Date:	**Monday, August 8, 2005**
Time:	**9:00 a.m.**
Where:	**Orange County Transportation Authority Headquarters** **600 South Main Street, First Floor - Conference Room 154** **Orange, California 92863-1584**

OCTA

AGENDA

ACTIONS

Orange County Transportation Authority Board Meeting
OCTA Headquarters
First Floor - Room 154
600 South Main Street, Orange, California
Monday, August 8, 2005, at 9:00 a.m.

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

Invocation

Director Silva

Pledge of Allegiance

Director Pringle

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

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

OCTA

AGENDA

ACTIONS

Special Matters

1. **Special Presentation to OCTA**

2. **Retiree Recognition**

Consent Calendar (Items 3 through 10)

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

3. **Approval of Minutes**

   Of the Orange County Transportation Authority and affiliated agencies' regular meeting of July 25, 2005.

4. **Approval of Travel Authorizations**

   Approval of travel for Vice Chairman Arthur C. Brown to Seattle, WA., for August 10-12, 2005, to attend the 2005 Western Council of Governments (COG) Conference; for Director Mike Duvall to Dallas, TX, September 25-28, 2005 to attend the APTA Annual Meeting and Expo; and for Vice Chairman Arthur C. Brown for Salt Lake City, UT, September 7-11, 2005, to attend the RailVolution Conference.

5. **California Department of Transportation Planning Grant Award for the Orange County Transit Planning College Intern Program**
   Ric Teano/Richard J. Bacigalupo

   Overview

   The California Department of Transportation awarded the Orange County Transportation Authority $50,000 in planning grant funds to support the Orange County Transit Planning College Intern Program. The program will provide meaningful work experience in transit planning for up to five college interns. Authorization to enter a grant transfer agreement is requested to begin work on the program.

ACTIONS

5. **(Continued)**

Recommendation

Authorize the Chief Executive Officer to execute a grant transfer agreement with the Southern California Association of Governments for $50,000 and appropriate the grant funds towards the Orange County Transit Planning College Intern Program.

6. **Limited Scope Review of Parsons Brinckerhoff Quade & Douglas, Inc., - Contract Compliance and Overhead Audit**
Robert A. Duffy/Richard J. Bacigalupo

Overview

Thompson, Cobb, Bazilio & Associates has completed a limited scope review of Agreement C-1-2354 between Parsons Brinckerhoff Quade & Douglas, Inc. and the Orange County Transportation Authority. This contract provides preliminary engineering services for what is referred to as The CenterLine Light Rail Project.

The findings indicate that invoiced amounts were adequately supported and in compliance with the contract terms. Contract task orders are being issued in a timely manner in compliance with Orange County Transportation Authority policies, and the overhead rate proposed by Parsons Brinckerhoff Quade & Douglas, Inc. for fiscal year 2005 is reasonable, adequately supported and in conformity with Federal Acquisition Regulations.

Recommendation

Receive and file the Limited Review of Agreement C-1-2354 between Orange County Transportation Authority and Parsons, Brinckerhoff, Quade & Douglas, Contract Compliance and Overhead Audit - Internal Audit Report No. 05-032.

OCTA

AGENDA

ACTIONS

7. **Fourth Quarter Payroll Distribution Review**
Robert A. Duffy/Richard J. Bacigalupo

Overview

The Internal Audit Department has completed a payroll distribution review of the Marketing Department. A response to the report was not required.

Recommendation

Receive and file the Fourth Quarter Payroll Distribution Review, Internal Audit Report No. 05-028.

8. **Limited Scope Review of Farebox Revenue Collection and Reporting**
Robert A. Duffy/Richard J. Bacigalupo

Overview

The Internal Audit Department has completed a review of controls being used to manage Orange County Transportation Authority's farebox revenue collection and reporting process. The report included a recommendation that policies and procedures be developed to document the practices of the revenue collection and reporting process. The Accounting Operations group concurs with Internal Audit's recommendation and is in the process of developing policies and procedures.

Recommendation

Receive and file the Limited Scope Review of Farebox Revenue Collection and Reporting, Internal Audit Report No. 05-008.

9. **Preparation of the 2006 Federal Legislative Platform**
Kristine Murray/Richard J. Bacigalupo

Overview

The Orange County Transportation Authority is preparing the legislative platform in advance of the 2006 session of Congress. As a listing of objectives and issue positions, the legislative platform provides general direction to staff and legislative representatives in Washington, D.C.

ACTIONS

9. **(Continued)**

Recommendation

Approve the preparation plan and timeline for the Federal Legislative Platform.

10. **Insurance Broker Restitution Fund**
Al Gorski/James S. Kenan

Overview

The Orange County Transportation Authority is eligible to participate in a restitution fund as a result of a settlement agreement between Marsh Risk and Insurance Services, Inc., the Attorney General of New York, and the Superintendent of Insurance of the State of New York. The general release must be submitted by September 20, 2005, for the Orange County Transportation Authority to receive $79,821.30, in restitution.

Recommendation

Authorize the Chief Executive Officer to endorse the Marsh Restitution Fund General Release for $79,821.30.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

11. **The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users**
Kristine Murray/Richard J. Bacigalupo

Overview

Federal update on H.R. 3, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, and the impacts to Orange County Transportation Authority, including a summary of authorized projects and increased formula funding.

Recommendation

Receive and file.

OCTA

AGENDA

ACTIONS

Other Matters

12. **Status on State Route 22 Freeway Project**
Stanley G. Phernambucq

13. **Chief Executive Officer's Report**

14. **Directors' Reports**

15. **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.

16. **Closed Session**

None Scheduled

17. **Adjournment**

The next regularly scheduled meeting of the OCTA/OCTD/OCLTA/OCSAFE/ OCSAAV Board will be held at **9:00 a.m. on August 22, 2005,** at OCTA Headquarters at 600 South Main Street First Floor - Room 154 Orange, California.

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
July 25, 2005

Call to Order

The July 25, 2005, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order at 9:02 a.m. at the Orange County Transportation Authority Headquarters, Orange, California; Vice Chairman Brown presided over the meeting.

Roll Call

Directors Present:	Arthur C. Brown, Vice Chairman Carolyn Cavecche Lou Correa Richard Dixon Michael Duvall Cathy Green Gary Monahan Chris Norby Curt Pringle Miguel Pulido James W. Silva Thomas W. Wilson Gregory T. Winterbottom Cindy Quon, Governor's Ex-Officio Member
Also Present:	Arthur T. Leahy, Chief Executive Officer Richard J. Bacigalupo, 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:	Bill Campbell, Chairman Susan Ritschel Mark Rosen

Invocation

Director Correa gave the invocation.

Pledge of Allegiance

Director Green led the Board and audience in the Pledge of Allegiance to the Flag of the United States of America.

Public Comments on Agenda Items

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

Special Matters

1. Presentation of Resolutions of Appreciation for Employees of the Month for July 2005

Vice Chairman Brown presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-103, 2005-104, 2005-105 to Paul Arnold, Coach Operation, Jose Ruiz, Maintenance, and Steve Montano, Administration, as Employees of the Month for July 2005.

2. Sacramento Legislative Update

Sacramento Legislative Advocate, Kevin Sloat, addressed the Board with an update of what has been taking place in the state's capitol relative to budget, the Bay Bridge settlement, and other transportation-related legislative issues.

Consent Calendar (Items 3 through 16)

Vice Chairman Brown stated that all matters on the Consent Calendar were to be approved in one motion unless a Board member or a member of the public requested separate action on a specific item.

Orange County Transportation Authority Consent Calendar Matters

3. Approval of Minutes

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of July 11, 2005.

4. **Approval of Resolutions of Appreciation for Employees of the Month of July 2005**

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to approve of Orange County Transportation Authority Resolutions of Appreciation Nos. 2005-103, 2005-104, 2005-105, respectively, to Coach Operator Paul Arnold, Jose Ruiz of Maintenance, and Steve Montano of Administration, as Employees of the Month for July 2005.

5. **State Legislative Status Report**

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to receive and file as an informational item.

6. **Federal Legislative Status Report**

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to receive and file Federal Legislative Status Report as an information item.

7. **Amendment to Agreement for Auditing Services**

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-3-0866 between the Orange County Transportation Authority and Conrad and Associates, LLP, in the amount of $59,000, to exercise the option year term of the agreement.

8. **Cooperative Agreements with the California Department of Transportation and the City of Buena Park for the Santa Ana Freeway (Interstate 5) Far North Project**

Director Pringle pulled this item for comment. He stated that this cooperative agreement is similar to one between the City of Anaheim and Caltrans, and that agreement has not been fulfilled. He expressed his concern that this not be the case on this agreement and urged Caltrans to take the next step in fulfilling the earlier obligation to the local communities.

Director Quon stated that the Department is in a position and willing to fulfill the agreement and will follow up on this situation.

Jim Biery, Director of Public Works, Buena Park, addressed the Board as a public comment and stated that he would like to indicate support of the agreement before the Board today. He believes the model language in this agreement will be useful in future agreements.

8. (Continued)

Motion was made by Director Pringle, seconded by Director Duvall, and declared passed by those present, to:

A. Authorize the Chief Executive Officer to execute Cooperative Agreement C-5-2591 between the Orange County Transportation Authority and the California Department of Transportation for construction of the Santa Ana Freeway (Interstate 5) Far North Project.

B. Authorize the Chief Executive Officer to execute Cooperative Agreement C-5-2358 between the Orange County Transportation Authority and the City of Buena Park for completion of final design and construction implementation of the Santa Ana Freeway (Interstate 5) Far North Project

9. Amendment to the 2004 State Transportation Improvement Program

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to:

A. Approve the reprogramming of $1.1 million in Regional State Transportation Improvement Program funds from the Placentia Avenue Grade Separation project to the Melrose Avenue and Bradford Avenue Grade Separation and Closure projects.

B. Authorize staff to process necessary State Transportation Improvement Program and Regional Transportation Improvement Program amendments as required by the above action.

10. 2005 State Route 91 Implementation Plan

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to:

A. Approve the 2005 State Route 91 Implementation Plan, and direct staff to update the plan based on results of the Riverside County-Orange County Major Investment Study.

B. Authorize the Chief Executive Officer to forward the plan to the State Legislature.

11. Amendment to Agreement with the City of Irvine for the Exchange of Funds

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to authorize the Chief Executive Officer to execute an amendment to Agreement C-0-1988, for the exchange of funds with the City of Irvine, to modify the Scope of Work.

12. New York Meetings with Rating Agencies, Insurers, and Investors

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to receive and file as an information item.

13. Budget Authorization to Procure 50 Compressed Natural Gas Buses and Implement Liquefied Natural Gas Fueling System Improvements

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to:

A. Authorize the Chief Executive Officer to amend the fiscal year 2005-06 budget by $21,408,912, to procure 50 compressed natural gas 40-foot buses.

B. Authorize the Chief Executive Officer to amend the fiscal year 2005-06 budget by $1,120,130, to improve the fueling system on liquefied natural gas buses.

14. Second Quarter 2005 Debt and Investment Report

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to:

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

Orange County Transit District Consent Calendar Matters

15. Agreement for the Purchase and Placement of Heavy Duty Brake Inspection Systems

Motion was made by Director Wilson, seconded by Director Correa, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement C-5-0725 between the Orange County Transportation Authority and Vehicle Inspection Systems, Inc., in an amount not to exceed $202,684, to purchase and install two heavy duty brake inspections systems and upgrade a previously installed system.

16. **Agreement for Training on the Orange County Transportation Authority's Integrated Transportation Communication System**

Director Norby pulled this item for comment. He stated that he would like to hear Vice Chairman Brown's reasons for voting in opposition of this item at Committee. Director Correa stated he was also interested in hearing Vice Chairman Brown's reasons for opposing the recommendation at Committee.

Vice Chairman Brown indicated he was not happy that the Authority was spending additional money and felt it should have been the contractor's responsibility. However, based on the fact that people need to be trained on the radio, which he considers especially important at this time of Homeland Defense, he now will support the recommendation before the Board today.

Chief Executive Officer (CEO), Arthur T. Leahy, added that staff is scheduling a report on this system to come before the Transit Planning and Operations Committee soon.

Motion was made by Director Winterbottom, seconded by Director Norby, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement C-5-2497 between the Orange County Transportation Authority and Orbital Sciences Corporation, in an amount not to exceed $80,000, for the training of staff and technicians on the operation and maintenance of the Orange County Transportation Authority's integrated transportation communications system.

Director Correa opposed staff's recommendations on this item.

Regular Calendar

17. **91 Express Lanes May 2005 Status Report**

Paul C. Taylor, Executive Director of Planning, Development, and Commuter Services, introduced Daryl Watkins, OCTA's new General Manager of the 91 Express Lanes, who gave a PowerPoint presentation on this item. Mr. Watkins gave an overview of the Express Lanes, giving information on volume, revenue, and other financial highlights.

Mr. Watkins stated that a contract is being let for a new 91 Express Lanes operator; the current operator is Cofiroute.

Director Norby reaffirmed that he does not agree with the 3+ policy for the 91 Express Lanes.

17. (Continued)

Motion was made by Director Cavecche, seconded by Director Pulido, and declared passed by those present, to receive and file the 91 Express Lanes Status Report for the period ending May 31, 2005.

18. Department of Justice Fingerprint and Criminal Records Review

CEO, Arthur T. Leahy, presented opening comments, and provided background on this issue. He informed the Board Members that the Security Working Group will meet directly following this meeting.

Deputy CEO, Richard J. Bacigalupo, stated that the fee for the fingerprinting will be a little less than cited in the staff report. The County of Orange has agreed to waive their portion of the fee, reducing the projected $44.00 charge to $22.00.

Motion was made by Director Cavecche, seconded by Director Winterbottom, and declared passed by those present, to pass a resolution requesting the Orange County Transportation Authority be enrolled in the Department of Justice Livescan fingerprint program as an applicant agency. The Orange County Transportation Authority will then be authorized to query the Department of Justice criminal history database for pre-employment screening purposes.

Other Matters

19. Joint Powers Authority for Possible Multi-Use Tunnel

Paul C. Taylor, Executive Director of Planning, Development, and Commuter Services, showed a PowerPoint presentation on this subject and informed Members of the progress of the Major Investment Study and the status of a tunnel option. He also stated that a draft agreement is under review at the present time.

Director Norby stated that he feels serious consideration should be given to what the tunnel will be named, and feels that “multi-use tunnel” does not state where it is located.

Director Silva introduced Brett Barberie, Municipal Water District of Orange County, who stated that Congressman Gary Miller is an “unsung hero” in this situation. Congressman Miller is one of the conferees on the Transportation Committee that made sure the language change got into the final version of the bill and is protecting it and will make sure that this continues.

20. Chief Executive Officer's Report

Chief Executive Officer, Arthur T. Leahy, informed the Board:

- New bus purchase has been approved.
- A plan is being implemented to have interior cameras on OCTA buses; testing of that begins this week.
- Mr. Leahy stated that he will be leaving for Washington D.C. after the meeting today and will meet with Jenna Dorn of the Federal Transit Administration on rapid transit and other issues. He will also participate in APTA meetings in connection with planning for next year's conference in Anaheim.
- In the Weekly Update last week, it should be noted that 10:00 a.m. on September 10 has been selected as the Santa Ana Bus Base Dedication and encouraged all Members to attend.
- Several Members last week attended an event recognizing the 15-year celebration of the Irvine Transportation Center/Metrolink Station. A commemorative plaque was received by OCTA as an acknowledgement from the City of Irvine.

21. Directors' Reports

Director Winterbottom expressed his appreciation of staff's work on the bus rapid transit tour to Los Angeles which was part of the Transit Planning and Operations Committee meeting last week.

Director Norby stated that he feels it is still important to keep the message out among the public that the bus routes will be able to take teens to the beach and avoid traffic and parking issues.

Director Quon stated that the California Transportation Commission met last week. Passage of the budget included $37 million for pavement and street improvement and $123 million in Traffic Congestion Relief Program money.

Vice Chairman Brown stated that staff is setting up another bus rapid transit tour and encourage everyone to attend if possible.

22. Public Comments

At this time, Vice Chairman Brown inquired if any members of the public wished to address the Board of Directors regarding any items within the subject matter jurisdiction of the Board of Directors.

There were no members of the public who wished to address the Board.

23. Closed Session

General Counsel, Kennard R. Smart, Jr., stated that there was need for a Closed Session:

a. Pursuant to Government Code Section 54957.6 to meet with Orange County Transportation Authority designated representative Marlene Heyser regarding collective bargaining agreement negotiations with the Teamsters Local 952 representing the Maintenance employees.

b. Pursuant to Government Code Section 54956.9(a) to discuss Louise Robertson v. Orange County Transportation Authority; OCSC No. 04CC12143.

Mr. Smart indicated that he did not expect a report out from the Closed Session.

Directors Pulido and Winterbottom were not present for the Closed Session.

24. Adjournment

The meeting was adjourned at 10:25 a.m. Vice Chairman Brown announced that the next regularly scheduled meeting of the OCTA/OCTD/OCLTA/OCSAFE/OCSAAV Board will be held at **9:00 a.m. on August 8, 2005**, at OCTA Headquarters at 600 South Main Street, First Floor - Room 154, Orange, California.

ATTEST

Wendy Knowles
Clerk of the Board

Arthur C. Brown
OCTA Vice Chairman

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: Arthur C. Brown **Job Title:** Vice Chairman

Department: Executive Division **Destination:** Seattle, WA

Program Name: 2005 Western Council Of Government (COG) Conference

Description/Justification: To participate in the conference specifically reguarding Building a Freight Movement Framework for the West Coast Corridor Coalition.

COMMENTS

Other- Airport parking and ground transportation

Conference/Seminar Date:	8/10/05	**Departure Date:**	8/10/05	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:		**Return Date:**	8/12/05	**Course Hours:**

ESTIMATED EXPENDITURES	
Transportation	$357.90
Meals	$150.00
Lodging	$258.00
Registration	$250.00
Other	$100.00
Total	$1,115.90

APPROVALS

Please Initial:

RW 7/25/05

Finance* Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board Date

ACCOUNTING CODES

Org. Key: 1420	**Object:** 7655	**Job Key:** A0001	**JL:** ACM

Ref #: 2006-21	**Board Date:** August 8, 2005	**T/A #:**

OUT-OF-STATE TRAVEL

OCTA

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: Director Michael Duvall **Job Title:** Board member

Department: Executive Division **Destination:** Dallas/ Fortworth, TX

Program Name: 2005 American Public Transportation Association (ATPA) Annual Meeting & Expo

Description/Justification: To attend APTA Annual Meeting to interface with other transit agency professionals and share ideas on subjects that affect the transit industry. To attend and participate in presentations and seminars about nre developments and oppertunities with the transit industry.

COMMENTS

Other- Airport parking and ground transportation

Conference/Seminar Date: 9/25/05	**Departure Date:** 9/25/05	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:	**Return Date:** 9/28/05	**Course Hours:**

ESTIMATED EXPENDITURES	
Transportation	$226.90
Meals	$200.00
Lodging	$765.00
Registration	$545.00
Other	$50.00
Total	$1,786.90

APPROVALS

Please Initial:

MV 7/25/05

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:** BIV

Ref #: **2006-25**	**Board Date:** August 8, 2005	**T/A #:**

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: Arthur C. Brown **Job Title:** Vice Chairman

Department: Executive Division **Destination:** Salt Lake City, UT

Program Name: Rail-Volution 2005 Conference

Description/Justification: Vice Chairman Brown will be attending the 2005 Rail-Volution Conference to gain better perspectives on innovative approaches to transit and other alternative forms of transportation for community plans on future growth. Vice Chairman Brown will be moderating the panel on Transit Orientation Development and Station Planning for Commuter Rail.

COMMENTS

Other- Ground transportation

Conference/Seminar Date:	9/09/05	**Departure Date:**	9/07/05	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:		**Return Date:**	9/11/05	**Course Hours:**

ESTIMATED EXPENDITURES	
Transportation	$146.70
Meals	$250.00
Lodging	$743.70
Registration	$275.00
Other	$50.00
Total	$1,465.40

APPROVALS

Please Initial:

AO 7/29/05

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:** B1V

Ref #: **2006-22**	**Board Date:** August 8, 2005	**T/A #:**

5.

Item 5.

OCTA

BOARD COMMITTEE TRANSMITTAL

August 8, 2005

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject California Department of Transportation Planning Grant Award for the Orange County Transit Planning College Intern Program

Transit Planning and Operations Committee July 28, 2005

Present: Directors Winterbottom, Brown, Silva, Pulido, and Duvall
Absent: Directors Dixon and Green

Committee Vote

This item was passed by all Committee Members present.

Committee Vice Chair Pulido was not present for this vote.

Committee Recommendation

Authorize the Chief Executive Officer to execute a grant transfer agreement with the Southern California Association of Governments for $50,000 and appropriate the grant funds towards the Orange County Transit Planning College Intern Program.

OCTA

July 28, 2005

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: California Department of Transportation Planning Grant Award for the Orange County Transit Planning College Intern Program

Overview

The California Department of Transportation awarded the Orange County Transportation Authority $50,000 in planning grant funds to support the Orange County Transit Planning College Intern Program. The program will provide meaningful work experience in transit planning for up to five college interns. Authorization to enter a grant transfer agreement is requested to begin work on the program.

Recommendation

Authorize the Chief Executive Officer to execute a grant transfer agreement with the Southern California Association of Governments for $50,000 and appropriate the grant funds towards the Orange County Transit Planning College Intern Program.

Background

The Orange County Transportation Authority (OCTA) currently manages an extensive internship program that employs 40 college interns in a variety of departments. Current monitoring efforts suggest that most college students in Orange County have little real-life experience with transit. Most interns have never ridden a public bus, few have experience with trains and subways, and fewer have a rudimentary understanding of transit systems and how they interact in an urban environment. The Orange County Transit Planning College Intern Program aims to fill this void by providing students with unique, hands-on experience in transit planning that may lay the groundwork for a career in public transit.

On December 29, 2004, the California Department of Transportation (Caltrans) awarded $50,000 in Federal Transit Administration (FTA) Section 5313b Transit Planning Grant funds to support this worthwhile program. The

Southern California Association of Governments (SCAG), as the designated administrative agency for the grant program, approved this project in May 2005 as part of an amendment to their Fiscal Year 2004-05 Overall Work Program.

Discussion

The Orange County Transit Planning College Intern Program will provide up to five college interns with unique work experience in varying fields of transit planning. The program will also enhance the ability of partnering universities in recruiting students into transportation-related studies while providing OCTA with additional staff resources needed to manage current and projected transit growth.

The program was developed in partnership with the University of California Irvine, California State University Fullerton, California State University Long Beach, and California State Polytechnic University Pomona. The program will be managed by OCTA and coordinated in partnership with the four local universities. Depending on their field of study and interest, interns will be assigned work in one of the following three areas of transit planning:

- Assist with implementing a strategic plan designed to manage growth and/or assist with an existing training program designed to train senior citizens and persons with disabilities on how to use the regular bus system.

- Work with new technology related to transit service delivery including assistance in evaluating information provided by Global Positioning System and/or Automated Vehicle Locator System.

- Evaluate service requests including the use of Geographic Information Systems mapping software and working on future service planning such as Bus Rapid Transit.

To provide a more comprehensive learning experience, interns will also attend and participate in various public meetings, including OCTA's Special Needs in Transit Advisory Committee and Board of Directors meetings. The intern program will be implemented for a period of 12 months or until grant funds are expended. The grant award of $50,000 will be used solely to provide paid internships. A local match amount of $5,000, as well as $7,000 of "in-kind match" in the form of OCTA staff hours dedicated to the program, is required as part of the grant award.

Fiscal Impact

OCTA will provide a local match in the amount of $5,000 and an additional $7,000 of in-kind assistance. Grant revenues and related local match expenses have been integrated into OCTA Fiscal Year 2005-06 Budget.

Summary

The California Department of Transportation has awarded $50,000 in planning grant funds to the Orange County Transportation Authority. The grant award will be used to implement a transit-specific college intern program that will provide meaningful work experience in transit planning for up to five college students. Approval to enter a grant funding agreement is requested to begin the program.

Attachment

None.

Prepared by:	**Approved by:**
Ric Teano	Richard J. Bacigalupo
Grant Program Specialist	Deputy Chief Executive Officer
(714) 560-5716	(714) 560-5901

6.

OCTA

BOARD COMMITTEE TRANSMITTAL

August 8, 2005

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject Limited Scope Review of Parsons Brinckerhoff Quade & Douglas, Inc. - Contract Compliance and Overhead Audit

Finance and Administration Committee July 27, 2005

Present: Directors Wilson, Duvall, Campbell and Cavecche
Absent: Directors Correa, Ritschel and Silva

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the Limited Review of Agreement C-1-2354 between Orange County Transportation Authority and Parsons, Brinckerhoff, Quade & Douglas, Contract Compliance and Overhead Audit - Internal Audit Report No. 05-032.

OCTA

July 27, 2005

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: **Limited Scope Review of Parsons Brinckerhoff Quade & Douglas, Inc. - Contract Compliance and Overhead Audit**

Overview

Thompson, Cobb, Bazilio & Associates has completed a limited scope review of Agreement C-1-2354 between Parsons Brinckerhoff Quade & Douglas, Inc. and the Orange County Transportation Authority. This contract provides preliminary engineering services for what is referred to as The CenterLine Light Rail Project.

The findings indicate that invoiced amounts were adequately supported and in compliance with the contract terms. Contract task orders are being issued in a timely manner in compliance with Orange County Transportation Authority policies, and the overhead rate proposed by Parsons Brinckerhoff Quade & Douglas, Inc. for fiscal year 2005 is reasonable, adequately supported and in conformity with Federal Acquisition Regulations.

Recommendation

Receive and file the Limited Review of Agreement C-1-2354 between Orange County Transportation Authority and Parsons, Brinckerhoff, Quade & Douglas, Contract Compliance and Overhead Audit - Internal Audit Report No. 05-032.

Background

The total value of the contract was $48,248,305, consisting of $28,577,806 in fixed price services and $16,670,499 for work completed under contract task orders. The term of the contract was from July 10, 2002, through June 30, 2005.

Discussion

Internal Audit's objective was to conduct a limited review of the contract terms, Orange County Transportation Authority's management of the contract, and the overhead rate proposed for the year ending October 28, 2005. The period reviewed for this audit was from January 1, 2004, through April 30, 2005. Since the prior audit of this contract was issued in June of 2004, the primary focus of this review was on the period after the prior audit was issued.

Summary

There is no response required from management on this report.

Attachment

A. Limited Review of Agreement C-1-2354 between Orange County Transportation Authority and Parsons, Brinckerhoff, Quade & Douglas, Contract Compliance and Overhead Audit - Internal Audit Report No. 05-032

Prepared by:

for

Robert A. Duffy
Manager, Internal Audit
(714) 560-5669

Approved by:

Richard J. Bacigalupo
Deputy Chief Executive Officer
(714) 560-5901

ATTACHMENT A

OCTA

INTEROFFICE MEMO

July 11, 2005

To: Paul Taylor, Executive Director
Planning, Development & Commuter Services

From: Gerry Dunning, Senior Internal Auditor GD
Internal Audit

Subject: **Limited Review of Agreement C-1-2354 between Orange County Transportation Authority and Parsons, Brinckerhoff, Quade & Douglas, Contract Compliance and Overhead Audit - Internal Audit Report No. 05-032**

Conclusion

Thompson, Cobb, Bazilio & Associates (TCBA) has completed a review of Agreement C-1-2354 between Parsons, Brinckerhoff, Quade & Douglas (PB) and the Orange County Transportation Authority (OCTA). This contract provides preliminary engineering services for what is referred to as the CenterLine Light Rail Project.

The findings contained in this report, based on the work done by TCBA, indicate that invoiced amounts were adequately supported and in compliance with the contract terms. Contract Task Orders (CTO's) are being issued in a timely manner in compliance with OCTA policies, and the overhead rate proposed for the fiscal year 2005 is reasonable, adequately supported and in conformity with Federal Acquisition Regulations (FAR).

Background

The original contract was issued on a firm fixed-price basis and had a total value of $37,998,305. The original term of the contract was from July 10, 2002, through December 31, 2003. Amendments during the course of the contract have increased the total value of the contract to $48,248,305 consisting of $28,577,806 in fixed price services and $16,670,499 for work completed under CTO's. The ending date of the contract period had been extended through June 30, 2005, at the start of this review.

Observations

Management has implemented corrective action on the recommendations issued in Internal Audit Report No. 04-080 issued in June 2004, which has resulted in improved management of the contract and compliance with OCTA policies and procedures.

Scope

The primary focus was compliance with contract terms, OCTA management of the contract, and a review of the overhead rate proposed for the year ending October 28, 2005. The period reviewed for this audit was from January 1, 2004, through April 30, 2005. Since the prior audit was issued in June of 2004, the primary focus of this review was on the period after the prior audit was issued.

Summary

The detailed scope, objectives, findings, and conclusions resulting from the audit are included in the attached report prepared by TCBA.

Management Response

There is no response required from management on this report.

We appreciate the cooperation and assistance that we received from the various OCTA staff that provided information for this review.

OCTA Project Lead: Gerry Dunning

Audit performed by: TCBA

Attachment: TCBA Audit Report, June 2005

c: Rick Bacigalupo
Jim Kenan
Stan Phernambucq
Bob Duffy
Charlie Guess
Roger Lopez
Jose Martinez
Kathleen Perez
Abbe McClenahan

ORANGE COUNTY TRANSPORTATION AUTHORITY

Contract Compliance and Overhead Audit of Parsons, Brinckerhoff, Quade & Douglas Agreement No. C-1-2354

June 2005

Submitted by

TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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PH 310.792.7001 . FX 310.792.7004 . www.tcba.com

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Executive Summary

At the request of the Orange County Transportation Authority's (OCTA) Internal Audit Department, Thompson, Cobb, Bazilio & Associates (TCBA) performed a financial and compliance audit of Agreement No. C-1-2354 between OCTA and Parsons Brinckerhoff, Quade & Douglas (PB). One of the primary objectives of this audit was to conduct a follow-up review on the status of specific audit findings and recommendations reported previously by TCBA in June 2004. In addition, this audit included a review of invoices submitted after the date of our prior audit period and a review of PB's overhead rate for fiscal year 2005.

In February 2002, PB and its 14 subcontractors were awarded a contract by OCTA to provide preliminary engineering services for the OCTA's CenterLine light rail project. Issued on a firm fixed price basis with a total contract value of $37,998,305, the term of the original agreement is from July 10, 2002 through December 31, 2003. To date, 10 separate amendments have been issued changing the distribution of costs between tasks and/or activities and increasing the overall value of the contract. Currently, the value of the contract is at $48,248,305 and the completion date is June 30, 2005.

The work scope of this contract is comprised of 22 individual tasks. Task No. 1 through 18 constitutes the base contract and compensation is based on a lump sum fixed-fee of $28,577,806. Compensation for Task No. 19 through 22 totals $19,670,499 and is designated for special (planning) studies. Task No. 19 through 22 are established on a CTO basis, where as the need arises for special studies, CTOs are to be negotiated between the parties and issued by OCTA following submission of a written and technical cost proposal from PB.

During our initial audit of this contract in June 2004, 24 CTOs had been issued for special studies through December 31, 2003. Our initial audit found that in 21 of the 24 CTOs issued, the CTO had either not been executed by PB and OCTA or the CTO was executed significantly after the work was completed. Since January 2004, an additional 17 CTOs have been issued for various special studies. Of these 17 CTOs, 8 CTOs were issued after our initial audit report was completed in June 2004. We found that these 8 CTOs were issued in a timely manner and in compliance with OCTA's internal contracting policy. The remaining 9 CTOs, which were issued before completion of our initial audit in June 2004, were found not to be executed in a timely manner.

We also tested invoice payments made by OCTA to PB for work completed on CTOs since our last audit and verified without exception that all billings were for work performed within the CTO dates, adequately supported and properly approved. We also performed tests to verify that payments made by PB to its subcontractors were in compliance with the 10-day requirement as stipulated in the contract's "prompt payment clause". Based on a random sampling of 48 invoice payments made by PB to seven subcontractors, we found that PB either paid its subcontractors in advance or within the 10-day requirement. Lastly, we also reviewed PB's proposed overhead rate of 158.3% for the fiscal year ending October 28, 2005 and found the overhead rate to be reasonable, adequately supported, and in conformity with the Federal Acquisition Regulations (FAR).

Background

Preliminary Engineering Services Contract

In February 2002, OCTA issued a Request for Proposal (RFP) to qualified consultants to provide preliminary engineering services. Following a competitive procurement process where bids were received from five qualified firms, Parsons, Brinckerhoff, Quade & Douglas (PB) was selected as the winning bidder to perform this work. PB is the prime contractor with 14 other subcontractors included in their proposal. Pre-Award audits of PB and all 14 subcontractors were conducted in April 2002.

The contract (Agreement No. C-1-2354) provides for PB to provide preliminary engineering services for the CenterLine light rail project. The original contract was issued on a firm fixed-price basis and had a total value of $37,998,305 that consisted of $35,498,229 of fixed services and $2,500,076 available for Contract Task Orders (CTOs). The original term of this agreement was from July 10, 2002 through December 31, 2003.

Amendments during the course of the contract have increased the total value of the contract to $48,248,305, consisting of $28,577,806 in fixed price services and $19,670,499 for work completed under CTOs. The ending date of the contract period was extended through June 30, 2005. Also, changes have amended the scope of work to include studies on Bus Rapid Transit and other Transit options.

The base contract, encompassing Task No. 1 through 18 for tasks such as project management, project controls, civil structures, station design etc., is a fixed price contract. Task No. 19 through 22 were designated for special (planning) studies and is established on a CTO basis where as the need arises for special studies, CTOs will be issued defining the scope of work, amount of the CTO to be paid and any other information that may be needed to perform these services.

Objectives, Scope and Methodology

At the request of OCTA's Internal Audit Department, TCBA performed a contract compliance and overhead audit of Agreement No. C-1-2354 between OCTA and PB, for the period January 1, 2004 through April 30, 2005.

The primary objectives of this review were to 1) determine if invoiced costs under the contract are adequately supported and in compliance with the contract terms, 2) assess PB's overall compliance with pertinent contract terms and conditions, 3) verify that PB is complying with the "prompt payment clause" regarding payment of invoices to its subcontractors, 4) assess the adequacy of internal controls over the issuance of the

CTOs, 5) assess the adequacy of OCTA's management of the PB contract, and 6) perform a review of PB's proposed overhead rate for the year ending October 28, 2005.

To accomplish our objectives, we performed the following procedures:

1. Prepared an invoice summary of the CTO costs.

2. Reviewed detailed supporting documentation in support of costs billed to OCTA.

3. Verified that payments made to PB by OCTA are in compliance with the 30-day payment requirement as stipulated in the contract.

4. Reviewed the internal controls over the issuance of CTOs and the supporting documentation required in accordance with the contract

5. Reviewed contract and/or payroll/accounting records on an as needed basis to verify that charges are valid project costs.

6. Reviewed PB's compliance with the contract's "prompt payment" clause by selecting a sample of payments to its subcontractors, verifying the date of payment to the subcontractor and comparing it to the date PB was paid by OCTA.

7. Reviewed the overhead rate calculation provided by PB for the year ending October 28, 2005 to verify that it is reasonable, allowable, allocable and in conformity with the Federal Acquisition Regulations (FAR).

Results

Review of CTO Billings

Prior Audit Finding:

Our initial audit found that in 21 of the 24 CTOs issued, the CTO had either not been executed by PB and OCTA or the CTO was executed significantly after the work was completed. As a result, TCBA requested that PB provide actual cost data for these CTOs in order for TCBA to verify the accuracy of PB's CTO billings. PB did not provide TCBA with its actual cost data stating that the data did not exist because it was PB's opinion that the CTO work performed was on a fixed-fee basis. Thus, TCBA was unable to verify the accuracy of CTO billings.

Current Assessment

For the 16-month period ending April 30, 2005 PB billed OCTA $13,819,142 for work performed under 17 separate CTOs. We selected five payments made by OCTA to PB totaling $8,868,648, or 64%, which represented 50 separate invoices. Based on this review, we found that all costs billed were reasonable, allowable, adequately supported and properly approved. We also verified whether OCTA made payments to PB within the 30-day period required by the contract and noted no exceptions.

Review of the CTO Process

Task No. 19 through 22 of the contract is established on a CTO basis. If a need arises for special (planning) studies, CTOs will be issued to define the scope of work, amount of CTO to be paid and any other information that may be needed to perform these services. According to the contract, for each CTO to be issued "PB shall submit a written technical and cost proposal based on the information in PB's final cost proposal dated June 19, 2002". OCTA Procurement Policy stipulates that a CTO must be properly executed before any work commences.

June 2004 Audit Finding:

During our prior audit, 24 separate CTOs were issued for special studies (tasks) under Task No. 19 through 22. Our review noted that only 3 of the 24 task orders were approved properly or reasonably close (within 22 days) to the start date of the actual work. Two of these were related to mobilization of the contract and were very early on during the contract term and one other was executed on the actual start date. In the case of 21 of these 24 CTOs or 88%, the CTO had either not yet been executed or was executed well after the completion of the work.

Current Assessment

Since January 2004, an additional 17 CTOs have been issued for various special studies. Based on our review of the CTO process for these 17 CTOs, we found that 8 were issued after our initial audit report was completed in June 2004. These 8 CTOs were issued in a timely manner and in compliance with OCTA's internal contracting policy. The remaining 9 CTOs, which were issued before completion of our initial audit in June 2004, were found not to be executed in a timely manner.

Timeliness of Payments to Subcontractors

Article 6 of the contract between OCTA & PB stipulates "Consultant agrees to pay each subcontractor for satisfactory work performed under this Agreement, no later than ten (10) calendar days from the receipt of each payment Consultant received from Authority". This article further stipulates that delays or postponement beyond this 10-day time frame can occur only for good cause with written approval by OCTA in advance and that failure to comply with this provision could be construed as non-compliance which may result in administrative sanctions, including but not limited to a penalty of 5% of the invoice amount due per month for each month that payment is not made.

June 2004 Audit Finding

We selected a random sample of 50 invoice transactions representing at least one from each of the 14 active subcontractors to test for compliance with prompt payments to subcontractors. Our testing noted that PB was late in paying its subcontractors for 9 of the 50 invoices. Late payments averaged 26.8 days, ranging anywhere from 1 to 53 days beyond the ten-day contractual requirement. We found no evidence indicating PB had requested OCTA's approval in writing for the express purpose of delaying payment to its subcontractors.

Current Assessment

For the invoices selected in our CTO payments review, we noted that costs were included from seven (7) subcontractors. We requested the payment date information from PB for these subcontractors on the 50 invoices included in our review. Accordingly, we noted 48 payments for CTO work made to subcontractors during this period.

Based on our review of subcontractor payments, we noted no exceptions and found that PB was in compliance with the provisions of the prompt payment clause. In most cases we noted that PB paid its subcontractors prior to being paid by OCTA.

Review of Proposed Overhead Rate

Our audit scope included a review of PB's proposed overhead rate of 158.3% for the fiscal year ending October 28, 2005. The purpose of this review was to ensure that the proposed rate is reasonable, allowable, allocable and in conformity with the Federal Acquisition Regulations (FAR).

Based on our review of PB's proposed overhead rate for fiscal year 2005 and a comparative analysis to PB's audited rate of 159.7% for fiscal year 2004, we found that that PB's proposed overhead rate of 158.3% for fiscal year 2005 is reasonable, adequately supported and in conformity with Federal Acquisition Regulations (FAR).

June 20, 2005 Thompson, Cobb, Bazilio & Associates, PC

7.

OCTA

BOARD COMMITTEE TRANSMITTAL

August 8, 2005

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject Fourth Quarter Payroll Distribution Review

Finance and Administration Committee July 27, 2005

Present: Directors Wilson, Duvall, Campbell and Cavecche
Absent: Directors Correa, Ritschel and Silva

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the Fourth Quarter Payroll Distribution Review, Internal Audit Report No. 05-028.

OCTA

July 27, 2005

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Fourth Quarter Payroll Distribution Review

Overview

The Internal Audit Department has completed a payroll distribution review of the Marketing Department. A response to the report was not required.

Recommendation

Receive and file the Fourth Quarter Payroll Distribution Review, Internal Audit Report No. 05-028.

Background

The Internal Audit Department routinely conducts surprise payroll distribution reviews of different departments within the Orange County Transportation Authority. The payroll distribution reviews are performed to identify employees to whom payroll is distributed and to ensure payroll disbursements are properly authorized. These reviews do not involve testing other internal controls or procedural aspects of payroll activities.

Discussion

The Internal Audit Department conducted a payroll distribution review of the Marketing Department for the pay period ended June 11, 2005. Identities were verified for each employee included on the payroll. Pay rates were agreed to the rates authorized in the employees' personnel files, while the hours paid were agreed to the employees' approved time sheets.

Summary

The Internal Audit Department conducted a surprise payroll distribution review of the Marketing Department for the pay period ended June 11, 2005. The payroll was distributed to current employees at their authorized pay rates and for the hours approved on their timesheets.

Attachment

A. Fourth Quarter Payroll Distribution Review, Internal Audit Report No. 05-028

Prepared by:

For

Robert A. Duffy
Manager, Internal Audit
(714) 560-5669

Approved by:

Richard J. Bacigálupo
Deputy Chief Executive Officer
(714) 560-5901

ATTACHMENT A

OCTA

INTEROFFICE MEMO

July 7, 2005

To: Ellen Burton, Executive Director
External Affairs

Jim Kenan, Executive Director
Finance, Administration & Human Resources

SN

From: Serena Ng, Internal Auditor
Internal Audit

Subject: **Fourth Quarter Payroll Distribution Review, Internal Audit Report No. 05-028**

Conclusion

In Internal Audit's opinion, the payroll distributed in the Marketing Department for the pay period ended June 11, 2005 was made to current employees at their authorized pay rates and for the hours approved on their time sheets.

Purpose and Scope

Payroll distribution reviews are performed to identify employees to whom the payroll is distributed and to ensure payroll disbursements are properly authorized. The scope of the distribution review included:

- Verifying the employees' identity;
- Comparing the hours charged on approved time sheets to the hours paid;
- Agreeing the rates paid to the rates authorized in the employees' Human Resource files; and
- Confirming that the rates paid fell within the rate ranges authorized on the Orange County Transportation Authority (OCTA) Personnel & Salary Resolution, Fiscal Year 2005.

The distribution review did not involve testing other internal controls or procedural aspects of payroll activities.

Background

The Internal Audit Department routinely conducts surprise payroll distributions of different departments within OCTA. For this review, the Marketing Department was selected. As of the selected payroll period, there were 16 employees assigned to the Marketing Department.

Discussion

On Friday, June 17, 2005, Internal Audit accompanied the Executive Secretary of External Affairs during the distribution of pay envelopes. Although the Executive Secretary of External Affairs distributed pay envelopes to multiple departments within the division, Internal Audit's testing was limited to the Marketing Department. As the pay envelopes were distributed to the Marketing Department, Internal Audit obtained the employees' signatures and identified them by their OCTA badge or driver's license. For employees not present that Friday, Internal Audit checked their identification and obtained their signatures the following week.

The hours shown on the approved time sheet were compared to the hours charged on the employee's Time Record History Report from the Lawson payroll system. The personnel files were reviewed to determine if the employees were paid at authorized rates. Additionally, the rates paid were verified to fall within the range for the employees' corresponding salary grade classification as authorized in the OCTA Personnel & Salary Resolution, Fiscal Year 2005.

Summary

In Internal Audit's opinion, the pay envelopes distributed in the Marketing Department for the pay period ended June 11, 2005 were made to current employees at their authorized pay rates and for the hours approved on their time sheets.

Audit performed by: Serena Ng, In-Charge Auditor
Boyd Davis

c: Richard Bacigalupo
Stella Lin
Dale Cole
Robert Duffy

8.

Item 8.

OCTA

BOARD COMMITTEE TRANSMITTAL

August 8, 2005

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject Limited Scope Review of Farebox Revenue Collection and Reporting

Finance and Administration Committee — July 27, 2005

Present: Directors Wilson, Duvall, Campbell and Cavecche
Absent: Directors Correa, Ritschel and Silva

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the Limited Scope Review of Farebox Revenue Collection and Reporting, Internal Audit Report No. 05-008.

OCTA

July 27, 2005

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: **Limited Scope Review of Farebox Revenue Collection and Reporting**

Overview

The Internal Audit Department has completed a review of controls being used to manage Orange County Transportation Authority's farebox revenue collection and reporting process. The report included a recommendation that policies and procedures be developed to document the practices of the revenue collection and reporting process. The Accounting Operations group concurs with Internal Audit's recommendation and is in the process of developing policies and procedures.

Recommendation

Receive and file the Limited Scope Review of Farebox Revenue Collection and Reporting, Internal Audit Report No. 05-008.

Background

The revenue accounting function is performed within the Accounting Operations group. The section manager of Accounting Operations reports to the manager of Accounting & Financial Reporting Department. This section is also responsible for the coin and currency counting done by Orange County Transportation Authority (OCTA) and contractor staff. There is a separation of duties between the individuals collecting cash, probing the farebox, moving the cash to be counted, counting the cash, and the review of the reconciliation.

The cash and coin revenue collected for the 12 months ending January 31, 2005, was $31,771,493.19. The total variance for the 12 months ending January 2005, was $1,836.20 (more revenue was deposited than the system recorded) or 0.0058 percent difference.

Discussion

Internal Audit's audit objective was to conduct a limited review of the fare collection and reporting process and the related management controls. Upon completing a survey of the process involved and consulting with accounting management, Internal Audit focused the review on the reporting and reconciliation process. Internal Audit's scope included, but was not limited to, the following areas:

- Review of the Coach Operator Handbook Section 7 on farebox policies and operations
- Review of the current fare matrix
- Review of available fare collection procedures
- Walk-through of the fare collection process, including observation of the bus farebox, the fuel islands at the base, and the OCTA money counting area
- Review of monthly reconciliation reports from the farebox application
- Review of reconciliation procedures used by accounting
- Research of information on standard industry variances

Internal Audit's audit work included reviewing the above information and interviewing key personnel.

Summary

Management has concurred with Internal Audit's recommendation and is taking action to develop policies and procedures for these functions by August 31, 2005.

Attachments

A. Limited Scope Review of Farebox Revenue Collection and Reporting - Internal Audit Report No. 05-008
B. Management Response to Internal Audit Report No. 05-008
C Limited Scope Review of Farebox Revenue Collection and Reporting, Closeout Memo

Prepared by:

FOR

Robert A. Duffy
Manager, Internal Audit
(714) 560-5669

Approved by:

Richard J. Bacigalupo
Deputy Chief Executive Officer
(714) 560-5901

ATTACHMENT A

OCTA

INTEROFFICE MEMO

June 7, 2005

To: Jim Kenan, Executive Director
Finance, Administration & Human Resources

From: Gerry Dunning, Senior Internal Auditor
Internal Audit

Subject: **Limited Scope Review of Farebox Revenue Collection and Reporting - Internal Audit Report No. 05-008**

Conclusion

The Internal Audit Department has completed a review of controls being used to manage Orange County Transportation Authority's farebox revenue collection and reporting process. **In Internal Audits opinion**, the controls over the revenue collection and reporting process are generally adequate to ensure the safeguarding of Orange County Transportation Authority's assets. Based on the review, however, **Internal Audit is recommending** improvements that will strengthen internal controls.

Background

The Revenue Accounting function is performed within the Accounting Operations group. The Section Manager of Accounting Operations reports to the Manager of Accounting & Financial Reporting Department. This section is also responsible for the coin and currency counting done by Orange County Transportation Authority (OCTA) and contractor staff. There is a separation of duties between the individuals collecting cash, probing the farebox, moving the cash to be counted, counting the cash and reviewing the reconciliation.

The revenue reporting process is initiated when the fares are deposited by the customer in the farebox on each bus. The coach operator must press the correct key on the farebox in order to properly categorize the type of fare being collected. For example, a $1.25 cash fare could be recorded as a regular one-way fare or as a senior/disabled day pass depending on the key selected.

Revenue reports are compiled from data collected by the farebox application software and from cash counted and credited to the OCTA bank account. OCTA service workers remove the cash boxes in most cases on a daily basis.

The service workers do an electronic probe of the data and remove the cash bin for the counting process at the same time. The cash is counted by a combination of OCTA staff located at an OCTA facility, and contractor staff located at a contractor facility.

The application software then reconciles the total cash counted, and a report is generated for review. The current practice is for the Section Manager of Accounting Operations to review this reconciliation monthly. Any significant differences in revenue between the farebox application records and what OCTA receives in the bank can then be investigated to determine reasons for differences. Possibilities for differences might be:

- Human error by the coach operator recording the fare.
- Mechanical problems with the farebox.
- Problems with the electronic probing process.
- Farebox software problems.
- Cutoff problems with the collection of data or cash.
- Theft of cash somewhere in the process.

The cash and coin revenue collected for the 12 months ending January 31, 2005, was $31,771,493.19. The total variance for the twelve months ending January 2005, was $1,836.20 (more revenue was deposited than the system recorded), or a 0.0058 percent difference.

Purpose and Scope

The audit was performed as part of the continuing work of Internal Audit to assist management in the discharge of their responsibilities and to protect the integrity of OCTA's operations and assets.

Internal Audit's audit objective was to conduct a limited review of the fare collection and reporting process and the related management controls. Upon completing a survey of the process involved and consulting with accounting management, Internal Audit focused the review on the reporting and reconciliation process. Internal Audit's scope included, but was not limited to, the following areas:

- Review of the Coach Operator Handbook Section 7 on fare-box policies and operations.
- Review of the current Fare Matrix.
- Review of available fare collection procedures.

- Walk-through of the fare collection process, including observation of the bus farebox, the fuel islands at the base, and the OCTA money counting area.
- Review of monthly reconciliation reports from the farebox application.
- Review of reconciliation procedures used by accounting.
- Research of information on standard industry variances.

Audit work performed by Internal Audit included reviewing the above information and interviewing key personnel.

Observations and Recommendation

Observation

Written Policies and Procedures for the Review Of Farebox Reconciliations.

There is currently a practice of reviewing the reconciliations on a regular basis, however, there are no written policies and procedures for the review of the reconciliations of the farebox revenue recorded, compared to the farebox revenue deposited. In addition, there are no written procedures that describe the review process, the policy for acceptable differences, the policy for frequency of the review process, procedures for how the review should be conducted or a policy detailing who unusual variances should be reported to.

Recommendation

Internal Audit recommends that written policies and procedures be developed, at a minimum, to address the following areas:

- Determine the frequency for the review of reconciliations.
- Designate the OCTA job position that is primarily responsible for reviewing reconciliations as well as the backup position when the primary is absent.
- Establish a standard for an acceptable difference.
- Define the policy for reporting differences when the established standard is exceeded.
- Ensure that the policies and procedures provide a requirement for documentation to show that the appropriate reconciliation and review have been completed.

Summary

Based on Internal Audit's review, the controls over the reconciliation process are adequate; however, the control environment could be improved. Internal Audit has made the above recommendation to help enhance the process.

Internal Audit appreciates the cooperation received from the Manager of Accounting Operations on this review.

Internal Audit requests that the Executive Director of Finance, Administration & Human Resources respond to our recommendation by **June 21, 2005**. Responses should be directed to Robert Duffy, Manager of Internal Audit.

Audit performed by: Gerry Dunning, In-Charge Auditor
Maria Robledo

c: Rick Bacigalupo
Bob Duffy
Dale Cole
Tom Wulf

OCTA

INTEROFFICE MEMO

June 20, 2005

To: Robert Duffy, Manager, Internal Audit

From: James S. Kenan, Executive Director KP
Finance, Administration and Human Resources

Subject: **Limited Scope Review of Farebox Revenue Collection and Reporting – Internal Audit Report No. 05-008**

Following is the written response indicating the corrective action taken or planned to address the recommendation provided by your department.

Recommendation

IA recommends that OCTA develop a form of Written Policies and Procedures for the Review of Farebox Reconciliations. The written policies and procedures, at a minimum, should address the following areas:

- Determine the frequency for the review of reconciliations.
- Designate the OCTA job position that is primarily responsible for reviewing reconciliations as well as the backup position when the primary is absent.
- Establish a standard for an acceptable difference.
- Define the policy for reporting differences when the established standard is exceeded.
- Ensure that the policies and procedures provide a requirement for documentation to show that the appropriate reconciliation and review have been completed.

Response: Management has reviewed and concurs with the recommendation to improve the controls over the revenue collection and reporting process. Written Policies and procedures documenting farebox reconciliations are targeted for completion by August 31, 2005.

C: Rick Bacigalupo
Dale Cole
Tom Wulf
Gerry Dunning

ATTACHMENT C

OCTA

INTEROFFICE MEMO

June 29, 2005

To: James S. Kenan, Executive Director
Finance, Administration and Human Resources

From: Gerry Dunning, Senior Internal Auditor GD
Internal Audit

Subject: **Limited Scope Review of Farebox Revenue Collection and Reporting, Close-out Memo**

Internal Audit has received and concurs with management's response to the recommendations issued in the Limited Scope Review of the Farebox Revenue Collection and Reporting - Internal Audit Report No. 05-008. Management has agreed to develop written policies and procedures documenting farebox reconciliations for completion by August 31, 2005. Internal Audit appreciates the responses and the cooperation received during the audit. Internal Audit will be available to provide comments on these new procedures prior to implementation and we will conduct a follow-up review of the new policies and procedures during our next review of the Farebox Revenue Collection and Reporting process.

Attachment: Management Response Memo

c: Rick Bacigalupo
Bob Duffy
Dale Cole
Tom Wulf

9.

BOARD COMMITTEE TRANSMITTAL

OCTA

August 8, 2005

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject: Preparation of the 2006 Federal Legislative Platform

This item will be considered by the Legislative and Government Affairs/Public Communications Committee on August 4, 2005. Following Committee consideration of this matter, staff will provide you with a summary of the discussion and action taken by the Committee.

Please call me if you have any comments or questions concerning this correspondence. I can be reached at (714) 560-5676.

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

OCTA

August 4, 2005

To: Legislative and Government Affairs/ Public Communications Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Preparation of the 2006 Federal Legislative Platform

Overview

The Orange County Transportation Authority is preparing the legislative platform in advance of the 2006 session of Congress. As a listing of objectives and issue positions, the legislative platform provides general direction to staff and legislative representatives in Washington, D.C.

Recommendation

Approve the preparation plan and timeline for the Federal Legislative Platform.

Background

Annually, Orange County Transportation Authority (OCTA) staff collects legislative ideas from interested parties within Orange County, subsequently evaluating and consolidating suggestions and strategies into a framework document to guide OCTA's federal legislative activities for the upcoming year. The document is initially submitted as a draft and then in final form to the Board of Directors for adoption. In addition to adoption of the 2006 Federal Legislative Platform, OCTA staff will pursue input from the Board on particular authorization and appropriations bills considered by Congress to guide in advocacy positions and responses.

Discussion

The OCTA Federal Legislative Platform provides guidance on federal statutory, regulatory, and administrative policies for staff and its legislative advocates to pursue in the subsequent year. Timely adoption of the platform allows time to develop support for OCTA projects and funding requests as well as recommend advocacy positions on bills early in the legislative process.

In gathering ideas and information for potential legislative needs in 2006, Federal Relations Department staff will seek suggestions from Board Members; OCTA division directors and department managers; regional and state transportation agencies, associations, and interest groups; cities; the County of Orange; various parties in the public and private sectors; OCTA advisory groups; and users of OCTA services. Advice will be sought from members of the Orange County legislative delegations and their staffs.

Once legislative ideas are collected, staff will formulate a draft 2006 Federal Legislative Platform. Subsequently, the document will be reviewed by legislative advocates, legal counsel, and members of the Legislative and Government Affairs/Public Communications Committee. After extensive circulation and revision, final adoption will be sought at the Board's November 28, 2005, meeting. A detailed timeline is presented as Attachment A.

The Board adopted 2005 Federal Legislative Platform is included as Attachment B.

Summary

The proposed timeline and process for the preparation of the 2006 Federal Legislative Platform are presented for approval.

Attachments

A. Proposed Adoption Schedule of Orange County Transportation Authority 2006 Federal Legislative Platform
B. Orange County Transportation Authority 2005 Federal Legislative Platform

Prepared by:

for

Kristine Murray
Manager, Federal Relations
(714) 560-5906

Approved by:

Richard J. Bacigalupo
Deputy Chief Executive Officer
(714) 560-5901

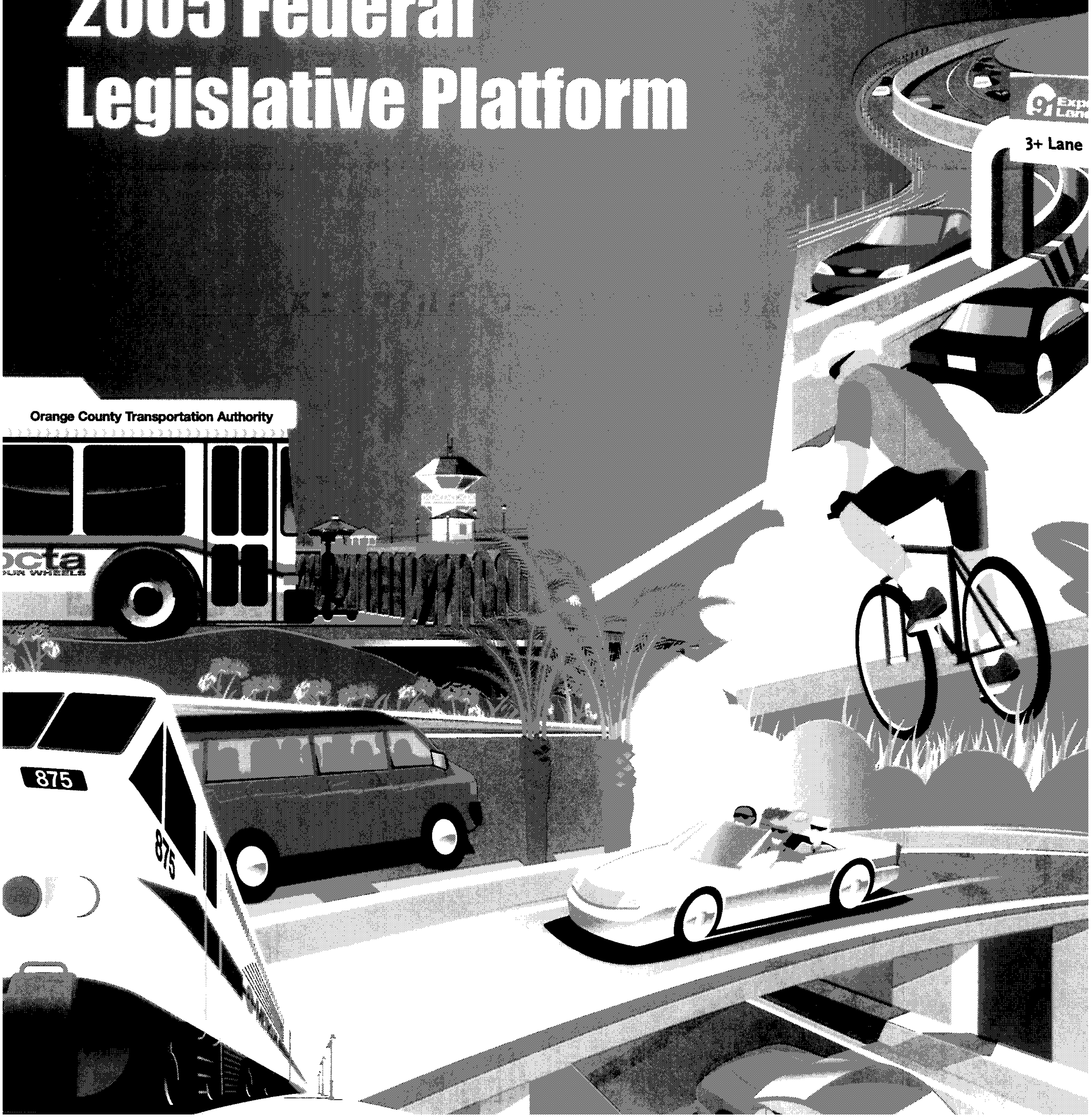
Proposed Adoption Schedule of Orange County Transportation Authority 2006 Federal Legislative Platform

Proposed Action	Target Date
Provide schedule and preparation process to the members of the Legislative and Government Affairs/Public Communications (LGA/PC) Committee.	**August 4, 2005**
Receive requests for legislative suggestions from the Board of Directors, OCTA staff, OCTA standing committees, Orange County Legislative delegations, transportation agencies and associations, Orange County organizations, and interested members of the public.	**September 9, 2005**
Present preliminary draft of 2006 Federal Legislative Platform to LGA/PC Committee. Circulate and receive comments from staff, legislative advocates, legal counsel, and Board Members. Revise platform based on input.	**October 20, 2005**
Comments due back.	**November 3, 2005**
Present draft 2006 Federal Legislative Platform to LGA/PC Committee for recommendation to the Board of Directors.	**November 17, 2005**
Present draft 2006 Federal Legislative Platform to Board of Directors for adoption.	**November 28, 2005**
Distribute adopted 2006 Federal Legislative Platform.	**December 2005**

ATTACHMENT B

KEEPING ORANGE COUNTY MOVING

2005 Federal Legislative Platform



FEDERAL PLATFORM

I. SURFACE TRANSPORTATION LEGISLATION

In 2005, Congress will continue to consider the successor bill to the 1998 Transportation Equity Act for the 21st Century (TEA-21). This landmark $219 billion legislation authorized federal funding for the nation's road, rail, and transit projects through September 30, 2003. National, state, and local transportation associations and agencies spent most of 2004 preparing for the reauthorization process by developing recommendations on funding formulas, program structure, equity, and expedited project delivery for inclusion in the new Act.

By previous action on June 20, 2002, the Orange County Transportation Authority Board adopted the California Transportation Consensus Principles. These principles were developed through a collaborative effort between the Business, Transportation and Housing Agency, the California Association of Councils of Governments, regional transportation planning agencies, and other interested parties. Because the policy objectives in this document represents OCTA's general interests, and in order to provide a united front for transportation in general, and California in particular, OCTA will continue to support the California Transportation Consensus Principles for Reauthorization of the Transportation Equity Act for the 21st Century (Exhibit A).

In addition to these broad general funding and process principles, OCTA has an interest in continuing some specific provisions of TEA-21 and in changing others. Key issues important to OCTA to be advanced through its associations and advocates during the reauthorization process include:

a) Support a 90.5 percent or higher minimum guarantee to individual states of return to source funding for federal-aid highway programs.

b) Support continuation of the Congestion Mitigation and Air Quality (CMAQ) program funding formulas that include multipliers for the worst air quality non-attainment problems.

c) Oppose any provision in surface transportation reauthorizing legislation that changes the current weighting factors assigned to non-attainment areas for the purposes of determining each state's share of CMAQ funds.

d) Support expanded eligibility for use of CMAQ funds to include improved transit frequency and headways.

e) Support language in surface transportation reauthorizing legislation whereby federal obligational authority used for demonstration projects are "taken off the top" when determining state apportionments, so that these funds will not be subtracted from a county's funding share.

f) Support advanced funding of CMAQ-eligible projects through deposits into an operating fund rather than expenditure reimbursement.

g) Support reimbursement to local entities for expenditures made on projects approved and listed in the Federal Transportation Improvement Program.

h) Support expansion of Intelligent Transportation Systems program to include funding for operations rather than just capital expenditures.

i) Support changes in New Start program selection criteria to consider travel time savings and give priority to projects, which provide access to airports or other inter-modal sites.

j) Support directly allocating planning funds via state processes to metropolitan planning organizations but do not support increased federal funding for metropolitan planning organizations.

k) Support creation of a separate funding category for goods movement projects.

l) Support provisions to ensure that local entities that overmatch federal discretionary funding in the New Starts Program are rewarded.

m) Support provisions to ensure that New Start segments or extensions that are wholly locally funded receive credit as match for local efforts.

n) Support renewal of exemption for public transit buses from the maximum axle weight requirements of federal-aid highways.

o) Support adding noise mitigation as an eligible expenditure for Transportation Enhancement Activities highway funding.

p) Protect from repeal or adverse amendments for credits for non-federal share match by private entity expenditures to construct the SR-91 toll road and toll revenues generated by agencies that have built toll facilities without federal funds.

q) Seek to expand permissible uses of Urbanized Area Formula Grant (Section 5307) funding to public transit operators to include operating costs of Older Americans Act program transportation services, similar to Americans with Disabilities Act (ADA) transportation services.

The above principles do not include the categorical and demonstration project funding that OCTA will be seeking for Orange County. A list of transit and highway projects prepared by the OCTA Strategic Planning Division, along with projects proposed by Orange County cities, was provided in a separate report for Board review and approved by the Board in January 2003 (Exhibits B and C). Among the recommended projects were:

a) Inclusion of the final design and construction for The CenterLine Light Rail Project and its extensions under Section 5309 Fixed Guideway New Starts and Extensions category.

b) Grade separation projects countywide, specifically including a $250 million funding earmark for the OnTrac Project sponsored by the City of Placentia.

c) A $121 million funding earmark for the widening of Bristol Street in Santa Ana.

d) A $221.3 million funding earmark the State Route 91 Widening Project.

e) A $44.2 million funding earmark for the I-5/Ortega Highway interchange Project.

f) A $181.5 million funding earmark for the I-405 Widening Project.

Given the possibility that current transportation legislation will be extended into 2005, staff recommends that the board consider supporting the following additional projects for inclusion in future surface transportation reauthorizing legislation:

g) A $240 million funding earmark for the Anaheim Regional Transportation Inter-modal Center (ARTIC).

h) A $60 million funding earmark for the western segment connecting the cities of Anaheim and Ontario for the California-Nevada Super Speed Train (MAGLEV) project.

i) Support legislation which authorizes funding for public transportation terrorism response and prevention.

II. FISCAL YEAR 2006 TRANSPORTATION APPROPRIATIONS BILL

While it is generally anticipated that the negotiations on the surface transportation authorization act will continue to be one of the major focuses of OCTA's federal legislative efforts in 2005, the transportation appropriations bill will also be important because it provides the funding for the authorized programs. In addition, the Homeland Security Act, passed in 2002, created a new federal Department of Homeland Security and transferred several programs critical to transportation into that department from the Department of Transportation. In 2005, OCTA will work to:

a) Seek a fiscal year 2006 appropriation earmark of $80 million for The CenterLine project commensurate with project budget under Section 5309 (m) (1) (B).

b) Support continued full funding of Section 5309 (m) (1) (A) rail modernization grant funds.

c) Support appropriations for bus and bus-related OCTA projects under Section 5309 (m) (1) (C).

d) Support appropriations for the Department of Homeland Security, which protects national transportation systems including transit facilities, rail lines, and related software systems.

e) Support additional federal appropriations to underwrite funding for efforts to increase security of our nation's transportation infrastructure and systems.

f) Secure funding earmarks in Fiscal Year 2006 appropriations legislation for the following highway projects:
   - Interstate 405 Widening Project
   - State Route 91 "Chokepoint" Project
   - State Route 91 Widening Project
   - State Route 91 Truck Storage Lane Project
   - State Route 91/State Route 241 High Occupancy Toll Connector Project
   - Interstate 5 High Occupancy Vehicle Lane Phase 1 Project
   - Interstate 5/Ortega Highway Interchange Project
   - Interstate 5/State Route 55 "Chokepoint" Project

g) In concert with other area transportation agencies, and community colleges, secure a $1 million funding earmark for the Southern California Regional Training Consortium whose purpose is to develop and transmit bus maintenance training information to the transit agencies in Southern California.

III. TRANSIT, RAIL AND HIGHWAYS

While next year's federal legislative focus will be on reauthorization of TEA-21 and Fiscal Year 2006 transportation appropriations, it is likely that other bills may be introduced to deal with specific transit, rail, or highway issues. In addition, OCTA works with various federal agencies to gain approval and support for its federally funded projects. Key legislative issues and tasks will include:

a) Support bond issues for Amtrak improvements in high-speed rail corridors with tax exemptions for bondholders.

b) Advocate for additional funding for at-grade rail crossings, pedestrian trails, and grade separations to improve vehicle and pedestrian safety.

c) Support legislation to encourage the Federal Highway Administration, Federal Transit Administration, and the Environmental Protection Agency to reform administrative procedures to expedite federal review and reduce delays in payments to local agencies and their contractors for transportation project development, right-of-way acquisition, and construction activities.

d) Support efforts to expand the definition of the Alameda Corridor East Project to include North Orange County.

e) Seek authority for highway funds for retrofit sound mitigation measures, such as soundwalls.

IV. ENVIRONMENTAL POLICIES

Federal environmental laws affecting OCTA include the National Environmental Protection Act, the Federal Clean Air Act, Federal Water Pollution Control Act, and Federal Endangered Species Act. While it is generally not anticipated that there will be significant changes in these Acts next year, OCTA historical positions have included:

a) Seek opportunities to streamline the environmental process for federally funded projects.

b) Support legislation to establish that equally or more protective state requirements, such as the California Environmental Quality Act (CEQA), can be substituted for National Environmental Protection Act (NEPA) requirements.

c) Support legislation promoting bicycle facilities or bicycling as a commute option.

d) Support legislation that encourages the development of hydrogen fueled vehicles and infrastructure, and to seek funding for hydrogen related such projects in Orange County.

V. EMPLOYMENT ISSUES

Federal employment laws affecting OCTA include the Federal Fair Labor Standards Act, the Federal Family and Medical Leave Act, the Federal Occupational Safety Health Act and the Omnibus Transportation Employee Testing Act of 1991. While it is generally not anticipated that there will be significant changes in these Acts next year, OCTA historical positions have included:

a) Support income tax reductions for employees receiving employer-provided transit passes, vanpool benefits, or parking spaces currently counted as income.

b) Oppose legislation and regulations adversely affecting management's ability to effectively and efficiently deal with labor relations, employee rights, benefits, and working conditions including health, safety, and ergonomics standards for the workplace.

Exhibit A

CALIFORNIA TRANSPORTATION CONSENSUS PRINCIPLES

FOR THE REAUTHORIZATION OF THE TRANSPORTATION EQUITY ACT FOR THE TWENTY-FIRST CENTURY (TEA-21)

California's transportation system is the gateway for the economic engines within the state that drive the national economy and for the largest proportion of the goods and services that link the United States with its global markets. The efficiency, security, and quality of California's transportation system directly affect the economic wellbeing of every other state in the nation. Reauthorization of TEA-21 provides an opportunity to strengthen transportation's key role in supporting national security and the global economic competitiveness of the United States in the 21st Century. The following are California's principles in furthering that goal:

Funding

- Increase funding levels by raising annual obligation limits and spending down the unobligated balances in the Highway Trust Fund.
- Maintain the guaranteed funding levels and "firewalls" established in TEA-21 that match transportation expenditures to transportation revenues.
- Retain the Revenue Aligned Budget Authority (RABA) mechanism, but distribute the proceeds consistent with the historical split of gas tax proceeds both to the Highway and Mass Transit Accounts.
- Develop a mechanism to use available Highway Trust Fund balances to dampen the large swings in funding that could result from negative RABA adjustments. There should not be a major reduction in funding levels when Highway Trust Fund balances are high and can be used to mitigate negative RABA adjustments.
- Allow for easier access to and/or flexibility in qualifying projects from approved Regional Transportation Plans for innovative financing. This effort would include the modification of regulations and/or incentives for innovative financing arrangements including increased capitalization of infrastructure banks, debt-financing flexibility, direct treasury financing, access to public-private joint ventures, and the broadening of eligibility rules of the innovative financing program.

Program Structure

- Continue the basic program structure instituted by ISTEA that provides state, regional, and local officials the flexibility to allocate federal funds to a range of highway, transit, local road, and bicycle/pedestrian improvements based on needs.
- Remove barriers to funding projects and programs that promote more efficient operation of the existing transportation system, such as deleting the three-year limit on the use of CMAQ funds and the varying local match requirements among different transportation programs.
- Concentrate any increased funding in the existing highway and transit formula and capital investment programs. Refrain from creating any new discretionary programs beyond those currently authorized by law.
- Provide for increased program capacity to support the safe and efficient movement of goods in corridors that are crucial to national economic security and vitality, and provide for the mitigation of congestion and environmental effects of such movements.

Support this effort by using Highway Trust Fund dollars or other Federal funding sources for programmatic increases in excess of current authorizations.

Equity

- Ensure that California receives an increased share of highway funding based on its contributions to the Highway Trust Fund and preeminent role in the national economy.
- Oppose efforts to impose an arbitrary funding "cap" on the disbursement of formula or discretionary federal transit funds to any state.

Expediting Project Delivery

- Link permitting agency review and approval to environmental review processes for environmentally responsible and expeditious project delivery. Federal agencies should coordinate policy and share financial and staff resources to integrate and expedite use of authorized funds to meet local, state, and national transportation and environmental priorities.
- Provide states with financial incentives such as enhanced and coordinated funding to assure the use of integrated review and planning procedures.
- Pursue a California pilot program demonstrating coordination of effort and funding between the state and federal permitting agencies and regulatory structures.

Exhibit B

SUMMARY OF ORANGE COUNTY TRANSPORTATION AUTHORITY PROJECTS

Reauthorization of the Transportation Equity Act for the 21st Century (TEA-21)

Description	Federal Funds Requested	Plan Consistency		Target Opening Date	Current Status
		OCTA LRTP	In RTP		
Section 5309 New Starts					
CenterLine Light Rail & Extensions	**$482,800,000**	X	X	2011	Preliminary Engineering
Section 5309 Bus and Bus Facilities					
Bus Rapid Transit - Initial Capital	$54,120,000	X	X	2004-2012	Planning
Intercounty Express Bus	$18,240,000	X	X	2003-2007	Service Planning
Transit Operations/Maintenance Base	$57,600,000	X	X	2009	Planning
Santa Ana Transit Terminal	$600,000	X	X	TBD*	Planning
Fare Collection System	$8,000,000	X	X	2006	Planning
Kiosks, Vehicle, Cameras on Buses	$2,960,000	X	X	2004	Planning
Security Cameras at Transit Centers	$1,240,000	X	X	TBD*	Planning
Security for Rail Crossings/Bridges	$4,800,000	X	X	TBD*	Planning
Total	**$147,560,000**				
High Priority Highway Projects					
Bristol Street Multi-Modal Corridor	$107,121,000	X	X	2007	Preliminary Engineering
State Route 91 Widening	$221,325,000	X	nominated	2010	Preliminary Planning
SR-91 Chokepoint Projects at Orange/Riverside County Line	$40,700,000	X	X	2007-2010	PSR Complete
Grade Separations-Orange/Olive Corridor	$146,400,000	X	X	TBD*	Preliminary Planning
SR-22/I-405 HOV Direct Connector	$66,400,000	X	X	TBD*	Environmental
I-5/Ortega Highway Interchange	$44,265,000	X	X	2010	PSR 65% complete
I-5 South HOV Lane Phase I	$62,000,000	X	X	TBD*	Preliminary Planning
I-5 and SR-55 Chokepoint	$53,000,000	X	nominated	TBD*	Preliminary Planning
I-405 Widening & Improvements	$181,500,000	X	nominated	TBD*	Preliminary Planning
Total	**$922,711,000**				
Goods Movement Projects					
City of Placentia On Trac **	$177,060,000	X	X	TBD*	Environmental
State Route 57 Truck Climbing Lane	$58,400,000	X	X	2010	PSR Complete
Grade Separations-Orangethorpe Corridor	$70,800,000	X	X	TBD*	Preliminary Planning
State Route 91 Truck Storage Lane	$7,082,000	X	X	2007	Preliminary Planning
Total	**$313,342,000**				
Intelligent Transportation System					
State College Boulevard - Capital	$2,688,000	X	X	TBD*	Identify Funding
Beach Boulevard - Capital	$2,320,000	X	X	TBD*	Identify Funding
Total	**$5,008,000**				
Grand Total	**$1,871,421,000**				

* TBD - Year of opening or implementation contingent upon appropriation; ** City of Placentia responsible for directly seeking appropriations.

LRTP - Long Range Transportation Plan; RTP - Regional Transportation Program

Exhibit C

SUMMARY OF PROJECTS BY LOCAL CITIES AND AGENCIES

Reauthorization of the Transportation Equity Act for the 21st Century (TEA-21)

Project Title (Limits)	Total Project Cost	Federal Share	State Share	Local Share
Aliso Viejo				
Pedestrian Access Bridge to School Sites	$6,050,000	$4,840,000	$-	$1,210,000
Anaheim				
Anaheim Regional Transportation Intermodal Center	$295,000,000	$245,000,000	$-	$50,000,000
Burlington Northern Santa Fe RR Soundwall Supplemental Appropriation	$6,000,000	$4,800,000	$-	$1,200,000
Burlington Northern Santa Fe RR/SR-90 Underpass Supplemental Appropriation	$20,000,000	$16,000,000	$-	$4,000,000
Brea				
SR57/Lambert Rd. Interchange Improvements	$13,750,000	$11,000,000	$1,375,000	$1,375,000
Buena Park				
Interjurisdictional Traffic Surveillance and Control	$3,000,000	$2,400,000	$-	$600,000
Costa Mesa				
Harbor Blvd. N. & I-405 Interchange Improv.	$4,000,000	$3,000,000	$-	$1,000,000
Fairview Rd/I-405 Interchange Improvements	$2,400,000	$1,900,000	$-	$500,000
East 17th Street Corridor Improvements	$2,200,000	$1,760,000	$-	$440,000
County of Orange				
Widen Laguna Canyon Rd from I-405 on the north to to El Toro Rd on the south	$32,200,000	$16,200,000	$-	$16,000,000
Alton Parkway Extension from Commercentre Drive to I-405	$21,000,000	$14,000,000	$-	$7,000,000
Cypress				
Installation of the Holder Street Bridge	$1,070,000	$856,000	$-	$214,000
Dana Point				
Coast Highway Street Improvements	$4,000,000	$3,000,000	$-	$1,000,000
PCH Landscaped Median Project	$3,000,000	$2,000,000	$-	$1,000,000
Stonehill Drive Landscaped Median Project	$4,000,000	$3,000,000	$-	$1,000,000
Del Obispo Landscaped Median Project	$1,000,000	$800,000	$-	$200,000
Fullerton				
Grade Separation at State College and BNSF ROW	$31,686,100	$25,348,800	$-	$6,337,300
Garden Grove				
Reconstruct Harbor Blvd. Bridge at SR-22	$17,000,000	$8,800,000	$4,400,000	$3,800,000
GMA #6				
Major Corridor Improvement of I-405 from SR-73/SR-55 to LA County Border	$280,000,000	$224,000,000	$-	$56,000,000
Irvine				
Sand Canyon/SCRRA Grade Separation	$22,000,000	$17,600,000	$-	$4,400,000
Alton/SR-55 Interchange Improvement	$55,000,000	$44,000,000	$-	$11,000,000
Laguna Hills				
La Paz Rd. at I-5 Interchange Reconstruction	$4,000,000	$3,200,000	$400,000	$400,000

Exhibit C (continued)

Project Title (Limits)	Total Project Cost	Federal Share	State Share	Local Share
Laguna Niguel				
Bridge Construction from Camino Capistrano to Vista Viejo Road	$7,500,000	$6,000,000	$-	$1,500,000
Laguna Woods				
El Toro Rd./Paseo de Valencia/I-5 On Ramp	$600,000	$480,000	$-	$120,000
Placentia				
OC Gateway Railroad Grade Separation	$200,000,000	$177,060,000	$22,940,000	$-
Rancho Santa Margarita				
Signal Synchronization of Antonio Parkway	$156,500	$125,200	$-	$31,300
San Clemente				
Avenida La Pata Extension Design from Via Saluda to Ortega Highway	$2,500,000	$2,000,000	$-	$500,000
San Juan Capistrano				
Improve Interchange Ramps and Bridge Widening at Ortega Hwy/I-5 Interchange	$40,000,000	$15,000,000	$15,000,000	$10,000,000
Install Southbound Off Ramp at I-5/Stonehill Drive	$7,030,000	$2,815,000	$2,815,000	$1,400,000
Santa Ana				
Bristol Street Widening from Civic Center Drive to Warner Avenue	$121,000,000	$96,800,000	$-	$24,200,000
Seal Beach				
Seal Beach Blvd. @ I-405 Bridge Replacement	$20,000,000	$16,000,000	$-	$4,000,000
Seal Beach Blvd. Raised Medians	$800,000	$640,000	$-	$160,000
Transportation Corridor Agencies				
Median Cable Railing SR-73, 133, 241, 261	$4,000,000	$3,200,000	$-	$800,000
Tustin				
Tustin Ranch Road Extension	$22,100,000	$17,680,000	$-	$4,420,000
Red Hill Ave. Grade Separation at OCTA/SCRRA/ Edinger Ave.	$25,000,000	$20,000,000	$-	$5,000,000
Newport Ave./SR-55 Ramp Reconfiguration	$20,000,000	$6,500,000	$-	$13,500,000
Newport Ave. Extension and Widen to Six Lanes	$26,800,000	$19,070,000	$-	$7,730,000
Construction of Road at Valencia North Loop Rd. and Armstrong Ave. within MCAS Tustin	$27,500,000	$22,000,000	$-	$5,500,000
Westminster				
Bolsa Blvd. Raised Medians	$2,000,000	$1,600,000	$-	$400,000
Bolsa Chica Rd. @ I-405 Bridge Widening	$3,000,000	$2,400,000	$-	$600,000
Goldenwest @ I-405 Bridge Widening	$3,500,000	$2,800,000	$-	$700,000
Newland St. @ I-405 Bridge Widening	$4,000,000	$3,200,000	$-	$800,000
Edwards Street Widening	$2,500,000	$2,000,000	$-	$500,000
Yorba Linda				
OC Gateway Railroad Soundwall Project	$4,725,000	$3,780,000	$-	$945,000
TOTAL	$1,373,067,600	$1,074,655,000	$46,930,000	$251,482,600

Exhibit D

2005 APPROPRIATIONS SUMMARY OF OCTA PROJECTS

Description	2004 Federal Funds Requested	2004 Federal Funds Received	2005 Federal Funds Requested	Account
[illegible]				
CenterLine Light Rail & Extensions	$28,800,000	$-	$40,000,000	5309 New Starts
[illegible]				
Bus Rapid Transit - Initial Capital	$28,880,000	$2,210,085	$26,669,915	5309 Bus
Intercounty Express Bus	$18,240,000	$1,080,486	$17,159,514	5309 Bus
Transit Operations/Maintenance Base	$-	$-	$-	5309 Bus
Santa Ana Transit Terminal	$-	$-	$-	5309 Bus
Fare Collection System	$8,000,000	$982,260	$7,017,740	5309 Bus
Kiosks, Vehicle, Cameras on Buses	$-	$-	$-	5309 Bus
Security Cameras at Transit Centers	$1,240,000	$319,234	$920,766	5309 Bus
Security for Rail Crossings/Bridges	$-			
Total	*$56,360,000*	*$4,592,065*	*$51,767,935*	
[illegible]				
Bristol Street Multi-Modal Corridor	$26,780,000	$-	$26,780,000	Nat'l Corridor Planning & Development Program
State Route 91 Widening	$36,890,000	$-	$36,890,000	Nat'l Corridor Planning & Development Program
SR-91 Chokepoint Projects at Orange/Riverside County Line	$31,870,000	$-	$31,870,000	Nat'l Corridor Planning & Development Program
Grade Separations-Orange/Olive Corridor	$24,400,000	$-	$24,400,000	Nat'l Corridor Planning & Development Program
SR-22/I-405 HOV Direct Connector	$11,600,000	$-	$11,600,000	Interstate Maintenance
I-5/Ortega Highway Interchange	$7,400,000	$800,000	$6,600,000	Interstate Maintenance
I-5 South HOV Lane Phase I	$10,300,000	$-	$10,300,000	Interstate Maintenance
I-5 and SR-55 Chokepoint	$8,800,000	$-	$8,800,000	Interstate Maintenance
I-405 Widening & Improvements	$30,200,000	$-	$30,200,000	Interstate Maintenance
Total	*$188,240,000*	*$800,000*	*$187,440,000*	
[illegible]				
OnTrac (*City of Placentia Sponsored Project*)	$-	$-	$-	*City of Placentia responsible for sending appropriations form*
State Route 57 Truck Climbing Lane	$9,700,000	$-	$9,700,000	Nat'l Corridor Planning & Development Program
Grade Separations-Orangethorpe Corridor	$11,800,000	$-	$11,800,000	Nat'l Corridor Planning & Development Program
State Route 91 Truck Storage Lane	$2,400,000	$-	$2,400,000	Nat'l Corridor Planning & Development Program
Total	$23,900,000	$-	$23,900,000	
Intelligent Transportation System				
State College Boulevard - Capital	$2,688,000	$-	$2,688,000	Intelligent Transportation Systems
Beach Boulevard - Capital	$2,320,000	$-	$2,320,000	Intelligent Transportation Systems
Total	*$5,008,000*	*$-*	*$5,008,000*	
Grand Total	$302,308,000	$5,392,065	$308,115,935	
[illegible]				
Anaheim Resort Transit, Anaheim		$491,130		Section 5309 Bus
Town Center/Old Town Enhancement Project, Yorba Linda		$3,100,000		Surface Transportation Program
Harbor Blvd. Intelligent Transportation, Garden Grove		$800,000		Intelligent Transportation Systems
Total		*$4,391,130*		
Total 2004 Earmarks (OCTA + OC)		$9,783,195		
% of Total Request		***3%***		

10.

Item 10.

BOARD COMMITTEE TRANSMITTAL

August 8, 2005

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject	Insurance Broker Restitution Fund

Finance and Administration Committee — July 27, 2005

Present: Directors Wilson, Duvall, Campbell and Cavecche
Absent: Directors Correa, Ritschel and Silva

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to endorse the Marsh Restitution Fund General Release for $79,821.30.

OCTA

July 27, 2005

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Insurance Broker Restitution Fund

Overview

The Orange County Transportation Authority is eligible to participate in a restitution fund as a result of a settlement agreement between Marsh Risk and Insurance Services, Inc., the Attorney General of New York, and the Superintendent of Insurance of the State of New York. The general release must be submitted by September 20, 2005, for the Orange County Transportation Authority to receive $79,821.30, in restitution.

Recommendation

Authorize the Chief Executive Officer to endorse the Marsh Restitution Fund General Release for $79,821.30.

Background

The Orange County Transportation Authority (OCTA) is self-insured for liability and workers' compensation but also purchases insurance to cover excess exposures in these areas and to protect OCTA real and business personal property from accidental loss.

In order to purchase insurance at competitive rates, OCTA utilizes an insurance broker for marketing and placement of insurance. Marsh Risk and Insurance Services, Inc. (Marsh), the current broker of record, markets and procures excess liability and workers' compensation, property, crime, terrorism, and business interruption insurance, subject to Board approval. Marsh has been the broker of record for OCTA since 1986.

Discussion

In October 2004, the New York Attorney General and Superintendent of Insurance of the State of New York commenced actions against Marsh alleging that Marsh engaged in "bid rigging", improperly steered insurance placements to insurers that paid Marsh contingent commissions, and that Marsh failed to adequately disclose contingent compensation arrangements.

Contingent commissions or market service revenues are common in the industry and are usually generated from a market service agreement that an insurance broker makes with an insurance company for the placement of a large book of business.

"Bid rigging" is an illegal method used by an insurance broker to obtain a contingent commission by steering a client to purchase insurance from an insurance company that has a market service agreement with the broker. To make certain that the client purchases the insurance from the insurance company with whom they have a market service agreement, the broker obtains a reasonable quote from the intended insurer and seeks out what is referred to as throw away quotes, or quotes that are unreasonably costly, from other insurers that will surely be rejected by the client.

On November 24, 2004, at the request of the Finance and Administration Committee, Marsh representatives appeared before the committee to present the steps that they were taking to cooperate with the investigation by the State of New York and to inform the committee of the steps that would be taken to determine if OCTA's business was affected by the alleged improper or illegal insurance broker practices.

On January 30, 2005, Marsh entered into a settlement agreement with the State of New York to resolve pending actions against the company. According to page three of the settlement agreement, Marsh agreed to establish a fund of $850 million, payable over four years to compensate "... U.S. policyholder clients who retained Marsh to place, renew, consult on, or service insurance with the inception or renewal dates between January 1, 2001, through December 31, 2004, where such placement , renewal, consultation or servicing resulted in contingent commissions..." in that period.

Pursuant to an approach approved by the Attorney General and Superintendent of Insurance, a formula was established for calculating the amount that each United States (U.S.) policyholder client is eligible to receive from the Fund. Under the formula, allocations to eligible U.S. policyholder clients are based on the amount of contingent commissions attributable to their policies during the period of January 1, 2001, through December 31, 2004.

To determine the settlement amounts, a rate was calculated for each insurer, in each product line and in each year based on the total contingent commissions paid by each insurer, by each product line and year, divided by the total premiums for that insurer in that product line and year. Each client's eligible policy premiums were multiplied by the rate of the insurer with which Marsh placed that client's policy to yield the contingent commission attributed to that policy. U.S. policyholder clients are eligible to receive a pro rata portion of the fund which does not vary by U.S. policyholder client.

The parties agreed to use revenue attributable to contingent commissions solely as a mechanism for allocating the settlement funds to eligible policyholders. Marsh is not refunding contingent commissions. This method of allocation eliminated the need for any policyholder to demonstrate that it suffered any actual harm or injury.

On March 23, 2005, representatives from Marsh returned to the Finance and Administration Committee to report the findings of the client file review for OCTA business that was conducted by Marsh's Global Professional Standards & Compliance Group (GPSC). For the period of 1999 to 2004, GPSC reviewed 20 different placements and 34 individual files and found no evidence of "bid rigging" or other inappropriate conduct in connection with the placement of OCTA's insurance. At that time, Marsh determined that they received $106,288, in contingent commissions for placing OCTA's insurance business during the period of January 1, 2001, through December 31, 2004.

On July 7, 2005, OCTA received notification from Marsh of eligibility for OCTA to participate in the restitution fund along with a general release form to be endorsed and submitted by September 20, 2005. Marsh provided an updated report showing that contingent commissions paid to Marsh for the placement of insurance for OCTA during the period of January 1, 2001, through December 31, 2004, was $154,456.48. This revised contingent commission value serves as the basis for the restitution offer to OCTA in the amount of $79,821.30. The documentation received from Marsh was reviewed by OCTA General Counsel. General Counsel agreed with staff to recommend that OCTA participate in the restitution fund offering.

Summary

The Orange County Transportation Authority is eligible to receive $79,821.30, from a restitution fund pursuant to the terms of a settlement agreement between Marsh Risk and Insurance Services, Inc., the Attorney General of New York and the Superintendent of Insurance of the State of New York. Participation in this offering does not require Orange County Transportation Authority demonstrate that it suffered any actual harm or injury.

Attachments

A. Michael G. Cherkasky Letter dated May 20, 2005.
B. Agreement Between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates (collectively "Marsh") dated January 30, 2005.

Prepared by:	**Approved by:**
Al Gorski	James S. Kenan
Al Gorski	James S. Kenan
Interim Department Manager	Executive Director, Finance,
Human Resources	Administration and Human Resources
(714) 560-5817	(714) 560-5678

ATTACHMENT A

MMC

Michael G. Cherkasky
President and Chief Executive Officer

Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036

May 20, 2005

01169988

ORANGE COUNTY TRANSPORTATION AUTHORITY
AL GORSKI
550 S MAIN ST 600
ORANGE, CA 92868-4506

RECEIVED

JUL - 7 2005

RISK MANAGEMENT

To U.S. Policyholder Clients,

I am writing to inform you of your eligibility to participate in a settlement fund established by Marsh & McLennan Companies, Inc. ("Marsh").

Actions Filed by the New York Attorney General and Superintendent of Insurance

In October 2004, the New York Attorney General and Superintendent of Insurance commenced actions against Marsh alleging, among other things, that Marsh engaged in "bid rigging," improperly steered insurance placements to insurers that paid Marsh contingent commissions, and failed to adequately disclose contingent compensation arrangements. The complaint filed by the Attorney General and the amended citation issued by the Superintendent of Insurance are available on their respective websites.

The Settlement Agreement

On January 30, 2005, Marsh entered into a settlement agreement to resolve these actions. A copy of the Settlement Agreement is available at www.marshsettlement.com. As part of the settlement, Marsh agreed to establish an $850,000,000 Fund payable over four years to compensate those "U.S. policyholder clients who retained Marsh to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Marsh between January 1, 2001 through December 31, 2004." See ¶ 2(a).

The Allocation of the Settlement Funds

Attached is a statement setting forth the amount you are eligible to receive from the Fund. The parties agreed to use revenue attributable to contingent commissions solely as a mechanism for allocating the settlement funds to eligible policyholders. This method of allocation eliminated the need for any policyholder to demonstrate that it suffered any actual harm or injury. Pursuant to an approach approved by the Attorney General and Superintendent of Insurance, Marsh has calculated the amount of premium and contingent commissions or overrides attributable to each eligible policyholder for each insurer, each product line and each year. In certain instances, Marsh has used estimates where premium data was not available to Marsh (for example, because the insurer billed the policyholder directly).

The Release

The decision of whether or not to participate in the Fund is entirely voluntary. If you elect to receive a distribution from the Fund, you must sign and return the enclosed release by September 20, 2005. The form of the release has been approved by the Attorney General and Superintendent of Insurance. By signing the release, you will give up your right to pursue any claims against Marsh or its related entities for any matters related to the actions filed by the Attorney General and Superintendent of Insurance, including claims that relate to policies issued prior to January 1, 2001. The release does not preclude participating policyholders from seeking relief against non-Marsh entities or individuals.

If you elect not to receive a distribution from the Fund, you will retain any rights you may have to pursue an individual or class action against Marsh, including by participating in a putative class action against Marsh and other companies that is currently pending in the District Court of New Jersey entitled In Re: Insurance Brokerage Antitrust Litigation, Civil No. 04-5184 (FSH), MDL No. 1663, or any other pending actions. These actions assert numerous violations of federal and state statutory and common law and seek various forms of damages and other relief on behalf of policyholders.

Payment Mechanisms

As a general matter, payments will be made in installments over the next four years, beginning on November 1, 2005. Under the Settlement Agreement, "Marsh shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund . . ." See ¶ 6. Thus, the payment schedule will depend upon the percentage of eligible policyholders that elect to participate.

In deciding whether to participate in the Fund, you should review the complete terms of the Settlement Agreement, including the following provision: "In no event shall a distribution be made from the Fund to any Non-Participating Policyholder until all Participating Policyholders have been paid the full aggregate amount due . . . nor shall the total payments from the Fund to any Non-participating Policyholder exceed 80% of that Non-participating Policyholder's original allocated share." See ¶ 3.

Amounts Remaining in the Fund

Under no circumstances will any portion of the settlement Fund revert to Marsh. In particular, "if any funds remain in the fund as of June 20, 2008, any such funds shall be distributed on a pro rata basis to Participating Policyholders." See ¶ 3. Thus, "the amount paid [to Participating Policyholders] may increase if there is less than full participation by eligible clients in the Fund." See ¶ 2.

* * *

If you have any questions about participation in the Fund and are calling from within the United States, Canada or a U.S. territory, you may contact our service center at (800) 406-1541. If calling from outside the United States, Canada or a U.S. territory, please use the appropriate international access code followed by (941) 906-4643. On behalf of Marsh, I want to thank you for your business and your patience.

Sincerely,

Michael Cherkasky

Michael Cherkasky

Enclosures

Policy Holder Name: ORANGE COUNTY TRANSPORTATION AUTHORITY
Policy Holder Address: 550 S MAIN ST 600
ORANGE, CA 92868-4506

MMC

	Insurer	Product Line	Policy # / Risk ID	Year (1)	Premiums (2)	Attributed Contingent Commissions or Overrides recorded by Marsh (2)	Payment to Policy Holder (3)
1	ACE AMERICAN INSURANCE CO	WORKERS COMP	WCU014456	2003	$770,878.00	$43,757.01	$22,613.11
2	CLARENDON AMERICA INS CO.	CASUALTY	XSR00310141	2003	$272,000.00	$4,717.69	$2,438.05
3	CLARENDON AMERICA INS CO.	CASUALTY	XSR39306175	2002	$256,500.00	$3,632.70	$1,877.33
4	CLARENDON AMERICA INS CO.	PROPERTY	301092EQ1	2003	$47,625.00	$2,470.65	$1,276.80
5	CLARENDON AMERICA INS CO.	PROPERTY	301092EQ1	2004	$5,596.00	$270.57	$139.83
6	CLARENDON AMERICA INS CO.	PROPERTY	301093EQ1	2003	$6,159.00	$319.51	$165.12
7	CLARENDON AMERICA INS CO.	PROPERTY	301093EQ1	2004	$718.00	$34.72	$17.94
8	CLARENDON AMERICA INS CO.	PROPERTY	302484EQ1	2004	$45,775.00	$2,213.22	$1,143.76
9	CONTINENTAL CASUALTY CO	PROPERTY	RMP247911956	2003	$29,378.00	$542.46	$280.34
10	CONTINENTAL CASUALTY CO	PROPERTY	RMP251915925	2003	$168,300.00	$3,107.63	$1,605.99
11	EMPIRE INDEMNITY INS COMPANY	PROPERTY	301092EQ1	2003	$90,200.00	$4,679.31	$2,418.21
12	EMPIRE INDEMNITY INS COMPANY	PROPERTY	301092EQ1	2004	$11,193.00	$541.18	$279.68
13	EMPIRE INDEMNITY INS COMPANY	PROPERTY	301093EQ1	2003	$11,860.12	$615.27	$317.96
14	EMPIRE INDEMNITY INS COMPANY	PROPERTY	301093EQ1	2004	$1,436.00	$69.43	$35.88
15	EMPIRE INDEMNITY INS COMPANY	PROPERTY	302484EQ1	2004	$90,650.00	$4,382.93	$2,265.05
16	FIREMAN'S FUND INSURANCE CO.	PROPERTY	MXF80399669	2002	$152,445.00	$638.84	$330.14
17	FIREMAN'S FUND INSURANCE CO.	PROPERTY	MXF80405455	2003	$162,320.76	$3,067.31	$1,585.15
18	GREAT AMERICAN ALLIANCE INS CO	PROPERTY	CPP5662870	2003	$17,270.00	$1,340.94	$692.98
19	GREAT AMERICAN ALLIANCE INS CO	PROPERTY	CPP5662870	2004	$2,082.00	$138.14	$71.39
20	GREAT AMERICAN ALLIANCE INS CO	PROPERTY	CPP5664785	2004	$1,296.00	$85.99	$44.44
21	GREAT AMERICAN ALLIANCE INS CO	PROPERTY	CPP5664786	2004	$36,000.00	$2,388.57	$1,234.39
22	GREAT AMERICAN INSURANCE CO.	FINANCIAL SVCS	GVT2171249	2001	$11,949.00	$459.86	$237.65
23	GREAT AMERICAN INSURANCE CO.	FINANCIAL SVCS	GVT2171249	2002	$13,225.00	$416.52	$215.25
24	GREAT AMERICAN INSURANCE CO.	FINANCIAL SVCS	GVT2171249	2003	$15,065.00	$393.68	$203.45
25	GREAT AMERICAN INSURANCE CO.	FINANCIAL SVCS	GVT2171249	2004	$15,602.00	$442.02	$228.43
26	GREAT AMERICAN INSURANCE CO.	PROPERTY	IMP699367300	2004	$0.00	$0.00	$0.00
27	INS. CO. OF THE STATE OF PA	CASUALTY	42002839	2001	$19,000.00	$2,027.34	$1,047.70
28	INSURANCE CORP OF HANNOVER	WORKERS COMP	H350401774	2001	$122,259.00	$15,064.67	$7,785.25
29	INSURANCE CORP OF HANNOVER	WORKERS COMP	H350402110	2002	$334,931.00	$37,714.49	$19,490.41
30	LANDMARK INSURANCE CO	CASUALTY	4015945	2001	$162,300.00	$18,119.71	$9,364.05
31	LANDMARK INSURANCE CO	CASUALTY	4015945	2002	$7,055.90	$804.13	$415.57
	TOTALS				**$2,881,068.78**	**$154,456.48**	**$79,821.30**

(1) For policies and transactions with effective dates between January 1, 2001 and December 31, 2004 (the "Relevant Period"). See ¶ 2 of the Settlement Agreement.
(2) Includes only premiums for placements during the Relevant Period that resulted in Contingent Commissions or Overrides recorded by Marsh during the Relevant Period. See ¶ 2.
(3) Payment constitutes approximately 51.68% of Attributed Contingent Commissions or Overrides. This percentage is $850,000,000 divided by the total Attributed Contingent Commissions or Overrides to eligible policyholders.

MMC

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Must be Postmarked No Later Than September 20, 2005

Marsh Settlement
c/o The Garden City Group, Inc.
P.O. Box 8892
Melville, NY 11747-8892
(800) 406-1541 (United States)
(941) 906-4643 (International)

MMC

Settlement Identification Number: 01169988

ORANGE COUNTY TRANSPORTATION AUTHORITY
AL GORSKI
550 S MAIN ST 600
ORANGE, CA 92868-4506

REQUIRED INFORMATION OR CORRECTIONS

Write any name and address corrections below if any corrections are necessary **OR** if the distribution check should be sent to a different name or address, **YOU MUST** provide that information here:

____
____
____
____

GENERAL RELEASE

This RELEASE (the "Release") is executed this ___ day of _______, 2005 by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

"RELEASOR" refers to ORANGE COUNTY TRANSPORTATION AUTHORITY and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of RELEASOR.

"RELEASEE" refers to Marsh & McLennan Companies, Inc. and any of its subsidiaries, affiliates, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Marsh").

"AGREEMENT" refers to a certain agreement between Marsh and the Attorney General of the State of New York ("NYAG") and the Superintendent of Insurance of the State of New York ("NYSI") dated January 30, 2005, relating to an action commenced against Marsh by NYAG dated October 14, 2004 captioned The People of the State of New York against Marsh & McLennan Companies, Inc. and Marsh Inc., Index No. 04/403342, and an investigation by NYAG relating to same (the "Complaint"), and a Citation and Amended Citation captioned In the Matter of Marsh & McLennan Companies, Inc. et. al., (Amended Citation No. 2004-0123-C), issued to Marsh by NYSI on October 21, 2004 and October 25, 2004, respectively, and an investigation by NYSI relating to same (collectively, the "Amended Citation").

RELEASE

1. In consideration for the total payment of $79,821.30 in accordance with the terms of the Agreement, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, now existing or hereafter arising, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, any of the allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of the Complaint, the Amended Citation, except for claims which are based upon, arise out of or relate to the purchase or sale of Marsh securities.

2. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to Marsh in connection with any claims that RELEASOR may assert against Marsh, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Marsh.

3. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the internal laws of the State of New York, without giving effect to choice of law principles, except to the extent that federal law requires that federal law governs.

4. Releasor represents and warrants that the claims have not been sold, assigned or hypothecated in whole or in part.

RELEASOR:		Dated:	
Signed By:		Social Security No / Taxpayer ID No:	
Print Name:			
Title:		Phone Number:	( ) -

Agreement Between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh & McLennan Companies, Inc. , Marsh Inc. and their subsidiaries and affiliates (collectively "Marsh") dated January 30, 2005

WHEREAS, the New York Attorney General (the "Attorney General") commenced an action against Marsh & McLennan Companies, Inc. and Marsh Inc. pursuant to Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 *et seq.*), the Martin Act (Gen. Bus. Law § 352-c) and the common law of the State of New York dated October 14, 2004 (the "Complaint"), and has conducted an investigation related thereto (the "Attorney General's Investigation");

WHEREAS, the Superintendent of Insurance of the State of New York (the "Superintendent") issued a Citation to Marsh & McLennan Companies, Inc. and certain of its subsidiaries dated October 21, 2004 and an Amended Citation dated October 25, 2004 (collectively, the "Amended Citation") pursuant to § 2110 of the Insurance Law, and has conducted an investigation related thereto (the "Superintendent's Investigation");

WHEREAS, the Attorney General and Superintendent have alleged that Marsh unlawfully deceived its clients by a) steering clients' insurance business to favored insurance companies, and b) soliciting fictitious bids in order to assure that insurance policies were placed to benefit favored insurers, as alleged in the Complaint;

WHEREAS, Marsh is cooperating with the Attorney General and Superintendent's Investigations;

WHEREAS, in the wake of the filing of the Complaint and the Amended Citation, Marsh has adopted, and under this Agreement (the "Agreement"), will continue to adopt, a number of business reforms that will govern the conduct of Marsh's employees;

WHEREAS, the Attorney General, the Superintendent and Marsh wish to enter into this Agreement to resolve all issues related to Marsh raised in the Complaint and the Amended Citation;

WHEREAS, the Attorney General and Superintendent find the relief and agreements contained in this Agreement appropriate and in the public interest;

WHEREAS, this Agreement is entered into solely for the purpose of resolving the Complaint and Amended Citation, and is not intended to be used for any other purpose;

WHEREAS, without admitting or denying any claim in the Complaint or the assertions in the Amended Citation, Marsh is entering into this Agreement prior to any court making any findings of fact or conclusions of law pursuant to any allegations by the Attorney General or the Superintendent;

WHEREAS, neither this Agreement, nor any acts performed nor documents executed in furtherance of this Agreement, may be used as an admission of the allegations and claims contained in the Complaint and the Amended Citation;

NOW THEREFORE, Marsh, the Attorney General and the Superintendent hereby enter into this Agreement, with a statement of apology attached as Exhibit 1, and agree as follows:

MONETARY RELIEF

1. Marsh shall pay Eight Hundred Fifty Million Dollars ($850,000,000) into a fund (the "Fund") over the next four years in four annual payments to be paid to Marsh's policyholder clients who retained Marsh to place, renew, consult on or service insurance where such placement resulted in contingent commissions or overrides. All of the money paid into the Fund and any interest earned thereon shall be paid to such policyholder clients pursuant to this Agreement. No portion of the Fund shall be considered a fine or a penalty. This sum is in full satisfaction of Marsh's obligations hereunder, and neither the Attorney General nor the Superintendent shall seek to impose on Marsh any other financial obligation or liability related to the Complaint or the Amended Citation.

2. Marsh shall A) by April 30, 2005 calculate, in accordance with a formula approved by the Attorney General, the amount of money each of the U.S. policyholder clients who retained Marsh to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Marsh between January 1, 2001 through December 31, 2004 (the "Relevant Period") is eligible to receive; B) within ten (10) days of completing these calculations, file a report with the Attorney General and the Superintendent, certified by an officer of Marsh, setting forth: I) each client's name and address; ii) the client's insurer(s), product line(s) and policy(ies) purchased and policy number(s); iii) the amount the client paid in premiums or consulting fees for each such policy; iv) for each such policy, the amount of contingent commission or override revenue recorded by Marsh during the Relevant Period attributable to that policy, in accordance with a calculation approved by the Attorney General and

the Superintendent; and v) the amount of contingent commission or override revenue each client is eligible to receive for each such policy and in the aggregate for all such policies pursuant to this Agreement; and C) by May 20, 2005, send a notice, subject to the approval of the Attorney General and the Superintendent, to each client eligible to be paid from the Fund, setting forth items ii) through v), above, and stating that the amount paid may increase if there is less than full participation by eligible clients in the Fund. For the purposes of this paragraph, "U.S. policyholder clients" means U.S.-domiciled policyholder clients and policyholder clients who retained Marsh's U.S. offices to place, renew, consult on or service insurance.

3. Clients eligible to receive a distribution from the Fund shall have until September 20, 2005 to request a distribution. Eligible clients who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 2. In the event that any eligible client elects not to participate or otherwise does not respond (the "Non-Participating Policyholders"), that client's allocated share may be used by Marsh to satisfy any pending or other claims asserted by policyholders relating to these matters. In no event shall a distribution be made from the Fund to any Non-Participating Policyholder until all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to ¶ 2 above; nor shall the total payments from the Fund to any Non-participating Policyholder exceed 80% of that Non-participating Policyholder's original allocated share. If any funds remain in the fund as of June 20, 2008, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

4. In no event shall any of the funds in the Fund be used to pay attorney fees.

5. Marsh shall pay $255,000,000 into the Fund on or before June 1, 2005. Marsh shall pay $255,000,000 into the Fund on or before June 1, 2006. Marsh shall pay $170,000,000 into the Fund on or before June 1, 2007. Marsh shall pay $170,000,000 into the Fund on or before June 1, 2008.

6. On November 1, 2005, June 30, 2006, June 30, 2007, and June 30, 2008, Marsh shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved by the Attorney General and the Superintendent. Within forty-five (45) days of each payment from the fund, Marsh shall file a report with the Attorney General and the Superintendent, certified by an officer of Marsh, listing all amounts paid from the Fund.

BUSINESS REFORMS

7. Within sixty (60) days of the effective date of this Agreement, Marsh shall undertake the following business reforms.

A. Permissible Forms of Compensation

8. In connection with its insurance brokerage, agency, producing, consulting and other services in placing, renewing, consulting on or servicing any insurance policy, Marsh shall accept only: a specific fee to be paid by the client; a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; or a combination of both. Marsh shall accept no such commissions unless, before the binding of any such policy: (a) Marsh in plain, unambiguous written language fully discloses such commissions, in either dollars or percentage amounts; and (b) the client consents in writing. Nothing in this

paragraph relieves Marsh of complying with additional requirements imposed by law, including the requirements for written documentation relating to fees paid directly by clients. Marsh may not retain interest earned on premiums collected on behalf of insurers without prior notification to the client, and only when such retention is consistent with the requirements of, and is permitted by, applicable law.

9. Marsh shall not hereafter, except as set forth in ¶ 8, above, directly or indirectly accept or request any thing of material value from an insurance company including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses (hereinafter collectively "Compensation").

B. Prohibition of Contingent Compensation

10. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly accept from or request of any insurer any Contingent Compensation. For purposes of this Agreement, Contingent Compensation is any Compensation contingent upon Marsh's: a) placing a particular number of policies or dollar value of premium with the insurer, b) achieving a particular level of growth in the number of policies placed or dollar value of premium with the insurer, c) meeting a particular rate of retention or renewal of policies in force with the insurer, d) placing or keeping sufficient insurance business with the insurer to achieve a particular loss ratio or any other measure of profitability, e) providing preferential treatment in the placement process, including but not limited to the giving of last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements, or f) obtaining anything else of material value for the insurer.

C. Prohibition of "Pay-To-Play" Arrangements

11. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly accept from or request of any insurer any Compensation in connection with Marsh's selection of insurance companies from which to solicit bids for its clients.

D. Prohibition of "Bid-Rigging" Arrangements

12. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly knowingly accept from or request of any insurer any false, fictitious, inflated, artificial, "B" or "throw away" quote or indication, or any other quote or indication except for a quote or indication that represents the insurer's best evaluation at the time when the quote or indication is given of the minimum premium the insurer would require to bind the insurance coverage desired by Marsh's client. Nothing herein shall preclude Marsh from accepting or requesting any bona fide quote or indication.

E. Prohibition of Reinsurance Brokerage "Leveraging"

13. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly accept from or request of any insurer any promise or commitment to use any of Marsh's brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon any of the factors listed in ¶ 10 a) - f), above.

F. Prohibition of Inappropriate Use of Wholesalers

14. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly knowingly place, renew, consult on or service its clients' insurance business through a wholesale broker unless agreed to by the client after full disclosure of a) the Compensation

received or to be received by Marsh, b) any Marsh interest in or contractual agreement with the wholesaler, and c) any alternatives to using a wholesaler.

G. Mandated Disclosures to Clients

15. Marsh in placing, renewing, consulting on or servicing any insurance policy shall in writing: a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Marsh in connection with the coverage of the client's risk with all terms, including but not limited to any Marsh interest in or contractual agreements with any of the prospective insurers, and all Compensation to be received by Marsh for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurer or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client; b) provide disclosure to each client and obtain written consent in accordance with ¶ 8 of this Agreement for each client, and c) disclose to each client at the end of each year all Compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client's policy.

H. Standards of Conduct and Training

16. Marsh shall implement company-wide written standards of conduct regarding Compensation from insurers, consistent with the terms of this Agreement, subject to approval of the Superintendent, which implementation shall include, inter alia, appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, anti-trust and trade practices compliance, and record keeping.

17. Marsh shall not place its own financial interest ahead of its clients' interests in determining the best available insurance product or service for its clients. Marsh shall communicate with its clients in sufficient detail to enable them to make informed choices on insurance products or services, and shall provide complete and accurate information to prospective and current clients on all proposals and bids received from insurers, including the amount of Compensation or other things of value that were or will be paid to Marsh by each insurer.

J. Prohibition Against Violating New York Law

18. Marsh shall not directly or indirectly engage or attempt to engage in violations of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 et seq.), and the Martin Act (Gen. Bus. Law § 352-c).

K. Limitation on Extraterritorial Effect

19. The provisions of paragraphs 7 through 17 shall apply only to those Marsh entities that (1) service clients domiciled in the United States; (2) place, renew, consult on or provide services for policies covering risks in the Unites States; or (3) are, themselves, domiciled in the United States.

MONITORING COMPLIANCE AND REPORTING

20. Marsh shall establish a Compliance Committee of the Board of Directors of Marsh and McLennan Companies, Inc. which shall monitor Marsh's compliance with the standards of conduct regarding Compensation from insurers and shall report on a quarterly basis to the Board of Directors the results of its monitoring activities for a period of five (5) years from the effective date of this Agreement.

21. Marsh shall maintain a record of all complaints received concerning any Compensation from an insurer which shall be provided to the Compliance Committee of the Board of Directors with the Compliance Committee's quarterly report and to the Superintendent annually commencing from the effective date of this Agreement.

22. The Board of Directors of Marsh & McLennan Companies, Inc. shall file annual reports with the Superintendent on compliance with the standards of conduct regarding Compensation arrangements for five (5) years commencing in December 2005, which shall also include the amount of each form of Compensation received by Marsh from each insurer with which it placed insurance during the preceding year.

COOPERATION WITH THE SUPERINTENDENT

23. Marsh shall be subject to annual examination by the Superintendent for five (5) years at Marsh's expense beginning in 2005. Marsh shall fully cooperate with the Superintendent in such examinations. Marsh shall additionally provide private, secure office space, photocopying equipment and any other administrative or clerical resources necessary to assist in any examination,

as well as all relevant data, provided upon request by the Superintendent in electronic or computerized format. The Superintendent may coordinate such examinations with other states.

COOPERATION WITH THE ATTORNEY GENERAL

24. Marsh shall fully and promptly cooperate with the Attorney General with regard to his Investigation, and related proceedings and actions, of any other person, corporation or entity, including but not limited to Marsh's current and former employees, concerning the insurance industry. Marsh shall use its best efforts to ensure that all its officers, directors, employees, and agents also fully and promptly cooperate with the Attorney General in his Investigation and related proceedings and actions. Cooperation shall include without limitation: (1) production voluntarily and without service of subpoena of any information and all documents or other tangible evidence reasonably requested by the Attorney General, and any compilations or summaries of information or data that the Attorney General reasonably requests be prepared; (2) without the necessity of a subpoena, having Marsh's officers, directors, employees and agents attend any proceedings at which the presence of any such persons is requested by the Attorney General and having such persons answer any and all inquiries that may be put by the Attorney General (or any of the Attorney General's deputies, assistants or agents) to any of them at any proceedings or otherwise ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing, trial or other proceedings); (3) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession relevant to all inquiries reasonably made by the Attorney General concerning any fraudulent or criminal conduct whatsoever about which it has any knowledge or information; (4) in the event any document is withheld or redacted on grounds

of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by Marsh indicating: a) the type of document; b) the date of the document; c) the author and recipient of the document; d) the general subject matter of the document; e) the reason for withholding the document; and f) the Bates number or range of the withheld document. The Attorney General may challenge such claim in any forum of its choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by Marsh, its officers, directors, employees, or agents; and (5) Marsh shall not jeopardize the safety of any investigator or the confidentiality of any aspect of the Attorney General's Investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the Attorney General. Nothing herein shall prevent Marsh from providing such evidence to other regulators, or as otherwise required by law.

25. Marsh shall comply fully with the terms of this Agreement. If Marsh violates the terms of ¶ 24 in any material respect, as determined solely by the Attorney General: (1) the Attorney General may pursue any action, criminal or civil, against any entity for any crime it has committed, as authorized by law, without limitation; (2) as to any criminal prosecution brought by the Attorney General for violation of law committed within six years prior to the date of this Agreement or for any violation committed on or after the date of this Agreement, Marsh shall waive any claim that such prosecution is time barred on grounds of speedy trial or speedy arraignment or the statute of limitations.

OTHER PROVISIONS

26. The Superintendent may take regulatory action to enforce this Agreement. The

Superintendent may investigate or take regulatory action against any current or former Marsh employee who is licensed by the Superintendent.

27. Marsh shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Agreement.

28. The Attorney General will promptly file a Notice Discontinuing Action with Prejudice, in the form attached hereto as Exhibit 3, voluntarily dismissing the Complaint with prejudice, and will not initiate a new case against Marsh related to the matters set forth in the Complaint or uncovered to date by the Attorney General's Investigation.

29. The Superintendent will promptly discontinue the administrative proceeding commenced by the Amended Citation with prejudice, pursuant to a Stipulation to be executed contemporaneously herewith in the form attached hereto as Exhibit 4, and will not initiate a new administrative proceeding against Marsh related to the matters set forth in the Amended Citation or uncovered to date by the Superintendent's Investigation.

30. This Agreement is not intended to disqualify Marsh, or any current employees of Marsh, from engaging in any business in New York or in any other jurisdiction. Nothing in this Agreement shall relieve Marsh's obligations imposed by any applicable state insurance law or regulations or other applicable law.

31. This Agreement shall not confer any rights upon any persons or entities besides the Attorney General, the Superintendent and Marsh.

32. Marsh shall maintain custody of, or make arrangements to have maintained, all

documents and records of Marsh related to this matter for a period of not less than six (6) years.

33. The Attorney General of the State of New York may make such application as appropriate to enforce or interpret the provisions of this Agreement, or in the alternative, maintain any action, either civil or criminal, for such other and further relief as the Attorney General may determine is proper and necessary for the enforcement of this Agreement. If compliance with any aspect of this Agreement proves impracticable, Marsh reserves the right to request that the parties modify the Agreement accordingly.

34. In any application or in any such action, facsimile transmission of a copy of any papers to current counsel for Marsh shall be good and sufficient service on Marsh unless Marsh designates, in a writing to the Attorney General, another person to receive service by facsimile transmission.

35. Facsimile transmission of a copy of this Agreement to counsel for each defendant shall be good and sufficient service on Marsh.

36. This Agreement shall be governed by the laws of the State of New York without regard to conflict of laws principles.

37. This Agreement may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 30th day of January, 2005.

ELIOT SPITZER, ESQ.

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

HOWARD MILLS

Acting Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

DAVIS POLK & WARDWELL

By:

Robert B. Fiske, Jr. Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Attorneys for Marsh & McLennan Companies, Inc.

Attorneys for Marsh Inc.

WHEREFORE, the following signatures are affixed hereto on this 30th day of January, 2005.

ELIOT SPITZER, ESQ.

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

HOWARD MILLS

Acting Superintendent of Insurance
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Attorneys for Marsh & McLennan Companies, Inc.

Attorneys for Marsh Inc.

WHEREFORE, the following signatures are affixed hereto on this 30th day of January, 2005.

ELIOT SPITZER, ESQ.	HOWARD MILLS
Attorney General State of New York 120 Broadway, 25th Floor New York, NY 10271	Acting Superintendent of Insurance New York State Insurance Department 25 Beaver Street New York, NY 10004

DAVIS POLK & WARDWELL

By: ________________________

Robert B. Fiske, Jr. Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Attorneys for Marsh & McLennan Companies, Inc.

Attorneys for Marsh Inc.

EXHIBIT 1

"MARSH INC. WOULD LIKE TO TAKE THIS OPPORTUNITY TO APOLOGIZE FOR THE CONDUCT THAT LED TO THE ACTIONS FILED BY THE NEW YORK STATE ATTORNEY GENERAL AND SUPERINTENDENT OF INSURANCE. THE RECENT ADMISSIONS BY FORMER EMPLOYEES OF MARSH AND OTHER COMPANIES HAVE MADE CLEAR THAT CERTAIN MARSH EMPLOYEES UNLAWFULLY DECEIVED THEIR CUSTOMERS. SUCH CONDUCT WAS SHAMEFUL, AT ODDS WITH MARSH'S STATED POLICIES AND CONTRARY TO THE VALUES OF MARSH'S TENS OF THOUSANDS OF OTHER EMPLOYEES.

IN RESPONSE, WE HAVE TAKEN PROMPT, CORRECTIVE ACTION AND IMPLEMENTED A SERIES OF BUSINESS AND CORPORATE GOVERNANCE REFORMS. THE EMPLOYEES OF MARSH INC. ASK OUR CLIENTS AND OTHERS TO ALLOW US THE OPPORTUNITY TO REGAIN THEIR TRUST."

EXHIBIT 2

GENERAL RELEASE

This RELEASE (the "Release") is executed this ___ day of _______, 2005 by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

"RELEASOR" refers to **[fill in name** ___________**]** and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of RELEASOR.

"RELEASEE" refers to Marsh & McLennan Companies, Inc. and any of its subsidiaries, affiliates, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Marsh").

"AGREEMENT" refers to a certain agreement between Marsh and the Attorney General of the State of New York ("NYAG") and the Superintendent of Insurance of the State of New York ("NYSI") dated February ___, 2005, relating to an action commenced against Marsh by NYAG dated October 14, 2004 captioned The People of the State of New York against Marsh & McLennan Companies, Inc. and Marsh Inc., Index No. 04/403342, and an investigation by NYAG relating to same (the "Complaint"), and a Citation and Amended Citation captioned In the Matter of Marsh & McLennan Companies, Inc. et. al., (Amended Citation No. 2004-0123-C), issued to Marsh by NYSI on October 21, 2004 and October 25, 2004, respectively, and an investigation by NYSI relating to same (collectively, the "Amended Citation").

RELEASE

1. In consideration for the total payment of $___________ in accordance with the terms of the Agreement, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, now existing or hereafter arising, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, any of the allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of the Complaint, the Amended Citation, except for claims which are based upon, arise out of or relate to the purchase or sale of Marsh securities.

2. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to Marsh in connection with any claims that RELEASOR may assert against Marsh, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Marsh.

3. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the internal laws of the State of New York, without giving effect to choice of law principles, except to the extent that federal law requires that federal law governs. Any disputes arising out of or related to this RELEASE shall be

subject to the exclusive jurisdiction of the Supreme Court of the State of New York or, to the extent federal jurisdiction exists, the United States District Court for the Southern District of New York.

4. Releasor represents and warrants that the claims have not been sold, assigned or hypothecated in whole or in part.

Dated: ___________________________________

RELEASOR: ___________________________

By: _____________________________________

Print Name: ____________________________

Title: ___________________________________

This two-page Exhibit 3 is erroneously labeled Exhibit 4.

Exhibit 3 is referenced on
page 13 of Attachment B, #28,
which identified the document as the
Notice Discontinuing Action with Prejudice.

EXHIBIT 4

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

THE PEOPLE OF THE STATE OF NEW YORK by ELIOT SPITZER, Attorney General of the State of New York, Plaintiff, – against – MARSH & McLENNAN COMPANIES, INC. and MARSH INC., Defendants.	Index No. 04/403342 NOTICE DISCONTINUING ACTION WITH PREJUDICE

PLEASE TAKE NOTICE that, pursuant to CPLR § 3217(a) and the agreement annexed hereto, plaintiff hereby discontinues this action with prejudice as of this date without costs to either party against the other.

Dated: New York, New York

[date]

ELIOT SPITZER,
Attorney General of the State of New York

By: ______________________________
David D. Brown, IV
Assistant Attorney General
120 Broadway
New York, NY 10271
(212) 416-8198

Attorney for Plaintiff

To: Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036.

Marsh Inc.
1166 Avenue of the Americas
New York, New York 10036.

WHEREFORE, the following signatures are affixed hereto this ___________ day of January, 2005.

Marsh & McLennan Companies, Inc.

By: ________________________

Marsh Inc.

By: ________________________

Eliot Spitzer, Attorney General
of the State of New York

By: __________________

EXHIBIT 4

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

------------------------------------X

In the Matter of

MARSH & McLENNAN COMPANIES, INC., MARSH, INC., MARSH PLACEMENT INC. (formerly known as Marsh Global Broking Inc.), MARSH USA INC., MARSH USA (ALASKA), MARSH USA (CONNECTICUT), MARSH USA (MASSACHUSETTS), MARSH USA (MICHIGAN), MARSH USA (NEVADA), MARSH USA (OHIO), MARSH USA (PENNSYLVANIA), MARSH USA (TEXAS), MARSH USA (UTAH), MARSH INSURANCE AGENCY & INVESTMENTS and SEABURY & SMITH INC.,

Respondents.

------------------------------------X

STIPULATION
No. 2004-0123-C

WHEREAS, Marsh Placement Inc. (formerly known as Marsh Global Broking Inc.) is licensed as a broker under Section 2104 of the New York Insurance Law ("Insurance Law") and as an excess line broker under Section 2105 of the Insurance Law; Marsh USA Inc. is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Alaska) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Connecticut) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Massachusetts) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Michigan) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Nevada) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Ohio) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Pennsylvania) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103 (a) and (b) of the Insurance Law, and as a life broker under Section 2104(b)(1)(A) of the Insurance Law; Marsh USA (Utah) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Texas) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh Insurance Agency & Investments is licensed as an agent under Section 2103(a) of the Insurance Law; Seabury & Smith Inc. is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103(a) and (b) of the Insurance Law, and as an independent adjuster under Section 2108 of the Insurance Law; and Marsh Inc. is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, all of the foregoing Respondents are wholly owned subsidiaries of Respondent Marsh & McLennan Companies, Inc., which is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, on or about October 14, 2004, the Attorney General of the State of New York commenced a civil action in the Supreme Court of the State of New York, County of New York, *The People of the State of New York v. Marsh & McLennan Companies, Inc., et al.*, Index No. 04-403342 (the "Civil Action"), charging Respondents Marsh & McLennan Companies, Inc. and Marsh Inc. with fraudulent and anti-competitive practices in connection with the brokering of insurance business in violation of the New York Executive Law, the General Business Law and common law; and

WHEREAS, the Civil Action has been resolved pursuant to an Agreement Between the Attorney General of the State of New York, the Superintendent of Insurance and Marsh & McLennan Companies, Inc. and Marsh Inc., dated January 30, 2005 ("Settlement Agreement"), a copy of which is annexed hereto; and

WHEREAS, the attached Amended Citation, dated October 25, 2004, charging the Respondents with having used fraudulent, coercive and/or dishonest practices, having demonstrated untrustworthiness, violating Section 340 of the General Business Law, and having engaged in determined violations of the Insurance Law, was duly served on the Respondents; and

WHEREAS, Respondents have been advised and are aware of their statutory right to notice and a hearing on said charges; and

WHEREAS, Respondents desire to resolve said charges by entering into a Stipulation on the terms and conditions hereinafter set forth in lieu of proceeding with a hearing in this matter; NOW THEREFORE,

IT IS HEREBY STIPULATED AND AGREED by and between the Respondents and the New York State Insurance Department ("Department"), subject to the approval of the Superintendent of Insurance, as follows:

1. Respondents waive their right to further notice and hearing in this matter, and agree to fully comply with all of the terms and conditions of the Settlement Agreement.

2. Respondents agree to cooperate fully in all Department examinations of Respondents and in all Department investigations of current or former employees of Respondents or licensees of the Department.

3. Respondents acknowledge that this Stipulation may be used against them in any future Department proceeding if there is reason to believe the terms of the Settlement Agreement or this Stipulation have been violated by Respondents, or if the Department institutes disciplinary action against any Respondent for any reason other than the acts considered herein.

4. The proceeding initiated by the attached Amended Citation is hereby resolved and discontinued by the Department.

Dated: New York, NY
January , 2005

NEW YORK STATE INSURANCE DEPARTMENT

By: ________________________________
Jon G. Rothblatt
Principal Attorney

MARSH & McLENNAN COMPANIES, INC., MARSH, INC., MARSH PLACEMENT INC. (formerly known as Marsh Global Broking Inc.), MARSH USA INC., MARSH USA (ALASKA), MARSH USA (CONNECTICUT), MARSH USA (MASSACHUSETTS), MARSH USA (MICHIGAN), MARSH USA (NEVADA), MARSH USA (OHIO), MARSH USA (PENNSYLVANIA), MARSH USA (TEXAS), MARSH USA (UTAH), MARSH INSURANCE AGENCY & INVESTMENTS and SEABURY & SMITH INC.,

By: ________________________________
Name:
Title:

STATE OF NEW YORK)
)ss.:
COUNTY OF)

On this day of January, 2005, before me personally came

, to me known, who, being by me duly sworn, did depose and say that he/she resides at ; that he/she is the of Marsh & McLennan Companies Inc., the corporation described in and which executed the above instrument on behalf of each of the entities listed above; and that he/she signed his/her name thereto by order of the board of directors of said corporation.

____
Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, NY
January , 2005

HOWARD MILLS
Acting Superintendent of Insurance

By: ____________________________
Audrey Samers
Deputy Superintendent & General Counsel

Item 11.

OCTA

August 8, 2005

To: Members of the Board of Directors

From: Arthur T. Leahy, Chief Executive Officer

Subject: The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users

Overview

Federal update on H.R. 3, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users and the impacts to Orange County Transportation Authority, including a summary of authorized projects and increased formula funding.

Recommendation

Receive and file.

Background

After 11 continuing resolutions spanning approximately two years of delay, the House of Representatives passed the conference report to H.R. 3, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), by a recorded vote of 412-8 on Thursday, July 28. The $286.4 billion highway and transit reauthorization conference report was agreed to by unanimous consent in the Senate on July 29. A signing ceremony is pending.

There were a number of positive results for the State of California and Orange County in the final conference report. SAFETEA-LU provides:

1. Improved rate of return for donor states - under the agreement, the rate of return will remain at 90.5 percent for the rest of fiscal year 2005 and for fiscal year 2006, increasing to 91.5 percent for fiscal 2007 and to 92 percent for fiscal years 2008 and 2009. As a result of the increase in the rate of return under Minimum Guarantee, formula funding for highway programs will increase by approximately 30 percent and by 49 percent for transit programs above Transportation Equity Act for the Twenty-First Century (TEA-21) levels. An improved rate of return for

donor states was part of the Orange County Transportation Authority (OCTA) federal legislative platform.

2. Over $100 million for Orange County Projects - The highway and transit project funding totaled approximately $55 million under High Priority Projects, $7.2 million for Bus and Bus Facilities, and $38.75 million for Projects of Regional and National Significance. This includes approximately $4.5 million for increased transit security (Attachment A).

3. Construction authorization for "Orange County Rapid Transit Project" and Preliminary Engineering Authorization for "Orange County Bus Rapid Transit" as part of the transit title of the Act.

4. Preservation of weighting factors for distribution of Congestion Mitigation and Air Quality (CMAQ) formula funding – this was a hard fought battle as the Senate bill attempted to "equal weight" all non-attainment districts. If the Senate language had been retained, it would have cost the South Coast Air Basin approximately $250 million and OCTA approximately $35 million over the life of the bill. Preservation of the CMAQ weighting factors was also part of the OCTA federal legislative platform.

5. Innovative changes for the private sector to participate in highway infrastructure projects – this brings new resources to the table, such as eligibility for private activity bonds, additional flexibility to use tolling to finance infrastructure improvements, and broader eligibility for Transportation Infrastructure Finance and Innovation Act (TIFIA) loans, all intended to stimulate needed private investment.

6. National Environmental Policy Act (NEPA) pilot program – California was one of five states authorized to participate in the NEPA pilot program. The program enables the participant states to assume the NEPA responsibility for one or more designated highway projects.

7. Language extending the authorization for Alameda Corridor East (ACE) - this makes Orange County eligible for federal funding to mitigate the impacts of international trade entering the Los Angeles/Long Beach port complex.

However, Congress fell short on its commitment to direct federal funding to address the regional needs directly related to international trade. OCTA staff and its federal advocates sought to secure significant federal investment for several projects that would improve goods movement and regional transportation needs. They included the ACE, SR-91 Widening and Chokepoint Projects, and the Anaheim Regional Transportation Infrastructure Center (ARTIC). Unfortunately, other than a moderate earmark for the Alameda Corridor East, none of these projects were authorized by the Projects of Regional and National Significance program.

Discussion

H.R. 3 included some very positive policy changes that will ensure greater federal funding for the County. Unfortunately, a number of OCTA's high priority projects were not authorized as had been anticipated.

Summary

Overall, the impacts of H.R. 3 are positive for the State of California and OCTA. The increase and equity bonus for Minimum Guarantee, as well as the preservation of weighting factors for CMAQ, will ensure a greater share of federal formula funding for OCTA. In addition, Orange County will receive more than $100 million in project earmark funding for vital transportation infrastructure improvements throughout the county.

Attachment

A. Orange County Authorization Earmarks in SAFETEA-LU

Prepared by:

Kris Murray
Manager, Federal Relations
714-560-5906

Approved by:

Richard J. Bacigalupo
Deputy Chief Executive Officer
714-560-5901

ATTACHMENT A

Orange County Authorization Earmarks in SAFETEA-LU

July 29, 2005

Highway Projects

Project Description	Project Location	Earmark
Grade separation on State College Boulevard	Fullerton	$12.8 million
Study and construct new highway alternatives between Orange and Riverside Counties	Multiple	$15.8 million (12.6 M + 3.2M)
Foothill South toll road extension	Multiple	$8 million
Garden Grove Freeway (SR-22) improvement project	Multiple	$5.2 million
Bristol Street multi-modal corridor	Santa Ana	$3.8 million
Soundwall along Esperanza Road to mitigate train noise	Yorba Linda / Anaheim	$1.6 million
Develop and implement Intelligent Transportation Systems (ITS) master plan	Anaheim	$800,000
Develop and implement Intelligent Transportation Systems (ITS) system on Harbor Boulevard	Garden Grove	$800,000
Construct Cabot-Camino Capistrano bridge and related roadway improvements	Mission Viejo, Laguna Niguel	$670,000
Construct fourth lane on I-405 north at the Beach Boulevard interchange; remove redundant off-ramp on I-405 at Beach Boulevard	Huntington Beach	$400,000
Reduce Orange County congestion program	Multiple	$200,000
Signal upgrades on Avenida de las Flores, Melinda Road, Avenida de las Banderas and Alma Aldea	Rancho Santa Margarita	$100,160
Build one new lane in each direction on San Diego Freeway (I-405) between Beach Boulevard and Corona del Mar Freeway (SR-73)	Multiple	$2.568 million
Construct San Clemente beach trail	San Clemente	$800,000
Orange County encourage use of transit	OCOG	$1 million

Total: $54,538,160

Transit Projects

Project Description	Project Location	Earmark
Transit Security - surveillance and monitoring system for transit service	Multiple	$4.422 million
Improve OCTA's Santa Ana transit terminal	Santa Ana	$836,000
Purchase vehicles for bus rapid transit service on Katella, Edinger, Beach, Harbor, Westminster and /or Bristol	Multiple	$836,000
Planning for Orange Line Maglev rail system from downtown Los Angeles to central Orange County	Multiple	$280,000
Orange County – projects to encourage use of transit to reduce congestion	OCOG	$836,000

Total: $7,210,440

Regional Projects

Alameda Corridor East – OnTrac (divided by four counties)	Multiple	$155 million/$38.75M

Total: $38,750,000

Grand Total: $100,498,600