticipate requesting funds for Step Two. The Laguna Woods final report is expected in January 2009.

Discussion

The Go Local Step One final reports from the cities of Aliso Viejo and Fullerton include four proposals that fall into the project types as shown below:

Project Type	Aliso Viejo	Fullerton
Mixed-Flow Bus/Shuttle	1	1
Fixed-Guideway	0	1
Station/Parking Enhancements	0	1
TOTAL PROPOSALS	1	3

On October 7, 2008, the Go Local screening panel, comprised of three OCTA staff members, two Technical Advisory Committee members from local agencies, and one Citizens Advisory Committee member, met to review and evaluate the four proposals consistent with the Board-approved Go Local evaluation criteria.

Mixed-Flow Bus/Shuttle

The panel determined that the mixed-flow bus/shuttle proposal submitted by the City of Aliso Viejo and the mixed-flow bus/shuttle proposal submitted by the City of Fullerton met the program criteria and recommended advancement into Step Two. Attachment B provides details for the two projects. The panel's recommendation reflects the proposals that best fit the intent of the Go Local Program and meet the evaluation criteria. The recommended mixed-flow bus/shuttle project concepts include a connection between a Metrolink station and major destination centers within the respective communities. The recommended proposals generally provided regional benefits, offered a link from the nearest Metrolink station to the cities' major population centers, and demonstrated preliminary financial commitment on behalf of the proposing cities and surrounding businesses and activity centers.

Fixed-Guideway

The City of Fullerton submitted a fixed-guideway project concept that proposes to link Brea, La Habra, and northern Fullerton to the Fullerton Transportation Center via a 7-mile trolley route, utilizing abandoned Union Pacific (UP) right-of-way as well as OCTA and Burlington Northern Santa Fe rights-of-way. The review panel determined that the project did not meet the Go Local criteria

and is recommending that it not be moved forward into Step Two. The panel's recommendation was a result of the proposed service being too preliminary in nature, in that there was not enough information to determine if the concept had enough merit to advance for further study. However, the project concept did highlight a potential transportation opportunity with the abandoned UP right-of-way. Staff will explore opportunities to assess potential transportation uses of this corridor as part of future area studies.

Station/Parking Enhancements

Consistent with previous action for station and parking enhancement projects submitted under Go Local, staff will review the City of Fullerton's request for a station enhancement project as part of its review of all station and parking projects submitted through the Go Local Program. Fullerton's project concept will also be evaluated to ensure consistency with OCTA's existing $41 million State Transportation Improvement Program investment in the parking expansion project.

The City of Fullerton also identified as part of its Go Local final report potential strategies for improving overall transit service in and around the Fullerton area including decrease of headways and expansion of service. These recommendations will be forwarded to the Transit Division for consideration.

Next Steps

Consistent with previous Board direction, the city teams will be required to provide a local funding match of 10 percent, up to $100,000 of the cost for service planning for each concept being advanced into Step Two. Working with OCTA staff and the city teams, consultants retained by OCTA will provide an estimate of the cost to perform the Step Two service planning work for each project. The specific requirements of the cities' funding commitments will be addressed as part of cooperative agreements that will be developed with the lead of each city team prior to initiating Step Two work.

Staff will return to the Board upon submission of the two outstanding Go Local final reports.

Summary

The cities of Aliso Viejo and Fullerton have requested Step Two consideration for its mixed-flow bus/shuttle proposals emerging from the Go Local Step One final reports. The proposals have been screened and are presented to the Board for consideration.

Attachments

A. Board-Approved (August 8, 2006) Evaluation Criteria Go Local Program – Final Version
B. Go Local Program – Step One Mixed-Flow Bus/Shuttle Proposals Recommended for Step Two Service Planning
C. Go Local Program – Step One Proposals Recommended for Alternative Sources of Funding

Prepared by:

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Approved by:

Kia Mortazavi
Executive Director, Development
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Board-Approved (August 8, 2006) Evaluation Criteria
Go Local Program – Final Version

This criteria will evaluate results of the Step One effort as documented in the city's final report that will serve as the city's Step Two funding application.

Criterion	Priority	Purpose	Performance Measures
1. **Local Jurisdiction Funding Commitments**	High	To appropriately invest scarce Measure M resources and ensure that the project is a high priority for the host cities.	• Proof of local funding commitments (e.g. City council actions, city budgets, grant applications, memorandums of understanding [MOUs], etc.) • Level of local funding match
2. **Proven Ability to Attract Other Financial Partners**	High	To ensure that Measure M dollars are being invested in areas which others have determined warrants investment and to ensure that Measure M dollars are being leveraged to maximize their return to the public.	• Cooperative agreements, MOUs, council actions, grants • Funding agreements with private parties, if any, to demonstrate private sector financial participation in the proposed project related to the area served or affected by the project • Projected increase in land values of lands affected by the proposed project • Percent of proposed project funding not from Measure M • Action plan for obtaining commitments in Step Two • Employer rideshare commitments from employers along the route
3. **Proximity to Jobs and Population Centers**	High	Coordinated planning of transit and land use to increase pedestrian safety and access to Metrolink	• Recommendations for policies, general plan amendments, etc. applied withing 1500' of station • Recommendations for short or long-term local transit strategies coordinated with land use • Increase the number of people who can get to work/home from Metrolink in 15 minutes using transit or 10 minutes walking (total transit travel time includes walk + wait + in vehicle time)

ATTACHMENT A

Criterion	Priority	Purpose	Performance Measures
4. **Regional Benefits**	High	Effectively deliver Metrolink riders to regional employment and activity destinations utilizing convenient locally-oriented transit. Expand transit's appeal to those who own autos.	• Number of cities served by the proposed project. • Number of existing and planned "regional" employment and activity centers within 15 minutes total transit travel time or 10 minutes walking time of the nearest Metrolink station. Definition of regional activity center to be determined, but examples are California State University Fullerton, Disneyland, UCI Medical Center, Civic Center, John Wayne Airport, regional malls such as South Coast Plaza, Orange Coast College, etc. • Agreements regarding intent to pursue program to develop cooperative ridership development programs (or letters of intent to pursue same in Step Two) etc. with activity centers and/or employers
5. **Ease and Simplicity of Connections**	High	To close gaps between existing transit services especially during peak demand hours To maximize ridership by making sure the project includes the optimum number, ease and user-friendly design considerations regarding connections between the project and Metrolink.	• Linkage assessment within project area • Number of new transit connections • Number and clarity of transfers required to travel 15 minutes of total transit travel time to/from the nearest Metrolink station • Attention devoted to customer service planning • Ease of access from the Metrolink platform to boarding location of proposed new service or to new land uses • Amount of integration between Metrolink fares and fares of proposed project. • Apply sample trips for comparative purposes • Evaluate the amount and type of research done or proposed, and/or considerations given to site design to make connections easy
6. **Cost-Effectiveness**	Medium	Assess the benefit for each public dollar spent	• Total cost per new rider • Measure M cost per new rider • Total cost per passenger-mile • Measure M cost per passenger-mile. • Private investment attracted per passenger mile. • Non-transit funding attracted per passenger mile

Criterion	Priority	Purpose	Performance Measures
7. **Traffic Congestion Relief**	Medium	Reduce congestion so streets and freeways can work better, especially in the local community/project area.	• Projected number of "new" transit riders • Estimated reduction in daily vehicle miles of travel (VMT) • Projected ridership in year 2015 (or 2030?; or year of opening?) • Projected number of new pedestrian-oriented uses within ½ mile • Projected reduction in parking requirements • Projected benefits to local street network • Complementary congestion relief efforts (signal synchronization, etc.) are proposed for the project to make it work better with the transit connection(s) in place
8. **Right-of-Way (ROW) Availability**	Medium	To accurately assess what is needed to build a project and thereby maximize the likelihood of cost effective, timely project delivery.	• Proof of ROW availability (if required). Appropriate letters of agreement, contracts or ownership records (public ROWs, easements, property donations, etc.) • Action Plan and schedule for obtaining the necessary commitments in step two.
9. **Sound Long-Term Operating Plan**	Medium	Experience elsewhere has shown that early operations planning can be overlooked and is a high priority. The framework of an operating plan can and must be established early to ensure public funds are invested well.	• 5+year operating plan • Projected farebox recovery compared with OCTA or other relevant operation's history • Qualitative assessment of the proposed funding sources • Demonstrations of partnering agreements (letters of intent, MOUs, etc) or intent to pursue same in step two for sustained cooperative agreements to utilize service as a connection to Metrolink for employees, etc.
10. **Compatible and Approved Land Use**	Medium	Ensure that transportation and land use are working in concert to maximize the return on transit investment and land values	• Qualitative assessment of the transit supportiveness of land uses served by the proposed project (e.g. pedestrian friendly, integration of transit stops with development, mixed uses, etc.) • Qualitative assessment of ease of pedestrian connectivity to transit stops of proposed new service and/or to the Metrolink station • Letters of support from affected interests (e.g. homeowner associations, community associations, chambers of commerce, developers)

Criterion	Priority	Purpose	Performance Measures
11. **Project Readiness**	Low	To assess when a project could reasonably benefit a community.	• Ability of proposed project or concept to be implemented within 5 years of submittal of the Go Local Step One final report, as documented in the proposed schedule of project development activities • The proposed implementation schedule will be compared to existing, similar projects from Orange County or other metro areas
12. **Safe and Modern Technologies**	Low	Increase the project's public appeal, increase ridership, and reduce liability and maintenance costs	• Actual experience from existing operations or manufacturer's data • Qualitative assessment of the safety of proposed technology • Qualitative assessment of the reliability of the proposed technology

Go Local Program - Step One Mixed-Flow Bus/Shuttle Proposals Recommended for Step Two Service Planning

December 15, 2008

CITY OR TEAM	PROJECT DESCRIPTION	TARGET STATION	EVALUATION CRITERIA	KEY STOPS*	MEETS (✓) DOES NOT MEET (×) GO LOCAL BOARD APPROVED EVALUATION CRITERIA												
					High Priority					Medium Priority					Low Priority		
					Local Jurisdiction Funding Commitments	Proven Ability to Attract other Financial Partners	Proximity to Jobs and Population Centers	Regional Benefits	Ease and Simplicity of Connections	Cost Effectiveness	Traffic Congestion Relief	Right-of-Way Availability	Sound Long-Term Operating Plan	Compatible and Approved Land Use	Project Readiness	Safe and Modern Technologies
ALISO VIEJO	***Town Center Shuttle Bus:*** Shuttle system linkage between Laguna Niguel/Mission Viejo Metrolink Station and Aliso Viejo Town Center and nearby employment and business centers.	Laguna Niguel/ Mission Viejo	Meets	Laguna Niguel/ Mission Viejo Station Town Center Stop Soka University	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	*Source: City of Aliso Viejo - Town Center Shuttle Bus Final Report - August 2008																
FULLERTON	***California State University, Fullerton (CSUF) Street Car:*** Implementing rubber-tire system (potential for long-term conversion to a fixed-guideway facility) serving areas between CSUF and traveling along Commonwealth Avenue to the Fullerton Transportation Center (FTC).	Fullerton	Meets	Fullerton Station Downtown Fullerton Fullerton College Hope International University CSUF	✓	✓	✓	✓	✓	✓	✓	×	×	✓	✓	✓
	*Source: City of Fullerton Go Local Program - Project Concept Report - August 27, 2008																

ATTACHMENT B

Go Local Program - Step One Proposals Recommended for Alternative Sources of Funding

December 15, 2008

CITY OR TEAM	PROJECT DESCRIPTION	TARGET STATION	EVALUATION CRITERIA	KEY STOPS*	MEETS (✓) DOES NOT MEET (×) GO LOCAL BOARD APPROVED EVALUATION CRITERIA											
					High Priority					Medium Priority					Low	
					Local Jurisdiction Funding Commitments	Proven Ability to Attract other Financial Partners	Proximity to Jobs and Population Centers	Regional Benefits	Ease and Simplicity of Connections	Cost Effectiveness	Traffic Congestion Relief	Right-of-Way Availability	Sound Long-Term Operating Plan	Compatible and Approved Land Use	Project Readiness	Safe and Modern Technologies
FULLERTON	***Union Pacific Railroad (UPRR) Right-of-Way (ROW) Trolley:*** Reuse an existing UPRR ROW that is currently being contemplated for relinquishment (between its southern terminus at the Metrolink rail lines near the Brookhurst Avenue/Commonwealth Avenue intersection to its northern extension into the cities of Brea and La Habra with future potential service extension to Whittier) and provide a fixed-guideway trolley service between FTC, Brea, and La Habra, traveling through central and northern Fullerton.	Fullerton	Does Not Meet	Fullerton Station Downtown Fullerton Independence Park Amerige Heights Saint Jude Medical Center Cities of La Habra, Brea and potentially Whittier	✓	×	×	×	✓	×	×	×	×	✓	✓	✓

*Source: City of Fullerton Go Local Program - Project Concept Report - August 27, 2008

ATTACHMENT C

OCTA

January 12, 2009

To: Members of the Board of Directors

From: Arthur T. Leahy, Chief Executive Officer

Subject: Economic Stimulus Actions and Guiding Principles for Implementation

Overview

As the federal government considers adopting a plan to stimulate the economy through infrastructure investments, a set of principles are proposed to guide discussions.

Recommendation

Adopt the Guiding Principles for the Implementation of an Economic Stimulus Package.

Discussion

In September, the United States (U.S.) House of Representatives (House) passed H.R. 7110, the Job Creation and Unemployment Relief Act of 2008. H.R. 7110 contained a $60.8 billion economic stimulus package that included funding for infrastructure, energy, and social services. The U.S. Senate did not concur with the House package and passed their own proposal in November, S. 3689. The $100 billion Senate proposal included funding for the auto industry, transportation and infrastructure improvements, research, Medicaid, law enforcement, home foreclosure relief, and job training. Its ultimate passage was also unsuccessful.

Recent discussions have included stimulus packages as large as $500-$850 billion or more across various economic sectors. The latest proposal outline from the U.S. House Transportation and Infrastructure Committee Chairman Representative, James Oberstar (D-MN), included $52.5 billion for highways, transit, rail, and aviation infrastructure spending.

While the final dollar amount and delivery method of any economic stimulus package ultimately agreed to by Congressional and Senate leadership is yet unknown, states and regions across the country have prepared multi-billion dollar lists of infrastructure projects that can be ready to go quickly and stimulate the economy through the creation of jobs.

Anticipating an opportunity to fund shovel-ready projects, staff has taken a number of actions to prepare projects for quick implementation. With respect to highway projects, OCTA has directed its freeway design consultants to modify their design submittals to the California Department of Transportation (Caltrans) to include all required design documents at an earlier stage. This will allow OCTA to eliminate a review cycle by Caltrans to have plans ready for bidding several months earlier. In addition, OCTA has been working with the California Transportation Commission to grant allocation of funds in tandem with completion of the plans. The Caltrans review cycle changes and earlier allocation will save six months in the project schedule. Both Caltrans and CTC have conceptually agreed to the above changes. In addition to the possibility of federal funding, these actions will allow OCTA to take advantage of the favorable contracting opportunities that are foreseen in the near-term.

With respect to bus transit project delivery, staff has reviewed its internal process to reduce time in project delivery schedules and is proceeding on the following items:

- Staff is preparing bid documents (invitation for bid – IFB) for several transit related projects using plans that were developed earlier in the year. The projects involve improvements at the Orange County Transportation Authority (OCTA) bus bases, including vehicle lifts, fall protection systems, etc. This action will allow OCTA to be ready to issue construction contracts soon after Congress enacts a bill.

- Staff intends to use a sole-source contract to perform elevator upgrades at OCTA bases. The above actions will enable the OCTA Board of Directors (Board) to award the construction contract based on outcome of the federal legislation.

- Staff will request Board approval to amend the budget for existing transit capital project engineering contracts. The additional budget will fund development of environmental clearance and design-build documents for parking structures at several transit facilities, including Golden West Transit Center and Irvine Bus Base.

These transit capital projects are needed improvements but were deferred earlier in the year due to the economic crisis and reduction in transit funding. Another group of actions to enable projects for economic stimulus funding has focused on rail projects within existing operating rights-of-way. The specific actions include:

- Using an existing commuter rail project management service contract to prepare to begin work on environmental clearance and preliminary design of two-mile double track work in Laguna Niguel area south of the train station.

- Requesting Metrolink to begin design of railroad tie replacement and additional trackage along the Orange County line.

The above rail projects will provide operational flexibility and reliability as well as reduce long-term maintenance costs. When design is complete and funding is defined, the OCTA Board will be asked to approve an amendment to the Metrolink Service Expansion construction contract as the means to implement the projects.

Regardless of the size of the package, there are several common threads that have emerged that are likely to be found in any final economic stimulus package. This includes "use it or lose it" provisions requiring agencies to obligate at least 50 percent of the funds in 90 to 180 days and the remaining funds within one year. Additionally, members of the incoming Administration, as well as leadership in the House and Senate, have indicated they are extremely reluctant to "earmark" the bill with specific project lists. Rather, they seem to be inclined to distribute the funding by formula to the states, with some spending criteria attached.

Caltrans has formed a multi-level working group to discuss how to distribute funding that could come to California. The OCTA has been an active participant in these discussions. OCTA has also been an active participant at the federal level with members of leadership and the transition team on the components of the federal plan.

In order to better influence these negotiations and discussions, it is recommended that OCTA adopt a set of guiding principles for the implementation of any economic stimulus plan. The draft principles included in Attachment A demonstrate areas of focus, concern, and priority to ensure that Orange County receives a fair share of the federal funds through this process.

Summary

As the federal government considers the development of an economic stimulus package, guiding principles are recommended for adoption to direct future discussions and negotiations.

Attachment

A. Guiding Principles for the Implementation of an Economic Stimulus Package, January 12, 2009

Prepared by:

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State Relations Manager
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Approved by:

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

Guiding Principles for the Implementation of an Economic Stimulus Package
January 12, 2009

Federal

- Highway transportation funds should be allocated through the Surface Transportation Program (STP) by formula to the states and require sub-allocations of funds to the regions.
- Transit funding should be allocated through the Federal Transit Administration 5307 Urbanized Area Formula Program and include funding for operations to preserve service and jobs.

State

- Funds allocated to the state should be distributed two-thirds to regional transportation planning agencies (RTPA), with the Boards of the RTPA's further allocating funds to cities and counties.
- Federal economic stimulus funds should not be used to supplant existing state commitments to projects and programs.
- If federal economic stimulus funds are used on Proposition 1B projects, the previous Proposition 1B commitments for that project should remain with that county for reallocation to another project.
- Projects should not require approval from the California Transportation Commission (CTC); however, the CTC should certify project proposals from the regions.
- Projects should be consistent with those currently eligible under the federal STP program, including:
    - Construction, reconstruction, rehabilitation, resurfacing, restoration, and operational improvements for highways and bridges
    - Capital costs for transit projects, including vehicles and facilities
    - Carpool projects, fringe and corridor parking facilities and programs, bicycle transportation, pedestrian walkways, and accessibility projects
    - Highway and transit safety infrastructure improvements and programs and railway-highway grade crossings
    - Highway and transit research and development
    - Capital and operating costs for traffic monitoring, management, and control facilities and programs
    - Surface transportation planning programs
    - Transportation enhancement activities
    - Transportation control measures
    - Environmental mitigation
    - Projects relating to intersections that have disproportionately high-accident rates; have high levels of congestion, and are located on a Federal-aid highway.
    - Capital costs of intelligent transportation systems

Measure M
Readiness and Market Studies

Board of Directors
January 12, 2009

Completed Studies

PB Consult	Organizational Capacity and Readiness *(OCTA)*
OCBC	Readiness and Absorption Capacity *(Other Agencies)*
OCBC	Market Conditions Analysis
LMS Consulting	M2 Administrative Requirements

Major Findings

Strengths

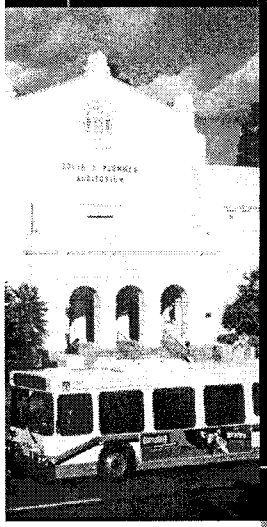
- No fatal flaws in current processes
- Market conditions support aggressive schedule
- Generally positive perceptions of OCTA

Opportunities

- Improve procurement process
- Focus on project manager role
- Focus efforts on early development process
- New M2 requirements

Action Items

	BB	101BCT	10SBCT	BMS
Emphasize Project Management	X	X	X	X
Actively Market Early Development Efforts		X	X	
Strengthen Relationships with Affected Agencies/Jurisdictions	X	X	X	X
Develop Competencies and Capabilities	X	X	X	X
[illegible]	X	X	X	X
Refine Procurement Process	X	X	X	



Irvine Guideway Demonstration Project Update

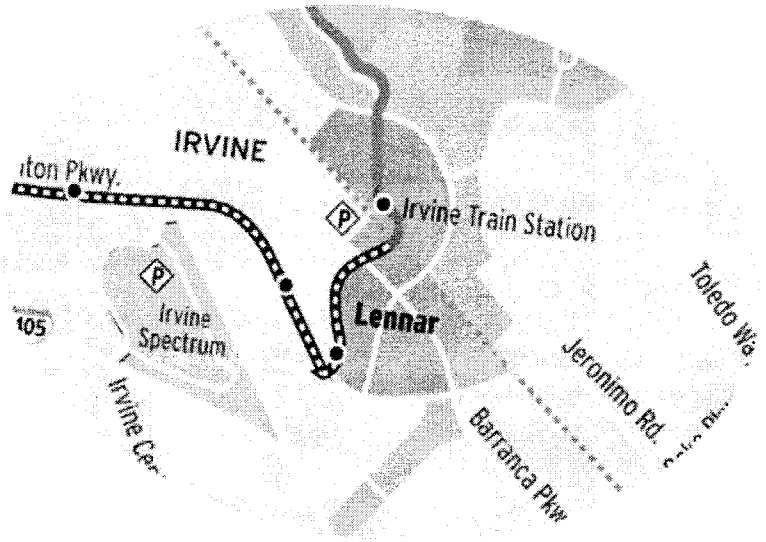
Proposition 116 Fund Exchange Proposal

Board of Directors' Meeting
January 12, 2009

OCTA

Irvine Guideway Project

- Five-mile guideway - uses dual technology
- Assumes Proposition 116 and Renewed Measure M funding
- OCTA reviewing City alternatives analysis
- Challenge of meeting Proposition 116 requirements and risk of diversions

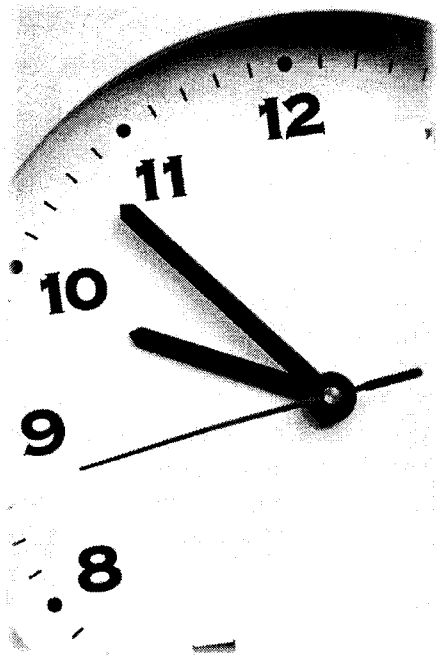


Proposition 116

- $125 million earmark for Irvine Guideway
- Requirements:
  - Dollar-for-dollar local match
  - Local operating funds (committed)
  - Under contract by July 1, 2010
- Administered by the California Transportation Commission (CTC)

Status

- City interested in exploring options to transfer Proposition 116 funds
  - Relieve City of near-term deadlines
  - Provide City more flexibility
  - Preserve a funding source for regional projects
- Initiated discussions with City regarding basic terms



Draft Term Sheet

- City withdraws guideway proposal
- CTC approves transfer of funds to Orange County projects
- OCTA provides match credit to Irvine transit projects that comply with future Measure M policies
- Agencies approve agreement

Next Steps

- OCTA transmits draft proposal to CTC – December 2008
- Irvine City Council action – January 13, 2009
- T2020 recommendation – January 19, 2009
- Board action – January 26, 2009
- CTC approval – February 2009

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Orange County Transportation Authority (OCTA)/Irvine (City)
Term Sheet for Proposition 116 Funding and Related Programs

1. City staff will recommend formal City Council action to replace the dual technology fixed-guideway project with a rubber-tired citywide shuttle program.

2. City agrees to transfer lead agency and funding recipient designation to OCTA for the Proposition 116 funds and join with OCTA to seek the California Transportation Commission's (CTC) approval to program those funds for other project(s) designated by OCTA in consultation with Orange County local agencies. This term sheet is invalid if the CTC and other state agencies do not approve the programming proposal, funding application, and bond sales.

3. City will complete the administrative draft environmental impact report (EIR) for the fixed-guideway project.

4. City will submit to OCTA a revised Go Local Step 1 final report for the rubber-tired citywide shuttle program to include, but not limited to, projected ridership, capital and operating cost, and farebox recovery. OCTA will evaluate and process the final report for the rubber-tired citywide shuttle program consistent with the Go Local process.

5. City will include OCTA staff in oversight of planning and operation of the rubber-tired shuttle program. Upon implementation, City will submit quarterly financial and performance reports to OCTA.

6. OCTA will provide a match credit for projects submitted by the City and approved by the Board of Directors (Board) under the Renewed Measure M (M2) transit programs (Projects S, T, and V). The cumulative local match credit will be equal to the amount of Proposition 116 funds made available to OCTA by the CTC and other state agencies. OCTA staff will recommend to the Board that the match credit be used for capital and/or operations consistent with funding guidelines approved by the Board. City may also use the cumulative local match credit to satisfy local match requirements for other state and federal funded projects approved through the M2 transit programs (Projects S, T, and V).

7. OCTA staff will present for Board consideration operations and maintenance costs as an eligible expense for M2 programs.

8. OCTA will recommend the transfer of any unspent Congestion Mitigation and Air Quality funds allocated to City for the fixed-guideway project to another eligible project in the City approved by the Board and provided the project meets federal funding requirements.

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Potential Proposition 116
Program of Projects

Fullerton Transportation Center parking structure
Tustin Rail Station parking expansion
Sand Canyon grade separation
Anaheim Reg. Intermodal Transportation Center
Track expansion & grade crossing improvements