Date:	**Tuesday, February 14, 2006**
Time:	**9:00 a.m.**
Where:	**Orange County Transportation Authority Headquarters 600 South Main Street, First Floor - Conference Room 154 Orange, California 92868**

OCTA

AGENDA

ACTIONS

Orange County Transportation Authority Board Meeting
OCTA Headquarters
First Floor - Room 154
600 South Main Street, Orange, California
Tuesday, February 14, 2006, 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 Ritschel

Pledge of Allegiance
Director Duvall

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. **Salute to Former Chairman Campbell**

2. **Message from the Chairman of the Board**

3. **Presentation of Resolutions of Appreciation for Employees of the Year for 2005**

   Present Orange County Transportation Authority Resolutions of Appreciation Nos. 2006-05, 2006-06, 2006-07 to Indolfo Gutierrez, Coach Operator; Robert Bergels, Maintenance; and James J. Kramer, Administration, as Employees of the Year for 2005.

4. **Federal Advocacy Report**

   Jim McConnell's annual report to the Board of Directors.

Consent Calendar (Items 5 through 21)

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

Orange County Transportation Authority Consent Calendar Matters

5. **Committee Assignments for 2006**
   Chairman Arthur C. Brown

   Overview

   A roster of Board of Directors' Committee assignments for 2006 is presented for Board consideration.

   Recommendation

   Approve the proposed 2006 roster of Board of Directors' Committee assignments.

OCTA

AGENDA

ACTIONS

6. **Approval of Board Members' Travel**

For travel by Vice Chair Carolyn Cavecche on March 3-8, 2006, and Directors Peter Buffa and Michael Duvall on March 3-7, 2006, to Washington, D.C., for the American Public Transportation Association's Legislative Conference.

7. **Approval of Minutes**

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 23, 2006.

8. **Approval of Resolutions of Appreciation for Employees of the Year for 2005**

Adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2006-05, 2006-06, 2006-07 to Indolfo Gutierrez Coach Operator; Robert Bergels, Maintenance; and James J. Kramer, Administration, as Employees of the Year for 2005.

9. **State Legislative Status Report**
Wendy Villa/Richard J. Bacigalupo

Overview

Infrastructure bond proposals from the Governor, and Senate and Assembly Leadership have been introduced in bill form. Hearings on the proposals have begun and recommendations on a transportation infrastructure bond will be sent to a conference committee. Associated principles are submitted for consideration. One bill that would extend transit design-build authority is submitted with a recommendation to support.

Recommendations

A. Adopt a support position on AB 372 (Nation, D-San Rafael), which extends current authority to use design-build procurement on certain transit projects.

ACTIONS

B. Adopt the following policy positions to guide evaluation of transportation infrastructure bond proposals:

1. Ensure that statewide bond proposals complement and do not conflict with local sales tax measures.
2. Oppose the use of existing transportation revenue sources to back revenue bonds.
3. Support a fair and equitable distribution of funds in a manner most advantageous to Orange County.
4. Adopt the list of projects in Attachment G as a preliminary indication of Orange County needs for state transportation bond funds.
5. Support opportunities to include private funding options where appropriate.
6. Support inclusion of expedited project delivery measures such as design-build and National Environmental Policy Act review delegation.

10. Fiscal Year 2007 Transportation Appropriations Project List
Kristine Murray/Richard J. Bacigalupo

Overview

The Orange County Transportation Authority recommends a total of 14 transportation projects totaling $97,180,000 be submitted to the Orange County Congressional delegation for consideration in the fiscal year 2007 transportation appropriations bill.

Recommendation

Review and approve the recommended list of transportation projects to be submitted for the fiscal year 2007 federal appropriations process.

11. Fiscal Year 2004-05 Annual Financial Reports
Robert A. Duffy/Richard J. Bacigalupo

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various fund financial statements, schedules, and agreements. Macias Gini and Company LLP, an independent accounting firm, has completed its third annual audit of the Orange County Transportation Authority's financial records and systems, and its reports are included herein.

Recommendation

Receive and file the fiscal year 2004-05 annual financial reports as information items.

12. **Report on Audit of Agreement C-3-0633 with Granite-Myers-Rados for the Garden Grove Freeway (State Route 22) Design-Build Project**
Robert A. Duffy/Richard J. Bacigalupo

Overview

A contract compliance and fiscal audit of Agreement C-3-0663 with Granite-Myers-Rados has been completed by the professional firm of GCAP Services, Inc. Granite-Myers-Rados is in substantial compliance with the key requirements of Agreement C-3-0663.

Recommendation

Receive and file the audit of Agreement C-3-0633 with Granite-Myers-Rados for the Garden Grove Freeway (State Route 22) Design-Build Project.

13. **Report on Audit of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project**
Robert A. Duffy/Richard J. Bacigalupo

Overview

A contract compliance and fiscal audit of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project has been completed by the professional firm of GCAP Services, Inc. Parsons Transportation Group is in substantial compliance with the key requirements of Agreement C-1-2069.

ACTIONS

Recommendation

Receive and file the audit report of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project.

14. Internal Control Review and Operational Audit of Project Controls
Robert A. Duffy/Richard J. Bacigalupo

Overview

An internal control review and operational audit of the Project Controls Section of the Construction Services Department has been completed by the professional firm of Thompson, Cobb, Bazilio and Associates, PC. Internal controls were generally adequate to ensure the safeguarding of Orange County Transportation Authority's assets.

Recommendation

Receive and file the Internal Control Review and Operational Audit of Project Controls, Internal Audit Report No. 06-002.

15. Agreement to Procure and Install 64 Replacement Liquefied Natural Gas Engines
Al Pierce/William L. Foster

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board approved funds for the replacement of natural gas engines in the North American Bus Industries bus fleet. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-2609 between the Orange County Transportation Authority and Cummins Cal Pacific, LLC, in an amount not to exceed $4,870,103, for the replacement of natural gas engines in 64 transit buses.

ACTIONS

16. **Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 6) in the City of Anaheim**
Dipak Roy/Stanley G. Phernambucq

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board of Directors approved construction of Americans with Disabilities Act improvements at the Orange County Transportation Authority's bus stops countywide. Bids were received in accordance with the Orange County Transportation Authority's public works procurement procedures. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-2930, between the Orange County Transportation Authority and C.J. Construction, Inc., the lowest responsive, responsible bidder, in the amount of $976,852.00, for Americans with Disabilities Act Bus Stop Modifications in the City of Anaheim.

17. **Amendment to Agreement for Additional Design Services for the Americans with Disabilities Act Bus Stop Modifications**
Dipak Roy/Stanley G. Phernambucq

Overview

On February 24, 2003, the Board of Directors approved an agreement with ACT Consulting Engineers, Inc., in the amount of $869,829, to provide design and construction support services. ACT Consulting Engineers, Inc. was retained in accordance with the Orange County Transportation Authority's procurement procedures for architectural and engineering services.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement C-2-1129 between the Orange County Transportation Authority and ACT Consulting Engineers, Inc., in an amount not to exceed $45,000, for additional design and survey services to incorporate new and revised standards and conduct field research for bus stop locations in central and south Orange County.

18. Agreement to Lawson Software for Human Resource and Payroll Software Upgrade
Connie Powley/James S. Kenan

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the OCTA has planned an upgrade to the Lawson Software Human Resources and Payroll System. The project will consist of an application upgrade to version 8.1 and the implementation of Lawson Software's Absence Management and Time and Expense modules.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-3006 between the Orange County Transportation Authority and Lawson Software, for an amount not to exceed $455,000, to complete the upgrade and implement two new software modules.

19. Purchase Order for 91 Express Lanes Property Insurance
Al Gorski/James S. Kenan

Overview

The Orange County Transportation Authority has a property insurance policy for the 91 Express Lanes with AXIS Reinsurance Company which expires on February 28, 2006.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order 06-74054 between the Orange County Transportation Authority and Marsh Risk and Insurance Services, in an amount not to exceed $350,000, to purchase property insurance for the period of March 1, 2006, to February 28, 2007.

ACTIONS

Orange County Local Transportation Authority Consent Calendar Matters

20. Measure M Quarterly Progress Report
Norbert Lippert/Stanley G. Phernambucq

Overview

Staff has prepared a Measure M progress report for the fourth quarter of 2005. This is a regular report that highlights the Measure M projects and programs currently under development.

Recommendation

Receive and file as an information item.

21. Agreement for Sales Tax Audit and Recovery Services of State Board of Equalization Sales Tax Distributions
Rodney Johnson/James S. Kenan

Overview

In an effort to ensure maximum revenue collection and effective administration of Measure M, the Orange County Transportation Authority has identified a need to perform audit and recovery services of the tax revenue generated by the program. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-2-0599 between the Orange County Transportation Authority and MBIA MuniServices Company in an amount contingent upon the amount recovered for sales tax audit and recovery services of the Measure M half-cent sales tax.

OCTA

AGENDA

ACTIONS

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

22. Process for City-initiated Rapid Transit and Related Projects
Jose Martinez/Paul C. Taylor

Overview

The recently adopted Five-Year Program allocated $30 million in existing Measure M funds to study ways to increase transit access to Metrolink through partnerships with cities. Staff has developed a four-step process for communities to develop their own transit vision for the future by creating transit extensions that branch from Metrolink stations. The process begins with grants to interested cities to assess their needs for city initiated rapid transit projects. This investment is consistent with the Measure M transit program.

Recommendations

A. Approve a four-step process for city-initiated rapid transit and related projects.

B. Authorize the Chief Executive Officer to execute Memorandums of Understanding by and between the Orange County Transportation Authority Metrolink station cities and other cities as partners allocating $100,000 per city for communities to develop their own transit vision for the future.

C. Direct staff to return with a progress report on this initial needs assessment by December 31, 2006.

D. Direct staff to return at a later time with recommended guidance for Step Two project planning and/or alternatives analysis based on the criteria in this staff report.

OCTA

AGENDA

ACTIONS

Orange County Transit District Regular Calendar Matters

23. Paratransit Growth Management Plan Progress
Erin Rogers/William L. Foster

Overview

In October 2005, the Orange County Transportation Authority Board of Directors adopted a Paratransit Growth Management Plan. Several strategies set forth in the plan were implemented in July 2005. This report provides an update on the progress of the plan and the impacts of the strategies implemented.

Recommendation

Receive and file as an information item.

Other Matters

24. Chief Executive Officer's Report

25. Directors' Reports

26. 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.

27. 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(b)(1).

OCTA

AGENDA

ACTIONS

28. Adjournment

The next regularly scheduled meeting of the OCTA/OCTD/OCLTA/ OCSAFE/OCSAAV Board will be held at **9:00 a.m. on February 27, 2006,** at OCTA Headquarters at 600 South Main Street, First Floor - Room 154, Orange, California.

OCTA

February 14, 2006

To: Members of the Board of Directors

From: Chairman Arthur C. Brown

Subject: Committee Assignments for 2006

Overview

A roster of Board of Directors' Committee assignments for 2006 is presented for Board consideration.

Recommendation

Approve the proposed 2006 roster of Board of Directors' Committee assignments.

Background

The Orange County Transportation Authority (OCTA) is governed by an 18-member Board of Directors comprised of:

- √ Ten city members elected by certain members of the Orange County City Selection Committee;
- √ All five Orange County Supervisors;
- √ Two Public Members selected by the other Board Members; and
- √ The Governor's Ex-Officio Member is a non-voting member and serves a four-year term. (Appointed by the Governor of California.)

To better organize its efforts, the Board of Directors established committees to focus on specific areas within the OCTA's structure.

Discussion

Each year, the Chair has the prerogative of assigning Members to committees, and those appointments are then confirmed by the full Board. A request was made of each member to determine their interest and availability to serve on the various committees. To the extent practicable, Directors' requests for appointments have been honored.

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

Provided below are the recommended Committee assignments, including a number of interagency organizations to which individual Board Members have been assigned.

Executive Committee

Arthur C. Brown, Chair
Carolyn Cavecche, Vice Chair
Bill Campbell, Chair of the Legislative and Gov't Affairs Committee
Lou Correa, Chair of the Regional Planning and Highways Committee
Curt Pringle, Chair of the Transportation 2020 Committee
Tom Wilson, Chair of the Finance and Administration Committee
Greg Winterbottom, Chair of the Transit Planning & OP's Committee

Regional Planning and Highways Committee

Lou Correa, Chair
Carolyn Cavecche, Vice Chair
Richard Dixon
Cathy Green
Gary Monahan
Chris Norby
Susan Ritschel
Mark Rosen

Transit Planning and Operations Committee

Greg Winterbottom, Chair
Jim Silva, Vice Chair
Arthur C. Brown
Mike Duvall
Cathy Green
Chris Norby
Miguel Pulido

Transportation 2020 Committee

Curt Pringle, Chair
Bill Campbell, Vice Chair
Arthur C. Brown
Peter Buffa
Carolyn Cavecche
Lou Correa
Richard Dixon
Cathy Green
Greg Winterbottom

Finance and Administration

Tom Wilson, Chair
Mike Duvall, Vice Chair
Bill Campbell
Carolyn Cavecche
Lou Correa
Curt Pringle

Legislative Government Affairs and Public Communications Committee

Bill Campbell, Chair
Mark Rosen, Vice Chair
Peter Buffa
Carolyn Cavecche
Lou Correa
Susan Ritschel
Jim Silva
Tom Wilson

State Route 91 Advisory Committee*

Bill Campbell
Carolyn Cavecche
Richard Dixon
Mike Duvall
Curt Pringle

Security Working Group

Arthur C. Brown, Chair
Carolyn Cavecche, Vice Chair
Bill Campbell
Lou Correa
Richard Dixon
Tom Wilson
Greg Winterbottom

*This committee is comprised of representatives from both Orange and Riverside Counties. The Chair and Vice Chair are selected by the Committee.

Orange County Council of Governments (OCCOG)

Cathy Green, Member
(TBD), Alternate

California Assn. of Councils of Government (CALCOG)

Arthur C. Brown, Member
Richard Dixon, Alternate

Southern California Regional Rail Authority (Metrolink)
Arthur C. Brown, Member
Tom Wilson, Member
Richard Dixon, Alternate

LOSSAN Corridor Agency
Arthur C. Brown, Member
Richard Dixon, Alternate

SCAG Regional
Lou Correa, Member

SCAG - Transportation and Communications Committee
Lou Correa, Member
Cathy Green, Alternate

SCAG - Regional Transportation Agencies Coalition
Lou Correa, Member
(TBD), Alternate

South Coast AQMD Mobile Source Review Committee
Greg Winterbottom, Member
Miguel Pulido, Alternate

Task Force on Measure M Subsidy for Senior Citizens and Disabled
Greg Winterbottom, Member
Arthur C. Brown, Alternate

Summary

A roster of committee assignments for 2006 is presented for Board approval.

Prepared by:

Wendy Knowles

Wendy Knowles
Clerk of the Board

Approved by:

Arthur C. Brown

Arthur C. Brown
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: Vice Chair Carolyn Cavecche **Job Title:** Board Member

Department: Executive Office **Destination:** Washington, D.C.

Program Name: 2006 American Public Transportation Association (APTA) Legislative Conference

Description/Justification: The 2006 APTA Legislative Conference takes place at a time when Congress is beginning to examine future transportation financing options and is developing its annual appropriations legislation within the framework of the SAFETEA-LU. The APTA Legislative Conference will provide Board Members the opportunity to attend workshops on important legislative issues and participate in advocacy efforts.

COMMENTS

Other: Airport and Ground Transportation

Conference/Seminar Date:	3/5/06	**Departure Date:**	3/03/06	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:		**Return Date:**	3/08/06	**Course Hours:**

ESTIMATED EXPENDITURES	
Transportation	
Meals	$300.00
Lodging	$1,150.00
Registration	$595.00
Other	$50.00
Total	$2,095.00

APPROVALS

Please Initial:

Finance* Date

* Funds are available for this travel request.

Please Sign:

Clerk of the Board Date

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** B1V

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

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

OCTA

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 Peter Buffa **Job Title:** Board Member

Department: Executive Office **Destination:** Washington, D.C.

Program Name: 2006 American Public Transportation Association (APTA) Legislative Conference

Description/Justification: The 2006 APTA Legislative Conference takes place at a time when Congress is beginning to examine future transportation financing options and is developing its annual appropriations legislation within the framework of the SAFETEA-LU. The APTA Legislative Conference will provide Board Members the opportunity to attend workshops on important legislative issues and participate in advocacy efforts.

COMMENTS

Other: Airport Parking

Conference/Seminar Date:	3/5/06	**Departure Date:**	3/03/06	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:		**Return Date:**	3/07/06	**Course Hours:**

ESTIMATED EXPENDITURES

Transportation	
Meals	$250.00
Lodging	$915.00
Registration	$595.00
Other	$50.00
Total	$1,810.00

APPROVALS

Please Initial:

Finance* ____________ Date ____________

* Funds are available for this travel request.

Please Sign:

Clerk of the Board ____________ Date ____________

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** B1V

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

OUT-OF-STATE TRAVEL

Board Member Only - Travel Authorization/Request For Payment

OCTA

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 Mike Duvall **Job Title:** Board Member

Department: Executive Office **Destination:** Washington, D.C.

Program Name: 2006 American Public Transportation Association (APTA) Legislative Conference

Description/Justification: The 2006 APTA Legislative Conference takes place at a time when Congress is beginning to examine future transportation financing options and is developing its annual appropriations legislation within the framework of the SAFETEA-LU. The APTA Legislative Conference will provide Board Members the opportunity to attend workshops on important legislative issues and participate in advocacy efforts.

COMMENTS

Other: Airport Parking and Ground Transportation

Conference/Seminar Date:	3/5/06	**Departure Date:**	3/03/06	☐ **Mail** ☐ **Hand Carry**
Payment Due Date:		**Return Date:**	3/07/06	**Course Hours:**

ESTIMATED EXPENDITURES

Transportation	
Meals	$250.00
Lodging	$915.00
Registration	$595.00
Other	$50.00
Total	$1,810.00

APPROVALS

Please Initial:

Finance* ______ Date ______

* Funds are available for this travel request.

Please Sign:

Clerk of the Board ______ Date ______

ACCOUNTING CODES

Org. Key: 1120	**Object:** 7655	**Job Key:** A0001	**JL:** B1V

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

7.

Minutes of the Meeting of the
Orange County Transportation Authority
Orange County Service Authority for Freeway Emergencies
Orange County Local Transportation Authority
Orange County Transit District
January 23, 2006

Call to Order

The January 23, 2006, regular meeting of the Orange County Transportation Authority and affiliated agencies was called to order at 9:00 a.m. at the Orange County Transportation Authority Headquarters, Orange, California; Chairman Campbell presided over the meeting.

Roll Call

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

Invocation

Director Monahan gave the invocation.

Pledge of Allegiance

Chairman Campbell led the Board and audience in the Pledge of Allegiance to the Flag of the United States of America.

Public Comments on Agenda Items

Chairman Campbell 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. Oaths of Office to OCTA Board Members

General Counsel, Kennard R. Smart, Jr., administered the oaths of office to re-appointed OCTA Board Members Cavecche, Monahan, Ritschel, and Rosen. (Also re-appointed to the Board was Director Curt Pringle, who was unable to attend this meeting and will take his oath at a later time.)

2. Presentation of Resolutions of Appreciation for Employees of the Month for January 2006

Chairman Campbell presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2006-02, 2006-03, 2006-04 to Frederick Davis, Coach Operator; Leo Diza, Maintenance; and Pam Rote, Administration, as Employees of the Month for January 2006.

3. Election of New Orange County Transportation Authority Board Chairman

Chairman Campbell opened nominations for the office of OCTA Board Chair, and Director Silva nominated Vice Chairman Arthur C. Brown; Director Duvall seconded this nomination. Director Winterbottom moved to close nominations, and Director Dixon provided a second to the motion. Vice Chairman Brown was elected unanimously as the new Chairman of the OCTA Board.

4. Election of New Orange County Transportation Authority Board Vice Chairman

Newly-elected Chairman Brown opened nominations for the office of OCTA Board Vice Chair, and Director Ritschel nominated Director Carolyn Cavecche; Director Pulido provided a second to the motion. Director Winterbottom moved that nominations be closed, and Director Wilson seconded this motion. Director Cavecche was elected unanimously as the new Vice Chair of the OCTA Board.

5. **Sacramento Advocate Presentation**

Chris Kahn, OCTA's Sacramento Advocate, provided an update on various issues, including:

- √ The Governor's budget proposal;
- √ Various issues in Sacramento as they related to OCTA interests;
- √ Prop 42 monies, and information about a proposed Constitutional Amendment pertaining t protecting those funds; and
- √ Additional design-build legislation being discussed in Sacramento, which is proposed by other agencies.

Consent Calendar (Items 6 through 23)

Chairman Campbell indicated that all matters on the Consent Calendar would be approved in one motion unless a Board member or a member of the public requests separate action on a specific item.

Director Green pulled item 16 for discussion.

Orange County Transportation Authority Consent Calendar Matters

6. **Approval of Minutes**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of January 9, 2006.

7. **Approval of Travel Authorization**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to approve travel for Vice Chairman Brown to travel February 6-8, 2006, to Washington, D.C. for the Southern California Association of Governments' Consensus Conference.

8. **Approval of Resolutions of Appreciation for Employees of the Month for January 2006**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2006-02, 2006-03, and 2006-04 to Frederick Davis, Coach Operator, Leo Diza, Maintenance, and Pam Rote, Administration, as Employees of the Month for January 2006.

9. **Reports on the Annual Transportation Development Act Audits for Fiscal Year 2004-05**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to receive and file the Transportation Development Act Audit Reports for the Fiscal Year 2004-05.

10. **State Legislative Status Report**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to receive and file the State Legislative Status Report as an information item.

11. **California Department of Transportation Planning Grant Award for the Commuter Rail Station Needs Assessment**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize the Chief Executive Officer to execute grant agreements with the Southern California Association of Governments and Riverside County Transportation Commission for the use of $280,000 and required local match funds to conduct the commuter rail station needs assessment.

12. **Metrolink Semi-Annual Update and Locomotive Procurement**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize staff to direct the Southern California Regional Rail Authority to acquire seven locomotives to support the Orange County Metrolink service expansion at a cost not to exceed $25.6 million.

13. **2006 Technical Steering Committee Nominations**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to approve the proposed 2006 Technical Steering Committee membership as presented in Attachment A.

14. **Amendment to Employment Advertising Services Contract Agreements**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 2 to on-call Agreement C-4-0097 with California Newspaper Service Bureau and Agreement C-4-0098 with TMP Worldwide to increase the maximum cumulative amount by $96,000, for employment advertising services through June 30, 2006, and to exercise the first option years through June 30, 2007, in an amount of $192,000, for both agreements.

15. **Reorganization of the Human Resources Department**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to approve the proposed reorganization and authorize staff to implement the recommended changes effective May 1, 2006.

16. **Orange County Employees Retirement System Advance Payment for Fiscal Year 2007**

Director Green pulled this item for comment, and requested hat OCTA look at being part of the Public Employees' Retirement System as opposed to the current membership in the Orange County Employees' Retirement System.

Motion was made by Director Campbell, seconded by Director Wilson, and declared passed by those present, to authorize the prepayment of approximately $11.7 million by January 31, 2006, to the Orange County Employees Retirement System for member contributions for fiscal year 2007.

17. **Fourth Quarter 2005 Debt and Investment Report**

Motion was made by Director Norby, seconded by Director Dixon, 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 Service Authority For Freeway Emergencies Consent Calendar Matters

18. **Agreement for Freeway Service Patrol Funding with the State of California Department of Transportation for Fiscal Year 2005-06**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement C-5-3036 between the Orange County Transportation Authority and California Department of Transportation for fiscal year 2005-06 Freeway Service Patrol funding.

Orange County Transit District Consent Calendar Matters

19. **Amendment to Agreement for Orange County ARC Lost & Found**

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-4-0857 between the Orange County Transportation Authority and Orange County ARC, in an amount not to exceed $64,668, for Lost and Found services.

20. Amendment to Agreement for Special Agency Transportation Service

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-3-1284 between the Orange County Transportation Authority and Cabco Yellow, Inc., doing business as California Yellow Cab, in an amount not to exceed $636,440, for the provision of Special Agency Transportation service through June 30, 2007.

21. Amendment to Agreement for Janitorial Services

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 6 to Agreement C-2-1189 between the Orange County Transportation Authority and Diamond Contract Services, Inc., in an amount not exceed $350,000, to extend the contract from February 28, 2006, to June 30, 2006, for janitorial services at all Orange County Transportation Authority owned facilities.

22. Purchase Order for Two Revenue Receiving Vaults and Six Revenue Collection Bins

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to authorize the Chief Executive Officer to issue Purchase Order 05-73716 between the Orange County Transportation Authority and GFI Genfare, Inc., in an amount not to exceed $83,349, for the purchase of two revenue receiving vaults and six revenue collection bins.

23. Audit Report on Second Quarter Parts Inventory Count

Motion was made by Director Norby, seconded by Director Dixon, and declared passed by those present, to receive and file the Second Quarter Parts Inventory Count, Internal Audit Report No. 06-025.

Regular Calendar

Orange County Local Transportation Authority Regular Calendar Matters

24. Garden Grove Freeway (State Route 22) Design-Build Project Soundwall Study Review and Use of Rubberized Asphalt

Chief Executive Officer, Arthur T. Leahy provided opening comments to the Board, giving background on this issue to this point. Mr. Leahy reported that staff met with a number of the residents from the area along with representatives from the car dealerships to discuss possible solutions to the noise mitigation issue.

24. (Continued)

Director Correa stated that he was at the meeting with residents and car dealers and felt there could be an acceptable compromise on the various aspects of the situation.

A motion was made by Director Correa, seconded by Director Dixon, and declared passed unanimously by those present, to approve the following recommendations at a cost not to exceed $4.4 million:

A. Install air conditioning units for 13 classrooms in the Sunnyside and Mitchell Elementary Schools, as recommended by the approved environmental document.

B. The project currently includes a combination of concrete barrier or metal-beam guardrail between Euclid Street and Magnolia Avenue. Replace approximately 3,000 feet of metal-beam guardrail with a 3-foot concrete barrier.

C. Develop a rubberized asphalt demonstration project between Euclid Street and Magnolia Avenue and on the west side of the State Route 22. the capital and maintenance costs would be paid by OCTA. (Director Campbell offered an amendment to the motion on this recommendation to clarify that this work would be for the westbound lanes on the freeway, as opposed to the west side, and that a five-year marker be set to monitor this demonstration project in regard to maintenance and effectiveness. Director Correa agreed to both amendments to his motion.)

D. Develop a rubberized asphalt demonstration project between Euclid Street and Magnolia Avenue on Trask, contingent on the City of Garden Grove's approval. The capital cost would be paid by OCTA, and the maintenance by the City of Garden Grove.

Discussion followed, public comments were heard from:

Ruth Baird, resident of Garden Grove, stated she appreciates OCTA's understanding on the issue and stated she would like to see rubberized asphalt on both sides of the freeway.

Janet Bennett, resident of Garden Grove, stated she agrees with Ms. Baird's comments and preference for rubberized concrete on both sides of the freeway.

Ray Daniels, representing Toyota of Garden Grove, introduced John Sackrison, from Orange County Auto Dealers' Association, Joe Voltarel, of Nicholas Chevrolet in Garden Grove, and Charles Lee, of Union Dodge. These individuals expressed concern for any wall built which blocks visibility of the car dealerships, and all encouraged the Board to consider rubberized asphalt on the eastbound side of the freeway.

24. (Continued)

Rodger Van Buskirk, resident of Garden Grove, commended Director Correa's solution to the situation and stated he would like to see rubberized asphalt on the eastbound lanes, also.

Julia Araiza, representing the Garden Bay Apartments in Garden Grove, thanked Directors Correa and Rosen for their work on this issue and for their support for the residents.

Other Matters

25. Chief Executive Officer's Report

Chief Executive Officer, Arthur T. Leahy, informed Directors that he and now-Chairman Brown participated in meetings on goods movement last Friday with the CEO's and Chairs of MTA, Riverside, San Bernardino, and Ventura Counties. He stated that the ports of Long Beach and Los Angeles will be included in these meetings in the future.

Mr. Leahy advised that during the first week of February, he and Chairman Brown would be going to Washington, D.C, for a multi-county effort to advance Southern California transportation projects.

Mr. Leahy stated that meetings are being scheduled with Orange County delegation members to brief them on Measure M and other issues. He stated that a meeting is scheduled for later this date with Congresswoman Sanchez and Congressman Royce on Tuesday, January 24. Upcoming meetings are scheduled with Senators Ackerman and Margett, and with Assemblymembers Daucher, Bermudez, Devore, Harmon, Umberg, and Walters.

26. Directors' Reports

Director Norby reported that he appeared at a ceremony at Buena Park High School and distributed OCTA maps and bus passes. He feels that with the increased restrictions on young drivers, it is important to reach out to the junior high schools and high schools to encourage them take the bus.

Director Dixon related a positive experience he had last week with OCTA's Freeway Service Patrol who assisted him with a flat tire.

Director Dixon stated that he continues to hear from colleagues from other transportation agencies with regard to status on projects and asked that he be provided with status of a Joint Powers Agreement (JPA) vs. a cooperative working agreement concerning the tunnel issue.

Mr. Leahy responded that the Transportation Corridors' Agency's CEO is working on draft language for purposes of discussion at this time.

26. (Continued)

Director Campbell stated that he met with Congressman Gary Miller recently, who is advocating the JPA and may host a meeting to get this issue resolved.

Director Dixon asked Director Campbell regarding the expenditure of transportation funds to non-transportation agencies, specifically the water agencies. He inquired if this was discussed in the conversations with the Congressman, to which Director Campbell responded that this situation is different.

Director Campbell distributed a letter from Caltrans proposing to use as a pilot project the State Route 22 project with the new HOV lanes to assess the ability to enter and exit from those lanes at any point. Caltrans also states they are not prepared to make a recommendation for only peak hours, and that they need to study this further.

Director Campbell asked Director Quon if there needs to be a study to get this firmed up so that the test of the exits and entries can be made easier, and when a study would be done that would identify whether or not we can proceed on a Southern California basis of the entry outside of peak hours.

Director Quon stated that data is being collected and will be analyzed in regard to the HOV lanes project. This data will not be available until the end of the year. She stated that Caltrans should be able to determine what technical studies are necessary may be determined in the next few weeks.

Director Campbell provided forms to the Board Members on which they could indicate their interest in serving on particular Committees in the coming year. He asked that these forms be returned to the Clerk of the Board by January 27 so that they can be in turn provided to the new Chairman as he sets the composition of the committees.

Director Duvall stated that the Board needs to be sure all available federal funding is pursued. He also mentioned that Orange County airport was fogged in and a problem resulted with getting travelers to another airport for their flights. Director Duvall asked if staff could look at if there is a way OCTA can assist in these types of situations.

Director Silva offered compliments on the work of Kris Murray. He also stated that he has had several meetings with the Chairmen of the Metropolitan Water District and Congressman Gary Miller, and he felt that the $15 million in funding was earmarked for water first, and transportation second.

Director Ritschel informed the Board that the groundbreaking for the San Clemente coastal pedestrian and bicycle trail took place last week and thanked OCTA for their ongoing support of this project.

26. (Continued)

Director Rosen referenced the Caltrans letter which Director Campbell earlier distributed, and asked if the continuous ingress/egress meant no double-yellow markings at all, and vehicles could then go in and out of those lanes at any time. Director Campbell confirmed that was correct. Director Rosen stated that there are statutes in the Vehicle Code and in Streets and Highways Code that requires that prior to opening an HOV lane, there needs to be a safety report prepared by Caltrans. He inquired if this report has been done, and if not, when it will be done.

Director Quon responded that the intent to define the requirements for that report is specifically to start that process. She stated that is why, as a demonstration project is being proposed, the appropriate studies be conducted.

27. Public Comments

At this time, the Chairman invited members of the public to address the Board of Directors regarding any items within the subject matter jurisdiction of the Board of Directors, but advised that no action could be taken on off-agenda items unless authorized by law. He stated that comments would be limited to three (3) minutes per speaker.

No comments were offered.

28. Closed Session

General Counsel, Kennard R. Smart, Jr., stated that a Closed Session was needed:

A. Pursuant to Government Code Section 54956.9(a) to discuss the following cases:

   1. OCTA v. Amerisourcebergen, et al., OCSC Case No. 04CC09849;
   2. OCTA v. Orange City Mills, et al., OCSC Case No. 04CC09917;
   3. OCTA v. EOP, et al., OCSC Case No. 04CC09845; and
   4. OCTA v. The City Office, et al., OCSC Case No. 04CC09846.

B. 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.

Mr. Smart stated that he did not expect a report out of the Closed Session.

29. Adjournment

The meeting was adjourned at 11:15 a.m. The next regularly scheduled meeting of the OCTA/OCTD/OCLTA/ OCSAFE/OCSAAV Board will be held at **9:00 a.m. on Tuesday, February 14, 2006,** 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 Chairman

8.

OCTA

ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

INDOLFO GUTIERREZ

WHEREAS, *the Orange County Transportation Authority Board of Directors recognizes and commends Indolfo Gutierrez; and*

WHEREAS, *be it known that Indolfo Gutierrez has been with the Authority since July 6, 1998 and has earned seven years of safe driving; and*

WHEREAS, *Indolfo Gutierrez has distinguished himself by maintaining an outstanding record for safety, attendance and customer relations; and*

WHEREAS, *Indolfo Gutierrez takes great pride in giving extraordinary service to all customers; and*

WHEREAS, *Indolfo Gutierrez maintains a professional demeanor at all times and is well respected by his customers, peers and supervisors; and*

WHEREAS, *Indolfo Gutierrez's unselfish dedication to the Authority, his customers and the citizens of Orange County is recognized and appreciated.*

NOW, THEREFORE, BE IT RESOLVED *that the Authority does hereby declare Indolfo Gutierrez as the Orange County Transportation Authority Coach Operator Employee of the Year for 2005; and*

BE IT FURTHER RESOLVED *that the Orange County Transportation Authority Board of Directors recognizes Indolfo Gutierrez's valued service to the Authority.*

Dated: February 14, 2006

Arthur C. Brown, Chairman Orange County Transportation Authority	Arthur T. Leahy, Chief Executive Officer Orange County Transportation Authority

OCTA Resolution No. 2006-05

OCTA

ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

ROBERT BERGELS

WHEREAS, *the Orange County Transportation Authority Board of Directors recognizes and commends Robert Bergels; and*

WHEREAS, *Robert is a key member of the Authority's bus maintenance program, improving service reliability and safety; and*

WHEREAS, *Robert's expertise in the diagnosis, maintenance and repair of bus systems is exceptional; and*

WHEREAS, *his skills and superb attitude in performing all facets of vehicle maintenance have earned him the respect of all that work with him; and*

WHEREAS, *his commitment to provide the highest quality of service to our customers, teamwork, and professionalism and his desire to excel are duly noted.*

NOW, THEREFORE, BE IT RESOLVED *that the Authority does hereby declare Robert Bergels as the Orange County Transportation Authority Maintenance Employee of the Year for 2005; and*

BE IT FURTHER RESOLVED *that the Orange County Transportation Authority Board of Directors recognizes Robert Bergels' valued service to the Authority.*

Dated: February 14, 2006

Arthur C. Brown, Chairman Orange County Transportation Authority	Arthur T. Leahy, Chief Executive Officer Orange County Transportation Authority

OCTA Resolution No. 2006-06

OCTA

ORANGE COUNTY
TRANSPORTATION AUTHORITY

RESOLUTION

JAMES J. KRAMER, P.E.

WHEREAS, *the Orange County Transportation Authority Board of Directors recognizes and commends James J. Kramer; and*

WHEREAS, *James has performed his duties as Principal Civil Engineer/Senior Project Manager in an outstanding manner, demonstrating the highest level of integrity, teamwork and professionalism; and*

WHEREAS, *James' extensive experience and expertise in facilities engineering and design proved invaluable to the Authority in its development and construction of the Santa Ana bus base; and*

WHEREAS, *James Kramer demonstrates an exemplary work ethic and exceptional teamwork and knowledge in addressing the needs of his customer, the Operations and Maintenance Division, as well as the Authority, in the design and construction process; and*

WHEREAS, *James Kramer served as a project manager for the design and construction of the newly opened Santa Ana bus base, working countless hours to successfully deliver the project on time and within budget, demonstrating a "can do" attitude and personal commitment to the project.*

NOW, THEREFORE, BE IT RESOLVED *that the Authority does hereby declare James Kramer as the Orange County Transportation Authority Administrative Employee of the Year for 2005; and*

BE IT FURTHER RESOLVED *that the Orange County Transportation Authority Board of Directors recognizes James Kramer's valued service to the Authority.*

Dated: February 14, 2006

Arthur C. Brown, Chairman Orange County Transportation Authority	Arthur T. Leahy, Chief Executive Officer Orange County Transportation Authority

OCTA Resolution No. 2006-07

9.

Item 9.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board

Subject: State Legislative Status Report

Legislative and Government Affairs/Public Communications Committee — February 2, 2006

Present: Directors Silva, Cavecche, Wilson, Correa, Rosen and Buffa
Absent: Directors Ritschel and Brown

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Adopt a support position on AB 372 (Nation, D-San Rafael), which extends current authority to use design-build procurement on certain transit projects.

B. Adopt the following policy positions to guide evaluation of transportation infrastructure bond proposals:

1. Ensure that statewide bond proposals complement and do not conflict with local sales tax measures.
2. Oppose the use of existing transportation revenue sources to back revenue bonds.
3. Support a fair and equitable distribution of funds in a manner most advantageous to Orange County.
4. Adopt the list of projects in Attachment G as a preliminary indication of Orange County needs for state transportation bond funds.
5. Support opportunities to include private funding options where appropriate.
6. Support inclusion of expedited project delivery measures such as design-build and National Environmental Policy Act review delegation.

OCTA

February 2, 2006

To: Legislative and Government Affairs/Public Communications Committee

ALeahy

From: Arthur T. Leahy, Chief Executive Officer

Subject: State Legislative Status Report

Overview

Infrastructure bond proposals from the Governor, and Senate and Assembly Leadership have been introduced in bill form. Hearings on the proposals have begun and recommendations on a transportation infrastructure bond will be sent to a conference committee. Associated principles are submitted for consideration. One bill that would extend transit design-build authority is submitted with a recommendation to support.

Recommendations

A. Adopt a support position on AB 372 (Nation, D-San Rafael), which extends current authority to use design-build procurement on certain transit projects.

B. Adopt the following policy positions to guide evaluation of transportation infrastructure bond proposals:

1. Ensure that statewide bond proposals complement and do not conflict with local sales tax measures.
2. Oppose the use of existing transportation revenue sources to back revenue bonds.
3. Support a fair and equitable distribution of funds in a manner most advantageous to Orange County.
4. Adopt the list of projects in Attachment G as a preliminary indication of Orange County needs for state transportation bond funds.
5. Support opportunities to include private funding options where appropriate.
6. Support inclusion of expedited project delivery measures such as design-build and National Environmental Policy Act review delegation.

Discussion

Sloat Higgins Jensen and Associates' Sacramento Report

Chris Kahn's monthly report from the State Capitol (Attachment A) provides an overview of the Governor's budget, the Strategic Growth Plan, and the process for the legislature to put the bonds on the ballot. The report also reiterates concern over the Governor's signing of SB 1026 (Kuehl, D-Santa Monica) and the possibility that will preclude other design-build designations from moving forward this year.

AB 372 (Nation, D-San Rafael)

AB 372 would extend, until January 1, 2009, current law that permits transit operators to enter into design-build contracts, under specified conditions. This bill extends the authority that initially allowed the Orange County Transportation Authority (OCTA) to move forward using design-build on the Garden Grove Freeway (State Route 22) project. The second extension (expiring in January 2007) additionally prohibited this authority from being used on projects that include state highway construction or local street and road projects. This prohibition still applies in the third extension, but still warrants support for its applicability to other transit projects. Staff recommends: SUPPORT. Attachment B is the bill analysis.

Transportation Infrastructure Bond

The Legislature and the Governor have introduced legislation to carry the various infrastructure bond proposals under consideration and a conference committee has now been appointed. Identical bills have been introduced in the Senate and Assembly to reflect the Governor's proposal. These bills are AB 1838 (Oropeza, D-Long Beach) and SB 1165 (Dutton, R-Rancho Cucamonga). Senate President pro Tem Don Perata's bond proposal is contained in SB 1024 (Perata, D-Oakland) and Assembly Speaker Fabian Núñez' bond proposal is contained in AB 1783 (Núñez, D-Los Angeles). Attachments C, D, and E offer a more detailed analysis of these proposals for your review.

The conference committee is also expected to address three constitutional amendments that address protection for Proposition 42: ACA 4 (Plescia, R-San Diego), ACA 9 (Bogh, R-Beaumont) and ACA 11 (Oropeza, D-Long Beach). The resulting consensus bill(s) would then be sent back to each house for concurrence.

The membership of the conference committee is as follows:

Assembly - Judy Chu (D-Monterey Park), Rick Keene (R-Chico), and John Laird (D-Santa Cruz)

Senate – Kevin Murray (D-Los Angeles), Wes Chesbro (D-Arcata), and Dennis Hollingsworth (R-Murrieta)

There are a number of items within the bond proposals that could affect OCTA and will need to be monitored closely. Primarily, the timing of the state bond is currently being discussed for June or November of 2006, with November being the most likely. This could negatively impact Measure M renewal, also proposed to be on the November 2006 ballot. Clearly, OCTA's primary interest is in Measure M's renewal and support for any state bond would have to rest on its relative impact on Measure M. There are also 12 other counties with similar measures scheduled for voter consideration who likely share the same concerns.

Second, in light of its timing with Measure M, the infrastructure state bond should not be secured with an increase in the state sales tax rate. The California Alliance for Jobs has recommended a quarter cent sales tax increase. Other recommendations have included backing the bonds with Proposition 42 revenue to prevent its further use to bail out the General Fund.

Third, OCTA's efforts should center on securing the most fair and equitable distribution of projects throughout the state to ensure that the state's and Orange County's needs are properly represented in the bond. The Administration has proposed funding various projects statewide with the funds available in the Governor's proposal. A summary of the projects are included in Attachment F.

Fourth, if the bond does include specific projects, it is recommended that these projects address goods movement and inter-county connection programs, and include Orange County's priority projects. Attachment G updates the OCTA Board of Directors approved list of projects adopted on May 23, 2005. This list may include the state's share of funding for projects included in the Measure M Renewal Expenditure Plan.

Fifth, due to the lack of stable, consistent, and sufficient funding for transportation infrastructure in California, a recommendation is included to support user fees as a revenue source for certain types of projects. This could include private/public partnerships such as toll roads, dedicated truck lanes, container fees, and other user fees. The inclusion of these alternative funding sources allows the state to leverage public investments to a greater degree and provide the public with an even larger number of infrastructure improvements than would otherwise be possible.

Lastly, in order to most effectively deliver projects following an influx of state funds of this nature, project streamlining mechanisms such as design-build and the delegation of National Environmental Policy Act (NEPA) review authority to the California Department of Transportation (Caltrans) should be included in the bond language. The inclusion of these items will demonstrate the state's commitment to deliver bond projects to the voters as quickly as possible.

As the various bond proposals mature, staff will update the Board of Directors.

Summary

As negotiations continue on the amount, type, and funding source for a major infrastructure bond in California, the Board is requested to adopt general principles and project list to guide discussions as they progress.

Attachments

A. Sloat Higgins Jensen and Associates' Sacramento Report
B. AB 372 (Nation, D-San Rafael) Bill Analysis
C. AB 1838 (Oropeza, D-Long Beach)/SB 1165 (Dutton, R-Rancho Cucamonga) Bill Analysis
D. AB 1783 (Nunez, D-Los Angeles) Bill Analysis
E. SB 1024 (Perata, D-Oakland) Bill Analysis
F. Governor's Strategic Growth Plan Preliminary Working List of Proposed Transportation Projects by Region
G. Potential Projects for Statewide Infrastructure Bond
H. Legislative Matrix

Prepared by:

Wendy Villa
Principal Government Relations Representative
(714) 560-5595

Approved by:

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

ATTACHMENT A

MEMORANDUM

TO: OCTA Board of Directors

FROM: Kevin Sloat
Chris Kahn
Sloat Higgins Jensen & Associates

RE: Sacramento Report

DATE: January 20, 2006

The Legislature returned for the 2006 Legislative session on January 4, 2006. The Governor delivered his State of the State address on January 5th, outlining a very ambitious Strategic Growth Plan for California. The Governor released his 2006-2007 proposed State Budget on January 10, 2006.

Overview

The Governor's 2006-07 proposed Budget continues to hold the line against tax increases. California's revenue condition has improved dramatically in the past two years. The Department of Finance estimates that general fund revenues have increased by $5.5 billion over the past two years. Revenues will increase in the budget year (2006-07) by another $4.3 billion for a total three year increase of $9.8 billion. It appears that overall general fund expenditures under the Administration's proposal will increase by 8.4% ($ 7.6 billion).

The Governor's Budget proposes to fully fund Proposition 42 at $1.4 billion. The Budget also proposes to advance payment of the Proposition 42 loan due in 2007-08 in the amount of $920 million. Approximately $430 million remains to be paid in 2007-08.

The advance payment will allow for local streets and road funding to be available in the 2006-07 budget.

Governor's Strategic Growth Initiative

The Strategic Growth proposal is wide-ranging in scope, with the centerpiece being a focus on transportation needs for the 21st century.

The cornerstone of this plan includes a $68 billion General Obligation Bond to increase funding for transportation, K-12 school construction and modernization, higher education facilities, flood control, levee upgrade and restoration, water storage, and jail and court construction.

The bond vote will be authorized for the next five election cycles, starting with June 2006 election and ending with the November 2014 election.

The two biggest new direct funding measures for Transportation are two $6 billion bond measures for transportation in June 2006 and November 2008 and a Constitutional Amendment to permanently protect Proposition 42 funds.

Uses of Funds

$5.6 Billion for highway program, broken down as follows:

- $3.1 billion for regional routes
- $1 billion for SR 99 focus efforts
- $1 billion for interregional state segments
- $300 million for corridor operational investments
- $200 million for ITS investment on highways

$1.5 billion for SHOPP

$4 billion for trade and goods movement investment, as follows:

- $1 billion for air quality mitigation, with a 1:1 match required
- $3 billion for highway and rail investment for trade corridors, with 1:4 match

$500 million for intercity rail investments

$200 million for park and ride lots and bikeways

Passage of the bonds would be tied to enactment of design sequencing, design build, and public private partnership legislation. These bond measures also presume that the High Speed Rail Bond would not go forward in 2006.

The transportation funding will build on existing funding mechanisms and direct additional new sources to core programs, rather than directing funds at a project-specific list, as was done for the TCRP. We anticipate that the new funds will build on the so-called "jumpstart" list of activities outlined in the BT&H *GoCalifornia* document. Key likely programmatic areas are as follows:

- Goods Movement – Largely based on the BT&H/Cal EPA Goods Movement Action Plan.
- State Highway Rehabilitation Funding – Based on the emphasis that state system preservation has received in the BT&H *GoCalifornia* effort, the SHOPP will receive a significant infusion of funding.
- Major State Highway Segments and Focus Routes – The state's obligation to bring the highway system up to 21st Century standards is not maintaining pace. A renewed emphasis on key corridors will likely receive significant funding.

Process

The Legislature has announced the creation of a two house conference committee to begin work in an attempt to place these bonds on the June 2006 ballot, in order to meet the March deadline. This process, of course, will take a 2/3 vote of the Legislature. The conference committee is made up of the following members: Senate- Murray, Chesbro, Hollingsworth; Assembly- Laird, Chu and Keene.

Legislative leadership have directed policy committees to immediately hold informational hearings on the subject matter germane to their committee. The Senate Transportation and Housing Committee has scheduled a hearing for Tuesday January 24^{th} in Sacramento. Sources tell us this hearing will be moved to January 31^{st}. The participants for this hearing will be the Schwarzenegger Administration, and various Associations and Unions. There also will be time allotted for public comment.

After a number of hearings, these policy committees will then present reports (both majority and minority reports, if necessary) to the Conference Committee who will work on language and make decisions on big issues such as bond sizes and on which ballot or ballots the bonds will appear.

The Senate has indicated they will conduct a number of hearings in Sacramento, and then hold hearings throughout the State. The Assembly Democrats are gearing up to conduct hearings in Sacramento in preparation for their retreat on February 7-9 to develop a caucus position on an overall bond package. The Big-Five leaders will also meet on a parallel track to deal with any outstanding issues.

The deadline to get something on the June ballot, with a supplemental ballot, appears to be in early to mid March. This deadline may be able to move as far as early April.

Design Build

The Governor signed SB 1026 (Kuehl) last week, which provides the Los Angeles County Metropolitan Transportation Authority design-build authority to construct an HOV lane on the I-405. We continue to be concerned that it will be difficult to get additional design build authority authorized for other equally worthy projects. The Governor has indicated that design build is an essential part of his Strategic Growth Initiative and many members of the Legislature expressed their commitment to enact additional design build authority this year.

Legislative Deadlines

We expect over three thousand bills to be introduced in the 2006 session, on top of the many two year bills that are still alive. The deadline to submit bill request to Legislative Counsel is January 27th. The deadline for bills introduced last year to pass their house of origin is January 31st. Finally, the deadline to introduce bills into the 2006 session is February 24th.

The following are the bills that make up the Governor's Strategic Growth Plan:

Transportation

SB 1165 (Dutton) and AB 1838 (Oropeza) – These identical bills authorize the $12 billion in GO bonds for transportation purposes in 2006 and 2008. They also contain authority for Caltrans and regional transportation agencies to use design-build construction authority and provide for public-private partnerships.

ACA 4 (Plescia) – Deletes the suspension provisions of Proposition 42.

AB 850 (Canciamilla) – Introduced last year as part of the GoCalifornia effort, this measure addresses public-private partnerships.

SB 371 (Torlakson) – Design- Build authority for Caltrans and regional entities.

AB 1266 (Niello) – Expands application of design-sequencing authority for Caltrans beyond the pilot program.

State Fiscal Responsibility

SCA 21 (Runner) – Enacts a limit on the amount of state GO bonding.

Water and Flood Control

AB 1839 (Laird) and SB 1166 (Aanestad/Machado) – Enact authority for a $3 billion GO bond in 2006 and $6 billion GO bond in 2010 for water management and flood control.

AB 1665 (Laird) - Addresses local and state flood management.

ACA 13 (Harman) – Amends Prop 218 for benefit assessment fees related to flood management.

Public Safety

AB 1833(Arambula) – Places two $2 billion GO bond acts on the 2006 and 2010 ballots for jail construction and public safety infrastructure.

AB 1831 (Jones) – Would enact a $1.8 billion GO bond program for trial court facilities, as well as other state facilities.

ATTACHMENT B

BILL: AB 372 (Nation, D-San Rafael)
Introduced February 11, 2005

SUBJECT: Extends the Sunset Date for Transit Agencies' Design-Build Authority

AMENDED: In Assembly, January 11, 2006

STATUS: Passed Assembly Transportation Committee 9-2 on January 9, 2006
Passed Assembly Floor 67-7 on January 19, 2006
Pending committee assignment in Senate

SUMMARY AS OF JANUARY 18, 2006:

AB 372 would extend, until January 2009, current law that permits transit operators to enter into design-build contracts.

Current law, which expires January 1, 2007, provides that a public transit operator may enter into a design-build contract for transit-related construction projects, under specified conditions. Current law also specifies that transit projects do not include state highway construction or local street and road projects. However, Legislative intent does not prohibit minor modifications to local roads incidental to light rail and bus transit improvements.

Under the design-build process, the public transit operator contracts with a single consultant to provide both the design and construction of a capital facility, structure, or building.

Contracts over $20 million may be awarded to the lowest bidder or based on "best value." The "best value" basis is the preferred method because it allows public transit operators to benefit from innovations and enhances project quality rather than forcing them to focus on the lowest price, which may not always provide the highest quality. This process also allows the transit operator to overlap design and construction activities, resulting in additional time savings of several months to more than a year based on the size of the project.

EFFECTS ON ORANGE COUNTY:

The Orange County Transportation Authority (OCTA) is authorized to use the design-build process under this law as well as in accordance with the Public Utilities Code. The Public Utilities Code permits OCTA to use the design-build process for construction of facilities on real property owned or to be owned by OCTA. This process also authorizes design-build to be used for the development of transit systems. This authority, however, requires the bid to be awarded to the lowest responsible bidder.

Since current design-build authority allowing the bid to be awarded based on "best value" sunsets in January 2007 and would not be available to use for the construction of future transit related projects, staff recommends supporting this California Transit Association sponsor bill.

OCTA POSITION:

Staff recommends: SUPPORT

AMENDED IN ASSEMBLY JANUARY 11, 2006

AMENDED IN ASSEMBLY JANUARY 4, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL No. 372

Introduced by Assembly Member Nation

February 11, 2005

An act to amend Section 20209.14 of the Public Contract Code, relating to public contracts.

LEGISLATIVE COUNSEL'S DIGEST

AB 372, as amended, Nation. Public contracts: transit design-build contracts.

Existing law authorizes transit operators to enter into a design-build contract, as defined, according to specified procedures. Existing law repeals these provisions on January 1, 2007.

This bill would extend the duration of these provisions until January 1, ~~2011~~ *2009*.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 20209.14 of the Public Contract Code is amended to read:

20209.14. This article shall remain in effect only until January 1, ~~2011~~ *2009*, and as of that date is repealed.

O

BILLS: AB 1838 (Oropeza, D-Long Beach)
SB 1165 (Dutton, R-Rancho Cucamonga)
Introduced January 10, 2006

SUBJECT: Enacts the Congestion Reduction, Clean Air, and Trade Corridor Acts of 2006 and 2008, and the Transportation Revenue Bond Act of 2012

STATUS: SB 1165 referred to Transportation and Housing, and Environmental Quality Committees on January 19, 2006

SUMMARY AS OF JANUARY 19, 2006:

These identical bills are the vehicles for the Governor's infrastructure bond package and create the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2006 ($6 billion), and of 2008 ($6 billion), as well as the Transportation Revenue Bond Act of 2012 ($14 billion).

The 2006 and 2008 bonds would be secured by the general fund as the bill specifically states that other state transportation funds may not be used. The guidelines for review of projects and allocation of funds must be proposed by the Business, Transportation and Housing Agency (BT&H) by September 1, 2006, and adopted by December 31, 2006, for the 2006 bond. December 15, 2008, and March 31, 2009, are the applicable dates for the 2008 bond.

The 2012 bond would be secured by up to 25 percent of the existing fuel excise taxes and 25 percent of truck weight fees, up to $1.025 billion annually for 30 years. This bill also authorizes design-build processes for certain state and local transportation entities, extends the design-sequencing authority of the California Department of Transportation (Caltrans), and authorizes Caltrans and regional transportation agencies to enter into comprehensive development lease agreements with public and private entities for certain projects that may charge tolls and user fees.

Projects for the 2006 bond would be proposed by BT&H and Caltrans and would be allocated as follows:

- $1.7 billion – improvements to the state highway system, including focus routes and regional priorities, that meet the specified performance criteria
  - projects must be in the regional transportation plan
  - projects may be substituted by regional agencies subject to concurrence by Caltrans and approval by the California Transportation Commission (CTC)
- $1.3 billion – safety, rehabilitation, and preservation projects on the state highway system. (State Highway Operation and Protection Program (SHOPP))
- $300 million – corridor mobility projects on the state highway system
- $200 million – intelligent transportation systems and technology
- $400 million – intercity passenger rail projects
- $100 million – bike and pedestrian, including park and ride facilities, projects

  - projects must be in the regional transportation plan
  - projects may be substituted by regional agencies subject to concurrence by Caltrans and approval by the CTC
- $1 billion – port mitigation projects (air quality)
  - projects must be in the trade infrastructure and goods movement action plan (TIGMAP)
  - one-to-one match from private, local, or federal sources
  - funding sources already programmed at the time bond is passed may not be used as matching funds
- $1 billion – goods movement infrastructure (dedicated truck facilities and toll facilities, grade separations)
  - projects must be in the TIGMAP
  - one-to-four match
  - funding sources already programmed at the time bond is passed may not be used as matching funds

Projects for the 2008 bond would be proposed by BT&H and Caltrans and would be allocated as follows:

- $3.6 billion - improvements to the state highway system
  - projects must be in the regional transportation plan
  - projects may be substituted by regional agencies subject to concurrence by Caltrans and approval by the CTC
- $200 million – SHOPP
- $100 million – intercity passenger rail projects
- $100 million – bike and pedestrian, including park and ride, projects
  - projects must be in the regional transportation plan
  - projects may be substituted by regional agencies subject to concurrence by Caltrans and approval by the CTC
- $2 billion – goods movement infrastructure (dedicated truck facilities and toll facilities, grade separations)
  - projects must be in the TIGMAP
  - one-to-four match
  - funding sources already programmed at the time bond is passed may not be used as matching funds

The 2012 bond is a revenue bond backed with dedicated transportation revenue sources, which currently go to the State Highway Account (SHA). Revenue from these sources of funds is currently scarcely enough to fund the SHOPP. Based on the 2006 fund estimate of transportation resources available to fund the 2006 State Transportation Improvement Program (STIP), Caltrans operations, maintenance, and the SHOPP will completely consume these resources by 2011.

The bills do not specify how the $14 billion will be allocated by project category as the other bonds do, but do list the same project categories as the other bonds as areas of priority, including:

- Improvements to the state highway system, including focus routes and regional priorities.
- Safety, rehabilitation, and preservation projects on the state highway system
- Corridor mobility projects on the state highway system
- Intelligent transportation systems and technology
- Goods movement infrastructure projects

These bills also authorize Caltrans and local transportation entities to use the design-build method of project delivery. The transportation entity utilizing design-build is required to develop a process for pre-qualifying and a procedure for final selection of the design-build team with minimum factors to be considered. A labor compliance program is required unless the transportation entity or design-build team has entered into collective bargaining agreements that bind all of the contractors performing work on the project. Additionally, local transportation agencies are required to consult with Caltrans on projects performed on the state highway system and Caltrans personnel shall perform construction quality assurance on these projects.

These bills further allow Caltrans and regional transportation agencies to enter into comprehensive development lease agreements with public or private entities for transportation projects. A regional transportation agency includes a county transportation commission, a joint powers authority, a county, a council of governments, or a regional transportation planning agency – including the Southern California Association of Governments (SCAG).

The lease term shall not exceed 80 percent of the useful life of the facility or 99 years, whichever is less. The lease agreement shall not restrict the development of any transportation project, but may provide the leaseholder reasonable compensation for adverse affects on toll revenue. Reasonable compensation does not apply to projects identified in regional transportation plans as of December 31, 2005, safety projects, additional high occupancy vehicle (HOV) lanes or conversion of existing lanes to HOV lanes, or projects outside of the identified boundary in the lease agreement. These bills also provide for the development and operation of high occupancy toll (HOT) lanes. Lastly, they extend the design-sequencing authority through 2012 and allow four additional pilot projects.

EFFECTS ON ORANGE COUNTY:

The proposed project list for the 2006 and 2008 bonds released by BT&H shows Orange County as receiving only one major project under the Regional Priority Routes category ($320 million for State Route 91 corridor improvements in Orange County). Orange County will also be eligible for some portion of $300 million for various corridor mobility management programs in Los Angeles, Orange, Riverside, San Bernardino, and San Diego counties for projects along the Santa Ana Freeway (Interstate 5), the Riverside Freeway (State Route 91), the Pomona Freeway (State Route 60), the Santa Monica Freeway (Interstate 10), the Corona Freeway (Interstate 15), and the San Diego

Freeway (Interstate 405). This includes transportation management system and traffic operations strategies to restore productivity of congested freeway corridors.

If the bond were distributed through a formula, such as the STIP formula, Orange County would receive approximately $520 million of the non-goods movement funds. The STIP formula would have resulted in at least $130 million more for Orange County than was received through the proposed project list.

No project list, criteria, or formulas have been released for the 2012 bond. However, the loss of over $1 billion annually for the bond repayment would decimate the SHOPP program, leaving its future funding and existence in question. Although capacity enhancing projects may be funded, maintenance of the system would suffer, and safety projects could be delayed.

However, the extensive design-build, limited design-sequencing and broader public-private partnership authority would enhance OCTA's ability to deliver projects in a time and cost effective manner to the public.

OCTA POSITION:

Staff recommends: MONITOR AND WORK WITH AUTHORS

SENATE BILL **No. 1165**

Introduced by Senator Dutton

January 10, 2006

An act to add Title 19 (commencing with Section 99100) to the Government Code, to add Article 6.9 (commencing with Section 20209.20) to Chapter 1 of Part 3 of Division 2 of the Public Contract Code, to amend Sections 143, 149, 217, 217.8, 217.9, and 2108 of, and to add and repeal Section 217.75 of, the Streets and Highways Code, and to amend Section 42205 of the Vehicle Code, relating to transportation and providing the funds necessary for a transportation improvement program through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1165, as introduced, Dutton. Transportation Bond Acts of 2006, 2008, and 2012: transportation contracting.

(1) Existing law provides various funding sources for transportation purposes, including fuel excise taxes, sales taxes on fuels, and truck weight fees.

This bill would enact the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2006, the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2008, and the Transportation Revenue Bond Act of 2012. The bill would require the Secretary of State to submit the proposed bond measures to the voters at an unspecified election in 2006, and at the November 4, 2008, and November 6, 2012, elections, respectively.

This bill would authorize $6,000,000,000 each in state general obligation bonds under the 2006 and 2008 bond acts for various transportation purposes, and would authorize $14,000,000,000 in state general obligation bonds under the 2012 bond act for various transportation purposes. The bill would also pledge up to 25% of the existing fuel excise taxes and 25% of truck weight fees, up to $1.025 billion annually from both sources, for 30 years to offset the General Fund cost for bond debt service for the 2012 bond act, subject to extension by statute if necessary to meet debt service obligations.

(2) Existing law sets forth requirements for the solicitation and evaluation of bids and the awarding of contracts by public entities for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement. Existing law also authorizes specified state agencies, cities, and counties to implement alternative procedures for the awarding of contracts on a design-build basis. Existing law, until January 1, 2007, authorizes transit operators to enter into a design-build contract, as defined, according to specified procedures.

This bill would authorize certain state and local transportation entities to use a design-build process for contracting on transportation projects, as specified. This bill would establish a procedure for submitting bids that includes a requirement that design-builders provide certain information in a questionnaire submitted to the transportation entity that is verified under oath. Because a verification under oath is made under penalty of perjury, the bill would, by requiring a verification, create a new crime and thereby impose a state-mandated local program. The bill would require these transportation entities to report to the Legislature regarding implementation of the design-build process. This bill would also require a transportation entity to implement a labor compliance program for design-build projects.

(3) Existing law authorizes the Department of Transportation, until January 1, 2010, to conduct a pilot project to award design–sequencing contracts, as defined, for the design and construction of not more than 12 transportation projects, to be selected by the Director of Transportation.

This bill would additionally authorize the department, until January 1, 2012, to award design-sequencing contracts for the design and construction of not more than 4 additional transportation projects, to be selected by the director. The bill would extend other provisions relating to the pilot project to January 1, 2012.

(4) Existing law, until January 1, 2003, authorized the Department of Transportation to solicit proposals and enter into agreements with

private entities or consortia for the construction and lease of no more than 2 toll road projects, and specified the terms and requirements applicable to those projects. Existing law authorizes the department to construct high-occupancy vehicle and other preferential lanes.

This bill would instead authorize the department and regional transportation agencies to enter into comprehensive development lease agreements with public and private entities, or consortia of those entities, for certain transportation projects that may charge users of those projects tolls and user fees, subject to various terms and requirements.

(5) This bill would enact other related provisions.

(6) This bill would declare that it is to take effect immediately as an urgency statute.

(7) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: ⅔. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Title 19 (commencing with Section 99100) is added to the Government Code, to read:

TITLE 19. TRANSPORTATION BOND ACTS

CHAPTER 1. THE CONGESTION REDUCTION, CLEAN AIR, AND TRADE CORRIDOR BOND ACT OF 2006

Article 1. General Provisions

99100. This chapter shall be known and may be cited as the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2006. This chapter shall only become operative upon adoption by the voters at the ____, 2006, election.

99101. The Legislature finds and declares all of the following:

(a) Improved mobility and accessibility for people, goods, services, and information in California can be achieved through a safe, integrated, multimodal, world-class transportation system that is focused on a prosperous economy, a quality environment, and social equity.

(b) To achieve this goal, California must reduce future congestion to below current levels, deploy demand-management strategies, use existing capacity more efficiently, expand capacity where appropriate, incorporate the best research and technology into system planning, and implement a performance-based system of transportation project selection and infrastructure investment.

(c) California's economic comparative advantage and competitive edge are threatened by decreasing mobility. Improved mobility will continue to attract capital investment in California that will generate jobs for the state's growing population.

(d) Congestion is increasing statewide due to current land use patterns and planned levels of investment. Congestion is eroding Californians' quality of life and impacting the environment.

(e) Air pollution constrains congestion relief options and harms the health of the state's residents and visitors.

(f) Transportation investment is not keeping pace with population increases and economic growth.

(g) California needs state-of-the-art tools to accelerate project delivery and pursue innovative partnerships with the private sector.

(h) The state's economy and quality of life depend upon the efficient, safe delivery of goods to and from the state's ports and borders. At the same time, the environmental impacts of goods movement activities must be reduced to ensure protection of the public health.

(i) The goods movement and logistics industry is an increasingly important sector of good jobs for Californians. It is vital to grow the industry by improving the essential infrastructure needed to move goods from California's ports throughout the state and to the rest of the country with a focus on the entire "coast to border" system of facilities, including seaports, airports, railways, dedicated truck lanes, logistic centers, and border crossings.

(j) This system of facilities is critical to the national goods movement network and must be the focus of a partnership with the federal government

(k) Improving the goods movement infrastructure also is pivotal to relieving congestion on freeways and increasing mobility for everyone in California.

(*l*) Enactment of the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2006 will provide needed investment to make improvements to reduce traffic congestion, increase throughput on the state's transportation system, vitalize the state's trade corridors, improve air quality, encourage land use decisions that reduce demand on the state's transportation network, and keep California's economy strong.

99102. As used in this chapter, the following terms have the following meanings:

(a) "Agency" means the Business, Transportation and Housing Agency.

(b) "Board" means the Department of Transportation.

(c) "Commission" means the California Transportation Commission.

(d) "Committee" means the Transportation Bond Finance Committee, established pursuant to Section 99103.

(e) "Corridor mobility projects" means those projects proposed by the department and the agency to reduce congestion on the state highway system through implementation of operational improvements and system management strategies.

(f) "Department" means the Department of Transportation.

(g) "Focus routes" means those non-Interstate interregional routes that connect California's urbanized areas.

(h) "Fund" means the Congestion Reduction, Clean Air, and Trade Corridor Bond Fund, established pursuant to section 99105.

(i) "Intelligent transportation systems" means, but is not limited to, advanced operational hardware, software, communications systems, and infrastructure, for integrated advanced transportation management systems, information systems, and electronic toll collection systems.

(j) "Performance measures" means the goals, objectives, standards, strategies, and metrics adopted by the commission to evaluate the benefits and cost-effectiveness of regional and interregional transportation plans and projects to accommodate growth in transportation demands while reducing congestion in the state highway component of the system over the next decade.

(k) "Port mitigation projects" means the projects to reduce air pollution from both publicly and privately owned vehicles and equipment, consistent with the "Emission Reduction Plan for Ports and International Goods Movement" adopted by the State Air Resources Board and the trade infrastructure and goods movement action plan required by Section 99110. Port mitigation projects include, but are not limited to, projects to repair, replace, or retire fuel burning engines or to improve emissions reduction components of those engines.

(*l*) "Regional agency" means the agency required to adopt the regional transportation improvement program pursuant to Section 14527.

(m) "Regional priorities" means projects that are on the state highway system, are high priorities for regional agencies, and are included in an adopted regional transportation plan prepared pursuant to Section 65080.

(n) "State General Obligation Bond Law" means the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2).

(o) "Trade infrastructure and goods movement action plan" means the strategic plan developed by the agency and the California Environmental Protection Agency and adopted by the commission pursuant to Section 99110, to improve the movement of goods while reducing the environmental impacts from goods movement activities to ensure protection of public health.

(p) "Transportation System Management Master Plan" means the strategic plan developed by the department, including a prioritized listing of projects, to reduce congestion on the state highway system by managing traffic flow through effective application of public and motorist information, demand management, and incident management.

(q) "Trade corridors" means the infrastructure that facilitates the flow of goods and services to and through California.

99103. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Transportation Bond

Finance Committee is hereby created. For purposes of this chapter, the Transportation Bond Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law.

(b) The committee consists of the Director of Finance, the Treasurer, and the Secretary of Business, Transportation and Housing. Notwithstanding any other provision of law, any member may designate a deputy to act as that member in his or her place and stead for all purposes, as though the member were personally present.

(c) The Treasurer shall serve as chairperson of the committee.

(d) A majority of the members of the committee shall constitute a quorum of the committee and may act for the committee.

99104. For purposes of the State General Obligation Bond Law, the Department of Transportation is named the "board."

Article 2. Congestion Reduction, Clean Air, and Trade Corridor Bond Program of 2006

99105. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the Congestion Reduction, Clean Air, and Trade Corridor Bond Fund, which is hereby created.

99106. All moneys deposited in the fund are continuously appropriated to the department without regard to fiscal year, notwithstanding Section 13340, and shall be available for encumbrance and expenditure for the purposes specified in Section 99111.

99107. Other state transportation funds may not be used to pay principal or interest obligations associated with bonds issued under this chapter.

99108. (a) The agency and department shall propose by September 1, 2006, and the commission shall adopt by December 31, 2006, guidelines for review of projects and allocation of funds pursuant to this chapter. The purpose of the guidelines is to ensure that the proposed projects result in cost-effective system improvements that reduce traffic congestion, increase throughput on the state's transportation system, vitalize the state's trade corridors, improve air quality, and keep California's economy strong. The guidelines shall be based on performance measures and shall include, but not be limited to, the following:

(1) Criteria and methodology for evaluating the cost-effectiveness of individual projects in contributing to meeting the performance measures adopted by the commission for regional and interregional plans, including impacts on performance of the transportation system as a whole and reduction of congestion.

(2) Process and procedures for regional agencies to propose a substitute project or modification for a project proposed by the agency and department.

(3) Requirements for actions by regional agencies and local jurisdictions to implement strategies to improve mobility and reduce congestion as a condition of allocation of funds to projects.

(4) Process for consideration of matching funds and other leveraged benefits associated with the allocation of bond funds.

(5) Consideration of the safety implications and benefits associated with individual projects.

(6) Consideration of a reasonable geographic balance at the system and project levels.

(b) The commission shall conduct at least one public hearing in northern California and one in southern California prior to adopting the guidelines. The commission may amend the adopted guidelines after conducting at least one public hearing. The guidelines shall be the complete and full statement of the policy, standards, and criteria that the commission intends to use in approving the allocation of funds.

99109. Except for funds provided in subdivision (c) of Section 99111, funds available for allocation under this chapter are not subject to the provisions of Sections 14524 and 14525 of this code, or Sections 164, 188, and 188.8 of the Streets and Highways Code.

99110. Funds available for allocation under subdivisions (h) and (i) of Section 99111 shall be consistent with a trade infrastructure and goods movement action plan prepared by the Secretary of Business, Transportation and Housing and the Secretary for Environmental Protection. The secretaries shall submit the plan to the commission on or before December 31, 2006, and may revise that plan on or before December 31 of each even-numbered year thereafter, for the commission's consideration and adoption following public hearings. The commission shall adopt the plan no later than the following December 31.

99111. (a) Funds may be used for all costs related to capital projects, including, but not limited to, right of way acquisition, design, environmental studies, environmental mitigation measures, and construction. Funds may be used for mitigation of the environmental effects of existing transportation infrastructure. Funds may be granted to other state entities, joint powers authorities, or local government entities to carry out provisions of this chapter and may be used to support public-private partnership agreements, including project revenue debt and equity financing. All projects funded by this section shall comply with applicable state and federal engineering design, environmental, and contracting standards. The commission shall allocate funds for capital projects and the department shall allocate funds for operating expenses. Funds are to be allocated as provided in subdivisions (b) to (i), inclusive.

(b) One billion seven hundred million dollars ($1,700,000,000) for performance improvements to the state highway system, including focus routes and regional priorities. The agency and the department shall propose projects to be funded, consistent with performance measures adopted by the commission. Any proposed project shall be included in the regional transportation plan. A regional agency may recommend to the commission a substitute project for any project proposed by the department within its region. The substitute project may be included in the bond funding plan only upon a finding by the commission that the substitute project is more consistent with the requirements of Section 99108 than the project proposed by the agency and the department. Allocation of funds for a project recommended for substitution is subject to concurrence by the department and approval by the commission.

(c) One billion three hundred million dollars ($1,300,000,000) for safety, rehabilitation, and preservation projects on the state highway system, pursuant to Section 14526.5 of this code and Section 164.6 of the Streets and Highways Code.

(d) Three hundred million dollars ($300,000,000) for corridor mobility projects on the state highway system as proposed by the agency and the department. In addition to the purposes for which funds may be expended, as provided in subdivision (a), funds may be expended for corridor mobility projects for initial support and operations of these projects, including, but not limited to, software development, acquisition, and implementation.

(e) Two hundred million dollars ($200,000,000) for intelligent transportation systems and other technology-based projects to improve safety and effective capacity of the state's transportation system, as proposed by the agency and the department. In addition to the purposes for which funds may be expended, as provided in subdivision (a), funds may be expended for intelligent transportation system projects for initial support and operations of these projects, including, but not limited to, software development, acquisition, and implementation.

(f) Four hundred million dollars ($400,000,000) for intercity passenger rail projects as proposed by the agency and the department.

(g) One hundred million dollars ($100,000,000) for bicycle and pedestrian projects, including park and ride facilities, as proposed by the agency and the department. Any proposed project shall be included in the regional transportation plan. A regional agency may recommend to the commission a substitute project for any project proposed by the department within its region. The substitute project may be included in the bond funding plan only upon a finding by the commission that the substitute project is more consistent with the requirements of Section 99108 than the project proposed by the agency and the department. Allocation of funds for a project recommended for substitution is subject to concurrence by the department and approval by the commission.

(h) One billion dollars ($1,000,000,000) for port mitigation projects. Notwithstanding Section 16727, funds allocated pursuant to this subdivision may be used for matching grants for port mitigation projects. Notwithstanding any other provision of law, that use shall be authorized because the public benefits from the reduction of emissions of dangerous pollutants and the matching requirement reasonably recognize the value that may be gained by the private recipient of these funds. No funds shall be allocated pursuant to this subdivision until the trade infrastructure and goods movement action plan required by

Section 99110 is adopted by the commission. Projects eligible for funding under this subdivision shall be proposed by the Secretary of Business, Transportation and Housing and the Secretary for Environmental Protection and shall have matching funds of not less than one-to-one, which may be provided from private funds or from other appropriate local or federal funds. Funding sources that were programmed for transportation uses at the time this section was enacted may not be used for matching purposes.

(i) One billion dollars ($1,000,000,000) for transportation infrastructure projects that would serve the overall objectives of improving the flow of goods and services and enhancing environmental quality as identified in the trade infrastructure and goods movement action plan required by Section 99110. Projects eligible for funding include, but are not limited to: highway access to ports and intermodal facilities; rail access to ports and intermodal facilities; truck corridor highway improvements, including dedicated truck facilities and truck toll facilities; and rail corridor improvements, including grade separation projects. Projects eligible for funding under this subdivision shall be proposed by the Secretary of Business, Transportation and Housing and the Secretary for Environmental Protection and shall having matching funds of not less than four times the state contribution. Matching funds may be provided from private funds or from other appropriate local or federal funds. Funding sources that were programmed for transportation uses at the time this section was enacted may not be used for matching purposes. No funds shall be allocated pursuant to this subdivision until the commission adopts the trade infrastructure and goods movement action plan required by Section 99110. In addition to the guidelines adopted pursuant to Section 99108, the commission shall also consider the following factors when allocating these funds:

(1) "Velocity," which means the speed by which large cargo would travel from the port through the distribution system.

(2) "Throughput," which means the volume of cargo that would move from the port through the distribution system.

(3) "Reliability," which means a reasonably consistent and predictable amount of time for cargo to travel from one point to another on any given day or at any given time in California.

(4) "Congestion reduction," which means the reduction in recurrent daily hours of delay to be achieved.

(5) "Emission reduction," which means the amount of diesel particulate and other pollutant emissions to be reduced.

(6) Reasonable geographic balance among the state's regions.

(7) Matching funds provided.

Article 3. Fiscal Provisions

99112. (a) Bonds in the total amount of six billion dollars ($6,000,000,000), not including the amount of any refunding bonds issued in accordance with Section 99120, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5. The bonds, when sold, shall be and constitute valid and binding obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall sell the bonds authorized by the committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731.

99113. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

99114. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

99115. Notwithstanding Section 13340, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum that is necessary to carry out the provisions of Section 99118, appropriated without regard to fiscal years.

99116. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

99117. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

99118. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General

Fund, with interest at the rate earned by the money in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

99119. All money deposited in the fund that is derived from premium and accrued interest on bonds sold pursuant to this chapter shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

99120. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2, which is a part of the State General Obligation Bond Law. Approval by the electors of the state for the issuance of the bonds under this chapter shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

99121. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIIIB of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

99122. It is the intent of the people of California, in enacting this chapter, that bond funds shall not be used to displace existing sources of funds for transportation, including, but not limited to, funds that have been provided pursuant to Article XIX of the California Constitution, and that any future comprehensive transportation funding legislation shall not offset or reduce the amounts otherwise made available for the transportation purposes of this chapter.

Chapter 2. The Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2008

Article 1. General Provisions

99200. This chapter shall be known and may be cited as the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2008. This chapter shall only become operative upon adoption by the voters at the November 4, 2008, general election.

99201. The Legislature finds and declares all of the following:

(a) Improved mobility and accessibility for people, goods, services and information in California can be achieved through a safe, integrated, multimodal, world-class transportation system that is focused on a prosperous economy, a quality environment, and social equity.

(b) To achieve this goal, California must reduce future congestion to below current levels, deploy demand-management strategies, use existing capacity more efficiently, expand capacity where appropriate, incorporate the best research and technology into system planning, and implement a performance-based system of transportation project selection and infrastructure investment.

(c) California's economic comparative advantage and competitive edge are threatened by decreasing mobility. Improved mobility will continue to attract capital investment in California that will generate jobs for the state's growing population.

(d) Congestion is increasing statewide due to current land use patterns and planned levels of investment. Congestion is eroding Californians' quality of life and impacting the environment.

(e) Air pollution constrains congestion relief options and harms the health of the state's residents and visitors.

(f) Transportation investment is not keeping pace with population increases and economic growth.

(g) California needs state-of-the-art tools to accelerate project delivery and pursue innovative partnerships with the private sector.

(h) The state's economy and quality of life depend upon the efficient, safe delivery of goods to and from the state's ports and borders. At the same time, the environmental impacts of goods movement activities must be reduced to ensure protection of the public health.

(i) The goods movement and logistics industry is an increasingly important sector of good jobs for Californians. It is vital to grow the industry by improving the essential infrastructure needed to move goods from California's ports throughout the state and to the rest of the country with a focus on the entire "coast to border" system of facilities, including seaports, airports, railways, dedicated truck lanes, logistic centers, and border crossings.

(j) This system of facilities is critical to the national goods movement network and must be the focus of a partnership with the federal government

(k) Improving the goods movement infrastructure also is pivotal to relieving congestion on freeways and increasing mobility for everyone in California.

(*l*) Enactment of the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2008 will provide needed investment to make improvements to reduce traffic congestion, increase throughput on the state's transportation system, vitalize the state's trade corridors, improve air quality, encourage land use decisions that reduce demand on the state's transportation network, and keep California's economy strong.

99202. As used in this chapter, the following terms have the following meanings:

(a) "Agency" means the Business, Transportation and Housing Agency.

(b) "Board" means the Department of Transportation.

(c) "Commission" means the California Transportation Commission.

(d) "Committee" means the Transportation Bond Finance Committee, established pursuant to Section 99203.

(e) "Department" means the Department of Transportation.

(f) "Focus routes" means those non-Interstate interregional routes that connect California's urbanized areas.

(g) "Fund" means the Congestion Reduction, Clean Air, and Trade Corridor Bond Fund, established pursuant to Section 99205, unless a fund by that name has previously been created by Section 99105, in which case "fund" means that fund.

(h) "Performance measures" means the goals, objectives, standards, strategies and metrics adopted by the commission to evaluate the benefits and cost-effectiveness of regional and interregional transportation plans and projects to accommodate growth in transportation demands while reducing congestion in the state highway component of the system over the next decade.

(i) "Port mitigation projects" means the projects to reduce air pollution from both publicly and privately owned vehicles and equipment, consistent with the "Emission Reduction Plan for

Ports and International Goods Movement" adopted by the State Air Resources Board and the trade infrastructure and goods movement action plan required by Section 99210. Port mitigation projects include, but are not limited to, projects to repair, replace, or retire fuel burning engines or to improve emissions reduction components of those engines.

(j) "Regional agency" means the agency required to adopt the regional transportation improvement program pursuant to Section 14527.

(k) "Regional priorities" means projects that are on the state highway system, are high priorities for regional agencies, and are included in an adopted regional transportation plan prepared pursuant to Section 65080.

(*l*) "State General Obligation Bond Law" means the State General Obligation Bond Law, Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2.

(m) "Trade infrastructure and goods movement action plan" means the strategic plan developed by the agency and the California Environmental Protection Agency and adopted by the commission pursuant to Section 99210, to improve the movement of goods while reducing the environmental impacts from goods movement activities to ensure protection of public health.

(n) "Transportation System Management Master Plan" means the strategic plan developed by the department, including a prioritized listing of projects, to reduce congestion on the state highway system by managing traffic flow through effective application of public and motorist information, demand management and incident management.

(o) "Trade corridors" means the infrastructure that facilitates the flow of goods and services to and through California.

99203. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Transportation Bond Finance Committee is hereby created. For purposes of this chapter, the Transportation Bond Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law.

(b) The committee consists of the Director of Finance, the Treasurer, and the Secretary of Business, Transportation and

Housing. Notwithstanding any other provision of law, any member may designate a deputy to act as that member in his or her place and stead for all purposes, as though the member were personally present.

(c) The Treasurer shall serve as chairperson of the committee.

(d) A majority of the members of the committee shall constitute a quorum of the committee and may act for the committee.

99204. For purposes of the State General Obligation Bond Law, the Department of Transportation is named the "board."

Article 2. Congestion Reduction, Clean Air, and Trade Corridor Bond Program of 2008

99205. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the Congestion Reduction, Clean Air, and Trade Corridor Bond Fund, which is hereby created, except that if a fund by that name has previously been created pursuant to Section 99105, then the proceeds of bonds issued and sold pursuant to this chapter shall be deposited into that fund.

99206. All moneys deposited in the fund are continuously appropriated to the department without regard to fiscal year, notwithstanding Section 13340, and shall be available for encumbrance and expenditure for the purposes specified in Section 99211.

99207. Other state transportation funds may not be used to pay principal or interest obligations associated with bonds issued under this chapter.

99208. (a) Unless guidelines are adopted pursuant to Section 99108, the agency and department shall propose by December 15, 2008, and the commission shall adopt by March 31, 2009, guidelines for review of projects and allocation of funds pursuant to this chapter. If guidelines have previously been adopted pursuant to Section 99108, those guidelines may be used for purposes of this chapter. The purpose of the guidelines is to ensure that the proposed projects result in cost-effective system improvements that reduce traffic congestion, increase throughput on the state's transportation system, vitalize the state's trade corridors, improve air quality, encourage land use decisions that reduce demand on the state's transportation network, and keep

California's economy strong. The guidelines shall be based on performance measures and shall include, but not be limited to, the following:

(1) Criteria and methodology for evaluating the cost-effectiveness of individual projects in contributing to meeting the performance measures adopted by the commission for regional and interregional plans, including impacts on performance of the transportation system as a whole and reduction of congestion.

(2) Process and procedures for regional agencies to propose a substitute project or modification for a project proposed by the agency and department.

(3) Requirements for actions by regional agencies and local jurisdictions to implement strategies to improve mobility and reduce congestion as a condition of allocation of funds to projects.

(4) Process and procedures for consideration of impacts of regional plans and local land use decisions on the transportation system.

(5) Process for consideration of matching funds and other leveraged benefits associated with the allocation of bond funds.

(6) Consideration of the safety implications and benefits associated with individual projects.

(7) Consideration of a reasonable geographic balance at the system and project levels.

(b) The commission shall conduct at least one public hearing in northern California and one in southern California prior to adopting the guidelines. The commission may amend the adopted guidelines after conducting at least one public hearing. The guidelines shall be the complete and full statement of the policy, standards, and criteria that the commission intends to use in approving the allocation of funds.

99209. Except for funds provided in subdivision (c) of Section 99211, funds available for allocation under this chapter are not subject to the provisions of Sections 14524 and 14525 of this code or Sections 164, 188, and 188.8 of the Streets and Highways Code.

99210. Funds available for allocation under subdivision (f) of Section 99211 shall be consistent with a trade infrastructure and goods movement action plan prepared by the Secretary of

Business, Transportation and Housing and the Secretary for Environmental Protection. The secretaries shall submit the plan to the commission on or before December 31, 2008, and may revise the plan on or before December 31 of each even-numbered year thereafter, for the commission's consideration and adoption following public hearing. The commission shall adopt the plan no later than the following December 31. If a plan has previously been adopted pursuant to Section 99110, an update to that plan shall be sufficient to meet the requirements of this section.

99211. (a) Funds may be used for all costs related to capital projects, including, but not limited to. right of way acquisition, design, environmental studies, environmental mitigation measures, and construction. Funds may be used for mitigation of the environmental effects of existing transportation infrastructure. Funds may be granted to other state entities, joint powers authorities, or local government entities to carry out provisions of this chapter and may be used to support public-private partnerships agreements, including project revenue debt and equity financing. All projects funded by this section shall comply with applicable state and federal engineering design, environmental, and contracting standards. The commission shall allocate funds for capital projects and the department shall allocate funds for operating expenses. Funds are to be allocated as provided in subdivisions (b) to (f), inclusive.

(b) Three billion six hundred million dollars ($3,600,000,000) for performance improvements to the state highway system, including focus routes and regional priorities. The agency and the department shall propose projects to be funded, consistent with performance measures adopted by the commission. Any proposed project shall be included in the regional transportation plan. A regional agency may recommend to the commission a substitute project for any project proposed by the department within its region. The substitute project may be included in the bond funding plan only upon a finding by the commission that the substitute project is more consistent with the requirements of Section 99208 than the project proposed by the agency and the department. Allocation of funds for a project recommended for substitution is subject to concurrence by the department and approval by the commission.

(c) Two hundred million dollars ($200,000,000) for safety, rehabilitation, and preservation projects on the state highway system, pursuant to Section 14526.5 of this code and Section 164.6 of the Streets and Highways Code.

(d) One hundred million dollars ($100,000,000) for intercity passenger rail projects as proposed by the agency and the department.

(e) One hundred million dollars ($100,000,000) for bicycle and pedestrian projects, including park and ride facilities, as proposed by the agency and the department. Any proposed project shall be included in the regional transportation plan. A regional agency may recommend to the commission a substitute project for any project within its region. The substitute project may be included in the bond funding plan only upon a finding by the commission that the substitute project is more consistent with the requirements of Section 99208 than the project proposed by the agency and the department. Allocation of funds for a project recommended for substitution is subject to concurrence by the department and approval by the commission.

(f) Two billion dollars ($2,000,000,000) for transportation infrastructure projects that would serve the overall objectives of improving the flow of goods and services and enhancing environmental quality as identified in the trade infrastructure and goods movement action plan described in Section 99210. Projects eligible for funding include, but are not limited to: highway access to ports and intermodal facilities; rail access to ports and intermodal facilities; truck corridor highway improvements, including dedicated truck facilities and truck toll facilities; and rail corridor improvements, including grade separation projects. Projects eligible for funding under this subdivision shall be proposed by the Secretary of Business, Transportation and Housing and the Secretary for Environmental Protection and shall having matching funds of not less than four times the state contribution. Matching funds may be provided from private funds or from other appropriate local or federal funds. Funding sources that were programmed for transportation uses at the time this section was enacted may not be used for matching purposes. No funds shall be allocated pursuant to this subdivision until the commission adopts the trade infrastructure and goods movement action plan required by Section 99210. In addition to the guidelines adopted pursuant to Section 99208, the commission shall also consider the following factors when allocating these funds:

(1) "Velocity," which means the speed by which large cargo would travel from the port through the distribution system.

(2) "Throughput," which means the volume of cargo that would move from the port through the distribution system.

(3) "Reliability," which means a reasonably consistent and predictable amount of time for cargo to travel from one point to another on any given day or at any given time in California.

(4) "Congestion reduction," which means the reduction in recurrent daily hours of delay to be achieved.

(5) "Emission reduction," which means the amount of diesel particulate and other pollutant emissions to be reduced.

(6) Reasonable geographic balance among the state's regions.

(7) Matching funds provided.

Article 3. Fiscal Provisions

99212. (a) Bonds in the total amount of six billion dollars ($6,000,000,000), not including the amount of any refunding bonds issued in accordance with Section 99220, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5. The bonds, when sold, shall be and constitute valid and binding obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall sell the bonds authorized by the committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731.

99213. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

99214. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

99215. Notwithstanding Section 13340, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum that is necessary to carry out the provisions of Section 99218, appropriated without regard to fiscal years.

99216. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

99217. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

99218. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, with interest at the rate earned by the money in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

99219. All money deposited in the fund that is derived from premium and accrued interest on bonds sold pursuant to this chapter shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

99220. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2, which is a part of the State General Obligation Bond Law. Approval by the electors of the state for the issuance of the bonds under this chapter shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

99221. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIIIB of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

99222. It is the intent of the people of California, in enacting this part, that bond funds shall not be used to displace existing sources of funds for transportation, including, but not limited to, funds that have been provided pursuant to Article XIX of the California Constitution, and that any future comprehensive transportation funding legislation shall not offset or reduce the amounts otherwise made available for the transportation purposes of this chapter.

Chapter 3. Transportation Revenue Bond Act of 2012

Article 1. General Provisions

99300. This chapter shall be known and may be cited as the Transportation Revenue Bond Act of 2012. This chapter shall only become operative upon adoption by the voters at the November 6, 2012, general election.

99301. The Legislature finds and declares all of the following:

(a) There has been substantially less investment in transportation during the 1970s, 1980s, 1990s and early part of this century than has been needed to handle population growth and the increase in travel.

(b) Existing funding is insufficient to reduce congestion and build capacity for a growing population.

(c) There has been a large increase in traffic congestion resulting in high costs to Californian's personal lives and business. The congestion increases air pollution and noise near major routes.

(d) The revenues from Proposition 42 of 2002 are likely to increase fairly substantially in the future.

(e) Therefore, it is appropriate to use transportation revenue to support bond funding to reduce congestion caused by insufficient investment in the past.

99302. As used in this chapter, the following terms have the following meanings:

(a) "Ancillary obligation" means an obligation of the state entered into in connection with any bonds issued under this chapter, including the following:

(1) A credit enhancement or liquidity agreement, including any credit enhancement or liquidity agreement in the form of bond insurance, letter of credit, standby bond purchase agreement, reimbursement agreement, liquidity facility, or other similar arrangement.

(2) A remarketing agreement.

(3) An auction agent agreement.

(4) A broker-dealer agreement or other agreement relating to the marketing of the bonds.

(5) An interest rate or other type of swap or hedging contract.

(6) An investment agreement, forward purchase agreement, or similar structured investment contract.

(b) "Agency" means the Business, Transportation and Housing Agency.

(c) "Board" means the Department of Transportation.

(d) "Committee" means the Transportation Bond Finance Committee, established pursuant to Section 99303.

(e) "Department" means the Department of Transportation.

(f) "Focus routes" means those non-Interstate interregional routes that connect California's urbanized areas.

(g) "Fuel Tax and Weight Fee Debt Service Fund" means that fund established pursuant to Section 99311.

(h) "Fund" means the Transportation Revenue Bond Fund, established pursuant to Section 99305.

(i) "Regional agency" means the agency required to adopt the regional transportation improvement plan pursuant to Section 14527.

(j) "Resolution" means any resolution, trust agreement, indenture, certificate, or other instrument authorizing the issuance of bonds pursuant to this chapter and providing for their security and repayment.

(k) "State General Obligation Bond Law" means the State General Obligation Bond Law, Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2.

(*l*) "Trustee" means the Treasurer or a bank or trust company within or without the state acting as trustee for any issue of bonds under this chapter and, if there is more than one issue of bonds, the term means the trustee for each issue of bonds respectively. If there are co-trustees for an issue of bonds, "trustee" means those co-trustees collectively.

(m) "Corridor mobility projects" means those projects proposed by the department and the agency to reduce congestion on the state highway system through implementation of operational improvements and system management strategies.

(n) "Intelligent transportation systems" means, but is not limited to, advanced operational hardware, software, communications systems, and infrastructure, for:

(1) Integrated advanced transportation management systems.

(2) Information systems.

(3) Electronic toll collection systems.

(o) "Performance measures" means the goals, objectives, standards, strategies and metrics adopted by the commission to evaluate the benefits and cost-effectiveness of regional and interregional transportation plans and projects to accommodate growth in transportation demands while reducing congestion in the state highway component of the system over the next decade.

(p) "Regional priorities" means projects that are on the state highway system, are high priorities for regional transportation planning agencies, and are included in an adopted regional transportation plan prepared pursuant to Section 65080.

99303. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Transportation Bond Finance Committee is hereby created. For purposes of this chapter, the Transportation Bond Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law.

(b) The committee consists of the Director of Finance, the Treasurer, and the Secretary of Business, Transportation and Housing. Notwithstanding any other provision of law, any member may designate a deputy to act as that member in his or her place and stead for all purposes, as though the member were personally present.

(c) The Treasurer shall serve as chairperson of the committee.

(d) A majority of the members of the committee shall constitute a quorum of the committee and may act for the committee.

(e) In addition to all other powers specifically granted in this chapter and the State General Obligation Bond Law, the committee may do all things necessary or convenient to carry out the powers and purposes of this chapter, including the approval of any resolution and any agreement establishing an ancillary obligation, and the delegation of necessary duties to the chairperson, and to the Treasurer as agent for sale of the bonds.

99304. For purposes of the State General Obligation Bond Law, the Department of Transportation is named the "board."

Article 2. Transportation Revenue Bond Act Program

99305. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the Transportation Revenue Bond Fund, a special fund in the State Treasury, which is hereby created.

99306. All moneys deposited in the fund are continuously appropriated to the department notwithstanding Section 13340, and shall be available for encumbrance and expenditure for transportation projects as provided in 99307 and for reimbursement of project expenditures initially made by other state funds as authorized by the commission pursuant to subdivision (a) of Section 99307.

99307. Moneys deposited in the fund shall be used for the research, planning, construction, improvement, maintenance, and operation of public streets and highways and their related public facilities for nonmotorized traffic, including the mitigation of their environmental effects, the payment for property taken or damaged for those purposes, and the administrative costs necessarily incurred in the foregoing purposes, and for any other purpose permitted by subdivision (a) of Section 1 of Article XIX of the California Constitution. Funds may be granted to other state entities joint powers authorities or local government entities for the purposes authorized in this section. The commission may authorize the department to reimburse qualified project expenditures initially made from the State Highway Account, the Public Transportation Account, or any other state fund or account that has advanced funds for authorized projects, with the reimbursement to be made from the Transportation Revenue Bond Fund.

(b) Transportation projects that may be authorized include, but are not limited to, any of the following:

(1) Performance improvements to the state highway system, including focus routes and regional priorities.

(2) Safety, rehabilitation, and preservation projects on the state highway system, pursuant to Section 14526.5 of this code and Section 164.6 of the Streets and Highways Code.

(3) Corridor mobility projects on the state highway system.

(4) Intelligent transportation systems and other technology-based projects to improve safety and effective capacity of the state's transportation system.

(5) Transportation infrastructure projects that would serve the overall objectives of improving the flow of goods and services and enhancing environmental quality.

All projects authorized shall be consistent with the provision of subdivision (a) of Section 1 of Article XIX of the California Constitution. The agency and the department shall propose projects to be funded consistent with performance measures adopted by the commission. Any proposed project identified in paragraphs (1) to (5), inclusive, must be included in the regional transportation plan. For projects identified in paragraphs (1) to (5), inclusive, a regional agency may recommend to the commission a substitute project for any project proposed by the department within its region. The substitute project may be included in the bond funding plan only upon a finding by the commission that the substitute project is more consistent with the requirements of this chapter than the project proposed by the agency and the department. Allocation of funds for a project recommended for substitution is subject to concurrence by the department and approval by the commission.

99307.5. Funds available for allocation under this chapter are not subject to Sections 164, 188, and 188.8 of the Streets and Highways Code.

Article 3. Fiscal Provisions

99308. (a) Bonds in the total amount of fourteen billion dollars ($14,000,000,000), not including the amount of any refunding bonds issued in accordance with Section 99317, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5. The bonds, when sold, shall be and constitute valid and binding obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) In addition to the pledge set forth in subdivision (a) hereof, the bonds, when sold, shall be secured by a pledge of revenues and any other amounts in the Fuel Tax and Weight Fee Debt Service Fund, which are hereby irrevocably pledged to the payment of principal and interest on the bonds issued pursuant to this chapter.

99309. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter. The Treasurer shall sell the bonds authorized by the committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731. The committee shall make every effort, consistent with the best interests of the state, to structure the terms and conditions so as to minimize the duration of the debt.

99310. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

99311. There is hereby created the Fuel Tax and Weight Fee Debt Service Fund, a special fund in the State Treasury, which shall consist of no more than 25 percent of both the fuels tax revenues that would otherwise be transferred to the State Highway Account under Section 2108 of the Streets and Highways Code, as it read on January 1, 2006, and the weight fee revenues deposited in the State Highway Account pursuant to Section 42205 of the Vehicle Code, not to exceed a total of one billion twenty-five million dollars ($1,025,000,000) per year. Revenues shall be transferred into this fund for 30 years to provide funds to offset the General Fund cost of debt service on the bonds authorized pursuant to Section 99308. The period of transfers to this fund may be extended for up to five years by a statute enacted by a two-thirds vote of each house of the

Legislature to ensure that revenues deposited into this fund are sufficient to fully offset the costs of the bonds. The transfers to this fund shall cease when a notice pursuant to Section 99319 is sent.

99312. (a) Notwithstanding Section 13340, there is hereby appropriated from the Fuel Tax and Weight Fee Debt Service Fund an amount that shall equal the total of the following:

(1) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as principal and interest become due and payable, whether at maturity or upon earlier redemption or defeasance as authorized by the committee, including any premium payable upon redemption and any ancillary costs that constitute principal or interest.

(2) Any amount necessary to establish a debt service reserve fund or to satisfy any debt service reserve fund requirements in the resolution.

(3) The sum that is necessary to carry out the provisions of Section 99315, appropriated without regard to fiscal years, and to repay any other borrowing in anticipation of the sale of bonds, including interest.

(b) Notwithstanding Section 13340, if the funds appropriated by subdivision (a) are estimated to be insufficient to equal the total of the amounts specified in paragraphs (1) through (3), inclusive, of subdivision (a), there is hereby continuously appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will be sufficient to equal the total of those amounts that cannot be met by the funds appropriated by subdivision (a).

(c) Notwithstanding Section 13340, there is hereby continuously appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will be sufficient to pay:

(1) The sum necessary to pay any ancillary obligations authorized by the committee that are due and payable and not paid pursuant to subdivision (a).

(2) Any trustee costs and other administrative costs incurred in connection with servicing the bonds and ancillary obligations, and costs permitted to be paid pursuant to subdivisions (d) and (e) of Section 16727, as authorized by the committee.

99313. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

99314. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

99315. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, with interest at the rate earned by the money in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

99316. All money deposited in the fund that is derived from premium and accrued interest on bonds sold pursuant to this chapter shall be reserved in the fund and shall be available for transfer to the Fuel Tax and Weight Fee Debt Service Fund and applied to pay interest on bonds issued and sold pursuant to this chapter.

99317. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2, which is a part of the State General Obligation Bond Law. Approval by the electors of the state for the issuance of the bonds under this chapter shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

99318. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIIIB of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

99319. The Director of Finance shall notify the Treasurer, the trustee, the Controller, and the board when any of the following has occurred:

(a) All bonds issued pursuant to this chapter and all related ancillary obligations have been paid or retired.

(b) Payment of the principal of and interest on all bonds issued pursuant to this chapter and ancillary obligations have been irrevocably provided for pursuant to the resolution and no bonds are deemed "outstanding" pursuant to the resolution.

(c) The Fuel Tax and Weight Fee Debt Service Fund holds sufficient funds to pay the principal of, and interest to final maturity on, all bonds issued pursuant to this chapter that are outstanding and to pay all ancillary obligations.

(d) No bonds were issued pursuant to this chapter and the committee announces that no bonds will be issued pursuant to this chapter.

SEC. 2. Article 6.9 (commencing with Section 20209.20) is added to Chapter 1 of Part 3 of Division 2 of the Public Contract Code, to read:

Article 6.9. Transportation Design-Build Contracts

20209.20. The Legislature finds and declares all of the following:

(a) It is the intent of the Legislature, in enacting this article, to:

(1) Allow use of an alternative and optional procedure for procurement of contracts for delivery of transportation projects by state and local agencies.

(2) Demonstrate an alternative and optional procedure for bidding on highway, bridge, tunnel, or public transit construction projects in the jurisdiction of any county, any local transportation authority designated pursuant to Division 19 (commencing with Section 180000) of the Public Utilities Code, or any local or regional transportation entity that is designated by statute as a regional transportation agency.

(3) Authorize the Department of Transportation to demonstrate an alternative bidding procedure for highway, bridge, or tunnel projects on the state highway system.

(b) (1) Transportation entities should be able to utilize cost-effective options for delivery of highway projects, in accordance with the national trend, that includes authorizing public entities to utilize design-build contracts as a project delivery method.

(2) Utilizing a design-build contract requires a clear understanding of the roles and responsibilities of each participant in the design-build process. The benefits of a design-build contract project delivery system include an accelerated completion of the projects, the opportunity for innovation to reduce project cost or enhance the value of the project, cost containment, reduction of construction complexity, and reduced exposure to risk for the transportation entity.

(3) This approach toward the design-build project delivery method should be evaluated for the purposes of exploring the potential for reduced project costs, expedited project completion, or design features not achievable through the design-bid-build method.

(c) For the purposes of this demonstration, it is important to select projects for which funding has been identified or programmed and are in the preliminary scope and design phase. It is also important to select projects that range in cost for the demonstration program.

(d) These projects are subject to the existing process under the state transportation improvement program (Chapter 2 (commencing with Section 14520) of Part 5.3 of Division 3 of the Government Code) for planning, programming, environmental clearance, and funding. Projects that are ultimately chosen for demonstration of the design-build collaboration project delivery method under this article shall comply with all existing requirements under the state transportation improvement program for project development and funding. This article shall not be deemed to provide a preference for design-build over other methodologies.

20209.22. For the purposes of this article, the following definitions apply:

(a) "Best value process" means a procurement process whereby the department or local transportation entity selects a design-builder based on an evaluation of proposals received with reference to objective criteria, including, but not limited to, price, features, functions, life cycle costs, and other criteria deemed appropriate by the transportation entity as outlined in the request for proposals.

(b) "Design-build" means a procurement process in which both the design and construction of a project are procured from a single entity.

(c) "Design-builder" means a partnership, corporation, or other legal entity that is able to provide appropriately licensed contracting, architectural, and engineering services as needed pursuant to a design-build contract.

(d) "Design-build team" means a design-builder and the individuals and entities identified by the design-builder as members of its team.

(e) "Department" means the Department of Transportation as established under Part 5 (commencing with Section 14000) of Division 3 of the Government Code.

(f) "Local transportation entity" means a transportation authority designated pursuant to Division 19 (commencing with Section 180000) of the Public Utilities Code, any consolidated agency created pursuant to Chapter 3 (commencing with Section 132350) of Division 12.7 of the Public Utilities Code, the Santa Clara Valley Transportation Authority established under Part 12 (commencing with Section 100000) of the Public Utilities Code, and any other local or regional transportation entity that is designated by statute as a regional transportation agency.

(g) "Transportation entity" means the department and a local transportation entity.

20209.23. (a) A local transportation entity may utilize the design-build method of project delivery procurement for transportation projects within the jurisdiction of the entity, as authorized by this article.

(b) The department may utilize the design-build method of project delivery for transportation projects, as authorized by this article.

20209.24. A transportation entity shall implement for design-build projects a labor compliance program as described in Section 1771.5 of the Labor Code, or it shall contract with a third party to implement a labor compliance program, as described in that statute, on behalf of the entity. This requirement does not apply to any project where the transportation entity or the design-build team has entered into any collective bargaining agreement or agreements that bind all of the contractors performing work on the projects.

20209.26. The procurement process for design-build projects under this article shall progress as follows:

(a) The transportation entity shall prepare a set of documents setting forth the scope of the project. The documents may include, but need not be limited to, the size, type, and desired design character of the project, performance specifications covering the quality of materials, equipment, and workmanship, preliminary plans, and any other information deemed necessary to describe adequately the transportation entity's needs. The performance specifications and any plans shall be prepared by, or under the supervision of, an appropriately licensed professional who is duly licensed and registered in California.

(b) Based on the documents prepared under subdivision (a), the transportation entity shall prepare a request for proposals that invites interested parties to submit competitive sealed proposals in the manner prescribed by the transportation entity. The request for proposals shall include, but need not be limited to, the following elements:

(1) Identification of the basic scope and needs of the project or contract, the expected cost range, the methodology that will be used by the transportation entity to evaluate proposals, the procedure for final selection of the design build entity, and any other information deemed necessary by the transportation entity to inform interested parties of the contracting opportunity.

(2) Significant factors that the transportation entity reasonably expects to consider in evaluating proposals, including, but not limited to, cost or price and all nonprice related factors.

(3) The relative importance assigned to each of the factors identified in the request for qualifications.

(4) If a nonweighted system is used, the transportation entity shall specifically disclose whether all evaluation factors other than cost or price when combined are any of the following:

(A) Significantly more important than cost or price.

(B) Approximately equal in importance to cost or price.

(C) Significantly less important than cost or price.

(5) If the transportation entity reserves the right to hold discussions or negotiations with responsive bidders, it shall so specify in the request for proposals and shall publish separately or incorporate into the request for proposals applicable rules and procedures to be observed by the transportation entity to ensure that any discussions or negotiations are conducted in good faith.

(c) (1) The transportation entity shall develop a standard form request for statements of qualifications and shall notify interested parties including construction industry representatives as well as other public agencies interested in using the authorization provided by this article, regarding the time period for comments. The comment period may occur either before or after the date of formal issuance of the request. The request for statements of qualifications shall identify the criteria that will be applied in prequalifying or short-listing proposers, and the relative importance of the factors considered. The request for statements of qualifications shall require information including, but not limited to, all of the following:

(A) If the design-builder proposed to have primary responsibility for construction work is a partnership, limited partnership, or other association, a listing of all of the partners, general partners, or association members known at the time of bid submission who will participate in the design-build contract.

(B) Evidence that the members of the design-build team have completed, or demonstrated the experience, competency, capability, and capacity to complete projects of similar size, scope, or complexity, and that proposed key personnel have sufficient experience and training to competently manage and complete the design and construction of the project, and a financial statement that assures the transportation entity that the design-build entity has the capacity to complete the project.

(C) Evidence that the members of the design-builder team possess, or will obtain prior to award, all required licenses, registration, and credentials in good standing that are required for the types of services to be provided under the design-build contract.

(D) Evidence that establishes that the design-build team has the capacity to obtain all required payment and performance bonding, liability insurance, and errors and omissions insurance.

(E) Information concerning workers' compensation experience history and a worker safety program.

(F) A full disclosure regarding all of the following that are applicable with respect to each member of the design-build team during the past five years:

(i) Any serious or willful violation of Part 1 (commencing with Section 6300) of Division 5 of the Labor Code or the federal Occupational Safety and Health Act of 1970 (Public Law 91-596), settled against any member of the design-build team.

(ii) Any debarment, disqualification, or removal from a federal, state, or local government public works project.

(iii) Any instance where the design-build team, or its owners, officers, or managing employees submitted a bid on a public works project and were found to be nonresponsive, or were found by an awarding body not to be a responsible bidder.

(iv) Any instance where the design-build team, or its owners, officers, or managing employees defaulted on a construction contract.

(v) Any violations of the Contractors' State License Law, as described in Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code, excluding alleged violations of federal or state law regarding the payment of wages, benefits, apprenticeship requirements, or personal income tax withholding, or Federal Insurance Contribution Act (FICA) withholding requirements settled against any member of the design-build team.

(vi) Any bankruptcy or receivership of any member of the design-build team, including, but not limited to, information concerning any work completed by a surety.

(vii) The nature of dispute involved in any settled adverse claims, disputes, or lawsuits between the owner of a public works project and any member of the design-build team during the five years preceding submission of a bid under this article, in which the claim, settlement, or judgment exceeds two hundred fifty thousand dollars ($250,000). Information shall also be provided concerning any work completed by a surety during this five-year period.

(G) If the proposed design-builder is a partnership, joint venture or association, or a partnership or association that is not yet formed, a copy of the organizational documents or agreement demonstrating a commitment to form the organization and a statement creating the partnership or association and specifying that all partners, joint venture members, or association members agree to be fully liable for the performance under the design-build contract.

(2) The information required under this subdivision shall be verified under oath by the design-build team and its members. Information required under this subdivision that is not a public record under the California Public Records Act, as described in Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code, shall not be open to public inspection.

(d) The transportation entity shall establish a procedure for final selection of the design-build team. Selection shall be based on either of the following criteria:

(1) A competitive bidding process resulting in technical proposals and price bids by the short-listed design-builders. The technical proposals will be evaluated on a pass or fail basis, and awards shall be made to the lowest responsible bidder submitting a responsive technical proposal and price bid.

(2) A design-build competition based upon best value and other criteria set forth in subdivision (b). The design-build competition shall include the following elements.

(A) Competitive proposals shall be evaluated by using only the criteria and selection procedures specifically identified in the request for proposal. However, the following minimum factors shall be considered, and shall be weighted, as deemed appropriate, by the transportation entity:

(i) Price.

(ii) Technical design and construction expertise.

(iii) Life cycle costs over 15 years or more.

(iv) An acceptable safety record. A bidder's safety record shall be deemed acceptable if its experience modification rate for the most recent three-year period is an average of 1.00 or less, and its average total recordable injury/illness rate and average lost work rate for the most recent three-year period does not exceed the applicable statistical standards for its business category or if the bidder is a party to an alternative dispute resolution system as provided for in Section 3201.5 of the Labor Code.

(B) If the request for proposals allows discussions, those discussions shall be conducted with all proposers in the competitive range and revised proposals shall be requested following completion of the discussions.

(C) When the evaluation is complete, the top three responsive proposers shall be ranked sequentially from the most advantageous to the least advantageous, and the award of the contract shall be made to the proposer ranked as the most advantageous, or, if negotiations are allowed, that proposer shall be selected for negotiations.

(D) Notwithstanding any other provision of this code, upon issuance of a contract award, the transportation entity shall publicly announce its award, identifying the contractor to whom the award is made, along with a written decision supporting its contract award and stating the basis of the award. The notice of award shall also include the transportation entity's second and third ranked design-build entities.

(E) The written decision supporting the transportation entity's contract award, described in subparagraph (D), and the contract file shall provide sufficient information to satisfy an external audit.

20209.27. The agency shall establish an organizational conflict-of-interest policy, consistent with applicable law, regarding the ability of firms that performed services for the agency relating to the solicitation to propose as a design-builder or to join a design-build team.

20209.28. (a) The design-builder shall provide payment and performance bonds for the project in the form and in the amount required by the transportation entity, and issued by a California admitted surety. In no case shall the amount of the payment bond be less than the amount of the performance bond.

(b) The design-build contract shall require errors and omission insurance coverage for the design elements of the project.

(c) The agency shall develop a standard form of payment and performance bond. In developing the bond form, the agency shall consult with other agencies authorized to use a design-build process under this article and with representatives of the surety industry, to achieve a bond form that is consistent with surety industry standards, while protecting the interests of the public.

20209.30. (a) Subcontractors awarded subcontracts under this article shall be subject to Chapter 4 (commencing with Section 4100) of Part 1 of Division 2. The design-build entity with respect to the award of any subcontract, shall do the following:

(1) The transportation entity, in each design-build request for proposals, may identify specific types of subcontractors that must be included in the design-builder's statement of qualifications and proposal. All construction subcontractors that are identified in the proposal shall be afforded all the protections of Chapter 4 (commencing with Section 4100) of Part 1 of Division 2.

(2) With the exception of the subcontracts listed in the proposal, the design-builder shall award each major subcontract in accordance with a competitive procurement process satisfactory to the public entity, which process shall include all of the following:

(A) Provide public notice of the availability of construction work to be subcontracted.

(B) Provide a fixed date and time at which the subcontracted construction work will be awarded.

(C) Establish reasonable short-listing or prequalification criteria and standards.

(D) Provide that the subcontracted construction work will be awarded either on a best value basis or to the lowest responsible bidder.

(b) These requirements shall not apply to subcontracts with subcontractors listed in the design-build proposal.

20209.32. A deviation from the performance criteria and standards established under subdivision (a) of Section 20209.26

shall not be authorized except by written consent of the transportation entity.

20209.34. (a) A local transportation entity shall consult with the department in identifying projects to be performed on the state highway system.

(b) The department shall establish the parameters for the extent of the participation of its employees under this article.

20209.36. Construction quality assurance for the construction of any project utilizing the design-build method of procurement authorized by this article, when the project is part of the state highway system, shall be performed by department personnel.

20209.38. Nothing in this article affects, expands, alters, or limits any rights or remedies otherwise available at law.

20209.40. (a) The retention proceeds withheld by a transportation entity from a design-build team shall not exceed 5 percent.

(b) The transportation entity shall not withhold retention from payments to a design-build team for actual costs incurred and billed or design services, construction management services, or where applicable, for completed operations and maintenance services.

(c) In a contract between a design-build team and a subcontractor, and in a contract between a subcontractor and any subcontractor thereunder, the percentage of the retention proceeds withheld shall not exceed the percentage specified in the contract between the transportation entity and the design-build team. If the design-build team provides written notice to any subcontractor who is not a member of the design-build team, prior to or at the time that the bid is requested, that a bond may be required and the subcontractor subsequently is unable or refuses to furnish a bond to the design-build team, then the design-build team may withhold retention proceeds in excess of the percentage specified in the contract between the transportation entity and the design-build entity from any payment made by the design-build team to the subcontractor.

(d) In accordance with applicable state law, the design-build entity may be permitted to substitute securities in lieu of the withholding from progress payments specified in subdivision (b). These substitutions shall be made in accordance with Section 22300.

20209.42. Not later than three years after the design-build contract is awarded, the transportation entity shall submit a progress report to the Senate Committee on Transportation and Housing and the Assembly Committee on Transportation. The progress report shall include, but shall not be limited to, all of the following information:

(a) A description of the project.

(b) The estimated and actual project costs.

(c) The design-build team that was awarded the project.

(d) A description of any written protests concerning any aspect of the solicitation, bid, proposal, or award of the design-build project, including, but not limited to, the resolution of the protests.

(e) An assessment of the prequalification process and criteria.

(f) An assessment of the impact of limiting retention to 5 percent on the project, as required under Section 20209.40.

(g) A description of the labor compliance program required under Section 20209.24 and an assessment of the impact of this requirement on a project.

(h) A description of the method used to award the contract. If best value was the method, the factors used to evaluate the bid shall be described, including the weighting of each factor and an assessment of the effectiveness of the methodology.

(i) An assessment of the impact that the "skilled labor force availability" requirement imposed under clause (iv) of subparagraph (A) of paragraph (2) of subdivision (d) of Section 20209.26 has had on the project.

(j) Recommendations regarding the most appropriate uses for the design-build method of procurement.

20209.44. The provisions of this article are severable. If any provision of this article or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 3. Section 143 of the Streets and Highways Code is amended to read:

143. (a) ~~The department may solicit proposals and enter into agreements with private entities, or consortia thereof, for the construction by, and lease to, private entities of two public transportation demonstration projects. The department shall not enter into an agreement for any new proposals under this~~

~~authority after January 1, 2003.~~ *(1) "Regional transportation agency" means any of the following:*

(A) A transportation planning agency as defined in Section 29532 or 29532.1 of the Government Code.

(B) A county transportation commission as defined in Section 130050, 130050.1, or 130050.2 of the Public Utilities Code.

(C) Any other local or regional transportation entity that is designated by statute as a regional transportation agency.

(D) A joint exercise of powers authority as defined in Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code, with the consent of a transportation planning agency or a county transportation commission for the jurisdiction in which the transportation project will be developed.

(2) "Transportation project" means one or more of the following: planning, design, development, finance, construction, reconstruction, rehabilitation, improvement, acquisition, lease, operation, maintenance, or ancillary commercial use of highway, public street, rail, or related facilities supplemental to existing facilities currently owned and operated by the department or regional transportation agencies.

(b) Notwithstanding any other provision of law, only the department, in cooperation with regional transportation agencies, and regional transportation agencies, may solicit proposals, accept unsolicited proposals, negotiate, and enter into comprehensive development lease agreements with public or private entities, or consortia thereof, for transportation projects.

~~(b)~~

(c) For the purpose of facilitating those projects, the agreements *between the parties* may include provisions for the lease of rights-of-way in, and airspace over or under, ~~state~~ highways, *public streets, rail, or related facilities* for the granting of necessary easements, and for the issuance of permits or other authorizations to enable the ~~private entity to construct~~ *construction of* transportation ~~facilities supplemental to existing state-owned transportation facilities~~ *projects*. Facilities ~~constructed by a private entity pursuant to~~ *subject to an agreement under* this section shall, at all times, be owned by the ~~state~~ *department as an operational part of the state highway system, or the regional transportation agency, as appropriate.*

The agreement shall provide for the lease of those facilities to the ~~private~~ *contracting* entity for ~~up to 35 years~~ *a term not to exceed 80 percent of the useful life of the project or 99 years, whichever is less, to recover private investments in the form of expended funds, together with a reasonable rate of return on those funds, negotiated by the department or the regional transportation agency with the contracting entity. For department projects, the commission shall certify the department's determination of the useful life of the project in establishing the lease agreement terms.* In consideration therefor, the agreement shall provide for complete reversion of the ~~privately constructed~~ *leased* facility ~~to the state~~, *together with the right to collect tolls and user fees, to the department or regional transportation agency,* at the expiration of the lease at no charge to the ~~state~~ *department or regional transportation agency.*

~~(c)~~

(d) (1) The department *or a regional transportation agency* may exercise any power possessed by it with respect to ~~the development and construction of state~~ transportation projects to facilitate the ~~development and construction of~~ transportation projects pursuant to this section. ~~Agreements for maintenance and police services entered into pursuant to this section shall provide for full reimbursement for services rendered by the department or other state agencies.~~ The department, *regional transportation agency, and other state or local agencies* may provide services *to the contracting entity* for which ~~it~~ *the public entity* is reimbursed ~~with respect to preliminary~~, *including, but not limited to,* planning, *environmental planning,* environmental certification, ~~and~~ *environmental review,* preliminary design, *design, right-of-way acquisition, construction, maintenance, and policing* of ~~the demonstration~~ *these transportation* projects.

(2) In selecting private entities with which to enter into these agreements, notwithstanding any other provision of law, the department and regional transportation agencies may, but are not limited to, utilizing one or more of the following procurement approaches:

(A) Solicitations of proposals for defined projects and calls for project proposals within defined parameters.

(B) Pre-qualification and short-listing of proposers prior to final evaluation of proposals.

(C) Final evaluation of proposals based on qualifications, best value, or both.

(D) Payment of stipends to the top three proposers who provide a responsive and competitive bid.

(E) Negotiations with proposers prior to award.

(F) Acceptance of unsolicited proposals, with issuance of requests for competing proposals.

(3) No agreement entered into pursuant to this section shall infringe on the authority of the department or a regional transportation agency to develop, operate, or lease any transportation project. Lease agreements may provide for reasonable compensation to the lease holder for the adverse effects on toll revenue or user fee revenue due to the development, operation, or lease of supplemental transportation projects with the exception of any of the following:

(A) Projects identified in regional transportation plans prepared pursuant to Section 65080 of the Government Code and submitted to the commission as of December 31, 2005, unless provided by the lease agreement approved by the department or regional transportation agency and the commission.

(B) Safety projects.

(C) Improvement projects that will result in incidental capacity increases.

(D) Additional high-occupancy vehicle lanes or the conversion of existing lanes to high-occupancy vehicle lanes.

(E) Projects located outside the boundaries of a public-private partnership project, to be defined by the lease agreement.

~~(d)~~

(e) (1) Agreements entered into pursuant to this section shall authorize the ~~private~~ *contracting* entity to impose tolls *and user fees* for use of a facility constructed by it, and shall require that over the term of the lease the toll revenues *and user fees* be applied to payment of ~~the private entity's~~ *some or all of the* capital outlay costs for the project, the costs associated with operations, toll *and user fee* collection, administration of the facility, reimbursement to the ~~state~~ *department or other governmental entity* for the costs of ~~maintenance and police~~ services *to develop and maintain the project, police services*, and a reasonable return on investment to the ~~private~~ *contracting* entity. The agreement shall require that, *notwithstanding Sections*

164, 188, and 188.1, any excess toll *or user fee* revenue either be applied to any indebtedness incurred by the ~~private~~ *contracting* entity with respect to the project, *improvements to the project,* or be paid into the State Highway Account, or ~~both~~ *for all three purposes.*

(2) The ~~authority to collect~~ *collection of* tolls *and user fees* for the use of these facilities ~~shall terminate~~ *may be extended by the commission or regional transportation agency* at the expiration of the ~~franchise~~ *lease* agreement.

~~(e)~~

(f) The plans and specifications for each *transportation* project ~~constructed~~ *developed, reconstructed, or operated* pursuant to this section shall comply with the department's *then-existing* standards for state transportation projects. ~~A~~ *If a* facility ~~constructed by and leased to a private entity~~ *is on the state highway system, the facility leased pursuant to this section* shall, during the term of the lease, be deemed to be a part of the state highway system for purposes of identification, maintenance, enforcement of traffic laws, and for the purposes of Division 3.6 (commencing with Section 810) of Title 1 of the Government Code.

~~(f)~~

(g) The assignment authorized by subdivision (c) of Section 130240 of the Public Utilities Code is consistent with this section.

(h) A lease to a private entity pursuant to this section is deemed to be public property for a public purpose and exempt from leasehold, real property, and ad valorem taxation, except for the use, if any, of that property for ancillary commercial purposes.

(i) Nothing in this section is intended to infringe on the authority to develop high-occupancy toll lanes pursuant to Section 149.4, 149.5, or 149.6.

(j) Nothing in this section shall be construed to allow the conversion of any existing non-toll or non-user-fee lanes into tolled or user fee lanes with the exception of a high-occupancy vehicle lane that may be operated as a high-occupancy toll lane for vehicles not otherwise meeting the requirements for use of that lane.

SEC. 4. Section 149 of the Streets and Highways Code is amended to read:

149. The department *and regional transportation agencies* may ~~construct~~ *develop and operate* exclusive or preferential lanes for buses only or for buses and other high-occupancy vehicles, and may authorize or permit such exclusive or preferential use of designated lanes on existing highways that are part of the State Highway System. Prior to constructing such lanes, the department shall conduct competent engineering estimates of the effect of such lanes on safety, congestion, and highway capacity.

To the extent they are available, the department *and regional transportation agencies* may apply for and use federal aid funds appropriated for the design, construction, and use of such exclusive or preferential lanes, but may also use other State Highway Account funds, including other federal aid funds, for those purposes where proper and desirable.

The department and regional transportation agencies may develop and operate exclusive or preferential lanes under this section as toll and user fee facilities and may enter into lease agreements pursuant to Section 143 for the development and operation of those lanes.

This section shall be known and may be cited as the Carrell Act.

SEC. 5. Section 217 of the Streets and Highways Code is amended to read:

217. The following definitions apply for the purposes of this article:

(a) "Design" is a plan completed to a level of 30 percent.

(b) "Design-sequencing" is a method of contracting that enables the sequencing of design activities to permit each construction phase to commence when design for that phase is complete, instead of requiring design for the entire project to be completed before commencing construction.

(c) A "design-sequencing contract" is a contract between the department and a contractor that requires the department to prepare a design and permits construction of a project to commence upon completion of design for a construction phase.

(d) This section shall remain in effect only until January 1, ~~2010~~ *2012*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2010~~ *2012*, deletes or extends that date.

SEC. 6. Section 217.75 is added to the Streets and Highways Code, to read:

217.75. (a) Notwithstanding Chapter 1 (commencing with Section 10100) of Part 2 of Division 2 of the Public Contract Code, except Section 10128 of that code, and Chapter 10 (commencing with Section 4525) of Division 5 of Title 1 of the Government Code, the department may, as part of the phase two pilot program described in Section 217.7, let additional design-sequencing contracts for the design and construction of not more than four transportation projects, to be selected based on criteria established by the director. For the purpose of this article, these projects shall be deemed public works.

(b) In selecting projects authorized under subdivision (a), the director shall attempt to balance geographical areas among the four additional test projects authorized by this section, considering the design sequencing contracts that have been previously let, and shall pursue diversity in the types of projects undertaken. In this process, the director shall consider selecting projects that improve interregional and intercounty routes.

(c) To the extent available, the department shall seek to incorporate existing knowledge and experience on design-sequencing contracts in carrying out its responsibilities under subdivision (a).

(d) This section shall remain in effect only until January 1, 2012, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2012, deletes or extends that date.

SEC. 7. Section 217.8 of the Streets and Highways Code is amended to read:

217.8. (a) Not later than July 1, 2006, and July 1 of each subsequent year during which a contract under the phase two pilot program, as described in Section 217.7, is in effect, the department shall prepare a status report on its contracting methods, procedures, costs, and delivery schedules. Upon completion of all design-sequencing contracts *authorized under Section 217.7*, but in no event later than January 1, 2010 , the department shall establish a peer review committee or continue in existence the peer review committee created pursuant to former

Section 217.4, which was added by Chapter 378 of the Statutes of 1999, and *shall* direct that committee to prepare a report for submittal to the Legislature that describes and evaluates the outcome of the contracts provided for in Section 217.7, stating the positive and negative aspects of using design-sequencing as a contracting method.

(b) *Not later than July 1, 2007 and July 1 of each subsequent year, during which a contract under the phase two pilot program, as described in Section 217.75, is in effect, the department shall prepare a status report on its contracting methods, procedures, costs, and delivery schedules. Upon completion of the design sequencing projects authorized under Section 217.75, but in no event later than January 1, 2012, the department shall direct the peer review committee authorized under subdivision (a) to prepare a report for submittal to the Legislature that describes and evaluates the outcome of the contracts provided for in Section 217.75, stating the positive and negative aspects of using design-sequencing as a contracting method.*

(c) This section shall remain in effect only until January 1, ~~2010~~ *2012*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2010~~ *2012*, deletes or extends that date.

SEC. 8. Section 217.9 of the Streets and Highways Code is amended to read:

217.9. Design-sequencing contracts under the phase two pilot program, as described in ~~Section~~ *Sections* 217.7 *and 217.75*, shall be awarded in accordance with all of the following:

(a) The department shall advertise design-sequencing projects by special public notice to contractors.

(b) Contractors shall be required to provide prequalification information establishing appropriate licensure and successful past experience with the proposed work.

(c) This section shall remain in effect only until January 1, ~~2010~~ *2012*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2010~~ *2012*, deletes or extends that date.

SEC. 9. Section 2108 of the Streets and Highways Code is amended to read:

2108. *(a)* The balance of the money in the Highway Users Tax Account in the Transportation Tax Fund, after making the apportionments or appropriations, as the case may be, pursuant to Sections 2104 to 2107.7, inclusive, shall be transferred to the State Highway Account in the State Transportation Fund for expenditure in accordance with Section 163.

(b) Notwithstanding subdivision (a), if bonds are issued pursuant to Chapter 3 (commencing with Section 99300) of Title 19 of the Government Code, beginning in July, 2015, the Controller shall transfer up to 25 percent of the revenues that would otherwise be deposited in the State Highway Account in the State Transportation Fund pursuant to subdivision (a) into the Fuel Tax and Weight Fee Debt Service Fund and continue doing so until receipt of the notice under Section 99319 of the Government Code. When combined with the transfers of weight fee revenue under Section 42205 of the Vehicle Code, the total amount transferred shall not exceed one billion twenty-five million dollars ($1,025,000,000) per year. The transfers shall be made in accordance with the resolution of the committee that authorizes the issuance of the bonds. The Controller shall make the transfers from each revenue source proportionate to its size compared to the other source as estimated in the annual Governor's Budget.

SEC. 10. Section 42205 of the Vehicle Code is amended to read:

42205. (a) Notwithstanding Chapter 3 (commencing with Section 42270), the department shall file, at least monthly with the Controller, a report of money received by the department pursuant to ~~Section~~ *Sections* 9400 *and 9400.1* for the previous month and shall, at the same time, remit all money so reported to the Treasurer. On order of the Controller, the Treasurer shall deposit all money so remitted into the State Highway Account in the State Transportation Fund.

(b) The Legislature shall appropriate from the State Highway Account in the State Transportation Fund to the department and the Franchise Tax Board amounts equal to the costs incurred by each in performing their duties pursuant to Article 3 (commencing with Section 9400) of Chapter 6 of Division 3. The applicable amounts shall be determined so that the appropriate costs for registration and weight fee collection activities are appropriated between the recipients of revenues in proportion to the revenues that would have been received individually by those recipients if the total fee imposed under the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2 of the Revenue and Taxation Code) was 2 percent of the market value of a vehicle. The remainder of the funds collected under ~~Section~~ *Sections* 9400 *and 9400.1* and deposited in the account may be appropriated to the Department of Transportation, the Department of the California Highway Patrol, and the Department of Motor Vehicles for the purposes authorized under Section 2 of Article XIX of the California Constitution.

(c) Notwithstanding subdivision (a), if bonds are issued pursuant to Chapter 3 (commencing with Section 99300) of Title 19 of the Government Code, beginning in July, 2015, the Controller shall transfer monthly up to 25 percent of the revenues that would otherwise be deposited in the State Highway Account in the State Transportation Fund into the Fuel Tax and Weight Fee Debt Service Fund and continue doing so until receipt of the notice under Section 99319 of the Government Code. When combined with the transfers of fuel tax revenue under Section 2108 of the Streets and Highways Code, the total amount transferred shall not exceed one billion twenty-five million dollars ($1,025,000,000) per year. The transfers shall be made in accordance with the resolution of the committee that authorizes the issuance of the bonds. The Controller shall make the transfers from each revenue source proportionate to its size compared to the other source as estimated in the annual Governor's Budget.

SEC. 11. (a) Chapter 1 (commencing with Section 99100) of Title 19 of the Government Code shall become operative upon adoption by the voters of the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2006, as set forth in Section 1 of this act.

(b) Chapter 2 (commencing with Section 99200) of Title 19 of the Government Code shall become operative upon adoption by the voters of the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2008, as set forth in Section 1 of this act.

(c) Chapter 3 (commencing with Section 99300) of Title 19 of the Government Code, and Sections 9 and 10 of this act shall become operative upon adoption by the voters of the

Transportation Revenue Bond Act of 2012, as set forth in Section 1 of this act.

SEC. 12. (a) The Secretary of State shall submit the bond act described in subdivision (a) of Section 11 of this act to the voters at the ____, 2006, election, in accordance with the provisions of the Elections Code and the Government Code that govern the submission of statewide measures to the voters.

(b) The Secretary of State shall submit the bond act described in subdivision (b) of Section 11 of this act to the voters at the November 4, 2008, general election, in accordance with the provisions of the Elections Code and the Government Code that govern the submission of statewide measures to the voters.

(c) The Secretary of State shall submit the bond act described in subdivision (c) of Section 11 of this act to the voters at the November 6, 2012, general election, in accordance with the provisions of the Elections Code and the Government Code that govern the submission of statewide measures to the voters.

SEC. 13. (a) Notwithstanding any other provision of law, all ballots of the ____, 2006, election shall have printed thereon and in a square thereof, the words "Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2006," and in the same square under those words, the following in 8-point type:

"This six billion dollar ($6,000,000,000) bond issue will provide funding for necessary transportation and air quality improvements to relieve traffic congestion and provide capacity to serve the growing California population while reducing pollution. Funds will be targeted to areas of the greatest need and must be spent according to strict performance and accountability measures. Funds will be used to upgrade and build transportation infrastructure owned by state and local government and, in accordance with law, through partnerships with private enterprises to minimize the cost in the taxpayer funds and in recognition of the impact on the public of privately-owned transportation facilities and equipment."

Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

(b) Where voting in the election is done by means of voting machines used pursuant to law in a manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

SEC. 14. (a) Notwithstanding any other provision of law, all ballots of the November 4, 2008, general election shall have printed thereon and in a square thereof, the words "Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2008," and in the same square under those words, the following in 8-point type:

"This six billion dollar ($6,000,000,000) bond issue will provide funding for necessary transportation and air quality improvements to relieve traffic congestion and provide capacity to serve the growing California population while reducing pollution. Funds will be targeted to areas of the greatest need and must be spent according to strict performance and accountability measures. Funds will be used to upgrade and build transportation infrastructure owned by state and local government and, in accordance with law, through partnerships with private enterprises to minimize the cost in the taxpayer funds and in recognition of the impact on the public of privately-owned transportation facilities and equipment."

Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

(b) Where voting in the election is done by means of voting machines used pursuant to law in a manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

SEC. 15. (a) Notwithstanding any other provision of law, all ballots of the November 6, 2012, general election shall have printed thereon and in a square thereof, the words "Transportation Revenue Bond Act of 2012," and in the same square under those words, the following in 8-point type:

"This fourteen billion dollar ($14,000,000,000) bond issue will provide funding for necessary transportation and air quality improvements to relieve traffic congestion and provide capacity to serve the growing California population while reducing pollution. Funds will be targeted to areas of the greatest need and must be spent according to strict performance and accountability measures. Funds will be used to upgrade and build transportation infrastructure owned by state and local government and, in accordance with law, through partnerships with private enterprises to minimize the cost in the taxpayer funds and in recognition of the impact on the public of privately-owned transportation facilities and equipment."

Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

(b) Where voting in the election is done by means of voting machines used pursuant to law in a manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

SEC. 16. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 17. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that the Congestion Reduction, Clean Air, and Trade Corridor Bond Act of 2006 may be submitted for voter approval at the ____, 2006, election to provide funding for urgently needed transportation and air quality projects and programs and to set forth a comprehensive transportation funding plan, it is necessary that this act go into effect immediately.

O

ATTACHMENT D

BILL: AB 1783 (Nuñez, D-Los Angeles)
Introduced January 4, 2006

SUBJECT: Enacts the California Infrastructure, Improvement, Smart Growth, Economic Reinvestment, and Emergency Preparedness Financing Act of 2006

STATUS: Pending committee assignment.

SUMMARY AS OF JANUARY 19, 2006:

AB 1783 is the vehicle for the Assembly Democrats infrastructure proposal, which specifies financing through general obligations bonds, fees, assessments and other sources. Authored by Speaker Nuñez, this proposal is expected to be amended to include particular funding levels for each designated area. It is anticipated that this will occur during conference committee discussions, which are to take place to work out any differences between the Assembly and Senate infrastructure bond bills.

Although this bill does not specify funding levels within the proposal, the current version does designate that funding is to be distributed in the following areas:

Transportation:

- Repayment of past Proposition 42 loans.
- Goods movement, community and environmental mitigation for planning, design, engineering.
- Improvements to State Highway 99.
- Public transportation, including inner city passenger rail and transit for the elderly and disabled and other capital program eligible for funds under the Public Transportation Account.
- Transit security, including port and mass transit.
- Allocation to air districts, through the Carl Moyer Memorial Air Quality Standards Attainment Trust fund, to assist in meeting air conformity goals.
- Retrofit and replace school buses, through the Clean Air and School Bus Safety fund.
- Environmental mitigation and safety, including the Environmental Enhancement and Mitigation Program and Safe Routes to School Account.
- Regional planning partnerships, and projects eligible for funding under the Partnership for Transportation Account.

AB 1783 intent language also specifies that bond funds shall be available to cover the state's share of the non-federal cost sharing requirements for levee repair and wastewater, smart growth (open space and planning), affordable housing, non-profit hospitals, and interoperable communications equipment for public safety.

EFFECTS ON ORANGE COUNTY:

Although specific funding levels are yet to be determined and amendments are expected through conference committee discussions, the Orange County Transportation Authority (OCTA) will work with the Author to clarify preliminary AB 1783 language.

OCTA POSITION:

Staff recommends: MONITOR AND WORK WITH AUTHOR

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL No. 1783

Introduced by Assembly Member Nunez

January 4, 2006

An act to add Title 18 (commencing with Section 99100) to the Government Code, relating to infrastructure financing.

LEGISLATIVE COUNSEL'S DIGEST

AB 1783, as introduced, Nunez. Infrastructure financing.

Existing law generally provides for the issuance of various types of public financing instruments.

This bill would state the intent of the Legislature, in enacting the California Infrastructure, Improvement, Smart Growth, Economic Reinvestment, and Emergency Preparedness Financing Act of 2006, to provide for the financing of state and local government infrastructure through various funding sources, including bonds, fees, assessments, and other sources. The financing would be used to fund purposes such as transportation, flood control, safe water systems, environmental improvement, housing, hospital seismic safety repair, and emergency public safety communications equipment, among others.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Title 18 (commencing with Section 99100) is added to the Government Code, to read:

TITLE 18. CALIFORNIA INFRASTRUCTURE IMPROVEMENT, SMART GROWTH, ECONOMIC

REINVESTMENT, AND EMERGENCY PREPAREDNESS FINANCING ACT OF 2006

Chapter 1. General Provisions

99100. This title shall be known and may be cited as the California Infrastructure Improvement, Smart Growth, Economic Reinvestment, and Emergency Preparedness Financing Act of 2006.

99101. In order to ensure the proper foundation for new investments in this state's infrastructure, it is the intent of the Legislature that the Legislature and Governor ensure that any state infrastructure financing plan is consistent with a long-term plan for the state's growth and infrastructure needs. This assessment shall include, but is not limited to, the assessment contained in the state's five-year infrastructure plan, as required by Article 2 (commencing with Section 13100) of Chapter 2 of Part 3 of Division 3 of Title 2 of the Government Code.

In addition, it is the intent of the Legislature that the Governor and executive agencies and departments ensure that there is a specific plan for sale and liquidation of existing bonds for state infrastructure that have already been approved by the voters and the Legislature. The plan shall also ensure that state agencies and departments that are recipients of new state infrastructure financing are ready to use them, and can design, develop, and deliver capital projects in a timely manner.

99102. In order to ensure that the new infrastructure financing mechanisms are fiscally prudent, it is the intent of the Legislature that any proposal for new state funding shall include a specific financing plan and a full assessment of the long-term costs to the General Fund.

It is the intent of the Legislature that infrastructure investment will be provided using a mix of funding sources including the General Fund, special funds, federal funds, and bond funds.

It is the further intent of the Legislature to establish new funding sources for as much of the infrastructure financing as practicable in order to protect the state's finances and reduce demands on the General Fund. These sources may include, but are not limited to, general obligation bonds, revenue bonds, lease payment bonds, loans, loan guarantees, other established public financing mechanisms, new and existing fees, assessments, and other funding sources.

In addition, any infrastructure financing plan that includes new bonds shall include a strategy for the sale of bonds that maximizes return, minimizes debt service costs to the state, avoids interest penalties, and does no harm to the state's credit ratings.

99103. It is the intent of the Legislature that new infrastructure financing be based on, but not limited to, the following principles:

(a) Preparing this state for the population and demographic changes forecast for the next two decades.

(b) Reducing the risk to persons and property from natural and man-made disasters.

(c) Improving emergency response and homeland security capabilities of governments.

(d) Reducing risks to public health.

(e) Improving state and local growth planning and encouraging "smart growth."

(f) Relying on regional planning to meet local and state objectives.

(g) Investing in and supporting livable communities, sustainable development, and sound environmental practices.

(h) Investing in and supporting communities that are most in need of new economic opportunities.

(i) Making investments that are cost-effective and yield a fair return on the investment in sustained economic growth for the state.

(j) Strengthening the state's economy and creating jobs.

(k) Reducing traffic congestion and mitigating the damaging consequences from traffic on the environment.

(*l*) Increasing the supply of affordable housing, encouraging homeownership, and reducing homelessness.

99104. Is the intent of the Legislature that new infrastructure financing be developed for the following purposes:

(a) Repayment of transportation funds resulting from the suspension of the General Fund transfers pursuant to Article XIX B of the California Constitution in the 2003-04 and 2004-05 fiscal years.

(b) Goods movement and community and environmental mitigation, for planning, design, engineering, and environmental activities related to highway capacity improvements, freight rail system improvements, and environmental mitigation.

(c) Improvements to State Highway 99.

(d) Public transportation, including investments in inner city passenger rail systems and transit for the elderly and disabled and other capital programs eligible for funds under the Public Transportation Account (Section 99310 of the Public Utilities Code).

(e) Transportation security, including port and mass transit security.

(f) Carl Moyer Memorial Air Quality Standards Attainment Trust Fund (Section 44299 of the Health and Safety Code), for allocation to air districts to assist in meeting the goals of air quality conformity in the federally approved State Implementation Plan (SIP).

(g) Clean Air and Schoolbus Safety Fund, for retrofit and replacement of school buses.

(h) Environmental mitigation and safety, including the Environmental Enhancement and Mitigation Program and Safe Routes to Schools Account.

(i) Regional planning partnerships, and projects eligible for funding under the Partnership for Transportation Account.

99105. It is the intent of the Legislature that funds shall be available to cover the state government share of the nonfederal cost sharing requirements for the following:

(a) Flood control subventions to local governments for flood control protection including levee repair and maintenance.

(b) Improvements to drinking water systems to meeting public health and growth demands. Funds shall provide financial assistance to public water systems to meet federal and state drinking water standards, including the state's Safe Drinking Water Revolving Fund program, drinking water systems for communities that are small or disadvantaged or both, emergency or urgent actions to drinking water systems, and technologies that prevent or reduce contamination affecting drinking water.

(c) Improvements to wastewater treatment systems to provide good water quality for the public and the environment and meet growth demands. Funds shall provide financial assistance for the construction of publicly owned wastewater treatment facilities, local sewers, sewer interceptors, and water reclamation facilities as well as nonpoint source pollution and storm water runoff/treatment projects. Funds shall also be available for wastewater treatment systems for communities that are small, disadvantaged, or both, emergency or urgent actions to wastewater treatment systems, and technologies that prevent or reduce contaminations.

(d) Restoration and improvements for the Sacramento-San Joaquin Delta, including the state's Delta Levee Maintenance Program (Part 9 (commencing with Section 12980) of Division 6 of the Water Code).

99106. It is the intent of the Legislature that new infrastructure financing shall be developed for the following:

(a) Cleanup of brownfields and urban infill development.

(b) Financing of sustainable communities.

(c) Financing for local and regional planning partnerships.

(d) Acquisition, preservation, and restoration of open space, agricultural land, and habitat.

99107. It is the intent of the Legislature that new infrastructure financing shall be developed for the following:

(a) Multifamily housing units under the state's existing Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code).

(b) Housing for individuals and households moving from emergency shelters or transitional housing or those at risk of homelessness, and the Emergency Housing and Assistance Program (Chapter 11.5 (commencing with Section 50800) of Part 2 of Division 31 of the Health and Safety Code).

(c) The California Homebuyer's Downpayment Assistance Program (Chapter 11 (commencing with Section 51500) of Part 3 of Division 31 of the Health and Safety Code) and the CalHome Program (Chapter 6 (commencing with Section 50650) of Part 2 of Division 31 of the Health and Safety Code).

(d) Farmworker housing programs.

(e) Land use capital incentive grants to local governments to increase housing.

99108. It is the intent of the Legislature that new financing shall be developed for nonprofit hospitals demonstrating financial need and providing significant levels of care to low-income communities, rural communities, and the uninsured, for purposes of meeting the requirements of Chapter 740 of the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 (Chapter 1 (commencing with Section 129675) of Part 7 of Division 107 of the Health and Safety Code).

99109. It is the intent of the Legislature that new financing shall be developed for state departments for purchase of communications equipment that meets standards established by the state that allow for interoperable communication among state, local, and federal law enforcement and emergency response agencies.

O

ATTACHMENT E

BILL: SB 1024 (Perata, D-Oakland)
Introduced February 22, 2005

SUBJECT: Enacts the Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005

AMENDED: In Senate, April 12, 14, and 26, May 12, August 29, and September 8, 2005

STATUS: Passed Senate Transportation and Housing Committee 10-3 on May 3, 2005
Passed Senate Appropriations Committee 8-5 on May 26, 2005
Pending on Senate Floor as of September 8, 2005

SUMMARY AS OF JANUARY 19, 2006:

SB 1024 is the vehicle for the Senate Democrats $10.275 billion general obligation bond proposal. Authored by President pro Tem Perata, this proposal has been amended several times, previously set at $7.688 billion before the September amendments.

The bill is likely to be amended again up to the $12 billion range; however, those specific amendments have not yet been included in the bill language.

The $10.275 billion version is currently proposed to be allocated as follows:

- $1.5 billion – State Transportation Improvement Program (STIP)
- $1 billion – Flood Control account
- $2.3 billion – Proposition 42 loan repayment
- $2.5 billion – California Ports Infrastructure, Security and Air Quality Improvement Account
    - $2 billion - allocated by the California Transportation Commission (CTC) along federally designated "Trade Corridors of National Significance"
    - $400 million – Carl Moyer Air Quality Grants
    - $100 million – California Infrastructure and Economic Development Bank for port and harbor security improvements
- $100 million – Transportation Project Enhancement Mitigation account
- $425 million – Affordable Housing Incentive Program
    - Allocated by the CTC as transportation grants to cities and counties who meet their affordable housing requirements
- $200 million – Flood Control Matching account
- $1 billion – California Rail Corridor Improvement account
    - Allocated by the legislature to the High Speed Rail Authority for engineering, planning, environmental studies, right-of-way acquisition, and construction of grade separations, bridges and tracks along the following segments:
        - $200 million – Los Angeles-Irvine Segment
        - $200 million – Los Angeles-Riverside-San Diego Segment

    - $200 million – Los Angeles-Palmdale-Bakersfield Segment
    - $200 million – Bakersfield-Merced Segment
    - $200 million – Merced-Bay Area Segment
- $275 million – Transit-Oriented Development account

EFFECTS ON ORANGE COUNTY:

Under President pro Tem Perata's proposal, Orange County would receive approximately $90 million for projects in the STIP. Rough estimates on the Proposition 42 repayment could result in $41 million for the cities in Orange County, $26 million for Orange County, and $67 million for OCTA through the STIP, Interregional Transportation Improvement Program (ITIP) and Public Transportation Account (PTA) allocations, providing no funds are taken off the top for the Traffic Congestion Relief Program (TCRP).

Other accounts such as the Ports Infrastructure, Transportation Mitigation, and Rail Corridor Improvement accounts would be subject to separate allocation or grant applications. It is unclear at this time exactly how much Orange County would receive from these funds with the exception of a $200 million allocation to OCTA and MTA for the LA-Irvine High Speed Rail segment.

OCTA POSITION:

Staff recommends: MONITOR AND WORK WITH AUTHOR

AMENDED IN SENATE SEPTEMBER 8, 2005

AMENDED IN SENATE AUGUST 29, 2005

AMENDED IN SENATE MAY 12, 2005

AMENDED IN SENATE APRIL 26, 2005

AMENDED IN SENATE APRIL 14, 2005

AMENDED IN SENATE APRIL 12, 2005

SENATE BILL **No. 1024**

Introduced by Senators Perata and Torlakson
(Principal coauthors: Senators Migden, Murray, and Soto)
(Coauthors: Senators Alquist, Kehoe, Lowenthal, and Machado)

February 22, 2005

An act to add Chapter 12.49 (commencing with Section 8879.20) to Division 1 of Title 2 of the Government Code, *to add Chapter 3.6 (commencing with Section 50535) to Part 2 of Division 31 of the Health and Safety Code, and to add and repeal Section 2704.21 of, and to repeal Chapter 20 (commencing with Section 2704) of Division 3 of, the Streets and Highways Code,* relating to public works and improvements by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, *making an appropriation therefor,* and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1024, as amended, Perata. Public works and improvements: bond measure.

(1) Existing law provides various funding sources for transportation purposes.

This bill would enact the Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005 to authorize ~~$7,825,000,000~~ *$10,275,000,000* in state general obligation bonds for specified purposes, including the state transportation improvement program, *passenger rail improvements,* levee improvements, *flood control,* restoration of Proposition 42 transportation funds, port infrastructure and security projects, trade corridors of significance, emissions reduction projects, environmental enhancement projects, ~~and~~ *transit-oriented development,* transportation needs in cities, counties, and cities and counties that meet certain requirements relative to provisions of housing needs in their communities, *and housing, regional growth, and infill development purposes,* subject to voter approval.

This bill would require the Secretary of State to submit the proposed bond measure to the voters at the November 7, 2006, election.

This bill would establish the Transit-Oriented Development Implementation Program, to be administered by the Department of Housing and Community Development. The bill would create the Transit-Oriented Development Fund in the State Treasury as a continuously appropriated fund, thereby making an appropriation, and would provide for certain moneys to be deposited in the fund. These provisions would become operative only if the voters approve the bond act.

This bill would also provide for the repeal of certain provisions of existing law relating to the High-Speed Passenger Train Bond Act for the 21st Century if the voters approve this bond act.

This bill would enact other related provisions.

(2) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ⅔. Appropriation: ~~no~~ *yes*. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Chapter 12.49 (commencing with Section 8879.20) is added to Division 1 of Title 2 of the Government Code, to read:

Chapter 12.49. The Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005

Article 1. General Provisions

8879.20. (a) This chapter shall be known as the Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005.

(b) This chapter shall only become operative upon adoption by the voters at the November 7, 2006, election.

8879.21. The Legislature finds and declares all of the following:

(a) Between 1970 and 1995, California's population increased 60 percent and the number of vehicle miles traveled on the state's highway system increased 170 percent, straining the state's already burdened transportation system and increasing the state's serious congestion problems.

(b) The volume of United States trade passing through California's ports in the year 2000 was valued at $439 billion and estimated to be 40 percent of all goods entering the country. Trade in California is estimated to double between now and the year 2020.

(c) Congestion in and around California's seaports, airports, and other transportation terminals threatens the state's economy, increases traffic problems, and results in poor air quality, particularly in those communities near port and terminal facilities.

(d) California is now home to six of the nation's 25 most congested urban areas. Los Angeles, San Francisco, San Diego, Riverside, San Jose, and Sacramento are on this dubious list. This level of congestion costs Californians millions of dollars in lost time, lost production, and fuel costs.

(e) Despite increased pressures on the state's transportation system, funds intended for investment in the system have not materialized in recent years, delaying capacity and safety improvements.

(f) During the 2003-04 and 2004-05 fiscal years, $2.1 billion in funding intended to be transferred to the Transportation Improvement Fund (TIF) was retained in the General Fund, denying the state's transportation system funds for improvements and obligating the General Fund to repay those dollars in 2007-08 and 2008-09.

(g) Funding shortfalls do not just impact traditional transportation facilities. According to the Department of Water Resources (DWR), the absence of a dedicated funding stream to improve the state's 1,600 miles of levees has forced maintenance to be deferred, thereby jeopardizing the structural integrity of the levees that provide flood protection for 200,000 structures, 500,000 people, and two million acres of farm land, estimated to be valued at $47 billion.

(h) (1) The recently-completed environmental studies by the High-Speed Rail Authority determined all of the following:

(A) By the year 2020, there will be 11 million more people living in California, who will take 100 million more intercity trips, which will clog up our already congested freeways and airports.

(B) A new state-of-the-art high-speed train network serving all major metropolitan areas of the state will best serve the increase in intercity travel demands of the future.

(C) The high-speed train network will cost less than one-third of the cost to serve intercity trips on the highways or at the airports.

(D) The high-speed train network is far more safe and reliable than the automobile and the plane.

(E) The high-speed train network will be more environmentally friendly, save energy, and reduce air pollution.

(F) The high-speed train network will improve the state's economy and create 450,000 permanent jobs in California.

(2) Therefore, the construction of the high-speed train network as defined in the authority's final environmental impact report completed in 2005 is a high-priority transportation infrastructure project for the state and should be constructed on an incremental basis. This bond measure would provide the funding necessary for the first phase and the next four years of activities that can be accomplished towards building the high-speed train network, while providing rail improvements to improve the flow and enhance the safety of passenger and freight rail services in California.

~~(h)~~

(i) Enactment of the Safe Facilities, Improved Mobility and Clean Air Act of 2005 would provide needed investment to make the necessary improvements to relieve traffic congestion, increase mobility, improve the state's trade corridors, strengthen the state's levees, improve air quality, provide incentives for the production of affordable housing, and keep California's economy strong.

8879.22. As used in this chapter, the following terms have the following meanings:

(a) "Board" means any department receiving an allocation from the Department of Finance.

(b) "Committee" means the Safe Facilities, Improved Mobility, and Clean Air Finance Committee created pursuant to Section 8879.27.

(c) "Fund" means the Safe Facilities, Improved Mobility, and Clean Air Bond Fund of 2005 created pursuant to Section 8879.23.

Article 2. Safe Facilities, Improved Mobility, and Clean Air Bond Fund of 2005 and Program

8879.23. The Safe Facilities, Improved Mobility, and Clean Air Bond Fund of 2005 is hereby created in the State Treasury. The proceeds of bonds issued and sold pursuant to this chapter for the purposes specified in this chapter are hereby appropriated, without regard to fiscal years, to the Department of Finance for allocation in the following manner:

(a) One billion five hundred million dollars ($1,500,000,000) for projects in the State Transportation Improvement Program, to augment funds otherwise available for this purpose from other sources. The funds provided by this subdivision shall be deposited in the Transportation Facilities Account which is hereby created in the fund, and shall be available for appropriation to the Department of Transportation and for allocation by the California Transportation Commission.

~~(b) One billion dollars ($1,000,000,000) shall be available to the Department of Water Resources for the inspection, evaluation, improvement, and strengthening of the state's federally designated project levees. The funds shall be deposited in the Levee Facilities Account which is hereby created in the~~

~~fund. The funds shall be made available for levee improvements on a matching basis, with the share provided from these bond revenues to pay for no more than 75 percent of a project's costs, and with the remaining matching funds to be provided in the form of local or regional assessment fee revenues, other local funds, or any federal funds available for those purposes.~~

(b) (1) On billion dollars ($1,000,000,000) shall be deposited in the Flood Control Account, which is hereby created in the fund. The money in the account shall be available to the Department of Water Resources, the State Reclamation Board, or any successor agency, upon appropriation by the Legislature, for the inspection, evaluation, improvement, construction, modification, and relocation of flood control levees, weirs, or bypasses constructed in cooperation with the United States, including related environmental mitigations and related infrastructure relocations.

(2) The Legislature may enact any legislation as is necessary to implement this subdivision.

(c) Two billion three hundred million dollars ($2,300,000,000) for restoration of Proposition 42 (Article XIX B) revenues, to be deposited in the Proposition 42 Repayment Account, which is hereby created in the fund. Money deposited in the account shall be used by the Controller, in lieu of moneys from the General Fund, to meet the transfer obligations to the Transportation Deferred Investment Fund specified in Sections 7105 and 7106 of the Revenue and Taxation Code as a result of suspending the transfer of moneys from the General Fund to the Transportation Investment Fund pursuant to Sections 14557.1 and 14558 of the Government Code with respect to the 2003-04 and 2004-05 fiscal years. Funds deposited in the Transportation Deferred Investment Fund shall be allocated as provided in Sections 7105 and 7106 of the Revenue and Taxation Code as those sections read on January 1, 2005.

(d) Two billion five hundred million dollars ($2,500,000,000) to be deposited in the California Ports Infrastructure, Security, and Air Quality Improvement Account, which is hereby created in the fund. The money in the account shall be available as follows:

(1) Two billion dollars ($2,000,000,000) shall be transferred to the Global Gateways Improvement Fund, which is hereby

created. The money in this fund shall be available for allocation by the California Transportation Commission for infrastructure improvements along federally-designated "Trade Corridors of National Significance" in this state or along other corridors within this state that have a high volume of freight movement, as determined by the commission. Applicants for these funds shall provide matching funds from other revenues, in a percentage amount to be determined by the commission. In determining projects eligible for funding, the commission shall consult the Global Gateways Development Program report prepared by the Business, Transportation and Housing Agency pursuant to SCR 96 (Resolution Chapter 158, Statutes of 2000) or trade corridor improvement projects identified in an approved regional transportation plan. Eligible projects for these funds include all of the following:

(A) Highway capacity improvements and operational improvements to more efficiently accommodate the movement of freight, particularly for ingress and egress to and from the state's seaports, land ports of entry, and airports, and to relieve traffic congestion along major trade or goods movement corridors.

(B) Freight rail system improvements to enhance the ability to move goods from seaports, land ports of entry, and airports to warehousing and distribution centers throughout California, including projects that separate rail lines from highway traffic and other projects that improve the efficiency and capacity of the rail freight system.

(C) Projects to enhance the capacity and efficiency of ports.

(2) Four hundred million dollars ($400,000,000) shall be available for transfer to the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund, created pursuant to Section 44299 of the Health and Safety Code. Funds under this paragraph shall be available for allocation by the State Air Resources Board to reduce covered emissions from a covered source, as those terms are defined in paragraphs (5) and (7) of subdivision (a) of Section 44275 of the Health and Safety Code, relative to sources used primarily in the operations of ports in this state.

(3) One hundred million dollars ($100,000,000) shall be available to the California Infrastructure and Economic Development Bank to be allocated, as grants, for port, harbor, and ferry terminal security improvements. The money made

available under this paragraph shall be continuously appropriated to the bank without regard to fiscal years. Eligible applicants shall be publicly owned ports, harbors, and ferry boat and ferry terminal operators, which may submit applications for the following types of projects:

(A) Video surveillance equipment.

(B) Explosives detection technology, including, but not limited to, X-ray devices.

(C) Cargo scanners.

(D) Radiation monitors.

(E) Thermal protective equipment.

(F) Site identification instruments capable of providing a fingerprint for a broad inventory of chemical agents.

(G) Other devices capable of detecting weapons of mass destruction using chemical, biological, or other similar substances.

(H) Other security equipment to assist in any of the following:

(i) Screening of incoming vessels and incoming or outbound cargo.

(ii) Monitoring the physical perimeters of harbors, ports, and ferry terminals.

(iii) Providing or augmenting onsite emergency response capability.

(I) Overweight cargo detection equipment, including, but not limited to, intermodal crane scales and truck weight scales.

(J) Developing disaster preparedness or emergency response plans.

(e) One hundred million dollars ($100,000,000) to be deposited in the Transportation Project Enhancement and Mitigation Account, which is hereby created in the fund. The money in the account shall be available for transfer to the Environmental Enhancement and Mitigation Program Fund created pursuant to Section 164.56 of the Streets and Highways Code, for allocation to projects pursuant to that section.

(f) (1) Four hundred twenty-five million dollars ($425,000,000) to be deposited in the Affordable Housing Incentive Program Account, which is hereby created in the fund. Funds shall be available, upon appropriation, to the California Transportation Commission for the purpose of providing transportation funding grants, upon application, to cities, counties, and cities and counties that meet a significant portion of their overall and affordable housing needs. In order to be eligible for funds pursuant to this subdivision, a city, county, or city and county shall meet all of the following criteria:

(A) The city, county, or city and county has adopted a revised housing element in accordance with Section 65588 that the Department of Housing and Community Development has determined pursuant to Section 65585 to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7. For the purposes of this paragraph, an adopted housing element that has been self-certified pursuant to Section 65585.1 shall be deemed to have been approved by the department, unless a court finds that the jurisdiction's housing element does not substantially comply with that article.

(B) The city, county, or city and county has met, as determined by the Department of Housing and Community Development in accordance with the forms and definitions determined by the department pursuant to Section 65400, at least 80 percent of its annualized overall housing need during the preceding year or 80 percent of its overall housing need from the beginning of the planning period, as determined pursuant to Section 65584.

(C) The city, county, or city and county has met, as determined by the Department of Housing and Community Development in accordance with the forms and definitions determined by the department pursuant to Section 65400, at least 30 percent of its annualized housing need for each of the very low, low-, and moderate-income categories during the preceding year or 30 percent of its overall housing need in each of the very low, low-, and moderate-income categories from the beginning of the planning period, as determined pursuant to Section 65584.

(2) The Department of Housing and Community Development shall report annually to the California Transportation Commission a list of cities, counties, or cities and counties that have met the requirements of paragraph (1).

(3) The California Transportation Commission shall award funds available under this section over a five-year period.

(4) Funds awarded pursuant to this section shall be used for improvements to neighborhood streets and roads. Improvements,

as used in this paragraph, mean those activities described in subdivision (e) of Section 7104 of the Revenue and Taxation Code.

(g) Nine hundred seventy-five million dollars ($975,000,000) to be deposited in the Regional Housing and Community Growth Incentive Account, which is hereby created in the fund. The money in the account shall be available as follows:

(1) Twenty five million dollars ($25,000,000) shall be available to the secretary for grants for the development of regional growth plans in accordance with the following schedule:

(A) Grants to regional agencies with a population of one million or more: fifteen million dollars ($15,000,000).

(B) Grants to regional agencies with a population of under one million: ten million dollars ($10,000,000).

(2) Seventy five million dollars ($75,000,000) shall be available to the secretary for grants to regional agencies for the establishment of revolving funds and for grants, to pay the costs incurred by local governments within the region to identify, review, and adopt any land use policies including amendments to general plans, community or neighborhood plans, zoning codes, subdivision codes, guidelines or planning policies necessary to authorize urban infill development in an area designated for that development in a regional growth plan. Eligible costs include those associated with compliance with Division 13 (commencing with Section 21000) of the Public Resources Code and costs necessary to conduct public outreach programs and facilitate citizen involvement in the plan development and approval process. Any fees recovered from project applicants that benefit from the plans and environmental review funded under this subdivision shall be transferred to the regional agency for use for the purposes of this subdivision or returned to the state at such time and under such terms as the secretary determines that further use of loan funds for these purposes is not required.

(3) Two hundred million dollars ($200,000,000) shall be available to the Secretary of Resources for competitive grants based on regional growth plans as follows:

(A) Grants shall be for the acquisition of wildlife habitat, open space, and easements on agricultural land consistent with an adopted and certified regional growth plan that contains a

resource conservation element that analyzes and identifies mitigation for significant impacts on those resources considered in the regional growth plan.

(B) The regional agency may allow project applicants whose projects conform to the regional growth strategy to mitigate all or a portion of their impacts on wildlife habitat, agricultural lands and open space by payment of a fee, equal to the proportional impacts of the project.

(C) The Secretary of Resources shall award grants pursuant to this paragraph based on the applicant's demonstration, as reviewed by the appropriate department within the Resources Agency, that the grant will promote the following:

(i) Long term sustainable protection of wildlife habitat, wildlife corridors, and prime agricultural land within the region.

(ii) The use of the grant funds will assist in the implementation of land use policies of the regional growth plan, state planning priorities specified pursuant to Section 65041.1 of the Government Code, and with state policies for regional growth that are consistent with those priorities, including the provisions of SB 832 of the 2005-06 Regular Session, if that legislation is enacted.

(iii) The use of the grant funds is consistent with other wildlife protection plans and strategies within the region including any natural community conservation plans, habitat conservation plans, state approved open space plans, or other regional conservation plans.

(iv) Project applicants are required to pay a fee equal to their proportional impacts.

(v) All fees paid pursuant to paragraph (iv) are used by the regional agencies for additional conservation projects consistent with the provisions of this paragraph or are returned to the state under such terms as the secretary shall determine.

(D) No grant shall be made until an implementing agreement has been executed between the secretary and the regional agency that includes:

(i) Provisions identifying the conservation goals, scope and geographical coverage of the plan.

(ii) Provisions identifying which public agencies or nonprofit organizations will be responsible for acquisition, management, and monitoring of conservation lands and easements under the

grant. To the extent feasible, public agencies responsible for similar conservation activities should be used wherever that capacity already exists in the region.

(iii) Provisions to ensure the monitoring of easements and the protection of habitat values on lands acquired.

(iv) Provisions for the determination of mitigation credits and fees, where applicable, and for the use of fees for additional conservation expenditures under the plan.

(E) The secretary may impose such other conditions as are necessary to meet the goals of this subdivision.

(4) (A) Four hundred twenty-five million dollars ($425,000,000) shall be available to the secretary for competitive infill incentive grants to local public agencies that meet the following criteria:

(i) The local public agency is included in a regional growth plan.

(ii) The local public agency has conformed its local planning to the regional growth plan by adopting any land use policies including amendments to its general plan, community or neighborhood plans, zoning codes, subdivision codes, guidelines and polices necessary to provide for growth in those areas designated for urban development and prohibiting or limiting growth in those areas designated for other than urban uses consistent with the regional growth plan.

(iii) The region meets the requirements for local plan consistency for that round of grant funding.

(B) Grants pursuant to this paragraph shall be issued in four annual grant cycles beginning two years after the enactment of this chapter. To be eligible for a grant cycle, local public agencies covering not less than the percentage of population in the applicable region specified below must have met the requirements of paragraph (ii). Conformity requirements for each cycle are as follows:

(i) Grant cycle 1: 25 percent.

(ii) Grant cycle 2: 50 percent.

(iii) Grant cycle 3: 75 percent.

(iv) Grant cycle 4: 90 percent.

(C) The secretary shall establish additional criteria for the award of infill incentive grants to local agencies based on the degree to which the grants will assist the local public agency in

increasing infill development and urban revitalization in an area designated by the regional growth plan for such development.

(D) Grant funds may be used for any capital outlay purpose consistent with this subdivision including, but not limited to:

(i) Creation, development and rehabilitation of urban parks, river parkways, and other public recreational facilities.

(ii) Urban greening projects including tree planting, community landscaping and other improvements to enhance the enjoyment and livability of urban neighborhoods.

(iii) Water, sewer, or other public utility infrastructure costs associated with infill development.

(iv) Street, road or other transportation improvements including transit improvements, bikeways, trolleys, and pedestrian facilities.

(5) Two hundred million dollars ($200,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended pursuant to the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code to be used for projects that meet either of the following criteria:

(A) The project is located in an area designated for infill development by a regional growth plan.

(B) The project qualifies for an exemption from the California Environmental Quality Act pursuant to Sections 21159.22, 21159.23, or 21159.24 of the Public Resources Code.

(6) Fifty million dollars ($50,000,000) shall be transferred to the Orphan Share Reimbursement Trust Fund to be expended by the administrator pursuant to the provisions of the Orphan Share Reimbursement Trust Fund established pursuant to Article 7.8 (commencing with section 25390) of Chapter 6.8 of Division 20 of the Health and Safety Code to be used for projects that are located in an area designated for infill development by a regional growth plan.

(7) The following definitions apply to this subdivision:

(A) "Secretary" means the Secretary of Business, Transportation and Housing.

(B) "Neighborhood plan" means a plan that meets the requirements of Section 65458 of the Government Code.

(C) "Regional agency" means a federally designated metropolitan planning organization, or a council of governments

working with a metropolitan planning organization, for a region with a population of greater than one million. It is the intent of the Legislature that standards and procedures for the designation of regional agencies in areas of less than one million in population shall be enacted by statute not later than January, 2007.

(D) "Regional Growth Plan" is a plan that meets the requirements established in Section 65099 of the Government Code for planning or incentive grants.

(E) "Infill development" means residential or mixed commercial and residential development on an infill site as defined in Section 21061.5 of the Public Resources Code, or in an area of an incorporated city that is predominantly developed with qualified urban uses and which has been designated for infill development by a regional growth plan.

(h) (1) Two hundred million dollars ($200,000,000) shall be deposited in the Flood Control Matching Account, which is hereby created in the fund. The money in the account shall be available to the Department of Water Resources for the purposes of funding the state's share of the nonfederal costs of flood control and flood prevention projects adopted and authorized as of January 1, 1999, under the State Water Resources Law of 1945 (Chapter 1 (commencing with Section 12570) and Chapter 2 (commencing with Section 12639) of Part 6 of Division 6 of the Water Code), the Flood Control Law of 1946 (Chapter 3 (commencing with Section 12800) of Part 6 of Division 6 of the Water Code), and the California Watershed Protection and Flood Prevention Law (Chapter 4 (commencing with Section 12850) of Part 6 of Division 6 of the Water Code), including the credits and loans to local agencies pursuant to Sections 12585.3 and 12585.4, subdivision (d) of Section 12585.5, and Sections 12866.3 and 12866.4 of the Water Code, and to implement Chapter 3.5 (commencing with Section 12840) of Part 6 of Division 6 of the Water Code.

(2) It is the intent of the Legislature that the state's share of the nonfederal costs of projects for flood control and flood prevention adopted and authorized after January 1, 2001, shall not exceed that portion of the nonfederal costs authorized pursuant to Chapter 1, (commencing with Section 12570) of Part 6 of Division 6 of the Water Code, or any amendments thereto.

(i) (1) One billion dollars ($1,000,000,000) to be deposited in the California Rail Corridor Improvement Account, which is hereby created in the fund. Funds shall be available, upon appropriation by the Legislature, to the High-Speed Rail Authority created pursuant to Division 19.5 (commencing with Section 185000) of the Public Utilities Code, without regard to fiscal year, for expenditure pursuant to paragraph (2).

(2) Funds made available pursuant to this subdivision shall be expended for the following specific corridor segments and purposes:

(A) Two hundred million dollars ($200,000,000) for the Los Angeles-Irvine segment of the LOSSAN corridor, for project-specific level environmental studies, planning, engineering, right-of-way acquisition, and construction of grade separations, bridges, and tracks. The authority shall develop a consolidated rail plan for the development of passenger rail services in the portion of the LOSSAN corridor between Los Angeles and Irvine. The plan shall formulate strategies to integrate commuter and intercity passenger rail systems and existing rail freight services operating in the corridor segment, improve interfaces with connecting services, and coordinate investments with transit-supportive land use. The plan shall be developed in cooperation with the Los Angeles County Metropolitan Transportation Authority (MTA) and the Orange County Transportation Authority (OCTA). The authority shall provide day-to-day management and technical support for the development of the plan with advice from MTA and OCTA, with input from other Los Angeles and Orange County transportation agencies, the Department of Transportation, Amtrak, railroad freight operators, any other affected agencies, and the general public. The funds may not be used for any right-of-way or construction projects or activity until the final consolidated rail plan is adopted by the authority, MTA, and OCTA.

(B) Two hundred million ($200,000,000) for the Los Angeles-Riverside-San Diego corridor segment, for project-specific level environmental studies, planning, engineering, right-of-way acquisition, and construction of grade separations, bridges, and tracks. The authority shall develop a consolidated rail plan for the development of passenger rail services in the corridor segment between Los Angeles and

Riverside. The plan shall formulate strategies to integrate commuter and intercity passenger rail systems and existing rail freight services operating in the corridor segment, improve interfaces with connecting services, and coordinate investments with transit-supportive land use. The plan shall be developed in cooperation with the Los Angeles County Metropolitan Transportation Authority (MTA) and the Riverside County Transportation Commission (RCTC). The authority shall provide day-to-day management and technical support for the development of the plan with advice from MTA and RCTC, with input from other Los Angeles, San Bernardino, and Riverside County transportation agencies, the Department of Transportation, Amtrak, railroad freight operators, any other affected agencies, and the general public. The funds may not be used for any right-of-way or construction projects or activity until the final consolidated rail plan is adopted by the authority, MTA, and RCTC.

(C) Two hundred million dollars ($200,000,000) for the Los Angeles-Palmdale-Bakersfield corridor segment, for project-specific level environmental studies, planning, engineering, right-of-way acquisition, and construction of grade separations, bridges, and tracks.

(D) Two hundred million dollars ($200,000,000) for the Bakersfield-Merced corridor segment, for project-specific level environmental studies, planning, engineering, right-of-way acquisition, and construction of grade separations, bridges, and tracks.

(E) Two hundred million dollars ($200,000,000) for the Merced-Bay Area corridor segment, for project-specific level environmental studies, planning, engineering, right-of-way acquisition, and construction of grade separations, bridges, and tracks.

(3) The authority may transfer funds between the corridor segments identified in paragraph (2) if all of the following conditions are met:

(A) The availability of matching funds in a particular corridor segment will result in a lower cost to the state for the construction of the entire network.

(B) The total amount of transfers does not exceed two hundred million dollars ($200,000,000).

(C) Not more than one-third of the funds specified in paragraph (2) for any corridor segment are transferred.

(4) The authority may not use funds made available under this subdivision for right-of-way acquisition or construction in the Los Angeles-Irvine or Los Angeles-Riverside corridor segments until a consolidated rail plan is adopted pursuant to paragraph (2). If a consolidated rail plan has not been adopted by 2010, the authority may transfer funds from a corridor segment that lacks an adopted plan to another corridor segment. That transfer shall not be subject to the conditions of paragraph (3).

(5) Notwithstanding paragraph (2), the authority may use the funds made available pursuant to paragraph (2) for the following additional purposes without regard to corridor segment:

(A) Matching federal funds made available for high-speed train purposes not specified in paragraph (2).

(B) Planning, development, certification, and selection of a high-speed train system, including, but not limited to, rolling stock, signal systems, and electric power systems.

(6) As used in this subdivision, the following terms have the following meanings:

(A) "Authority" means the High-Speed Rail Authority.

(B) "High-speed train network" means the tracks, stations, rolling stock, and related facilities that are necessary for the operation of the high-speed train service as is further defined under the preferred alternatives section in the program level environmental report issued by the authority in 2005.

(C) "High-speed train project" means all activities that are necessary for the construction and operation of the high-speed train network.

(j) Two hundred seventy-five million dollars ($275,000,000) to be deposited in the Transit-Oriented Development Account, which is hereby created in the fund, for transfer to the Transit-Oriented Development Implementation Fund, for expenditure pursuant to the Transit-Oriented Development Implementation Program authorized by Chapter 3.6 (commencing with Section 50535) of Part 2 of Division 31 of the Health and Safety Code.

Article 3. Fiscal Provisions

8879.25. Bonds in the total amount of ~~seven~~ *ten* billion ~~eight hundred twenty-five million dollars ($7,825,000,000)~~ *two hundred seventy-five million dollars ($10,275,000,000)*, exclusive of refunding bonds, or so much thereof as is necessary, are hereby authorized to be issued and sold for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5. All bonds herein authorized which have been duly sold and delivered as provided herein shall constitute valid and legally binding general obligations of the state, and the full faith and credit of the state is hereby pledged for the punctual payment of both principal and interest thereof.

8879.26. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4), except Section 16727, and all of the other provisions of that law as amended from time to time apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

8879.27. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Safe Facilities, Improved Mobility, and Clean Air Finance Committee is hereby created. For the purposes of this chapter, the Safe Facilities, Improved Mobility, and Clean Air Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the Controller, the Director of Finance, and the Secretary of the Business, Transportation and Housing Agency, or a designated representative of each of those officials. The Treasurer shall serve as the chairperson of the committee. A majority of the committee may act for the committee.

(b) The committee may adopt guidelines establishing requirements for administration of its financing programs to the extent necessary to protect the validity of, and tax exemption for, interest on the bonds. The guidelines shall not constitute rules, regulations, orders, or standards of general application.

(c) For the purposes of the State General Obligation Bond Law, any department receiving an allocation from the Department of Finance is designated to be the "board."

8879.28. Upon request of the board stating that funds are needed for purposes of this chapter, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Section 8879.23, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and be sold at any one time. Bonds may bear interest subject to federal income tax.

8879.29. There shall be collected annually, in the same manner and at the same time as other state revenue is collected, a sum of money in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, the bonds as provided herein, and all officers required by law to perform any duty in regard to the collections of state revenues shall collect that additional sum.

8879.30. Notwithstanding Section 13340, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out Section 8879.32, appropriated without regard to fiscal years.

8879.31. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312, for purposes of this chapter. The amount of the request shall not exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of this chapter, less any amount withdrawn pursuant to Section 8879.32. The board shall execute any documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amount loaned shall be deposited in the fund to be allocated in accordance with this chapter.

8879.32. For the purpose of carrying out this chapter, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of any amount or amounts not to exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the Safe Facilities, Improved Mobility, and Clean Air Bond Fund of 2005. Any money made available under this section shall be returned to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from money received from the sale of bonds which would otherwise be deposited in that fund.

8879.33. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of the State General Obligation Bond Law. Approval by the electors of this act shall constitute approval of any refunding bonds issued pursuant to the State General Obligation Bond Law.

8879.34. Notwithstanding any provisions in the State General Obligation Bond Law, the maximum maturity of any bonds authorized by this chapter shall not exceed 30 years from the date of each respective series. The maturity of each series shall be calculated from the date of each series.

8879.35. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

8879.36. Notwithstanding any provision of the State General Obligation Bond Law with regard to the proceeds from the sale of bonds authorized by this chapter that are subject to investment under Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4, the Treasurer may maintain a separate account for investment earnings, order the payment of those earnings to comply with any rebate requirement applicable under federal law, and may otherwise direct the use and investment of those proceeds so as to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

SEC. 1.3. Chapter 3.6 (commencing with Section 50535) is added to Part 2 of Division 31 of the Health and Safety Code, to read:

CHAPTER 3.6. TRANSIT-ORIENTED DEVELOPMENT IMPLEMENTATION PROGRAM

50535. There is hereby established the Transit-Oriented Development Implementation Program, to be administered by the Department of Housing and Community Development, to provide local assistance to cities, counties, cities and counties, transit agencies, and developers for the purpose of developing or facilitating the development of higher density uses within close proximity to transit stations that will increase public transit ridership.

50535.1. (a) There is hereby created in the State Treasury the Transit-Oriented Development Implementation Fund.

(b) Notwithstanding Section 13340 of the Government Code, all money in the fund, including any interest on loans made from the fund, is hereby continuously appropriated to the department for the purpose of carrying out this chapter.

(c) All interest, dividends, and pecuniary gains from investments or deposits of moneys in the fund shall accrue to the fund, notwithstanding Section 16305.7 of the Government Code. There shall be paid into the fund all of the following:

(1) Any moneys appropriated and made available by the Legislature for the purposes of the fund.

(2) Any moneys that the department receives in repayment of loans made from the fund, including any interest on loans made from the fund.

(3) Any other moneys that may be made available to the department for the purposes of this chapter from any other source.

50535.2. (a) To the extent that funds are available, the department shall make grants to cities, counties, cities and counties, or transit agencies for the provision of infrastructure necessary for the development of higher density uses within close proximity to a transit station, or to facilitate connections between that development and the station.

(b) To the extent that funds are available, the department shall make loans for the development and construction of a housing development project within close proximity to a transit station. To be eligible for a loan, at least 15 percent of the units in the proposed development shall be made available at an affordable rent or at an affordable housing cost to persons of very low or low income for at least 55 years. Developments assisted pursuant to this subdivision shall be on parcels at least a portion of which are located within one-quarter mile of a transit station. A housing development project may include a mixed-use development consisting of residential and nonresidential uses.

(c) As used in this chapter, "transit station" shall have the same meaning as defined in subdivision (b) of Section 65460.1 of the Government Code.

50535.3. (a) In ranking applications pursuant to this chapter, the department shall, among other criteria, consider the extent to which the project or development will increase public transit ridership and minimize automobile trips.

(b) The department shall also grant bonus points to projects or developments that are within the boundaries of a transit village development plan adopted pursuant to the Transit Village Development Planning Act of 1994 (Article 8.5 (commencing with Section 65460) of Chapter 3 of Division 1 of Title 7 of the Government Code) or that are in an area designated by the appropriate council of governments for infill development as part of a regional plan.

50535.4. (a) The department may use up to 5 percent of the funds appropriated for the purposes of this chapter for its costs in administering the programs authorized by this chapter.

(b) The department may administer the programs pursuant to guidelines that shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Division 3 of Title 2 of the Government Code.

50535.5. This chapter shall become operative only if the voters approve the Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005, as contained in S.B. 1024 of the 2005-06 Regular Session.

SEC. 1.7. Section 2704.21 is added to the Streets and Highways Code, to read:

2704.21. If the voters approve the Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005, as contained in SB 1024 of the 2005-06 Regular Session, this chapter shall be repealed on the date of that approval, and no bonds shall be sold pursuant to this chapter, and, notwithstanding any other provision of law, the bond act that is the subject of this chapter shall not be placed on the ballot if it has not yet appeared on a ballot.

SEC. 2. Section 1 of this act shall become operative upon adoption by the voters of the Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005, as set forth in Section 1 of this act.

SEC. 3. (a) Notwithstanding Sections 9040, 9043, 9044, 9061, and 9094 of the Elections Code, or any other provision of law, the Secretary of State shall submit Section 1 of this act to the voters at the November 7, 2006, election.

(b) The Secretary of State shall ensure the placement of Section 1 of this act on the November 7, 2006, election ballot, in substantial compliance with any statutory time requirements applicable to the submission of statewide measures to the voters at a statewide election.

(c) The Secretary of State shall include, in the ballot pamphlet mailed pursuant to Section 9094 of the Elections Code, the information specified in Section 9084 of that code regarding the bond act contained in Section 1 of this act.

SEC. 4. Notwithstanding any other provision of law, all ballots shall have printed thereon and in a square thereof, the words: " Safe Facilities, Improved Mobility, and Clean Air Bond Act of 2005," and in the same square under those words, the following in 8-point type: "This act provides for a bond issue of ~~seven billion eight hundred twenty-five million dollars ($7,825,000,000)~~ *ten billion two hundred seventy-five million dollars ($10,275,000,000)* to provide funds for an essential public works facilities retrofit program." Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

Where the voting in the election is done by means of voting machines used pursuant to law in the manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order for this act to be submitted to voters at the earliest possible time, it is necessary for this act to take effect immediately.

O

ATTACHMENT F

Governor's Strategic Growth Plan

Preliminary Working List of Proposed Transportation Projects by Region

County	Route	Project/Category	Amount in Thousands
Bay Area			
Alameda/Contra Costa	24	Caldecott Tunnel	140,000
Alameda	880	Corridor/op improvements	100,000
Alameda		Inter-City Rail	15,100
Alameda		Park-and Ride/Ped-Bike	9,300
Contra Costa	4	Widening	60,000
Contra Costa		Park-and Ride/Ped-Bike	200
Marin		Park-and Ride/Ped-Bike	23,400
Napa	12	Widening	65,000
San Francisco	101	Doyle Drive	330,000
San Mateo		Park-and Ride/Ped-Bike	1,300
Santa Clara	101	Construct lanes	150,000
Solano		Park-and Ride/Ped-Bike	4,000
Solano	80/680/13	Construct I/C	300,000
Sonoma	101	HOV lanes	60,000
Sonoma		Park-and Ride/Ped-Bike	9,000
Transportation Technology (ITS)		SR-4, I-580/205, I-880	150,000
		Total	**$1,417,300**
Southern California (Los Angeles County/Orange County)			
Los Angeles	405	HOV lanes	350,000
Los Angeles	5	Shoulder widening/Carmenita	100,000
Los Angeles	10	HOV lanes	280,000
Los Angeles		Inter-City Rail	290,000
Los Angeles		Park-and-Ride/Ped-Bike	39,660
Orange	91	Corridor improvements	320,000
Transportation Technology (ITS)		I-5, SR-91, I-405, SR-60, I-10	195,000
		Total	**$1,574,660**
Southern California (Inland Empire: Riverside County/San Bernardino)			
Riverside	215	Widening	265,000
Riverside		Park-and-Ride/Ped-Bike	6,130
San Bernardino	15	HOV/managed lanes	250,000
San Bernardino	58	Widening	301,000
San Bernardino		Park-and-Ride/Ped-Bike	70
Transportation Technology (ITS)		SR-60, I-10, SR-91	65,000
		Total	**$887,200**
San Diego County/Imperial County			
Imperial	78	Brawley Bypass	51,000
San Diego	5	HOV mixed flow, aux. lanes	250,000
San Diego	15	Managed lanes	100,000
San Diego	805/905	Corridor improvements/new fwy	110,000
San Diego		Inter-City Rail	69,400
San Diego		Park-and-Ride/Ped-Bike	19,940
Transportation Technology (ITS)		I-5, I-15	70,000
		Total	**$670,340**

Governor's Strategic Growth Plan

Preliminary Working List of Proposed Transportation Projects by Region

County	Route	Project/Category	Amount in Thousands
Central Valley			
Sacramento	5	HOV lanes	100,000
Sacramento	80	HOV lanes	85,000
Sacramento	50	HOV lanes	90,000
Sacramento	99	SR-99/Elverta Rd I/C	15,000
San Luis Obispo		Park-and-Ride/Ped-Bike	4,300
Sutter	99	SR/99/Riego Rd. I/C	15,000
Sutter	99	F.R. Bridge widening	47,000
Yuba	70	4-Lane expressway	25,000
Fresno, Kern, Madera, Merced,		SR-99 Corridor Enhancement Master Plan	1,000,000
Transportation Technology (ITS)		I-5	20,000
		Total	**$1,401,300**
Central Coast			
Monterey	156	4-lane expressway	65,000
San Benito	156	4-lane expressway	60,000
San Luis Obispo	46/41	Widening	25,000
Santa Barbara	101	Widening	80,000
		Total	**$230,000**
North State, Mountain, and Eastern Sierra Counties			
Butte	70	4-lane expressway	20,000
Butte	70	4-lane expressway	25,000
Del Norte		Park-and-Ride/Ped-Bike	600
El Dorado		Park-and-Ride/Ped-Bike	9,300
Humboldt		Park-and-Ride/Ped-Bike	500
Inyo		Park-and-Ride/Ped-Bike	1,000
Mendocino	101	Willets Bypass	130,000
Mendocino	101	Hopland Bypass	50,000
Mendocino		Park-and-Ride/Ped-Bike	3,000
Placer		Park-and-Ride/Ped-Bike	7,200
Shasta/Trinity	299	Buckham	146,000
Shasta	5	Widening	50,000
Shasta	44	Annex lanes	20,000
Shasta		Park-and-Ride/Ped-Bike	2,900
Tehama		Park-and-Ride/Ped-Bike	1,800
Trinity		Park-and-Ride/Ped-Bike	1,000
		Total	**$468,300**

Potential Projects for Statewide Infrastructure Bond

Project	*Estimated Cost (millions)*	
State-Local Partnership Program		**$ 500**
State matching funds for local sales tax funded projects on State Highway System	$ 500	
Inter-Regional Projects		**$ 2,857**
Orange-Los Angeles Corridor		
Build carpool connectors between I-405 / SR-22 / I-605 and add lanes	$ 300	
Add lanes to I-5 between SR-91 and I-605	$ 300	
Capital improvements in Metrolink Corridors to permit more frequent passenger rail service between Los Angeles, Riverside and Orange County	$ 500	
Build Regional Intermodal Transportation Centers to connect rail services with High Speed Rail systems	$ 227	
Orange-Riverside Corridor		
Funding needed to augment Orange and Riverside County plans to improve SR-91 between SR-55 and I-15	$ 1,350	
Make operational improves along the SR-74 inter-regional corridor	$ 180	
Goods Movement		**$ 418**
Separate freight rail tracks from high traffic streets along Orangethorpe / Freight Railroad Corridor	$ 318	
Build Truck Climbing Lane on SR 57	$ 100	
Other Projects		**$ 136**
Upgrade Transit Fleet and Infrastructure to Clean Fuel Systems	$ 36	
Widen Bristol Street Corridor (match to local funding)	$ 100	
Total		**$ 3,911**

Orange County Transportation Authority Legislative Matrix

OCTA Sponsor Legislation

CA AB 267

AUTHOR: Daucher [R]
TITLE: Transportation Projects
LAST AMEND: 08/15/2005
LOCATION: Senate Appropriations Committee
STATUS:
08/25/2005 In SENATE Committee on APPROPRIATIONS: Not heard.
NOTES: LP Sec. III (a) Repayment of local funds
COMMENTARY:
Sponsor bill clarifying Legislature's intent to fully reimburse, without time limits, local agencies that use local funds to advance projects in the STIP. Relevance to OCTA: Ensures reimbursement of local funds expended on STIP projects.
Position: Sponsor

CA AB 1173

AUTHOR: Tran [R]
TITLE: Safe, Reliable High-Speed Passenger Train Bond Act
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.
NOTES: LP Sec. VI (a) High speed rail line
COMMENTARY:
Sponsor bill to extend the terminus of the initial high-speed rail line from Los Angeles to Anaheim. Relevance to OCTA: Ensures that the high speed train provides service to Orange County and improves safety at 10 grade crossings.
Position: Co-Sponsor

Bills with Official Positions

CA AB 697

AUTHOR: Oropeza [D]
TITLE: Highway Users Tax Account: Appropriation of Funds
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.
NOTES: LP Sec. III (h) removing funding barriers
COMMENTARY:
Allows fuel taxes to be continuously appropriated from the previous year should a budget not be passed by July 1. Relevance to OCTA: Ensures that unnecessary costs are not incurred due to projects being stopped and restarted when a state budget is not enacted on time.
Position: Support

CA AB 1118

AUTHOR: Umberg [D]
TITLE: Nonhighway Vehicles: Disclosure
LAST AMEND: 04/19/2005
LOCATION: Senate Transportation and Housing Committee
STATUS:
06/02/2005 To SENATE Committee on TRANSPORTATION AND HOUSING.
COMMENTARY:
Requires manufacturers of non-highway vehicles, including but not limited to pocketbikes, place a notice on the vehicles that they cannot be operated on highways.
Position: Watch

CA ACA 4

AUTHOR: Plescia [R]
TITLE: Transportation Investment Fund
LAST AMEND: 05/09/2005
LOCATION: Assembly Appropriations Committee
STATUS:
01/09/2006 From ASSEMBLY Committee on TRANSPORTATION: Be adopted to Committee on APPROPRIATIONS.
NOTES: LP Proposition 42
COMMENTARY:
Deletes Proposition 42 suspension provisions. Relevance to OCTA: Ensures that OCTA, Orange County, and cities receive their share of Proposition 42 annually allowing for better project planning and delivery.
Position: Support

CA ACA 11

AUTHOR: Oropeza [D]
TITLE: Transportation Funds: Loans
LOCATION: Assembly Appropriations Committee
STATUS:
01/09/2006 From ASSEMBLY Committee on TRANSPORTATION: Do pass to Committee on APPROPRIATIONS.
COMMENTARY:
Deletes Proposition 42 suspension provisions. Permits up to 2 loans of Proposition 42 funds to the General Fund or to any other state fund or account in a 10 year period provided the first loan is repaid in full prior to permitting a second loan. Relevance to OCTA: Provides better protection of Proposition 42 allowing for better project planning and delivery.
Position: Watch

CA SB 208

AUTHOR: Alquist [D]
TITLE: Transportation Projects: Electronic Fund Transfers
LAST AMEND: 05/31/2005
LOCATION: Assembly Transportation Committee
STATUS:
06/27/2005 In ASSEMBLY Committee on TRANSPORTATION: Not heard.
NOTES: LP Sec. III (h) Removing funding barriers
COMMENTARY:
Requires Caltrans to implement a rapid electronic funds transfer system by June 30, 2006. Relevance to OCTA: Expedites the reimbursement of local funds expended on STIP projects.
Position: Support

CA SB 705

AUTHOR: Runner G [R]
TITLE: Design-Build Contracts
LOCATION: Senate Transportation and Housing Committee
STATUS:
04/19/2005 In SENATE Committee on TRANSPORTATION AND HOUSING: Not heard.
NOTES: LP Design-build
COMMENTARY:
Authorizes Caltrans to use design-build. Part of the GoCalifornia. Bill was held in Senate Transportation. Issue will be addressed in SB 371. Relevance to OCTA: Provides an additional delivery mechanism that can save time and open transportation projects early.
Position: Support

CA SCA 7

AUTHOR: Torlakson [D]
TITLE: Loans of Transportation Revenues and Funds
LAST AMEND: 01/09/2006
LOCATION: Senate Appropriations Committee
STATUS:
01/12/2006 From SENATE Committee on RULES with author's amendments.
01/12/2006 In SENATE. Read second time and amended. Re-referred to Committee on RULES.
NOTES: LP Sec. I (i) Repay transportation loans with interest
COMMENTARY:
Requires that any loan of motor vehicles fuel and vehicle-related revenues or trust funds not repaid in the same fiscal year or by a date not more than 30 days after passage of the budget bill be paid back with interest. Allows for a loan of these funds to other state funds or accounts under the same conditions applicable to the General Fund. Relevance to OCTA: Ensures that transportation funds are paid interest, ultimately increasing the amount of funds distributed to OCTA through the STIP.
Position: Support

Bills being Monitored

CA AB 189

AUTHOR: Horton S [R]
TITLE: Highway Capacity Enhancement Demonstration Projects
LAST AMEND: 04/13/2005
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.

COMMENTARY:
Establishes the Highway Capacity Project Delivery Demonstration Act which requires Caltrans to identify and the CTC to approve three highway capacity enhancement projects to be delivered using coordinated environmental review process.

Position: Monitor

CA AB 236

AUTHOR: Bermudez [D]
TITLE: Sales and Use Taxes: Exemptions: Fuel and Petroleum
LAST AMEND: 04/13/2005
LOCATION: Assembly Revenue and Taxation Committee
STATUS:
05/16/2005 In ASSEMBLY Committee on REVENUE AND TAXATION: Heard, remains in Committee.

COMMENTARY:
Restores partial state sales tax exemption for aviation fuel. Aviation fuel sales tax exemption was eliminated in 1991.

Position: Monitor

CA AB 372

AUTHOR: Nation [D]
TITLE: Public Contracts: Transit Design-Build Contracts
LAST AMEND: 01/11/2006
LOCATION: SENATE
STATUS:
01/19/2006 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE.

COMMENTARY:
Authorizes Transit Operators to enter into a design-build contracts.

Position: Monitor

CA AB 426

AUTHOR: Bogh [R]
TITLE: HOV Lanes
LAST AMEND: 04/20/2005
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.

COMMENTARY:
Requires Caltrans to convert all HOV lanes in Riverside County to mixed flow lanes except during peak hours.

Position: Monitor

CA AB 713

AUTHOR: Torrico [D]
TITLE: High-Speed Passenger Train Bond Act
LOCATION: Senate Transportation and Housing Committee
STATUS:
06/09/2005 To SENATE Committee on TRANSPORTATION AND HOUSING.
COMMENTARY:
Puts the $9.95 billion High Speed Rail Bond Act on the Nov. 8, 2008 ballot.
Position: Monitor

CA AB 850

AUTHOR: Canciamilla [D]
TITLE: Toll Road Agreements
LAST AMEND: 05/03/2005
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.
COMMENTARY:
Authorizes Caltrans to enter into toll agreements with public and private entities. Part of GoCalifornia.
Position: Monitor

CA AB 948

AUTHOR: Oropeza [D]
TITLE: Design-Build and Transit Operators
LAST AMEND: 04/13/2005
FILE: A-30
LOCATION: Senate Inactive File
STATUS:
07/11/2005 In SENATE. To Inactive File.
COMMENTARY:
Metrolink sponsored bill that would lower the threshold for design build from $50 million to $25 million. Would also require a labor compliance program if there is no collective bargaining agreement.
Position: Monitor

CA AB 1010

AUTHOR: Oropeza [D]
TITLE: Rail Transit
LAST AMEND: 04/06/2005
LOCATION: Senate Energy, Utilities and Communications Committee
STATUS:
06/09/2005 To SENATE Committee on ENERGY, UTILITIES AND COMMUNICATIONS.
COMMENTARY:
Transfers responsibility for rail grade crossing safety from PUC to Caltrans.
Position: Monitor

CA AB 1157

AUTHOR: Frommer [D]
TITLE: State Highways: Performance Measures
LAST AMEND: 04/11/2005
LOCATION: Senate Transportation and Housing Committee
STATUS:
06/09/2005 To SENATE Committee on TRANSPORTATION AND HOUSING.
COMMENTARY:
Requires Caltrans to work with regional transportation agencies to develop highway performance measures. Requires an annual report to Legislature regarding highway performance.
Position: Monitor

CA AB 1169

AUTHOR: Torrico [D]
TITLE: Transit District Operators: Assault and Battery
LAST AMEND: 05/27/2005
LOCATION: Senate Public Safety Committee
STATUS:
07/12/2005 In SENATE Committee on PUBLIC SAFETY: Heard, remains in Committee.
COMMENTARY:
Increases penalty for assault against an operator of a transit district's vehicle.
Position: Monitor

CA AB 1266

AUTHOR: Niello [R]
TITLE: State Highways: Design-Sequencing Contracts
LAST AMEND: 05/04/2005
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.
COMMENTARY:
Part of GoCalifornia package, this measure would allow Caltrans to award contracts utilizing design sequencing, if certain requirements are met.
Position: Monitor

CA AB 1276

AUTHOR: Oropeza [D]
TITLE: Intermodal Corridors of Economic Significance
LOCATION: Assembly Transportation Committee
STATUS:
03/10/2005 To ASSEMBLY Committee on TRANSPORTATION.
COMMENTARY:
Requires Caltrans and regional transportation agencies to develop plans to reduce freight related congestion along intermodal corridors.
Position: Monitor

CA AB 1283

AUTHOR: DeVore [R]
TITLE: State Highway: Reversible Lanes
LAST AMEND: 04/19/2005
LOCATION: ASSEMBLY
STATUS:
06/20/2005 From ASSEMBLY Committee on TRANSPORTATION without further action pursuant to JR 62(a).
COMMENTARY:
Requires Caltrans to study the feasibility of adding reversible lanes before adding conventional lanes.
Position: Monitor

CA AB 1520

AUTHOR: Niello [R]
TITLE: Public Works Contracts: Infrastructure Projects
LAST AMEND: 04/05/2005
LOCATION: Assembly Business and Professions Committee
STATUS:
04/26/2005 In ASSEMBLY Committee on BUSINESS AND PROFESSIONS: Failed passage.
04/26/2005 In ASSEMBLY Committee on BUSINESS AND PROFESSIONS: Reconsideration granted.
COMMENTARY:
Authorizes state agencies to enter into public private partnerships to design, build, and operate public infrastructure projects.
Position: Monitor

CA AB 1699 **AUTHOR:** Frommer [D]
TITLE: Transportation: Highway Construction
LAST AMEND: 05/27/2005
LOCATION: Senate Transportation and Housing Committee
STATUS:
06/15/2005 To SENATE Committee on TRANSPORTATION AND HOUSING.
COMMENTARY:
Authorizes Caltrans or self help counties to construct up to 8 toll road HOT lane projects using design build. Contains a labor compliance component.
Position: Monitor

CA AB 1702 **AUTHOR:** Frommer [D]
TITLE: State Finances: Economic Recovery/Transportation
LAST AMEND: 04/07/2005
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.
COMMENTARY:
This bill would appropriate from the General Fund, from the amount transferred to that fund from the Economic Recovery Fund, $500,000,000 to the Controller for deposit in the Traffic Congestion Relief Fund
Position: Monitor

CA AB 1714 **AUTHOR:** Plescia [R]
TITLE: Toll Bridge Seismic Retrofit Program
LAST AMEND: 05/03/2005
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.
COMMENTARY:
Administration spot bill to address funding of Bay Bridge cost overruns.
Position: Monitor

CA AB 1783 **AUTHOR:** Nunez [D]
TITLE: Infrastructure Financing
INTRODUCED: 01/04/2006
LOCATION: ASSEMBLY
STATUS:
01/04/2006 INTRODUCED
COMMENTARY:
This bill would provide for the financing of state and local government infrastructure through various funding sources. This is Assembly Democrats Infrastructure Bond Proposal.
Position: Monitor

CA AB 1838 **AUTHOR:** Oropeza [D]
TITLE: Transportation Bond Acts of 2006, 2008, and 2012
INTRODUCED: 01/10/2006
LOCATION: ASSEMBLY
STATUS:
01/10/2006 INTRODUCED
COMMENTARY:
This bill would authorize general obligation bonds for various transportation purposes, pledges a percentage of existing fuel excise taxes and truck weight fees to offset the cost of the bond debt servce, and authorizes transportation entities to use a design-build process for contracting on transportation projects. This is the Administrations Infrastructure Bond Proposal. Identical to SB 1165.
Position: Monitor

CA ACA 4 a **AUTHOR:** Keene [R]
TITLE: State Finances
LAST AMEND: 04/11/2005
LOCATION: Assembly Budget Process Committee
STATUS:
04/11/2005 From ASSEMBLY Committee on BUDGET PROCESS with author's amendments.
04/11/2005 In ASSEMBLY. Read second time and amended. Re-referred to ASSEMBLY Committee on BUDGET PROCESS.
COMMENTARY:
Administration's budget report proposal which includes Proposition 98 reform and Proposition 42 protections.
Position: Monitor

CA ACA 5 **AUTHOR:** Richman [R]
TITLE: Public Retirement Systems
LOCATION: Assembly Public Employees, Retirement and Social Security Committee
STATUS:
04/14/2005 To ASSEMBLY Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY.
COMMENTARY:
Proposes a constitutional amendment that would prohibit new public employees, hired after July 1, 2007, from participating in a defined benefit plan. These employees would be limited to a defined contribution plan or a retirement system.
Position: Monitor

CA ACA 7 **AUTHOR:** Nation [D]
TITLE: Local Governmental Taxation
LOCATION: Assembly Appropriations Committee
STATUS:
05/25/2005 In ASSEMBLY Committee on APPROPRIATIONS: Heard, remains in Committee.
COMMENTARY:
Lowers voter threshold to 55% for special tax measures.
Position: Monitor

CA ACA 9

AUTHOR: Bogh [R]
TITLE: Motor Vehicle Fuel Sales Tax Revenue
LOCATION: Assembly Appropriations Committee
STATUS:
01/09/2006 From ASSEMBLY Committees on TRANSPORTATION: Be adopted to the Committee on APPROPRIATIONS.
COMMENTARY:
Would amend Prop 42 to require 4/5ths of the legislature to suspend transfer instead of the current 2/3rds.
Position: Monitor

CA ACA 22

AUTHOR: La Malfa [R]
TITLE: Eminent Domain: Condemnation Proceedings
LOCATION: Assembly Housing and Community Development Committee
STATUS:
01/11/2006 To ASSEMBLY Committees on HOUSING AND COMMUNITY DEVELOPMENT and JUDICIARY.
COMMENTARY:
Amends existing eminent domain law to only allow for private property to be taken when it is for a stated public use.
Position: Monitor

CA SB 53

AUTHOR: Kehoe [D]
TITLE: Redevelopment
LAST AMEND: 08/15/2005
LOCATION: Assembly Local Government Committee
STATUS:
08/15/2005 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.
08/15/2005 In ASSEMBLY. Read second time and amended. Re-referred to Committee on LOCAL GOVERNMENT.
COMMENTARY:
Requires redevelopment plans to contain a description of the agency's program to acquire real property by eminent domain, including prohibitions, if any, on the use of eminent domain, and a time limit for the commencement of eminent domain proceedings.
Position: Monitor

CA SB 153

AUTHOR: Chesbro [D]
TITLE: Clean Water, Safe Parks, Coastal Protection
LAST AMEND: 09/02/2005
LOCATION: Assembly Appropriations Committee
STATUS:
09/02/2005 From ASSEMBLY Committee on APPRORIATIONS with author's amendments.
09/02/2005 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.
COMMENTARY:
General Obligation Bond for water, parks and open space.
Position: Monitor

CA SB 172

AUTHOR: Torlakson [D]
TITLE: Bay Area State-Owned Toll Bridge: Financing
LAST AMEND: 05/27/2005
LOCATION: Assembly Transportation Committee
STATUS:
06/13/2005 To ASSEMBLY Committee on TRANSPORTATION.
COMMENTARY:
Gives the Bay Area Toll Authority more control over Caltrans construction of toll bridge seismic retrofits in the Bay Area. Requires quarterly reports by Caltrans the projects.
Position: Monitor

CA SB 371

AUTHOR: Torlakson [D]
TITLE: Public Contracts: Design-Build: Transportation
LAST AMEND: 04/26/2005
LOCATION: Senate Appropriations Committee
STATUS:
01/19/2006 From SENATE Committee on APPROPRIATIONS: Do pass as amended.
COMMENTARY:
Design-build spot bill to be jointly authored by Senators Torlakson and Runner.
Position: Monitor

CA SB 427

AUTHOR: Hollingsworth [R]
TITLE: Environmental Quality Act: Scoping Meetings
LAST AMEND: 01/04/2006
FILE: 105
LOCATION: Senate Third Reading File
STATUS:
01/19/2006 In SENATE. Read second time. To third reading.
COMMENTARY:
Requires at least one scoping meeting for a project and requires the lead agency to consult with transportation planning agencies that could be affect by a project. Requires notice of at least one scoping meeting be provided to those agencies required to be consulted concerning the project and to require, in the consultation, the project's effect on overpasses, on-ramps, and off-ramps.
Position: Monitor

CA SB 459

AUTHOR: Romero [D]
TITLE: Air Pollution: South Coast District: Locomotives
LAST AMEND: 04/12/2005
LOCATION: Assembly Transportation Committee
STATUS:
06/27/2005 In ASSEMBLY Committee on TRANSPORTATION: Heard, remains in Committee.
COMMENTARY:
Authorizes SCAQMD to collect a fee associated with locomotive air pollution and to expend it for specified mitigation purposes including railroad grade crossings.
Position: Monitor

CA SB 561

AUTHOR: Runner G [R]
TITLE: Toll Road Agreements
LAST AMEND: 05/24/2005
LOCATION: Senate Appropriations Committee
STATUS:
05/24/2005 In SENATE. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

COMMENTARY:
Authorizes Caltrans to enter into toll road agreements with private entities. Permits competitive facilities and safety work.
Position: Monitor

CA SB 601

AUTHOR: Soto [D]
TITLE: Build California Bond Act of 2006
LAST AMEND: 04/12/2005
LOCATION: Senate Transportation and Housing Committee
STATUS:
04/12/2005 From SENATE Committee on TRANSPORTATION AND HOUSING with author's amendments.
04/12/2005 In SENATE. Read second time and amended. Re-referred to Committee on TRANSPORTATION AND HOUSING.

COMMENTARY:
Would place a $3 billion bond before voters to funds goods movement and other transportation projects.
Position: Monitor

CA SB 760

AUTHOR: Lowenthal [D]
TITLE: Ports: Congestion Relief: Security Enhancement
LAST AMEND: 05/27/2005
LOCATION: Assembly Appropriations Committee
STATUS:
06/27/2005 From ASSEMBLY Committee on NATURAL RESOURCES: Do pass to Committee on APPROPRIATIONS.

COMMENTARY:
Authorizes the Ports of Los Angeles and Long Beach to impose a $30 fee on each Twenty foot Equivalent Unit (TEU). The Port would retain $10 for improvements and would forward $10 to AQMD for air quality mitigation, and $10 to the CTC to use on railroad improvement projects in Orange and other counties.
Position: Monitor

CA SB 1020

AUTHOR: Migden [D]
TITLE: County Sales and Use Taxes: Rate Increase
LOCATION: Senate Revenue and Taxation Committee
STATUS:
04/13/2005 In SENATE Committee on REVENUE AND TAXATION: To Suspense File.

COMMENTARY:
Authorizes a county or a city and county to impose, with voter approval, an additional quarter cent sales tax for transit operations.
Position: Monitor

CA SB 1024	**AUTHOR:**	Perata [D]
	TITLE:	Public Works and Improvements: Bond Measure
	LAST AMEND:	09/08/2005
	FILE:	97
	LOCATION:	Senate Third Reading File
	STATUS:	
	09/08/2005	In SENATE. Read third time and amended. To third reading.

COMMENTARY:
Enacts the Essential Facilities Seismic Retrofit Bond Act of 2005 to place a $10.3 billion general obligation bond before voters to funds seismic retrofit of essential facilities, including the Bay Bridge, repay Proposition 42 loans, and to facilitate goods movement.

Position: Monitor

CA SB 1026	**AUTHOR:**	Kuehl [D]
	TITLE:	Highway Construction Contracts: Design-build Projects
	LAST AMEND:	09/08/2005
	LOCATION:	Chaptered
	STATUS:	
	01/13/2006	Signed by the Governor.
	01/13/2006	Chaptered by Secretary of State. Chapter No. 1

COMMENTARY:
Authorizes the Los Angeles County Metropolitan Transportation Authority to use a specified design-build procurement process for the construction of an HOV lane in the 405 freeway.

Position: Monitor

CA SB 1165	**AUTHOR:**	Dutton [R]
	TITLE:	Transportation Bond Acts of 2006, 2008, and 2012
	INTRODUCED:	01/10/2006
	LOCATION:	Senate Transportation and Housing Committee
	STATUS:	
	01/13/2006	To SENATE Committees on TRANSPORTATION AND HOUSING and ENVIRONMENTAL QUALITY.

COMMENTARY:
This bill would authorize general obligation bonds for various transportation purposes, pledges a percentage of existing fuel excise taxes and truck weight fees to offset the cost of the bond debt servce, and authorizes transportation entities to use a design-build process for contracting on transportation projects. This is the Administrations Infrastructure Bond Proposal. Identical to AB 1838.

Position: Monitor

CA SCA 15	**AUTHOR:**	McClintock [R]
	TITLE:	Eminent Domain: Condemnation Proceedings
	LAST AMEND:	08/23/2005
	LOCATION:	Senate Judiciary Committee
	STATUS:	
	08/30/2005	In SENATE Committee on JUDICIARY: Failed passage.
	08/30/2005	In SENATE Committee on JUDICIARY: Reconsideration granted.

COMMENTARY:
Amends existing eminent domain law to only allow for private property to be taken when it is for a stated public use.

Position: Monitor

CA SCA 20

AUTHOR: McClintock [R]
TITLE: Eminent Domain: Condemnation Proceedings
INTRODUCED: 01/11/2006
LOCATION: Senate Judiciary Committee
STATUS:
01/19/2006 To SENATE Committees on JUDICIARY and ELECTIONS, REAPPORTIONMENT AND CONSTITUTIONAL AMENDMENTS.

COMMENTARY:
Amends existing eminent domain law to only allow for private property to be taken when it is for a stated public use.
Position: Monitor

CA SCA 21

AUTHOR: Runner G [R]
TITLE: State Budget
INTRODUCED: 01/11/2006
LOCATION: Senate Budget and Fiscal Review Committee
STATUS:
01/19/2006 To SENATE Committees on BUDGET AND FISCAL REVIEW and ELECTIONS, REAPPORTIONMENT AND CONSTITUTIONAL AMENDMENTS.

COMMENTARY:
Administration's General Fund GO Bond 6% Debt Cap Proposal
Position: Monitor

10.

Item 10.

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Fiscal Year 2007 Transportation Appropriations Project List

Legislative and Government Affairs/Public Communications Committee — February 2, 2006

Present: Directors Silva, Cavecche, Wilson, Correa, Rosen and Buffa
Absent: Directors Ritschel and Brown

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Review and approve the recommended list of transportation projects to be submitted for the fiscal year 2007 federal appropriations process.

OCTA

February 2, 2006

To:	Legislative and Government Affairs/Public Communications Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Fiscal Year 2007 Transportation Appropriations Project List

Overview

The Orange County Transportation Authority recommends a total of 14 transportation projects totaling $97,180,000 be submitted to the Orange County Congressional delegation for consideration in the fiscal year 2007 transportation appropriations bill.

Recommendation

Review and approve the recommended list of transportation projects to be submitted for the fiscal year 2007 federal appropriations process.

Background

Each year, in preparation for its annual appropriations process, the House and Senate Appropriations Committees request that Congressional members submit a list of projects for consideration and possible inclusion in the legislation authorizing discretionary spending for federal programs.

For fiscal year (FY) 2006, the Orange County Transportation Authority (OCTA) submitted 11 projects at a requested federal funding level of $59 million (Attachment A). The request list reflected OCTA's federal funding priorities for highways, goods movement, and transit projects.

For the first time in years, Congress avoided an omnibus appropriations bill last year by passing each of the ten appropriations bills independently and on time, including H.R. 3058, the Transportation-Treasury-HUD-Judiciary appropriations bill, which provided discretionary spending for the U.S. Department of Transportation and other federal agencies for FY 2006. The total amount of project earmarks for Orange County was $6,257,000, which included $2 million for Flamingo Road reconstruction in Laguna Beach and $157,000 for the La Habra Shuttle Senior Transportation Program.

OCTA project earmarks included in the FY 2006 legislation were:

San Diego Freeway (Interstate 405) Widening – $1 million
The project request was for widening the Interstate 405 (I-405) from Corona Del Mar Freeway (State Route 73) to Beach Boulevard. It would add one general purpose lane in each direction, as well as adding auxiliary lanes and operational improvements in six cities. This section of the freeway is the most heavily traveled road in the greater metropolitan area, with up to 380,000 vehicles using portions of it every day.

Riverside Freeway (State Route 91) Chokepoint Project – $1 million
The congestion on State Route 91 (SR-91) limits access to vehicles traveling north on Eastern Toll Road (State Route 241) to the SR-91 transition, particularly in the eastbound direction. This project would add auxiliary lanes on SR-91 between State Route 241 (SR-241) in Orange County and the Corona Expressway (State Route 71), a major expressway in Riverside County.

Orange County Rapid Transit Service – $1.5 million
This was a revised project request based on OCTA Board action to move forward with the OCTA Rapid Transit Project, which includes expansion of Metrolink service and regional Bus Rapid Transit feeder service, as well as local partnerships with cities throughout the County. This request was for capital rolling stock for the bus rapid transit component of the newly adopted Orange County Rapid Transit Project.

Bristol Street Multi-Modal Corridor – $600,000
Bristol Street is a major north-south arterial that travels through the area of greatest population density in Orange County, while also providing critical capacity in an area lacking north-south freeway access. The street widening would also accommodate a future transit mode or could lead to Bristol Street becoming a Smart Street (designed to carry very high volumes of north-south traffic).

Discussion

The OCTA staff worked collaboratively across all departments to develop the recommended list of projects for FY 07 based on the benefits to the County, as well as the viable status of the project and the anticipated funding needed for the next fiscal year. The list includes high priority projects to provide federal funding toward goods movement corridors, street widening and improvements, intermodal facilities, Metrolink enhancements, as well as inter-county express bus and bus rapid transit services. The following projects are requested for FY 07 for a total funding request of $97,180,000:

1. SR-91, Eastbound Widening from SR-241 to State Route 71 (SR-71)

This project will add one lane in the eastbound direction of SR-91 from the merge point of SR-241 northbound ramp to SR-91 eastbound, to the eastbound SR-91 connector leading to SR-71. Constructing this project will alleviate the current chokepoint due to the SR-241 merge to eastbound SR-91. It will also improve the weave to SR-71 from eastbound SR-91. The FY 2007 request would provide funding for the design phase.

Total Project Cost: $63.1 million
FY 07 Request: $7.5 million

2. SR-91 Eastbound Truck Storage Lane

This project would add a storage lane for trucks and provide for merge improvements at the eastbound SR-91 truck scales near Imperial Highway (State Route 90). Total funding needed is $6 million. The FY 2007 request would provide funds for the design phase.

Total Project Cost: $6 million
FY 07 Request: $1 million

3. I-405 Widening and Improvements

The Orange County Transportation Authority has recently completed a Major Investment Study (MIS) on I-405 between State Route 73 (SR-73) and San Gabriel Freeway (Interstate 605). The FY 2007 request would provide funding for preliminary engineering (Project Study Report) for the project.

Total Project Cost: $500 million
FY 07 Request: $1.5 million

4. San Diego Freeway (Interstate 5) and Ortega Highway (State Route 74) Interchange

This project proposes to reconstruct the existing Interstate 5 (I-5) / State Route 74 (SR-74) interchange in San Juan Capistrano. Constructing this project will facilitate traffic flows and ease congestion along SR-74 and the I-5 on/off ramps, accommodate an expected increase in traffic and traffic generated due to adjacent development. The FY 2007 request would provide funds for the design phase.

Total Project Cost: $ 47.3 million
FY 07 Request: $ 5.6 million

5. I-5/Costa Mesa Freeway (State Route 55) on I-5 between Fourth Street and Newport Avenue and on State Route 55 (SR-55) between Fourth Street and Edinger Avenue

This project would reconstruct the I-5 southbound entrance ramp at First Street to a loop ramp thereby increasing the weaving distance. Also, construct an auxiliary lane extension on SR-55 through McFadden Avenue exit ramp to Edinger Avenue which will eliminate the current weaving movement between the I-5 southbound connector and SR-55 southbound McFadden Avenue exit ramp. The FY 2007 request would provide funds for the design phase.

Total Project Cost: $ 43.2 million
FY 07 Request: $ 5 million

6. I-5, Pacific Coast Highway (State Route 1) to Avenida Pico

Phase 1 of this project is to construct the last missing link in the Orange County High Occupancy Vehicle (HOV) system in the south county region will connect to the San Diego County HOV lane on I-5. The FY 2007 request would provide funds for the design phase.

Total Project Cost: $132 million
FY 07 Request: $12 million

7. Bristol Street Widening

Bristol Street is a major north/south arterial street through the heart of Orange County from the Garden Grove Freeway (State Route 22) on the north to South Coast Plaza at the city's southern city limit. The project includes completion of the widening between 17th Street and Warner Avenue. The street will be widened from two to three lanes in each direction and includes landscaped median and parkways/greenbelts, improved intersections, undergrounding of utilities, storm drain improvements, upgraded street lighting, and soundwalls. The FY 2007 request would provide funding for right-of-way acquisition from McFadden Avenue to Pine Street.

Total Project Cost: $236 million
FY 07 Request: $25 million

8. I-5 at Gene Autry Way – HOV Ramps

This project will complete the HOV drop ramps at Gene Autry Way in the City of Anaheim. These HOV drop ramps will provide direct access for carpools, public busses, tour busses and other high occupancy vehicles to the Anaheim Resort area. Total funding needed is $29.2 million. The FY 2007 request would provide funding for construction.

Total Project Cost: $49.1 million
FY 07 Request: $10.7 million

9. Orangethorpe Corridor

The Orangethorpe Corridor is along a five-mile Burlington Northern Santa Fe railroad corridor through the cities of Placentia, Anaheim and Fullerton with 11 at grade crossings. Recent activities include the completion of one grade crossing (Melrose Street in Placentia), closure of one crossing (Bradford Avenue in Placentia), safety improvements at eight crossings in the City of Placentia, and the construction of a pedestrian bridge (Bradford Avenue in Placentia). As part of SAFETEA-LU, both the City of Fullerton and the City of Placentia received funds for grade separation projects in the Orangethorpe Corridor. The FY 2007 request would supplement previous federal funds and assist in completion of the right of way acquisition phase of the selected project in each city.

Total Project Cost: $500 million
FY 07 Request: $10 million

10. Orange County Rapid Transit Project: Bus Rapid Transit Service

Orange County Transportation Authority Board of Directors approved Implementation of countywide Bus Rapid Transit (BRT) and bus shuttle services in October 2005. Service begins in 2008 with expectations that BRT services will significantly enhance fixed route service as a permanently integrated package of rapid transit elements. Orange County BRT and shuttle service distribution linkages incorporate four corridors, eleven cities and 70 miles of major arterials connecting Amtrak, Metrolink commuter rail service, major transportation centers, Fortune 500 business centers shuttles, colleges, shopping malls, a regional airport and other activity centers. The FY 2007 request would provide funding for Plans, Specifications and Estimates (PS&E) for the BRT routes and Irvine Business Center Shuttle.

Total Project Cost: $125 million
FY 07 Request: $ 5 million

11. Orange County Rapid Transit Project: Metrolink Track Capacity Improvements

This project will provide a third main railroad track between Fullerton and Los Angeles Union station and will allow for the operation of additional Metrolink commuter trains and state sponsored intercity rail service trains. This project has cleared the environmental and design phase and is now in the construction phase, with certain segments currently under construction. Eighty-six million dollars in state funds have been allocated and an additional $73 million in state funds is expected to be available through state and local sources. Governor Schwarzenegger has proposed that this project be fully funded under his recently announced Strategic Growth Plan. The Strategic Growth Plan requires approval of the Legislature and California voters. Five million dollars will be used for the next stage of construction in FY 07.

Total Project Cost: $339 million
FY 07 Request: $5 million

12. Inter-County Express Bus Service

In FY 2007, OCTA plans to implement Inter-County Express Bus service linking employment centers in Orange County with both eastern Los Angeles County and western Riverside County. These bus routes are 757, 758, and 794. The purchase of vehicles for these services was partly funded by Congressman Gary Miller's FY 2005 federal appropriations earmark of $1,080,486. In addition to these services, OCTA plans to introduce three additional bus routes along the SR-91 Corridor linking Orange County employment centers with Riverside County. The FY 2007 request would provide funding toward the implementation of all three routes.

Total Project Cost: $8.4 to $9.2 million
FY 07 Request: $3.38 million

13. Anaheim Regional Transportation Intermodal Center (ARTIC)

The ARTIC is an intermodal transportation center located in the City of Anaheim, along the Los Angeles to San Diego (LOSSAN) rail line. The project is bounded by the Orange Freeway (State Route 57), the Santa Ana River, and Katella Avenue, and in close proximity to I-5. ARTIC will serve as a hub for many transit modes providing everything from conventional bus service to planned regional high technology transportation systems. In addition, ARTIC will strategically facilitate the proposed California High Speed Rail alignment, as well as the Anaheim to Ontario International Airport segment of the California-Nevada Interstate Maglev project. This project expands existing transportation infrastructure for Amtrak intercity rail, Metrolink commuter rail, Orange County rapid transit systems, and Anaheim Resort shuttles. OCTA and the City of Anaheim are cooperating on acquiring necessary property with local funds. In FY 2007, OCTA and the City of Anaheim will commence preliminary design.

Total Project Cost: $245 million
FY 07 Request: $5 million

14. South County Demonstration of Intelligent Traffic Signal Synchronization

OCTA's Technical Advisory Committee is defining an arterial roadway corridor in South Orange County to be the site of a demonstration of traffic signal synchronization, an intelligent transportation systems (ITS) project. The Scope of Work will be to develop new signal timing plans for up to 60 traffic signals, implement the new timing plans and monitor the plans to ensure a coordinated corridor. In FY 2007, OCTA will engage consultant services to develop and implement the full project.

Total Project Cost: $625,000
FY 07Request: $500,000

Given the current political climate in Washington, D.C. with regard to project earmarks following the passage of the SAFETEA-LU, compounded by a record-level federal deficit, there will be a concerted effort to constrain federal discretionary spending this year. As a result, competition will be fierce for appropriations earmarks in the FY 07 appropriations process.

In order for Orange County to secure a greater share of its contribution to the Highway Trust Fund via the annual appropriations process, the following actions will occur:

1. The FY 07 transportation appropriations project list was developed based on viable projects that have received considerable local and state investment.

2. Federal affairs staff is developing an advocacy program that is targeted and fully communicates to members and committee staff the economic, environmental, and quality of life benefits of this project list to Orange County and the greater Southern California region.
3. Federal affairs staff and OCTA's Washington advocates will engage in consistent communication with Orange County's Congressional delegation to underscore the importance of securing funding for the OCTA FY 07 transportation appropriations project list.
4. Lastly, OCTA will seek the Orange County Congressional delegation's bi-partisan support to advocate the merits of OCTA's FY 07 transportation appropriations project list with leadership at both the full House and Senate Appropriations Committee and Subcommittee levels.

Summary

It is recommended that the Orange County Transportation Authority Board of Directors adopt the Fiscal Year 2007 Transportation Appropriations Project List (Attachment B).

Attachments

A. Summary of OCTA Federal Transportation Appropriations Project List
B. Orange County Transportation Authority Fiscal Year 2007 Transportation Appropriations Project List

Prepared by:

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

Approved by:

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

Summary of OCTA Federal Transportation Appropriations Project List

Project Name	FY06 Request	FY07 Request	Previous Appropriation/FY	Authorization Y/N	Congressional District
HIGHWAYS					
State Route 91 Widening*	$ 10,000,000	$ 7,500,000	$ 1,000,000 /06	N	42
State Route Chokepoint at Orange/Riverside Line	$ 6,000,000			N	42
State Route 91 Truck Storage Lane	$ 1,000,000	$ 1,000,000		N	42
I-405 Widening & Improvements	$ 5,000,000	$ 1,500,000	$ 1,500,000 /05	Y	46,48
			$ 1,000,000 /06		
I-5 & Ortega Highway Interchange Chokepoint	$ 7,000,000	$ 5,600,000	$ 800,000 /04	Y	44,48
I-5 & SR-55 Chokepoint	$ 8,000,000	$ 5,000,000		N	48
I-5 South HOV Lane - Phase I	$ 8,000,000	$ 12,000,000	$ 5,000,000 /05	Y	44
STREETS AND ROADS					
Bristol Street Widening	$ 5,000,000	$ 25,000,000	$ 750,000 /05	Y	47
I-5/Gene Autry Way - HOV Ramps		$ 10,700,000		N	40,47
TRANSIT & GRADE SEPARATIONS					
Grade Separations - Orangethorpe Corridor	$ 2,000,000	$ 10,000,000		Y	40
OC Rapid Transit Project**	$ 5,000,000		$ 2,184,466 /04	Y	40,42,47
1. Bus Rapid Transit		$ 5,000,000	$ 1,500,000 /06	Y	
2. Metrolink Track Capacity Improvements		$ 5,000,000		Y	
Inter-County Express Bus	$ 2,000,000	$ 3,380,000	$ 1,080,486 /04	Y	42,44
ARTIC		$ 5,000,000		N	40,42,47
INTELLIGENT TRANSPORTATION SYSTEMS (ITS)					
South County Demo/Signal Synch		$ 500,000		N	44,48
Total	$ 59,000,000	$ 97,180,000			

*SR-91 FY07 request includes widening and chokepoint relief from SR-241 to the SR-71

**OC Rapid Transit Project FY07 request includes Bus Rapid Transit and Metrolink Improvements

Congressional Districts:
CA-40 U.S. Representative Ed Royce
CA-42 U.S. Representative Gary Miller
CA-44 U.S. Representative Ken Calvert
CA-46 U.S. Representative Dana Rohrabacher
CA-47 U.S. Representative Loretta Sanchez
CA-48 U.S. Representative John Campbell

ATTACHMENT A

Orange County Transportation Authority
Fiscal Year 2007 Transportation Appropriations Project List

I. HIGHWAYS

1. State Route 91, Eastbound Widening from State Route 241 to State Route 71

This project will add one lane in the eastbound direction of SR-91 from the merge point of SR-241 northbound ramp to SR-91 eastbound, to the eastbound SR-91 connector leading to SR-71. Constructing this project will alleviate the current choke point due to the SR-241 merge to eastbound SR-91. It will also improve the weave to SR-71 from eastbound SR-91. The fiscal year 2007 request would provide funding for the design phase.

Total Project Cost: $63.1 million
FY 07 Request: $7.5 million

2. State Route 91 Eastbound Truck Storage Lane

This project would add a storage lane for trucks and provide for merge improvements at the eastbound SR-91 truck scales near Imperial Highway (SR-90). Total funding needed is $6 million. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $6 million
FY 07 Request: $1 million

3. Interstate 405 (I-405) Widening and Improvements

The Orange County Transportation Authority has recently completed a Major Investment Study (MIS) on I-405 between SR-73 and I-605. The fiscal year 2007 request would provide funding for preliminary engineering (Project Study Report) for the project.

Total Project Cost: $500 million
FY 07 Request: $1.5 million

4. San Diego Freeway (I-5) and Ortega Highway (SR-74) Interchange

This project proposes to reconstruct the existing San Diego Freeway (I-5) / Ortega Highway (SR-74) interchange in San Juan Capistrano. Constructing this project will facilitate traffic flows and ease congestion along Ortega Highway and the I-5 on/off ramps, accommodate an expected increase in traffic and traffic generated due to adjacent development. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $ 47.3 million
FY 07 Request: $ 5.6 million

5. I-5/SR-55 on I-5 between Fourth Street and Newport Avenue and on SR-55 between Fourth Street and Edinger Avenue

This project would reconstruct the I-5 southbound entrance ramp at First Street to a loop ramp thereby increasing the weaving distance. Also, construct an auxiliary lane extension on southbound 55 through McFadden exit ramp to Edinger which will eliminate the current weaving movement between the I-5 southbound connector and SR-55 southbound McFadden exit ramp. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $ 43.2 million
FY 07 Request: $ 5 million

6. San Diego Freeway (I-5), Pacific Coast Highway (SR-1) to Avenida Pico

Phase 1 of this project is to construct the last missing link in the Orange County HOV system in the south county region will connect to the San Diego County HOV lane on I-5. The fiscal year 2007 request would provide funds for the design phase.

Total Project Cost: $132 million
FY 07 Request: $12 million

II. STREETS AND ROADS

7. Bristol Street Widening

Bristol Street is a major north/south arterial street through the heart of Orange County from the Garden Grove Freeway (State Route 22) on the north to South Coast Plaza at the city's southern city limit. The project includes completion of the widening between 17th Street and Warner Avenue. The street will be widened from two to three lanes in each direction and includes landscaped median and parkways/greenbelts, improved intersections, undergrounding of utilities, storm drain improvements, upgraded street lighting, and soundwalls. The fiscal year 2007 request would provide funding for right-of-way acquisition from McFadden Avenue to Pine Street.

Total Project Cost: $236 million
FY 07 Request: $25 million

8. Interstate 5 at Gene Autry Way – High Occupancy Vehicle Ramps

This project will complete the High Occupancy Vehicle (HOV) drop ramps at Gene Autry Way in the City of Anaheim. These HOV drop ramps will provide direct access for carpools, public busses, tour busses and other high occupancy vehicles to the Anaheim

Resort area. Total funding needed is $29.2 million. The fiscal year 2007 request would provide funding for construction.

Total Project Cost: $49.1 million
FY 07 Request: $10.7 million

III. TRANSIT & GRADE SEPARATIONS

9. Orangethorpe Corridor

The Orangethorpe Corridor is along a five-mile Burlington Northern Santa Fe railroad corridor through the cities of Placentia, Anaheim and Fullerton with 11 at grade crossings. Recent activities include the completion of one grade crossing (Melrose St. in Placentia), closure of 1 crossing (Bradford Ave in Placentia), safety improvements at eight crossings in the City of Placentia, and the construction of a pedestrian bridge (Bradford Ave in Placentia). As part of SAFETEA-LU, both the City of Fullerton and the City of Placentia received funds for grade separation projects in the Orangethorpe Corridor. The fiscal year 2007 request would supplement previous federal funds and assist in completion of the right of way acquisition phase of the selected project in each city.

Total Project Cost: $500 million
FY 07 Request: $10 million

10. Orange County Rapid Transit Project: Bus Rapid Transit Service

Orange County Transportation Authority Board of Directors approved Implementation of countywide Bus Rapid Transit (BRT) and Bus shuttle services in October 2005. Service begins in 2008 with expectations that BRT services will significantly enhance fixed route service as a permanently integrated package of rapid transit elements. Orange County BRT and shuttle service distribution linkages incorporate four corridors, eleven cities and 70 miles of major arterials connecting Amtrak, Metrolink commuter rail service, major transportation centers, Fortune 500 business centers shuttles, colleges, shopping malls, a regional airport and other activity centers. The fiscal year 2007 request would provide funding for Plans, Specifications and Estimates (PS&E) for the BRT routes and Irvine Business Center Shuttle.

Total Project Cost: $125 million
FY 07 Request: $ 5 million

11. Orange County Rapid Transit Project: Metrolink Track Capacity Improvements

This project will provide a third main railroad track between Fullerton and Los Angeles Union station and will allow for the operation of additional Metrolink commuter trains and state sponsored intercity rail service trains. This project has cleared the environmental and design phase and is now in the construction phase, with certain segments currently under construction. Eighty-six million dollars in state funds have been allocated and an additional $73 million in state funds is expected to be available through state and local sources. Governor Schwarzenegger has proposed that this project be fully funded under his recently announced Strategic Growth Plan. The Strategic Growth Plan requires approval of the Legislature and California voters. Five million dollars will be used for the next stage of construction in FY 07.

Total Project Cost: $339 million
FY 07 Request: $5 million

12. Inter-County Express Bus Service

In fiscal year 2007, OCTA plans to implement Inter-County Express Bus service linking employment centers in Orange County with both eastern Los Angeles County and western Riverside County. These bus routes are 757, 758, and 794. The purchase of vehicles for these services was partly funded by Congressman Gary Miller's fiscal year 2005 federal appropriations earmark of $1,080,486. In addition to these services, OCTA plans to introduce three additional bus routes along the SR-91 Corridor linking Orange County employment centers with Riverside County. The fiscal year 2007 request would provide funding toward the implementation of all three routes.

Total Project Cost: $8.4 to $9.2 million
FY 07 Request: $3.38 million

13. Anaheim Regional Transportation Intermodal Center (ARTIC)

The ARTIC is an intermodal transportation center located in the City of Anaheim, along the Los Angeles to San Diego (LOSSAN) rail line. The project is bounded by State Route 57, the Santa Ana River, and Katella Avenue, and in close proximity to I-5. ARTIC will serve as a hub for many transit modes providing everything from conventional bus service to planned regional high technology transportation systems. In addition, ARTIC will strategically facilitate the proposed California High Speed Rail alignment, as well as the Anaheim to Ontario International Airport segment of the California-Nevada Interstate Maglev project. This project expands existing transportation infrastructure for Amtrak intercity rail, Metrolink commuter rail, Orange County rapid transit systems, and Anaheim Resort shuttles. OCTA and the City of Anaheim are cooperating on acquiring necessary property with local funds. In fiscal year 2007, OCTA and the City of Anaheim will commence preliminary design.

Total Project Cost: $245 million
FY 07 Request: $5 million

IV. Intelligent Transportation Systems (ITS)

14. South County Demonstration of Intelligent Traffic Signal Synchronization

OCTA's Technical Advisory Committee is defining an arterial roadway corridor in South Orange County to be the site of a demonstration of traffic signal synchronization, an intelligent transportation systems (ITS) project. The scope of work will be to develop new signal timing plans for up to 60 traffic signals, implement the new timing plans and monitor the plans to ensure a coordinated corridor. In fiscal year 2007, OCTA will engage consultant services to develop and implement the full project.

Total Project Cost: $625,000
FY07Request: $500,000

Total Funding Requested in Fiscal Year 2007: $97,180,000

11.

Item 11.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject Fiscal Year 2004-05 Annual Financial Reports

Finance and Administration Committee January 25, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the fiscal year 2004-05 annual financial reports as information items.

OCTA

January 25, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Fiscal Year 2004-05 Annual Financial Reports

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various fund financial statements, schedules, and agreements. Macias Gini and Company LLP, an independent accounting firm, has completed its third annual audit of the Orange County Transportation Authority's financial records and systems, and its reports are included herein.

Recommendation

Receive and file the fiscal year 2004-05 annual financial reports as information items.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting results of operations during the preceding fiscal year and OCTA's financial position at year end. These financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR), which was presented to the Board of Directors on December 12, 2005.

In connection with the preparation of the CAFR, Macias Gini and Company LLP (Macias) prepares other financial reports required by OCTA. These audits were performed using the most current version of each of the standards and guidelines, in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's *Governmental Auditing Standards* (as amended), the provisions of the federal Single Audit Act of 1984 (as amended) and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and*

Non-Profit Organizations, as well as the following additional requirements, as applicable:

- *State of California Transportation Development Act (TDA),* including the requirements of the *Southern California Association of Governments' Transportation Development Act Conformance Auditing Guide;*
- *Revised Traffic Improvement and Growth Management Ordinance* (Measure M);
- *National Transit Database Reporting* (formerly Section 15); and
- *Special District* and *Transit District Reporting Requirements*, as specified by the California State Controller.

Discussion

Macias, an independent accounting firm, has completed its second annual audit of OCTA's financial records and systems and has issued its independent auditor's opinion on OCTA's financial statements for the fiscal year ended June 30, 2005. The CAFR for OCTA, which contains the fiscal year 2004-05 financial statements and the unqualified opinion on the basic financial statements, was prepared and presented to the Board of Directors on December 12, 2005.

Macias has issued a Management Letter, as required by the contract. Macias made recommendations for management to ensure that National Transit Database reporting requirements are incorporated into all applicable service contracts and to develop procedures to ensure claims liability reserves are adequate for financial reporting purposes. Management is planning appropriate corrective action. Macias also indicated that prior recommendations either have or are being satisfactorily implemented by management (Attachment A).

The Schedule of Expenditures of Federal Awards was prepared as required per U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and an unqualified opinion was issued (Attachment B).

The Annual Financial Report, Orange County Local Transportation Authority for the Fiscal Year Ended June 30, 2005, with Independent Auditor's Report was prepared in accordance with *Governmental Auditing Standards,* and an unqualified opinion was issued (Attachment C).

Fund financial statements were prepared and an unqualified opinion was issued for the 91 Express Lanes Fund (Attachment D). The Franchise

Agreement schedules of OCTA's 91 Express Lanes Fund was prepared as required to comply with Section 3.6(b) of the Amended and Restated Development Franchise Agreement for State Route 91 Median Improvements dated June 30, 1993, and amended December 20, 2002, between OCTA and the State of California Department of Transportation, and an unqualified opinion was issued (Attachment E).

Agreed-upon procedures were performed on the Federal Funding Allocation Statistics Form FFA-10 for the year ended June 30, 2005, to assist OCTA in ensuring compliance with the regulations of *National Transit Database Reporting* and 49 CFR Part 630 of the *Federal Register,* dated January 15, 1993 (Attachment F).

The Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service was prepared for the year ended June 30, 2005, and was found in compliance with Section 3.01(D) of the Indenture Agreement between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A., dated August 15, 1992, as amended on December 1, 1996, to appoint the Bank of New York Western Trust Company as the successor trustee (Attachment G).

Agreed-upon procedures were performed, as agreed to by the Audit Subcommittee of the Citizens Oversight Committee of the Orange County Local Transportation Authority, to assist with their review of the Measure M Status Report For the Year Ended June 30, 2005 (Attachment H).

Agreed-upon procedures were performed, as agreed to by the Joint Audit Oversight Committee of the Orange County Local Transportation Authority, to assist with the review of a selected sample of city recipients' level of compliance with the provisions of Measure M, Local Transportation Ordinance No. 2, for the fiscal year ended June 30, 2005 (Attachment I).

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Governmental Auditing Standards* and the *Transportation Development Act* for the year ended June 30, 2005, was prepared and there were no material weaknesses or instances of noncompliance reported (Attachment J).

Fund financial statements were prepared and an unqualified opinion was issued for the Local Transportation Fund for the years ended June 30, 2005 and 2004 (Attachment K), and the State Transit Assistance Fund for the year ended June 30, 2005 (Attachment L), in accordance with their respective state requirements.

Summary

Macias, an independent accounting firm, has audited the financial statements contained in the CAFR and has issued its unqualified opinion as to the fairness of the financial statement presentation. The auditor has also issued its unqualified opinions on various other fund financial statements, schedules, and agreements, as requested by OCTA, which are attached hereon.

Attachments

A. Orange County Transportation Authority - Management Letter For the Fiscal Year Ended June 30, 2005
B. Orange County Transportation Authority - Single Audit Reports For the Year Ended June 30, 2005
C. Annual Financial Report – Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) For the Fiscal Year Ended June 30, 2005, with Independent Auditor's Report
D. Annual Financial Report – 91 Express Lanes Fund (An Enterprise Fund of the Orange County Transportation Authority) For the Fiscal Year Ended June 30, 2005, with Independent Auditor's Report
E. Franchise Agreement Report – 91 Express Lanes Fund (An Enterprise Fund of the Orange County Transportation Authority) For the fiscal year ended June 30, 2005
F. Orange County Transportation Authority – National Transit Database Reporting For the Year Ended June 30, 2005
G. Debt Service Coverage Tests – Orange County Local Transportation Authority Year Ended June 30, 2005
H. Measure M Agreed-Upon Procedures Reports – Orange County Transportation Authority For the Year Ended June 30, 2005
I. Measure M Status Report Agreed-Upon Procedures Report – Orange County Local Transportation Authority For the Year Ended June 30, 2005
J. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Governmental Auditing Standards* and the Transportation Development Act

K. Orange County Transportation Authority – Local Transportation Fund (A Special Revenue Fund of the Orange County Transportation Authority) Fund Financial Statements and Independent Auditor's Report For the Years Ended June 30, 2005 and 2004

L. Orange County Transportation Authority State Transit Assistance Fund (A Special Revenue Fund of the Orange County Transportation Authority) Fund Financial Statements and Independent Auditor's Report For the Year Ended June 30, 2005

Prepared by:

Lisa Monte for

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

Approved by:

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

ATTACHMENT A

ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT LETTER
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

MACIAS GINI & COMPANY LLP

515 S. Figueroa Street, Ste. 325
Los Angeles, California 90071

213.286.6400 PHONE
213.286.6426 FAX

December 30, 2005

Members of the Board of Directors
Orange County Transportation Authority

In planning and performing our audit of the basic financial statements of the Orange County Transportation Authority (Authority) for the fiscal year ended June 30, 2005, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the various opinion units that comprise the basic financial statements, and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that present opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestion regarding these matters. We have previously reported on the Authority's internal control in our report dated October 17, 2005. This letter does not affect our report dated October 17, 2005, on the basic financial statements of the Authority.

We will review the status of this condition during our next audit engagement. We have already discussed these comments and suggestions with various Authority personnel. We will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Sincerely,

Macias Gini & Company LLP

Certified Public Accountants

CURRENT YEAR COMMENTS

05 – 1 NTD VEHICLE MILE DATA

CONDITION

In performing the National Transit Database (NTD) Agreed Upon Procedures, Macias, Gini & Company LLP noted that a contracted service provider, South County Senior Services (SCSS), failed to report actual Vehicle Revenue Miles (VRM) to the Authority as required by the NTD. As a result, the Authority was unable to substantiate the 90,000 VRM reported by SCSS. In perspective, the VRM reported for SCSS represents less than 1.0% of the 9,232,372 total Demand Response Purchased Transportation (DRPT) VRMs reported. Subsequent to submission of the NTD report, actual VRM data was obtained from SCSS by OCTA. Based on the testwork performed on the data received, the procedures used by the Authority for accumulating DRPT vehicle revenue miles was in accordance with the NTD requirements.

RECOMMENDATION

OCTA should ensure that NTD requirements are incorporated into all service contracts applicable to NTD compliance requirements.

MANAGEMENT RESPONSE

Authority staff has worked directly with SCSS staff to ensure that proper data collection and reporting procedures are in place. Data is being collected on an on-going basis and being submitted to Authority staff on a monthly basis. The procedures in place will ensure that there is no future problems reporting this data. All current contracts have been reviewed and are in full compliance with NTD reporting requirements. Authority staff will ensure that all future contracts will be reviewed and in full compliance with these reporting procedures.

05 – 2 CLAIMS LIABILITY RESERVE

CONDITION

OCTA currently lacks the level of communication needed to ensure that the Authority's actuarially determined claims liability is consistent with Risk Management's estimated claims reserves. Due to the timing of the actuary reports and the nature of litigation, the status of certain claims may change substantially from the date the claims information was submitted to the actuary to the date the Authority's financial statements are issued. If significant changes in the Authority's claims reserves are not communicated effectively to the Accounting and Financial Reporting department, it could lead to the underreporting of the Authority's claims liability in its financial statements.

RECOMMENDATION

The Authority should strengthen communication between Risk Management department and the Accounting and Financial Reporting department to ensure that it's claims liability is adequate for financial reporting purposes.

MANAGEMENT RESPONSE

The Authority's risk management, legal and accounting staff will confer at year-end to update the actuarially determined claims liability to reflect the most recent information available. This meeting will be a task that is added to the annual audit plan.

STATUS OF PRIOR YEAR COMMENTS

NATIONAL TRANSIT DATABASE REPORTING

04 – 1 PASSENGER MILE DATA

CONDITION

Passenger miles on two out of the six tested Demand Response – Purchased Transportation (DRPT) sampled trip sheets were overstated. Specifically, the April 20, 2003 trip sheet was overstated by 10 passenger miles and the June 23, 2004 trip sheet was overstated by 16 passenger miles. A further review of all sampled trip sheets was performed and it was noted that the total sampled passenger miles during the fiscal year was overstated by 631, causing an overstatement of 1,605,439 DRPT passenger miles on the Federal Funding Allocation Statistics form FFA-10. This overstatement was discovered and corrected prior to releasing the final Federal Funding Allocation Statistic schedules.

STATUS

The Authority has reviewed this information with its contractor, Laidlaw Transportation Services, and has implemented additional review procedures by the Authority that include a review of the information at a greater level of detail. Previously, reporting information obtained from Laidlaw Transportation Services was reviewed at a cursory level to ensure that each trip was entered and that the passenger count for each trip was entered properly. New review procedures, beginning with the fiscal year 2005 reporting year, include calculating individual mileages for each trip entry based on the odometer readings entered by the driver. This will help to prevent future occurrences of passenger mile misstatements reported on the Federal Funding Allocation Statistic schedules.

ATTACHMENT B

ORANGE COUNTY TRANSPORTATION AUTHORITY

Single Audit Reports

For the Year Ended June 30, 2005

ORANGE COUNTY TRANSPORTATION AUTHORITY

For the Year Ended June 30, 2005

Table of Contents

Page

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 3

Schedule of Expenditures of Federal Awards 5

Notes to Schedule of Expenditures of Federal Awards 6

Schedule of Findings and Questioned Costs 7

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Orange County Transportation Authority

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 17, 2005. The report includes an explanatory paragraph indicating that the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated October 17, 2005.

This report is intended solely for the information and use of Authority management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Orange County Transportation Authority

Compliance

We have audited the compliance of the Orange County Transportation Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud, that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2005, and have issued our report thereon dated October 17, 2005. Our report included an explanatory paragraph describing the Authority's adoption of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.* Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Authority, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
December 9, 2005

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2005

Federal Grantor	Pass Through Grantor	Program Title	CFDA Number	Grant/Pass Through Number		Expenditures
Department of Transportation (DOT)-Federal Highway Administration	State of California-Department of Transportation	Highway Planning and Construction	20.205	IVH-9406(310)	$	279,220
DOT - Federal Highway Administration	State of California-Department of Transportation	Highway Planning and Construction	20.205	CMLN-6071(023)		21,370,841
DOT - Federal Transit Administration	Direct	Federal Transit- Capital Investment Grants (Cluster with CFDA No. 20.507)	20.500	None		86,425
DOT - Federal Transit Administration	Direct	Federal Transit- Formula Grants (Cluster with CFDA No. 20.500)	20.507	None		50,459,197
Department of Health and Human Services	County of Orange Commmunity Services Agency	Special Programs for the Aging- Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	22-0203		419,548
			Total expenditures of federal awards		$	72,615,231

See Notes to Schedule of Expenditures of Federal Awards

ORANGE COUNTY TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2005

1. GENERAL

The Orange County Transportation Authority (Authority) receives federal grants for capital projects and other reimbursable activities, which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on the Authority's financial position or changes in financial position.

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards. The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards reports expenditures on the accrual basis of accounting. Accordingly, expenditures represent amounts incurred during the fiscal year, which meet federal grant eligibility requirements.

3. DEFINITION OF MAJOR FEDERAL FINANCIAL ASSITANCE PROGRAM

The Single Audit Act Amendments of 1996 defines major federal award programs based upon total federal expenditures of the grantee during the period reported and inherent risk of the programs audited. The Federal Transit Cluster – Capital Investment Grants (CFDA #20.500) Formula Grants (CFDA #20.507) and the Highway Planning and Construction (CFDA 20.205) are considered to be major federal financial assistance programs for the year ended June 30, 2005. (See summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.)

4. RELATION TO FEDERAL FINANCIAL REPORTS

The accompanying amounts identified in the Schedule of Expenditures of Federal Awards agree to amounts reported in the respective federal financial reports.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness identified?	____ yes	X no
• Reportable condition identified that is not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	____ yes	X no
• Reportable conditions identified that is not considered to be material weaknesses?	____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ yes	X no

Continued

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

Section I – Summary of Auditor's Results (Continued)

Identification of major programs:

CFDA Numbers	*Name of Federal Program*
20.500 and 20.507	Federal Transit Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: $2,178,457

Auditee qualified as low-risk auditee? __X__ yes ______ no

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

Section IV – Prior Year Findings

No matters were reported

ATTACHMENT C

ANNUAL FINANCIAL REPORT

Orange County Local Transportation Authority

(A Component Unit of the Orange County Transportation Authority)

For the Fiscal Year Ended June 30, 2005
with Independent Auditor's Report

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Audited Financial Statements

For the Fiscal Year Ended June 30, 2005

Contents

Independent Auditor's Report 1

Management's Discussion and Analysis (Required Supplementary Information) 3

Basic Financial Statements:
- Government-wide Financial Statements:
  - Statement of Net Assets 9
  - Statement of Activities 10
- Governmental Funds Financial Statements:
  - Balance Sheet 11
  - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 12
  - Statement of Revenues, Expenditures and Changes in Fund Balances 13
  - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 14
- Notes to the Financial Statements 15

Required Supplementary Information (Other than Management's Discussion and Analysis):
- Local Transportation Authority Special Revenue Fund
  - Budgetary Comparison Schedule (Budgetary Basis) 28
- Notes to Required Supplementary Information 29

Other Supplementary Information:

Local Transportation Authority Debt Service Fund
- Budgetary Comparison Schedule (Budgetary Basis) 30

Other Reports:
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards 31

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Local Transportation Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2005, which collectively comprise the OCLTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCLTA management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCLTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Orange County Local Transportation Authority as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2005, on our consideration of the OCLTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 28 through 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information on financial performance presented here in conjunction with the financial statements that begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets of the OCLTA were $463,689 and consisted of net assets invested in capital assets, net of related debt, of $253,427; restricted net assets of $620,501; and unrestricted (deficit) of ($410,239).
- The unrestricted net assets (deficit) from governmental activities of ($410,239) represents liabilities in excess of assets. This results primarily from the recording of debt issued for Measure M projects, the assets for which title vests with the California Department of Transportation (Caltrans). Accordingly, the OCLTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when due.
- Net assets increased $273,878 during fiscal 2005. This increase was primarily attributable to new Transportation Congestion Relief (TCR) funding approved by the California Transportation Commission in July 2005 to help fund the Garden Grove Freeway/State Route 22 (SR-22) project.
- Total capital assets, net of accumulated depreciation, were $253,427 at June 30, 2005.
- The OCLTA's governmental funds reported combined ending fund balances of $620,501, an increase of $74,450 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the OCLTA's basic financial statements, which are comprised of three components including government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Because the OCLTA is a governmental activity of the Orange County Transportation Authority, governmental funds are used to account for its Measure M program activities. These basic financial statements include only the activities for the OCLTA.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the OCLTA's finances using the accrual basis of accounting, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the OCLTA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCLTA is improving or deteriorating.

The statement of activities presents information showing how the OCLTA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements can be found on pages 9-10 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with Measure M finance-related legal requirements. The OCLTA uses governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the OCLTA's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the OCLTA's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The OCLTA maintains two individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the OCLTA's major governmental funds.

The governmental funds financial statements can be found on pages 11-14 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-27 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 28 and the LTA debt service fund as other supplementary information on page 30 to demonstrate compliance with the annual appropriated budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2005, the OCLTA's assets exceeded liabilities by \$463,689, a \$273,878 increase from June 30, 2004. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the OCLTA's governmental activities.

The most significant portion of the OCLTA's net assets represents restricted net assets of \$620,501, which are resources subjected to external restrictions on how they may be used.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day Measure M operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets was a \$410,239 deficit at June 30, 2005. This deficit results primarily from the recording of debt issued for Measure M projects, the assets for which title vests with Caltrans. Accordingly, OCLTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when due.

(in thousands)

Table 1
Orange County Local Transportation Authority
Net Assets

	Governmental Activities	
	2005	2004
Current and other assets	$ 674,348	$ 557,282
Restricted assets	72,673	78,112
Capital assets, net	253,427	131,595
TOTAL ASSETS	1,000,448	766,989
Current liabilities	97,781	77,570
Long-term liabilities	438,978	499,608
TOTAL LIABILITIES	536,759	577,178
Net assets:		
Invested in capital assets, net of related debt	253,427	131,595
Restricted	620,501	546,051
Unrestricted (deficit)	(410,239)	(487,835)
TOTAL NET ASSETS	$463,689	$189,811

Governmental activities increased the OCLTA's net assets by $273,878. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, increased by $13,003, or 5.5%, from the prior year as a result of a stabilized economy. Capital grants and contributions significantly increased $120,407, or 405%, from the prior year primarily due to new Transportation Congestion Relief (TCR) funding approved by the California Transportation Commission in July 2005. Unrestricted investment earnings increased $11,809, or 351%, from the prior year due to an increase in interest rates.

OCLTA expenses of $140,987 shown on the statement of activities consist of:

Supplies and services	$ 32,496
Contributions to other local agencies	55,058
Infrastructure	26,218
Depreciation expense	67
Donations of capital assets	6
Interest expense	27,142
TOTAL EXPENSES	$140,987

(in thousands)

Total expenses decreased $24,385, or 14.7% from the prior year primarily due to a decrease to other local agencies for local and regional street and road projects, a decrease in the centerline project and the donation of the Laguna Niguel/Mission Viejo Rail Station occurring in the prior fiscal year.

Table 2
Orange County Local Transportation Authority
Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues:		
Program revenues:		
Charges for services	182	$ 223
Operating grants and contributions	-	437
Capital grants and contributions	150,101	29,694
General revenues:		
Taxes	249,409	236,406
Unrestricted investment earnings	15,173	3,364
Loss on sale of capital assets	-	(5,871)
Other miscellaneous revenue	-	4
Total revenues	414,865	264,257
Expenses:		
Measure M program	140,987	165,372
Increase in net assets	273,878	98,885
Net assets (deficit)—beginning of year	189,811	90,926
NET ASSETS—END OF YEAR	$463,689	$189,811

FINANCIAL ANALYSIS OF THE OCLTA'S FUNDS

As of June 30, 2005, the OCLTA's governmental funds reported combined ending fund balances of $620,501, an increase of $74,450 compared to 2004. The total amount constitutes reserved fund balance to indicate that it is not available for new spending because of the following commitments:

- $346,325 to liquidate contracts and purchase orders of the current and prior periods;
- $110,433 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects; and
- $163,743 for transportation programs related to Measure M projects.

(in thousands)

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2005, the OCLTA had $253,427, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings, and machinery and equipment. A summary of the OCLTA's Measure M capital assets, net of depreciation, follows:

Land	$ 129,910
Construction in progress held for Department of Transportation	122,541
Buildings	1,055
TOTAL CAPITAL ASSETS	253,506
Less accumulated depreciation	(79)
TOTAL CAPITAL ASSETS, NET	$253,427

Total capital assets increased $121,899, or 92.6%, from the prior year primarily due to the construction on the SR-22 freeway. More detailed information about the OCLTA's capital assets is presented in Note 6 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2005, the OCLTA had $479,790 in sales tax revenue bonds and commercial paper notes outstanding. All sales tax revenue bonds mature by 2011 when the OCLTA authority to collect the local sales tax expires. In February 2005, the OCLTA made $60,615 in principal payments. The OCLTA retired $6,500 in commercial paper notes in August 2004.

The OCLTA maintains a "AA+" rating from Standard & Poor's, a "AA" rating from Fitch and a "Aa2" rating from Moody's for its Measure M 1st Senior Sales Tax Revenue Bonds and a "AA-" rating from Standard & Poor's, a "AA-" rating from Fitch and a "Aa3" rating from Moody's for its Measure M 2nd Senior Sales Tax Revenue Bonds.

Additional information on the OCLTA's short-term debt and long-term debt can be found in Notes 7 and 8 to the financial statements, respectively.

ECONOMIC AND OTHER FACTORS

The OCLTA is committed to providing coordinated, efficient and accountable transportation within Orange County. Sound financial management during the period since the Orange County bankruptcy has put the OCLTA in a strong position to deliver Measure M projects.

The OCLTA adopted the 2006 Annual Budget on June 13, 2005. This $292.6 million balanced budget includes payments to cities and the County of Orange for the turnback and competitive programs, Measure M debt service payments and rights-of-way acquisition and construction costs for the SR-22 and I-5 Far North projects. OCLTA received good news with the passing of the State Budget this past year. The new budget reinstated $123 million of TCRP revenues for the SR-22 project which OCLTA will receive on a reimbursement basis.

CONTACTING THE OCLTA'S MANAGEMENT

This financial report is designed to provide a general overview of the OCLTA's finances for all those with an interest in the OCLTA's finances and to show the OCLTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF NET ASSETS

JUNE 30, 2005

(thousands)		Governmental Activities
ASSETS		
Cash and investments	$	500,959
Receivables:		
Interest		3,924
Capital grants		21,415
Other		10
Due from other governments		101,825
Condemnation deposits		23,469
Restricted investments		72,673
Other assets		3,189
Land held for resale		19,557
Capital assets:		
Nondepreciable		252,451
Depreciable, net		976
TOTAL ASSETS		1,000,448
LIABILITIES		
Accounts payable		38,638
Accrued interest payable		9,124
Due to other OCTA funds		3
Due to other governments		9,095
Other liabilities		21
Commercial paper notes		40,900
Noncurrent liabilities:		
Due within one year		63,735
Due in more than one year		375,243
TOTAL LIABILITIES		536,759
NET ASSETS		
Invested in capital assets, net of related debt		253,427
Restricted for:		
Measure M program		510,068
Debt service		110,433
Unrestricted (deficit)		(410,239)
TOTAL NET ASSETS	$	463,689

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

(thousands)	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net Revenue and Changes in Net Assets: Governmental Activities
PROGRAM GOVERNMENTAL ACTIVITIES:				
Measure M program	$ 140,987	$ 182	$ 150,101	$ 9,296
TOTAL GOVERNMENTAL ACTIVITIES	$ 140,987	$ 182	$ 150,101	$ 9,296
GENERAL REVENUES:				
Sales taxes				249,409
Unrestricted investment earnings				15,173
TOTAL GENERAL REVENUES				264,582
Change in net assets				273,878
Net assets - beginning				189,811
NET ASSETS - ENDING				$ 463,689

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Balance Sheet--Governmental Funds

June 30, 2005

(thousands)	LTA	LTA Debt Service	Total OCLTA
ASSETS			
Cash and investments	$ 464,086	$ 36,873	$ 500,959
Receivables:			
Interest	3,037	887	3,924
Capital grants	21,415		21,415
Other	10	-	10
Due from other governments	101,825	-	101,825
Condemnation deposits	23,469	-	23,469
Restricted cash and investments:			
Cash equivalents	-	25,590	25,590
Investments	-	47,083	47,083
Other assets	2,835	-	2,835
TOTAL ASSETS	$ 616,677	$ 110,433	$ 727,110
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 38,638	$ -	$ 38,638
Due to other OCTA funds	3	-	3
Due to other governments	9,095	-	9,095
Deferred revenue	17,952		17,952
Other liabilities	21	-	21
Commercial paper notes	40,900	-	40,900
TOTAL LIABILITIES	106,609	-	106,609
FUND BALANCES			
Reserved for:			
Encumbrances	346,325	-	346,325
Debt service	-	110,433	110,433
Transportation programs	163,743	-	163,743
TOTAL FUND BALANCES	510,068	110,433	620,501
TOTAL LIABILITIES AND FUND BALANCES	$ 616,677	$ 110,433	$ 727,110

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

(thousands)

Amounts reported for governmental activities in the statement of net assets (page 9) are different because:

TOTAL FUND BALANCES (PAGE 11)	$	620,501
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		253,427
Land held for resale is not a financial resource and therefore is not reported in the funds.		19,557
Other long-term assets related to cost of issuance are not financial resources and therefore, are not reported in the funds.		354
Earned but unavailable revenue is not available to liquidate current liabilities and therefore are deferred in the funds.		17,952
Interest payable on bonds outstanding are not due and payable in the current period and therefore are not reported in the funds.		(9,124)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(438,978)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 9)	$	463,689

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

(thousands)	LTA	LTA Debt Service	Total OCLTA
REVENUES			
Sales taxes	$ 249,409	$ -	$ 249,409
Contributions from other agencies	111,560	-	111,560
Interest	10,730	4,443	15,173
Federal capital assistance grants	21,650	-	21,650
Miscellaneous	182	-	182
TOTAL REVENUES	393,531	4,443	397,974
EXPENDITURES			
Current:			
General government:			
Supplies and services	32,278	218	32,496
Contributions to other local agencies	55,058	-	55,058
Capital outlay	148,123	-	148,123
Debt service:			
Principal payments on long-term debt	-	60,615	60,615
Interest on long-term debt and commercial paper	722	27,603	28,325
TOTAL EXPENDITURES	236,181	88,436	324,617
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	157,350	(83,993)	73,357
OTHER FINANCING SOURCES (USES)			
Transfers in	18,034	96,884	114,918
Transfers out	(96,884)	(18,034)	(114,918)
Proceeds from sale of capital assets	1,093	-	1,093
TOTAL OTHER FINANCING SOURCES (USES)	(77,757)	78,850	1,093
Net change in fund balances	79,593	(5,143)	74,450
Fund balances-beginning	430,475	115,576	546,051
FUND BALANCES-ENDING	$ 510,068	$ 110,433	$ 620,501

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

(thousands)

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (PAGE 13)	$	74,450
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		121,832
The net effect of various miscellaneous transactions involving the sales of capital assets is to decrease net assets.		(1,093)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		16,892
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		61,797
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 10)	$	273,878

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program, which commenced on April 1, 1991 for a period of 20 years. Under the Measure M program, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of OCTA for financial reporting purposes.

On September 10 2004, Governor Schwarzenegger signed into law Assembly bill 710 (Chapter 469, Statutes of 2004) which increased the OCTA governing board from 11 voting members to 17 voting members effective January 1, 2005.

As of the effective date, the Board of Directors consists of 17 voting members and functions as the OCLTA governing board. Measure M requires that a nine-member Citizen's Oversight Committee (COC) monitors the use of Measure M funds and ensures that all revenue collected from Measure M is spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of OCTA.

BASIS OF PRESENTATION

The OCLTA's basic financial statements consist of authority-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE STATEMENTS: The statement of net assets and the statement of activities report information on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with Measure M, and allocated indirect expenses. Interest expense related to the sales tax revenue bonds and commercial paper is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the year ended June 30, 2005, interest expense of $27,083 was included as Measure M program costs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M and 2) grants and contributions that are restricted to

CASH AND INVESTMENTS

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with an investment policy adopted initially by the Board on May 8, 1995, and most recently amended February 28, 2005. The investment policy complies with, or is more restrictive than, applicable state statutes. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

The investment policy authorizes investments in obligations of the U.S. Treasury and U.S. agencies, deposits in California banks and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., bankers' acceptances, certificates of deposit, variable and floating rate securities in permitted securities, mortgage and asset-backed securities, corporate notes, repurchase agreements, and guaranteed investment contracts. Derivative products of any otherwise eligible investment are permitted but only with prior Board authorization. Investments in reverse repurchase agreements are prohibited. Other allowable investment categories include money market funds, mutual funds (allowed under section 53601 of the government code), and certain state or local agency investment pools. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the California Government Code.

Investments in U.S. government securities are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date which are carried at cost. Guaranteed investment contracts are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. The OCLTA's share of pooled cash and investments with OCTA is carried at fair value.

INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered and transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances are reported as due to/from other funds. Any residual balances outstanding between the Measure M program governmental activities and other OCTA funds are reported in the government-wide financial statements as due to other OCTA funds.

OCTA allocates costs related to administrative services from certain funds to benefiting funds. For fiscal 2005, $7,096 of administrative services were charged to the OCLTA and are reported as general government expenditures in the governmental funds.

RESTRICTED INVESTMENTS

Certain proceeds of the OCLTA's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

CAPITAL ASSETS

Capital assets, which include land, buildings, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than $5 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (Caltrans), are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where the OCLTA does not have title to such assets or rights-of-way.

Buildings and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:

ASSET TYPE	USEFUL LIFE
Buildings	10-30 years
Machinery and equipment	3-10 years

LAND HELD FOR RESALE

OCLTA has received title to property in connection with the purchase of rights-of-way for infrastructure not held by OCLTA (see above). This land is reported as Land held for resale in the government-wide financial statements and will be sold and the proceeds reimbursed to the project that funded the expenditure.

LONG-TERM DEBT

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net assets. Bond premiums and discounts and bond refunding costs, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount and deferred bond refunding loss. Bond issuance costs are reported as other assets and amortized over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CONTRIBUTIONS TO OTHER AGENCIES

Contributions to other agencies primarily represent sales tax revenues received by the OCLTA disbursed to cities for competitive projects and the turnback program, which is in accordance with the Measure M ordinance.

NET ASSETS

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified into three categories:

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT* - This reflects the net assets of the OCLTA that are invested in capital assets, net of related debt. This indicates that these net assets are not accessible for other purposes.
- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties.
- *UNRESTRICTED NET ASSETS* - This represents those net assets that are available for general use.

FUND BALANCES

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

USE OF ESTIMATES

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this $253,427 difference are as follows:

Capital assets	$ 253,506
Less accumulated depreciation	(79)
NET ADJUSTMENT TO INCREASE FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL ACTIVITIES	**$253,427**

(IN THOUSANDS)

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this ($438,978) difference are as follows:

Bonds payable	$ (438,890)
Less deferred loss on refunding (to be amortized as interest expense)	2,018
Plus unamortized bond issuance premium (to be amortized as interest expense)	(2,106)
NET ADJUSTMENT TO DECREASE FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS - GOVERNMENTAL ACTIVITIES	**$ (438,978)**

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and change in net assets - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this $121,832 difference are as follows:

Capital outlay	$121,905
Transfer to outside agency	(6)
Depreciation expense	(67)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	**$ 121,832**

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $61,797 difference are as follows:

Principal repayments – sales tax revenue bonds	$ 60,615
Change in accrued interest	1,227
Amortization of deferred loss on refunding	(336)
Amortization of premium	351
Amortization of issuance costs	(60)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS -GOVERNMENTAL ACTIVITIES	**$61,797**

(IN THOUSANDS)

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2005:

With Commingled Investment Pool	$ 457,771
With Trustee	115,861
TOTAL CASH AND INVESTMENTS	**$ 573,632**

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	$ 500,959
Restricted Investments	72,673
TOTAL CASH AND INVESTMENTS	**$ 573,632**

As of June 30, 2005, OCLTA had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	$ 457,771	$ 465,006	Discount, 1.52%-7.625%	7/1/05-5/17/10	1.97
Money Market Mutual Funds	55,791	55,791	Variable	7/1/05	0.00
Investment Agreements	60,070	47,083	Discount, 3.877%-5.791	8/15/05-12/15/11	5.32
TOTAL INVESTMENTS	$573,632	$567,880			

INTEREST RATE RISK

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore less sensitive to interest rate changes.

As of June 30, 2005, asset-backed securities totaled $121,926. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services.

As of June 30, 2005, variable rate securities totaled $14,764. The notes are tied to the one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to the market rate on a periodic basis, effectively eliminating interest rate risk at each periodic reset. The details of the floating rate securities are as follows:

(IN THOUSANDS)

Issuer	Collateral	Int. Rate Range	Index	Credit Rating
Eli Lilly	Notes	1.74% to 3.34%	3 month LIBOR + 5 basis points	AA/AA
FHLMC	Notes	Variable to fixed after 11/05	3 month LIBOR + 12 basis points	AAA/Aaa
Goldman Sachs	Notes	1.81% to 3.32%	3 month LIBOR + 18 basis points	A+/Aa3
National City Bank	Notes	1.45% to 3.31%	1 month LIBOR flat	A+/Aa3
Wells Fargo	Notes	1.96% to 3.48%	3 month LIBOR + 9 basis points	AA-/Aa1

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2005, OCTA did not have any securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The Annual Investment Policy (Policy) sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "AA". LAIF and OCIP are not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2005. (NR means Not Rated):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF PORTFOLIO
OCTA Commingled Investment Pool	NR	NR	NR	79.80%
Money Market Mutual Funds	AAA	Aaa	NR	9.73%
Investment Agreements	AAA	Aaa	AAA	10.47%
TOTAL				100%

(IN THOUSANDS)

CONCENTRATION OF CREDIT RISK

At June 30, 2005, OCTA did not exceed the Policy limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises.

- 20% may be invested in any money market mutual fund.

The Policy limitation excludes investment agreements pursuant to the bond indenture. As of June 30, 2005, OCLTA had $39,041 held with AIG.

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2005 are $101,825 and are comprised of $9,316 related to sales taxes and $92,509 for project reimbursements.

5. RELATED PARTY TRANSACTIONS AND INTERFUND TRANSFERS

RELATED PARTY TRANSACTIONS:

The composition of balances due to other OCTA funds resulting from related party transactions at June 30, 2005 are as follows:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT	EXPLANATION
OCTA fund	LTA fund	$ 3	405/55 project
TOTAL		$ 3	

Resource flows of $14,946 from the OCLTA to OCTA have been reported as program expenses in the statement of activities and as expenditures in the LTA Fund to other OCTA funds. These transfers were made for the following purposes, in accordance with the Measure M program:

Supplies and services:	
Fare stabilization and ACCESS	$ 5,057
Capital outlay:	
Centerline project	4,664
Capital projects	1,938
Rail facilities	3,287
TOTAL	$ 14,946

(IN THOUSANDS)

Additionally, $1,524 was transferred from other OCTA funds to OCLTA as contributions for program expenses/expenditures.

INTERFUND TRANSFERS:

During fiscal year 2005, the LTA Fund transferred $96,884 to the LTA Debt Service Fund for debt service payments, and the LTA Debt Service Fund transferred $18,034 to the LTA Fund for excess debt service available for operations.

6. CAPITAL ASSETS

Capital assets activity for the OCLTA Measure M governmental activities for the year ended June 30, 2005 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Land	$ 129,910	$ -	$ -	$ 129,910
Construction in progress held for Department of Transportation	793	121,748	-	122,541
TOTAL MEASURE M CAPITAL ASSETS, NOT BEING DEPRECIATED	$ 130,703	$ 121,748	$ -	$ 252,451
Capital assets, being depreciated:				
Buildings	$ 904	$ 325	$ 174	$ 1,055
Total capital assets, being depreciated	904	325	174	1,055
Less accumulated depreciation for:				
Buildings	(12)	(67)	-	(79)
Total accumulated depreciation	(12)	(67)	-	(79)
TOTAL MEASURE M CAPITAL ASSETS, BEING DEPRECIATED, NET	$ 892	$ 258	$ 174	$ 976

Depreciation expense charged to the Measure M program was $67.

7. SHORT-TERM DEBT

On March 13, 1995, the OCLTA was authorized to issue up to $115,000 in Tax-Exempt Commercial Paper Notes (Notes). As a requirement for the issuance of the Notes, the OCLTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement with a financial institution as liquidity support for the Notes. On August 30, 1999, the OCLTA transferred the Letter of Credit to Dexia Bank. The authorized amount was reduced to $74,200 with the available amount totaling $80,787. The OCLTA did not draw on this Letter of Credit authorization during the year ended June 30, 2005, nor were there any amounts outstanding under this Letter of Credit agreement at June 30, 2005.

(IN THOUSANDS)

As of June 30, 2005, the OCLTA had outstanding Notes in the amount of $40,900. There were no additional Notes issued; $6,500 in Notes was retired in August 2004. On August 31, 2005, the OCLTA retired $6,400 in Notes, which reduced the outstanding principal balance to $34,500. The source of revenue to repay the Notes is the Measure M sales taxes. Interest is payable on the respective maturity dates of the Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Notes is 12.0%, with issuance rates at June 30, 2005 ranging from 1.07% to 2.75%.

Short-term debt activity for the year ended June 30, 2005, was as follows:

	BEGINNING BALANCE	ISSUED	REDEEMED	ENDING BALANCE
Tax exempt commercial paper	$ 47,400	$ -	$ 6,500	$ 40,900

8. LONG-TERM DEBT

SALES TAX REVENUE BONDS

During fiscal years 1993, 1994 and 1998, the OCLTA issued sales tax revenue bonds to assist in the financing of various highway, local street and road and transit projects in Orange County. The Measure M sales tax is the source of revenue for repaying this debt.

On August 26, 1997, the OCLTA issued $57,730 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $57,600 of outstanding 1992 Second Senior Bonds (1992 Second Senior Series). The net proceeds plus additional 1992 Second Senior Series sinking fund moneys and release of funds from the Bond Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Second Senior Series. In February 2002, the refunded bonds, which have been eliminated in the financial statements, were paid.

On March 24, 1998, the OCLTA issued $20,270 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $19,885 of outstanding 1992 First Senior Bonds (1992 First Senior Series). In addition to the refunding, OCLTA also issued $213,985 in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 First Senior Series. In February 2002, the refunded bonds, which have been eliminated in the financial statements, were paid.

On October 10, 2001, the OCLTA issued $67,335 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $18,805 of the 1992 First Senior Bonds and $48,400 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. The amount of the refunded bonds, which have been eliminated in the financial statements, were paid February 17, 2004.

(IN THOUSANDS)

A summary of the bonds outstanding is as follows:

	1992 1ST SENIOR BOND	1992 2ND SENIOR BOND	1994 2ND SENIOR BOND	1997 2ND SENIOR BOND	1998 2ND SENIOR BOND	2001 2ND SENIOR BOND
Issuance date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	$ 350,000	$ 190,000	$ 200,000	$ 57,730	$ 213,985	$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
NET BOND PROCEEDS	$ 347,388	$ 189,273	$ 199,835	$ 61,530	$ 225,672	$ 51,940
Issuance costs	$ 3,508	$ 2,323	$ 2,535	$ 780	$ 2,194	$ 590
Reserve requirements	$ -	$ 14,465	$ 11,535	$ 2,009	$ 22,567	$ 6,334
Interest rate	2.8%-12.23%	2.9%-12.03%	2.8%-12.55%	3.8%-5.7%	3.9%-5.5%	4.0%-5.0%
Annual principal payment	$21,030-27,200	$11,570-12,185	$13,200-16,900	$15-15,445	$17,905-23,300	$15,460-16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	$ 144,645	$ 23,755	$ 41,690	$ 57,415	$ 122,955	$ 48,430
Less deferred loss on refunding	-	-	-	-	-	$ (2,018)
Plus unamortized premium	-	-	-	-	-	$ 2,106
TOTAL	$ 144,645	$ 23,755	$ 41,690	$ 57,415	$ 122,955	$ 48,518

The sales tax revenue bonds contain certain financial covenants, and management believes OCLTA is in compliance with such covenants as of June 30, 2005.

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2005, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST
2006	$ 63,720	$ 24,466
2007	67,325	20,994
2008	71,290	17,168
2009	75,355	13,202
2010	78,405	9,000
2011	82,795	4,627
TOTAL	$ 438,890	$ 89,457

(IN THOUSANDS)

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2005, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Measure M program activities:					
Sales tax revenue bonds	$ 499,505	$ -	$ 60,615	$ 438,890	$ 63,720
Unamortized deferred loss on refunding	(2,354)	-	(336)	(2,018)	(336)
Unamortized premium	2,457	-	351	2,106	351
TOTAL MEASURE M PROGRAM ACTIVITIES LONG-TERM LIABILITIES	$ 499,608	$ -	$ 60,630	$ 438,978	$ 63,735

ARBITRAGE REBATE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in all interest paid to bondholders retroactively rendered taxable. Arbitrage calculations are to be made every five years subsequent to the bond issue date. There were no arbitrage calculations due for fiscal year 2005.

9. COMMITMENTS AND CONTINGENCIES

PURCHASE COMMITMENTS

OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2005, were $346,325, the majority of which relate to the expansion of Orange County's freeway and road systems.

FEDERAL GRANTS

The OCLTA receives Federal grants for capital projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on the OCLTA's financial position or changes in financial position.

10. SUBSEQUENT EVENT

On October 14, 2005, the OCLTA Board of Directors approved a recommendation to cease all efforts towards the CenterLine Light Rail Project and redirect resources to other rapid transit projects. At the same time, the Board approved a five-year program proposal as a substitute for CenterLine that would provide equivalent emission reductions by 2010. The proposed package of projects envisions the existing Metrolink commuter rail corridor as the core of Orange County's transit system connecting it to other regions and extending it to all parts of the County. The initial deployment of this transit vision could be carried out implementing several Bus Rapid Transit options within the County.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - LTA SPECIAL REVENUE FUND (BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2005

(thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales taxes	$ 245,548	$ 245,548	$ 249,409	$ 3,861
Contributions from other agencies	-	28,400	110,036	81,636
Interest	15,263	15,263	10,730	(4,533)
Federal capital assistance grants	-	101,200	21,650	(79,550)
Miscellaneous	315	315	182	(133)
TOTAL REVENUES	261,126	390,726	392,007	1,281
EXPENDITURES:				
Current:				
General government:				
Supplies and services	30,499	31,193	27,203	3,990
Contributions to other local agencies	86,502	85,750	54,458	31,292
Capital outlay	45,749	440,790	410,795	29,995
Debt service:				
Interest on long-term debt and commercial paper	636	636	722	(86)
TOTAL EXPENDITURES	163,386	558,369	493,178	65,191
Excess (deficiency) of revenues over (under) expenditures	97,740	(167,643)	(101,171)	66,472
OTHER FINANCING SOURCES (USES):				
Transfers in from other OCLTA funds	-	-	18,034	18,034
Transfers in from other OCTA funds	-	-	1,524	1,524
Transfers out to other OCLTA funds	(102,166)	(102,166)	(96,884)	5,282
Transfers out to other OCTA funds	-	-	(14,946)	(14,946)
TOTAL OTHER FINANCING SOURCES (USES)	(102,166)	(102,166)	(92,272)	9,894
Net change in fund balances	$ (4,426)	$ (269,809)	$ (193,443)	$ 76,366

See accompanying notes to the required supplementary information.

1. BUDGETARY DATA

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA special revenue and the debt service governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2005 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

2. BUDGETARY BASIS RECONCILIATION

For the budgeted LTA special revenue governmental fund, the following schedule reconciles the budgetary expenditure amounts on the Budgetary Comparison Schedule to the GAAP expenditure amounts on the statement of revenues, expenditures and changes in fund balances:

Total expenditures (budgetary basis)	$ 493,178
Less fiscal year 2005 encumbrances outstanding at June 30	(282,174)
Plus expenditures against prior year encumbrances	10,231
Plus resource flows to other OCTA funds shown as expenditures for GAAP	14,946
TOTAL EXPENDITURES (GAAP)	$ 236,181

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LTA DEBT SERVICE FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005

(thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest	$ 3,797	$ 3,797	$ 4,443	$ 646
TOTAL REVENUES	3,797	3,797	4,443	646
EXPENDITURES:				
Current:				
General government:				
Supplies and services	239	239	218	21
Debt service:				
Principal payments on long-term debt	60,615	60,615	60,615	-
Interest on long-term debt and commercial paper	27,603	27,603	27,603	-
TOTAL EXPENDITURES	88,457	88,457	88,436	21
Excess (deficiency) of revenues over (under) expenditures	(84,660)	(84,660)	(83,993)	667
OTHER FINANCING SOURCES (USES):				
Transfers in from other OCLTA funds	88,218	88,218	96,884	8,666
Transfers out to other OCLTA funds	-	-	(18,034)	(18,034)
TOTAL OTHER FINANCING SOURCES (USES)	88,218	88,218	78,850	(9,368)
Net change in fund balances	$ 3,558	$ 3,558	$ (5,143)	$ (8,701)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Orange County Local Transportation Authority

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority, as of and for the year ended June 30, 2005, which collectively comprise the OCLTA's basic financial statements and have issued our report thereon dated October 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the OCLTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCLTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of OCLTA management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

ATTACHMENT D

ANNUAL FINANCIAL REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

For the Fiscal Year Ended June 30, 2005
with Independent Auditor's Report

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Audited Financial Statements

For the Fiscal Year Ended June 30, 2005

CONTENTS

Independent Auditor's Report 1

Financial Statements:

Statement of Fund Net Assets 2
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit) 3
Statement of Cash Flows 4
Notes to the Financial Statements 5

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the 91 Express Lanes enterprise fund (91 Express Lanes Fund) of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting relating to the 91 Express Lanes Fund. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 91 Express Lanes Fund and do not purport to, and do not, present fairly the financial position of the Authority, as of June 30, 2005, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 91 Express Lanes Fund of the Authority, as of June 30, 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann & Company LLP

Los Angeles, California
October 17, 2005

91 EXPRESS LANES FUND

(AN ENTERPRISE FUND OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

STATEMENT OF FUND NET ASSETS

JUNE 30, 2005

ASSETS	
Current Assets:	
Cash and investments	$ 25,126,899
Receivables:	
Interest	495,988
Violations	3,254,779
Allowance for doubtful accounts	(538,567)
Other	893,862
Other assets	1,121,776
Noncurrent Assets:	
Restricted cash and investments:	
Cash equivalents	4,261,518
Investments	18,634,792
Cost of issuance	3,617,671
Capital assets, net:	
Nondepreciable	225,837
Depreciable and amortizable	193,259,795
TOTAL ASSETS	250,354,350
LIABILITIES	
Current Liabilities:	
Accounts payable	2,711,466
Accrued interest payable	3,112,161
Due to others	188,721
Deferred revenue	4,211,218
Other liabilities	397,984
Bonds payable - due within one year	3,189,735
Noncurrent liabilities:	
Advances from other OCTA funds - due in more than one year	61,372,988
Bonds payable - due in more than one year	170,210,503
TOTAL LIABILITIES	245,394,776
NET ASSETS (DEFICIT)	
Invested in capital assets, net of related debt	20,085,394
Restricted	22,896,310
Unrestricted	(38,022,130)
TOTAL NET ASSETS (DEFICIT)	$ 4,959,574

See accompanying notes to the financial statements.

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)

For the Year Ended June 30, 2005

OPERATING REVENUES:	
User fees and charges	$ 39,583,597
OPERATING EXPENSES:	
Contracted services	5,336,764
Administrative services	1,675,340
Insurance claims	305,338
Professional services	4,776,854
General and administrative	1,043,637
Other	1,367,473
Depreciation and amortization	9,108,316
TOTAL OPERATING EXPENSES	23,613,722
Operating income	15,969,875
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	1,406,466
Interest expense	(10,272,639)
Other	148,630
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,717,543)
Change in net assets	7,252,332
Total net assets (deficit) - beginning	(2,292,758)
TOTAL NET ASSETS (DEFICIT) - ENDING	$ 4,959,574

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2005

Cash flows from operating activities:		
Receipts from customers and users	$	38,676,268
Payments to suppliers		(10,956,803)
Payments for interfund services used		(1,675,340)
Miscellaneous		148,630
Net cash provided by operating activities		26,192,755
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets		143,671
Payment of long term debt		(3,635,000)
Interest paid		(8,279,995)
Acquisition and construction of capital assets		(1,618,229)
Net cash used for capital and related financing activities		(13,389,553)
Cash flows from investing activities:		
Purchase of investments		(12,634,792)
Interest received		1,330,135
Net cash provided by investing activities		(11,304,657)
Net increase in cash and cash equivalents		1,498,545
Cash and cash equivalents at beginning of year, as restated		27,889,872
Cash and cash equivalents at end of year	$	29,388,417
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	15,969,875
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		1,777,471
Amortization of franchise agreement		7,330,845
Amortization of cost of issuance		142,335
Miscellaneous		148,630
Change in assets and liabilities:		
Receivables		(1,969,237)
Other assets		37,877
Accounts payable		1,693,051
Due to others		188,721
Deferred revenue		990,154
Other liabilities		(116,967)
Total adjustments		10,222,880
Net cash provided by operating activities	$	26,192,755
Reconciliation of cash and cash equivalents to statements of net assets:		
Cash and investements		25,126,899
Restricted cash and cash equivalents		4,261,518
Total cash and cash equivalents	$	29,388,417
Schedule of noncash activities:		
Increase in interest expense incurred on advances from other OCTA funds	$	1,196,179

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Notes to the Financial Statements
June 30, 2005

1. Reporting Entity

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10 mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR 55. The purchase was enabled by State Assembly Bill 1010 (Correa), which was passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs no later than 2030 and eliminated noncompete provisions in the franchise agreement for needed improvements on SR 91. OCTA purchased the assets and liabilities of the franchise interest for $207,500,000, consisting of cash of $72,500,000 and certain assets and the assumption of certain liabilities.

The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of the OCTA. These financial statements are not intended to present the activities of OCTA.

2. Summary of Significant Accounting Policies

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The financial statements of the 91 Express Lanes Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll amounts are collected from customers on a prepaid basis, and unearned tolls are reported as deferred revenue.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The 91 Express Lanes Fund has elected not to follow subsequent private-sector guidance.

CASH AND INVESTMENTS

OCTA maintains cash and investments in accordance with an investment policy adopted initially by the OCTA Board on May 8, 1995, and most recently amended February 28, 2005. The investment policy complies with, or is more restrictive than, applicable state statutes. The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2005, the investment portfolios were maintained at The Bank of New York Trust Company, N.A. as custodial bank. Cash from all OCTA revenue sources, excluding proceeds of bond issues and related earnings, is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily dollar account balances.

OCTA's investment policy authorizes it to invest in obligations of the U. S. Treasury, U. S. agencies, commercial paper rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc., bankers' acceptances, certificates of deposit, variable and floating rate securities, mortgage and asset backed securities, corporate notes, repurchase agreements, and guaranteed investment contracts. Derivative products of any otherwise eligible investment are permitted but only with prior Board of Directors' authorization. Investments in reverse repurchase agreements are prohibited. Other allowable investment categories include money market funds, mutual funds as permitted by the California government code, and the state-managed Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

Investments in U.S. government and U.S. agency securities, repurchase agreements, variable and floating rate securities in permitted securities, mortgage and asset backed securities, and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Guaranteed investment contracts are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

Bank balances are secured by the pledging of a pool of eligible securities to collateralize OCTA deposits with the bank in accordance with the California Government Code.

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents at beginning of year on the Statement of Cash Flows has been restated, as noted below, to reflect a long term investment in prior year being recorded as a cash and cash equivalent.

	Amount
Cash and cash equivalents at June 30, 2004	$ 33,889,872
Long term investment	(6,000,000)
Cash and cash equivalents at June 30, 2004, as restated	$ 27,889,872

RESTRICTED INVESTMENTS

Certain resources set aside for capital maintenance and debt service coverage are classified as restricted investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

RECEIVABLES

Violations receivable represent an estimate of the total outstanding unpaid violations that the 91 Express Lanes anticipate to collect. This estimate is based upon twelve month average collections on outstanding unpaid violations. The 91 Express Lanes contracts with an outside collection agency to assist in the recovery of unpaid violations over 90 days.

Allowance for doubtful accounts represent the amount anticipated uncollectible for those receivables with a due date of less than 90 days.

Other receivables include amounts due from other California toll road agencies related to their customers who use the 91 Express Lanes as well as customer fees, interest, and other.

OTHER ASSETS

Other assets include prepaid expenses and deposits.

COSTS OF ISSUANCE

Costs of issuance represent issuance costs associated with refinancing the $135,000,000 taxable debt and are deferred and amortized over the life of the debt.

CAPITAL ASSETS

Capital assets include the toll facility franchise, building improvements, equipment, furniture and fixtures, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Type	Useful Life
Building improvements	10-30 years
Equipment, furniture, and fixtures	3-10 years
Transponders	5 years

The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2030. Construction in process primarily represents costs related to leasehold improvement renovations at the 91 Express Lanes offices in Anaheim.

RISK MANAGEMENT

The 91 Express Lanes Fund has obtained commercial property insurance including earthquake, flood, and terrorism coverage related to the toll facility. Additionally, the 91 Express Lanes Fund is part of OCTA's self-insurance general liability program. The liability for such claims, including claims incurred but not reported, is transferred to OCTA in consideration of self-insurance premiums to be paid by the 91 Express Lanes Fund.

NET ASSETS

Net assets represent the difference between assets and liabilities and is classified into three categories:

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT* - This reflects the net assets of the 91 Express Lanes Fund that are invested in capital assets, net of related debt. Usually this indicates that these net assets are not accessible for other purposes; however, a deficit indicates that the related debt exceeds the capital assets.

- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use, because their use is subject to restrictions enforceable by third parties.

- *UNRESTRICTED NET ASSETS* - This represents those net assets that are available for general use.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2005:

Deposits:	
Petty cash	$ 150
Deposits	637,904
Total deposits	638,054
Investments:	
With OCTA Commingled Investment Pool	24,437,615
With Trustee	22,947,540
Total investments	47,385,155
Total cash and investments	$ 48,023,209

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	$ 25,126,899
Restricted Cash and Investments:	
Cash equivalents	4,261,518
Investments	18,634,792
Total Restricted Cash and Investments	22,896,310
Total Cash and Investments	$ 48,023,209

As of June 30, 2005, the 91 Express Lanes had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	$ 24,437,615	$ 24,781,315	Discount, 1.520%-7.625%	7/1/05-5/17/10	1.97
Money Market Mutual Funds	442,831	442,831	Variable	7/1/05	0.00
Negotiable Certificates of Deposit	3,869,917	3,869,917	2.48%	7/1/05	1 Day
Investment Agreements	18,634,792	18,634,792	4.51%-5.125%	8/14/05-12/15/30	20.54
Total Investments	$ 47,385,155	$ 47,728,855			

INTEREST RATE RISK

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities, with the exception of investment agreements which are not subject to term restrictions due to the bond indenture. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore less sensitive to interest rate changes.

As of June 30, 2005, the 91 Express Lanes Fund was a participant in OCTA's commingled investment pool which had asset-backed securities totaling $123,253,584. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services.

As of June 30, 2005, the 91 Express Lanes Fund was a participant in OCTA's commingled investment pool which had variable rate securities totaling $14,768,351. The notes are tied to the one-month and three-month Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to the market rate on a periodic basis, effectively eliminating interest rate risk at each periodic reset. The details of the floating rate securities are as follows:

Issuer	Collateral	Int. Rate Range	Index	Credit Rating
Eli Lilly	Notes	1.74% to 3.34%	3 month LIBOR + 5 basis points	AA/AA
FHLMC	Notes	Variable to fixed after 11/05	3 month LIBOR +12 basis points	AAA/Aaa
Goldman Sachs	Notes	1.81% to 3.32%	3 month LIBOR +18 basis points	A+/Aa3
National City Bank	Notes	1.45% to 3.31%	1 month LIBOR flat	A+/Aa3
Wells Fargo	Notes	1.96% to 3.48%	3 month LIBOR + 9 basis points	AA-/Aa1

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 91 Express Lanes has two bank accounts at Bank of the West; the operating account and the revolving account with bank balances of $0 and $412,884, respectively. The operating account is swept daily to OCTA's concentration account. The concentration account is swept to an overnight repurchase agreement. The revolving account is federally insured up to $100,000 and the bank collateralizes at least 110% of the excess as required by the California government code. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2005, OCTA did not have any securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The Annual Investment Policy (Policy) sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "AA".

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2005. (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	51.57%
Money Market Mutual Funds	AAA	Aaa	NR	.93%
Negotiable Certificates of Deposit	AA	Aa2	AA	8.17%
Investment Agreements	AAA	Aaa	AAA	39.33%
Total				100.00%

CONCENTRATION OF CREDIT RISK

At June 30, 2005, OCTA did not exceed the Policy limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises.

- 20% may be invested in money market mutual funds.

This Policy limitation excludes investment agreements pursuant to the bond indenture. The 91 Express Lanes had the following investment agreements outstanding as of June 30, 2005:

Investment Agreements	Amount
MBIA Incorporated	$12,634,792
AIG Matched Funding Corporation	6,000,000

4. CAPITAL ASSETS

Capital asset activity for the 91 Express Lanes for the year ended June 30, 2005 is as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Construction in process	$ -	$ 225,837	$ -	$ 225,837
Total capital assets, not being depreciated	$ -	$ 225,837	$ -	$ 225,837
Capital assets, being depreciated and amortized:				
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Building improvements	118,530	275,799	-	394,329
Communications equipment	4,039,254	-	-	4,039,254
Computer hardware and software	718,045	221,657	-	939,702
Transponders	3,242,095	903,098	241,069	3,904,124
Equipment, furniture and fixtures	58,644	-	8,162	50,482
Total capital assets, being depreciated and amortized	213,440,236	1,400,554	249,231	214,591,559
Less accumulated depreciation and amortization for:				
Toll facility franchise	(10,996,268)	(7,330,845)	-	(18,327,113)
Building improvements	(9,319)	(102,442)	-	(111,761)
Communications equipment	(140,085)	(621,440)	-	(761,525)
Computer hardware and software	(265,144)	(279,375)	-	(544,519)
Transponders	(905,317)	(767,877)	(97,398)	(1,575,796)
Equipment, furniture and fixtures	(4,713)	(7,212)	(875)	(11,050)
Total accumulated depreciation and amortization	(12,320,846)	(9,109,191)	(98,273)	(21,331,764)
Total capital assets, being depreciated and amortized, net	$ 201,119,390	$ (7,708,636)	$ 150,958	$ 193,259,795

5. BONDS PAYABLE

TAXABLE SENIOR SECURED BONDS

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed $135,000,000 of taxable 7.63% Senior Secured Bonds. The taxable bonds mature on August 15, 2028. Semi-annual interest payments are due on the taxable bonds on February 15 and August 15 of each year, and semi-annual principal payments are due beginning February 15, 2004. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the indenture, OCTA paid $26,428,197 Yield Maintenance Premium which is deferred and amortized over the life of the bonds.

TOLL ROAD REVENUE REFUNDING BONDS

On November 12, 2003, the OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003 A, Series 2003 B-1 and Series 2003 B-2 to refinance the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse the OCTA for a portion of its prior payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003 A Bonds were issued as fixed rate bonds, the Series 2003 B-1 Bonds and the Series B-2 Bonds were issued as adjustable rate bonds.

INTEREST RATE SWAPS

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in September 2003, OCTA entered into two parity interest rate swaps totaling $100,000,000 in connection with its $195,265,000 Toll Road Revenue Refunding Bonds. $95,265,000 was issued on a fixed rate basis and $100,000,000 was issued on a variable rate basis. The Series 2003-B-1 swap was for $75,000,000 and the counterparty is Lehman Brothers Special Funding Incorporated (Lehman Brothers). The Series-B-2 swap was for $25,000,000 and the counterparty is Bear Stearns Capital Markets Incorporated (Bear Stearns) The effective rate on the parity swaps was to effectively change OCTA's variable rate bonds to a synthetic fixed rate of 4.06227%.

TERMS

The bonds and the related parity swap agreements mature on December 15, 2030. The parity swaps notional amount of $100,000,000 matches the $100,000,000 variable rate bonds. The parity swaps were entered into at the same time the bonds were sold (November 2003). Starting in fiscal year 2022, the notional amount of the parity swaps declines and the principal amount of the associated variable rate bonds declines an identical amount. Under the parity swaps, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of one month LIBOR index if one month LIBOR index is equal to or greater than 4.0% or the BMA Municipal Swap Index if LIBOR is less than 4.0%.

FAIR VALUE

As of June 30, 2005 the negative fair value for the $75,000,000 swap with Lehman Brothers was estimated by Lehman Brothers to be $9,644,024. As of June 30, 2005 the negative fair value for the $25,000,000 swap with Bear Stearns was estimated by Bear Stearns to be $2,210,342. Therefore, if the swaps were terminated on June 30, 2005, the OCTA would have made a termination payment of $9,644,024 and $2,210,342 to Lehman Brothers and Bear Stearns, respectively. The termination payments that would have been owed by the OCTA if the swaps were terminated on June 30, 2005 is a direct result of the decline in interest rates. The rate used to calculate the fixed swap payment owed by the OCTA to the swap providers is 4.06227%. As of June 30, 2005, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The value of this above market rate as of June 30, 2005 is reflected in the calculation of the fair value of the interest rate swaps between the OCTA and the swap providers. The fair values were estimated by the counterparties using proprietary methodologies. Although the interest rates on the variable rate bonds have also declined since the execution of swaps, the variable swap payments paid to the OCTA by the swap providers have declined as well.

CREDIT RISK

To mitigate the potential for credit risk, the $75,000,000 swap with Lehman Brothers and the $25,000,000 swap with Bear Stearns is collateralized with U.S. government securities at all times.

BASIS RISK

Basis risk is the risk that the variable rate paid to a borrower by a swap counterparty does not completely offset, or equal the borrower's variable rate payment to bondholders. This may result in positive or negative basis differential. In order to minimize basis risk, OCTA selected a swap structure that pays a variable receiver rate based on a percentage of LIBOR in high interest rate environments where rate compression should be less of an issue, but pays a BMA receiver rate in low interest rate environments, where rate compression has historically been at its highest.

Under the parity swap agreements, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of LIBOR if LIBOR is equal to or greater than 4.0% or the BMA Municipal Swap Index if LIBOR is less than 4.0%. As of June 30, 2005, OCTA experienced $57 in cumulative positive basis differential.

TERMINATION RISK

Termination risk is the risk that an event occurs that causes a termination of the parity swaps and the OCTA would incur replacement costs. The Lehman Brothers and Bear Stearns have posted collateral pursuant to the parity swap agreements to guarantee replacement at no cost to OCTA.

SWAP PAYMENTS AND ASSOCIATED DEBT

	$75,000,000 Series 2003-B-1 (1)			$25,000,000 Series-B-2 (1)			
Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	Interest Rate Swaps, Net	Total
2006	$ -	$ 1,740,000	$ 1,336,703	$ -	$ 550,000	$ 445,568	$ 4,072,271
2007	-	1,740,000	1,336,703	-	550,000	445,568	4,072,271
2008	-	1,740,000	1,336,703	-	550,000	445,568	4,072,271
2009	-	1,740,000	1,336,703	-	550,000	445,568	4,072,271
2010		1,740,000	1,336,703		550,000	445,568	4,072,271
2011-2015	-	8,700,000	6,683,513	-	2,750,000	2,227,838	20,361,351
2016-2020	-	8,700,000	6,683,513	-	2,750,000	2,227,838	20,361,351
2021-2025	25,005,000	7,630,538	5,861,931	5,960,000	2,412,245	1,954,214	48,823,928
2026-2030	40,715,000	3,522,050	2,705,709	12,990,000	1,112,925	901,606	61,947,290
2031	9,280,000	116,348	84,303	6,050,000	36,740	28,071	15,595,462
	$ 75,000,000	$ 37,368,936	$ 28,702,484	$ 25,000,000	$ 11,811,910	$ 9,567,407	$ 187,450,737

(1) Assumes an interest rate swap rate of 4.06227% per annum for the Series 2003-B-1 Bonds and the Series-B-2 Bonds based on the Series 2003-B Parity Swap Agreements.

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

Issuance date	11/12/03
Original issue amount	$195,265,000
Cash reserve requirements	$18,634,792
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$191,630,000
Unamortized premium	$6,418,759
Deferred amount on refunding	($24,648,521)
Deferred cost of issuance	$3,617,671

* 2003 Series B-1 and B-2 are issued as variable rate revenue bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Both the $75,000,000 Series B-1 bonds and the $25,000,000 Series B-2 bonds were swapped to a fixed rate of 4.06227%.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2005, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2006	$ 4,005,000	$ 8,249,032	$ 12,254,032
2007	4,115,000	8,142,389	12,257,389
2008	4,225,000	8,027,714	12,252,714
2009	4,345,000	7,909,876	12,254,876
2010	4,515,000	7,742,901	12,257,901
2011-2015	26,305,000	34,968,534	61,273,534
2016-2020	34,055,000	27,221,706	61,276,706
2021-2025	43,405,000	18,154,663	61,559,663
2026-2030	54,290,000	8,222,034	62,512,034
2031	12,370,000	264,792	12,634,792
	$ 191,630,000	$ 128,903,641	$ 320,533,641

The Bonds contain certain financial covenants, and management believes the 91 Express Lanes Fund is in compliance with such covenants as of June 30, 2005.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2005, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Tax-exempt bonds	$ 195,265,000	$ -	$ 3,635,000	$ 191,630,000	$ 4,005,000
Unamortized premium	6,671,300	-	252,541	6,418,759	252,541
Unamortized deferred amount on refunding	(25,716,326)	-	(1,067,805)	(24,648,521)	(1,067,806)
TOTAL LONG-TERM LIABILITIES	$ 176,219,974	$ -	$ 2,819,736	$ 173,400,238	$ 3,189,735

6. ADVANCES FROM OTHER OCTA FUNDS

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,640,595 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (1.46% at June 30, 2005). Interest accrues monthly, and the advances from other OCTA funds plus accrued interest will be repaid on an annual basis with net revenues or as a result of a refinancing. Total interest of $1,196,180 accrued on the advances as of June 30, 2005. At June 30, 2005, these advances were $61,372,988 and are reported as advances from other OCTA funds.

7. COMMITMENTS AND CONTINGENCIES

OPERATOR AGREEMENT

In connection with the purchase of the toll facility interest, the 91 Express Lanes Fund entered into an operating agreement with Cofiroute Global Mobility (Cofiroute), effective January 3, 2003, to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. Cofiroute is responsible for the day-to-day operations of the toll facility. On February 23, 2005, OCTA issued a Request for Proposal for the operation and management of the 91 Express Lanes. The contract is anticipated to be awarded October 2005.

LEASE COMMITMENTS

The 91 Express Lanes Fund is committed under various leases for office space and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2005 were $368,717.

Future minimum payments for these leases approximate the following:

for the year ending June 30		
2006	$	358,202
2007		335,779
2008		330,909
2009		255,135
2010		232,848
	$	1,512,873

ATTACHMENT E

FRANCHISE AGREEMENT REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)
For the fiscal year ended June 30, 2005

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Franchise Agreement Report

For the year fiscal ended June 30, 2005

Contents

Independent Auditor's Report 1

Franchise Agreement Schedules:

Schedule of Changes in Capital Costs 3
Schedule of Available Cash Flow—Base Return on Investment 4
Schedule of Available Cash Flow—Reasonable Return on Investment 5
Schedule of Return on Investment 6
Schedule of Project Funds Distribution and Reconciliation of Cash Balances 7
Schedule of Changes in Reserve Balances 8
Notes to Franchise Agreement Schedules 9

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying special-purpose Franchise Agreement schedules of the Orange County Transportation Authority 91 Express Lanes Fund (91 Express Lanes Fund), an enterprise fund of the Orange County Transportation Authority (Authority) as of and for the year ended June 30, 2005, as listed in the table of contents. These special-purpose financial schedules are the responsibility of the 91 Express Lanes Fund's management. Our responsibility is to express an opinion on the financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance that the special-purpose financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial schedules. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying special-purpose Franchise Agreement schedules were prepared for the purpose of complying with Section 3.6(b) of the Amended and Restated Development Franchise Agreement for State Route 91 Median Improvements dated June 30, 1993 and amended December 20, 2002, between the Authority and the State of California Department of Transportation (Caltrans), and are not intended to present the 91 Express Lanes Fund's financial position as of June 30, 2005, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special-purpose Franchise Agreement schedules referred to above, as of June 30, 2005 and for the year then ended, are fairly presented, in all material respects, in conformity with the basis of accounting described in Note 1.

As discussed in Note 6 to the special-purpose Franchise Agreement schedules, due to a subsequent legal interpretation of the Franchise Agreement, an overstatement of cumulative present value of available cash flow previously reported at June 30, 2004, was discovered by Authority management during the current year. Accordingly, an adjustment has been made to the beginning cumulative present value of available cash flow as of July 1, 2004.

This report is intended solely for the information and use of the Board of Directors, Authority management, and Caltrans, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Changes in Capital Costs
For the Year Ended June 30, 2005

Asset Category	Beginning Balance	Additions	Dispositions	Ending Balance	Accumulated Amortization and Depreciation
Toll Facility Franchise	$ 205,263,668	-	-	$ 205,263,668	$ (18,327,113)
Leasehold improvements and equipment	8,176,568	1,626,391	249,231	9,553,728	(3,004,651)
Total	$ 213,440,236	$1,626,391	$ 249,231	$ 214,817,396	$ (21,331,764)

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

Schedule of Available Cash Flow - Base Return on Investment

For the Year Ended June 30, 2005

Total Revenues:		
Tolls and related customer revenues	$	39,583,597
Interest on reserves		968,818
Interest on cash and investment balances		437,648
Other income		148,630
Total revenues		41,138,693
Operating costs:		
Contracted services		5,336,764
Administrative services		1,675,340
Professional services and fees		4,776,854
General and administrative		1,043,637
Insurance		305,338
Other		1,367,473
Net operating reserve contribution		2,628,641
Total operating costs		17,134,047
Excess of total revenues over operating costs		24,004,646
Capital costs:		
Captial acquisition costs		1,626,391
Net captial reserve contribution/(distribution)		275,101
Total capital costs		1,901,492
Available cash flow, current period		22,103,154
Base return rate		17%
Present value of available cash flow at base return rate, current period		4,958,516
Cumulative present value of available cash flow retained by OCTA as base return on investment, beginning of period, as restated		21,935,701
Cumulative present value of available cash flow, end of period	$	26,894,217
Available cash flow, current period	$	22,103,154
Change in working capital, current period		700,882
Other non-cash operating costs, current year		142,335
Available cash flow, current period, calculated on the cash basis	$	22,946,371

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Available Cash Flow - Reasonable Return on Investment
For the Year Ended June 30, 2005

Peak hour vehicle count		9,970
Estimate of average vehicle occupants		1.27
Annual peak hour vehicle occupant volume		12,662
Base peak hour vehicle occupant volume		13,358
Percentage change in annual peak hour vehicle occupant volume over base peak hour occupant volume		(5.2%)
Adjustment to base return rate for incentive return on investment		0.0%
Incentive return rate		17%
Available cash flow, current period, calculated on the cash basis	$	22,103,154
Present value of available cash flow at incentive return rate, current period		4,958,516
Cumulative present value of available cash flow retained by OCTA as reasonable return on investment (discounted at incentive return rate), beginning of period, as restated		21,935,701
Cumulative present value of available cash flow, end of period	$	26,894,217

See accompanying notes to the franchise agreement schedules.

91 EXPRESS LANES FUND

(AN ENTERPRISE FUND OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

SCHEDULE OF RETURN ON INVESTMENT

FOR THE YEAR ENDED JUNE 30, 2005

	Base Return on Investment	Reasonable Return on Investment
Cumulative present value of available cash flow, end of period	$ 26,894,217	$ 26,894,217
Less: captial cost at end of period	(214,817,396)	(214,817,396)
Base net present value and total net present value, respectively, end of period	$ (187,923,178)	$ (187,923,178)
Cumulative present value of available cash flow retained by OCTA, beginning of period, as restated	$ 21,935,701	$ 21,935,701
Present value of available cash flow retained by OCTA, current period	4,958,516	4,958,516
Cumulative present value of available cash flow retained by OCTA, end of period	$ 26,894,217	$ 26,894,217

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Project Funds Distribution and Reconciliation of Cash Balances
For the Year Ended June 30, 2005

	Available Cash Flow	Retained by OCTA: Base Return	Retained by OCTA: Incentive Return	Paid to Caltrans: Variable Franchise Fee	Paid to Caltrans: Excess Franchise Fee	Total
Balances, beginning of period	$ 21,935,701	$ 21,935,701	$ -	$ -	$ -	$ 21,935,701
Available cash flow, current period	$ 4,958,516	$ 4,958,516	$ -	$ -	$ -	$ 4,958,516
Balances, end of period	$ 26,894,217	$ 26,894,217	$ -	$ -	$ -	$ 26,894,217

Reconciliation of cash balances:

Cash, beginning of period	$ 13,897,304
Total revenues	41,138,693
Total operating costs	(17,134,047)
Less:	
Capital costs	(1,626,391)
Interest expense during operations	(10,272,639)
Payment of long-term debt	(3,635,000)
Amortized premium on Toll Road Revenue Refunding Bonds	(252,541)
Increase in capital reserves	(275,101)
Add:	
Deferred interest on subordinated debt due to other OCTA funds	1,196,179
Amortized deferred amount on refunding of taxable debt	1,067,805
Amortized cost of issuance on Toll Road Revenue Refunding Bonds	142,335
Other changes in assets and liabilities	880,302
Cash, end of period	$ 25,126,899

See accompanying notes to the franchise agreement schedules.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Schedule of Changes in Reserve Balances
For the Year Ended June 30, 2005

Description:	Beginning Balance	Additions	Reductions	Ending Balance	Interest Earned
Operating:					
SR 91 major maintenance reserve	$ 600,000	$ 1,222,970	$ (300)	$ 1,822,670	$ 22,970
SR 91 operating reserve	690,000	1,406,271	(300)	2,095,971	26,271
Capital:					
SR 91 bond reserve	12,634,806	643,955	(643,949)	12,634,812	643,955
SR 91 supplemental reserve	6,067,763	275,095	-	6,342,858	275,095
Total	$ 19,992,568	$ 3,548,291	$ (644,549)	$ 22,896,310	$ 968,291

See accompanying notes to the franchise agreement schedules.

1. Basis of Presentation

The accompanying schedules have been prepared in accordance with Section 3.6(b) of the Franchise Agreement between the California Private Transportation Company, L.P. (CPTC) and the State of California Department of Transportation (Caltrans). On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in the Franchise Agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between Interstate 15 and the Costa Mesa Freeway/SR 55.

These schedules are not intended to be a presentation in conformity with accounting principles generally accepted in the United States; however, certain financial information has been derived from the audited financial statements of the 91 Express Lanes Fund, an enterprise fund of the Orange County Transportation Authority which accounts for the toll facility operations. The accompanying schedules have been prepared using the accrual basis of accounting, except for interest expense and depreciation and amortization expense which are not included in operating costs, and have been reconciled to the cash basis of accounting where appropriate.

Available Cash Flow

Available Cash Flow, as defined by the Franchise Agreement, is revenue less operating costs and capital costs, as defined. A reconciliation of Available Cash Flow, calculated using the accrual basis of accounting, to Available Cash Flow, calculated using the cash basis of accounting, has been presented in accordance with the Franchise Agreement. Available Cash Flow may be retained by OCTA, as successor interest to CPTC, until such time as the Base Net Present Value, as defined, is zero or greater, after which OCTA must pay a portion of these excess amounts to Caltrans as franchise fees.

Base Return Rate

The Base Return Rate, as defined by the Franchise Agreement, is 17% adjusted annually by 20% of the increase in the average yield of five-year United States Treasury securities between December 1995 (acceptance date of the toll facility) and the end of each fiscal year following the acceptance date, if applicable. No adjustment was made to the Base Return Rate for the year ended June 30, 2005.

Incentive Return Rate

As defined by the Franchise Agreement, Incentive Return Rate represents the Base Return Rate plus an increase, if Annual Peak Hour Vehicle Occupant Volume for the current period exceeds the Base Peak Hour Vehicle Occupant Volume, which represents the average levels experienced during the first two years of operations (1996 and 1997) of 13,358. The Annual Peak Hour Vehicle Occupant Volume for the current period is less than the Base Peak Hour Vehicle Occupant Volume, primarily due to the introduction in 1998 of discounted tolls on carpools of three or more occupants. As a result, the Incentive Return Rate equals the Base Return Rate.

Annual Peak Hour Vehicle Occupant Volume is the product of multiplying the Peak Hour Vehicle Count and the Estimate of Average Vehicle Occupants. The Peak Hour Vehicle Count is defined as the total number of vehicles passing through the toll facility during the 50th busiest hour of the period, and the Estimate of Average Vehicle Occupants is the average number of persons per vehicle. The Peak Hour Vehicle Count is determined by OCTA, as calculated by its contracted operator. The Estimate of Average Vehicle Occupants is calculated by OCTA's contracted operator.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CAPITAL COSTS

Capital costs, as defined by the Franchise Agreement, includes costs related to the acquisition of the toll facility. Leasehold improvements and equipment include the costs to construct the electronic toll and traffic management system (ETTM) replacement, which identifies and reports traffic statistics generated from customer travel through the toll facility, and the costs to acquire transponders, which are electronic tags issued to customers for individual toll tracking by the ETTM.

Capital costs at acquisition represents OCTA's purchase price of $207,500,000 for the toll facility interest, adjusted for certain assets acquired and the assumption of certain liabilities at the acquisition date.

3. RESERVES

Section 9.7 of the Franchise Agreement allows for the establishment of limited cash reserves for major maintenance, debt service, capital improvements and working capital needs. On January 3, 2003, OCTA acquired certain restricted investments set aside for capital maintenance and debt service coverage in accordance with certain debt indenture requirements. On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003 A, Series 2003 B-1 and Series 2003 B-2 to refinance the $135,000,000 million taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its prior payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003 A Bonds were issued as fixed rate bonds, the Series 2003 B-1 Bonds and the Series 2003 B-2 Bonds were issued as adjustable rate bonds.

Four reserve funds were created per the Revenue Refunding Bonds indenture agreement, which includes the Bond Reserve Fund, Supplemental Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund. The Bond Reserve Fund must maintain a minimum amount equal to the lessor of 10% of the principal amount of any Series of Bonds determined as of the date of initial issuance of such Series of Bonds, or 125% of average annual debt service, or the maximum annual debt service. The Supplemental Reserve Fund must maintain a balance of $6,000,000, which may be released to OCTA if OCTA maintains minimum debt service coverage ratios for two consecutive years. The Major Maintenance Reserve Fund is required to receive $100,000 per month, $200,000 commencing January 2007 through December 2009 or until the Fund acquires a balance of $10,000,000, to be used for the payment of capital expenditures only.

The Operating Reserve Fund is required to receive $115,000 per month, commencing January 2004 through December 2006 or until the Fund acquires a balance of $2,750,000, to be used for the payment of current operating expenses only. Such reserve amounts have been deducted from operating costs in the calculation of Available Cash Flow for purposes of determining Base and Reasonable Returns on Investment.

Detailed information on debt and reserves may be found in OCTA's Comprehensive Annual Financial Report, which may be obtained from its executive office: 550 South Main Street, Orange, CA 92863.

4. Operator Agreement

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility (Cofiroute) to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. Cofiroute is responsible for the day-to-day operations of the toll facility. On February 23, 2005, OCTA issued a Request for Proposal for the operation and management of the 91 Express Lanes. The contract is anticipated to be awarded October 2005.

5. Amounts Paid to Governmental Entities

For the year ended June 30, 2005, OCTA paid $400,066 to the California Highway Patrol for police services and $196,197 to Caltrans for repairs and other road maintenance costs.

6. Correction of an Error

Due to a subsequent legal interpretation of the Franchise Agreement, an overstatement of the cumulative present value of available cash flow previously reported at June 30, 2004, was identified by OCTA management during the current year. OCTA has concluded that the Operating Costs and Capital Costs, as defined by the Franchise Agreement, did not include the net contributions/distributions to the reserve funds. Including these operating costs would have resulted in an available cash flow as of June 30, 2004 of $5,587,700. Accordingly, a corresponding adjustment has been made to the beginning cumulative present value of available cash flow as of June 30, 2004, as noted below:

Present value of available cash flow at base return rate, June 30, 2004:	$ 1,466,616
Cumulative present value of available cash flow retained by OCTA as base return on investment, July 1, 2003:	20,469,085
Cumulative present value of available cash flow retained by OCTA as base return on investment, June 30, 2004:	$ 21,935,701

ATTACHMENT F

ORANGE COUNTY TRANSPORTATION AUTHORITY

NATIONAL TRANSIT DATABASE REPORTING

For the Year Ended June 30, 2005

Independent Accountant's Report
on Applying Agreed-up on Procedures

Board of Directors
Orange County Transportation Authority

We understand that Orange County Transportation Authority (Authority) is eligible to receive grants under Section 9 of the Urban Mass Transportation Act of 1964, as amended, and in connection therewith, the Authority is required to report certain information to the Federal Transit Administration (FTA).

FTA has established standards (the standards) with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) of the Authority's annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions.

2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.

3. Source documents are available to support the reported data and are maintained for the FTA's review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.

4. A system of internal controls is in place to ensure the accuracy of the data collection process and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.

5. The data collection methods are those suggested by FTA or meet FTA requirements.

6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.

7. Data are consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures described in Attachment I of this report, which were agreed to by the Authority and the FTA and specified in the declarations section of the *2005 Reporting Manual*, solely to assist you in evaluating whether the Authority complied with the standards and that the information included in the NTD report, FFA-10, for the year ended June 30, 2005, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2005 Reporting Manual*. The Authority's management is responsible for the Authority's compliance with those standards.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures described in Attachment I of this report, which are referenced in order to correspond to the *2005 Reporting Manual* procedures, were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of the Authority for the year ended June 30, 2005, for each of the following modes: (1) Motor Bus – Directly Operated (MBDO), (2) Motor Bus – Purchased Transportation (MBPT), and (3) Demand Response – Purchased Transportation (DRPT).

The results of performing the procedures described in Attachment I are summarized below:

- Procedure M - states *"For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. If actual vehicle revenue miles (VRM) are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions."*

    We discussed the procedures for collecting and recording VRM data for MBPT and DRPT with the Authority's Community Transportation Services and noted that the service contractors report actual VRM data, excluding deadhead miles, to the Authority, except for South County Senior Services (SCSS). SCSS reported DRPT VRM data to the Authority using an estimate agreed upon in the contract between SCSS and the OCTA Authority rather than reporting actual VRM. SCSS did not accumulate and record its actual VRM data for the year; therefore, the Authority was unable to substantiate the 90,000 VRM reported by SCSS. VRM reported for SCSS represents less than 1.0% of the total DRPT VRM reported of 9,232,372.

- Procedure Y - we compared current year actual vehicle revenue mile, passenger mile, and operating expense data with the prior year's information and noted the following:

    Passenger miles and operating expenses for *Demand Response – Purchased Transportation* as reported on the FFA-10 have increased 19.48% and 11.92%, respectively, from the prior reporting period. Per the Authority's Contract Transportation Analyst, demand for the Authority's share-ride paratransit service (ACCESS), is experiencing significant increases each year. The Authority has experienced significant growth in Americans with Disabilities Act (ADA) eligible consumers and trips resulting in increased ridership, revenue service hours and revenue service miles. ADA usage increase is industry-wide.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the FFA-10. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, the Board of Directors and the FTA and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

Attachment I

FTA has specified and agreed to a set of procedures for the independent auditor to perform and satisfy the requirements of the Federal Funding Allocation data review. Several of the procedures below require the auditor to select a random sample of documents or data. The procedures do not specify the number to be selected (i.e., the percentage of the total documents/data). The auditor should use professional judgment to determine the percentage that will enable the auditor to make the required assurances. The source documents and other records (such as data summaries) may be in the form of computerized data files. The auditor should ensure that these files are securely stored and that the backup procedures are in place to ensure that source documents are retained by the transit agency for a minimum of three years. The procedures, to be applied to each applicable mode and type of service (TOS) (directly operated (DO) and purchased transportation (PT), are:

a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2005 Reporting Manual*. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance (we inquired with the Contract Transportation Analyst, Senior Operations Analyst, and Senior Accountant).

b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:

   - The extent to which the transit agency followed the procedures on a continuous basis, and
   - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2005 Reporting Manual.*

c. Inquire of the same person concerning the retention policy that is followed by the transit agency with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).

d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents which are to be retained by the transit agency for a minimum of three years. For each type of source document, select three months out of the year (months selected were July, October, and February) and determine whether the document exists for each of these periods (fiscal years 2002-03, 2003-04, and 2004-05).

e. Discuss the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire whether individuals, independent of the individuals preparing source documents and posting data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed.

f. Select a random sample of the source documents (we reviewed trips sheets and annual data summaries for July 9, 2004, September 3, 2004, October 29, 2004, December 24, 2004, February 18, 2005, and April 14, 2005) and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how the supervisors' reviews are documented.

g. Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics form (FFA-10). Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summarizations.

h. Discuss the transit agency's procedure for accumulating and recording passenger mile (PM) data in accordance with NTD requirements with transit agency staff (General Accounting Manager, Senior Operations Analyst, and Community Contract Transportation Analyst). Inquire whether the procedure used is (1) a 100% count of actual passenger miles (PM) or (2) an estimate of passenger miles (PM) based on statistical sampling meeting FTA's 95% confidence and 10% precision requirements. If the transit agency conducts a statistical sample for estimating passenger miles (PM), inquire whether the sampling procedure is (1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A or 2710.2A; or (2) an alternative sampling procedure if the transit agency uses an alternative sampling procedure, inquire whether the procedure has been approved by FTA or whether a qualified statistician has determined that the procedure meets FTA's statistical requirements. Note as a negative finding in the report use of an alternative sampling procedure has not been approved in writing by a qualified statistician.

i. Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for passenger mile (PM) data every third year. Determine whether the transit agency meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating passenger mile (PM) data every third year rather than annually. Specifically:

   1. According to the 2000 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
   2. The public transit agency directly operates fewer that 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size urbanized area (UZA)).
   3. The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service, and is included in the transit agency's NTD report.

   For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2002) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm$10% precision requirements.

   Determine how the transit agency estimated annual passenger miles (PM) for the current report year.

j. Obtain a description of the sampling procedure for estimation of passenger mile (PM) data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording passenger mile (PM) data. If the average trip length was used, determine that the universe of runs was used as the sampling frame. Determine that the methodology to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determine that a replacement sample run was randomly selected. Determine that the transit agency followed the stated sampling procedure.

k. Select a random sample of the source documents (we selected trip sheets for July 9, 2004, September 3, 2004, October 29, 2004, December 24, 2004, February 18, 2005, and April 14, 2005) for accumulating passenger mile (PM) data and determine that they are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods (using the above dates) and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that stated procedures are followed. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations. The Authority did not operate charter, school bus, and other ineligible vehicle miles; therefore, the procedures for this step were not performed.

m. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual vehicle revenue miles (VRM) are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated (for MBDO we selected July 31, 2004, November 15, 2004, and April 1, 2005) and re-compute the daily total of missed trips and missed vehicle revenue miles. Test the arithmetical accuracy of the summarization.

- If actual vehicle revenue miles (VRM) are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations. The Authority does not calculate VRM from hubodometers; therefore, this step is not applicable.

- If actual vehicle revenue miles (VRM) are calculated from vehicle logs, select random samples of the vehicle logs (for DRPT we selected July 9, 2004, September 3, 2004, October 29, 2004, December 24, 2004, February 18, 2005, and April 14, 2005) and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.

n. For rail modes, review the recording and accumulation sheets for actual vehicle revenue miles (VRM) and determine that locomotive miles are not included in the computation. The Authority does not operate rail services; therefore, this step is not applicable.

o. If fixed guideway directional route miles (FG DRM) are reported, interview the person responsible for maintaining and reporting the NTD data (Section Manager of Service Planning & Customer Advocacy) whether the operations meet FTA's definition of fixed guideway (FG) in that the service is:

- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or

- Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and

    - Access is restricted

    - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and

    - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP) carpools) must demonstrate safe operation (see Fixed Guideway Segments form (S-20))

    - High Occupancy/Toll (HO/T) lanes meet FTA requirements for traffic flow of transit vehicles and for transit use of toll revenues.

p. Discuss the measurement of fixed guideway directional route miles (FG DRM) with the person reporting the NTD data (discussed with Section Manager of Service Planning & Customer Advocacy) and determine that the mileage is computed in accordance with FTA's definitions of fixed guideway (FG) and directional route miles. Inquire whether there were service changes during the year that resulted in an increase or decrease in directional route miles (DRM). If a service change resulted in a change in overall directional route mileage (DRM), re-compute the average monthly directional route miles (DRM), and reconcile the total to the fixed guideway directional route miles (FG DRM) reported on the Federal Funding Allocation Statistics from (FFA-10).

The auditor should inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a fixed guideway (FG) segment(s), the following apply:

- Directional route miles (DRM) for the segment(s) should be reported for the entire year if the interruption is less than 12 months in duration. The months of operation on the Fixed Guideway Segments form (S-20) should be reported as 12. The transit agency should have completed a Form Note describing the interruption.

- If the improvements cause a service interruption on the fixed guideway segment(s) directional route miles (DRM) lasting more than 12 moths, the transit agency should contact the validation analyst to discuss. FTA will make a determination on how the directional route miles (DRM) should be reported.

There were no temporary interruptions due to maintenance or rehabilitation improvements noted for the Authority during the reporting year; therefore, the procedures for this step were not performed.

q. Measure fixed guideway direction route miles (FG DRM) from maps or by retracing route.

r. Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same fixed guideway (FG) as the transit agency. If yes, determine that the transit agency coordinated with the other transit agencies such that the directional route miles (DRM) for the segment of fixed guideway (FG) are reported only once to the NTD on the Federal Funding Allocation Statistics form (FFA-10). Each transit agency should report the actual vehicle revenue miles (VRM), passenger miles (PM) and operating expense (OE) for the service operated over the same fixed guideway.

s. Review the Fixed Guideway Segments form (S-20). Discuss the commencement date of revenue service for each fixed guideway (FG) segment with the person reporting the NTD data (discussed with Section Manager of Service Planning & Customer Advocacy) and determine that the date is reported as when revenue service began. This is the opening date of revenue service, even though the transit agency may not have been the original operator. Review the form in Internet Reporting and determine that the information has been properly entered. There should be a date for segments put into revenue service on or after September 30, 1998. If the segments opened earlier, the date may be left blank indicating segments older than seven years. However, if a date was entered in the prior report year, it should not be removed. Segments are summarized by like characteristics.

t. Compare operating expenses with audited financial data, after reconciling items are removed.

u. If the transit agency purchases transportation services, interview the personnel reporting the NTD data (we interviewed Senior Accountant) regarding the amount of purchased transportation (PT) generated fare revenues. The purchased transportation (PT) fare revenues should equal the amount reported on the Contractual Relationship form (B-30)

v. If the transit agency's report contains data for purchased transportation (PT) services and assurances of the date for those services is not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation data of the purchased transportation (PT) service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement (IAS) for the purchased transportation (PT) data.

w. If the transit agency purchases transportation (PT) services, obtain a copy of the purchased transportation (PT) contract and determine that the contract (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by the transit agency or governmental unit contracting for the service; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by the transit agency's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible (we interviewed Senior Procurement Administrator) for maintaining the NTD data regarding the retention of the executed contract, and determine that the copies of the contacts are retained for three years.

x. If the transit agency provides service in more than one urbanized area (UZA), or between an urbanized area (UZA) and a (non-UZA), inquire of the person responsible (we inquired with the Contract Transportation Analyst and Senior Accountant) for maintaining the NTD data regarding the procedures for allocation of statistics between urbanized area (UZA) and non-urbanized areas (non-UZA). Obtain and review the fixed guideway (FG) segment worksheets, route maps and urbanized area (UZA) boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

y. Compare the data reported on the Federal Funding Allocation Statistics form (FFA-10) to comparable data for the prior year and calculate the percentage change from the prior year to the current year. For actual vehicle revenue mile (VRM) passenger mile (PM), or operating expense (OE) data that have increased or decreased by more than 10% or fixed guideway directional route mile (FG DRM) data that have increased or decreased by more than 1%, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year.

Federal Funding Allocation Statistics (FFA-10)	MB	DO

Agency ID: 9036 **Agency Name:** Orange County Transportation Authority **Report** RY 2005 Working Data 7/15/2005

Line Item	a Data from Other Forms	b	c	d	i
01 Urbanized area (UZA) number (to allocate to UZA fill corresponding checkbox in line 02)		Non-UZA	UZA 2	UZA 68	Annual Total
02 Urbanized area (UZA) and Non-UZA reporting method	I a. Actual Vehicle Revenue Miles	☑	☑	☑	
Annual Total					
03 Total actual vehicle revenue miles (VRM)	21,927,998	365,010	19,257,762	2,305,226	21,927,998
04 Total passenger miles (PM)	277,244,688	4,614,971	243,483,797	29,145,919	277,244,687
05 Total operating expenses (OE)	175,481,127	2,921,031	154,112,281	18,447,815	175,481,127
Urbanized Area Formula Program					
Fixed Guideway					
06 Directional route miles (DRM)	60.8	0.0	60.8	0.0	60.8
07 Fixed (FG) /non-fixed guideway (NFG) allocation method	al Vehicle Revenue Miles				
08 Actual vehicle revenue miles (VRM)		0	438,993	0	438,993
09 Passenger miles (PM)		0	5,550,369	0	5,550,369
10 Operating expenses (OE)		0	3,513,088	0	3,513,088
Non-Fixed Guideway					
11 Actual vehicle revenue miles (VRM)		365,010	18,818,769	2,305,226	21,489,005
12 Passenger miles (PM)		4,614,971	237,933,428	29,145,919	271,694,318
13 Operating expenses (OE)		2,921,031	150,599,193	18,447,815	171,968,039
Capital Program for Fixed Guideway Modernization					
14 Directional route miles (DRM)>= 7 years @ Federal fiscal year end (FFYE)	38.5	0.0	38.5	0.0	38.5
15 Actual vehicle revenue miles (VRM)>= 7 years @ Federal fiscal year end (FFYE)		0	402,183	0	402,183

Notes

10/27/05 1:47 pm

Federal Funding Allocation Statistics (FFA-10) MB PT

Agency ID: 9036 **Agency Name:** Orange County Transportation Authority **Report** RY 2005 Working Data 7/15/2005

Line / Item	a Data from Other Forms	b	c	d	i
01 Urbanized area (UZA) number (to allocate to UZA fill corresponding checkbox in line 02)		Non-UZA	UZA 2	UZA 68	Annual Total
02 Urbanized area (UZA) and Non-UZA reporting method	l a. Actual Vehicle Revenue Miles	☑	☑	☑	
Annual Total					
03 Total actual vehicle revenue miles (VRM)	1,540,439	67,159	843,991	629,289	1,540,439
04 Total passenger miles (PM)	5,409,134	235,824	2,963,610	2,209,700	5,409,134
05 Total operating expenses (OE)	5,079,110	221,436	2,782,793	2,074,881	5,079,110
Urbanized Area Formula Program					
Fixed Guideway					
06 Directional route miles (DRM)	44.2	0.0	41.8	2.4	44.2
07 Fixed (FG) /non-fixed guideway (NFG) allocation method	al Vehicle Revenue Miles				
08 Actual vehicle revenue miles (VRM)		0	53,717	1,835	55,552
09 Passenger miles (PM)		0	188,623	6,443	195,066
10 Operating expenses (OE)		0	177,115	6,050	183,165
Non-Fixed Guideway					
11 Actual vehicle revenue miles (VRM)		67,159	790,274	627,454	1,484,887
12 Passenger miles (PM)		235,824	2,774,987	2,203,257	5,214,068
13 Operating expenses (OE)		221,436	2,605,678	2,068,831	4,895,945
Capital Program for Fixed Guideway Modernization					
14 Directional route miles (DRM)>= 7 years @ Federal fiscal year end (FFYE)	24.6	0.0	22.2	2.4	24.6
15 Actual vehicle revenue miles (VRM)>= 7 years @ Federal fiscal year end (FFYE)		0	9,974	1,835	11,809

Notes

Orange County Transportation Authority

Attachment II
National Transit Database Reporting

Federal Funding Allocation Statistics Form (FFA-10)

Federal Funding Allocation Statistics (FFA-10) DR PT

Agency ID: 9036 **Agency Name:** Orange County Transportation Authority **Report** RY 2005 Working Data 7/15/2005

Line	a	b	c	d	i
Item	**Data from Other Forms**				
01 Urbanized area (UZA) number (to allocate to UZA fill corresponding checkbox in line 02)		Non-UZA	UZA 2	UZA 68	Annual Total
02 Urbanized area (UZA) and Non-UZA reporting method	I a. Actual Vehicle Revenue Miles	☐	☑	☑	
Urbanized Area Formula Program					
Non-Fixed Guideway					
11 Actual vehicle revenue miles (VRM)	9,232,372	0	7,850,286	1,382,086	9,232,372
12 Passenger miles (PM)	11,835,257	0	10,063,519	1,771,738	11,835,257
13 Operating expenses (OE)	31,471,277	0	26,760,027	4,711,250	31,471,277

Notes

ATTACHMENT G

DEBT SERVICE COVERAGE TESTS

Orange County Local Transportation Authority

Year Ended June 30, 2005

Orange County Local Transportation Authority

Debt Service Coverage Tests

Year Ended June 30, 2005

Contents

Report of Independent Auditor on Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service 1

Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service 3

Notes to Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service 4

Report of Independent Auditor on Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service 6

Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service 8

Notes to Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service 9

Report of Independent Auditor on Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service

The Board of Directors of the
Orange County Transportation Authority
and the Local Transportation Authority
Citizens Oversight Committee

We have audited the accompanying Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority for the year ended June 30, 2005. This Schedule is the responsibility of the Orange County Transportation Authority's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with the method of calculating the debt service coverage test as prescribed by Section 3.01(D) of the Indenture Agreement (Indenture Agreement) between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A. dated August 15, 1992 as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor trustee, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the net Measure M sales tax revenue compared to the maximum annual debt service of the Orange County Local Transportation Authority for the year ended June 30, 2005 on the basis of the requirement described in Note 1.

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Transportation Authority, the Orange County Local Transportation Authority Citizens Oversight Committee, the BNY Western Trust Company, and Nossaman, Guthner, Knox & Elliott and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
November 18, 2005

Orange County Local Transportation Authority

Schedule of Net Measure M Sales Tax
Revenue Compared to Maximum Annual Debt Service

Year Ended June 30, 2005

Measure M sales tax revenue *(Note 2)*:		
Measure M sales tax revenue received	$	245,500,537
Less: Local revenues		(35,843,078)
Net Measure M sales tax revenue (A)		209,657,459
Senior maximum annual debt service *(Note 3)*		88,556,533
Multiplied by the debt factor *(Note 4)*		1.30
130% coverage required (B)		115,123,493
Excess of net Measure M sales tax revenue over 130% coverage [(A) – (B)]	$	94,533,966

See accompanying notes.

Orange County Local Transportation Authority

Notes to Schedule of Net Measure M Sales Tax
Revenue Compared to Maximum Annual Debt Service

Year Ended June 30, 2005

1. Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate Authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a .5% County sales tax (.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The Schedule presents the debt service coverage test in accordance with the Section 3.01 (D) of the Indenture Agreement (Indenture Agreement) between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A. dated August 15, 1992 as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor, and is not intended to be a presentation in conformity with generally accepted accounting principles.

The Schedule does not purport to, and does not, present fairly the financial position of the OCLTA as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

2. Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Indenture Agreement. Measure M Sales Tax Revenue Received represents amounts collected by the State of California and forwarded to the OCLTA in conjunction with the .5% Sales Tax. Local Revenues represent the portion of the .5% Sales Tax distributed to local governments in accordance with the requirements of Measure M. Management believes there is no significant impact on the debt service coverage test regarding interest earned on the investment of the .5% Sales Tax Revenues, and, therefore, consideration of such amounts has been excluded.

3. Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for the Orange County Local Transportation Authority Measure M Sales Tax Revenue Bonds (Limited

Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

4. Debt Factor

The debt factor is defined as 130% of Maximum Annual Debt Service for all sales tax revenue indebtedness outstanding, as defined in Section 3.01(D) of the Indenture Agreement.

Report of Independent Auditor on Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service

The Board of Directors of the
Orange County Transportation Authority
and the Local Transportation Authority
Citizens Oversight Committee

We have audited the accompanying Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority for the year ended June 30, 2005. This Schedule is the responsibility of the Orange County Transportation Authority's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with the method of calculating the debt service coverage test as prescribed by Section 1(a) of Schedule 2 of the $74,200,000 Letter of Credit Agreement (Agreement) between Dexia Credit Local (formerly known as Credit Local De France) and Orange County Local Transportation Authority dated August 1, 1999, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Sales Tax Revenue compared to the projected maximum annual debt service of the Orange County Local Transportation Authority for the year ended June 30, 2005 on the basis of the requirement described in Note 1.

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Transportation Authority, the Orange County Local Transportation Authority Citizens Oversight Committee, Dexia Credit Local (formerly known as Credit Local De France), and Nossaman, Guthner, Knox & Elliott and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
November 18, 2005

Orange County Local Transportation Authority

Schedule of Sales Tax Revenue
Compared to Projected Maximum Annual Debt Service

Year Ended June 30, 2005

Measure M sales tax revenue *(Note 2)*:	
Measure M sales tax revenue received	$ 245,500,537
Less: Local revenues	(35,843,078)
Net Measure M sales tax revenue (A)	209,657,459
Projected maximum annual debt service:	
Senior maximum annual debt service *(Note 3)*	88,556,533
Maximum commercial paper debt service *(Note 4)*	10,250,420
Letter of credit fees *(Note 5)*	111,001
Total projected maximum annual debt service	98,917,954
Multiplied by the debt factor *(Note 6)*	1.10
110% coverage required (B)	108,809,749
Excess of net Measure M sales tax revenue over 110% coverage [(A) – (B)]	$ 100,847,710

See accompanying notes.

Orange County Local Transportation Authority

Notes to Schedule of Sales Tax Revenue
Compared to Projected Maximum Annual Debt Service

Year Ended June 30, 2005

1. Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate Authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a .5% county sales tax (.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The accompanying Schedule was prepared to present the debt service coverage test in conformity with Section 1(a) of Schedule 2 of the $74,200,000 Letter of Credit Agreement (Agreement), between Dexia Credit Local (formerly known as Credit Local De France) and Orange County Local Transportation Authority dated August 1, 1999, and is not intended to be a presentation in conformity with generally accepted accounting principles.

The Schedule does not purport to, and does not present fairly the financial position of the OCLTA as of June 30, 2005 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2. Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Agreement. Measure M Sales Tax Revenues Received represents amounts collected by the State of California and forwarded to the OCLTA in conjunction with the .5% Sales Tax. Local Revenues represent the portion of the .5% Sales Tax distributed to local governments in accordance with the requirements of Measure M.

3. Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for the Orange County Local Transportation Authority Measure M Sales Tax Revenue Bonds (Limited Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

4. Maximum Commercial Paper Debt Service

Maximum Commercial Paper Debt Service represents the maximum annual debt service related to the outstanding commercial paper amount of $40,900,000 at an interest rate equal to the maximum interest rate of 12% through March 31, 2011.

5. Letter of Credit Fees

Letter of Credit Fees are calculated as the Stated Amount multiplied by a rate of .0023 as described in Section 2.2a of the Agreement and the drawing fees for the period. The Stated Amount is defined as the Letter of Credit on the Closing Date in the amount of $51,607,562 for 61 days and $44,530,575 for 304 days as the result of a $6,500,000 principal payment made on August 30, 2004.

6. Debt Factor

The Debt Factor is 110% of Projected Maximum Annual Debt Service for all sales tax revenue indebtedness outstanding as defined in Section 1(a) of Schedule 2 of the Agreement.

Orange County Local Transportation Authority

Debt Service Coverage Tests

Year Ended June 30, 2005

Contents

Report of Independent Auditor on Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service 1

Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service 3

Notes to Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service 4

Report of Independent Auditor on Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service 6

Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service 8

Notes to Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service 9

Report of Independent Auditor on Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service

The Board of Directors of the
Orange County Transportation Authority
and the Local Transportation Authority
Citizens Oversight Committee

We have audited the accompanying Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority for the year ended June 30, 2005. This Schedule is the responsibility of the Orange County Transportation Authority's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with the method of calculating the debt service coverage test as prescribed by Section 3.01(D) of the Indenture Agreement (Indenture Agreement) between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A. dated August 15, 1992 as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor trustee, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the net Measure M sales tax revenue compared to the maximum annual debt service of the Orange County Local Transportation Authority for the year ended June 30, 2005 on the basis of the requirement described in Note 1.

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Transportation Authority, the Orange County Local Transportation Authority Citizens Oversight Committee, the BNY Western Trust Company, and Nossaman, Guthner, Knox & Elliott and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann & Company LLP

Certified Public Accountants

Los Angeles, California
November 18, 2005

Orange County Local Transportation Authority

Schedule of Net Measure M Sales Tax
Revenue Compared to Maximum Annual Debt Service

Year Ended June 30, 2005

Measure M sales tax revenue *(Note 2)*:		
Measure M sales tax revenue received	$	245,500,537
Less: Local revenues		(35,843,078)
Net Measure M sales tax revenue (A)		209,657,459
Senior maximum annual debt service *(Note 3)*		88,556,533
Multiplied by the debt factor *(Note 4)*		1.30
130% coverage required (B)		115,123,493
Excess of net Measure M sales tax revenue over 130% coverage [(A) – (B)]	$	94,533,966

See accompanying notes.

Orange County Local Transportation Authority

Notes to Schedule of Net Measure M Sales Tax
Revenue Compared to Maximum Annual Debt Service

Year Ended June 30, 2005

1. Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate Authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a .5% County sales tax (.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The Schedule presents the debt service coverage test in accordance with the Section 3.01 (D) of the Indenture Agreement (Indenture Agreement) between Orange County Local Transportation Authority and State Street Bank and Trust Company of California, N.A. dated August 15, 1992 as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor, and is not intended to be a presentation in conformity with generally accepted accounting principles.

The Schedule does not purport to, and does not, present fairly the financial position of the OCLTA as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

2. Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Indenture Agreement. Measure M Sales Tax Revenue Received represents amounts collected by the State of California and forwarded to the OCLTA in conjunction with the .5% Sales Tax. Local Revenues represent the portion of the .5% Sales Tax distributed to local governments in accordance with the requirements of Measure M. Management believes there is no significant impact on the debt service coverage test regarding interest earned on the investment of the .5% Sales Tax Revenues, and, therefore, consideration of such amounts has been excluded.

3. Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for the Orange County Local Transportation Authority Measure M Sales Tax Revenue Bonds (Limited

Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

4. Debt Factor

The debt factor is defined as 130% of Maximum Annual Debt Service for all sales tax revenue indebtedness outstanding, as defined in Section 3.01(D) of the Indenture Agreement.

Report of Independent Auditor on Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service

The Board of Directors of the
Orange County Transportation Authority
and the Local Transportation Authority
Citizens Oversight Committee

We have audited the accompanying Schedule of Sales Tax Revenue Compared to Projected Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority for the year ended June 30, 2005. This Schedule is the responsibility of the Orange County Transportation Authority's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with the method of calculating the debt service coverage test as prescribed by Section 1(a) of Schedule 2 of the $74,200,000 Letter of Credit Agreement (Agreement) between Dexia Credit Local (formerly known as Credit Local De France) and Orange County Local Transportation Authority dated August 1, 1999, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Sales Tax Revenue compared to the projected maximum annual debt service of the Orange County Local Transportation Authority for the year ended June 30, 2005 on the basis of the requirement described in Note 1.

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Transportation Authority, the Orange County Local Transportation Authority Citizens Oversight Committee, Dexia Credit Local (formerly known as Credit Local De France), and Nossaman, Guthner, Knox & Elliott and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
November 18, 2005

Orange County Local Transportation Authority

Schedule of Sales Tax Revenue
Compared to Projected Maximum Annual Debt Service

Year Ended June 30, 2005

Measure M sales tax revenue *(Note 2)*:	
Measure M sales tax revenue received	$ 245,500,537
Less: Local revenues	(35,843,078)
Net Measure M sales tax revenue (A)	209,657,459
Projected maximum annual debt service:	
Senior maximum annual debt service *(Note 3)*	88,556,533
Maximum commercial paper debt service *(Note 4)*	10,250,420
Letter of credit fees *(Note 5)*	111,001
Total projected maximum annual debt service	98,917,954
Multiplied by the debt factor *(Note 6)*	1.10
110% coverage required (B)	108,809,749
Excess of net Measure M sales tax revenue over 110% coverage [(A) – (B)]	$ 100,847,710

See accompanying notes.

Orange County Local Transportation Authority

Notes to Schedule of Sales Tax Revenue
Compared to Projected Maximum Annual Debt Service

Year Ended June 30, 2005

1. Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate Authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a .5% county sales tax (.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The accompanying Schedule was prepared to present the debt service coverage test in conformity with Section 1(a) of Schedule 2 of the $74,200,000 Letter of Credit Agreement (Agreement), between Dexia Credit Local (formerly known as Credit Local De France) and Orange County Local Transportation Authority dated August 1, 1999, and is not intended to be a presentation in conformity with generally accepted accounting principles.

The Schedule does not purport to, and does not present fairly the financial position of the OCLTA as of June 30, 2005 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2. Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Agreement. Measure M Sales Tax Revenues Received represents amounts collected by the State of California and forwarded to the OCLTA in conjunction with the .5% Sales Tax. Local Revenues represent the portion of the .5% Sales Tax distributed to local governments in accordance with the requirements of Measure M.

3. Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest annual debt service amount consisting of the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for the Orange County Local Transportation Authority Measure M Sales Tax Revenue Bonds (Limited Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

Orange County Local Transportation Authority

Notes to Schedule of Sales Tax Revenue
Compared to Projected Maximum Annual Debt Service

Year ended June 30, 2005

4. Maximum Commercial Paper Debt Service

Maximum Commercial Paper Debt Service represents the maximum annual debt service related to the outstanding commercial paper amount of $40,900,000 at an interest rate equal to the maximum interest rate of 12% through March 31, 2011.

5. Letter of Credit Fees

Letter of Credit Fees are calculated as the Stated Amount multiplied by a rate of .0023 as described in Section 2.2a of the Agreement and the drawing fees for the period. The Stated Amount is defined as the Letter of Credit on the Closing Date in the amount of $51,607,562 for 61 days and $44,530,575 for 304 days as the result of a $6,500,000 principal payment made on August 30, 2004.

6. Debt Factor

The Debt Factor is 110% of Projected Maximum Annual Debt Service for all sales tax revenue indebtedness outstanding as defined in Section 1(a) of Schedule 2 of the Agreement.

ATTACHMENT H

MEASURE M
AGREED-UPON PROCEDURES REPORTS

Orange County Transportation Authority

For the Fiscal Year Ended June 30, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORTS

Orange County Transportation Authority

For the Fiscal Year Ended June 30, 2005

Table of Contents

TAB

City of Cypress 1

City of Laguna Beach 2

City of La Habra 3

City of Los Alamitos 4

City of Newport Beach 5

City of San Juan Capistrano 6

City of Stanton 7

City of Westminster 8

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Cypress

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on
Applying Agreed-Upon Procedures-
City of Cypress

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of Cypress' (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

   1. We obtained and read the MOEC Report and noted the City was required to spend \$2,670,215 in MOE expenditures.

   2. We obtained and reviewed the City's Fund 11 (General Fund) and Fund 15 (Capital Improvement Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

   3. Management of the City informed us that MOE expenditures are identified in the general ledger by program numbers. We obtained a summary of total MOE expenditures listed for each program related to local street and roads and noted the total was \$4,318,408, which is \$1,648,193 above the MOE benchmark.

   4. We performed the following procedures related to MOE expenditures identified in item B 2:

      a. We selected 47 MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was \$2,028,012, representing 48% of the total MOE expenditure balance.

      b. For the items selected in item B 4a above, we:

         i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

         ii. Noted that based on the supporting documentation's description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

   5. We noted, based on our observation of the general ledger and discussion with the Finance Manager, that the MOE expenditures did include allocated indirect costs. We reviewed the City's indirect cost allocation policy/plan, and determined that the City's methodology for allocating indirect costs is reasonable.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Funds 39 and 22 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $835,585 for the year.

2. We selected eight expenditures in Funds 39 and 22 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $637,546, or 76% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $1,846,575 of Ordinance monies for the three years ended June 30, 2005, including $635,394 for the year ended June 30, 2005. We obtained from the City a general ledger for Fund 39, and determined that the cash balance was $1,392,026 at June 30, 2005.

7. We noted, based on our observation of the general ledger and discussion with the finance manager, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. We noted, based on our review of the general ledger and discussion with the finance manager that a separate general ledger fund has been established for the Ordinance monies and that interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Certified Public Accountants

Los Angeles, California
November 1, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Laguna Beach

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Laguna Beach

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of Laguna Beach's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $1,358,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 110 (General Fund) and Fund 116 (Capital Improvement Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

3. Management of the City informed us that MOE expenditures are identified in the general ledger by program numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $3,477,104, which is $2,119,104 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $813,723, representing 23% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. We noted, based on our review of the general ledger and discussion with the finance officer, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Fund 132 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $255,526 for the year.

2. We selected five expenditures in Fund 132 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $192,473, or 75% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $883,879 of Ordinance monies for the three years ended June 30, 2005, including $314,294 for the year ended June 30, 2005. We obtained from the City a general ledger for Fund 132, and determined that the cash balance was $2,088,060 at June 30, 2005.

7. We noted, based on our review of the general ledger and discussion with the finance officer, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

   1. We noted, based on our review of the general ledger and discussion with the finance officer, that Ordinance monies are accounted for in the City's Gas Tax Fund, with a separate accounting of expenditures' source of funding. Interest earned on these monies was returned to the fund.

   2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman & Company LLP

Certified Public Accountants

Los Angeles, California
November 2, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of La Habra

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on Applying Agreed-Upon Procedures- City of La Habra

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of La Habra's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend \$1,297,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 113 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

3. Management of the City informed us that MOE expenditures are identified in the general ledger by program numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was \$2,272,589, which is \$975,589 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was \$69,032, representing 3% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. We noted, based on our review of the general ledger and discussion with the finance officer, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Fund 132 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $1,627,565 for the year.

2. We selected five expenditures in Fund 132 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $199,625, or 12% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $1,786,268 of Ordinance monies for the three years ended June 30, 2005, including $621,508 for the year ended June 30, 2005. We obtained a general ledger for Fund 132, and determined that the fund had a negative cash balance of $1,891,650 at June 30, 2005.

7. We noted, based on our review of the general ledger and discussion with the finance officer, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

   1. We noted, based on our review of the general ledger and discussion with the finance officer, that a separate general ledger fund has been established for the Ordinance monies and that interest earned on these monies was returned to the fund.

   2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
November 16, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Los Alamitos

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on
Applying Agreed-Upon Procedures-
City of Los Alamitos

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of Los Alamitos' (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $136,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 10 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

3. Management of the City informed us that MOE expenditures are identified in the general ledger by department numbers. We obtained a summary of total expenditures listed for each account related to local street and roads and noted the total was $588,495, which is $452,495 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $25,766, representing 4% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. We noted, based on our review of the general ledger and discussion with the accountant, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Fund 80 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $75,508 for the year.

2. We selected five expenditures in Fund 80 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $42,544, or 56% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $454,758 of Ordinance monies for the three years ended June 30, 2005, including $155,222 for the year ended June 30, 2005. We obtained from the City a general ledger for Fund 26, and determined that the fund had a negative cash balance of $72,024 at June 30, 2005.

7. We noted, based on our review of the general ledger and discussion with the accountant, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

   1. We noted, based on our observations of the general ledger and discussion with the accountant that a separate general ledger fund has been established for the Ordinance monies and that interest earned on these monies was returned to the fund.

   2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann Tini & Company LLP

Certified Public Accountants

Los Angeles, California
November 10, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Newport Beach

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on
Applying Agreed-Upon Procedures-
City of Newport Beach

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of Newport Beach's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local reven2ues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $8,229,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 010 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

3. Management of the City informed us that MOE expenditures are identified in the general ledger by budget unit numbers. We obtained a summary of total expenditures listed for each account related to local street and roads and noted the total was $10,988,709, which is $2,759,709 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $455,893, representing 4% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. We noted, based on our review of the general ledger and discussion with the finance officer, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Fund 280 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $741,254 for the year.

2. We selected five expenditures in Fund 280 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $565,814 , or 76% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $3,277,035 of Ordinance monies for the three years ended June 30, 2005, including $1,150,560 for the year ended June 30, 2005. We obtained from the City a general ledger for Fund 132, and determined that the cash balance was $2,609,854 at June 30, 2005.

7. We noted, based on our review of the general ledger and discussion with the finance officer, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

   1. We noted, based on our review of the general ledger and discussion with the finance officer that a separate general ledger fund has been established for the Ordinance monies and that interest earned on these monies was returned to the fund.

   2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman & Company LLP

Certified Public Accountants

Los Angeles, California
November 8, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of San Juan Capistrano

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on
Applying Agreed-Upon Procedures-
City of San Juan Capistrano

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of San Juan Capistrano's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $353,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 110 (General Fund) and Fund 116 (Capital Improvement Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

3. Management of the City informed us that MOE expenditures are identified in the general ledger by program numbers. We obtained a summary of total expenditures listed for each program related to local street and roads and noted the total was $3,937,981, which is $3,584,981 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $78,681, representing 2% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. We noted, based on our review of the general ledger and discussion with the finance officer, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Fund 34 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $644,788 for the year.

2. We selected five expenditures in Fund 34 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $457,063, or 71% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $1,378,500 of Ordinance monies for the three years ended June 30, 2005, including $478,739 for the year ended June 30, 2005. We obtained from the City a general ledger for Fund 34, and determined that the cash balance was $813,298 at June 30, 2005.

7. We noted, based on our review of the general ledger and discussion with the finance officer, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

   1. We noted, based on our review of the general ledger and discussion with the finance officer, that Ordinance monies are accounted for in the City's Gas Tax Fund, with a separate accounting of expenditures' source of funding. Interest earned on these monies was returned to the fund.

   2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
November 15, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Stanton

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Stanton

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of Stanton's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $172,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 101 (General Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

3. Management of the City informed us that MOE expenditures are identified in the general ledger by department and account numbers. We obtained a summary of total expenditures listed for each account related to local street and roads and noted the total was $479,009, which is $307,009 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $81,092, representing 17% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. We noted, based on our review of the general ledger and discussion with the accounting manager, that the MOE expenditures did not include allocated indirect costs.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the

COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Fund 220 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $93,074 for the year.

2. We selected five expenditures in Fund 220 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $27,335, or 29% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $1,028,953 of Ordinance monies for the three years ended June 30, 2005, including $353,086 for the year ended June 30, 2005. We obtained from the City a general ledger for Fund 132, and determined that the cash balance was $0 at June 30, 2005.

7. We noted, based on our review of the general ledger and discussion with the finance manager, that no portion of the Ordinance expenditures include allocated indirect costs.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

   1. We noted, based on our review of the general ledger and discussion with the finance manager that a separate general ledger fund has been established for the Ordinance monies and that interest earned on these monies was returned to the fund.

   2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann? —

Certified Public Accountants

Los Angeles, California
November 7, 2005

MEASURE M
AGREED-UPON PROCEDURES REPORT

Orange County Transportation Authority

City of Westminster

For the Fiscal Year Ended June 30, 2005

Independent Accountant's Report on Applying Agreed-Upon Procedures- City of Westminster

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Joint Audit Oversight Committee (Committee) of the Orange County Local Transportation Authority, solely to assist you with respect to the City of Westminster's (City) level of compliance with the provisions of Measure M, Local Transportation Ordinance #2 (Ordinance) as of and for the fiscal year ended June 30, 2005. The City's management is responsible for compliance with the Ordinance as well as for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of policy resolutions or requirements and our related procedures is separated into four sections. Section (A) describes how the City was selected. Section (B) lists procedures that were performed to assist the Citizens Oversight Committee (COC) in determining if the City adhered to the Maintenance of Effort (MOE) requirements as set forth in the Ordinance. Section (C) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding fund expenditures. Section (D) lists procedures that were performed to assist the COC in determining if the City adhered to the Ordinance requirements regarding how the monies should be deposited.

A. The Committee judgmentally selected eight municipalities from the Orange County Transportation Authority's Measure M Local Jurisdiction Apportionments list of which the City was one. This list represents jurisdictions eligible to receive the Ordinance monies.

B. MOE Requirements, as described in Section 7 of the Ordinance, were established as a safeguard against eligible jurisdictions replacing their existing local revenues (which were used for transportation improvements/programs) with the Ordinance monies. The intent of the Ordinance is to supplement, not replace, the local revenues already being spent for transportation purposes. To meet the requirements, each jurisdiction is required to maintain a minimum level of local streets and roads expenditures as established by the Authority's Maintenance of Effort Calculation Report (MOEC Report). With respect to the MOE requirements and to assist the COC, we performed the following procedures:

1. We obtained and read the MOEC Report and noted the City was required to spend $1,284,000 in MOE expenditures.

2. We obtained and reviewed the City's Fund 100 (General Fund) and Fund 220 (Municipal Street Lighting Fund) general ledger detail of expenditures for the fiscal year ended June 30, 2005 (see item B 4).

3. Management of the City informed us that MOE expenditures are identified in the general ledger by department numbers. We obtained a summary of total expenditures listed for each account related to local street and roads and noted the total was $1,844,011, which is $560,011 above the MOE benchmark.

4. We performed the following procedures related to MOE expenditures identified in item B 2:

    a. We selected five MOE expenditures listed on the City's general ledger expenditure detail. Total MOE expenditures tested was $124,557, representing 7% of the total MOE expenditure balance.

    b. For the items selected in item B 4a above, we:

        i. Agreed the dollar amount listed on the general ledger for the MOE expenditure to the supporting documentation, including City check copy or wire transfer and vendor invoice or journal voucher, noting no exceptions.

        ii. Noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to local street and road expenditures.

5. We noted, based on our review of the general ledger and discussion with the accountant that the MOE expenditures did include allocated indirect costs. We reviewed the City's indirect cost allocation policy/plan, and determined that the City's methodology for allocating indirect costs is reasonable.

C. As the intent of the Ordinance is to supplement the eligible jurisdiction's revenues for transportation programs, we tested Ordinance expenditures to determine that they were related to transportation programs. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding fund expenditures for the year ended June 30, 2005 were as follows:

1. Management of the City informed us that Fund 400 expenditures relate to Ordinance monies spent by the City, and that the amount spent was $185,055 for the year.

2. We selected five expenditures in Fund 400 from the general ledger for the year ended June 30, 2005.

3. We compared the dollar amount listed on the general ledger to the supporting documentation, including City check copy and vendor invoice, noting no exceptions.

4. We noted that based on the supporting documentation description of the work performed or materials purchased, the expenditures appeared to relate to projects included in the City's Seven-Year Capital Improvements Program.

5. Based on the samples selected in item C 2, we have tested a total of $47,309, or 26% of the Ordinance expenditure balance.

6. We obtained from the Authority a listing of Ordinance payments to the City and calculated from the listing that the City received $3,056,742 of Ordinance monies for the three years ended June 30, 2005, including $1,051,380 for the year ended June 30, 2005. We obtained from the City a general ledger for Fund 220 and Fund 400, and determined that the cash balance was $460,240 at June 30, 2005.

7. We noted, based on our review of the general ledger and discussion with the finance manager, that the Ordinance expenditures did include allocated indirect costs. We reviewed the City's indirect cost allocation policy/plan, and determined that the City's methodology for allocating indirect costs is reasonable.

D. Policy Resolution No. 3, Section V.B., of the Ordinance was revised on May 23, 1994, and as such, the City is no longer required to maintain a separate bank account for Ordinance funds. However, the City is required to maintain a separate accounting of such funds through a separate general ledger account. The procedures we performed to assist the COC to determine if the City was adhering to the Ordinance regarding how the monies should be accounted for are as follows:

1. We noted, based on our review of the general ledger and discussion with the finance manager that a separate general ledger fund has been established for the Ordinance monies and that interest earned on these monies was returned to the fund.

2. We reviewed the interest calculation and determined that the proper amount of interest was returned to the fund.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Citizens Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
November 9, 2005

ATTACHMENT I

MEASURE M STATUS REPORT
AGREED-UPON PROCEDURES REPORT

Orange County Local Transportation Authority

For the Year Ended June 30, 2005

MEASURE M STATUS REPORT
AGREED-UPON PROCEDURES REPORT

Orange County Local Transportation Authority

For the Year Ended June 30, 2005

Table of Contents

Independent Accountant's Report on Applying Agreed-Upon Procedures to the Measure M Status Report 1

Measure M Status Report (Unaudited):

Schedule 1- Schedule of Revenues, Expenditures and Changes in Fund Balance 5

Schedule 2- Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) 6

Schedule 3- Schedule of Revenues and Expenditures Summary 7

Notes to the Measure M Status Report 9

Independent Accountant's Report on
Applying Agreed-Upon Procedures to the
Measure M Status Report

The Board of Directors of the
Orange County Local Transportation Authority
and the Citizens Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Audit Subcommittee of the Citizens Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M Status Report for the year ended June 30, 2005, and to ascertain that the amounts have been derived from the audited financial statements or other published, board approved documents or internal documents. The Measure M Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M Status Report is separated into the three following sections: Section (A) describes our procedures on Schedule 1; Section (B) describes our procedures on Schedule 2; and Section (C) describes our procedures on Schedule 3.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared Year ended June 30, 2005 amounts (column A) to the audited financial statements included as part of the Comprehensive Annual Financial Report (financial statements) for the combined special revenue and debt service funds of the OCLTA and additional detailed information from the underlying accounting records.

2. Recalculated Period from inception through June 30, 2005 amounts (column B) by adding the prior year's Period from inception through June 30, 2004 amounts with Year ended June 30, 2005 amounts (column A).

3. Recomputed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared Year ended June 30, 2005 amounts (columns C.1 and C.2) to Schedule 1, column A. For the Professional services, non-project related amounts, we compared the total of the amounts allocated to Tax revenues and to Bond revenues at June 30, 2005 (columns C.1 and C.2) to Schedule 1, column A.

2. Compared Period from inception through June 30, 2005 amounts (columns D.1 and D.2) to Schedule 1, column B. For the Orange County bankruptcy recovery, Professional services, non-project related, Orange County bankruptcy loss, and Other, non-project related amounts, we compared the total of the amounts allocated to Tax revenues and to Bond revenues at June 30, 2005 (columns D.1 and D.2) to Schedule 1, column B. For the Payment to refunded bond escrow, we compared the Period from inception through June 30, 2005 amount (column D.2) to the total of the Advance refunding escrow and Payment to refunded bond escrow agent amounts at Schedule 1, column B.

3. Compared forecast amounts (columns E.1 and E.2) to Measure M Forecast Schedule.

4. Recomputed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Total Measure M Program Net tax revenues program to date actual (column H) and Total net tax revenues (column I) amounts to Schedule 2, Column D.1 and Column F.1, respectively.

2. Recalculated Net tax revenues program to date actual (column H) and Total net tax revenues (column I) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).

3. Compared the Total cost estimate project budget amounts (column J) for Freeways to the Measure M Project Funding Responsibility 1996 Strategic Plan in January 2005 dollars. Regional street and road projects, local street and road projects, and certain transit projects are not budgeted due to the fact that these projects are funded on a "pay as you go" basis. Therefore, funds are budgeted as they are allocated to projects.

4. Compared the Total estimate at completion (column K) to supporting budget documents.

5. Recalculated the Variance total net tax revenues to estimate at completion (column L) by subtracting column K from column I and the Variance total cost estimate project budget to total estimate at completion (column M) by subtracting column K from column J.

6. Reconciled Expenditures through June 30, 2005 (column N) to Schedule 1, column B noting a $10 difference. Agreed column N, by project description, to the project job ledger.

7. We judgmentally selected a sample of 10 expenditures from column N and compared them to invoices and supporting documentation. We concluded that the sampled expenditures were properly classified.

8. Agreed Total Measure M Program Reimbursements through June 30, 2005 (column O) to Schedule 1, column B, the combined total of Other agencies' share of Measure M costs, Capital grants, Right-of-way leases, and Proceeds from sale of capital assets, noting an $18 difference.

9. We judgmentally selected a sample of 10 reimbursements from column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.

10. Recalculated the Net project cost (column P) by subtracting Column O from Column N.

11. Recalculated the Percent of budget expended (column Q) by dividing Column P by Column J.

12. Recomputed totals and subtotals.

Except as noted in procedures C.6 and C.8, the above procedures were performed without exception.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Measure M Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

This report is intended solely for the information and use of the OCLTA's management, Board of Directors, and the Committee and is not intended to be and should not be used by anyone other than these specified parties.

Mauer Gini & Company LLP

Certified Public Accountants

Los Angeles, California
December 8, 2005

Measure M Status Report
Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2005
(Unaudited)

($ in thousands)	Year Ended June 30, 2005 (A)	Period from Inception through June 30, 2005 (B)
Revenues:		
Sales taxes	$ 249,409	$ 2,528,910
Other agencies share of Measure M costs		
Project related	110,036	316,679
Non-project related	-	97
Interest:		
Operating	10,644	159,259
Bond proceeds	2	136,066
Debt service	4,443	61,587
Commercial paper	84	5,547
Orange County bankruptcy recovery	-	42,268
Capital grants	21,650	45,288
Right-of-way leases	182	3,317
Miscellaneous	-	786
Total revenues	396,450	3,299,804
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	3,856	39,544
Professional services:		
Project related	13,320	124,300
Non-project related	2,420	20,718
Administration costs	7,096	65,976
Orange County bankruptcy loss	-	78,618
Other:		
Project related	138	968
Non-project related	609	14,667
Payments to local agencies:		
Turnback	36,313	374,068
Competitive projects	18,745	337,743
Capital outlay	138,234	1,390,030
Debt service:		
Principal payments on long-term debt	60,615	565,065
Interest on long-term debt and commercial paper	28,325	468,440
Total expenditures	309,671	3,480,137
Excess (deficiency) of revenues over (under) expenditures	86,779	(180,333)
Other financing sources (uses):		
Transfers out:		
Project related	(12,903)	(220,120)
Non-project related	(2,043)	(5,047)
Transfers in project related	1,524	1,524
Proceeds from sale of capital assets	1,093	8,339
Bond proceeds	-	1,169,999
Advance refunding escrow	-	(931)
Payment to refunded bond escrow agent	-	(152,930)
Total other financing sources (uses)	(12,329)	800,834
Excess of revenues and other financing sources over expenditures and other financing uses	$ 74,450	$ 620,501

See notes to the Measure M Status Report

Measure M Status Report
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
Year Ended June 30, 2005
(Unaudited)

($ in thousands)	Year Ended June 30, 2005 (actual)	Period from Inception through June 30, 2005 (actual)	Period from July 1, 2005 through March 31, 2011 (forecast)	Total Measure M Program
	(C.1)	*(D.1)*	*(E.1)*	*(F.1)*
Tax revenues:				
Sales taxes	$ 249,409	$ 2,528,910	$ 1,436,321	$ 3,965,231
Other agencies share of Measure M costs	-	97	-	97
Operating interest	10,644	159,259	58,013	217,272
Orange County bankruptcy recovery	-	20,683	-	20,683
Miscellaneous	-	786	-	786
Total tax revenues	260,053	2,709,735	1,494,334	4,204,069
Administrative expenditures:				
SBOE fees	3,856	39,544	21,430	60,974
Professional services, non-project related	2,214	12,320	7,168	19,488
Administration costs	7,096	65,976	24,023	89,999
Transfer out, non-project related	2,043	5,047	-	5,047
Orange County bankruptcy loss	-	29,792	-	29,792
Other, non-project related	609	5,568	6,725	12,293
	15,818	158,247	59,346	217,593
Net tax revenues	$ 244,235	$ 2,551,488	$ 1,434,988	$ 3,986,476

	(C.2)	*(D.2)*	*(E.2)*	*(F.2)*
Bond revenues:				
Proceeds from issuance of bonds	$ -	$ 1,169,999	$ -	$ 1,169,999
Interest revenue from bond proceeds	2	136,066	-	136,066
Interest revenue from debt service funds	4,443	61,587	17,114	78,701
Interest revenue from commercial paper	84	5,547	-	5,547
Orange County bankruptcy recovery	-	21,585	-	21,585
Total bond revenues	4,529	1,394,784	17,114	1,411,898
Financing expenditures and uses:				
Professional services, non-project related	206	8,398	-	8,398
Payment to refunded bond escrow	-	153,861	-	153,861
Bond debt principal	60,615	565,065	419,175	984,240
Bond debt interest expense	28,325	468,440	66,283	534,723
Orange County bankruptcy loss	-	48,826	-	48,826
Other, non-project related	-	9,099	-	9,099
Total financing expenditures and uses	89,146	1,253,689	485,458	1,739,147
Net bond revenues (debt service)	$ (84,617)	$ 141,095	$ (468,344)	$ (327,249)

See notes to the Measure M Status Report

Measure M Status Report
Schedule of Revenues and Expenditures Summary
Year Ended June 30, 2005
(Unaudited)

Project description	Net tax revenues program to date actual	Total net tax revenues	Total cost estimate project budget	Total estimate at completion	Variance total net tax revenues to estimate at completion	Variance total cost estimate project budget to total estimate at completion	Expenditures through June 30, 2005	Reimbursements through June 30, 2005	Net project cost	Percent of budget expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
($ in thousands)										
Freeway Projects (43%)										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	$ 621,020	$ 970,294	$ 810,010	$ 797,106	$ 173,188	$ 12,904	$ 701,746	$ 68,109	$ 633,637	78.2%
I-5 between I-5/I-405 Interchange and San Clemente	43,058	67,274	55,390	57,268	10,006	(1,878)	67,660	10,358	57,302	103.5%
I-5/I-405 Interchange	54,650	85,386	72,802	72,946	12,440	(144)	97,968	25,082	72,886	100.1%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	36,433	56,924	44,511	48,932	7,992	(4,421)	54,033	6,172	47,861	107.5%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	18,217	28,462	24,128	22,719	5,743	1,409	25,578	2,859	22,719	94.2%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	78,663	122,904	116,136	105,079	17,825	11,057	123,098	18,606	104,492	90.0%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	245,097	382,942	321,408	321,408	61,534	-	145,432	142,991	2,441	0.8%
Subtotal Projects	1,097,138	1,714,186	1,444,385	1,425,458	288,728	18,927	1,215,515	274,177	941,338	
Net (Bond Revenue)/Debt Service			275,380	275,380	(275,380)	-	260,846		260,846	
Total Freeway Projects	$ 1,097,138	$ 1,714,186	$ 1,719,765	$ 1,700,838	$ 13,348	$ 18,927	$ 1,476,361	$ 274,177	$ 1,202,184	
%									50.5%	
Regional Street and Road Projects (11%)										
Smart Streets	$ 96,227	$ 150,346	$ 148,219	$ 148,219	$ 2,127	$ -	$ 117,252	$ 3,489	$ 113,763	76.8%
Regionally Significant Interchanges	56,133	87,702	87,702	87,702	-	-	30,236	146	30,090	34.3%
Intersection Improvement Program	80,190	125,289	125,289	125,289	-	-	48,932	56	48,876	39.0%
Traffic Signal Coordination	40,095	62,645	62,645	62,645	-	-	26,969	183	26,786	42.8%
Transportation Systems Management and Transportation Demand Management	8,019	12,529	12,529	12,529	-	-	5,897	70	5,827	46.5%
Subtotal Projects	280,664	438,511	436,384	436,384	2,127	-	229,286	3,944	225,342	
Net (Bond Revenue)/Debt Service			2,127	2,127	(2,127)	-	2,015		2,015	
Total Regional Street and Road Projects	$ 280,664	$ 438,511	$ 438,511	$ 438,511	$ -	$ -	$ 231,301	$ 3,944	$ 227,357	
%									9.6%	

See notes to the Measure M Status Report

Measure M Status Report
Schedule of Revenues and Expenditures Summary
Year Ended June 30, 2005
(Unaudited)

Project description	Net tax revenues program to date actual	Total net tax revenues	Total cost estimate project budget	Total estimate at completion	Variance total net tax revenues to estimate at completion	Variance total cost estimate project budget to total estimate at completion	Expenditures through June 30, 2005	Reimbursements through June 30, 2005	Net project cost	Percent of budget expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
($ in thousands)										
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	$ 82,433	$ 157,588	$ 157,588	$ 157,588	$ -	$ -	$ 53,084	$ 99	$ 52,985	33.6%
Streets and Roads Maintenance and Road Improvements	370,947	579,572	579,572	579,572	-	-	374,068	-	374,068	64.5%
Growth Management Area Improvements	82,433	100,000	100,000	100,000	-	-	50,783	431	50,352	50.4%
Subtotal Projects	535,813	837,160	837,160	837,160	-	-	477,935	530	477,405	
Net (Bond Revenue)/Debt Service							-		-	
Total Local Street and Road Projects	$ 535,813	$ 837,160	$ 837,160	$ 837,160	$ -	$ -	$ 477,935	$ 530	$ 477,405	
%									20.0%	
Transit Projects (25%)										
Pacific Electric Right-of-Way	$ 12,346	$ 19,403	$ 15,000	$ 13,100	$ 6,303	$ 1,900	$ 15,355	$ 2,075	$ 13,280	88.5%
Commuter Rail	226,342	355,722	355,722	355,722	-	-	311,794	53,735	258,059	72.5%
High-Technology Advanced Rail Transit	279,841	439,802	439,802	439,802	-	-	30,565	6,024	24,541	5.6%
Elderly and Handicapped Fare Stabilization	16,461	20,000	20,000	20,000	-	-	13,010	-	13,010	65.1%
Transitways	102,883	161,692	146,381	122,346	39,346	24,035	153,759	34,680	119,079	81.3%
Subtotal Projects	637,873	996,619	976,905	950,970	45,649	25,935	524,483	96,514	427,969	
Net (Bond Revenue)/Debt Service			49,742	49,742	(49,742)	-	47,117		47,117	
Total Transit Projects	$ 637,873	$ 996,619	$ 1,026,647	$ 1,000,712	$ (4,093)	$ 25,935	$ 571,600	$ 96,514	$ 475,086	
%									19.9%	
Total Measure M Program	$ 2,551,488	$ 3,986,476	$ 4,022,083	$ 3,977,221	$ 9,255	$ 44,862	$ 2,757,197	$ 375,165	$ 2,382,032	

See notes to the Measure M Status Report

Orange County Local Transportation Authority
Notes to the Measure M Status Report
June 30, 2005
(Unaudited)

MEASURE M SUMMARY

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax, which commenced on April 1, 1991 for a period of 20 years. Under Measure M, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

Demonstrating accountability for the receipt and expenditure of Measure M funds has been accomplished by the issuance of quarterly reports on Measure M activities. The reports for Measure M activities through June 30, 2005 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule.

SCHEDULE 1—SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined OCLTA special revenue and debt service funds. Such financial information has been derived from audited financial statements with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year ended June 30, 2005 (Column A): This column presents the revenues, expenditures, and other financing sources (uses) of the combined OCLTA special revenue and debt service funds for the fiscal year ended June 30, 2005. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from audited financial statements, while detailed amounts for certain revenue sources and expenditures by major object have been obtained from the general ledger.

The net change in fund balance of $74,450,000 agrees with the year ended June 30, 2005 audited financial statements.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2.

Period from inception through June 30, 2005 (Column B): This column presents the revenues, expenditures, and other financing sources (uses) of the combined OCLTA special revenue and debt service funds for the period from inception through June 30, 2005. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from audited financial statements, while detailed amounts for certain revenue sources and expenditures by major object have been obtained and summarized from the general ledger.

The net change in fund balance of $620,501,000 agrees with the combined ending fund balances of $510,068,000 in the OCLTA special revenue fund and $110,433,000 in the OCLTA debt service fund, as presented in the audited financial statements for the year ended June 30, 2005.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues are presented as "reimbursements" in Schedule 3. Project related expenditures and other financing uses are included as "expenditures" in Schedule 3.

SCHEDULE 2—SCHEDULE OF CALCULATIONS OF NET TAX REVENUES AND NET BOND REVENUES (DEBT SERVICE)

This schedule presents calculations of net tax revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Measure M modes described above.

Net tax revenues are calculated as tax revenues including sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenues less administrative expenditures that are not project or financing related.

Net bond revenues (debt service) are bond revenues comprised of proceeds from bond issuances, interest, and Orange County bankruptcy recovery less financing expenditures and uses.

Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from amounts on Schedule 1. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years through the expiration of Measure M, and for the combined total of actual and forecast amounts for the period from inception through the expiration of Measure M.

CALCULATION OF NET TAX REVENUES

Year ended June 30, 2005 [actual (Column C.1)]: Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the year ended June 30, 2005 were obtained from Column A in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the Orange County Investment Pool (OCIP) at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total tax revenues less total administrative expenditures for year ended June 30, 2005.

Period from inception through June 30, 2005 [actual (Column D.1)]: Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the period from inception through June 30, 2005 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net tax revenues represent total cumulative tax revenues less total cumulative administrative expenditures.

Period from July 1, 2005 through March 31, 2011 [forecast (Column E.1)]: Tax revenues consisting of projected sales taxes and operating interest and administrative expenditures which are non-project and non-financing related for subsequent years from July 1, 2005 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model which is updated annually. Net tax revenues represent total projected tax revenues less total projected administrative expenditures.

Total Measure M Program (Column F.1): Total amounts related to the net tax revenues calculation are determined as the sum of columns D.1 and E.1. The total net tax revenues is used in Schedule 3 as "Total net tax revenues."

Calculation of Net Bond Revenues (Debt Service)

Year ended June 30, 2005 [actual (Column C.2)]: Bond revenues consisting of interest revenue from bond proceeds, debt service funds, and commercial paper (financing interest revenue) and financing expenditures and uses consisting of debt principal payments, interest expenditures, and other non-project and non-operating related expenditures for the year ended June 30, 2005 were obtained from Column A in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total bond revenues less financing expenditures and uses for the year ended June 30, 2005.

Period from inception through June 30, 2005 [actual (Column D.2)]: Bond revenues consisting of proceeds from the bond issuances, financing interest revenue, and Orange County bankruptcy recovery and financing expenditures and uses which are non-project and non-operating related for the period from inception through June 30, 2005 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net bond revenues (debt service) represent total cumulative bond revenues less total cumulative financing expenditures and uses.

Period from July 1, 2005 through March 31, 2011 [forecast (Column E.2)]: Bond revenues consisting of financing interest revenue and financing expenditures and uses primarily related to principal payments and interest expenditures on long-term debt for subsequent years from July 1, 2005 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model. Net bond revenues (debt service) represent total projected bond revenues less total projected financing expenditures and other uses.

Total Measure M Program (Column F.2): Total amounts related to the net bond revenues (debt service) calculation are determined as the sum of columns D.2 and E.2. The total net bond revenues (debt service) is used in Schedule 3 as a component of "total cost estimate project budget."

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures by mode and project description as specified in the Traffic Improvement and Growth Management Plan, as amended (Expenditure Plan). Total Measure M program amounts materially agree with amounts on Schedules 1 and 2; however, amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project description (Column G): The project descriptions by mode are in accordance with the Expenditure Plan.

Net tax revenues program to date actual (Column H): The total Measure M Program net tax revenues for the period from inception through June 30, 2005 agree with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues have been allocated to each of the four modes based on the allocation percentages specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Total net tax revenues (Column I): The total actual and projected net tax revenues (total net tax revenues) during the 20-year life of Measure M agree with total net tax revenues in Column F.1 in Schedule 2. Such total net tax revenues have been allocated to each of the four modes based on the allocations specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Total cost estimate project budget (Column J): In accordance with Measure M, bond financing authority was approved as an alternative to the "pay as you go" financing method. As a result, all freeway mode, certain regional street and road mode, and certain transit mode projects have been accelerated using bond financing, while all local street and road and remaining regional street and road mode and transit mode projects have been funded on the "pay as you go" financing method.

Total cost estimates for each "pay as you go" project are based on the total net tax revenues presented in Column I, except for Growth Management Area (GMA) Improvements in the local street and road projects mode and Fare Stabilization in the transitway projects mode. GMA Improvements and Fare Stabilization are subject to a maximum funding of $100 million and $20 million respectively per Measure M. Total cost estimates for the freeway mode and transitway projects included in the transit mode are based on amounts obtained from the 1996 Freeway Strategic Plan, adjusted to 2005 dollars. Smart street cost estimates and net (bond revenue) debt service costs for regional street and road mode projects comprise the total smart street cost estimates, as such projects have been accelerated using bond financing. Pacific Electric Right-of-Way cost estimates are in accordance with the Expenditure Plan. The total net (bond revenue) debt service cost estimates agree with the total amount from Column F.2 in Schedule 2, and such amounts were allocated based on the projects subject to bond financing.

Total estimate at completion (Column K): Total estimate at completion represents current estimates of costs to complete the projects.

Variance total net tax revenues to estimate at completion (Column L): This is a calculation of Column I minus Column K.

Variance total cost estimate project budget to total estimate at completion (Column M): This is a calculation of Column J minus Column K.

Expenditures through June 30, 2005 (Column N): Total expenditures less net (bond revenue) debt service materially agree with the sum of project related expenditures and net operating transfers out from Column B in Schedule 1. Project related expenditures are comprised of professional services, payments to local agencies for turnback and competitive projects, capital outlay, and other. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger. The total net (bond revenue) debt service expenditures through June 30, 2005 agree with the sum of financing interest revenue, Orange County bankruptcy recovery (loss) amounts, non-project related professional services and other financing expenditures, and interest expenditures from Column D.2 in Schedule 2.

Reimbursements through June 30, 2005 (Column O): Total reimbursements materially agree with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies share of Measure M project costs, capital grants, right-of-way leases, and proceeds on sale of capital assets. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

Net project cost (Column P): This is a calculation of Column N minus Column O. For each mode, a percentage amount has been calculated as the net project cost per mode divided by the total Measure M Program net project cost. Such percentage can be compared to the required percentage included in Measure M as an indication of the progress to date for each mode.

Percent of budget expended (Column Q): This is a calculation of Column P divided by Column J.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS* AND THE TRANSPORTATION DEVELOPMENT ACT

Board of Directors
Orange County Transportation Authority

We have audited the basic financial statements of the Orange County Transportation Authority (Authority) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 17, 2005. Included in the Orange County Transportation Authority is the Orange County Transit District (OCTD), which is responsible for the bus services in Orange County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Authority in a separate letter dated October 17, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act funds allocated to and received by OCTD were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Authority as required by Section 6667 of the Title 21 of the California Code of Regulations. The OCTD has chosen to be subject to Section 99268.2 of the Transportation Development Act, which requires that the ratio of fare revenues and local support to operating costs not be less than 24.42%, representing the OCTD's 1978-79 fiscal year ratio. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the Transportation Development Act.

This report is intended solely for the information and use of management, the Board of Directors, the California State Department of Transportation, and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Mauar Tini & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
(A Special Revenue Fund of the Orange County Transportation Authority)

Fund Financial Statements
and Independent Auditor's Report

For the Years Ended June 30, 2005 and 2004

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
(A Special Revenue Fund of the Orange County Transportation Authority)

For the Years Ended June 30, 2005 and 2004

Table of Contents

Independent Auditor's Report..1

Balance Sheets 2

Statements of Revenues, Expenditures and Changes in Fund Balance...3

Notes to the Financial Statements..4

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the Local Transportation Fund (Fund), a special revenue fund of the Orange County Transportation Authority (Authority), as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2005 and 2004, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Furthermore, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment risk Disclosures – an amendment of GASB Statement No. 3.*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of the Authority as of June 30, 2005 and 2004, and the respective changes in financial position thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman & Company LLP

Certified Public Accountants

Los Angeles, California
October 17, 2005

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
BALANCE SHEETS
JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
Cash and investments (Note 1)	$ 19,766,808	$ 17,020,153
Interest receivable	7,364	7,647
Due from other governments (Note 2)	3,144,580	3,075,658
Total assets	$ 22,918,752	$ 20,103,458
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to other funds (Note 3)	$ 6,410,868	$ 7,279,381
Due to other governments (Note 4)	927,398	92,615
Total liabilities	7,338,266	7,371,996
Fund balance:		
Reserved for transportation programs	15,580,486	12,554,439
Reserved for payments to cities	-	177,023
Total fund balance	15,580,486	12,731,462
Total liabilities and fund balance	$ 22,918,752	$ 20,103,458

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
REVENUES		
Local Transportation sales tax allocations	$ 94,971,323	$ 86,404,700
Interest income	1,274,536	466,211
Miscellaneous	3,441	1,756
Total revenues	96,249,300	86,872,667
EXPENDITURES		
Operating costs	89,669,854	80,113,814
Supplies and services	1,256,298	1,087,188
Contributions to other agencies	2,474,124	1,904,932
Total expenditures	93,400,276	83,105,934
Excess of revenues over expenditures	2,849,024	3,766,733
Fund balance, beginning of year	12,731,462	8,964,729
Fund balance, end of year	$ 15,580,486	$ 12,731,462

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORATION AUTHORITY
Local Transportation Fund
For the Years Ended June 30, 2005 and 2004

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Local Transportation Fund (LTF) is a special revenue fund of the Orange County Transportation Authority (OCTA). This fund is used to account for revenues received and expenditures made for use on certain transit projects within Orange County.

The LTF was created by the Transportation Development Act (TDA) for specific transportation purposes. Revenues to the LTF are derived from ¼ cent of the 7¼ cent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county.

Annually, the Transportation Planning Agency (TPA) determines each area's apportionment of LTF revenues. Generally, revenues from the county's LTF are apportioned by population to areas within the County. Where there is a transit district, separate apportionments are made to areas within and outside the district. The Orange County Transportation District (OCTD) of OCTA is a transit district and OCTA is the regional TPA. Once funds are apportioned, they are only available for allocation to claimants in that area. Payments from the LTF are made by the Auditor-Controller of Orange County in accordance with allocation instructions issued by OCTA.

Article 3 of the TDA stipulates that, based on Orange County's population of more than 500,000, OCTA is eligible to and receives LTF revenues solely for claims for the following, which are respectively allocated in specific priority order: administration, planning and programming; Section 99234 of Article 3, which are claims for pedestrian and bicycle facilities; Article 4.5, which are claims for community transit services; and Article 4, which are claims for public transportation systems.

Diversion of TDA Funding

In September 1995, as a result of and to assist the County of Orange in recovering from its December 1994 bankruptcy, the California State Legislature adopted legislation diverting $38 million annually to the County from OCTA's TDA sales tax revenue. In return, $23 million in annual County gasoline tax revenue is being diverted to OCTA. Diversion from OCTA of the TDA revenue began on July 1, 1996, for a 15-year period. Diversion to OCTA of the gasoline tax revenue began on July 1, 1997, for a 16-year period.

Basis of Presentation – Fund Accounting

LTF activities and transactions are recorded and accounted for in a special revenue fund within OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The financial statements are intended to present the financial position and changes in financial position of the LTF only, and are not intended to present and do not present, the financial position and changes in financial position of OCTA.

Basis of Accounting

The LTF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 180 days after year-end. Expenditures are recorded when a liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with available financial resources.

Cash and Investments

The LTF maintains its deposits in the Orange County Investment Pool (OCIP), as required by state statute. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. The fair value of the position in the pool is the same as the value of the pool shares. Investment income earned by the pooled cash and investments in the OCIP is allocated to the LTF based on the LTF's average cash and investment balance.

In March 2004, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.* OCTA has implemented the new reporting requirements for the fiscal year 2005 Financial Statements. For information on GASB Statement No. 40 disclosures relating to LTF's deposits in the OCIP, please see the Orange County Comprehensive Annual Financial Report (CAFR).

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

NOTE 2 – DUE FROM OTHER GOVERNMENTS

Due from other governments of $3,144,580 and $3,075,658 represents a TDA receivable due from the State of California at June 30, 2005 and 2004, respectively.

NOTE 3 – DUE TO OTHER FUNDS

Due to other funds of $6,410,868 and $7,279,381 represents amounts payable to the Orange County Transit District enterprise fund at June 30, 2005 and 2004, respectively.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of $927,398 and $92,615 represents amounts payable to claimants for LTF allocations at June 30, 2005 and 2004, respectively.

ATTACHMENT L

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
(A Special Revenue Fund of the Orange County Transportation Authority)

Fund Financial Statements
and Independent Auditor's Report

For the Year Ended June 30, 2005

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
(A Special Revenue Fund of the Orange County Transportation Authority)

For the Year Ended June 30, 2005

Table of Contents

Independent Auditor's Report 1

Balance Sheet 2

Statement of Revenues, Expenditures and Changes in Fund Balance 3

Notes to the Financial Statements 4

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the State Transit Assistance Fund (Fund), a special revenue fund of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Furthermore, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment risk Disclosures – an amendment of GASB Statement No. 3.*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Transit Assistance Fund of the Authority as of June 30, 2005, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman Jini & Company LLP

Certified Public Accountants

Los Angeles, California
December 15, 2005

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS		
Cash and investments (Note 1)	$	2,409,263
Interest receivable		46,598
Due from other governments (Note 2)		473,428
Total assets	$	2,929,289
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to other funds (Note 3)	$	2,226,116
Due to other governments (Note 4)		102
Total liabilities		2,226,218
Fund balance:		
Reserved for transportation programs		703,071
Total liabilities and fund balance	$	2,929,289

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

REVENUES	
State Transit Assistance sales tax allocations	$ 6,805,135
Interest income	203,904
Total revenues	7,009,039
EXPENDITURES	
Operating costs	6,347,907
Miscellaneous	1,262
Total expenditures	6,349,169
Excess of revenues over expenditures	659,870
Fund balance, beginning of year	43,201
Fund balance, end of year	$ 703,071

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund
For the Year Ended June 30, 2005

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The State Transit Assistance Fund (STAF) is a special revenue fund of the Orange County Transportation Authority (OCTA). This fund is used to account for revenues received and expenditures made for Orange County Transit District operations and fare assistance for seniors and disabled persons.

STAF provides a second source of Transportation Development Act (TDA) funding for transportation planning and mass transportation purposes as specified by the State of California Legislature. Funds for the program are derived from statewide sales tax on gasoline and diesel fuel.

STAF funds are allocated through an appropriation to the State Controller by the Legislature for allocation by formula to each Transportation Planning Agency (TPA). OCTA is the regional TPA. The formula allocates 50 percent of the funds according to population and the remaining 50 percent is allocated according to operator revenues from the prior fiscal year. STAF allocations are deposited in the OCTA's STAF fund, which is maintained by the Auditor-Controller of the County of Orange, California. The allocations are based on the operator's share of revenues compared to all of the other operators in the State. The allocation must be made in a resolution adopted by the OCTA's governing Board. Payments from the STAF are made by the County of Orange Auditor-Controller in accordance with the allocation instructions in the allocation resolution.

STAF funds may not be allocated to fund administration or streets and roads projects. Operators receiving STAF funds must meet qualifying criteria based on the subsidy per revenue vehicle hour received in the previous year taking into consideration the change in the Consumer Price Index within the operator's region.

Basis of Presentation – Fund Accounting

STAF activities and transactions are recorded and accounted for in a special revenue fund within OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The financial statements are intended to present the financial position and changes in financial position of STAF only, and are not intended to present and do not present, the financial position and changes in financial position of OCTA.

ORANGE COUNTY TRANSPORTATION AUTHORITY
State Transit Assistance Fund
For the Year Ended June 30, 2005

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The STAF financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 180 days after year-end. Expenditures are recorded when a liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with available financial resources.

Cash and Investments

STAF maintains its deposits in the Orange County Investment Pool (OCIP), as required by state statute. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. The fair value of the position in the pool is the same as the value of the pool shares. Investment income earned by the pooled cash and investments in the OCIP is allocated to STAF based on STAF's average cash and investment balance.

In March 2004, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. OCTA has implemented the new reporting requirements for the fiscal year 2005 Financial Statements. For information on GASB Statement No. 40 disclosures relating to STAF's deposits in the OCIP, please see the Orange County Comprehensive Annual Financial Report (CAFR).

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. As such, actual results could differ from those estimates.

NOTE 2– DUE FROM OTHER GOVERNMENTS

Due from other governments of $473,428 represents a TDA receivable due from the state of California.

NOTE 3 – DUE TO OTHER FUNDS

Due to other funds of $2,226,116 represents amounts payable to the Orange County Transit District enterprise fund for transit operations and fare assistance for seniors and disabled persons.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of $102 represents amounts payable to the County of Orange for administrative fees.

NOTE 5 – TRANSFERS

There were no transfers made or received as authorized by Section 99313.1 of the Public Utilities Code, Chapter 4. Transportation Development.

12.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject Report on Audit of Agreement C-3-0633 with Granite-Myers-Rados for the Garden Grove Freeway (State Route 22) Design-Build Project

Finance and Administration Committee — January 25, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the audit of Agreement C-3-0633 with Granite-Myers-Rados for the Garden Grove Freeway (State Route 22) Design-Build Project.

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

OCTA

January 25, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Report on Audit of Agreement C-3-0633 with Granite-Myers-Rados for the Garden Grove Freeway (State Route 22) Design-Build Project

Overview

A contract compliance and fiscal audit of Agreement C-3-0663 with Granite-Myers-Rados has been completed by the professional firm of GCAP Services, Inc. Granite-Myers-Rados is in substantial compliance with the key requirements of Agreement C-3-0663.

Recommendation

Receive and file the audit of Agreement C-3-0633 with Granite-Myers-Rados for the Garden Grove Freeway (State Route 22) Design-Build Project.

Background

Orange County Transportation Authority (OCTA), in cooperation and partnership with the California Department of Transportation, is making improvements to the Garden Grove Freeway (State Route 22) between the Costa Mesa Freeway (State Route 55) and the San Diego Freeway (Interstate 405), known as the Garden Grove Freeway (State Route 22) Design-Build Project.

OCTA entered into Agreement C-3-0663, a design-build contract, with Granite-Myers-Rados (GMR), a joint venture comprised of Granite Construction Company, C.C. Myers, Inc., and Steve P. Rados, Inc. The contract is a lump-sum design-build contract subject to adjustments to account for change orders. The contracted price was $390,379,000, of which $166,667,226 (43 percent) has been paid as of October 2005. Sixteen million dollars was approved as a contingency amount, from which change orders are deducted. Change orders in the amount of $6,049,284 have been approved and processed, bringing the total contract value to $396,428,284. The contract was executed on August 23, 2004, and the Notice to Proceed was effective as of September 22, 2004, with substantial completion of the design-build project required within 800 days.

Discussion

Internal Audit made recommendations regarding the review of Agreement C-3-0663 with GMR to implement further controls to ensure that GMR follows OCTA's public notice procedures, as required per the contract, and to consider revising certain procedures to avoid confusion on billing documentation related to change orders (Attachment A). Management is in the process of making changes in response to the recommendations (Attachments B and C).

Summary

Based on the review, GMR is in substantial compliance with the key requirements of Agreement C-3-0663 and internal controls over management of the contract were adequate. Internal Audit did offer some recommendations, which management staff indicated would be implemented.

Attachments

A. Contract Compliance and Fiscal Audit of Agreement No. C-3-0663, Granite-Myers-Rados, State Route 22 Design-Build Contract, Internal Audit Report No. 05-038
B. Response to Internal Audit Report No. 05-038
C. Contract Compliance and Fiscal Audit of Agreement No. C-3-0663, Granite-Myers-Rados, State Route 22 Design-Build Contract, Internal Audit Report No. 05-038, Audit Close-out Memo

Prepared by:

for

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

Approved by:

for

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

ATTACHMENT A

OCTA

INTEROFFICE MEMO

December 6, 2005

To: Stan Phernambucq, Executive Director
Construction & Engineering

From: Lisa Monteiro, Senior Internal Auditor
Internal Audit

Subject: **Contract Compliance and Fiscal Audit of Agreement No. C-3-0663, Granite-Myers-Rados, State Route 22 Design-Build Contract, Internal Audit Report No. 05-038**

Conclusion

A contract compliance and fiscal audit of Agreement No. C-3-0663 between the Orange County Transportation Authority and Granite-Myers-Rados for the State Route 22 Design-Build project has been completed by the professional firm of GCAP Services, Inc. The results of the audit concluded that in general, Granite-Myers-Rados is in substantial compliance with the key requirements of Agreement No. C-3-0663 and that internal controls over management of the contract were adequate. However, Internal Audit is recommending improvements that will strengthen internal controls and ensure compliance to the contract.

Background

Orange County Transportation Authority (OCTA), in cooperation and partnership with Caltrans, is making improvements to State Route 22 between State Route 55 and Interstate 405, known as the SR-22 Design-Build Project. As such, OCTA entered into Agreement No. C-3-0663, a design-build contract, with Granite-Myers-Rados (GMR), a Joint Venture comprised of Granite Construction Company, C.C. Myers, Inc., and Steve P. Rados, Inc. The contract is a lump-sum design-build contract subject to adjustments to account for change orders. The contracted price is $390,379,000, of which $166,672,226 (42.6 percent) has been paid as of October 2005. Sixteen million was approved as a contingency amount, which change orders are deducted from. Change Orders in the amount of $6,049,284 have been approved and processed, bringing the total contract value to $396,428,284. The contract was executed on August 23, 2004, and the Notice to Proceed was effective as of September 22, 2004, with Substantial Completion of the Design-Build Project required within 800 days.

Purpose and Scope

The Internal Audit Plan for Fiscal Year 2004-05 included contract compliance and fiscal audits of State Route 22 construction contracts. Internal Audit enlisted the professional firm of GCAP Services, Inc. (GCAP) to perform a contract compliance and fiscal audit of Agreement No. C-3-0663 between OCTA and Granite-Myers-Rados (GMR) for the SR-22 Design-Build project. The scope of the audit included contract compliance by the prime contractor (GMR) and its approximately 68 subcontractors. The audit period was generally between September 2004 and June 2005. The audit was conducted using generally accepted government auditing standards.

Observations and Recommendations

<u>Procedures for Assignment of New Subcontractors</u>

The public notice procedures required per Section 7.2.2.1 of Agreement No. C-3-0663 were not followed for the three new subcontracts procured by GMR subsequent to the original contract commencement.

Recommendation No. 1

When GMR is procuring new subcontracts, OCTA should ensure that GMR follows OCTA's public notice procedures, as required per the contract. Alternatively, OCTA may consider amending Section 7.2.2.1 and providing new requirements specific to the contract.

<u>Billings for Incurred Costs on Change Orders</u>

Minor discrepancies were noted in the "Extra Work Bill" detail related to names of billed employees. Specifically, the names of two billed employees were not easily traceable to the certified payrolls. All discrepancies were resolved and there were no billing errors.

Recommendation No. 2

To avoid confusion on billing documentation, OCTA should consider requiring GMR to use their Employee Numbers to record labor charges for "Extra Work Bill" items for work performed on Change Orders.

Management Response

Internal Audit requests a response indicating the actions taken or planned to address the recommendations be forwarded to Lisa Monteiro, Senior Internal Auditor, by December 20, 2005.

Audit performed by: GCAP Services, Inc.

Attachment: 2005 Audit of Agreement C-3-0663 Between Orange County Transportation Authority and Granite-Myers-Rados, State Route 22 Design-Build Project

c: Rick Bacigalupo
Rick Grebner
Dinah Minteer
Kathleen Perez
Robert Duffy

2005 Audit of Agreement C-3-0663 Between Orange County Transportation Authority and Granite-Myers-Rados

State Route 22 Design-Build Project

Prepared By
GCAP Services, Inc.

Contract Compliance & Fiscal Audit
Final Report
December 6, 2005

Table of Contents

1.0 Introduction 2

- .1 Background
- .2 Objective
- .3 Scope and Methodology

2.0 Executive Summary 4

3.0 Key Findings 4

4.0 Recommendations 9

1.0 Introduction

1.1 Background

Orange County Transportation Authority (OCTA), in cooperation and partnership with Caltrans, is making improvements to State Route 22 between State Route 55 and Interstate 405, known as the SR-22 Design-Build Project. As such, OCTA entered into Agreement No. C-3-0663, a design-build contract, with Granite-Myers-Rados (GMR), a Joint Venture comprised of Granite Construction Company, C.C. Myers, Inc., and Steve P. Rados, Inc. The contract is a lump-sum design-build contract subject to adjustments to account for change orders. The contracted price is $390,379,000, of which $166,672,226 (42.6%) has been paid as of September 2005. $16,000,000 was approved as a contingency amount, which Change Orders are deducted from. Change Orders in the amount of $6,049,284 have been approved and processed, bringing the total contract value to $396,428,284.

1.2 Objectives

The SR-22 Design-Build project is the first of its nature and magnitude to be directly managed by OCTA. The objectives of Task 1 are to review invoices and documentation to ensure contractual compliance is being adequately upheld in the management and oversight of the SR-22 Design-Build project to help ensure:

- SR-22 Design-build project objectives will be achieved
- The project is managed in a cost effective manner
- Potential risks are identified and monitored
- Appropriate mechanisms are in place for contractor accountability
- Proper and timely communication occurs between all OCTA stakeholders
- Appropriate best practices are incorporated into this project and future projects of similar nature

1.3 Scope and Methodology

OCTA engaged GCAP Services, Inc., and our subcontractor, Equals & Kita, LLP to perform an On-Site Contract Compliance & Fiscal Audit of GMR. The audit included a review of GMR's invoices, documentation, payroll and accounting records, including timely payment to subcontractors. Additionally, we reviewed the assignment of new subcontractors, assessment of Disadvantaged Business Enterprise (DBE), and the confirmation of the integrity of retention records and Escrowed Proposal Documents (EPDs).

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

Task 1 was performed utilizing an audit program developed by Equals & Kita to assure compliance to the scope of GCAP's agreement with OCTA's Internal Audit Department and generally accepted auditing standards.

In conducting this fiscal review, the GCAP team performed six tasks:

	Fiscal Review Task / Test	Performed on	Findings
1.	Review of contractor invoices and detailed supporting documentation, including payroll and other accounting records.	GMR and Subs	Compliant
2.	Review of change orders, including Value Engineering Change Proposals (VECPs), and detailed supporting documentation, including proper processing in accordance with contract requirements and matters not eligible for change orders.	GMR	No VECPs to Date
3.	Review of other documentation and reports by the contract.	GMR and Subs	Compliant
4.	Review of contractor compliance to the contract terms and conditions, including the following: a. Timely payments to subcontractors; b. Assignment of new subcontractors; c. Disadvantaged Business Enterprise (DBE) requirements; d. Availability of documents for auditor review; e. Retention of records, including Escrowed Proposal Documents (EPDs)	GMR and Subs	Compliant - See discussions
5.	Review of contractor compliance with	GMR	Compliant -

	applicable laws and regulations;		See discussions
6.	Evaluation of contractor's internal controls over the management of the contract.	GMR	Compliant

2.0 Executive Summary

GCAP Services and our Audit team, Equals & Kita, believe that The GMR Joint Venture is in compliance with the key requirements of their fixed-price lump sum contract. Further, we find that the records supporting the flexibly priced change orders are in substantial compliance, with only a few minor issues of note or of interest, which do not rise to the level of a deficiency. We confirmed that GMR has a system which accomplishes timely payment to its subcontractors. In brief, there does not appear to be any economic exposure to OCTA which pertains to the change orders nor the lump sum contract; however, we do not make this statement as a confirmation of contract costs or to the completion of the SR-22 Project, as this was not GCAP's scope.

Based on our assigned scope and the review conducted by the GCAP team, we found no instances of major non-compliance. Additionally, we examined the "timely payment" to subcontractors and found GMR to be compliant, with a strong system of internal controls on their payment process to DBE subcontractors. However, our audit procedures revealed opportunities for improvements in the recording of direct labor on change orders and in public notice practices for new subcontracts. Our audit procedures and results are detailed below.

3.0 Key Findings

Because the procedures we developed for review of OCTA contract C-3-0663, under generally accepted auditing standards, are in principle "agreed upon procedures" and do not constitute an audit conducted in accordance with auditing standards generally accepted in the United States of America, we do not express a formal audit opinion. In connection with the procedures performed by us, except as set forth in the write-ups on Scope items 2 and 4, no other matters came to our attention that caused us to believe that the GMR contract requires further attention. Had we performed additional procedures or had we conducted an audit of GMR's subcontractors in accordance with auditing standards generally accepted in the United States of America, other matters might have come to our attention that would have been reported to you.

This report relates only to the contract compliance scope referred to in the scope and methodology and does not extend to any financial statements of either the GMR Joint Venture Principals nor any of the subcontractors taken as a whole. In fact, this audit of GMR has been limited due to the lump-sum fixed price nature of the contract. The FAR limits the scope of review on such fixed price costs. However, GMR was cooperative and we did examine the five contract change orders ("CCO"). Of these, only numbers 1 and 2 incurred expenditures as cost-type efforts thus far. We tested these two CCOs for labor, equipment, and materials costs for compliance to the OCTA Agreement, the FAR, and Caltrans rates for truck rental charges.

The GCAP team executed and coordinated written audit requests to the GMR Joint Venture, as appropriate, and in concert with contract terms and conditions. We requested that they provide supporting subcontractor, accounts payable records, cancelled checks, payroll records, prevailing wage reports, and other supporting documents to facilitate our review. We invited the GMR Project Manager and staff, the Parsons Transportation Group Project Director and the Project Controls Manager to our conferences. On each trip and meeting at the SR-22 Project Headquarters, we found the Project Office & Staff to be helpful and supportive to our document requests and questions.

During our compliance review, the GCAP team identified 68 subcontractors on Appendix 6 to the contract, dated June 30, 2005, which was provided directly to us by GMR. We compared this current listing of subcontractors to the original scope statement of Appendix 6 and found that the listings were consistent, and only varied by three subcontractors which were no longer on the list due to changes in the project. Our review of the Appendix 6 confirms that GMR continues to maintain the listing in a current reporting state. All active subcontractors to GMR were addressed by our audit and we examined the paid list of the 49 active subcontractors to confirm documentation and timely payment analyses.

The findings and recommendations of this report are intended solely for OCTA management.

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

3.1 Review of Contractor Invoices

We reviewed all nine original GMR billings to OCTA for the SR-22 project from September 2004 to June 2005 for compliance with Section 12 of the contract. No exceptions were noted.

3.2 Review of Contract Change Orders

We examined the incurred costs to-date on all contract change orders (CCOs) for compliance with Section 13 of the contract. Five CCOs in the amount of $6,049,284 have been approved on the GMR contract. Only CCOs 1 and 2 have incurred costs to-date, totaling $47,929.

Although there was satisfactory compliance on confirming recorded costs, paid labor, and the ultimate billing to OCTA, we discovered two minor discrepancies in the "Extra Work Bill" related to names of billed employees.

The first discrepancy involves the coding of labor to the "Extra Work Bill" detail documentation, in that only the "Last Name" and the "Initial" of the personnel working on a report is recorded. In our audit tests this resulted in a discrepancy between the "certified payroll" and the report due to the fact that there were two employees of GMR with the same "Last Name" and the first "Initial." We were able to resolve the ambiguity by meeting with the GMR payroll supervisor who had more detailed data than that recorded in the "certified payrolls." Regardless, the correct amounts were billed to OCTA.

The second discrepancy resulted from a personal preference or use of an employee's middle name in lieu of the correct last name as recorded in the "certified payrolls" and also the GMR payroll system. The hours and the payroll rate were accurate and there was no error in billing OCTA.

In summary, GMR should record employees working on "Extra Work Bill" items for the flexibly priced CCOs by including the employee's GMR "employee number." The four digit employee number, as used by GMR Payroll, is not a social security number derivative, and therefore would not have a privacy conflict that is inherent with social security numbers. The use of the available "employee number" would eliminate confusion on billing documentation as to similar names and usage of middle or other names for GMR employees.

3.3 Review Contractor Compliance with Terms & Conditions

3.3.1 Review of Timely Payments to Subcontractors

We reviewed a sample of payments to subcontractors for compliance with Section 12.5.1 of the contract, which calls for timely payment of all subcontractors, and Appendix 4, Part B, item VII of the contract, which calls for payment of all subcontractors (both DBE and non-DBE) within 10 days of receipt of prime being paid by the Authority. We met with the GMR subcontracts administrator to obtain an understanding of the process to utilize both DBE and non-DBE subcontractors and obtained a historical listing of supplier payments covering 49 suppliers. From this list we selected a detailed sample of 12 DBE subcontractors and one non-DBE subcontractor and tested whether payments were made in compliance with contract terms.

We determined that there were no material exceptions to the contract terms, except one wherein the non-DBE subcontractor in our sample was paid 76 days after GMR's receipt of payment from OCTA. This was due to necessary extra work outside of the contract scope. The subcontractor had oral approval from GMR prior to performing the work. This is allowed under the GMR subcontract (see Section 14.0 of the GMR subcontract). The subsequent written approval was performed by GMR before payment was made. As soon as this approval was finalized, it resulted in payment to the subcontractor. Since the contract between GMR and OCTA is a firm fixed price contract, the above approval and payment does not fiscally affect OCTA.

3.3.2 Review of Assignment of New Subcontractors

We reviewed GMR's procedures for assignment of new subcontracts for compliance with Section 7.2.2 of the contract. We reviewed Appendix 6 of the contract for subcontractors at June 30, 2005, and compared it to the original contract list and determined that GMR is maintaining their "Subcontractor Identification Form" current and up-to-date. In our sample test of GMR subcontracts, we determined that three subcontracts were "new" or were not originally included in GMR's bid.

Based on our discussion with GMR subcontracting personnel, we believe that the process for identifying and selecting subcontractors is fair and reasonable. However, subsection 7.2.2.1 of the contract was not followed for the new subcontracts, Section 7.2.2.1 requires that, for all construction projects over $25,000, GMR provide public notice of the availability of work to be subcontracted in accordance with OCTA's competitive bidding process publication requirements. OCTA's procedures require that public notice be published in a newspaper of general circulation for two consecutive weeks prior to the date set for bid closing.

Subsection 7.2.2.2 of the contract requires that GMR provide OCTA with a reasonable procedure for conducting the bidding and approval process before GMR solicits any bids for Major Subcontracts, which is defined as contracts greater than $3,900,000. The value of the subcontracts reviewed in our sample ranged between $396,000 and $2,358,000, and therefore are not required to comply with subsection 7.2.2.2 of the contract. However, we reviewed a draft of GMR's procurement policy and believe that it should be augmented to allow the use of GMR's database of subcontractors (including DBEs), the OCTA's list of registered vendors/DBEs, and other State and local agency databases for DBEs for soliciting bids.

Based on our review, we believe that GMR can improve their public notice practices by following the OCTA procedure of advertising upcoming IFB in local newspapers, as well as utilizing OCTA, Caltrans, and other public agency databases for DBEs and vendors.

3.3.3 Disadvantaged Business Enterprise Requirements

We reviewed the Disadvantaged Business Enterprise reporting requirements for compliance to the requirements in Appendix 4, Part B of the contract. The following documents were reviewed:

- Monthly DBE Subcontractors Paid Report Summaries and Verification Forms for the months of April through July of 2005
- Monthly Narrative DBE Progress Reports for the months of April through July 2005
- Annual Narrative Progress report for the period between September 22nd 2004, and June 30th 2005, submitted on August 9th, 2005

GMR is currently compliant with Section 7.1.3(b) of the contract that requires monthly "DBE Subcontractors Paid Report Summary and Payment Verification Form" (OCTA Form 103) be submitted to the Authority no later than the 10th of each month (and at more frequent intervals if requested by the Authority). However, GMR did not start to submit these narratives until April 2005. Additionally, the report for April 2005 was submitted 2 days late, and the report for May 2005 was submitted 14 days late. It is our opinion that these events do not constitute major instances of non-compliance.

GMR has committed to meeting the 12% contract goal. At the time of the submittal of Best and Final Offers (BAFOs), GMR identified an 8% DBE commitment. Should GMR fail to meet the 12% DBE goal, GMR is to remedy this by demonstrating Good Faith Efforts. OCTA's subcontractor, Padilla and Associates, is responsible for monitoring DBE compliance and is currently reviewing whether GMR has complied with the Good Faith Effort requirements.

3.3.4 Availability of Documents for Auditor Review

Regarding the requirements of Section 21.3 of the contract, Maintenance of, Access to, and Audit of Records, GMR was in compliance with respect to this specific audit. GMR exhibited a very high level of cooperation and support to the scope of our audit. The subcontract administrator and various project managers were helpful and demonstrated thoughtful support to issues and our audit scope. Although their offices were busy, we believe that their support was as timely as we could expect under the circumstances of the SR-22 schedule.

3.3.5 Retention of Records, including Escrowed Bid Documents

Regarding the requirements of Section 21.4 of the contract, Retention of Records, we determined that GMR was in compliance. Specifically, the following processes were reviewed:

- Document control and retention for contract and project records kept by GMR
- Inspection and test documents (Quality Control)
- Contract/Project management documents kept by PTG

We interviewed GMR and PTG Project Management, Quality Control Document Management, and Contract Administration. We also reviewed the Expedition document control system being utilized by GMR, PTG's Construction Quality Management Plan, and GMR's Project Management Plan to determine if adequate internal controls are in place to ensure compliance with the contract.

GCAP reviewed the actual documents being retained and kept by GMR and PTG. For disaster preparedness reasons, all scanned documents and related metadata is backed up daily on both the local server and also at PTG's site in Plano, Texas. All records being retained by GMR are coded to include the Caltrans file code requirements.

The inspection and test records are created in the field and submitted to the GMR project office on a regular basis (mostly weekly). These records are kept in chronological order and kept in a common area bookcase. The noncompliance reports, which identify potential noncompliance with contract requirements, are submitted to the Project office and logged. These reports are kept inside the Construction Quality Control office.

Based upon discussions with GMR and PTG staff, all project records (both hard copies and scanned versions into the Expedition system) will be turned over to OCTA/Caltrans at the end of the project.

Escrowed Documents – A review of escrowed bid documents was performed at the GMR project offices to determine whether these documents were properly stored and handled in accordance with Section 21 of the contract. An indexed summary of the escrowed proposal documents (EPDs) was provided along with a list of document identifiers with Bates stamped pages per document. The EPDs are kept in two locked fire-proof file cabinets at the GMR project office. The keys to the cabinet are held by OCTA staff. The contents of the cabinets were reviewed to reconcile with the list provided by OCTA. Additional reviews were performed to ensure Bates numbers corresponded with the listing provided and the contents were clearly marked. All documents identified in the summary of contents were verified. Based on our review, we determined that GMR was in compliance with Section 21 of the contract.

3.4 Review Contractor Compliance with Laws and Regulations

Based on our review of various reports prepared by GMR and limited discussions with SR-22 project personnel, including OCTA staff, in conjunction with the procedures performed above, the GCAP team believes that GMR has provided appropriate measures to ensure compliance with all Federal, State and local laws, regulations, rules and OCTA procedures for this project, including but not limited to those contained in Section 1.10, 2.27, 2.3.5, and Appendix 14 of the GMR contract. Specifically, GMR has utilized PTG to assist in contract and labor compliance. PTG is providing project management services for the SR-22 Design-Build contract, including safety and environmental compliance, quality assurance, and compliance with applicable requirements of regulatory agencies.

3.5 Evaluation of Contractors' Internal Controls over Management of the Contract

Based upon our review of the GMR contract requirements, interviewing personnel, and review of various documents, we believe that GMR has adequate procedures, practices, and qualified personnel to properly manage and perform to the contract. Specifically, in conjunction with the procedures performed above, we reviewed the following:

- Controls over change order processing, subcontracting, and invoicing;
- Controls over record retention requirements, DBE compliance; and
- Controls over required progress reporting, inspections, and quality assurance.

4.0 Recommendations

Based on our review, GCAP Services recommends the following:

1. GMR should follow the OCTA procedure of advertising upcoming IFB in local newspapers, as required per the contract. Additionally, GMR should consider including in their subcontractor procurement procedures the utilization of OCTA, Caltrans, and other public agency databases for DBEs and vendors to help procure new subcontractors.

2. To eliminate confusion on billing documentation, GMR should use their Employee Numbers to record labor charges for "Extra Work Bill" items for flexibly-priced contract change orders

ATTACHMENT B

OCTA

INTEROFFICE MEMO

December 29, 2005

To: Lisa Monteiro, Senior Internal Auditor, Internal Audit

From: Stanley Phernambucq, Executive Director, Construction & Engineering

Subject: **Response to Internal Audit Report No. 05-038**

The Construction and Engineering Division and Contracts Administration & Materials Management Department have reviewed the Contract Compliance and Fiscal Audit of Agreement No. C-3-0663, Granite-Meyers-Rados (GMR), State Route 22 Design-Build Contract internal audit report. This memorandum responds to the recommendations included in this report.

Recommendation No.1

The Construction and Engineering Division agrees with this recommendation. This contract compliance issue will be implemented through CAMM's review of subcontracts and subcontracting activities undertaken by GMR. This requirement has been discussed with GMR to make sure they are aware of this deficiency and ensure future compliance with this requirement.

Recommendation No.2

The Construction and Engineering Division agrees with this recommendation. While the minor discrepancies did not result in billing errors, GMR has been directed to use their Employee Numbers to record labor charges for "Extra Work Bill" items performed on Change Orders. This recommendation has already been implemented.

ATTACHMENT C

OCTA

INTEROFFICE MEMO

January 4, 2006

To: Stanley Phernambucq, Executive Director
Construction & Engineering

From: Lisa Monteiro, Senior Internal Auditor LM
Internal Audit

Subject: **Contract Compliance and Fiscal Audit of Agreement No. C-3-0663, Granite-Myers-Rados, State Route 22 Design-Build Contract, Internal Audit Report No. 05-038, Audit Close-out Memo**

Internal Audit has received and concurs with management's responses to the two recommendations issued in Internal Audit Report No. 05-038 – Contract Compliance and Fiscal Audit of Agreement No. C-3-0663, Granite-Myers-Rados, State Route 22 Design-Build Contract. Management is in the process of implementing one recommendation and has already implemented the other recommendation. Internal Audit will follow-up on the status of management's planned corrective actions.

Attachment: Response to Internal Audit Report No. 05-038

c: Rick Bacigalupo
Rick Grebner
Dinah Minteer
Kathleen Perez
Robert Duffy

13.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject Report on Audit of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project

Finance and Administration Committee — January 25, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the audit report of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project.

OCTA

January 25, 2006

To:	Finance and Administration Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Report on Audit of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project

Overview

A contract compliance and fiscal audit of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project has been completed by the professional firm of GCAP Services, Inc. Parsons Transportation Group is in substantial compliance with the key requirements of Agreement C-1-2069.

Recommendation

Receive and file the audit report of Agreement C-1-2069 with Parsons Transportation Group for the Garden Grove Freeway (State Route 22) Design-Build Project.

Background

Orange County Transportation Authority (OCTA), in cooperation and partnership with the California Department of Transportation, is making improvements to the Garden Grove Freeway (State Route 22) between the Costa Mesa Freeway (State Route 55) and the San Diego Freeway (Interstate 405), known as the Garden Grove Freeway (State Route 22) Design-Build Project.

Parsons Transportation Group (PTG) is providing program management services for the Garden Grove Freeway (State Route 22) Design-Build Project under Agreement C-1-2069. The contract is on a time and expense basis specifying fully-burdened labor rates and other direct costs, which are updated and approved by OCTA on an annual basis. The contracted total maximum payment obligation is $31,988,054, of which $13,807,031 (43 percent) has been paid as of September 2005. The contract term is from January 16, 2002, through December 31, 2007.

Discussion

No recommendations were made regarding the review of Agreement C-1-2069 with PTG for the period between February 2004 and August 2005 (Attachment A).

Summary

The review has concluded that PTG is in substantial compliance with the key requirements of Agreement C-1-2069, internal controls over management of the contract were adequate, and significant improvements have been made since the previous audit of the contract last year.

Attachment

A. Contract Compliance and Fiscal Audit of Agreement No. C-1-2069, Parsons Transportation Group, State Route 22 Design-Build Program Management, Internal Audit Report No. 05-037

Prepared by:

for

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

Approved by:

for

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

ATTACHMENT A

OCTA

INTEROFFICE MEMO

December 6, 2005

To: Stan Phernambucq, Executive Director
Construction & Engineering

From: Lisa Monteiro, Senior Internal Auditor LM
Internal Audit

Subject: **Contract Compliance and Fiscal Audit of Agreement No. C-1-2069, Parsons Transportation Group, State Route 22 Design-Build Program Management, Internal Audit Report No. 05-037**

Conclusion

A contract compliance and fiscal audit of Agreement No. C-1-2069 between the Orange County Transportation Authority and Parsons Transportation Group for State Route 22 Design-Build Program Management services has been completed by the professional firm of GCAP Services, Inc. Parsons Transportation Group is in substantial compliance with the key requirements of Agreement No. C-1-2069, internal controls over management of the contract were adequate, and significant improvements have been made since the previous audit of the contract last year.

Background

Orange County Transportation Authority (OCTA), in cooperation and partnership with Caltrans, is making improvements to State Route 22 (SR-22) between State Route 55 and Interstate 405, known as the SR-22 Design-Build Project. Parsons Transportation Group (PTG) is providing program management services for the project under Agreement No. C-1-2069. The contract is on a time and expense basis specifying fully-burdened labor rates and other direct costs, which are updated and approved by OCTA on an annual basis. The contracted total maximum payment obligation is $31,988,054, of which $13,807,031 (43 percent) has been paid as of September 2005. The contract term is from January 16, 2002, through December 31, 2007.

Purpose and Scope

The Internal Audit Plan for Fiscal Year 2004-05 included contract compliance and fiscal audits of SR-22 construction contracts. Internal Audit enlisted the professional firm of GCAP Services, Inc. (GCAP) to perform a contract compliance and fiscal audit of Agreement No. C-1-2069 between OCTA and PTG for SR-22 Design-Build Program Management services. The scope of the audit included contract compliance by the prime contractor (PTG) and its approximately ten subcontractors. The scope also covered OCTA's management of the contract. The audit period was generally between February 2004 and August 2005. The audit was conducted using generally accepted government auditing standards.

Discussion

A detailed review was performed by GCAP on all invoices paid during the audit period, including review of labor escalation rates and controls over invoice approval. No instances of non-compliance were noted. GCAP also reviewed the seven contract amendments that have been executed and found no issues. Additionally, GCAP determined that PTG has provided appropriate measures during Phase I of the SR-22 project to ensure compliance with all applicable Federal, State and local laws and regulations.

GCAP determined that PTG has implemented tighter controls to ensure compliance with contract requirements since the previous audit conducted last year. Communication and coordination between OCTA and PTG has increased significantly, and they work closely together on contract compliance. All recommendations made in the previous audit have been fully addressed.

Summary

The detailed audit report prepared by GCAP is attached. A management response is not required.

Audit performed by: GCAP Services, Inc.

Attachment: 2005 Audit of Agreement C-1-2069 Between Orange County Transportation Authority (OCTA) and Parsons Transportation Group, Inc. (PTG) Project Management Services for State Route 22 Design-Build Project

c: Rick Bacigalupo
Rick Grebner
Dinah Minteer
Kathleen Perez
Robert Duffy

OCTA

2005 Audit of Agreement C-1-2069 Between Orange County Transportation Authority (OCTA) and Parsons Transportation Group, Inc. (PTG)

Project Management Services for State Route 22 Design-Build Project

Prepared By
GCAP Services, Inc.

GCAP SERVICES

Final Report
December 6, 2005

Table of Contents

1.0 Introduction 2

1.1 Background
1.2 Objective
1.3 Scope and Methodology
1.4 Task 1
1.5 Task 2

2.0 Executive Summary 3

3.0 Key Findings 4

1.0 Introduction

1.1 Background

The Orange County Transportation Authority (OCTA) issued contract agreement C-1-2069 to Parsons Transportation Group (PTG) to provide Project Management Services for the Garden Grove (SR-22) Design-Build project. The term of this agreement is from January 16, 2002 through December 31, 2007. The contract is a modified time and expense contract with a current total contract value of $31,988,054. OCTA has paid approximately $13,807,031 or approximately 43% of the contract value.

1.2 Objective

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

- SR-22 Design-build project objectives will be achieved;
- The project is managed in a cost effective manner;
- Potential risks are identified and monitored;
- Appropriate mechanisms are in place for contractor accountability'
- Proper and timely communication between all OCTA stakeholders; and
- Appropriate best practices are incorporated into this project and future projects of similar nature

1.3 Scope and Methodology

OCTA engaged GCAP Services, Inc., and our subcontractor, Equals & Kita, LLP to perform a two-part audit on Agreement C-1-2069 for the period between February 2004 and August 2005. The first part included a review of PTG's and its subcontractors' compliance with contract terms and conditions. The second part involved a review of OCTA's management of the PTG contract. This report addresses both parts of the audit: "Task 1" and "Task 2."

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

Task 1 was performed utilizing an audit program developed by Equals & Kita to assure compliance to the scope of GCAP's agreement with OCTA's Internal Audit Department and generally accepted auditing standards.

In conducting the fiscal review, the GCAP team performed six tasks:

Fiscal Review Task	Performed on	Schedule
1.Review of contractor invoices and detailed supporting documentation, including payroll and other accounting records	PTG and Subs	See Schedule 2
2. Review of other documentation and reports required by the contract	PTG and Subs	See Schedule 1
3. Review of contractor compliance to the contract terms and conditions, including timely payments to subcontractors	PTG and Subs	See Schedules 1, 2, & 3
4. Review of any contractor rate changes that were not approved by OCTA management	PTG and Subs	N/A
5. Review of contractor compliance with applicable laws and regulations; and	PTG and Subs	N/A
6. Evaluation of contractor's internal controls over management of the contract	PTG	N/A

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

A review of internal controls being used by OCTA staff over invoice review and approval; issuance of contract amendments; and determining PTG's compliance with contract terms and conditions was performed, which included the following tasks:

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

For Task 2, the GCAP team examined the most recent 12 months worth of data provided by PTG, which included data from July 2004 through June 2005.

2.0 Executive Summary

Both the PTG and OCTA support staff were extremely helpful and very knowledgeable about their areas of expertise and responsibilities. In conducting our review, GCAP performed a follow up to our previous year's findings. We found that the two key findings from our previous Task 2 report, the PTG labor escalation and the additional work issues, have been fully addressed by OCTA staff. In our review of current PTG and OCTA practices, we found significant improvements to internal controls. In fact, the PTG wage escalation is currently 0.5% below the contract limit of 4% aggregate. In our previous review, the PTG wage escalation was 2.27% over what is allowed in the contract. PTG has implemented tighter controls to ensure compliance with contract labor escalation requirements and, with the exception of a contract rate discrepancy billed by TEC Management for a Project Manager in March 2005, is in compliance with the contract. Unlike our previous audit, we received all records requested from PTG, including payroll records. We believe that communication and coordination between OCTA and PTG has increased significantly since the last audit. The GCAP team believes that Parsons Transportation Group ("PTG") is in substantial compliance with the key requirements of Agreement C-1-2069.

3.0 Key Findings

Because the procedures we developed for our review of OCTA contract C-1-2069, under generally accepted auditing standards, are in principle "agreed upon procedures" and do not constitute an audit conducted in accordance with auditing standards generally accepted in the United States of America, we do not express a formal audit opinion. In connection with the procedures performed by us, except as set forth in the write-ups on Schedule 1, no other matters came to our attention that caused us to believe that the PTG contract requires further adjustments. Had we performed additional procedures or had we conducted an audit of the indirect rates of PTG and its ten (nine originally listed in the audit scope) Subcontractors in accordance with auditing standards generally accepted in the United States of America, other matters might have come to our attention that would have been reported to you.

This report relates only to the contract compliance scope referred to in the scope and methodology and does not extend to any financial statements, nor indirect rates, of PTG, nor any of the subcontractors taken as a whole. In fact, this audit of PTG and its subcontractors specifically limited the scope to exclude any consideration or audit by us as to compliance to FAR indirect cost rates.

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

3.1 Task 1-On-Site Contract and Compliance Audit

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

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

3.1.1 Review of Labor Rate Compliance

A sample of 18 invoices out of a total of 37 was randomly selected for review from between February 2004 to June 2005. We designed our audit program to include this 18 month period to allow both a fiscal period audit of July 2004 through June 2005, and a calendar year audit of January 2004 through December 2004, for audit tests of compliance to the contract requirement limiting labor escalation rates. Reviews of labor escalation rates for both audit periods confirmed compliance by PTG to the contract requirements except in the following instance: During our review of the payroll records in support of the billing rates used by TEC Management, an exception was noted in the case of the Utility Manager. Payroll accounting records provided indicated a bare labor rate of $58.56 per hour while the billing rate used to bill OCTA/PTG was $60.10 per hour. We attempted to reconcile the difference through discussions with TEC Management and Parsons Transportation Group project control personnel; however, it appears to be a miscommunication of the contract terms between OCTA and Parsons Transportation Group.

Based on our review, we found no instances of non-compliance by PTG with regards to Article 5 (Payment) of Agreement C-1-2069.

3.1.2 Review of Labor Escalation Rate Comparison

In order to maintain compliance with the contract, PTG was actually billing its personnel at less than actual amounts paid per the payroll records. There were no instances of non-compliance with the not-to-exceed labor escalation rates of 4% in the aggregate or 6% for individual wage increases. Our compliance review included an analysis of a sample of labor escalation rates from July 2004 through June 2005. This 12-month sample period was selected because it represented the most current period for which data was available. The results of the analysis showed that for the 18 randomly sampled individuals out of a total of 37, PTG implemented escalations at less than 3.5%. For all 37 individuals, the composite of all wage escalations during the twelve-month period was 3.5%, which was 0.5 percent less than the 4% aggregate limit per the contract.

Our examination of the annual labor escalations resulted in a fair and accurate statement of the invoices for the period of July 2004 through June 2005.

Based on our discussion with the PTG Project Director, PTG has implemented tighter controls to ensure compliance to the contract requirements for labor escalation rates.

3.1.3 Review of Contractor Compliance with Applicable Laws and Regulations

Based on a review of monthly progress reports prepared by PTG and limited discussions with both OCTA project management staff and the PTG Project Controls Manager, the GCAP team believes PTG has provided appropriate measures during Phase I, RFP through Design-Build contractor procurement, of the SR-22 project to ensure compliance with all applicable Federal, State and local laws, regulations, rules and mandates.

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

Our review of internal controls being used by OCTA staff over invoice review and approval, issuance of contract amendments, and PTG's compliance with contract terms and conditions determined that improvements have been made over prior audit findings.

3.2.1 Follow-up on Prior Year Audit Findings

The GCAP Team followed up on key findings from the previous audit conducted in 2004. We found that all key issues identified in our previous audit have been properly addressed. PTG now has internal controls, which monitor and constrain the escalation in labor rates to within the contract terms. The aggregate labor escalation rate for this sample period was 3.5%, which is 0.5 percentage points below the allowable not-to-exceed limit of 4%. Please see the summary of results at Schedule 1.

PTG did not provide the GCAP Team with actual payroll records during our previous audit. For this review, PTG provided satisfactory actual payroll records as requested. Please see the summary of results at Schedule 2.

In the previous audit, it was recommended that a retention clause be added to the contract to allow OCTA to manage risk of over billings. The addition of Article 28B in Amendment 8, which requires consultants to refund properly disallowed amounts to the Authority, eliminates the need for a retention clause.

Finally, the prior key findings from our Task 2 report in 2004 have been fully addressed. Previously, we found that PTG had failed to include labor escalation in their cost proposal to OCTA and that additional work was not being processed either through amendments or changes to the contract. The OCTA has now included the PTG labor escalation and additional work as part of the revised estimate to complete and is processing an amendment to increase the contract budget from $31.2 to $38 million.

3.2.2 Review of Internal Controls of Issuance of Amendments to the Contract

GCAP reviewed the issued amendments and determined that 7 amendments had been issued to date and an eighth amendment was being processed at the time this report was being prepared. The following is a summary of the amendments issued during the period under audit:

- Amendment 5 modified the key personnel for PTG at no change to the maximum cumulative payment obligations.
- Amendment 6 replaced the PTG project manager at no change to the maximum cumulative payment obligations.
- Amendment 7 modified key personnel for PTG and added subcontractor Padilla & Associates to the contract.

- Based on interviews with both OCTA and PTG staff we found that Amendment 8 is being issued to address the administrative burden of annually revising the overhead rate and calculating labor escalation. A copy of the amendment was provided to the GCAP team for review. We believe this amendment to be an improvement in streamlining the contract administration process while having very little or no affect on the overall cost to OCTA.

We reviewed the recommendations made in the 2004 audit of contract C-1-2069 and found that $1 million of additional work had been identified in the PTG progress reports through May 2004. Recently, the contract estimate to complete has been revised upwards by $6,011,054, making to total estimated contract value $38,000,000 based upon upgraded forecast estimates that take into account additional work and PTG labor escalation. An amendment to revise the contract from $31,988,054 to $38,000,000 is currently pending.

3.2.3 Review of OCTA Process for Approving PTG Invoices for Payment

As in our previous review, we found that the process for approving and processing PTG invoices appears to be conducted appropriately. PTG submits a monthly progress report prior to submitting its invoice. PTG submits the invoice along with supporting documentation to the SR-22 Program Manager. The project controls staff reviews the invoice for mathematical accuracy and appropriate coding in accordance with contract terms. The SR-22 Management team signs off on the invoice before it is submitted to the Accounts Payable staff. The Accounts Payable staff reviews invoice for appropriate signature based on authorization level for the dollar amount of invoice.

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

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

GCAP did not review the indirect rates for PTG or its subcontractors as part of this review. We were informed that Amendment 8 would incorporate the audited 2003 overhead rates for both PTG and its subcontractors as a fixed rate for the remainder of the contract. Although the PTG contract under Article 5, Payment, item B, 1. Hourly Rate Schedule requires the submittal of revised overhead rates and revision by July 1, of each year, this term of the contract will be unnecessary after Amendment 8 is executed.

We found that since the beginning of the construction phase, communication and coordination between OCTA and PTG has improved significantly. We met with OCTA's SR-22 contract manager and found that she works at the project site at least once a week and meets with contractor staff on a regular basis. The level of OCTA involvement for contract administration has increased favorably since our last review.

SCHEDULE 1

OCTA Agreement C-1-2069 PTG — Schedule 1

PTG Direct Labor Rate Escalation Audit & Analysis — Draft Preliminary Analysis - Yr 2005

Test Period - July 2004 to June 2005

Criteria: Individual Billed to OCTA in July 2004 and June 2005; 12 month Period

25 Direct Labor Individual Increases

Individuals in Excess of 6% Increase: ; One PTG Employee Exceeded 6% Limit by a "penny"

Actual "Aggregate" of 9 = 3.544% ; Below 4% limit by "0.456%"

	Column Codes:	(1)	(2)	(3)	(4)	(5)	(6)
	Formulas:	----	----	[(2) / (1)] - 1	(2) X 1.06	----	----
Line	Classification	July 2004 -- Individual Base Pay Rate	June 2005 -- Individual Escalated Rate	July 2004 to June 2005: Escalated % Increase	Recalculation of July 2004 up to a 6% Not-to-Exceed	Over or Under 6% Contract Individual Limit	$ / hour -- Over 6% Contract "CAP"
1	Engineer	$51.500	$54.000	4.8544%	$54.590	under	Not Applicable
2	Project Engineer	$49.410	$50.890	2.9953%	$52.375	under	Not Applicable
3	Principle Engineer	$65.520	$66.840	2.0147%	$69.451	under	Not Applicable
4	Project Manager	$68.270	$72.370	6.0056%	$72.366	OVER	-$0.004
5	CADD Manager	$34.890	$35.940	3.0095%	$36.983	under	Not Applicable
6	Manager	$60.000	$61.800	3.0000%	$63.600	under	Not Applicable
7	Engineer	$28.260	$29.110	3.0078%	$29.956	under	Not Applicable
8	Office Manager	$33.310	$34.310	3.0021%	$35.309	under	Not Applicable
9	Senior Engineer	$48.950	$50.910	4.0041%	$51.887	under	Not Applicable
Count:	9						

Aggregate Sum: 31.893%

Count of Individuals: 9

Aggregate of Direct Labor Increases: * 3.544% ; Contract has a 4% Aggregate "not-to-exceed"

Below the "Not-to-Exceed", Aggregate, 4%: -0.456% ; Overbilled Aggregate Percentage

* Aggregate Sum divided by Count of Individuals

SCHEDULE 2

Schedule 2

PRIME CONTRACTOR AND SUBCONTRACTORS
GCAP SERVICES, INC. --Agreement C-3-0435
Task 1 - Item 5
SCOPE: Review of Payroll Accounting Records

Prime Contractor:	Sample #	Test/Item	Results	Comments
PARSONS TRANSPORTATION GROUP		Pay Rates	In Compliance	Confirmed Invoice to Payroll
Subcontractors:				
AIG [Advanced Infrastructure Group] JV	See Comments	N/A	N/A	AIG is a Joint Venture made up of Group Delta and Advanced Earth Sciences.
-Group Delta Consultants (Partner)	1A	Pay Rates	In Compliance	Confirmed Invoice to Payroll
-Advanced Earth Sciences (Partner)	1B	Pay Rates	In Compliance	Confirmed Invoice to Payroll
APSI	2	Pay Rates	In Compliance	Actual higher from Jan. '05, Not used in billing.
CORDOBA CORPORATION	3	Pay Rates	In Compliance	Confirmed Invoice to Payroll
FPL	4			Confirmed Invoice to Payroll
HARRIS & ASSOCIATES	5	Pay Rates	In Compliance	Confirmed Invoice to Payroll
MCLEAN & SCHULTZ	6	Pay Rates	In Compliance	Actual higher from Feb. '05, Not used in billing.
PSOMAS	7	Pay Rates	In Compliance	Actual higher from Mar. '05, Not used in billing.
TEC MANAGEMENT CONSULTANTS	8	Pay Rates	Non Compliant	Waiting on Dexter Flippin
CHAMBERS GROUP, INC.	9	Pay Rates	In Compliance	Actual higher from Feb. '05, Not used in billing.
PADILLA & ASSOCIATES	10	Pay Rates	In Compliance	March '05 billed at less than actual

SCHEDULE 3

Schedule 3

PRIME CONTRACTOR AND SUBCONTRACTORS
GCAP SERVICES, INC. --Agreement C-3-0435
Task 1 - Item 6
PTG's timely Payment to Subcontractors

Prime Contractor:	Sample #	Test/Item	Results	Comments
PARSONS TRANSPORTATION GROUP		N/A	N/A	not applicable
Subcontractors:				
AIG [Advanced Infrastructure Group] JV	See Comments	N/A	N/A	AIG is a Joint Venture made up of Group Delta and Advanced Earth Sciences.
-Group Delta Consultants (Partner)	1A	Invoice Date	In Compliance	Within 4 days of PTG Paid/Sooner
-Advanced Earth Sciences (Partner)	1B	Invoice Date	In Compliance	Within 4 days of PTG Paid/Sooner
APSI	2	Invoice Date	In Compliance	Need to Obtain July '05 Invoice and pmt.
CORDOBA CORPORATION	3	Invoice Date	In Compliance	Need to Obtain July '05 Invoice and pmt.
FPL	4	Invoice Date	In Compliance	Invoice; FPL paid w/in 4 days of OCTA pmt.
HARRIS & ASSOCIATES	5	Invoice Date	In Compliance	Within 4 days of PTG Paid/Sooner
MCLEAN & SCHULTZ	6	Invoice Date	In Compliance	Within 4 days of PTG Paid/Sooner
PSOMAS	7	Invoice Date	In Compliance	PSOMAS Adjusted Dec. 04 billed in Feb. '05; PTG billed March 05; Paid PSOMAS July 18, 2005.
TEC MANAGEMENT CONSULTANTS	8	Invoice Date	In Compliance	Need to Obtain July '05 Invoice and pmt.
CHAMBERS GROUP, INC.	9	Invoice Date	In Compliance	Within 4 days of PTG Paid/Sooner
PADILLA & ASSOCIATES	10	Invoice Date	In Compliance	Within 4 days of PTG Paid/Sooner

OCTA

Item 14.

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject Internal Control Review and Operational Audit of Project Controls

Finance and Administration Committee — January 25, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file the Internal Control Review and Operational Audit of Project Controls, Internal Audit Report No. 06-002.

OCTA

January 25, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Internal Control Review and Operational Audit of Project Controls

Overview

An internal control review and operational audit of the Project Controls Section of the Construction Services Department has been completed by the professional firm of Thompson, Cobb, Bazilio and Associates, PC. Internal controls were generally adequate to ensure the safeguarding of Orange County Transportation Authority's assets.

Recommendation

Receive and file the Internal Control Review and Operational Audit of Project Controls, Internal Audit Report No. 06-002.

Background

The Right of Way section and the Project Controls Section together comprise the Construction Services Department, which is within the Construction and Engineering Division of the Orange County Transportation Authority (Authority). The Construction Services Department is responsible for providing project management services and cost controls related to the design, construction, right-of-way acquisition, and maintenance of the Authority's transit and transportation projects. Examples of these projects are Measure M freeway improvements, commuter rail stations, bus facilities, and park and ride facilities. The department works with the California Department of Transportation and local cities to ensure projects are completed on schedule, at or below budget, and in accordance with the mandates of the Measure M program. As of September 30, 2005, there were 37 construction and engineering projects with estimates at completion totaling $2.5 billion that are being funded fully or partially by Measure M.

Discussion

Internal Audit made recommendations to implement comprehensive policies and procedures, enforce the requirement that all invoices be submitted directly to Accounts Payable, update the invoice review checklist process, and consider developing a monthly or quarterly project status summary report for each project. Management is in the process of making changes in response to the recommendations.

Summary

Based on the review, internal controls were generally adequate to ensure the safeguarding of the Authority's assets. Internal Audit did offer some recommendations, which management staff indicated would be implemented.

Attachments

A. Internal Control Review and Operational Audit of Project Controls, Internal Audit Report No. 06-002
B. Response to Internal Audit Report No. 06-002
C. Internal Audit Report No. 06-002 Response
D. Internal Control Review and Operational Audit of Project Controls, Internal Audit Report No. 06-002, Audit Close-out 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

December 21, 2005

To: Stan Phernambucq, Executive Director
Construction & Engineering

Jim Kenan, Executive Director
Finance, Administration & Human Resources

From: Lisa Monteiro, Senior Internal Auditor
Internal Audit

Subject: **Internal Control Review and Operational Audit of Project Controls, Internal Audit Report No. 06-002**

Conclusion

An internal control review and operational audit of the Project Controls section of the Construction Services Department has been completed by the professional firm of Thompson, Cobb, Bazilio and Associates, PC. The results of the audit concluded that in general, internal controls were adequate to ensure the safeguarding of Orange County Transportation Authority's assets. However, Internal Audit is recommending improvements that will strengthen internal controls and make operations more efficient.

Background

The Right of Way section and the Project Controls section together comprise the Construction Services Department, which is within the Construction and Engineering Division of the Orange County Transportation Authority (Authority). The Construction Services Department is responsible for providing project management services and cost controls related to the design, construction, right-of-way acquisition, and maintenance of the Authority's transit and transportation projects. Examples of these projects are Measure M freeway improvements, commuter rail stations, bus facilities, and park and ride facilities. The department works with Caltrans and local cities to ensure projects are completed on schedule, at or below budget, and in accordance with the mandates of the Measure M program. As of September 30, 2005, there were 37 construction and engineering projects with estimates at completion totaling $2.5 billion that are being funded fully or partially by Measure M.

Purpose and Scope

The Internal Audit Plan for Fiscal Year 2004-05 included an internal control review and operational audit of the Project Controls section of the Construction Services Department. Internal Audit enlisted the professional firm of Thompson, Cobb, Bazilio and Associates, PC (TCBA) to perform the review. The internal control review focused on the fiscal administration of projects, procedures and controls in place for processing invoices, procedures in place to ensure compliance with the Measure M ordinance, and reporting controls. The operational audit reviewed for opportunities to improve operations. The audit was conducted using generally accepted government auditing standards.

Observations and Recommendations

Comprehensive Written Policies and Procedures

Policies and procedures for Project Controls are not completely documented. Although some procedures are formally written and approved, many of the procedures used by Project Controls were adopted informally and are not documented.

Recommendation No. 1 – Project Controls

The development of written policies and procedures for project control functions should be completed.

Timely Recognition of Expenses

OCTA's requirement that all invoices be submitted directly to Accounts Payable is not being followed or enforced.

Recommendation No. 2 – Accounts Payable

OCTA should enforce the requirement that all contractors submit invoices directly to Accounts Payable. Additionally, upon receipt of an invoice, Accounts Payable should establish aging and an accrual for the expenditure.

Recommendation No. 3 – Project Controls

Project Controls should consider updating its current invoice review checklist and utilize the checklist rather than the review stamp currently used. The checklist should list the specific steps performed during the invoice review process and be attached to the invoice.

Project Management Oversight Reporting

In general, procedures for monitoring project funding sources, allocations, schedules, and budgets were found to be adequate. Although Project Controls provides considerable information on project and contract cost and schedule status, the information provided varies depending on a project's size and complexity. Project Controls does not produce a standard one page consolidated monthly or quarterly status report for each project.

Recommendation No. 4 – Project Controls

Project Controls should consider developing a consolidated monthly or quarterly project status summary report for each project.

Management Response

Internal Audit requests a response indicating the actions taken or planned to address the recommendations be forwarded by the respective department manager to Lisa Monteiro, Senior Internal Auditor, by January 4, 2006. The detailed audit scope and results are included in the attached audit report.

Audit performed by: Thompson, Cobb, Bazilio and Associates, PC

Attachment: Orange County Transportation Authority, Internal Controls Review, Project Controls Section of the Construction Services Department, November 2005

c: Rick Bacigalupo
Dinah Minteer
Norbert Lippert
Tom Wulf
Dale Cole
Robert Duffy

ORANGE COUNTY TRANSPORTATION AUTHORITY

Internal Controls Review
Project Controls Section
of the
Construction Services Department

November 2005

FINAL REPORT

Submitted by

TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

21250 Hawthorne Blvd. Suite 500 Torrance, CA 90503

PH 310.792.7001 . FX 310.792.7004 . www.tcba.com

TABLE OF CONTENTS

Page

Executive Summary 1

Objectives, Scope and Methodology 3

Audit Results 5

EXECUTIVE SUMMARY

The primary objective of this audit was to develop an understanding of and assess the adequacy of the internal controls related to the Orange County Transportation Authority's ("OCTA" or "Authority") Project Controls Section. The Project Controls Section together with the Right of Way Section makes up the Construction Services Department, which is within the Construction and Engineering Division of the OCTA. The Construction Services Department is responsible for providing project management services and cost controls related to the design, construction, right-of-way acquisition, and maintenance of the OCTA's freeway and transit way projects. The department works with Caltrans and local cities to ensure projects are completed on schedule, at or below budget, and in accordance with the mandates of the applicable program guidelines such as Measure M program guidelines. The scope of our audit only included the internal control processes in the Project Controls section of the Construction Services Department.

The internal control environment of an organization is established by top management and includes factors such as structure, accountability, and well-documented policies and procedures with a clear assignment of authority and responsibility. The internal control environment is the foundation of all other components of internal control and it provides discipline and structure for a department or organization. We believe that the following actions would strengthen the internal controls related to the Project Controls Section.

1) The completion of written Project Control Policies and Procedures.
2) Timely recognition of project expenses and the use of invoice processing checklists.
3) The preparation of a consolidated quarterly/monthly Project Status summary report.

Below we provide a brief summary of the three audit results identified above. Complete audit results are detailed in the Audit Results section of this report.

1. Comprehensive Written Project Control Policies and Procedures is Needed

Policies and procedures for Project Controls are not completely documented. Although some procedures are formally written and approved, many of the procedures used by Project Controls were adopted informally and are not documented.

We recommend that Project Controls management complete the development of written policies and procedures for project control functions. The completion of comprehensive written policies and procedures would strengthen the internal control and management environment of the department.

2. Timely Recognition of Expenses Could Be Improved

Although OCTA Construction and Engineering contracts require contractors to submit invoices directly to the attention of Accounts Payable, we found that this requirement is not being followed or enforced. Accounts Payable cannot track vendor invoices for timely payment and accruals if the invoices are not forwarded directly to that department.

In addition, the timely recording and reporting of project expenditures may be compromised, possibly resulting in project expenditure reports that do not contain current financial data.

We recommend that OCTA management monitor and enforce the requirement that vendors send all invoices directly to Accounts Payable. Additionally, we recommend that the Project Controls section update its current invoice review checklist and utilize the checklist in place of a stamp for general authorizations for their invoice review procedures. The checklist should list the specific steps performed during the invoice review process and thereby add a level of accountability and information for OCTA project managers.

3. Improvements Could Be Made in Project Management Oversight Reporting

Developing and completing a consolidated summary sheet for each project could strengthen project management oversight. The consolidated summary sheet should include information such as the baseline budget, current budget, actual cost and estimated cost to completion.

While OCTA Project Control provides considerable information on project and contract cost and schedule status, we recommend that a more detailed monthly or quarterly report be developed on project cost and schedule status to improve management oversight of overall project status. We believe a more detailed report would consolidate and highlight important project information for effective managerial oversight.

OBJECTIVES, SCOPE AND METHODOLOGY

The primary objective of this internal audit was to develop an understanding of and assess the adequacy of the internal controls related to the Orange County Transportation Authority's ("OCTA" or "Authority") Project Controls Section. The Project Controls Section together with the Right of Way Section makes up the Construction Services Department, which is within the Construction and Engineering Division of the OCTA. The Construction Services Department is responsible for providing project management services and cost controls related to the design, construction, right-of-way acquisition, and maintenance of the OCTA's transit and transportation projects. The scope of our audit encompassed the business processes related to the Project Controls Section of the Construction Services Department. We began our audit on August 4, 2005 and completed our audit on October 13, 2005.

The six primary audit objectives as outlined in the request for proposals include assessing the adequacy and effectiveness of procedures for 1) project schedule estimating and budgeting, 2) invoice processing, 3) monitoring of project funding sources and allocation thereof, project schedules and budgets, and compliance with Measure M, 4) coordination of funding through Caltrans co-op agreements, 5) compliance with and accuracy of project status reporting, and 6) communication between Project Controls, Accounting, and Grants departments.

To accomplish our audit objectives we performed the following:

1. Interviews were conducted with various OCTA personnel within the Construction Services, Finance and Grants Departments.
2. Based on these interviews/discussions, Project Control work processes for project schedule estimating, budgeting and scheduling were documented and reviewed. These processes were verified through observation, examination of supporting documentation and sample testing.
3. Project Control procedures and mechanisms established to process Accounts Payable and Accounts Receivable invoices were documented, verified and reviewed.
4. Project Control work processes for the monitoring of project funding sources, project schedules and budgets and monitoring of compliance with the Measure M Ordinance were documented, verified and reviewed.
5. To gain assurance of the level of coordination of funding through Caltrans co-op agreements, a sample of project Caltrans co-op agreements were selected and reviewed. Stipulations in the agreements were traced to project documentation regarding cost estimation and funding.
6. Reviewed the processes in place to report quarterly project cost activity, specifically for the development of the quarterly Measure M compliance report. Verified a sample of reported amounts to source documentation.

7. Reviewed the forecasting and estimating processes for capital projects and performed analysis of the various components for these forecasts.

8. Assessed the adequacy of communication between Project Controls, Accounting and Grants departments through observation of processes, examination of written communications and separate interviews with key personnel from each department.

AUDIT RESULTS

Below we provide the detailed results of our internal control review based on the six audit objectives as outlined in the request for proposals.

1. Project Control procedures for project scheduling and budgeting

The establishment of project schedules and budgets serve as a valuable management tool for the successful and timely completion of a project. A project's success or failure can often be traced to the policies and procedures in place at the beginning of a project.

To obtain an understanding and assess the adequacy and effectiveness of project control procedures concerning project scheduling and budgeting, we documented, verified and reviewed the following Project Control procedures:

- Preparation and Maintenance of Project Master Schedules
- The development of key milestones for project through Board approved strategic plans.
- Development of Project Level Master Schedule and Critical Path Method (CPM) Schedules
- Procedures for maintenance/updating Master Schedules
- Procedures for revisions to Master Schedules
- Procedures for the review and maintenance of Project Budgets
- Development of capital cost estimates and support costs budget percentages

Below, we summarize these procedures.

a) Project Controls works with project managers to develop master schedules, which provides milestone and schedule activity to direct the project's implementation and progress. The initial Master Schedule serves as the baseline delivery plan for the life of the project.

b) Initial major milestones for Measure M projects were developed as part of the Board approved April 1991 Freeway Program Strategic Plan. This plan served as the initial basis for delivery of the freeway program. The Freeway Strategic Plan was revised and updated in November 1994 and August 1996.

c) Project Controls uses a standard one page Master Schedule format, which reports 9 key milestone dates and 11 critical schedule activities. Schedules are developed for each project and are consistent in their reporting.

d) A Project Planning and Control procedure was developed in December 1991 identifying the standard practices for progress reporting and schedule roll-up. These processes are required by OCTA's reporting requirements for design consultants. The procedures refer to the OCTA's Master Schedule as level I. Level II is the consultant's project level CPM schedule. Project Controls updates the Master Schedule status on a quarterly basis.

e) Revisions to the planned delivery dates identified in the OCTA Master Schedules may occur when there are significant changes affecting delivery of the overall OCTA freeway program. This may occur when there are major funding reallocations that affect the delivery of a number of projects. OCTA Board approved Freeway Strategic Plan revisions occurred in November 1994 and August 1996. The current implementation plan for the Measure M freeway program is the 1996 Freeway Strategic Plan. While not changing the overall approved delivery plan, changes to an individual project's Master Schedule completion dates can be made if there are significant factors affecting the project and revised delivery dates are approved by the OCTA Board.

f) Project Controls works with project managers to develop the overall Project Budget and ensure that all phases of work required to complete the project are accounted for in the initial budget development. Once the budget is established and approved, it becomes the basis for future cost comparisons.

g) Projects built on the State Highway system conform to Caltrans standards, which include estimating practices. Initial capital cost estimates can be prepared by OCTA's consultants or Caltrans and will form the basis for the original construction and right of way project budget. Project Controls works with the project managers to review the initial budget estimates to ensure that all elements of work are included and the reasonable contingencies have been assigned.

h) The current freeway program budget is based on the Board-approved 1996 Freeway Strategic Plan. Development of the freeway plan included a 20-year cash flow analysis to confirm available funding. Once the project budget has been established, it cannot be modified unless approved by the OCTA Board of Directors. To maintain the integrity of the Measure M Freeway Program Budget, budget modifications are not made unless new projects are added to the program, or there are significant changes to an existing project. Staff reports identifying and quantifying any proposed project budget amendment are presented to the Board for approval. Any Board-approved budget changes made during the quarter are also identified and noted in the Measure M Quarterly Report to the OCTA Board.

Findings:

Our assessment found that the above procedures for project scheduling and budgeting are complete, adequate and effective. However, we noted that the above procedures are not completely documented as formal written policies and procedures. Based on our request for written policies and procedures, the Manager of the Project Controls department had to create most of the above procedures in a written format. Given the limited number of staff within the Project Controls department, documented policies and procedures becomes vital to ensure continued continuity in the operations of the Project Controls department in the case of employee turnover.

Recommendation

We recommend that the Project Controls department formally document its policies and procedures.

2. Project Control procedures for invoice processing for payments to contractors and to local agencies for Co-op funding

Invoicing procedures serve as an important control with respect to project cost management as well as compliance with Measure M or grant regulations. These procedures should allow for the timely invoicing and payment of all eligible costs as well as ensuring compliance with applicable contract agreements or regulations.

Summary of Invoice Processing to Local Agencies for Co-op Funding

OCTA invoicing to local agencies is governed by the co-op agreement between OCTA and the corresponding Local Agency. Co-op revenue agreements are unique to each project and are generally developed by the Local Agency in conjunction with OCTA's project manager with cost input by Project Controls, and a final review and approval by OCTA's Contracts Administration and Materials Management Department. Co-op agreements define the roles and responsibilities of each party, along with the specific reimbursements to OCTA. Billing methodologies will vary between agreements and may be based on an initial lump sum amount, a defined percentage of actual costs incurred, or a uniform billing amount over a certain period. As with all other agreements, requests for revenue agreements are processed by project managers through Project Controls. Project Controls assigns the revenue and project number account coding, per the standard account code structure established by Accounting, and inputs the purchase requisition into OCTA's procurement system.

Project Specific Reimbursements – Most revenue co-op agreements are based on reimbursements for project-specific items such as soundwalls, local street improvements, or other Local Agency additions to an OCTA-funded project. Invoice requests for reimbursement of these types of costs are prepared by Project Controls based on the specific requirements of each co-op agreement. The invoice request includes the revenue and project account coding and is routed to Accounts Receivable for processing. Accounts Receivable generates the invoice, which is sent to the local agency. Project Controls maintains and updates files and spreadsheets for each revenue agreement. Once an invoice has been paid, Accounts Receivable sends a copy of the check to Project Controls for their records.

Grant Reimbursements – Invoicing for revenue agreements that reimburse OCTA with State or Federal grant funding is the responsibility of the Grants Department within the Finance, Administration & Human Resources Division. On occasion and if requested, Project Controls may assist the Grants Department in assembling the invoice supporting documentation.

Summary of Invoice Processing for Payments to Contractors

Contractor invoices are routed to Project Controls for processing. Project Controls stamps invoices for approval signatures, verifies Purchase Order/contract numbers and codes invoices with the appropriate account and project number. Project Controls maintains spreadsheets for every contract and checks the spreadsheet for contract value and amount verification. Project Controls invoice reviews include mathematical checks for accuracy, verification against the contract terms and conditions, contract value plus amendments and retention requirements. Progress reports accompanying invoices are reviewed by project managers, who verify that progress claimed is reasonable and is supported.

After review of the invoice, the invoice is routed for approval. Required approvals include the Project Manager/Department Manager and Division Director if the value of the invoice exceeds $25,000. Upon proper approval, the original invoice is returned to Project Controls and routed to Accounts Payable for processing and payment. Lastly, Project Controls updates their spreadsheets and files invoice.

Findings:

We found the procedures for invoice processing for payments to contractors and to local agencies for co-op funding to be adequate and effective. As part of our assessment on invoice processing, we conducted interviews with personnel of the Construction & Engineering and Finance departments, documented and reviewed outlines of the invoice processing procedures, and tested samples of invoices and cross-referenced the invoices to co-op agreements and other supporting documentation.

Although OCTA contracts require contractors to send their invoices directly to Accounts Payable, we found that invoices are forwarded directly to the Project Controls Department rather than to the Accounts Payable Department. By not forwarding invoices directly to Accounts Payable, the tracking of vendor invoices for timely payment and accruals cannot be performed. In addition, the timely recording and reporting of project expenditures may be compromised, possibly resulting in project expenditure reports that do not contain current financial data.

Recommendations

We recommend that OCTA management enforce the requirement that all contractors submit invoices directly to Accounts Payable. We also recommend that upon receipt of an invoice by Accounts Payable, expenditure data should be entered to establish aging and an accrual. The invoices should then be sent to the Project Controls Unit for technical review and approval. After Accounts Payable reviews for mathematical correctness and accuracy to the amounts and rates per the applicable contract, then any adjustments and/or corrections can be appropriately recorded prior to the final processing of the invoice for payment. Lastly, we recommend that Project Controls consider updating its current invoice review checklist and utilize the checklist in their review process in lieu of a stamp. The checklist should list the specific steps performed during the invoice review process and would thereby add a level of accountability and information for OCTA project managers.

3. Project Control procedures for monitoring of project funding sources and allocation, monitoring of project schedules and budgets, monitoring of compliance with the Measure M Ordinance

The monitoring of project funding sources and allocation, project schedules and budgets, and compliance with ordinances and regulations impacts both project management and compliance. To obtain an understanding and assess the adequacy and effectiveness of these functions, we documented, verified and reviewed the following Project Control procedures:

- Procedures for monitoring of Project Funding Summaries
- Procedures for incorporating grant funding into Project Funding Summaries
- Procedures for maintenance/updating Master Schedules
- Procedures for the administration of Project Support Budgets
- Procedures for Procurement Requisitions and Contract Monitoring
- Procedures for Construction Management Monitoring.

Below, we summarize these procedures.

a) <u>Monitoring of Project Funding Sources & Allocations</u>

Measure M freeway projects involve multiple funding sources, which may include State/Federal grants and reimbursements from Caltrans, local governmental entities and private developers for specific improvements included in a Measure M funded project. Project Controls segregates and monitors the various funding sources associated with each project. Monitoring the additional project funding sources allows Project Controls to estimate the net Measure M funding requirements of each project to ensure the overall freeway program can be constructed within the available Measure M sales tax revenues. A Project Funding Summary is maintained for each project to identify and monitor the funding sources and the estimated Measure M costs.

Funding responsibilities and construction related reimbursements with Caltrans are identified and are included in cooperative agreements between OCTA and Caltrans. Project specific reimbursements with other entities are included in revenue agreements between the various entities and OCTA.

The initial funding responsibilities by other entities are based on preliminary engineering quantities and estimated unit prices. These early values are utilized in the OCTA Project Funding Summaries to estimate Measure M funding requirements. As the design process evolves, updated estimates can be used to better define the overall Measure M funding requirements.

Once design is complete and a construction contract has been awarded, final design quantities, actual contractor unit prices, and an agreed upon contingency factor is used to determine the estimated costs responsibility for Caltrans' or the local entity. Agreements are updated for the estimated reimbursement costs and the reimbursement methodology is defined. Based on the agreement terms, Project Controls is responsible for invoicing through OCTA's accounts receivable department. Once the construction contract is complete and all costs are known, Project Controls and the OCTA project manager will work with the local entity to reconcile final change order costs and close out the agreements. All final costs are updated on the Project Funding Summary.

b) Monitoring of Grant Funding

Project Controls incorporates any grant funding available to the project into the Project Funding Summaries to forecast the project's Measure M funding requirements. Preparing grant funding agreements and subsequent invoicing is the responsibility of the Planning and/or Grants Departments. The Grants Department provides Project Controls with the appropriate invoice grant coding to ensure eligible costs are identified for subsequent reimbursement.

c) Monitoring of Project Schedules

Along with their monthly invoice, consultants provide a progress report and schedule update reflecting the status of their design and other schedule activities. Schedule updates provide actual start and completion dates and percent complete values for scheduled activities. Current schedule status is shown against the original baseline activities to identify areas of schedule slippage. Project Controls monitors the schedule update process so that schedule slippages against the approved baseline are identified and corrective action can be taken by the OCTA project manager and design consultant.

d) Contract Monitoring

Monitoring and forecasting potential cost changes associated with individual contracts is the responsibility of both Project Controls and project managers. Projects managers have the primary responsibility of recognizing and evaluating potential cost increases for scope changes associated with firm fixed price contracts. For reimbursable contracts, Project Controls works with the OCTA project manager and the consultant to establish a monthly cost status report that identifies Budgeted Cost, Costs to Date and Estimates at Completion to identify any potential cost variances.

e) Construction Management Monitoring

Prior to Caltrans awarding a construction contract on behalf of OCTA, Caltrans and OCTA project management will develop a construction management and survey-contracting plan to support the requirements of the construction contract.

Once the construction management agreements are in place, Project Controls works with the OCTA project manager and consultant to develop time-phased expenditure plans based on original agreement values. These plans are developed for projects where OCTA has a financial liability. The planned monthly construction management costs are summarized for each project.

Monthly actual costs against the plan are recorded for each agreement and cost forecasts are identified if required.

f) Monitoring of Compliance with Measure M

Project Controls monitors compliance with Measure M as they assign project numbers to new projects. Only allowable projects may be charged to Measure M funds. Project Controls monitors new project compliance, which is broadly defined under the Revised Traffic Improvement and Growth Management Plan of the Measure M Ordinance. New projects must be in alignment with those established in the Measure M Ordinance.

Findings:

Based on our review, we found the above procedures for monitoring of project funding sources and allocation, monitoring of project schedules and budgets, and monitoring of compliance with the Measure M Ordinance to be adequate. We noted that the monitoring functions of the Project Controls department are effectively and efficiently integrated into the other project controls functions and processes of the department.

Although Project Controls provides considerable information on project and contract cost and schedule status, it does not produce for management oversight an overall project status report on a monthly or quarterly basis that shows by project significant details on project cost and schedule status. Such a single page summary report would consolidate and highlight important project information for managerial oversight and should include such data as the original approved costs and major milestones, the current approved budget, the actual cost to date and an estimate at completion that is OCTA's best estimate of what the project will cost.

Recommendation

We recommend that Project Controls consider developing a consolidated quarterly/monthly Project Status summary report for each project, which will allow project management to improve its managerial oversight and monitoring of cost, schedule and performance.

4. Project Control procedures for the coordination of funding through Caltrans co-op agreements

Funding arrangements between the OCTA and Caltrans are governed by the mutually agreed upon co-op agreements between the OCTA and Caltrans. The responsibility for developing the co-op agreements belongs to Caltrans. Caltrans develops the agreements based on Caltrans manuals and State statutes. The Project Controls Department advises OCTA project managers on cost elements and budget-related matters as the co-op agreements are being negotiated. Final OCTA approval of the agreements rests with the Contracts Department.

Project Controls processes for monitoring, tracking and coordinating project funding apply to the funding through Caltrans co-op agreements. To further understand and assess the adequacy and effectiveness of project control procedures as they relate to the coordination of funding through Caltrans co-op agreements, we examined a sample of project Caltrans co-op agreements and traced stipulations in the agreements to project documentation regarding cost estimation and funding.

Findings:

Our review found that the stipulations agreed to in the co-op agreements are being properly carried forward into the funding arrangements of the individual projects. We also found that the coordination of funding through Caltrans co-op agreements is adequately performed.

5. Project Control procedures for compliance with and accuracy of required project status reporting

The Measure M Ordinance requires the preparation of quarterly reports to OCTA's Board, which presents the progress of implementing the Measure M Expenditure Plan. The first quarterly report was presented to the Board on October 26, 1992. Quarterly reports show accomplishments for the freeway, streets and roads, and transit programs within Measure M. Reports also include summary financial information for the period and total program to date.

The Quarterly report is a collaborative effort written by several divisions within the OCTA. Project Controls is responsible for the project budget and estimates to completion for the Freeway and Transitway sections of the report. Status information related to other programs is provided to and consolidated by Project Controls for the final report. Attachment B of the report shows the financial status of the Measure M projects.

For internal reporting, the Construction and Engineering Division conducts a monthly status review of all active projects. A monthly progress review status report is developed for each project. Project Controls is responsible for updating the schedule and cost information while the individual project manager highlights areas of concern and comments to be brought to management's attention.

To obtain an understanding and assess the adequacy and effectiveness of project control procedures as they relate to the compliance and accuracy of required project status reporting, we 1) reviewed the processes in place to report quarterly project cost activity and estimates to completion, specifically for the development of quarterly Measure M compliance reports, 2) assessed whether the quarterly report is in compliance with the Measure M Ordinance, 3) verified a sample of reported amounts to source documentation, and 4) reviewed the forecasting and estimating processes for capital projects and performed analysis of the various components for these forecasts.

Findings:

Based on our procedures performed, we found that the Project Control procedures for compliance with and accuracy of required project status reporting is adequate and in compliance with Measure M. The Quarterly Report amounts we tested were adequately supported and accurate.

6. Communication between Project Controls, Accounting and Grants Departments

Because many of the processes of Project Control require the involvement of more than one department, the communication between departments of important information is critical. In the course of our review, we observed the processes of communication of the project controls section, we examined written communications and, in separate interviews with key staff from Project Controls, Accounting and Grants Departments, we inquired about the quality of communications between the departments and the need for areas of improvement, if any.

Findings:

Based on our procedures performed, we found that the level of communication between Project Controls, Accounting and Grants Departments is adequate.

Thompson, Cobb, Bazilio & Associates, PC

ATTACHMENT B

OCTA

INTEROFFICE MEMO

December 29, 2005

To: Lisa Monteiro, Senior Internal Auditor, Internal Audit

From: Stanley Phernambucq, Executive Director, Construction & Engineering

Subject: **Response to Internal Audit Report 06-002**

The Construction and Engineering Division has reviewed the Internal Control Review and Operational Audit of Project Controls internal audit report. This memorandum responds to the Project Controls recommendations included in the report.

Recommendation No. 1

The Construction and Engineering Division agrees with this recommendation. Policies and procedures will be documented and include recommendations 3 and 4. This recommendation is expected to be complete by June 30, 2006.

Recommendation No. 2

While directed to Accounts Payable, the Construction and Engineering Division agrees with this recommendation. Vendors supplying services to the Construction and Engineering Division have been directed to route all invoices through the Account Payable Department. A portion of this recommendation has already been implemented. Accounts Payable will need to ensure invoices are initially processed and routed in a timely fashion to meet contractual payment deadlines.

Recommendation No. 3

The Construction and Engineering Division agrees with this recommendation. While there is an internal invoice review checklist/process, final payment approval is through a signature review stamp. A checklist, identifying the specific review steps, will be developed and attached with each invoice and included with policies and procedures per recommendation no. 1.

Vendor invoice review and approval is not unique to the Construction and Engineering Division. It is recommended that a standard OCTA invoice review checklist(s) be developed in conjunction with accounting, internal audit, and other OCTA divisions to better define the specific steps and roles and responsibilities related to vendor invoice review and processing.

Recommendation No. 4

The Construction and Engineering Division agrees with this recommendation. Existing Project Controls information will be consolidated into a one page summary document for each project. Existing software packages will be evaluated to determine which can best accommodate this recommendation in the most cost effective manner with respect to implementation and custom programming requirements. Implementing this recommendation is expected to be complete by June 30, 2006

ATTACHMENT C

OCTA

INTEROFFICE MEMO

January 16, 2006

To: Lisa Monteiro, Senior Internal Auditor

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

Subject: **Internal Audit Report No. 06-002 Response**

Recommendation No. 2

Management agrees that all invoices be directly submitted to Accounts Payable in compliance with contract terms. The Accounts Payable staff routinely contacts contractors seeking compliance with OCTA billing instructions. The Accounts Payable staff maintains a manual tickler file of outstanding invoices. As due dates approach, staff will follow-up on invoices that have not been approved by the project managers on a timely basis. When IFAS is upgraded to the web-enabled version, the manual tickler system will be able to be automated. OCTA currently accrues material recurring invoices on a monthly basis.

Thank you for your recommendations. Your input is a greatly appreciated component of our ongoing effort to improve processes and strengthen internal controls.

ATTACHMENT D

OCTA

INTEROFFICE MEMO

January 16, 2006

To: Stanley Phernambucq, Executive Director
Construction & Engineering

Jim Kenan, Executive Director
Finance, Administration & Human Resources

From: Lisa Monteiro, Senior Internal Auditor
Internal Audit

Subject: **Internal Control Review and Operational Audit of Project Controls, Internal Audit Report No. 06-002, Audit Close-out Memo**

Internal Audit has received and concurs with management's responses to the recommendations issued in Internal Audit Report No. 06-002, Internal Control Review and Operational Audit of Project Controls. Management has agreed to implement some recommendations, and is in the process of implementing the other recommendations. We will conduct a follow-up review on the status of management's planned corrective actions in six months.

Attachments: Response to Internal Audit Report 06-002
Internal Audit Report No. 06-002 Response

c: Rick Bacigalupo
Dinah Minteer
Norbert Lippert
Tom Wulf
Dale Cole
Robert Duffy

Item 15.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject:	Agreement to Procure and Install 64 Replacement Liquefied Natural Gas Engines

Transit Planning and Operations Committee — January 26, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-2609 between the Orange County Transportation Authority and Cummins Cal Pacific, LLC, in an amount not to exceed $4,870,103, for the replacement of natural gas engines in 64 transit buses.

OCTA

January 26, 2006

To: Transit Planning and Operations Committee.

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement to Procure and Install 64 Replacement Liquefied Natural Gas Engines

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board approved funds for the replacement of natural gas engines in the North American Bus Industries bus fleet. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-2609 between the Orange County Transportation Authority and Cummins Cal Pacific, LLC, in an amount not to exceed $4,870,103, for the replacement of natural gas engines in 64 transit buses.

Background

The Orange County Transportation Authority (Authority) planned for the replacement of natural gas engines to be installed in 1999-2000 low-floor 40-foot North American Bus Industries (NABI) buses. Replacement of the liquefied natural gas (LNG) engines will reduce fuel consumption and improve operational characteristics. The project will be implemented in two phases, first re-powering 64 buses followed by an exercisable option for up to 152 buses. Approval is requested to proceed with the first phase and dependent upon fiscal year 2006-07 funding, Board approval may be requested for the second phase.

The agreement has the following options:

- Agreement to install 64 natural engines for a total amount of $4,870,103, to include a five-year engine warranty

- Available fixed-price option for the installation of up to 152 n atural gas engines

Discussion

This procurement was handled in accordance with the Authority procedures for professional and technical services.

The project was advertised on September 19, 2005, and September 26, 2005, in a newspaper of general circulation. Electronic notifications were sent to 94 firms on September 15, 2005. A pre-proposal meeting was held on October 6, 2005.

On November 21, 2005, two offers were received. An evaluation committee composed of staff from Contracts Administration and Materials Management, Operations Analysis, Safety and Environmental Compliance, Transit Technical Services, and Maintenance departments was established to review all offers submitted. The offers were evaluated on the basis of prior experience, staffing, project organization, completeness of response, and cost effectiveness.

On December 14, 2005, a Best and Final Offer (BAFO) was provided to Complete Coach Works and Cummins Cal Pacific, LLC, to request additional information that the contractors were not able to provide during the interview and to provide a revised BAFO price summary sheet for pricing of quantities for engine replacement for 80, 64, and 40 buses

Cummins Cal Pacific, LLC, achieved the highest score and met all of the criteria identified in the Request for Proposals, with the lowest proposed pricing.

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2005-06 Budget, Operations Division/Transit Technical Services Department. This procurement is local capital funded and funds are available in Account 2114-9024-D2108-9WX and 2166-9026-D3107-9MW.

Summary

Staff recommends award of Agreement C-5-2609 to Cummins Cal Pacific, LLC, in an amount not to exceed $4,870,103, for the re-power of 64 NABI low floor buses with LNG engines.

Attachment

None.

Prepared by:

Al Pierce
Manager, Maintenance
714-560-5975

Approved by:

William L. Foster
Executive Director, Operations
714-560-5842

Item 16.

BOARD COMMITTEE TRANSMITTAL

OCTA

February 7, 2006

To: Members of the Board of Directors

From: WK Wendy Knowles, Clerk of the Board

Subject: Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 6) in the City of Anaheim

This item will be considered by the Transit Planning and Operations Committee on February 9, 2006. 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

February 9, 2006

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Award of Construction Contract for Americans with Disabilities Act Bus Stop Modifications (Phase 3, Construction Package 6) in the City of Anaheim

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board of Directors approved construction of Americans with Disabilities Act improvements at the Orange County Transportation Authority's bus stops countywide. Bids were received in accordance with the Orange County Transportation Authority's public works procurement procedures. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-2930, between the Orange County Transportation Authority and C.J. Construction, Inc., the lowest responsive, responsible bidder, in the amount of $976,852.00, for Americans with Disabilities Act Bus Stop Modifications in the City of Anaheim.

Background

The Orange County Transportation Authority (Authority) established a goal of making all bus stops accessible to persons with disabilities as required by the Americans with Disabilities Act (ADA). The Bus Stop Accessibility Program (BSAP) was established to address ADA deficiencies present at bus stops throughout the County. A 1996 study found that a majority of Orange County's more than 6,000 bus stops required improvements to comply with federal access standards. The Board of Directors (Board) dedicated the use of the Transportation Development Act (TDA) Article 3 funds to bring the Authority's bus stops into compliance. The modifications include constructing wheelchair ramps at the intersections, adding sidewalks, and removing or relocating obstructions, such as shelters, benches, signs, and landscaping.

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

During the first phase of the BSAP, bus stop improvements were performed by local agencies. In total, over $2.4 million was allocated to cities to improve accessibility to approximately 1,750 bus stops. Of the 1,750 stops, 1,335 required construction improvements.

The second phase of the program was managed by the Authority and included 1,250 bus stops located throughout 25 cities and unincorporated portions of the County. These stops were high-use stops prioritized by the likelihood of use by persons with disabilities. Of the 1,250 stops, 965 required construction improvements. The construction packages in Phase 2 included work in the Cities of Brea, Buena Park, Cypress, Fullerton, Garden Grove, La Palma, Placentia, Stanton, and Westminster. The total cost for Phase 2 was $2 million. Phase 2 brought the system-wide ADA compliant stops to approximately 3,000.

The third phase of the BSAP is underway and engineering design is nearly complete for the remaining stops. Invitation for Bids (IFB) are planned to be issued incrementally for the remaining construction packages. A total of 12 packages are anticipated to be issued in Phase 3, allowing the construction of ADA bus stop improvements to occur sooner and providing more contracting opportunities with the Authority. This phase will address the remaining 3,000 stops in the County with an estimated cost of $7.5 million. Phase 3, Construction Package 6 will improve 123 intersections in the City of Anaheim. Completion of Phase 3 is intended to bring all bus stops into ADA compliance.

Discussion

This procurement was handled in accordance with the Authority's procedures for public works and construction projects, which conform to federal and state requirements. Public works projects are handled as sealed bids and award is made to the lowest responsive, responsible bidder.

On December 21, 2005, IFB 5-2930 was released and posted on CAMMNet and an electronic notification was sent to 424 firms. The project was advertised on December 23 and December 27, 2005, in a newspaper of general circulation. Addendum No. 1 was issued on January 9, 2006, to address administrative issues. On January 18, 2006, two bids were received. Bids were reviewed by staff from Construction & Engineering, Labor Relations and Civil Rights, and Contracts Administration and Materials Management to ensure compliance with the terms and conditions, specifications, and drawings. Listed below are the two bids received. State law requires award to the lowest responsive, responsible bidder. The Authority's Disadvantaged Business Enterprise (DBE) goal of 15 percent was met.

Firm and Location	Bid Price	DBE Participation
C.J. Construction, Inc. Whittier, California	$976,852	15 percent
L.H. Engineering Co., Inc. Anaheim, California	$978,000	89 percent

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2005-06 Construction & Engineering Budget, Account 0051-9084-A4201-L99, and is funded by BSAP Program Funds through Federal Transit Transportation Equity Act, TDA Article 3, and Grant CA-90-4349, the Fiscal Year 2006 Formula Grant.

Summary

Staff is requesting approval of Agreement C-5-2930, in the amount of $976,852, with C.J. Construction, Inc., the lowest responsive, responsible bidder, for construction of ADA Bus Stop Modifications (Phase 3, Construction Package 6) in the City of Anaheim.

Attachment

None.

Prepared by:

Dipak Roy, P.E.
Senior Project Manager
(714) 560-5863

Approved by:

Stanley G. Phernambucq
Executive Director,
Construction & Engineering
(714) 560-5440

17.

BOARD COMMITTEE TRANSMITTAL

OCTA

February 7, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for Additional Design Services for the Americans with Disabilities Act Bus Stop Modifications

This item will be considered by the Transit Planning and Operations Committee on February 9, 2006. 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

February 9, 2006

To:	Transit Planning and Operations Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Amendment to Agreement for Additional Design Services for the Americans with Disabilities Act Bus Stop Modifications

Overview

On February 24, 2003, the Board of Directors approved an agreement with ACT Consulting Engineers, Inc., in the amount of $869,829, to provide design and construction support services. ACT Consulting Engineers, Inc. was retained in accordance with the Orange County Transportation Authority's procurement procedures for architectural and engineering services.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 4 to Agreement C-2-1129 between the Orange County Transportation Authority and ACT Consulting Engineers, Inc., in an amount not to exceed $45,000, for additional design and survey services to incorporate new and revised standards and conduct field research for bus stop locations in central and south Orange County.

Background

The Orange County Transportation Authority's (Authority) fixed route bus system serves more than 6,000 stops strategically located throughout Orange County. A 1995 study indicated a majority of the stops were inaccessible according to the Americans with Disabilities Act (ADA) standards. After the study was conducted, the Bus Stop Accessibility Program (BSAP) was established to provide funds to local agencies to construct the needed bus stop improvements.

Previous phases of the BSAP have addressed more than 3,000 stops. An initial phase, conducted by the cities, addressed 1,750 stops and the current phase, conducted by the Authority, addressed 1,250 more. Of these 3,000 bus stops, more than 2,300 were brought into compliance.

Approximately 530 bus stops were deleted from the previous phases as a result of service route changes or because of overlap with city projects. Approximately 150 bus stops were postponed to the current phase due to extensive design/construction requirements or right-of-way restrictions.

Phase 1 construction for the ADA Bus Stop Modifications program was completed in Spring 2000. Phase 2 of the ADA Bus Stop Modifications program was completed in spring 2003. Phase 3 of the ADA Bus Stop Modifications program is currently underway and is expected to be completed in spring 2007.

Discussion

This procurement was originally handled in accordance with the Authority's procedures for architectural and engineering services. The original agreement was awarded on a competitive basis. It has become necessary to amend the agreement due to additional design and survey services for special design of intersections located in central and south Orange County. Since the program was initiated, revised construction standards have been adopted. This amendment will allow the consultant to revise/update the plans and specifications, add new bus stop locations, extend construction support services, and develop a Historical Assessment Report in cooperation with the California Department of Transportation.

Staff requested a price proposal from ACT Consulting Engineers, Inc. to perform this additional work. The proposal was reviewed and staff negotiated a 20 percent cost reduction. This was reviewed by the internal auditor and the cost was found to be fair and reasonable for the work to be performed.

The original agreement, awarded on February 24, 2003, was in the amount of $869,829. This agreement has been amended previously (Attachment A). The total amount after approval of Amendment No. 4 will be $1,043,126.

Fiscal Impact

The additional work described in Amendment No. 4 to Agreement C-2-1129 was approved in the Authority's Fiscal Year 2004-05 Budget, Construction & Engineering, Account 1722-7519-A4201-2BP, and is funded through BSAP Program Funds (Transit Transportation Equity Act, Transportation Development Act Article 3, Grant CA-90-914).

Summary

Based on the material provided, staff recommends approval of Amendment No. 4, in the amount of $45,000, to Agreement C-2-1129 with ACT Consulting Engineers, Inc.

Attachment

A. ACT Consulting Engineers, Inc. Agreement C-2-1129 Fact Sheet

Prepared by:

Dipak Roy, P.E.
Principal Civil Engineer
(714) 560-5863

Approved by:

Stanley G. Phernambucq
Executive Director,
Construction & Engineering
(714) 560-5440

ATTACHMENT A

ACT Consulting Engineers, Inc.
Agreement C-2-1129 Fact Sheet

1. February 24, 2003, Agreement C-2-1129, $869,829, approved by Board of Directors.

   - Provide design and construction support services to prepare plans, specifications, and estimates to modify existing bus stops to meet Americans with Disabilities Act standards.

2. March 29, 2004, Amendment No. 1 to Agreement C-2-1129, $47,000, approved by procurement administrator.

   - Provide additional engineering and survey for special design of intersections in the Cities of Placentia, Fullerton, Buena Park, and Stanton.

3. December 13, 2004, Amendment No. 2 to Agreement C-2-1129, $81,297, approved by Board of Directors.

   - Provide additional engineering and survey services for special design of intersections located in central and south Orange County.

4. February 23, 2005, Amendment No. 3 to Agreement C-2-1129, to modify key personnel, approved by procurement administrator.

   - Substitute key personnel on the project. No additional financial commitment

5. February 9, 2006, Amendment No. 4 to Agreement C-2-1129, $45,000, pending approval by Board of Directors.

   - Provide additional engineering and survey services to incorporate new and revised standards and conduct field research for intersection located in central and south Orange County.

Total committed to ACT Consulting Engineers, Inc., Agreement C-2-1129: **$1,043,126**.

18.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject Agreement to Lawson Software for Human Resource and Payroll Software Upgrade

Finance and Administration Committee — January 25, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-3006 between the Orange County Transportation Authority and Lawson Software, for an amount not to exceed $455,000, to complete the upgrade and implement two new software modules.

OCTA

January 25, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement to Lawson Software for Human Resource and Payroll Software Upgrade

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the OCTA has planned an upgrade to the Lawson Software Human Resources and Payroll System. The project will consist of an application upgrade to version 8.1 and the implementation of Lawson Software's Absence Management and Time and Expense modules.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-3006 between the Orange County Transportation Authority and Lawson Software, for an amount not to exceed $455,000, to complete the upgrade and implement two new software modules.

Background

The Orange County Transportation Authority (Authority) implemented Lawson Software's (Lawson) Human Resource and Payroll Information System solution in fiscal year (FY) 2003-04. The solution has been in production since September 27, 2004.

As a normal course of improving and advancing the solution to keep pace with user demands and evolutions in technology, Lawson Software releases periodic software upgrades that clients are entitled to under the terms of the software maintenance agreements. The Authority maintains such an agreement. Lawson releases major upgrades approximately every two to three years. It is important not to allow an implemented solution to lag too far behind in the application of these upgrades. If upgrades are significantly delayed or skipped, future upgrades can be much more complicated and expensive to implement, and the Authority does not reap the full benefit of its maintenance investment and the improvements in capabilities and features the upgrades carry. During the implementation of the Lawson solution in FY 2003-04, a major Lawson upgrade was released. The timing of the upgrade release was such that the Authority chose not to deploy the upgrade due to the disruption and risk it would introduce to the implementation project.

Discussion

Among other features in the upgrade, the Authority will take advantage of the Absence Management feature. It will allow the Authority to eliminate one of the modifications to the Lawson system made during the original implementation. The elimination of other modifications will be evaluated during the upgrade process. This represents one of the ongoing objectives of the Authority: to leverage improvements in the system to eliminate custom modifications that are costly to maintain. In addition, the Authority desires to implement a Lawson software feature known as the Time and Expense module. This will allow administrative staff to enter time records electronically.

The Authority requires the help of professional services to implement this upgrade and new software. The Authority desires to contract with Lawson Software for services to implement the upgrades and the additional software for several reasons. Being relatively early in the production life of the Lawson solution, Lawson is uniquely positioned to help the Authority. They retain and can assign professionals who know the Authority's Lawson implementation very well. In addition, for this particular upgrade Lawson is the only company certified to execute its upgrade programs. Its partners have not yet been certified. Further, Lawson has a direct relationship with Hitachi Consulting (Hitachi) who the Authority also requires to be involved. The majority of the custom software modifications made to the Authority's implementation of the Lawson system were performed by Hitachi in the original project. Hitachi's programmers are intimately familiar with the customizations, which will have to be reviewed and modified to adapt to any changes the upgrades and new software module introduce.

This is a sole source procurement. Currently Lawson Software is the only vendor certified to run the upgrade programs for the Lawson applications. Lawson Software completed the original implementation of the Lawson Human Resources and Payroll system. A sole source procurement with Lawson affords the Authority the opportunity to leverage the lessons learned and the knowledge gained from the original consultants and eliminates the learning curve that would be required from a new vendor. Ultimately, because Lawson is very familiar with the Authority's setup and existing modifications, a sole source procurement will provide for a more streamlined and cost effective upgrade.

Lawson will assist the Authority to correctly define the project scope, timelines, and costs of this upgrade project. The procedures to be followed are outlined in Lawson's Upgrade Methodology. Lawson professional services will provide consulting and education at various points in the project, and will provide the technical consulting recommended in each phase of the project.

The allocation of the estimated costs are 10 percent for software and 90 percent for services on a time and material basis.

Fiscal Impact

The cost of this project can be accommodated within the existing budget appropriation for fiscal year 2005-06. Expenses will be charged to Account 2924-9028-IX015-BFC.

Summary

Staff recommends approval of Agreement C-5-3006 between the Orange County Transportation Authority and Lawson Software, for an amount not to exceed $455,000, to upgrade the Lawson software applications to version 8.1 and implement Lawson's Software Absence Management and Time and Expense modules.

Attachment

None.

Prepared by:

C Powley

Connie Powley
Project Manager
Information Systems
(714) 560-5957

Approved by:

James S Kenan

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

19.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject	Purchase Order for 91 Express Lanes Property Insurance

Finance and Administration Committee — January 25, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to issue Purchase Order 06-74054 between the Orange County Transportation Authority and Marsh Risk and Insurance Services, in an amount not to exceed $350,000, to purchase property insurance for the period of March 1, 2006, to February 28, 2007.

OCTA

January 25, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Purchase Order for 91 Express Lanes Property Insurance

Overview

The Orange County Transportation Authority has a property insurance policy for the 91 Express Lanes with AXIS Reinsurance Company which expires on February 28, 2006.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order 06-74054 between the Orange County Transportation Authority and Marsh Risk and Insurance Services, in an amount not to exceed $350,000, to purchase property insurance for the period of March 1, 2006, to February 28, 2007.

Background

The Orange County Transportation Authority (OCTA) purchases property, earthquake, flood, and terrorism insurance for the roadway, structures, and business personal property, including business interruption coverage for the 91 Express Lanes. The 91 Express Lanes insurance policy currently consists of a primary property policy with AXIS Reinsurance Company and a primary difference-in-conditions policy with Empire Indemnity Insurance Company. OCTA insures the 91 Express Lanes property for $108,974,011 for an annual premium of $178,863. OCTA's Broker of Record, Marsh Risk & Insurance Services (Marsh), has surveyed the market to obtain the best possible rates for this coverage.

Discussion

Insurance companies determine property insurance quotes based upon current insurance market conditions affecting rates per $100 in property values and the total value of property to be insured. The current rate for the primary property with the incumbent insurance carriers, AXIS Reinsurance Company and Empire Indemnity Insurance Company, is 0.1239 per $100 of 91 Express

Lanes property value or $178,863 which includes property, earthquake, flood, and terrorism insurance for the roadway, structures, and business personal property, including business interruption coverage.

The OCTA has purchased property insurance for the 91 Express Lanes at very reasonable rates in recent years due to a soft property insurance market and a favorable loss history. However, the overall property insurance market has become less competitive as many property insurers have sustained significant underwriting losses from their policies in the gulf coast. These underwriting losses are adversely affecting the current property insurance premium renewal quotes and the insurance market's capacity to insure.

OCTA's Broker of Record, Marsh, is surveying the market to competitively obtain the lowest quotes. Marsh, Broker of Record, under Agreement C-4-0275 for marketing, placement, and administration of property and liability, will obtain competitive quotes from the insurance market and award to the insurance firm providing the best pricing and property coverage to OCTA.

Fiscal Impact

Funds of $116,667 are available in the fiscal year 2005-06 budget, and $233,333 will be requested in the fiscal year 2006-07 budget.

Summary

Staff recommends the approval of Purchase Order 06-74054 between the Orange County Transportation Authority and Marsh, in an amount not to exceed $350,000, to purchase 91 Express Lanes property insurance for the period of March 1, 2006, to February 28, 2007.

Attachment

None.

Prepared by:

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

Approved by:

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

20.

OCTA

February 14, 2006

To: Members of the Board of Directors

AV

From: Arthur T. Leahy, Chief Executive Officer

Subject: Measure M Quarterly Progress Report

Overview

Staff has prepared a Measure M progress report for the fourth quarter of 2005. This is a regular report that highlights the Measure M projects and programs currently under development.

Recommendation

Receive and file as an information item.

Background

Measure M Ordinance No. 2 requires quarterly reports to the Orange County Transportation Authority's (OCTA) Board of Directors (Board), which present the progress of implementing the Measure M Expenditure Plan. The first quarterly report was presented to the Board on October 26, 1992. Quarterly reports highlight accomplishments for the freeway, streets and roads, and transit programs within Measure M. Reports also include summary financial information for the period and total program to date.

Discussion

This quarterly report updates progress in implementing the Measure M Expenditure Plan during the fourth quarter of 2005 (October through December). Highlights and accomplishments of work-in-progress for freeway, streets and roads, and transit programs along with expenditure information are presented for Board review.

Freeway Program

Prior Measure M construction projects along the Santa Ana Freeway (Interstate 5), Costa Mesa Freeway (State Route 55), and the Riverside

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

Freeway (State Route 91) are essentially complete with the California Department of Transportation (Caltrans) continuing to negotiate final change orders and claims. The OCTA continued full-scale implementation of the Garden Grove Freeway (State Route 22) design-build project. The following are highlights and major accomplishments along each of the freeway corridors:

Interstate 5 (I-5), South Projects

Measure M provided funding for several High Occupancy Vehicle (HOV) lane and related improvement projects along the I-5 between El Toro Road and Pacific Coast Highway. These projects included soundwalls for noise mitigation and were completed some time ago. Because of certain physical constraints, some areas did not receive a soundwall under the original construction contract. One of those areas remaining is the Aliso Creek community in Laguna Hills.

The Aliso Creek soundwall project was approved by the Board on October 17, 2002. This project involves the construction of a soundwall in two separate sections along the southbound I-5 between Los Alisos Boulevard and Alicia Parkway. Currently the project cost is estimated at $1,376,000. On December 19, 2005, the Regional Planning and Highways (RP&H) Committee approved the execution of a cooperative agreement between OCTA and the City of Laguna Hills (City) for the design and construction of the soundwall.

In accordance with the cooperative agreement, the City will act as the lead agency in the preparation of the plans, specifications and estimates. The City will also address other issues including encroachment permits, right-of-way acquisition and easements, and the recording of the homeowners' agreements with the County Recorder's Office. The design is scheduled to be completed in June 2006, and the construction phase is anticipated to begin sometime in the fall of 2006.

In addition to the approval of the agreement with the City, the RP&H Committee also approved an increase to the Measure M portion of the 1996 Freeway Strategic Plan budget. This agreement and the approval of the budget increase is to go before the Board in January 2006. Once Board approval is received, the Measure M freeway program budget and estimate-at-completion will be increased by $1,485,000, to include the costs of the previously completed feasibility study, as well as the design, construction, and construction management of the Aliso Creek soundwall; however, as Board approval was not received during the report period, the budget and estimate-at-completion, as shown in Attachment B, do not reflect these costs.

I-5, North Projects

Construction on the 13 I-5 projects from State Route 22 (SR-22) to just north of the I-5/State Route 91 (SR-91) Interchange originally began in December 1996 and was substantially completed by the end of December 2000, as scheduled. Caltrans is responsible for the negotiating of final construction quantities, change orders, and construction claims for all of the completed I-5 projects. The negotiation work continued during the report period. The total anticipated Measure M construction payments are currently estimated at $235.6 million, which includes an allowance of approximately $5 million to settle outstanding change orders and construction claims.

A significant development on the completed I-5 projects did occur during the report period. During the initial construction, approximately 550 properties were acquired as part of the right-of-way acquisition and construction easement process. Once the construction was completed, it was determined that a number of excess parcels existed. A recent agreement was negotiated with the Anaheim Redevelopment Agency to sell 19 of these excess parcels to the City of Anaheim. This sale was completed and provides additional revenue of approximately $15 million toward the project costs.

I-5, Gateway Project

The two-mile stretch of I-5, from just north of the I-5/SR-91 Interchange to the Los Angeles County line, is the last phase of the I-5 in Orange County to be improved. The total project cost is estimated at $251 million with $178.9 million funded through Measure M and $72.1 million through State Transportation Improvement funds.

The freeway widening construction package was advertised by Caltrans on September 26, 2005, and a pre-bid meeting was held with prospective construction contractors one month later. The originally scheduled bid opening date of December 1, 2005, has been postponed. An addendum was issued to the construction package to make several adjustments to the Project Plans as well as the Project Special Provisions. Caltrans has informed its bidders and OCTA that the bid opening date is now February 9, 2006. The contract will be awarded in March 2006, and the freeway widening construction is anticipated to begin in April 2006.

In preparation for the start of construction activities, the necessary advance work for the relocation of the various utilities is still in process. A cooperative agreement with the Union Pacific Railroad (UPRR) has been finalized and the relocation of the UPRR storage track is anticipated to begin in January 2006.

Coordination meetings with the various utility companies impacted by the construction continued throughout the report period.

Cooperative agreements between OCTA and Caltrans for construction and construction management services, as well as the acquisition of right-of-way have been executed. The acquisitions and documentation necessary for the initial right-of-way certification have been completed. In addition to the coordination meetings with the various partner cities and agencies, OCTA continues to meet with the local businesses that will be affected to varying degrees by the project. These advance meetings are being held in an effort to mitigate any potential issues before they occur.

SR-22

On August 23, 2004, the Board approved awarding the SR-22 design-build contract to Granite-Meyers-Rados (GMR). Actual construction activities began October 5, 2004. The contract requires substantial completion within 800 calendar days after the Notice-to-Proceed, or November 30, 2006. Final project completion is required within 90 days after substantial completion.

The current Board approved overall project budget for the SR-22 project is $495 million. This includes approximately $397 million for the design-build contract with GMR and $98 million in other program costs, including project management support, legal services, right-of-way, Caltrans oversight, other construction costs, and a $14 million construction contingency balance.

Overall progress advanced significantly during the report period with the overall effort now 56.8 percent complete. Design is now 95 percent complete and construction 48 percent complete. At the end of the report period, 466 contract days have elapsed with 334 days remaining.

October 26, 2005, marked the 400 day point, half-way through the 800 day project. This important milestone was marked by the visit of California's Governor, Arnold Schwarzenegger, who applauded the use of the innovative design-build method on the project.

Outstanding construction activities continued during the report period. The demolition of the connector from the eastbound SR-22 to the southbound I-5 was completed, making way for the new connector to be constructed in the coming months. The project includes 31 masonry block soundwalls. Of those, 11 are currently being constructed, and two have been completed. Asphalt and concrete paving continue at various locations throughout the project limits.

The wet and dry utility relocations continued to advance, with all utility relocations now keeping pace with the aggressive construction schedule.

Work on the various bridge structures continues to progress rapidly. Pile-driving for the structures continues with four pile-driving rigs in operation simultaneously at various bridge locations. The pile-driving effort is currently ahead of schedule. The design work for the bridge structures is nearing completion with 26 foundation designs, 23 substructure designs, and 23 superstructure designs completed and released for construction. Out of the 34 bridges, 24 are currently under construction. Of the entire bridge construction effort, 46 percent of it is currently completed.

To secure the required right-of-way for the SR-22 project, OCTA will need to obtain an interest in an estimated 57 individual parcels, comprised of two full-take and 55 partial-take acquisitions. A total of 41 parcels have now been acquired, two are in escrow, five have been verbally accepted, and the remaining nine are in varying stages of negotiation. Currently, OCTA does have legal possession of all 57 parcels required for the project. This allows work to continue while staff pursues negotiations and works with property owners to purchase the land throughout the eminent domain proceedings.

To provide sufficient funding for the overall project, the Board approved amending the Measure M Expenditure Plan to increase the SR-22 funding by $123.7 million to a total of $327 million. The additional Measure M funding commitment was required at that time, as future State Transportation Congestion Relief Program (TCRP) allocation requests were on hold. On July 13, 2005, OCTA's final TCRP allocation request of $123.7 million was approved by the California Transportation Commission. The final distribution of the additional funds between OCTA and Caltrans will not be finalized until the first quarter of 2006, at which time the SR-22 estimate-at-completion and project budget figures will be revised.

Street and Roads Programs

Substantial additional funding to cities and the County is provided by the various programs within the Measure M Local and Regional Streets and Roads Programs through OCTA's Combined Transportation Funding Program (CTFP). The CTFP encompasses Measure M streets and roads competitive programs, as well as federal sources such as the Regional Surface Transportation Program. Funds are awarded on a competitive basis within the guidelines of each program and are used to fund a wide range of transportation projects.

During the fourth quarter, the CTFP contributed approximately $10.1 million for streets and roads improvements. Significant payments included $4,280,760 to the City of Tustin to reconfigure the northbound State Route 55 (SR-55) entrance and exit ramps at Edinger Avenue; $1,988,627 to the City of Tustin to relocate existing on/off ramps to the northbound SR-55 at Edinger Avenue to connect to a future extension of Newport Avenue; $2,625,191 to the City of Irvine to widen Jeffrey Road to six lanes, creating a continuous roadway from the City of Newport Beach to Portola Parkway; and $239,269 to the City of Costa Mesa for construction of a diagonal on-ramp from northbound Bristol Street to southbound San Diego Freeway (Interstate 405) and a bridge braid over the southbound Interstate 405 (I-405)/northbound SR-55 connector.

Transit Programs

Commuter Rail

Orange County's commuter rail service is provided by Metrolink (under a joint powers agreement with OCTA). Metrolink is the service operated by the Southern California Regional Rail Authority (SCRRA). Formed in 1991, the SCRRA is a joint powers authority of five member agencies, representing the five Southern California Counties of Ventura, Los Angeles, San Bernardino, Riverside, and Orange.

Commuter rail service in Orange County includes the following three routes: the Orange County Line operating from Oceanside to downtown Los Angeles, the Inland Empire – Orange County (IEOC) Line, serving passengers going from San Bernardino and Riverside to Orange County, and the 91 Line operating from Riverside to downtown Los Angeles via Fullerton. The Orange County Line provides 19 weekday trips between Orange County and Los Angeles, including two reverse-commute roundtrips that offer service from Los Angeles to employment centers in Orange County. The IEOC Line service provides 14 weekday trips and the 91 Line provides nine weekday trips. In addition, under the Rail 2 Rail program, monthly pass holders are allowed to ride Amtrak trains providing weekday and up to 22 weekend trains for Orange County riders at no additional charge.

During the summer of 2005, from July 16 through October 9, the "Summerlink" weekend beach trains ran on the IEOC Line. Thanks to the efforts of OCTA, Riverside County Transportation Commission, and the San Bernardino Association of Governments, three trains were running in each direction between San Bernardino and Oceanside, stopping at all Orange County Stations along the way. It provided an excellent way to get to the beach without the hassle of the usual summer traffic and parking woes.

The expansion of the Rail 2 Rail program continues to progress. Through the combined efforts of OCTA, Caltrans, Metrolink, and Amtrak, the Metrolink service area will be making a number of improvements. Currently, this program allows only those with a monthly Metrolink Pass to ride Amtrak trains within the service area at no additional fee; however, OCTA has continued to work with the various stakeholders to expand this program to a new ten-trip ticket program. This new ten-trip ticket will allow Amtrak riders to use Metrolink trains in the service area. This effort has been on-going for some time, and it is anticipated it will now become available sometime in the first quarter of 2006.

Other improvements to commuter rail service in Orange County are both planned and in process. Passenger improvements to the Santa Ana Station were placed under contract in late 2004. A pedestrian overpass and improved platforms are currently under construction. A railroad bridge upgrade project is also underway to replace some older bridges and to provide upgrades to others. This effort is being undertaken to ensure that the future needs of Metrolink service in Orange County are met, and are anticipated to be complete by the second quarter of 2006. Additionally, the Santa Ana double track project is getting underway, with the construction set to begin in the first quarter of 2006. Once completed, the double track project will improve the on-time performance of our trains and allow for additional service expansion in the future.

As part of the Five-Year Program approved by the Board on October 14, 2005, future funding will be provided for enhancements to the existing Metrolink service. This additional funding will increase service between the Fullerton and Laguna Niguel/Mission Viejo Stations. The current plan calls for trains running every 20 to 30 minutes in both directions every day of the week.

Another significant improvement to Orange County's commuter rail service will be the addition of the Buena Park Intermodal Commuter Rail Facility (BPIF). The BPIF is the last station to be built in the Metrolink Orange County Line, and will provide commuters with convenient bus and rail connections. The facility encompasses a 3.5 acre site located at Lakeknoll Drive and Dale Avenue in the City of Buena Park.

During the fourth quarter of 2005, the City of Buena Park continued to take the lead in managing the project's bidding and construction, and OCTA continued to provide project management oversight and technical assistance. The City of Buena Park certified a low bidder for the construction contract, and prepared for the execution of key agreements with the Burlington Northern Santa Fe Railroad, with the construction contractor, and with the City of Buena Park's construction management consultant. Construction is anticipated to start in January 2006. The groundbreaking ceremony for the project occurred on December 14, 2005. Project completion is now scheduled for January 2007.

In the fourth quarter of 2005, Metrolink ridership in Orange County experienced continued growth on all three lines. The Orange County Line, including the Metrolink Riders on Amtrak trains under the Rail 2 Rail program, averaged 7,134 daily passengers, which represents a 10.6 percent increase over the fourth quarter of 2004. The daily number of Metrolink monthly pass holders riding Amtrak via the Rail 2 Rail program averaged 1,200 during the quarter. The IEOC Line averaged 3,802 daily riders, a 15.8 percent increase over the fourth quarter of 2004. The 91 Line averaged 1,848 riders, a 9.1 percent increase over the fourth quarter of 2004.

The commuter rail program was made possible by the rapid implementation of a comprehensive capital improvement plan made up of 36 percent Measure M funds. Also helping the commuter rail program is $115 million in the long-term rail operating fund, the Commuter Rail Endowment, established in 1992 and funded by Measure M.

The CenterLine Light Rail Project

Due to federal funding issues related to The CenterLine Light Rail Project (CenterLine), on October 14, 2005, the Board voted to cease all efforts towards CenterLine and redirect resources to other rapid transit projects. Similarly on October 14, 2005, the Board approved a Five-Year Program that included improvements to all modes of transportation. On November 28, 2005, the Board approved a comprehensive funding plan to fund all projects under the approved Five-Year Program.

I 405/SR-55 Interchange and Transitway

Construction on the second phase of I-405/SR-55 Interchange project began in February 2001. Currently, the construction cost is estimated at $63.3 million. The construction was completed in October 2005, and the project is now in the plant establishment period. Currently, the project closeout is on-going, with Caltrans negotiating the outstanding change orders and construction claims.

Financial Status

As required in Measure M, all Orange County eligible jurisdictions receive 14.6 percent of the sales tax revenue based on population ratio, Master Plan of Arterial Highways miles, and total taxable sales. There are no competitive criteria to meet, but there are administrative requirements, such as having a Growth

Management Plan. This money can be used for local projects as well as ongoing maintenance of local streets and roads. The total amount of Measure M turnback funds distributed since program implementation is $385 million. Distributions to individual agencies, from inception to-date and for the report period, are detailed in Attachment A.

Net Measure M expenditures through December 31, 2005, total $2.476 billion. Net expenditures include project specific reimbursements to Measure M from cities, local agencies, and Caltrans. Total Net Tax Revenues consist primarily of Measure M sales tax revenues and non-bond interest minus estimated non-project related administrative expenses through 2011. Net revenues, expenditures, estimates-at-completion, and summary project budgets, per the Measure M Expenditure Plan, are presented in Attachment B. The basis for project budgets within each of the Expenditure Plan programs is identified in the notes accompanying Attachment B.

Budget Variances

Project budget verses estimate-at-completion variances generally relate to freeway and transitway elements as these programs have existing defined projects. Other programs, such as regional and local streets and roads, assume all net tax revenues will be spent on existing and yet to be defined future projects.

The estimate-at-completion for the SR-55 between the I-5 and the SR-91 was increased by approximately $368,000. This is related to the SR-55, Segment A project, between 17th Street and the SR-22. The final construction and construction management costs were calculated and paid, and those costs are now reflected in the estimate-at-completion.

As discussed in the previous report, all OCTA staff costs are now included in the Estimate at Completion and To Date Net Project Cost as represented in Attachment B. In line with that, the overall freeway program estimate-at-completion has been revised by $385,000, to again reflect this inclusion. The $385,000 reflects the project related staff costs incurred over the report period, and is distributed within the various freeway projects. During the first quarter of 2006, direct project-related staff costs through the completion of the Measure M program will be determined and added to the individual project budgets and estimates-at-completion to reflect the implementation of the recommendation.

The estimate-at-completion for the transitways changed significantly during the report period. This is due to a settlement agreement reached regarding the construction defects found on the I-405/SR-55 Interchange project. When the defects were originally discovered, the repairs were performed with the understanding that OCTA would work closely with all parties involved in an effort to resolve the cost responsibilities associated with those repairs. In December 2005, a settlement was reached with the engineer of record for $1,500,000, for their share of these costs, resulting in a corresponding decrease to the project estimate-at-completion.

Summary

As required in Measure M Ordinance No. 2, a quarterly report is provided to update progress in implementing the Measure M Expenditure Plan. This report covers freeways, streets and roads, transit program highlights, and accomplishments from October through December 2005.

Attachments

A. Measure M Local Turnback Payments
B. Measure M Revenue and Expenditure Summary as of December 31, 2005

Prepared by:

Norbert Lippert
Project Controls Manager
(714) 560-5733

Approved by:

Stanley G. Phernambucq
Executive Director,
Construction & Engineering
(714) 560-5440

ATTACHMENT A

MEASURE M LOCAL TURNBACK PAYMENTS

Agency	Fourth Quarter 2005	Total Apportionment as of 12/31/05
Aliso Viejo	$ 69,536	$ 1,755,119
Anaheim	655,329	42,330,672
Brea	101,774	6,926,157
Buena Park	154,730	10,337,556
Costa Mesa	272,699	18,318,640
Cypress	103,646	6,780,542
Dana Point	64,053	4,369,448
Fountain Valley	120,921	8,434,531
Fullerton	244,502	16,775,826
Garden Grove	289,276	18,998,632
Huntington Beach	368,728	25,073,343
Irvine	445,765	26,197,783
Laguna Beach	50,396	3,237,569
Laguna Hills	71,832	4,541,742
Laguna Niguel	131,868	8,113,984
Laguna Woods	25,412	983,521
La Habra	101,157	6,431,631
Lake Forest	151,209	8,091,555
La Palma	34,858	2,128,227
Los Alamitos	25,603	1,858,804
Mission Viejo	185,313	11,969,422
Newport Beach	190,812	11,619,928
Orange	307,674	20,011,724
Placentia	90,792	6,006,817
Rancho Santa Margarita	83,590	2,432,672
San Clemente	104,909	5,848,479
San Juan Capistrano	76,121	4,720,606
Santa Ana	562,059	38,363,645
Seal Beach	46,853	3,046,012
Stanton	58,068	3,811,335
Tustin	155,946	10,479,402
Villa Park	10,322	701,936
Westminster	171,552	11,466,661
Yorba Linda	111,941	7,118,931
County Unincorporated	330,247	25,702,546
Total County:	***$ 5,969,491***	***$ 384,985,399***

Measure M Revenue and Expenditure Summary
as of December 31, 2005

Project Description	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	To Date Net Project Cost	Percent Budget Expended	Notes
($ in thousands, escalated to year of expenditure/revenue)	A	B	C	(A - C)	(B - C)	D	(D / B)	
Freeways (43%)								
I-5 between I-405 (San Diego Fwy) and I-605	$ 1,032,508	$ 810,010	$ 799,451	$ 233,057	$ 10,559	$ 641,696	79.2%	1, 6
I-5 between I-5/I-405 Interchange and San Clemente	71,587	55,390	57,561	14,026	(2,171)	57,543	103.9%	1, 6
I-5/I-405 Interchange	90,861	72,802	73,135	17,726	(333)	73,075	100.4%	1, 6
S.R. 55 between I-5 and S.R. 91	60,574	44,511	50,150	10,424	(5,639)	49,006	110.1%	1, 5, 6
S.R. 57 between I-5 and Lambert Road	30,287	24,128	22,750	7,537	1,378	22,750	94.3%	1, 6
S.R. 91 between Riverside Co. line & Los Angeles Co. line	130,784	116,136	105,678	25,106	10,458	105,170	90.6%	1, 6
S.R. 22 between S.R. 55 and Valley View St.	407,496	321,408	323,435	84,061	(2,027)	44,027	13.7%	1,2,6
Subtotal Projects	$ 1,824,097	$ 1,444,385	$ 1,432,160	$ 391,937	$ 12,225	$ 993,267	68.8%	
Net (Bond Revenue)/Debt Service		346,486	346,486	(346,486)	-	270,347		
Total Freeways	$ 1,824,097	$ 1,790,871	$ 1,778,646	$ 45,451	$ 12,225	$ 1,263,614	70.6%	
Expenditures as a Percent of Total Program						51.0%		
Regional Street and Road Projects (11%)								
Smart Streets	$ 159,987	$ 157,311	$ 157,311	$ 2,676	$ -	$ 114,104	72.5%	3
Regionally Significant Interchagnes	$ 93,326	93,326	93,326	-	-	39,270	42.1%	3
Intersection Improvement Program	$ 133,323	133,323	133,323	-	-	49,599	37.2%	3
Traffic Signal Coordination	$ 66,661	66,661	66,661	-	-	27,557	41.3%	3
Transportation Systems and Transporation Demand Mgmt	$ 13,332	13,332	13,332	-	-	6,219	46.6%	3
Subtotal Projects	$ 466,629	$ 463,953	$ 463,953	$ 2,676	$ -	$ 236,749	51.0%	
Net (Bond Revenue)/Debt Service		2,676	2,676	(2,676)	-	2,088		
Total Regional Street and Road Projects	$ 466,629	$ 466,629	$ 466,629	$ -	$ -	$ 238,837	51.2%	3
Expenditures as a Percent of Total Program						9.6%		

ATTACHMENT B

Measure M Revenue and Expenditure Summary
as of December 31, 2005

Project Description	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	To Date Net Project Cost	Percent Budget Expended	Notes
($ in thousands, escalated to year of expenditure/revenue)	A	B	C	(A - C)	(B - C)	D	(D / B)	
Local Street and Road Projects (21%)								
Master Plan of Arterial Highway Improvements	$ 174,104	$ 174,104	$ 174,104	$ -	$ -	$ 53,606	30.8%	3
Streets and Roads Maintenance and Road Improvements	616,734	616,734	616,734	-	-	385,047	62.4%	3
Growth Management Area Improvements	100,000	100,000	100,000	-	-	51,817	51.8%	3
Subtotal Projects	$ 890,838	$ 890,838	$ 890,838	$ -	$ -	$ 490,470	55.1%	
Net (Bond Revenue)/Debt Service						-		
Total Local Street and Road Projects	$ 890,838	$ 890,838	$ 890,838	$ -	$ -	$ 490,470	55.1%	
Expenditures as a Percent of Total Program						19.8%		
Transit Projects (25%)								
Pacific Electric Right-of-Way	$ 20,672	$ 15,000	$ 13,760	$ 6,912	$ 1,240	$ 13,659	91.1%	4
Commuter Rail	378,998	365,038	365,038	13,960	-	258,508	70.8%	
High-Technology Advanced Rail Transit	468,579	451,516	464,580	3,999	(13,064)	27,007	6.0%	
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	-	-	14,010	70.1%	4
Transitways	172,272	146,381	122,658	49,614	23,723	121,401	82.9%	1,7
Subtotal Projects	$ 1,060,521	$ 997,935	$ 986,036	$ 74,485	$ 11,899	$ 434,585	43.5%	
Net (Bond Revenue)/Debt Service		62,586	62,586	(62,586)	-	48,833		
Total Transit Projects	$ 1,060,521	$ 1,060,521	$ 1,048,622	$ 11,899	$ 11,899	$ 483,418	45.6%	
Expenditures as a Percent of Total Program						19.5%		
Total Measure M Program	$ 4,242,085	$ 4,208,859	$ 4,184,735	$ 57,350	$ 24,124	$ 2,476,339	58.8%	

Notes:
1. Project Budget based on escalated value of 1996 Freeway Strategic Plan plus subsequent Board approved project funding plan adjustments.
2. Project Budget and funding based on September 13, 2004 Measure M Expenditure Plan amendment.
3. Project Budget and Estimate at Completion equal to Total Net Tax Revenues as all funds collected will be expended on future projects.
4. Project Budget based on Expenditure Plan.
5. Estimate at Completion increased by approximately $368,000 for inclusion of final construction and construction management costs.
6. Overall Estimate at Completion for Freeways increased by $385,000 for continued inclusion of staff costs.
7. Estimate at Completion decreased by $1,487,000 for inclusion of settlement agreement for I-405/SR-55 Interchange transitway repair costs.

Item 21.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject Agreement for Sales Tax Audit and Recovery Services of State Board of Equalization Sales Tax Distributions

Finance and Administration Committee January 25, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-2-0599 between the Orange County Transportation Authority and MBIA MuniServices Company in an amount contingent upon the amount recovered for sales tax audit and recovery services of the Measure M half-cent sales tax.

OCTA

January 25, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for Sales Tax Audit and Recovery Services of State Board of Equalization Sales Tax Distributions

Overview

In an effort to ensure maximum revenue collection and effective administration of Measure M, the Orange County Transportation Authority has identified a need to perform audit and recovery services of the tax revenue generated by the program. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board approval is requested to execute an agreement.

Recommendation

Authorize the Chief Executive Officer to execute Agreement C-2-0599 between the Orange County Transportation Authority and MBIA MuniServices Company in an amount contingent upon the amount recovered for sales tax audit and recovery services of the Measure M half-cent sales tax.

Background

The collection of sales and use tax is administered by the California State Board of Equalization (SBOE). The Orange County Transportation Authority (Authority) and the SBOE have entered into an agreement for the state administration of a transactions and use tax that authorizes remittance of tax revenue directly to the Authority's trustee, Bank of New York Trust Company, N.A. at a cost of 1.5 percent of revenues collected.

Created by a constitutional amendment, the SBOE was initially charged with responsibility for ensuring that county property tax assessment practices were equal and uniform throughout the state. Currently the tax programs administered by the SBOE are concentrated in four general areas: sales and use taxes, property taxes, special taxes, and the tax appellate program. The SBOE collects the half-cent sales tax from all reporting entities doing business within the county, as well as for transactions that are performed in another location and the delivery or use of the goods occurs within the county. Each business entity is required to report commerce activity to the SBOE where the revenue is then allocated to the appropriate county, city and or district. To date the Authority has received approximately $2.6 billion in Measure M tax revenue from the SBOE-administered sales and use tax program.

During the past three years the Authority has contracted with MBIA MuniServices Company (MMC) to provide revenue enhancement audit services to ensure accurate and effective collection and administration of Measure M revenues. MMC's initial and ongoing audit service has assisted in the detection and correction of taxpayer reporting errors while further generating new transactions and use revenue. MMC has effectively recovered approximately $750,000 in tax revenue that would have otherwise not been realized by the Authority.

Discussion

This procurement was handled in accordance with the Authority's procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most effective overall proposal considering such factors as staffing, prior experience with similar projects, approach to the requirement, and technical expertise in the field. The project was advertised on October 28, 2005, and November 7, 2005, in a newspaper of general circulation, and on CAMMNET.

On November 22, one offer was received due to the specialized nature of the service. The offer was handled as a single procurement. The Internal Audit Department conducts reviews of single bid procurements that exceed $25,000 at the request of Contracts Administration and Materials Management (CAMM). The offer was evaluated by members from the departments of Treasury/Public Finance, CAMM and Internal Audit. The offer was evaluated on the basis of project staffing, work plan, and technical expertise. Based on their findings, the evaluation committee recommended the following firm to the Finance and Administration Committee for consideration of an award:

Firm and Location

MBIA MuniServices Company
Fresno, California

Since 1978, MMC has specialized in providing innovative revenue enhancement audit services to local governments located throughout

California. MMC is the only firm in California offering proprietary revenue enhancement audit services that encompass all general sources of municipal tax revenue. MMC currently provides ongoing revenue enhancement services for more than 160 California municipalities.

MMC's revenue enhancement audit findings and recommendations are validated and accepted by the SBOE. MMC's 120-member staff exclusively services public agencies from five in-state offices. Business and third-party intermediaries allow MMC access to audit confidential revenue data because MMC provides consulting services only to government agencies effectively removing any conflicts of interest between public and private entities.

Fiscal Impact

The project was not included in the fiscal year 2006 budget. The firm will be paid on contingent fee basis in a sliding scale format. As unrealized revenue is recovered, the firm will invoice the Authority quarterly for its services. An internal audit price review has determined the pricing to be fair and reasonable. The proposed fee schedule is as follows:

Amount Recovered to the Authority	Contingency Fee
$0 to $3,000,000	30%
$3,000,001 to $10,000,000	25%
Over $10,000,000	20%

Summary

Based on the information provided, staff recommends award of Agreement C-5-2797 to MBIA MuniServices, for sales tax audit and recovery services of the Measure M half-cent sales tax.

Attachment

None.

Prepared by:

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

Approved by:

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

22.

Item 22.

OCTA

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Process for City-initiated Rapid Transit and Related Projects

Transit Planning and Operations Committee — January 26, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Approve a four-step process for city-initiated rapid transit and related projects.

B. Authorize the Chief Executive Officer to execute Memorandums of Understanding by and between the Orange County Transportation Authority Metrolink station cities and other cities as partners allocating $100,000 per city for communities to develop their own transit vision for the future.

C. Direct staff to return with a progress report on this initial needs assessment by December 31, 2006.

D. Direct staff to return at a later time with recommended guidance for Step Two project planning and/or alternatives analysis based on the criteria in this staff report.

OCTA

January 26, 2006

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Process for City-Initiated Rapid Transit and Related Projects

Overview

The recently adopted Five-Year Program allocated $30 million in existing Measure M funds to study ways to increase transit access to Metrolink through partnerships with cities. Staff has developed a four-step process for communities to develop their own transit vision for the future by creating transit extensions that branch from Metrolink stations. The process begins with grants to interested cities to assess their needs for city-initiated rapid transit projects. This investment is consistent with the Measure M transit program.

Recommendations

A. Approve a four-step process for city-initiated rapid transit and related projects.

B. Authorize the Chief Executive Officer to execute Memorandums of Understanding by and between the Orange County Transportation Authority Metrolink station cities and other cities as partners allocating $100,000 per city for communities to develop their own transit vision for the future.

C. Direct staff to return with a progress report on this initial needs assessment by December 31, 2006.

D. Direct staff to return at a later time with recommended guidance for Step Two project planning and/or alternatives analysis based on the criteria in this staff report.

Background

On October 14, 2005, the Board of Directors (Board) approved a Five-Year Program (Program) containing improvements to all modes within Orange County and directed staff to begin its refinement. The approved Program includes utilizing partnerships with interested cities for communities to develop their own transit vision for the future. Thirty ($30) million was allocated to study ways to make Metrolink more convenient to more users by enhancing its facilities or creating rapid transit branch extensions to outlying communities. This investment complies with the Measure M transit project description, which states: "The primary improvements will be along the Los Angeles to San Diego (LOSSAN) rail corridor" and calls for "access between the primary rail system and employment centers."

Staff recommends a four-step process in which cities take the lead in defining how these enhancements and extensions work best with their local community's short and long-term priorities. The Orange County Transportation Authority (Authority) will provide expertise in transit operations and federal funding processes and will coordinate city efforts to ensure the local extensions work seamlessly as a future countywide transit network. Measure M will serve as the primary local funding source. The shared objective will be to increase the ease of use, access to, and convenience of Metrolink by branching rapid transit extensions from Metrolink stations to nearby communities and major travel corridors. A four-step planning and implementation process will accomplish the following:

Step One: $100,000 grants for initial needs assessment for interested cities to develop their own future transit vision

Step Two: Project planning and/or alternatives analysis of the concepts emerging from Step One for interested cities, with projects qualifying through a competitive process

Step Three: Project development/implementation (preliminary engineering through construction) of those projects from Step Two which qualify through a competitive process for continued funding

Step Four: Additional work on the Metrolink corridor to transform stations into transportation centers

This staff report outlines Step One in detail and provides an overview of the Steps Two through Four.

Discussion

There are 11 Metrolink stations within Orange County, including; San Clemente, San Juan Capistrano, Laguna Niguel/Mission Viejo, Irvine, Tustin, Santa Ana, Orange, Anaheim, Anaheim Canyon, Fullerton, and Buena Park. As communities develop their own future transit vision to complement their own goals, the first step for Metrolink cities will be to assess the needs, constraints, opportunities, and public interests at and around its Orange County Metrolink station. Cities with a Metrolink station are encouraged to invite other outlying cities to partner together to create a transit vision to enhance Metrolink facilities or extend Metrolink services into their communities.

Step One – Assessment Grants

The grant process under Step One is intended to kick-off the definition of the future of Orange County transit and respective routes and technologies. In assessing the transit needs, the role of Authority-owned property, including the Metrolink and Pacific Electric right-of-ways, should be taken into consideration. A requirement for issuance of the grant will be the execution of a Memorandum of Understanding (MOU) between the Authority and each city receiving funds that describes the roles and responsibilities of each party under the grant. A sample MOU is provided in Attachment A.

The assessment should define and focus the project(s) to undergo detailed planning and alternatives analysis for Step Two. Examples of potential uses of this grant include, but are not limited to:

- Land use and transit oriented development planning
- Assessment of what to plan to extend the reach of Metrolink
- Bus shuttle planning or implementation

A $100,000 grant is available in Step One to Metrolink station cities, and other interested cities as partners, to work together in an initial ascertainment and concept development branching from Metrolink. One $100,000 grant is available per city for this initial ascertainment and concept development when partnered. For example, a Metrolink station city partners with three other cities to develop a local transit concept with branches to outlying travel corridors or activity centers in neighboring cities. Each city receives $100,000 for a total planning pool of $400,000. Each city will sign its own MOU with the Authority, and must jointly agree to a shared approach. Since the projects will start off the Metrolink corridor, the Metrolink station city will take the lead in this needs assessment.

Public participation in Step One is strongly encouraged to foster consensus and a collaborative environment for gathering ideas to be further developed. Partnering by cities adjacent to those with Metrolink stations is encouraged in anticipation of a system of countywide transit extending from the Metrolink stations that could be funded by a potential renewal of Measure M. Connections to jobs and population in non Metrolink-station cities will increase a project's merit. For those seeking federal funds, partnerships will also increase the chances of advancing through the Federal Transit Administration's (FTA) funding process. As projects move

forward, their merit will be evaluated by the Authority for entry into the competitive planning process of Step Two.
If the assessment warrants, a portion of the grant may be used to implement a transit solution that meets a short term need and helps assess the need for future longer term transit projects, such as bus circulators or shuttles serving a Metrolink station.

This investment is consistent with the current Measure M transit program encouraging extensions between the LOSSAN corridor to rail system and employment centers.

All projects and programs will be subject to the same audit and compliance oversight found in the Measure M ordinance.

Steps Two Through Four of Process

Step Two will consist of a competitive planning process and, for those seeking federal funds, an alternatives analysis as well. This approach will bring competition to local transportation planning, creating a marketplace where the best ideas emerge and compete for funding. Such competition will encourage civic entrepreneurship and stimulate private involvement and investment.

There will be a call for projects to perform planning and alternatives analysis of ideas developed during Step One. Evaluation of the Step Two proposals will be based on the following criteria:

- Traffic congestion relief;
- Project readiness, with priority given to projects that can be implemented earliest;
- Local funding commitments and the availability of right-of-way;
- Proven ability to attract other financial partners, both public and private;
- Proximity to jobs and population centers;
- Regional as well as local benefits;
- Ease and simplicity of connections;
- Compatible, approved land uses;
- Modern technology; and
- A sound, long term operating plan

Staff will develop for Board review at a later time detailed project planning guidance and an evaluation process.

Under Step Three (preliminary engineering through construction), projects will develop in a competitive environment. These projects will likely result in a requirement for funding greater than what is under the control of the Authority to build all projects. Hence, staff proposes that large projects, identified as those likely to have capital costs greater than $25 million, maintain eligibility for federal funding beginning with the planning and/or alternatives analysis in Step Two. Projects with capital costs less than $25 million will not be required to meet federal funding eligibility requirements.

Step Four is to perform additional work on Metrolink stations to transform them into transportation centers that can serve as hubs to projects that are developed under this process, beginning with the grants for initial needs assessment.

Fiscal Impact

All planning work under Steps One and Two is fundable with the approved $30 million in existing Measure M funds. Project development funding sources in Steps Three and Four are not defined at this time, however they may potentially include Measure M, if it is extended, and FTA funding.

Summary

Staff proposes a process for defining and developing city-initiated rapid transit and related projects for communities to develop their own transit vision for the future. The first step of the process sets the stage by defining the needs at and around each Metrolink station for the eventual development of a countywide transit system that starts at Metrolink and extends into the communities. The extensions to Metrolink could be funded by a potential renewal of Measure M. The planning effort for these extensions is consistent with the transit program in Measure M, the Authority's transit vision of enhancing the facilities and services along Orange County's rail backbone, Metrolink rail service, and will be subject to compliance with audit and oversight consistent with the Measure M ordinance. An MOU between each city and the Authority will outline the roles and responsibilities.

Attachment

A. Sample Memorandum of Understanding by and Between the Orange County Transportation Authority and City of City Name Here for Relating to City-Initiated Rapid Transit and Related Projects

Prepared by:

José de Jesus Martinez, P.E.
Project Manager
(714) 560-5755

Approved by:

Paul C. Taylor, P.E.
Executive Director, Planning, Development and Commuter Services
(714) 560-5431

AGREEMENT No. C- 6-XXXX

SAMPLE

MEMORANDUM OF UNDERSTANDING

BY AND BETWEEN

ORANGE COUNTY TRANSPORTATION AUTHORITY

AND

CITY OF CITY NAME HERE

FOR

RELATING TO CITY-INITIATED RAPID TRANSIT AND RELATED PROJECTS

The following memorandum of understanding is entered into by and between the City of City Name Here ("CITY NAME HERE") and the Orange County Transportation Authority ("OCTA") with regard to the following matters:

WHEREAS, OCTA considers its railroad lines linking Los Angeles and San Diego Counties and the Inland Empire to be the core of Orange County's future rail transit system; and

WHEREAS, OCTA's long-term vision for transit improvement calls for enhancing facilities and services within the Metrolink rail transit core so that more riders utilize Metrolink; and

WHEREAS, the transit vision for calls for extending the reach of Metrolink to and from Metrolink stations into communities; and

WHEREAS, CITY NAME HERE and the OCTA wish to work as partners to develop a community-based transit vision that increases use of Metrolink by (City Name) residents, visitors, and/or employees; and

WHEREAS, $30 million of voter-approved existing Measure M funds is designated for cities to study ways to accomplish this; and

WHEREAS, the OCTA Board of Directors voted on February 14, 2006 to allocate $100,000 per City to initiate community-based needs assessment and concept development of transit projects to allow communities to develop their own transit vision for the future; and

WHEREAS, Metrolink Station City will be the lead agency for this initial ascertainment of needs; and

WHEREAS, CITY NAME HERE will work in a collaborative effort with one or more lead Metrolink station Cities.

WHEREAS, the remainder of the $30 million is reserved for a future competitive process for planning, and, for those seeking federal funds, alternatives analysis as well; and

WHEREAS, CITY NAME HERE upon signing this Memorandum of Understanding, will receive a grant in the amount not to exceed $100,000 ; and

WHEREAS, CITY NAME HERE informed by community input will assess ways to extend the reach of Metrolink or enhance facilities within the Metrolink service area consistent with local city planning goals the idea of communities developing their own transit vision for the future; and

NOW, THEREFORE, it is mutually understood and agreed by OCTA and CITY NAME HERE as follows:

1. OCTA will provide a grant of $100,000 to CITY NAME HERE to launch the process of communities developing their own transit vision for the future by defining what may be planned to enhance the Metrolink faciliites or extend the reach of Metrolink servie into its community and beyond.

2. CITY NAMED HERE grant will be subject to audit by the Measure M Citizens Oversight Committee and all other taxpayer safeguards included in Measure M;

3. CITY'S NAME HERE community-based needs assessment work shall include a review of relevant city-planning documents, and an assessment of immediate and long term transit opportunities and constraints in the anchor Metrolink station city and partnering cities and communities (including the role of OCTA-owned Metrolink and Pacific Electric Right-of-Way). Immediate transit opportunities are defined as those that can be funded by the approved $30 million and implemented as part of a detailed planning process and, for those seeking federal funding, alternatives analysis. Long-term opportunities will develop from planning and/or alternatives analysis work and may necessitate renewal of Measure M or other significant additional funding source beyond known revenue streams for their further development (preliminary engineering through construction).

5. The CITY NAME HERE shall produce a written report of its findings, recommendations, and next steps according to a mutually agreed upon schedule.

6. OCTA and CITY NAME HERE will establish at a later date responsibilities for detailed planning, alternatives analysis, design, preliminary engineering, construction, and operation and maintenance of any transit systems that evolve from this ascertainment of needs; and

7. OCTA and CITY NAME HERE shall consider developing a long-term funding program that will allow the development of the results of ascertainment of needs. Funding beyond the subject $100,000 grant shall be pursuant to a competitive call for projects initiated by OCTA at a later date.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Understanding No. C-6-XXXX to be executed on the date first above written.

CITY OF ____________________	**ORANGE COUNTY TRANSPORTATION AUTHORITY**
By:____________________________ Mayor	By:________________________________ Arthur T. Leahy Chief Executive Officer
ATTEST:	APPROVED AS TO FORM:
By:____________________________ City Clerk	By: ________________________________ Kennard R. Smart, Jr. General Counsel
____________, City Attorney	APPROVAL RECOMMENDED:
Date:___________________________	By: __________________________ Paul C. Taylor, Executive Director, Planning, Development and Commuter Services Date:___________________________

Item 23.

BOARD COMMITTEE TRANSMITTAL

February 14, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Paratransit Growth Management Plan Progress

Transit Planning and Operations Committee — January 26, 2006

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

Committee Vote

No action taken on this receive and file item.

Committee Recommendation

Receive and file as an information item.

OCTA

January 26, 2006

To:	Transit Planning and Operations Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Paratransit Growth Management Plan Progress

Overview

In October 2005, the Orange County Transportation Authority Board of Directors adopted a Paratransit Growth Management Plan. Several strategies set forth in the plan were implemented in July 2005. This report provides an update on the progress of the plan and the impacts of the strategies implemented.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (Authority) began operating the ACCESS service in 1993 to comply with the requirements of the Americans with Disabilities Act (ADA). These regulations require fixed route operators to provide a complementary paratransit service to individuals who by reason of a physical or cognitive disability are not able to use the fixed route system.

To meet the definition of "complementary," paratransit must be provided for trips requested at least one day in advance, within a three-quarter mile corridor of the fixed route system, during the same days and hours that fixed route operates, from curb to curb, and with fares no more than twice the base undiscounted regular fixed route fare. In addition, all trips requested must be provided; no trip denials are permitted.

In the last five years, the demand for ACCESS has grown significantly along with the cost of providing this service. In fiscal year 2000-01, 596,000 ACCESS trips were provided; in fiscal year 2003-04, over one million ACCESS trips were provided, a 68 percent increase. To better track and understand this trend, a demand forecasting model was developed. Study of this trend indicated that ridership will double to more than two million annual trips in the next five years. Put into the context of the Authority's Comprehensive Business Plan, the costs associated with the projected ACCESS growth would impact the Authority's ability to expand fixed route service in the future, and eventually could impact the Authority's ability to maintain the level of bus service currently provided.

In response to this, a Paratransit Growth Management Study was conducted and more than 50 strategies were presented to the public for input between July and August 2004. More than 20 public meetings were held along with four public hearings during this period. On October 25, 2004, the Authority Board of Directors adopted a Paratransit Growth Management Plan consisting of 15 primary strategies and directed staff to begin implementation. Implementation of these strategies began in July 2005.

Discussion

Since the inception of ACCESS service in 1993, the Authority has provided "premium" service which exceeded the minimum requirements of the ADA. Providing "premium" service, coupled with the steady increase in demand for the service, has resulted in double digit growth in the program every year for the past five years.

The growth management strategies implemented in July 2005 focused on three specific areas: the implementation of a same-day taxi program, modifying ACCESS service policies, procedures and service delivery to conform with strict adherence to the ADA guidelines, and continuing existing activities to promote the use of the fixed route bus system. Attachment A includes a comprehensive list of the strategies and provides an update on the status and impact of implementation of each strategy.

Overall, the implementation of these strategies has had positive results. For example, the implementation of 100 percent in-person assessments for ACCESS eligibility has reduced the growth in the number of eligible customers each month by approximately 10 percent. In addition, the service area has been restricted only to areas within three-quarter mile of the fixed route bus service, and costly same-day medical back-up service has been eliminated. In an effort to provide a cost effective alternative to our customers impacted by these service policy changes, a partially subsidized same-day taxi program has been implemented.

There is no single solution to controlling the cost of providing ACCESS service. A multi-faceted plan that focuses on a number of strategies is in place, and the first phase of the plan has been successfully implemented. The trend in growth of the program is currently remaining flat for the first time ever. Staff will continue to monitor the service and develop the next set of strategies.

Summary

This report provides an update on the implementation of the Paratransit Growth Management Plan including specific information on the fifteen individual strategies implemented and the impact that implementation has had on the ACCESS service.

Attachment

A. Paratransit Growth Management Plan
Updated January 26, 2006

Prepared by:

Erin Rogers
Department Manager,
Community Transportation Services
714-560-5367

Approved by:

William L. Foster
General Manager, Operations
714-560-5842

PARATRANSIT GROWTH MANAGEMENT PLAN
Updated January 26, 2006

	Strategy	Status
Strategy A	Prepare a service plan for a partially subsidized same-day taxi program available to individuals with Americans with Disabilities Act paratransit eligibility.	Completed; the Board approved the Operating Plan in December 2004; service became available to all ACCESS eligible individuals July 1, 2005. The purpose of this service is to provide an alternative to customers living outside the ¾ mile service area, or those who were previously using the medical back-up service. During the first six months of the program, a total of 5,367 trips have been provided. The Authority's cost of these trips is $7.75, compared to the cost of $26.55 for an ACCESS trip. This represents a savings of $100,899 during the first six months of the program. Staff is currently evaluating expansion of this program.
Strategy B	Modify ACCESS service policies, procedures, and the service delivery method as outlined to discontinue premium services and strictly conform with the requirements of the Americans with Disabilities Act to provide a complementary paratransit program.	Details of implementation and impacts described below.
	Modify Services:	On-going
	• Restrict ADA eligible trips to the ADA required ¾ mile fixed route corridor by time of day.	This strategy was implemented in July 1, 2005. At that time, a total of 315 ACCESS customers reside outside the ¾ mile corridor. This represents one percent of the total ACCESS eligible customers. Customers were notified of the change in the *Transit Connection* and many were contacted individually. Prior to July, 15 customer complaints were received regarding this policy change, 34 customer complaints were received in July; and since that time an average of two (2) complaints have been received each month.

ATTACHMENT A

	Strategy	Status
	• Discontinue non-ADA medical back-up service	Medical back-up service was discontinued July 1, 2005, all ACCESS customers notified of this change via *The Transit Connection* and letters were sent to individuals who have used the service within the last year.
	• Increase door service premium from $.80 to $2.00	The new fare for the door service premium was increased July 1, 2005. All ACCESS customers notified of this change via *The Transit Connection* . In FY 05 approximately five percent of the total ACCESS riders were utilizing the premium door service; the estimated cost of the service to the Authority in FY 05 was $63,243. FY 06 year to date, approximately three percent of the total ACCESS riders are utilizing the premium door service; there are no longer costs to the Authority associated with this service.
	• Expand on-time window from 20 minutes to 30 minutes for promised pick-up time	Trapeze software was modified in June to increase on-time pick-up window effective July 1, 2005; notification provided in *The Transit Connection.* This strategy provides more flexibility in scheduling and is expected to help in improving system productivity. Specific, quantitative results of this policy change are difficult to measure with only six months of data, and without real-time data.
	• Require all ADA applicants to participate in a functional in-person assessment as part of the eligibility process	Current contractor for eligibility assessments added three additional locations for a total of eight to accommodate the performance of more in-person assessments. The percent in growth in the number of ACCESS eligible clients has dropped from an average of 12 percent per month in FY 05 to less than 2 percent in FY 06. For the first time in five years, the total number of eligible clients has remained flat.
	• Initiate the procurements necessary to implement a broker system to facilitate use of different paratransit service providers	The ACCESS procurement is currently underway; this has been a complex process and has required additional time to complete. The scope of work has been modified to include a turn-key operation. Staff will continue to analyze service model options as it relates to a broker system, use of taxis, and other creative alternatives to providing the service. The current schedule is geared toward a July1,2006 start-up date.

	Strategy	Status
	• Explore the use of different vehicle types to improve cost effectiveness and efficiency	A minivan has been tested for the past six months. Ten additional mini-vans are currently being procured and will replace regular paratransit vans.
Strategy C	Continue existing activities to promote the use of the accessible fixed route bus system by persons with disabilities and continue to work with other agencies to develop partnerships to improve the transportation alternatives available within the community for seniors and persons with disabilities as outlined in Attachment A.	On-going as described below
	Encourage the Use of Accessible Fixed Route Services	On-going
	• Continue to provide travel training to individuals with restricted ADA eligibility and individuals who do not qualify for ADA service	Since January 2005, Authority staff have conducted 23 workshops for 484 individuals; 50 individuals received one-on-one travel training
	• Explore ways to encourage/require ACCESS riders with restricted eligibility to use fixed route for any trips	In January 2005, the Authority implemented a Reduced Fare ID (RFID) card for ACCESS eligible individuals to use fixed route for a discounted $.25 fare; almost 400 individuals have applied for these cards since January 2005. Reports indicate that an average of 3,800 trips per month are taken on fixed route using the reduced fare ID card.
	Coordination with Other Agencies	On-going
	• Explore additional ways to partner with county agencies, cities and private non-profits to develop additional transportation services to meet the needs of seniors and persons with disabilities	Authority staff continues to meet with agencies to discuss alternative transportation programs. Abrazar, Inc., a non-profit agency serving primarily Hispanic seniors, joined the Senior Mobility Program in September 2005. The cities of Placentia and Fountain Valley are expected to join the program in 2006. Other cities and agencies have also expressed interest in joining the Senior Mobility Program. Staff is also continuing to develop alternative programs for seniors being transported to adult day healthcare (ADHC) facilities. An ADHC transportation study concluded in October 2005 with a list of recommended transportation alternatives. Staff will continue to work in conjunction with ADHC directors to explore the feasibility of these alternatives and the resources needed for implementation

	Strategy	Status
	• Continue to support other agencies that provide specialized travel training or mobility planning services	In cooperation with the North Orange County Community College District, School of Continuing Education, Authority staff conducted a 6 week Travel Training class for ACCESS riders from June 27 – August 5, 2005. This was offered at two locations, in Fullerton and Anaheim.
	• Work with private non-profit organizations providing paratransit services to seniors and persons with disabilities to expand their capacity and provide additional transportation choices	In February 2005, the Board approved a pilot program with the Regional Center of Orange County to work with the Authority, OCARC, a private non-profit day program operator serving individuals with developmental disabilities, and Western Transit Services, to transition approximately 80 individuals from ACCESS to Western Transit Services. Under this cooperative venture, OCARC will contribute paratransit vehicles acquired through the 5310 federal funding program, and Western Transit Services will operate the service and, more importantly, provide the required 20% local match for receipt of these funds; the Authority will contribute a lower cost per trip for each trip carried compared to the cost of providing these trips on ACCESS. Authority is currently working with staff from the partnering organizations to complete the transition of these customers. Staff is currently evaluating other opportunities for programs of a similar nature.
	• Support the coordinated implementation of a program to promote healthy driver and safe driving among seniors	On May 2nd and 9th, 2005, Authority staff conducted "The Road to Driving Wellness" program at a location in Anaheim, in cooperation with Talbert Medical Center, as part of Talbert's 2005 community health series (the request to participate in this program was received by the Authority in 2004); also, Authority staff met with staff from the Department of Motor Vehicles, the Auto Club, and UCI's department of gerontology to discuss a partnership to coordinate efforts to implement some of the training related strategies along with their own programs. The funds for the full implementation of this program have not yet been identified. A re-evaluation of the Authority's commitment to participate in this program will be conducted.

	Strategy	Status
	Administrative Considerations	On-going
	• Working with OCTAP, encourage the introduction and expansion of accessible taxicabs available to provide service within Orange County	In January, OCTAP implemented a discount permit program for taxi operators with accessible taxi vehicles to encourage the addition of accessible vehicles into the Orange County taxi fleet. Consideration will be given to allocating a portion of the ACCESS mini-van fleet to assist in this effort.
	• Support implementation of these recommendations with the addition of staff to assist with planning activities, the implementation of various strategies, and on-going project monitoring	The Authority has received notification of a successful Caltrans grant for transit planning interns; two of the six intern positions will be used to assist with implementation and monitoring of Paratransit Growth Management strategies. The recruitment of these positions is currently underway.