Date:	**Monday, March 13, 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
Monday, March 13, 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 Wilson

Pledge of Allegiance
Chairman Brown

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. **Recognition of Retirees**

To recognize OCTA employees who have recently retired.

2. **Presentation of Resolution of Appreciation to Freeway Service Patrol Driver**

Present Orange County Transportation Authority Resolution of Appreciation No. 2006-13 to Service Authority for Freeway Emergencies Employee, John Meza.

Consent Calendar (Items 3 through 15)

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

3. **Approval of Minutes**

Of the Orange County Transportation Authority and affiliated agencies' regular meeting of February 27, 2006.

4. **Approval of Resolution of Appreciation to Freeway Service Patrol Driver**

Adopt Orange County Transportation Authority Resolution of Appreciation No. 2006-13 to Service Authority for Freeway Emergencies Employee, John Meza.

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

Overview

The League of California Cities adopted a set of principles on the proposed state infrastructure bonds which have been reviewed by staff and compared with the principles adopted by the Board on February 14, 2006. In addition, a side-by-side comparison of the various bond proposals by the Governor and the Legislature is provided.

OCTA

AGENDA

ACTIONS

5. **(Continued)**

Recommendation

Receive and file.

6. **Selection of Consultants for On-Call Architectural and Engineering Services for Facility Modifications**
James J. Kramer/Stanley G. Phernambucq

Overview

As a part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board approved on-call architectural/engineering design and construction support services for facility modifications. Proposals and statements of qualifications were solicited in accordance with the Orange County Transportation Authority's procurement procedures for the retention of consultants to perform architectural and engineering work. These procedures are in accordance with both federal and state legal requirements.

Recommendations

A. Select Carter & Burgess, Miralles Associates, and STV Incorporated as the top ranked firms to provide on-call architectural/engineering services for facility modifications.

B. Authorize the Chief Executive Officer to request a cost proposal from Carter & Burgess, Miralles Associates, and STV Incorporated, and negotiate agreements for their services.

C. Authorize the Chief Executive Officer to execute the final agreements, in an amount not to exceed $1,900,000..

ACTIONS

7. **Amendment to Sole Source Agreement to Chapman University for Taxable Sales Forecast**
Christina Runge/James S. Kenan

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Orange County Transportation Authority has included a 20-year taxable sales forecast for several Orange County Transportation Authority programs.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement C-3-1255 between the Orange County Transportation Authority and Chapman University, in an amount not to exceed $27,000.

8. **Annual Investment Policy Update**
Kirk Avila/James S. Kenan

Overview

The Treasurer has revised the Orange County Transportation Authority's Annual Investment Policy for 2006. The Annual Investment Policy sets forth the investment guidelines for all funds invested on and after March 15, 2006. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Annual Investment Policy to be reviewed at a public meeting.

Recommendation

Adopt the 2006 Annual Investment Policy.

ACTIONS

9. **Fiscal Year 2005-06 Second Quarter Budget Status Report**
Rene I. Vega/James S. Kenan

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2005-06 budget. This report summarizes the material variances between the budget plan and actual revenues and expenses.

Recommendation

Receive and file as an information item.

10. **Approval of Local Transportation Fund Fiscal Year 2006-07 Apportionment Estimates**
Jerome A. Diekmann/James S. Kenan

Overview

The Orange County Transportation Authority, as the transportation planning agency and county transportation commission for Orange County, is responsible for developing estimates used in apportioning revenues earned and deposited in the Orange County Local Transportation Fund. Transportation Development Act regulations require that the apportionments for fiscal year 2006-07 be determined and prospective claimants advised of the amounts.

Recommendation

Approve the Local Transportation Fund fiscal year 2006-07 apportionment estimates and authorize the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for the following fiscal year.

ACTIONS

11. **Second Quarter Fiscal Year 2005-06 Grant Status Report**
Linda M. Gould/James S. Kenan

Overview

The Quarterly Grant Status Report summarizes grant activities for information purposes for the Orange County Transportation Authority Board of Directors. This report focuses on significant grant activity for the period of October through December 2005. The Quarterly Grant Status Report summarizes future grant applications, pending grant applications, executed grant awards, current grant agreements, and closed-out grant agreements.

Recommendation

Receive and file as an information item.

Orange County Transit District Consent Calendar Matters

12. **Purchase Order for Replacement of Paratransit Vehicles**
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 purchase of paratransit vehicles. Board approval is requested to issue a purchase order.

Recommendation

Authorize the Chief Executive Officer to issue Purchase Order 06-74184 between the Orange County Transportation Authority and Creative Bus Sales, in an amount not to exceed $2,135,633, for the purchase of 32 paratransit vehicles.

OCTA

AGENDA

ACTIONS

13. Agreement for Selection of Consulting Firm to Conduct Radio Systems Assessment and Replacement of 500 Megahertz System
Al Pierce/William L. Foster

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board approved a study of our overall vehicle radio systems and a detailed review of alternatives for upgrade or replacement of the 500 megahertz system currently used for Community Transportation Services voice communication. 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-5-2613 between the Orange County Transportation Authority and Eiger TechSystems, in an amount not to exceed $175,000, for contracting with the consulting firm to conduct the overall radio systems assessment, explore options for the 30-year old 500 megahertz system and execution of two options, to include, development of a technical specification for a Request For Proposals and development of a plan for future communications strategy in the event of an emergency resulting in loss of communication at our primary dispatch sites.

14. Amendment to Agreement for Landscaping Service
Al Pierce/William L. Foster

Overview

On May 9, 2005, the Board of Directors approved an agreement with Toyo Landscaping Company to provide landscaping services at Orange County Transportation Authority facilities.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-5-0114 between the Orange County Transportation Authority and Toyo Landscaping Company, in an amount not to exceed $70,000, for the first option year for landscaping services.

15. **Local Transportation Fund Claims for Fiscal Year 2006-07**
Jerome A. Diekmann/James S. Kenan

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation services throughout Orange County. In order to receive these funds, Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

Recommendation

Adopt Orange County Transportation District Resolution No. 2006-08 authorizing the filing of Local Transportation Fund claims, in the amounts of $97,105,558, to support public transportation, and $5,168,243, for community transit services, including operation of the Senior Mobility Program.

Regular Calendar

16. **Bus Customer Satisfaction Survey**
Jose Solorio/Ellen S. Burton

Overview

As part of the Orange County Transportation Authority's ongoing "Putting Customers First" initiative, a bus customer satisfaction survey was conducted in November 2005. Results from the survey are expected to play a key role in helping the Orange County Transportation Authority better understand bus customer needs and perceptions, as well as provide insights to improve the bus service. This staff report summarizes the results from the survey.

Recommendation

Receive information for discussion and possible action as deemed appropriate by the Board.

OCTA

AGENDA

ACTIONS

Other Matters

17. Chief Executive Officer's Report

18. Directors' Reports

19. 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.

20. 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. OCTA v. Amerisourcebergen, et al.
OCSC Case No. 04CC09849

C. OCTA v. The City Office, et al.
OCSC Case No. 04CC09846

D. William J. Howard v. OCTA, et al.
OCSC Case No. 05CC05986

21. Adjournment

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

Minutes of the Meeting of the
Orange County Transportation Authority
Orange County Service Authority for Freeway Emergencies
Orange County Local Transportation Authority
Orange County Transit District
February 28, 2006

Call to Order

The February 28, 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:	Arthur C. Brown, Chairman Carolyn Cavecche, Vice Chair Peter Buffa 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 Richard J. Bacigalupo, Deputy Chief Executive Officer Wendy Knowles, Clerk of the Board Laurena Weinert, Assistant Clerk of the Board Kennard R. Smart, Jr., General Counsel Members of the Press and the General Public
Directors Absent:	Bill Campbell Curt Pringle

Invocation

Director Silva gave the invocation.

Pledge of Allegiance

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

Special Matters

1. The Road to #1

A tribute to former Board Members and executives in honor of the American Public Transportation Association's award to OCTA as America's Number One Transportation System for 2005 was presented. Those individuals in attendance were individually recognized for their valuable contribution to today's success.

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

Chairman Brown presented Orange County Transportation Authority Resolutions of Appreciation Nos. 2006-09, 2006-10, 2006-11 to Martin Lubus, Coach Operator; Cesar Carrillo, Maintenance; and Ron Wolf, Administration, as Employees of the Month for February 2006.

Consent Calendar (Items 3 through 14)

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

Director Rosen pulled Item 9 for comment.

Orange County Transportation Authority Consent Calendar Matters

3. Approval of Minutes

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to approve the minutes of the Orange County Transportation Authority and affiliated agencies' regular meeting of February 14, 2006.

4. Approval of Resolutions of Appreciation for Employees of the Month for February 2006

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to adopt Orange County Transportation Authority Resolutions of Appreciation Nos. 2006-09, 2006-10, and 2006-11 to Martin Lubus, Coach Operator, Cesar Carrillo, Maintenance, and Ron Wolf, Administration, as Employees of the Month for February 2006.

5. State Legislative Status Report

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to co-Sponsor legislation to provide predictable and sufficient resources to transportation agencies to plan, program, monitor, and manage projects.

6. Second Quarter Payroll Distribution Review

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to receive and file the Second Quarter Payroll Distribution Review, Internal Audit Report No. 06-027.

7. Buy America Review

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to receive and file the Creative Bus Sales, Inc. – Procurement of 10 Vans, Buy America Review, Internal Audit Report No. 06-030, and the Creative Bus Sales, Inc. – Procurement of 32 Vans, Buy America Review, Internal Audit Report No. 06-031.

8. Review of the Human Resources Information System, Post-Implementation

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to receive and file the Review of the Human Resources Information System, Post Implementation, Internal Audit Report No. 06-013.

9. **Review of Procurement - Revisions to Procurement Policies and Procedures**

Director Rosen pulled this item for comment. He stated that on Attachment A to the staff report, he wanted clarification if there were restrictions put on Board Members' receiving certain documents. Chief Executive Officer, Arthur T. Leahy, advised Director Rosen that these issues will be addressed at the Procurement Workshop next month.

Director Rosen requested copies of the minutes from the meetings at which these policies were adopted.

Chief Executive Officer, Arthur T. Leahy, advised Director Rosen that a procurement workshop is being planned for late in March, and these policies will come before the Directors at that time for discussion.

Motion was made by Director Rosen, seconded by Director Buffa, and declared passed by those present, to receive and file the Review of Procurement - Revisions to Procurement Policies and Procedures, Internal Audit Report No. 06-004.

10. **Status of Santa Ana River Crossings Study**

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to:

A. Receive and file as an information item.

B. Direct staff to present another progress report to the Board of Directors within 90 days.

11. **Amendment to Provisions of 2004 Call-Approved Arterial Highway Rehabilitation Program Projects**

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to:

A. Allow local agencies to modify scope of rehabilitation projects to facilitate delivery within currently available Orange County Transportation Authority allocated federal funds and committed matching local funds.

B. Allow local agencies to shift Orange County Transportation Authority allocated federal funds among their approved rehabilitation projects while maintaining each agency's maximum allocation of federal funds and committed matching local funds.

C. Authorize staff to administratively implement the above recommendations for the federally funded rehabilitation projects.

12. Selection of an On-Call Contractor for Earth Grading Services

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to authorize the Chief Executive Officer to execute Agreement C-5-2978 between the Orange County Transportation Authority and Demo Unlimited, Inc., in an amount not to exceed $1,905,000, for earth grading services.

13. Request to Release Request For Proposals for Operation of the Customer Information Center

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to release a Request for Proposals for procurement of a call center service provider to operate the Orange County Transportation Authority's Customer Information Center. The new contract will go into effect January 1, 2007.

Orange County Transit District Consent Calendar Matters

14. Amendment to Agreement for Bus Stop Solar Lights

Motion was made by Director Monahan, seconded by Director Buffa, and declared passed by those present, to authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement C-5-0468 between the Orange County Transportation Authority and Carmanah Technologies, Inc., in an amount not to exceed $211,700, to manufacture and install 365 bus stop solar lighting units.

Regular Calendar

Orange County Transportation Authority Regular Calendar Matters

15. Santa Ana Freeway (Interstate 5) Gateway Project Cost Update and Amendment to Agreement with the California Department of Transportation

Charlie Guess, Manager, Interstate 5 Gateway Project, gave a verbal presentation on the project cost update, and Darrell Johnson, Manager, Planning and Development, presented information on the project costs and funding.

Public comment was heard from Ken Maylone, Operating Engineers Local 12, who urged Board Members to approve funds to complete the project.

Director Correa mentioned that the cost increases are being seen state-wide and reflect what is taking place in the construction industry. Director Correa stated that work needs to be done to come up with better approximations of projects. He further stated that he had requested, at Committee level, that staff research what OCTA can do to better project estimates in the future.

15. (Continued)

Director Buffa asked staff to explain why the right-of-way acquisition costs are staying the same, however, the five percent contingency cost changed. Mr. Guess responded that this is set aside for final settlements and for the event of any litigation that may occur.

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

A. Approve the funding plan based on the cost update that increases the project total to $314.3 million.

B. Approve the use of $30,313,000 of Congestion Mitigation and Air Quality funds and $31,212,000 in additional State Transportation Improvement Program funds as included in the proposed funding plan.

C. Authorize staff to process any necessary amendments and agreements to the State Transportation Improvement Program and the Regional Transportation Improvement Program to facilitate the above actions.

D. Authorize the Chief Executive Officer to execute Amendment No. 1, in an amount not to exceed $22,934,000, to Cooperative Agreement C-5-2591 with the California Department of Transportation to support the new funding plan.

16. Amendment to Agreement for Additional Construction Support Services for the Santa Ana Freeway (Interstate 5) Gateway Project

Director Silva recused himself from participating in this discussion and left the room.

Charlie Guess, Manager, Interstate 5 Gateway Project, gave a verbal presentation of this item and explained the costs for construction support services.

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

A. Authorize the Chief Executive Officer to execute Amendment No. 7 to Agreement C-2-0710 between the Orange County Transportation Authority and URS Corporation, in an amount not to exceed $1,508,000, for additional construction support services.

B. Amend the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, expense account 0010-7519, in the amount of $2,000,000.

Director Correa was not present for this vote.

17. Process for City-initiated Rapid Transit and Related Projects

Paul Taylor, Executive Director, Planning, Development, and Commuter Services, gave a verbal and PowerPoint presentation on these projects, and went through vision development, roles in partnership, timetables, and the four-step process.

Mr. Taylor further explained the cities' opportunities and OCTA's desire to assist the cities to make them competitive for funding available. Mr. Taylor indicated a workshop will be planned for March and city elected officials will be invited to attend. He also explained the next steps involved as part of this process.

Director Green asked if it would be possible to partner with Metrolink station cities and therefore be able to be involved with more than one city than just part of one plan to gather data.

Mr. Taylor responded that each city in a partnership brings $100,000 with it. Therefore, if a city does not need to partner in one dimension, but brings in other cities to expand the vision, that consortium would have the total available to them.

Director Pulido asked for confirmation that today's action would encourage staff to proceed to explore opportunities for the cities, and does not allocate any funds at this time. Mr. Taylor confirmed this is the action requested.

Director Ritschel expressed her compliments to staff for making these recommendations and feels it will spur individual cities to starting thinking about how they can make something work in their own community and to partner with others.

Director Rosen inquired whether any other allocation formula was considered other than the same amount for every city and expressed his concern for the equitability of this arrangement.

Mr. Taylor responded that a great deal of thought was spent thinking through what kind of approach should be taken in this regard. This proposal gets the process started, and the cities (after meeting with OCTA) may decide that is not what they would like, and staff will report back any comments on this subject.

Director Winterbottom stated that he felt this is a good amount to get the cities started working together and it would not be necessary to have a Metrolink station in the individual city. Therefore, there could be several cities working together and cooperating to find a method that works the best for getting their residents to the train stations.

17. (Continued)

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

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.

Orange County Transit District Regular Calendar Matters

18. Agreement for Provision of ACCESS, Contracted Fixed Route, Stationlink and Express Bus Service

Erin Rogers, Manager, Contract Transportation Services, presented a verbal report and PowerPoint on this procurement. Ms. Rogers provided background, proposal evaluation, average scores, qualifications of the firms, staffing and project organization, the work plans, costs, and recommendation and summary.

Ms. Rogers informed the Board that Connex exceeds OCTA's requirements for insurance, and she was confident that the Connex proposal meets all operational requirements. She further stated that an analysis was performed on the proposed staffing for the project, and Connex was found to be in line with OCTA's current operation. In regard to maintenance, Ms. Rogers stated that these costs were analyzed, and after detailing various aspects of the analysis, she felt there were no aspects of the Connex proposal that could be discredited in that area and that costs were reasonable.

Chief Executive Officer, Arthur T. Leahy, stated that he reviewed and verified that all areas of the proposal are consistent. Through discussions with staff, he became satisfied that the review had been conducted with consistency, thoroughness, and that staff had arrived at reasonable conclusions. He stated that this recommendation reflects a good business approach, and also avoids an additional extension to the current contract.

18. (Continued)

Mr. Leahy commended the past service of Laidlaw and stated that while both firms can do the work, he believed staff's recommendation to award to Connex was the right one.

A period of questions, answers, and discussion followed. Comments were then heard from the following members of the public:

David Simmons, Laidlaw employee
Ronni Hughes, Orange County ARC
Patrick Kelly, representing Teamsters Local 952
Jim Fadgen, Laidlaw employee
John Shannon, South County Adult Day Services
Erwin Altamira, South County Adult Day Services
Dan Palumbo, South County Senior Services
Renee Blest, resident of Garden Grove, who uses the ACCESS service
Jose Alfaro, Dayle McIntosh School
Barry Ross, St. Jude Medical Center, Healthy Communities
Geraldine Calabria, resident of Anaheim, who spoke on behalf of her father, who is an ACCESS client
Gail Richards, resident of Placentia, who spoke on behalf of her mother, who is an ACCESS client
Geraldine Lea, resident of Orange, who is an ACCESS client
Irwin Rosenberg, Laidlaw executive
Glen Charles, Connex executive
Greg Erbe, Laidlaw employee

Motion was made by Director Dixon, seconded by Director Ritschel, and declared passed by a roll-call vote, to authorize the Chief Executive Officer to enter into Agreement C-5-3021 between the Orange County Transportation Authority and Connex Transit, Inc., in an amount not to exceed $95,569,884, for the provision of ACCESS, Contracted Fixed Route, Stationlink and Express Bus Service for an initial three year term commencing on July 1, 2006. The recommended agreement includes two one-year option terms.

Director Monahan voted in opposition of this recommendation.

Director Pulido was not present for the vote on this item.

Other Matters

19. Chief Executive Officer's Report

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

- √ The Interstate 405/State Route 73 interchange project was selected as the project of the year by Orange County branch of the American Society of Civil Engineers;
- √ He will be traveling to Washington, D.C., next week to attend the American Public Transportation Association's Legislative Conference;
- √ Caltrans Director, Will Kempton, met with Mr. Leahy and staff February 24;
- √ March 15 and 16 will be the Sacramento Advocacy trip, which will include a dinner with the Orange County delegation and various meetings;
- √ There will be a Measure M Workshop this evening (February 27) in Laguna Niguel .

20. Directors' Reports

Director Norby asked if staff could monitor more carefully the legislation related to teen-age drivers' licenses and the extension of the six months' probationary period.

Chairman Brown informed the Board that the Metrolink Board of Directors passed, by a vote of 6-5, to purchase more rail cars at a cost of approximately $176,000. The new cars are expected to be received in 30 months' time.

Chairman Brown provided copies of the agreed-upon Chief Executive Officer's goals and requested that if any Members have edits to the document, to please contact him.

21. Public Comments

At this time, Chairman Brown stated that 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, and comments would be limited to three minutes.

No requests were received to address the Board at this time.

22. Closed Session

General Counsel, Kennard R. Smart, Jr., stated that a Closed Session would be conducted pursuant to Government Code Section 54956.9(c).

23. Adjournment

The meeting was adjourned at 12:20 p.m. Chairman Brown announced that the next regularly scheduled meeting of the OCTA/OCTD/OCLTA/OCSAFE/OCSAAV Board would be held at **9:00 a.m. on March 13, 2006**, at OCTA Headquarters at 600 South Main Street, First Floor - Room 154, Orange.

ATTEST

Wendy Knowles
Clerk of the Board

Arthur C. Brown
OCTA Chairman

OCTA

ORANGE COUNTY TRANSPORTATION AUTHORITY

RESOLUTION

JOHN MEZA

WHEREAS, *John Meza is a tow truck Operator working in the Orange County Freeway Service Patrol; and*

WHEREAS, *on February 10, 2006, while on duty, Operator Meza monitored the broadcast of a medical emergency on the Orange Freeway State Route 57 in his service area, proceeded to the scene and there observed a child choking due to entanglement in a seatbelt; and*

WHEREAS, *Operator Meza took prompt action to free the child, using equipment from his tow truck, thereby in all probability saving the child's life; and*

WHEREAS, *Operator Meza displayed a high degree of professional composure and knowledge during his emergency actions; and*

WHEREAS, *Operator Meza's actions epitomize and contribute greatly to the high quality of the Freeway Service Patrol program operated by the Orange County Transportation Authority, the California Highway Patrol, and the California Department of Highways.*

NOW, THEREFORE, BE IT RESOLVED *that the Authority does hereby recognize, thank and salute Freeway Service Patrol Operator John Meza as an outstanding and valuable contributor to the Freeway Service Patrol Program.*

BE IT FURTHER RESOLVED *that the Orange County Transportation Authority Board of Directors recognizes Freeway Service Patrol Operator John Meza for his exemplary service and his commitment to ensure a safer and higher quality of life for all of Orange County's motoring public.*

Dated: March 13, 2006

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

5.

OCTA

March 13, 2006

To: Members of the Board of Directors

From: Arthur T. Leahy, Chief Executive Officer

Subject: State Legislative Status Report

Overview

The League of California Cities adopted a set of principles on the proposed state infrastructure bonds which have been reviewed by staff and compared with the principles adopted by the Board on February 14, 2006. In addition, a side-by-side comparison of the various bond proposals by the Governor and the Legislature is provided.

Recommendation

Receive and file.

Discussion

League of California Cities' Infrastructure Bond Principles

On February 14, 2006, the Orange County Transportation Authority (OCTA) Board of Directors met and Director Dixon requested that staff review the infrastructure bond principles adopted by the League of California Cities (League) Board of Directors (Attachment A). Upon review of the document, staff found many compatibilities between the concepts supported by the League and those adopted by the OCTA Board of Directors at the February 14 meeting. Namely, the concepts of protecting existing transportation funds, opposing a project-specific bond, and supporting public-private partnership opportunities.

However, the project selection process advocated on page three of Attachment A, like the Governor's proposal, hands final project selection authority to the California Department of Transportation (Caltrans). Under the League of California Cities' proposed process, the local agencies would nominate projects to Caltrans in accordance with criteria developed by the California Transportation Commission (CTC). Caltrans would select from these projects and propose a list to the CTC for approval. Staff does not believe that this method would be effective in improving the inequitable project distribution present in the currently proposed list for the Governor's Strategic Growth Plan, as proposed by the Business, Transportation, and Housing Agency (BT&H) – the agency that oversees Caltrans.

At this time, staff does not recommend the addition of any new principles from the League of California Cities list.

Additionally, a side-by-side comparison (Attachment B) of the various infrastructure bond proposals has been provided for information purposes.

Assembly Republicans Process Reform Proposals

The Assembly Republicans have recently released a package of bills regarding various process reform proposals that could be used in negotiation for the passage of an infrastructure bond measure. AB 2025 (Niello, R-Fair Oaks) authorizes Caltrans to enter into design-build contracts; AB 2026 (Aghazarian, R-Stockton), AB 2027 (La Malfa, R-Richvale), and AB 2029 (Villines, R-Clovis) all deal with streamlining the California Environmental Quality Act for Flood Control projects; and AB 2028 (Huff, R-Diamond Bar) provides for repayment in fiscal year (FY) 2007-2008 of borrowed Proposition 42 funds.

Summary

The League of California Cities infrastructure recommendations are mostly compatible with adopted OCTA principles, with one exception. The various infrastructure bond proposals by the Governor and the Legislature offer various perspectives on the funding levels and categories of need. The Assembly Republicans offer a package of process reform proposals as part of the bond negotiation process.

Attachments

A. Infrastructure Recommendations of the League of California Cities
B. Comparison of Proposed Infrastructure Bond Proposals
C. 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

LEAGUE OF CALIFORNIA CITIES

1400 K Street, Suite 400 • Sacramento, California 95814
Phone: 916.658.8200 Fax: 916.658.8240
www.cacities.org

Infrastructure Recommendations of the League of California Cities

February 15, 2006

Background

Given the strong consensus between the governor and Legislature that action should be taken during the 2006 Legislative Session to recommit the state to an aggressive infrastructure investment program, League President Alex Padilla appointed a Task Force of city officials, drawn from the leadership and membership of four different policy committees and the executive committee of the League, to review pending infrastructure proposals and to formulate recommendations for consideration by the Board at its meeting on February 10th in Los Angeles. The members of the Task Force are listed at the end of this report.

The Task Force met initially by conference call on January 26 and in person at the League offices on February 7, 2006. Attendance at both meetings was very good, and the participants deserve the appreciation of the board of directors for the extra time and effort they committed to this project.

The Task Force reviewed the components of the Governor's long-term (10 year) comprehensive infrastructure investment program called the *Strategic Growth Plan* that calls for investments in transportation, schools, flood control, water supply and quality and public safety infrastructure. Also reviewed and discussed were proposals by Senate President Pro Tem, Don Perata, and Assembly Speaker, Fabian Nunez.

At its meeting, the League board reviewed, discussed and revised the Task Force recommendations and approved the attached principles and recommendations.

General Principles on Infrastructure Investment

The following general infrastructure investment principles provide a framework for the League's advocacy and recommendations. They are:

1) **Long Term Capital Plan.** The League supports the adoption and implementation of a long-term capital investment plan and budget to upgrade and repair the state's vital infrastructure that is essential to sustainable growth in California. The plan should be updated regularly and financed through a variety of existing and new state revenue sources, including bonds and pay-as-you-go financing. The legislature and governor should update the plan as needed, and the state's voters should be regularly consulted on its implementation.

2) **Protect Existing Infrastructure Funds.** Existing infrastructure revenues should not be diverted to fund other state priorities. The League endorses a constitutional amendment to prevent future shifts of Prop. 42 transportation funds and repayment of all diverted funds. The authority and revenues of local redevelopment agencies should not be reduced.

3) **Invest To Maximize Existing Infrastructure.** State capital investments should maximize existing investments in state and local infrastructure and reinforce local land use practices that accomplish strategic state and local growth objectives such as compact land development patterns, revitalizing urban cores, transit-oriented development and preservation of open space and farmlands. The state should provide CEQA relief accordingly and approve new local capital financing tools (see No. 5, below) to balance the fact that it is far easier under current laws to provide infrastructure and services on converted farmland and open space than in existing urban core areas.

4) **Use State Investments To Leverage Investments By Others In State-Local Priorities.** The state should leverage its investments wherever possible, seeking to attract the investment of additional private and public funds in accordance with regional and local plans for long-term growth. Part of the funds that will be available when the state deficit reduction bonds are retired in FY 2010-11 should be used to match fiscal commitments by cities and counties to fund affordable housing and critical local and regional infrastructure projects that accomplish shared state-local priorities.

5) **The State Should <u>Either</u> Expand Local Authority to Meet Local Needs <u>or</u> Fund Urban Infrastructure Needs.** It is good public policy for <u>local</u> governments to finance purely <u>local</u> capital needs. California cities face mounting infrastructure deficits and population growth, but they actually have <u>fewer</u> capital investment financing tools today than they did decades ago. It is simple. If the state expects cities to directly finance the expansion of water and sewer systems, libraries, urban parks and other facilities that are desperately needed as cities grow, the state will have to give cities new financing powers and tools. Specifically, the voter threshold required for local capital projects should be changed from 2/3 to 55%, as is required for schools.

6) **Projects Should Be Funded For Their Merit In Accordance With Identified Criteria; There Should Be No Legislative Earmarks.** Projects should be chosen for their public merit as opposed to their political value. The desired outcomes for each category of investment should be clearly identified, and project selection criteria should be developed by state agencies through an open process in consultation with local and regional agencies. With few exceptions, local and regional agencies should nominate projects for funding that will achieve the desired outcomes and meet the criteria. The legislature should provide ongoing oversight to the project selection process, but it should not earmark funding for specific projects.

Transportation/Goods Movement Recommendations

The League supports an aggressive investment of existing revenues and new bond revenues in a variety of transportation-related infrastructure areas, including highways, streets, roads, mass transit, intercity rail, ports, including access to airports, goods movement, intelligent transportation systems, safety and rehabilitation improvements, grade separations, bicycle and pedestrian projects, etc. in order to reduce congestion on the state and local systems, move goods effectively and improve environmental quality. The existing State Transportation Improvement Program (STIP) process has worked well over the years. The League believes the expenditure of new bond funds for highway and other roadway improvements to reduce traffic congestion should be accomplished through a similar a process that includes a strong role for regional agencies and local governments.

The League's specific recommendations are:

- Reform Prop. 42. Amend the constitution to prevent future transfers of Proposition 42 gasoline sales tax revenues to the state general fund and provide for repayment of the previously diverted Prop. 42 funds.
- Use Existing and New Revenues. The League supports using a blend of new and existing revenues to finance transportation infrastructure improvements, including general obligation bonds, existing transportation revenues, other state revenues and funds resulting from public-private partnerships.
- Transportation Bond Allocation Process. The League believes the goal of the expenditure of all new transportation general obligation bond fund proceeds for highways and roadways should be to reduce congestion on the state *and local* transportation systems. Such projects will secondarily help promote connectivity and job creation. Projects that will have high levels of local/regional match should be given preference.
- Regional and State Agency Role for Project Selection. The existing State Transportation Improvement Program (STIP) for all existing levels of transportation funding currently subject to the STIP, should remain unchanged, but to achieve the state's congestion reduction goals in the most effective manner any new transportation bond funds should be expended through a local-regional-state process as follows:
  - In consultation with Caltrans and local and regional agencies, the California Transportation Commission (CTC) would promulgate criteria for selection of projects that reduce congestion on both the state highway system and the local street and road network that connects to the state highway system.
  - Local congestion management agencies and local transportation agencies would nominate projects to regional transportation agencies that meet the CTC project selection criteria.
  - Regional transportation agencies would nominate projects to Caltrans that meet the CTC project selection criteria.
  - Caltrans would review the projects submitted by the regional agencies and make recommendations on the projects to the CTC.
  - Regional agencies, including local congestion management agencies and local transportation agencies, could appeal Caltrans recommendations to the CTC.
  - The CTC would make final project allocations.

- Goods Movement Expenditures Should Consider Airports. Important investments are clearly needed in our ports and goods movement system, including railways. The role of airports in the goods movement system should be considered in any project selection criteria.

Housing, Infill and Planning

In 2002 the League strongly supported the approval of Proposition 46 that provided funding for a wide range of vital housing programs, including multi-family, shelters, individual and farm worker housing. The League believes the state needs to expand this investment through the use of both general obligation and pay-as-you-go financing.

The League's specific recommendations are as follows:

- General Obligation Bonds. The state should issue additional general obligation bonds to fund programs similar to those financed by Proposition 46.
- Dedicated Pay-As-You-Go Financing. The state should dedicate an existing or new stream of revenue to provide pay-as-you-go financing that would match local investments in affordable/workforce housing construction projects on a dollar for dollar basis. This could be accomplished by dedicating part or all of the general funds currently dedicated to debt service on the state deficit reduction bonds when they are retired in 2010-11. Regional agencies could be designated to award these funds in the future to reward local investment in housing.
- Protect and Expand Redevelopment Authority. Redevelopment Agencies are one of the few tools local governments have to rehabilitate urban core areas and promote infill development and affordable housing. Existing redevelopment authority should be protected, and additional incentives should be offered to agencies that voluntarily agree to spend increasing amounts of limited local funding to support the development of high-density, affordable housing.
- Infill Incentives, Environmental Conservation and Planning. Some bond proceeds should be awarded to provide incentives for urban infill, conservation of environmental resources, and improved regional and local planning while protecting the principle of local land use authority.

Water and Waste Water Infrastructure

A number of pending measures would provide bond and pay-as-you-go funding for a variety of water, water quality and related projects. The measures propose funding for projects that reduce water demand, improve water quality, groundwater storage and conjunctive water management, promote watershed management (i.e., ecosystem restoration, floodplain management, recharge area protection), and improve water supply. Funds are to be allocated on a specified regional/watershed basis.

A number of funding proposals have been put forward as well, including a new proposal by the Governor for a surcharge on retail water purveyors to provide funding for integrated regional water management projects; 50 percent would allocated to 11 regional investment accounts for regional water supply projects and the balance to a state investment account for a variety of state projects, including expansion of water supply projects.

The League's specific recommendations are as follows:

- Support for Water Project Funding. Support for inclusion of water management projects in any bond package.
- Retail Water Surcharge. Careful study of the proposed surcharge on retail water about which the League and others have expressed concerns. The League is willing to work with others to modify the proposal to possibly make it more acceptable, but the concerns of many stakeholders will have to be considered.
- Waste Water Loans. Support for funds to provide low cost loans through the State Revolving Loan Fund to all cities, as well as specific grants or loans to smaller communities, to help fund waste water system upgrades.

Flood Control Infrastructure

The two key flood control infrastructure bond bills are SB 1166 (Aanestad/Machado) and AB 1839 (Laird), both sponsored by the Administration. These bills also include funding for water infrastructure. These bond proposals would place measures on the a $3 billion flood control and water infrastructure bond on the June 2006 ballot and a $6 billion flood control and water infrastructure bond on the 2010 ballot. Senator Perata also has a bond proposal that includes funding for flood protection.

For the June 2006 ballot, $1 billion would be earmarked for flood control projects, including significant funding to improve flood plain mapping, levee assessment, delta levee upgrades for levees where the state has responsibility, including funds to upgrade some levees to a 200-year protection standard, and payment of past and future state obligations to local agencies for flood control subventions. The proposal also includes a requirement that any agency that benefits from flood control protection receiving state funding (i.e., a city approving a development behind the levee, even if the city does not own or operate the flood control system receiving the state funds) indemnify the state for damages caused by a flood due to, for example, levee failure.

The League's specific recommendations are as follows:

- No Policy on Allocation. The League will not become involved in the debate on the geographic allocation of bond funds for flood infrastructure. While flood control clearly is a statewide issue and requires funds to be allocated to statewide projects, the geographic allocation of funds should not become a League issue.
- Funding for 200-Year Protection Supported; Not for 200-year Standard. The League supports use of bond funds to help upgrade levees and other flood infrastructure to 200-year protection. However, this position should not imply that the League supports an across the board change from the current state and federal 100-year standard to a 200-year standard.
- Support for Funding Streamlining. The League supports passage of legislation that makes it easier for local agencies to enact funding measures at the local level, such as ACA 13, dealing with storm water and flood control fees and Proposition 218. Such local revenue raising

authority is necessary to facilitate meeting potential local match requirements and to raise revenue for local, stand alone projects and operating and maintenance costs.

- Concerns About Liability Shifts to Land Use Agencies. The League strongly opposes and will work to delete or modify the tort liability/indemnification requirement included in the bond proposal. Whether or not the League would consider this a poison pill will depend upon the final language. At a minimum, local land use agencies that are required to shoulder any liability in the future should receive the state's design tort immunity.
- Reimbursement for Flood Subventions. The League supports payment of state owed past flood control subventions to local agencies and supports a mechanism to ensure that future subventions payments are forthcoming. The League requests commitment for full payment of past and future subvention funds if the bond does not materialize or fails at the ballot (i.e. from the general fund).

Libraries

The legislature has already scheduled for the June 2006 ballot a measure called the *California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2006*, authorizing the issuance of $600 million in bonds for the purpose of financing library construction and renovation, subject to voter approval. The measure establishes the California Public Library Construction and Renovation Board (Board) of 2006 to provide grants to a city, county, city and county or library district that provides public library services.

The measure also requires that each grant recipient provide 35 percent of the project costs, including donated land, and that the state provide the remaining 65 percent, up to a maximum of $20 million. Finally, it establishes criteria and procedures for the allocation of the funds, including a provision that first priority for funds be given to eligible but unfunded applicants from the 2000 library bond act, and a requirement that up to $25 million be available for joint-use projects for public education institutions. First priority shall be given to applications deemed eligible that were submitted but not funded in the third application cycle under the 2000 bond in amounts that may not exceed $300 million.

The League's specific recommendations are as follows:

- Support for the *California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2006* for the above stated reasons.
- League would object to moving the Library Bond to the November ballot. Sixty unfunded library projects that were eligible for funding under the past bond would receive "first call" for funding under the new bond proposal. These include 42 city applications and 18 county applications, many of which are located in and thus serve cities. Delay to November could unnecessarily increase costs for these projects.

School Construction

The Governor's *Strategic Growth Plan* calls for placing a series of education bonds on the state ballot to pay for the construction of primarily K-12 schools, with a lesser amount allocated to higher education and university facilities in the following amounts:

- 2006: $12.6 billion
- 2008: $4.2
- 2010: $7.7
- 2012: $8.7
- 2014: $5.0

Total: $38.0 billion

The League supports these and similar measures to construct added K-12, higher education and university facilities.

Public Safety

There are two bond proposals relating to public safety as part of an overall infrastructure package, AB 1833 (Arambula) and AB 1831 (Jones). AB 1833 would enact the *Public Safety Bond Act of 2006 and 2010* to finance the construction, expansion, renovation, replacement or reconstruction of county jail facilities; replace or relocate facilities that support emergency fire response activities (CDF facilities); develop a new state DNA laboratory; renovate and improve state correctional facilities; and, develop state military facilities.

AB 1831 would enact the *California Critical Infrastructure Facilities Bond Acts of 2006 and 2010* to finance the acquisition, construction, or renovation of state trial court facilities and state park system capital assets, seismically retrofit high-risk state buildings, and renovate, improve, and build state mental health facilities.

The League's specific recommendations are as follows:

- General Support. Support of bond funding for public safety projects in principle.
- Possible Amendments. The League will support amendments that provide funding for needed local public safety facilities.

LEAGUE INFRASTRUCTURE TASK FORCE

Chair: **Maria Alegria**, Pinole
1st Vice President, LCC Board

Jim Madaffer, San Diego
2nd Vice President, LCC Board

Pat Eklund, Novato
Immediate Past President, LCC Board

Ron Loveridge, Riverside
LCC Board Member and Past President

John Russo, City Atty, Oakland
LCC Board Member and Past President

TCPW Policy Committee
Harry Armstrong, *Chair*, Clovis
Nora Campos, *Vice Chair*, San Jose
Dale Pfeiffer, Public Works Director, Vacaville

EQ Policy Committee
Judy Mitchell, *Chair*, Rolling Hills Estates
Jere Melo, *Vice Chair*, Fort Bragg
Lisa Rapp, Pub. Wks. Dir., Lakewood (President, Public Works Directors Dept.)

HCED Policy Committee
Joe Garcia, *Chair*, Monrovia
Dominic Dutra, *Vice Chair*, Fremont
Greg Devereaux, City Manager, Ontario

Rev and Tax Policy Committee
Arne Simonsen, *Chair*, Antioch
Richard Dixon, *Vice Chair*, Lake Forest
Bob Biery, Fin. Director, Westlake Village

Comparison of Proposed Infrastructure Bond Proposals

As of February 21, 2006

	Strategic Growth Plan AB 1838/SB 1165	Senate Democrats SB 1024 (Perata)	Assembly Democrats AB 1783 (Nunez)	Assembly Republicans Proposal ACA 27 (McCarthy), AB 2025 (Niello), AB 2028 (Huff)
Bond Amount	2006 - $6 billion 2008 - $6 billion 2012 - $14 billion * These are the Governor's Proposed Transportation Bonds Only	Currently not stated, last version held at $10.275 billion	Not stated	No bonds. Sets aside 1% of General Fund each year for capital projects beginning in FY 2007-2008. In FY 2008 2009 and succeeding years, 1/2 of 1% of General Fund revenues for that year would be added to the prior year amount, or $750 million, whichever is less providing that General Fund revenues are projected to grow by $5 billion or more. If not, the allocation will remain the same as the prior year.
Uses of Funds	Part of larger bill package. Other bills contain bonds for: * Education * Flood control and water supply * Public safety * Courts and public service infrastructure.	Other parts of the bond contain funding for: * Flood Control and the Flood Control Matching Account * Affordable Housing * Grade Separations * State-Local Partnerships * Transit Security * Local Bridge Seismic Upgrades	Other parts of the bond state intent to fund: * Regional planning partnerships * Levee repair and wastewater * Smart growth amd open space * Affordable housing * Non-profit hospitals * Interoperable public safety communications equipment	Funds to be used for: * University of California/ California State University (UC/CSU) facilities * Water, flood or levee projects * STIP-governed transportation projects Bill also specifies that no funds are to be used for open space acquisition. Eminent domain cannot be used to acquire property unless it is for a public facility (UC/CSU building, highway or water storage facility).
Sources of Funding	2006 - General Obligation (GO) Bonds 2008 - GO Bonds 2012 - Revenue bond backed with Gas Tax and Weight Fees	GO Bonds	GO Bonds	General Fund Revenue Set-Aside

ATTACHMENT B

	Strategic Growth Plan AB 1838/SB 1165	Senate Democrats SB 1024 (Perata)	Assembly Democrats AB 1783 (Nunez)	Assembly Republicans Proposal ACA 27 (McCarthy), AB 2025 (Niello), AB 2028 (Huff)
Proposition 42	No bond proceeds for loan repayment. Budget proposal contains $920 million in early repayment in FY 2006-2007. Another $430 million to be repaid in FY 2007-2008. Linked proposals eliminate Prop 42 suspension clause.	$2.3 billion for loan repayment. No recommendation on elimination of suspense clause.	Statement of intent to repay loans. No recommendation on elimination of suspense clause.	AB 2028 (Huff, R-Diamond Bar) provides for repayment in fiscal year (FY) 2007-2008 of borrowed Prop 42 funds
State Transportation Improvement Program (STIP)	No funds above existing, ongoing budgeted funds for STIP	$1.5 billion for STIP projects	No funds above existing, ongoing budgeted funds for STIP	Allocation to STIP could be increased from the 1% set-aside
Project Selection	Business Transportation and Housing Agency (BT&H) nominates projects to California Transportation Commission (CTC) for approval	Uses STIP and competitive grant processes	No recommendation	Uses STIP process for transportation funds, portion of the set-aside dedicated to transportation is unclear
Public Transit	2006, 2008 - $700 million collectively for Intercity Passenger Rail, Pedestrian/Bike Paths, and Park and Ride facilities	Funds available through STIP, Prop 42 repayment, Transit Security funds, and competitive grants	Statement of intent to fund this category	Subject to STIP process
Highways	2006 - $2 billion 2008 - $3.6 billion 2012 - Not specified	Funds available through STIP, Proposition 42 repayment and STIP	Statement of intent to fund this category. Specifically calls out improvements to State Highway 99.	Subject to STIP process
High Speed Rail	None	$1 billion for High Speed Rail Authority	None	None
Goods Movement/Air Quality	2006 - $1 billion for goods movement projects, requires 4:1 match. $1 billion also for air quality mitigations related to goods movement, requires 1:1 match 2008 - $2 billion for goods movement projects, requires 4:1 match	$2.5 billion	Statement of intent to fund this category	Subject to STIP process
State Highway Operation and Protection Program	2006, 2008 - $1.5 collectively for maintenance, safety and system preservation 2012 - Ongoing program funding diverted to pay for $14 billion revenue bond	No funds above existing, ongoing budgeted funds	No funds above existing, ongoing budgeted funds	Subject to STIP process
Transit Security	None	Statement of intent to fund this category	Statement of intent to fund this category	Subject to STIP process

	Strategic Growth Plan AB 1838/SB 1165	Senate Democrats SB 1024 (Perata)	Assembly Democrats AB 1783 (Nunez)	Assembly Republicans Proposal ACA 27 (McCarthy), AB 2025 (Niello), AB 2028 (Huff)
Environment	Mitigation funds provided under goods movement	$100 million for Transportation Project Mitigation, other mitigation funds provided under goods movement	Statement of intent to fund this category	Subject to STIP process
Transit Oriented Development	None	$275 million	None	Subject to STIP process
Public-Private Partnerships	Unlimited number of agreements; up to 99 yr lease or 80% of useful life; permits non-implementing agencies (SCAG) to enter into PPPs; does not restrict new projects but allows for "reasonable compensation" for adverse impacts to toll revenues when other projects are constructed in the corridor; reasonable compensation does not apply to projects in RTIPs as of 12/31/05.	No recommendation	No recommendation	No recommendation
Design-Build	Unlimited authority for Caltrans and regional transportation agencies	No recommendation	No recommendation	AB 2025 (Niello, R Fair Oaks) authorizes Caltrans to enter into design-build contracts
Design-Sequencing	Extends authority to 2012 but is limited to 4 additional pilot projects	No recommendation	No recommendation	No recommendation
Debt Cap	Limits state general fund debt service ratio to 6%	No cap	No cap	No cap
Local Matching Funds	Matching funds available in goods movement	Matching funds available in State-Local Partnership	None	None
Impact on Orange County	Project List contains $320 million for SR-91. Portions of other funding sources may be available for corridor mobility and goods movement projects.	Based on $4.8 billion dedicated to transportation through STIP and Prop 42 repayment - $90 million for projects in the STIP, and Prop 42 repayment could result in $41 million for cities in OC, $26 million for the County, and $67 million for OCTA through the STIP, ITIP and PTA. In other project categories funding for OCTA is unclear.	Unknown, due to lack of detail provided in current language	Unknown. As an example, on a $100 billion budget, $1 billion would be set aside the first year. Of this amount, Orange County could receive approximately $49 million the first year IF all of the set-aside were dedicated to transportation.

Orange County Transportation Authority Legislative Matrix

(▶ *Denotes changes from the last report*)

OCTA Sponsor Legislation

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

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

SCA 7

AUTHOR: Torlakson [D]
TITLE: Loans of Transportation Revenues and Funds
LAST AMEND: 01/12/2006
FILE: 20
LOCATION: Senate Third Reading File
STATUS:
01/30/2006 In SENATE. Read second time. To third reading
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

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

AB 948

AUTHOR: Oropeza [D]
TITLE: Design-Build and Transit Operators
LAST AMEND: 04/13/2005
FILE: A-17
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

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

▶ AB 1157

AUTHOR: Frommer [D]
TITLE: *Rail Safety and Traffic Mititgation Bond Act of 2006*
LAST AMEND: *02/08/2006*
LOCATION: *Senate Transportation and Housing Committee*
STATUS:
02/08/2006 *From SENATE Committee on TRANSPORTATION AND HOUSING with author's amendments.*
02/08/2006 *In SENATE. Read second time and amended. Re-referred to Committee on TRANSPORTATION AND HOUSING.*
COMMENTARY:
States the intent of the Legislature to enact legislation providing for a general obligation bond act to be submitted to the voters for approval in order to provide funding for a program to eliminate the most dangerous railroad-highway grade crossings in the state, as identified by the Public Utilities Commission, with funds to be allocated by the Transportation Commission.
Position: Monitor

▶ AB 1169

LEGISLATION DELETED FROM MATRIX. BILL HAS NOW BEEN AMENDED TO PERTAIN TO REAL PROPERTY RENTALS. PRIOR VERSION WAS RELATED TO TRANSIT OPERATOR ASSAULT AND BATTERY.

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

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

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

▶ *AB 1974* ***AUTHOR:*** *Walters [R]*
TITLE: *High Occupancy Vehicle Lanes*
INTRODUCED: *02/09/2006*
LOCATION: *Assembly Transportation Committee*
STATUS:
02/16/2006 *To ASSEMBLY Committee on TRANSPORTATION*
COMMENTARY:
Authorizes any county board of supervisors to authorize the use of high occupancy vehicle lanes on the state highway system within the county by any highway vehicle, providing that this use is consistent with federal law.
Position: *Monitor*

▶ *AB 2028* ***AUTHOR:*** *Huff [R]*

TITLE: *Transportation Funding*
INTRODUCED: *02/14/2006*
LOCATION: *ASSEMBLY*
STATUS:
02/14/2006 *INTRODUCED*
COMMENTARY:
States the intent of the Legislature to provide an appropriation in the Budget Act of 2007 or in related legislation during the 2007-08 fiscal year to repay fully all funds that would have been transferred to the Transportation Investment Fund in previous fiscal years, but for the enactment of statutes providing for the suspension of those transfers.
Position: *Monitor*

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

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

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

ACA 22 **AUTHOR:** La Malfa [R]
TITLE: Eminent Domain: Condemnation Proceedings
LAST AMEND: 01/26/2006
LOCATION: Assembly Housing and Community Development Committee
STATUS:
01/26/2006 From ASSEMBLY Committees on HOUSING AND COMMUNITY DEVELOPMENT with author's amendments.
01/26/2006 In ASSEMBLY. Read second time and amended. Re-referred to Committee on HOUSING AND COMMUNITY DEVELOPMENT.
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

ACA 27 **AUTHOR:** McCarthy [R]
TITLE: State Budget: Capital Outlay
LOCATION: ASSEMBLY
STATUS:
01/25/2006 INTRODUCED

COMMENTARY:
Requires that the budget submitted to the Legislature by the Governor allocate, and that the Budget Bill as passed by the Legislature and as signed by the Governor appropriate, General Fund revenues to fund capital outlay projects of statewide significance and interest in an annual amount determined pursuant to a specified schedule.
Position: Monitor

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

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

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

SB 371 **AUTHOR:** Torlakson [D]
TITLE: Public Contracts: Design-Build: Transportation
LAST AMEND: 01/23/2006
LOCATION: ASSEMBLY
STATUS:
01/30/2006 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.
COMMENTARY:
Design-build spot bill to be jointly authored by Senators Torlakson and Runner.
Position: Monitor

►SB 427 **AUTHOR:** Hollingsworth [R]
TITLE: Environmental Quality Act: Scoping Meetings
LAST AMEND: 01/04/2006
LOCATION: *Assembly Natural Resources Committee*
STATUS:
02/16/2006 *To ASSEMBLY Committee on NATURAL RESOURCES*
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

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

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

SB 832 **AUTHOR:** Perata [D]
TITLE: CEQA: Infill Development
LAST AMEND: 05/04/2005
FILE: 162
LOCATION: Assembly Third Reading File
STATUS:
01/23/2006 In ASSEMBLY. From Inactive File. To third reading.
COMMENTARY:
Relates to infill development under the California Environmental Quality Act. Provides an alternative to infill criteria if the site is located in a city with a population of more than 200,000 persons, the site is not more than 10 acres, and the project does nto have less than 200 or more than 300 residential units, as adopted by a resolution of the city council. Bill intended to be linked to SB 1024 Infrastructure Bond.
Position: Monitor

SB 1024 **AUTHOR:** Perata [D]
TITLE: Public Works and Improvements: Bond Measure
LAST AMEND: 01/26/2006
LOCATION: ASSEMBLY
STATUS:
01/30/2006 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.
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

► SB 1026 *I-405 DESIGN-BUILD BILL DELETED. WAS SIGNED BY THE GOVERNOR ON JANUARY 13, 2006.*

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:
01/19/2006 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

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

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

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

6.

Item 6.

OCTA

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To:	Members of the Board of Directors
From:	Wendy Knowles, Clerk of the Board
Subject:	Selection of Consultants for On-Call Architectural and Engineering Services for Facility Modifications

Transit Planning and Operations Committee — February 23, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendations

A. Select Carter & Burgess, Miralles Associates, and STV Incorporated as the top ranked firms to provide on-call architectural/engineering services for facility modifications.

B. Authorize the Chief Executive Officer to request a cost proposal from Carter & Burgess, Miralles Associates, and STV Incorporated, and negotiate agreements for their services.

C. Authorize the Chief Executive Officer to execute the final agreements, in an amount not to exceed $1,900,000.

OCTA

February 23, 2006

To:	Transit Planning and Operations Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Selection of Consultants for On-Call Architectural and Engineering Services for Facility Modifications

Overview

As a part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board approved on-call architectural/engineering design and construction support services for facility modifications. Proposals and statements of qualifications were solicited in accordance with the Orange County Transportation Authority's procurement procedures for the retention of consultants to perform architectural and engineering work. These procedures are in accordance with both federal and state legal requirements.

Recommendations

A. Select Carter & Burgess, Miralles Associates, and STV Incorporated as the top ranked firms to provide on-call architectural/engineering services for facility modifications.

B. Authorize the Chief Executive Officer to request a cost proposal from Carter & Burgess, Miralles Associates, and STV Incorporated, and negotiate agreements for their services.

C. Authorize the Chief Executive Officer to execute the final agreements, in an amount not to exceed $1,900,000.

Background

Architectural and engineering services will be required for upcoming facility modification projects in the next fiscal year. Miscellaneous facility modifications are required at all bus bases and transportation centers. Consultant services will be required for the design and construction support of facility modification projects. Facility modification projects proposed in the next fiscal year include heating and air conditioning, roofing, asphalt pavement reconstruction, alternative fuel modifications, underground storage tank and piping modifications, electrical upgrades, and sealant projects.

Services under this agreement will be requested on an "as-needed" basis and authorized through the issuance of Contract Task Orders (CTOs). CTOs are site specific, work quantified, and time constrained. Each CTO will specifically define the work to be performed, the total cost of performance, and any other information that may be needed to perform the services required.

Discussion

This procurement was handled in accordance with the Orange County Transportation Authority's (Authority) procedures for architectural and engineering services requirements, which conform to both federal and state law. Proposals are evaluated without consideration for cost and are ranked in accordance with the qualifications of the firm and the technical proposal. The highest ranked firm is requested to submit a cost proposal and the final agreement is negotiated.

The project was advertised on December 2 and December 5, 2005, in a newspaper of general circulation and on CAMMNet. A pre-proposal conference was held on December 6, 2005, and was attended by 37 firms.

On January 3, 2006, 16 proposals were received. An evaluation committee composed of staff from the Contracts Administration and Material Management, Facilities Maintenance, and Construction & Engineering met to review the proposed work plan and firm qualifications.

The evaluation committee reviewed all proposals and found three of the firms best qualified for the work. The committee interviewed each of the qualified firms. The three qualified firms are:

<u>Firm and Location</u>

Carter & Burgess
Santa Ana, California

Miralles Associates
Altadena, California

STV Incorporated
Rancho Cucamonga, California

All three firms demonstrated a clear and thorough understanding of the Scope of Work and had very strong architectural/engineering teams. Due to the variety of upcoming work, it is recommended that contracts be finalized with all three firms. Specific projects will be assigned based on firm expertise and cost proposals.

Fiscal Impact

The project was approved in the Authority's Fiscal Year 2005-06 Budget, Construction & Engineering, Account 1722-7629-D3107-2BT, and is funded through the Orange County Transit District.

Summary

The evaluation committee met and reviewed this item. Based on the material provided, the committee recommends the selection of Carter & Burgess, Miralles Associates, and STV Incorporated to provide on-call architectural/engineering services for facility modifications.

Staff is requesting authorization to request cost proposals from Carter & Burgess, Miralles Associates, and STV Incorporated and negotiate agreements with all three firms within the approved budget for this project, which is $1,900,000.

Attachment

None.

Prepared by:

James J. Kramer
Principal Civil Engineer
(714) 560-5866

Approved by:

Stanley G. Phernambucq
Executive Director,
Construction & Engineering
(714) 560-5440

7.

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Sole Source Agreement to Chapman University for Taxable Sales Forecast

This item will be considered by the Finance and Administration Committee on March 8, 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

March 8, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Sole Source Agreement to Chapman University for Taxable Sales Forecast

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Orange County Transportation Authority has included a 20-year taxable sales forecast for several Orange County Transportation Authority programs.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement C-3-1255 between the Orange County Transportation Authority and Chapman University, in an amount not to exceed $27,000.

Background

In March 2004, the Orange County Transportation Authority (Authority) executed a new contract with Chapman University for the long-run taxable sales forecast that has been provided by Chapman University since the inception of Measure M in 1991. The forecast is specific to Orange County and has served as the baseline for the Measure M financial model, as well as other Authority financial planning documents, such as the annual budget and the Comprehensive Business Plan.

While the Chapman forecast tends to be a conservative forecast, the Authority takes an additional measure to prevent an overestimation, and thereby over programming, of funds by multiplying the forecast growth rate by 95 percent. This adds an additional layer of protection against future economic uncertainty. This conservative process was developed after years of working with rating agency analysts in accordance with Measure M bond issuances. Typically, these analysts reduce forecasts by a percentage amount to provide for unanticipated fluctuations in the economy.

This strategy has served the Authority well by placing the organization in a strong financial position. The Authority has been rewarded with AA (double A) financial ratings and with credit rating reports citing the Authority's conservative measures and strong management team.

Discussion

As part of the annual financial cycle, the Authority contracts with Chapman University for a 20-year long-run forecast of taxable sales for Orange County. This forecast includes annual growth rates for taxable sales, the consumer price index, employment, population, and other economic factors. This information is used for the 20-year cash flow in the Comprehensive Business Plan, which begins the annual financial cycle in July of each year. It is also used for the annual budget and other financial planning documents.

Chapman University has been providing the Authority with a 20-year forecast of taxable sales specific to Orange County for 15 years. The university has a proven track record in providing this service and is well positioned to meet the Authority's needs. Chapman's historical forecasts are compared with actual results in Attachment A. This is shown for a rolling three-year period for each forecast period.

The original agreement awarded on March 10, 2004, was in the amount of $9,000. The agreement also included four option terms. Staff issued an amendment to exercise the first option term on March 10, 2005, in the amount of $9,000, which increased the obligation to $18,000. Exercising the second, third, and fourth option terms will increase the total agreement amount to $45,000 (Attachment A). This will be accommodated within the existing budget for the Financial Planning and Analysis Department, Account 1250-7519-FP420-AXV.

Summary

Staff recommends approval of Amendment No. 3 to Agreement C-3-1255 between the Orange County Transportation Authority and Chapman University, in the amount of $27,000.

Attachments

A. Chapman University Forecast Comparison – Rolling Three Year Forecast Comparison with Actuals.
B. Chapman University Amendment No. 3 to Agreement C-3-1255 Fact Sheet.

Prepared by:

Kenneth Phipps for
Christina Runge Haidl
Principal Financial Analyst
Financial Planning and Analysis
(714) 560-5634

Approved by:

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

ATTACHMENT A

Chapman University Forecast Comparison
Rolling Three Year Forecast Comparison With Actuals

1993 Chapman Forecast - FY 93 through FY 95		Actual Revenue For FY 93 through FY 95
$399,859,428		$401,414,577
Dollar Difference	$1,555,149	
Percent Difference	0.39%	

1994 Chapman Forecast - FY 94 through FY 96		Actual Revenue For FY 94 through FY 96
$416,321,859		$423,356,184
Difference	$7,034,325	
Percent Difference	1.66%	

1995 Chapman Forecast - FY 95 through FY 97		Actual Revenue For FY 95 through FY 97
$448,613,954		$451,643,895
Difference	$3,029,941	
Percent Difference	0.67%	

1996 Chapman Forecast - FY 96 through FY 98		Actual Revenue For FY 96 through FY 98
$470,168,329		$485,656,272
Difference	$15,487,944	
Percent Difference	3.19%	

1997 Chapman Forecast - FY 97 through FY 99		Actual Revenue For FY 97 through FY 99
$511,956,289		$519,748,120
Difference	$7,791,832	
Percent Difference	1.50%	

1998 Chapman Forecast - FY 98 through FY 00		Actual Revenue For FY 98 through FY 00
$544,715,975		$563,103,383
Difference	$18,387,408	
Percent Difference	3.27%	

Chapman University Forecast Comparison
Rolling Three Year Forecast Comparison With Actuals

1999 Chapman Forecast - FY 99 through FY 01		Actual Revenue For FY 99 through FY 01
$590,581,197		$604,903,898
Difference	$14,322,701	
Percent Difference	2.37%	

2000 Chapman Forecast - FY 00 through FY 02		Actual Revenue For FY 00 through FY 02
$633,281,983		$633,654,203
Difference	$372,220	
Percent Difference	0.06%	

2001 Chapman Forecast - FY 01 through FY 03		Actual Revenue For FY 01 through FY 03
$690,974,215		$652,470,169
Difference	($38,504,046)	
Percent Difference	-5.90%	

2002 Chapman Forecast - FY 02 through FY 04		Actual Revenue For FY 02 through FY 04
$689,003,982		$673,932,088
Difference	($15,071,894)	
Percent Difference	-2.24%	

2003 Chapman Forecast - FY 03 through FY 05		Actual Revenue For FY 03 through FY 05
$691,543,709		$712,419,660
Difference	$20,875,950	
Percent Difference	2.93%	

ATTACHMENT B

Chapman University
Amendment No. 3 to Agreement C-3-1255
Fact Sheet

1. March 10, 2004, Agreement C-3-1255, in the amount of $9,000, was executed.

    - This was for the Taxable Sales Economic Forecast for fiscal years 2004-05 to 2024-25 and included four option terms. There was no annual price increase for the option terms.

2. May 20, 2004, Amendment No. 1 to Agreement C-3-1255 was executed to change payment terms.

3. March 10, 2005, Amendment No. 2 to Agreement No. C-3-1255 was executed to exercise the first option term, which brought the cumulative maximum obligation to $18,000.

4. March 13, 2006, Amendment No. 3 to Agreement No. C-3-1255, will be executed pending approval by the Board of Directors. This will exercise option terms two through four, and will bring the maximum cumulative obligation to $45,000.

8.

Item 8.

OCTA

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject Annual Investment Policy Update

Finance and Administration Committee February 22, 2006

Present: Directors Wilson, Duvall, Campbell, Correa, Cavecche and Pringle
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Adopt the 2006 Annual Investment Policy.

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

OCTA

February 22, 2006

To: Finance and Administration Committee

ATL/E.X

From: Arthur T. Leahy, Chief Executive Officer

Subject: Annual Investment Policy Update

Overview

The Treasurer has revised the Orange County Transportation Authority's Annual Investment Policy for 2006. The Annual Investment Policy sets forth the investment guidelines for all funds invested on and after March 15, 2006. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Annual Investment Policy to be reviewed at a public meeting.

Recommendation

Adopt the 2006 Annual Investment Policy.

Background

The Annual Investment Policy (Policy) sets forth the guidelines for all Orange County Transportation Authority (Authority) investments that must conform to the California Government Code. The main objectives of the Policy continue to be the preservation of capital, liquidity, and a market average rate of return through economic cycles.

The Policy is reviewed and approved by the Board of Directors (Board) at least annually. However, relevant changes to the California Government Code may warrant amendments to the Policy throughout the year.

Discussion

The 2006 Policy is being submitted for review and adoption by the Board. The Treasury/Public Finance Department met with representatives from the Authority's investment advisory firm and investment management firms to evaluate the effectiveness of the Policy and address any potential changes for 2006. There were no legislative changes to Section 53601 of the Government

Code affecting local agencies during the past year requiring updates or amendments to the Policy.

Some of the investment managers proposed procedural changes to the Policy. This included lowering the minimum credit rating on Corporate Medium Term Notes, to match the Government Code, from a generic "AA" rating to "A" in an effort to increase the number of corporations that qualify as permitted investments. An additional recommendation supported by each of the investment managers was to allow the Authority to purchase securities issued by companies on Negative Credit Watch. After carefully assessing the additional risk associated with a less restrictive policy, the Treasurer has elected to maintain a conservative position and continue enforcing the policy in its current form.

As a point of clarification, U.S. Treasury Inflation Protected Securities (TIPS) were added to Section X Permitted Investments for Non-Bond Proceeds. TIPS, like all other treasury-issued securities, are backed by the full faith and credit of the Unites States. The Authority uses various types of treasury securities to provide maximum safety for the investment portfolio. TIPS offer further protection from market price changes and may be used as a method of mitigating negative impacts in a changing fixed income market. TIPS were first issued in 1997 and continue to offer investors a safe and liquid alternative to complement the Authority's portfolio.

Summary

California Government Code Section 53646(a)(2) recommends that local agencies annually review their Annual Investment Policy at a public meeting. The Treasurer is submitting an update to the Orange County Transportation Authority's Annual Investment Policy for approval by the Board of Directors.

Attachments

A. Orange County Transportation Authority 2006 Annual Investment Policy March 1, 2006.

B. Black-line Copy of Orange County Transportation Authority 2006 Annual Investment Policy March 1, 2006.

Prepared by:

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

Approved by:

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

Orange County Transportation Authority

2006 Annual Investment Policy

March 15, 2006

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after March 15, 2006. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and

Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's Treasury/Public Finance Manger as Treasurer on June 14, 2004. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting pursuant to Section 53646 (2) of the Code.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses a nationally recognized fixed income security performance benchmark to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. Securities which are currently under "Negative

Credit Watch" by any of the three nationally recognized rating services (Standard and Poor's Corporation, Moody's Investor Service, and Fitch Ratings) are not eligible securities under this Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the nationally recognized rating services with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and

C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and

B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the nationally recognized rating services with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted.

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated AA- or better by Standard & Poor's, Aa3 or better by Moody's or AA- by Fitch or an equivalent rating by a nationally recognized rating service.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a nationally recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

    1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

    2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

    3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code.

15) Orange County Treasury Investment Pool (OCIP)

Investments in the OCIP shall be limited to only those funds which are legally mandated to be deposited in the County Treasury and shall be transferred to the OCTA Treasury as soon as legally authorized. OCTA has no control over how the funds in OCIP are invested.

16) California Arbitrage Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest nationally recognized rating services.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS)	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	legally mandated limit
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise 35%

Any one repurchase agreement counter-party name

If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Rating Services)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Rating Services)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED RATING SERVICES: Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Rating Services)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest bearing discount securities of the U.S. Treasury with maturities under one year.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.
>
> **Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.
>
> **Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.
>
> **Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

ATTACHMENT B

Orange County Transportation Authority

200~~5~~6 Annual Investment Policy

~~February~~ March ~~28~~15, 200~~5~~6

I. PURPOSE

This Annual Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after ~~March~~ March 15~~1~~, 200~~5~~6. The objective of this Annual Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Annual Investment Policy. The OCTA Annual Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Annual Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal --** Safety of principal is the foremost objective of the Orange County Transportation Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

2. **Liquidity --** Liquidity is the second most important objective of the Orange County Transportation Authority. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

3. **Total Return --** The Orange County Transportation Authority's portfolio shall be designed to attain a market-average rate of return through economic cycles.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Annual Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Annual Investment Policy. The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Annual Investment Policy.

If OCTA's Treasurer, in his sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Treasurer shall request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and

Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Annual Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations, and the Board, thereafter may terminate the contract with the portfolio manager.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Annual Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. OCTA's Board of Directors appointed the OCTA's ~~Director of Finance~~Treasury/Public Finance Manager as Treasurer on ~~August 11, 1997~~June 14, 2004. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his authority as he determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Annual Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Annual Investment Policy and ensuring investments are made in compliance with this Annual Investment Policy. This Annual Investment Policy shall be reviewed annually by the Board of Directors at a public meeting pursuant to Section 53646 (2) of the Code.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses a nationally recognized fixed income security performance benchmark to evaluate return on investments. The Merrill Lynch 1-3 year Treasury Index benchmark is used for OCTA's short-term portfolios, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Annual Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Finance and Administration Committee of the Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. Securities which are currently under "Negative

Credit Watch" by any of the three nationally recognized rating services (Standard and Poor's Corporation, Moody's Investor Service, and Fitch Ratings) are not eligible securities under this Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Annual Investment Policy.

3) Federal Agencies and U.S. Government Sponsored Enterprises

Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the following federal agencies and United States government sponsored enterprises:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

4) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

5) Bankers Acceptances

Bankers acceptances which:

A. are eligible for purchase by the Federal Reserve System, and

B. are rated by at least two of the nationally recognized rating services with the following ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, or F1 for short-term deposits by Fitch, and
C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

6) Commercial Paper

Commercial Paper must :

A. be rated P-1 by Moody's and A-1 or better by Standard & Poor's, and

B. be issued by corporations rated A2 or better by Moody's and A or better by Standard & Poor's for issuer's debt, other than commercial paper, and

C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and

D. not represent more than ten percent (10%) of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

7) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the nationally recognized rating services with the following minimum ratings; A-1 for short-term deposits by Standard & Poor's, P-1 for short-term deposits by Moody's, F1 for short-term deposits by Fitch.

Maximum Term: 270 days

8) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

A. a Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and

B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted.

9) Medium Term Maturity Corporate Securities

Corporate securities which:

A. are rated AA- or better by Standard & Poor's, Aa3 or better by Moody's or AA- by Fitch or an equivalent rating by a nationally recognized rating service.

B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five (5) years. (Code)

10) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.

B. may not represent more than ten percent (10%) of the money market fund's assets.

11) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

A. are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services.

B. may not represent more than ten percent (10%) of the fund's or pool's assets.

12) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

A. is rated AAA (Code AA) by Standard & Poor's, Aaa by Moody's or AAA by Fitch, and

B. is issued by an issuer having an A or better rating by Standard & Poor's, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a nationally recognized rating service for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

13) Investment Agreements

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or

- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's, or

- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

  1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

  2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

  3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code.

15) Orange County Treasury Investment Pool (OCIP)

Investments in the OCIP shall be limited to only those funds which are legally mandated to be deposited in the County Treasury and shall be transferred to the OCTA Treasury as soon as legally authorized. OCTA has no control over how the funds in OCIP are invested.

16) California Arbitrage Management Program (CAMP)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three largest nationally recognized rating services.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Annual Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Annual Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Instruments	At All Times Maximum % Portfolio
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury ~~coupon and principal~~ STRIPS & TIPS)....	100%
3) Federal Agencies and U.S. Government Sponsored Enterprise	100%
4) State of California and Local Agencies	25%
5) Bankers Acceptances	30% (Code 40%)
6) Commercial Paper	25% (Code)
7) Negotiable CDs	30% (Code)
8) Repurchase Agreements	75%
9) Medium Term Maturity Corporate Securities	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total)	20% (Code)
12) Mortgage and Asset-backed Securities	20% (Code)
13) LAIF	$40mm maximum per entity
14) OCIP	legally mandated limit
15) CAMP	10%
16) Variable and Floating Rate Securities	30%
17) Bank Deposits	5%
18) Derivatives (hedging transactions only) and subject to prior approval	5%
19) Investment Agreements pursuant to indenture	100%

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements

Any one Federal Agency or Government Sponsored Enterprise	35%
Any one repurchase agreement counter-party name	
If maturity/term is $\leq$ 7 days	50%
If maturity/term is > 7 days	35%

XI. SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Annual Investment Policy.

XIII. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as 5.12%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower then the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 2 Federal Reserve banks and about 6,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Rating Services)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Rating Services)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED RATING SERVICES: Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc. and Fitch Ratings.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the funds portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITES & EXCHANCE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Rating Services)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Student Loan Marketing Association (SLMA or Sallie Mae)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest bearing discount securities of the U.S. Treasury with maturities under one year.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.
>
> **Treasury bond:** interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.
>
> **Treasury STRIPS:** U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.
>
> **Treasury TIPS:** U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Annual Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

9.

Item 9.

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject Fiscal Year 2005-06 Second Quarter Budget Status Report

Finance and Administration Committee February 22, 2006

Present: Directors Wilson, Duvall, Campbell, Correa, Cavecche and Pringle
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file as an information item.

OCTA

February 22, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Fiscal Year 2005-06 Second Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2005-06 budget. This report summarizes the material variances between the budget plan and actual revenues and expenses.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2005-06 Budget on June 13, 2005. The approved budget itemizes the anticipated revenues and expenses necessary to meet OCTA's transportation programs and service commitments. The OCTA budget is a compilation of individual budgets for each of OCTA's funds, including: the General Fund; three enterprise funds (Orange County Transit District (OCTD), Orange County Taxicab Administration Program (OCTAP), and 91 Toll Road, eight special revenue funds; two capital project funds; one debt service fund; three trust funds; and five internal service funds.

The approved revenue budget is $681.8 million comprised of $612.3 million in current year revenues and $69.5 million in use of reserves. The approved expenditure budget is $681.8 million with $669.7 million of current year expenditures and $12.1 million of designations. This report will analyze material variances between the current year-to-date budget and actuals for both revenues and expenditures.

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

At the end of the second quarter there were a total of four Board approved budget amendments. A summary of each amendment follows:

Fiscal Year 2005-06 Amended Budget

In Thousands	Description	Total
6/13/2005	Approved Budget	$ 681,816
6/27/2005	Rapid Transit Development - Project Management Consultant	750
6/27/2005	Santa Ana Freeway Oso Parkway Chokepoint Improvement Project	1,633
7/25/2005	Purchase of 50 Compressed Natural Gas 40-ft Buses	21,409
7/25/2005	Improve Fueling System on Liquified Natural Gas Buses	1,120
12/31/2005	Total Amended Budget	$ 706,728

Discussion

Staff monitors and analyzes current year revenues and expenditures versus the amended budget. This report will provide budget-to-actual explanations for any material variances.

Staffing

A staffing plan of 1,909 full-time equivalent (FTE) positions was approved in the FY 2005-06 budget. The average filled positions through the end of December 2005 were 1,853. In the second quarter, the overall vacancy rate for OCTA was 3 percent, while Administrative and Union experienced a 7.8 and 1.4 percent rate, respectively. A breakdown of the vacancy rate by job category is provided in the table below.

Full-Time Equivalent Average Vacancy Rate

	Budget	Filled	Vacancy Rate
Coach Operators	1,125	1,111	1.3%
Maintenance Union	256	251	2.0%
Transportation Communications International Union	45	44	2.3%
Union Subtotal	1,426	1,406	1.4%
Direct Transit Operations Support	204	198	3.0%
Other Administrative	279	250	11.6%
Administrative Subtotal	483	448	7.8%
Total Authority	1,909	1,854	3.0%

Revenue Summary

Year-to-date, OCTA has augmented its revenue budget by $21.6 million in new funds and $3.3 million in reserve funds. As the table below indicates, the amended current year revenue budget for FY 2005-06 is $706.7 million. This report focuses on variances between budgeted and actual year-to-date revenues and expenditures for the second quarter.

Fiscal Year 2005-06 Amended Revenue Budget

In Thousands	Current Year	Reserves	Other Sources	Total
Approved Budget	$612,357	$ 69,459		$681,816
Rapid Transit Development - Project Management Consultant		750		750
Santa Ana Freeway Oso Parkway Chokepoint Improvement Project [1]			1,633	1,633
Purchase of 50 Compressed Natural Gas 40 foot Buses [2]		2,456	18,953	21,409
Improve Fueling System on Liquified Natural Gas Buses [3]		120	1,000	1,120
Total Amended Budget	$612,357	$ 72,785	$ 21,586	$706,728

Note:
1 - State Transit Improvement Program
2 - Congestion Mitigation Air Quality
3 - Air Quality Management District

The year-to-date revenue of $332.2 million is 19.4 percent over the amended budget of $278.1 million. Variances at the summary object level are presented on the following page.

Second Quarter Revenue Summary

In Thousands

Description	Budget	Actual	Variance	%
Interest Income	14,881	11,976	(2,905)	-19.5%
State Grants	1,633	(365)	(1,997)	-122.3%
Farebox Revenue	26,691	25,641	(1,050)	-3.9%
Advertising Revenue	1,950	957	(993)	-50.9%
Department of Motor Vehicles Fees Revenue	2,475	1,789	(686)	-27.7%
Gas Tax Exchange	11,500	11,122	(378)	-3.3%
Fees & Fines	92	73	(19)	-20.3%
Rental Income	500	524	24	4.9%
Federal Operating Grants	-	36	36	100.0%
Property Tax Revenue	4,134	4,293	158	3.8%
Miscellaneous	2,323	4,389	2,065	88.9%
Toll Road Revenue	16,420	21,065	4,645	28.3%
Sales Tax Revenue	179,952	188,729	8,777	4.9%
Federal Capital Grants	13,873	23,438	9,565	68.9%
Other Financial Assistance	1,713	38,504	36,791	2147.2%
Total Revenue	278,139	332,173	54,034	19.4%

**(under) / over*

Interest Income: The second quarter actuals of $12 million are $2.9 million below the budget of $14.9 million for the same period. The variance is primarily due to realized losses of $6.9 million resulting from the sale of fixed income securities. Securities are sometimes sold during a period of rising interest rates to purchase higher yielding securities that will provide a greater return over time. This realized loss is being offset by actual cash receipts resulting from interest on investments coming in $4 million over budget.

State Grants: Revenue in this category is received on a reimbursement basis. Revenues budgeted here can be received in future years rather than the year in which they are reflected in the budget. On the other hand, reimbursements budgeted in prior years can be received in the current year. This will lead to a variance between budgeted revenues and actual cash receipts.

As a result, year-to-date revenue of negative $0.4 million is 122.3 percent below the amended budget of $1.6 million. The negative revenue amount in this case is caused by an accrual reversal for the San Diego Freeway (Interstate 405) Major Investment Study ($0.1 million), Santa Ana Freeway (Interstate 5)/Costa Mesa Freeway (State Route 55) Project Report ($0.1 million), and the Riverside Freeway (State Route 91) Project Development Support ($0.2 million). The remaining variance of $1.2 million is a result of a budget amendment for the Oso Parkway Chokepoint Improvement which is pending State Transit Improvement Program (STIP) dollars. Staff will seek reimbursement for this project during the third quarter.

Farebox Revenue: There is a variance of $1.1 million through December or 3.9 percent below the budgeted amount of $26.7 million. This variance is primarily due to the unpredictable ridership patterns of our customers following the first fare adjustment in 14 years.

Advertising Revenue: Year-to-date actuals of $1 million are 50.9 percent below the amended budget of $2 million. The variance is due to the effective starting date for the new advertising contract, which began September 1. Future revenue receipts are expected to be one month in arrears with reconciliations made at each quarter end. OCTA will receive a minimum guarantee of $3.8 million for the fiscal year.

Miscellaneous: Year-to-date actuals of $4.4 million are 88.9 percent above the amended budget of $2.3 million. This variance is due to receiving $5.3 million from the Anaheim Redevelopment Agency for the down payment and first installment principal payment related to the sale of land. The variance is partially offset by a negative $3 million (accrual reversal) for the Freeway Service Patrol (FSP) State Allocation revenue which supports the program. The receipt of these FSP revenues has been temporarily delayed pending the State's approval of OCTA's FSP contract, which is expected by the third quarter.

Toll Road Revenue: The second quarter actuals of $21.1 million were 28.3 percent greater than the amended budget of $16.4 million. This variance is primarily due to an increase of 15.1 percent in traffic volume ($1.3 million) and the interoperating agreement with the Transportation Corridor Agencies (TCA). As TCA customers utilize the 91 Toll Road, OCTA bills the TCA accordingly ($1.6 million). There was also an increase in the monthly minimum fee account due to greater transponder sales, as well as more violation processing fees ($1.5 million). Transponders in circulation increased from 172,220 in FY 2005 to 180,024 in FY 2006.

Sales Tax Revenue: Second quarter actuals of $188.7 million were 4.9 percent or $8.8 million over the budget of $180 million for the same period. The primary reasons for this variance are due to overruns in the Local Transportation Authority (LTA) fund $1.1 million, State Transit Assistance (STAF) fund at $0.9 million and Local Transportation Authority (LTF) fund at $6.8 million. The over-run in sales tax revenues can be attributed to the state providing OCTA with unusually large LTA and LTF payments during December, as a result of a backlog in tax receipt distributions.

Federal Capital Grants and Other Financial Assistance

Note: Revenues in the following two categories are received on a reimbursement basis. Revenues budgeted here can be received in future years rather than the year in which they are reflected in the budget. In addition, reimbursements budgeted in a prior year can be received in the current year. This will lead to a variance between budgeted revenues and actual cash receipts. Revenues received include reimbursements from the Federal Transit Administration (FTA), California Department of Transportation (Caltrans), cities, and other agencies.

Federal Capital Grants: Year-to-date actuals of $23.4 million are 68.9 percent or $9.6 million over the budget of $13.9 million. The majority of the revenues received through the second quarter is from Congestion Mitigation Air Quality (CMAQ) funds ($20 million) for the Garden Grove Freeway (State Route 22) Design Build Project. The balance of revenues are from prior year Federal Transportation Administration grants. For fiscal year 2006, revenues are yet to be received due to the timing of the following projects (Bus Rapid Transit development, the construction of the Buena Park Rail Station, revenue vehicles, American with Disabilities Act (ADA) bus stop modifications and debt service).

Other Financial Assistance: Year-to-date actuals of $38.5 million are $36.8 million over the amended budget of $1.7 million. The primary reason for this variance is caused by actual reimbursements from Caltrans ($35.7 million) for the State Route 22 project which was encumbered last fiscal year.

Expense Summary

During FY 2005-06, the expenditure budget was increased by $24.9 million to accommodate four projects: the purchase of 50 compressed natural gas 40-foot buses ($21.4 million), improve the fueling system on the liquefied natural gas (LNG) buses ($1.1 million), additional funding required for the Interstate 5 (I-5) Oso Parkway Chokepoint Improvement Project ($1.6 million) and a project management consultant for Bus Rapid Transit development ($0.8 million). The amended current year expenditure budget of $706.7 million is presented below.

Fiscal Year 2005-06 Amended Expenditure Budget

In Thousands	Expenditures		
	Current Year	Designations	Total
Approved Budget	$ 669,729	$ 12,087	$ 681,816
Amendments	24,912	-	24,912
Total Amended Budget	$ 694,641	$ 12,087	$ 706,728

The second quarter expenditure actuals of $217.1 million represent a 42.8 percent under-run in comparison to the budget of $310 million. Variances at the object summary level are presented in table form on page 8.

Second Quarter Expense Summary

In Thousands

Description	Budget	Actual	Variance	%
Salaries				
Compensated Absences	5,297	4,880	417	8.6%
Salaries	43,181	42,451	729	1.7%
Total Salaries	48,478	47,331	1,147	2.4%
Benefits				
Pensions	6,944	7,746	(802)	-10.4%
Other Benefits	2,295	1,991	304	15.3%
Insurances	1,076	755	321	42.5%
Total Benefits	10,315	10,492	(178)	-1.7%
Total Salaries & Benefits	58,793	57,824	969	1.7%
Services and Supplies				
Fuels & Lubricants	5,281	7,292	(2,011)	-27.6%
Insurance Claims Expense	17,090	18,789	(1,699)	-9.0%
Leases	2,425	2,594	(170)	-6.5%
Debt Service	17,578	17,698	(120)	-0.7%
Travel, Training, Mileage	296	218	78	35.6%
Miscellaneous Expense	613	511	102	20.1%
Utilities	1,141	966	174	18.1%
Advertising Fees	527	166	361	217.1%
Taxes	485	17	468	2755.8%
Tires & Tubes	1,155	673	482	71.7%
Maintenance Expense	4,967	4,396	571	13.0%
Other Materials & Supplies	1,490	794	697	87.8%
Office Expense	2,499	1,354	1,145	84.6%
Contract Transportation	22,591	19,364	3,228	16.7%
Outside Services	16,758	12,606	4,152	32.9%
Professional Services	28,062	21,480	6,582	30.6%
Contributions to Other Agencies	66,015	39,821	26,194	65.8%
Total Services & Supplies	188,974	148,740	40,235	27.1%
Capital and Fixed Assets				
Capital Expense-Local Funding	16	-	16	100.0%
Construction in Progress	8,794	8,113	682	8.4%
Work In Process	13,324	997	12,327	1236.2%
Capital Expense-Grant Funding	40,050	1,383	38,666	2794.9%
Total Capital and Fixed Assets	62,184	10,493	51,691	492.6%
Total All Expenses	309,951	217,057	92,894	42.8%

**under / (over)*

Salaries and Benefits

Second quarter actuals of $57.8 million were 1.7 percent or $1 million under the amended budget of $58.8 million. The variance is primarily due to under-runs in salaries ($1.1 million). The under-runs are due to the actual administrative vacancy rate (7.8 percent) running higher than the budgeted rate of 3 percent. This variance is partially offset by expenses running greater than budgeted in the category of pensions ($0.8 million).

Pension costs were higher partially due to the change in the Orange County Retirement Systems (OCERS) Additional Retiree Benefit Account (ARBA) rate, which rose from 0.5 percent to 1 percent which equates to $0.1 million. The new rate took effect July 1, 2005, which was subsequent to the budget development. As a result, a variance is expected throughout the fiscal year. In addition, sick leave payoff and vacation sellback were incurred during December, which also contributed to the variance ($0.4 million). Furthermore, the pension teamsters maintenance expense was budgeted lower than actually experienced, which led to part of the variance ($0.2 million) as well.

Services and Supplies

Second quarter services and supplies actuals of $148.7 million are 27.1 percent below the amended budget of $189 million. Detailed explanations for each of these sub-categories are provided below.

Fuels and Lubricants: Year-to-date actuals of $7.3 million are over the amended budget of $5.3 million by 27.6 percent. The primary variance for this over-run is due to the price of diesel fuel used to operate the OCTA ACCESS vehicles. The fuel cost was blended in the contractors' rate rather than budgeted separately. As a result, there is a $1.4 million variance for diesel cost.

In addition, taxes for fuels and lubricants are now being charged to their respective fuel type (diesel, liquefied natural gas), instead of the original tax line item. This was due to an accounting policy change which took effect after the development of the budget ($0.4 million).

Insurance Claims Expense: Year-to-date actuals of $18.8 million are $1.7 million above the amended budget of $17.1 million. The variance is primarily due to OCTA incurring significant personal liability/property damage claims ($6.1 million). This variance has been partially offset by a reduction in costs associated with the Workers' Compensation program and healthcare, $2.7 million and $1.1 million, respectively. The cost savings for Workers'

Compensation can be attributed to the legislative changes that were made at the state level and a more proactive management of the Workers' Compensation program by OCTA's Risk Management Department. In addition, OCTA transitioned to a more effective Third Party Administrator.

Office Expense: Second quarter actuals of $1.4 million are under the amended budget of $2.5 million by $1.1 million. The under-run is due to several items. There is an under-run in software due to the delay in purchasing the Trapeze Software ($0.3 million) which will be utilized for the mobile data terminals in the paratransit vehicles. This project has been delayed until the third quarter due to the extension of the pilot program. Postage and courier services for Marketing Department and the 91 Express Lanes have also contributed to the variance due to invoicing being one month in arrears ($0.2 million). Personal computer workstation replacements/office supplies have not been required as often as anticipated ($0.2 million).

Furthermore, office supplies/equipment expenses ($0.1 million) associated with OCTA administration building (11^{th} Floor) improvements were inadvertently recorded to the lease account budget rather than the original budget line item in office supplies/equipment. This variance is expected to be corrected during the third quarter.

Contract Transportation: Year-to-date actuals of $19.4 million show a 16.7 percent or $3.2 million variance against a budgeted amount of $22.6 million. This variance is due to actual rate for ACCESS service being lower than the budgeted rate. In addition, as a result of the Growth Management Strategies, OCTA is projecting to utilize 30,000 less revenue vehicle hours for FY 2006.

Outside Services: Second quarter actuals of $12.6 million were under the amended budget of $16.8 million by $4.2 million or 32.9 percent. There is a variance of $0.9 million in the Metrolink operating subsidy to Southern California Regional Rail Authority (SCRRA). The reason for this variance is due to OCTA paying out 80 percent of the subsidy whereas, the budget is assuming 100 percent payment. The remaining 20 percent will be carried forward to the fourth quarter as an adjustment to the cash balance.

In addition, there is a variance in equipment repair/maintenance associated with Service Authority for Freeway Emergency (SAFE), in particular, the call box upgrade ($0.9 million). This project is expected to be delayed until next quarter.

There is also a variance in equipment repair/maintenance within Bus Operations ($0.4 million). The majority of this variance is due to the bus stop maintenance payment ($0.1 million) being one month in arrears. The remaining variance ($0.3 million) is spread among various maintenance services.

Furthermore, revenue vehicle maintenance costs associated with the paratransit buses are $0.4 million below the budget. The reason for this variance is because one third of the fleet is still under warranty until the next quarter.

Professional Services: Second quarter actuals of $21.5 million are under the amended budget of $28.1 million by $6.6 million. The variances can be attributed to: the General Fund ($2.1 million), the LTA Fund ($1.3 million), the Orange County Transit District (OCTD) ($0.9 million), and the 91 Express Lanes Fund ($0.2 million). Detailed explanations are listed below:

Within the General Fund, there is a variance of $1 million due to the delay in the planning/design of the Commuter Rail Strategic Plan implementation. This project is scheduled to begin next fiscal year. There is also an under-run in the Chokepoint Program Support of $0.4 million. The total cost for the project was budgeted in September, whereas, the actuals are coming in on a monthly basis. This variance is expected to be off-set by year-end. The Project Development Study for the Orange County freeway interchanges ($0.8 million) was budgeted in the second quarter. The study was not approved by the Board until October 2005. However, these projects are scheduled to be procured by the fourth quarter.

Within the LTA fund, approximately $1.3 million of the variance is due to the delay of the following projects: the Central County Corridor Study Phase II ($0.9 million), and the South Orange County Major Investment Study Outreach ($0.1 million). These two projects are expected to be under contract by February 2006.

Within the OCTD fund, there is an under-run of $0.9 million. Under-runs include, the Vanpool Program ($0.5 million), which is currently under review by the External Affairs Division and the ADA in-house assessment ($0.3 million) which was started later than anticipated.

The under-runs in the 91 Express Lanes Fund were attributed to the delay in the Traffic and Revenue Study ($0.1 million) and the technical studies for environmental documentation ($0.1 million). These projects are expected to start in the fourth quarter.

Contributions to Other Agencies: The year-to-date actuals of $39.8 million is $26.2 million below the amended budget of $66 million. The main reason for this variance is due to the Measure M Combined Transportation Funding Program and Turnback Program. There is an under-run of $18.8 million in these programs due to cities not requesting reimbursements at the rate OCTA has anticipated. The remaining variance of $7.4 million is due to the Buena Park Station construction being delayed until January 2006.

Capital and Fixed Assets Summary

During the second quarter, capital and fixed asset actuals of $10.5 million are 492.6 percent below the amended budget of $62.2 million.

Work in Process: Year-to-date actuals of $1 million are $12.3 million below the amended budget of $13.3 million. The majority of this variance is due to $8.5 million which was budgeted for contract change orders related to the State Route 22 project. OCTA budgets contract change orders in the event of unforeseen cost increases. In addition, $3.6 million of the variance is due to slower than anticipated right-of-way land acquisition ($2.2 million) and right-of-way utility relocation ($1.4 million).

Capital Expense – Grant Funding: Year-to-date actuals of $1.4 million are $38.7 million below the amended budget of $40.1 million.

The largest variance ($21 million) is in anticipation of the receipt for the 50 compressed natural gas (CNG) buses. These 50 CNG buses are expected to arrive in March 2007.

In addition, there is a delay with the North American Bus Industries engine replacements campaign ($4.8 million), which is scheduled to begin in Spring 2006. Furthermore, the first articles of small bus and paratransit revenue vehicles ($7.5 million and $2.8 million, respectively) will be received in June 2006, however; they were budgeted to be purchased quarterly throughout the year. Lastly, the ACCESS radio replacement project ($4.5 million) will be delayed until FY 2007.

Fund Level Analysis

A fund level analysis as well as fund level financial schedules for the General Fund, LTA, OCTD, 91 Express Lanes Fund and the Internal Service Funds are included as Attachments A and B.

Summary

This summary report of budget-to-actuals provides information for the second quarter for fiscal year 2005-06 activities of the Orange County Transportation Authority. Second quarter revenues were 19.4 percent higher than the amended revenue budget, while the expenditures were 39.3 percent below budgeted levels during this same period. Staff recommends this report be received and filed as an information item by the Finance and Administration Committee.

Attachments

A. Fund Level Analysis.
B. Fund Level Financial Schedules.

Prepared by:

Rene I. Vega
Budget Manager
Financial Planning and Analysis
(714) 560-5702

Approved by:

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

Fund Level Analysis

General Fund – Revenue and Expense Summary

Year-to-date revenues of $0.1 million are 95.8 percent below the amended budget of $1.5 million. Year-to-date expenditures of $20 million are 22.4 percent under the amended budget of $25.8 million. Expenses in the General Fund are greater than revenues, this is due to the majority of the expenses being allocated to the other funds.

General Fund - Variance Analysis – Revenues

Other Financial Assistance: Revenue in this category is received on a reimbursement basis. Revenues budgeted here can be received in future years rather than the year in which they are reflected in the budget. On the other hand, reimbursements budgeted in prior years can be received in the current year. This will lead to a variance between budgeted revenues and actual cash receipts primarily due to revenues not being recorded in the same period as encumbrances. As a result, year-to-date revenue of negative $0.4 million is 130.3 percent below the year-to-date amended budget of $1.2 million. The negative revenue in this case is caused by an accrual reversal for the San Diego Freeway (Interstate 405) Major Investment Study ($0.1 million), Santa Ana Freeway (Interstate 5)/Costa Mesa Freeway (State Route 55) Project Report ($0.1 million), and the Riverside Freeway (State Route 91) Project Development Support ($0.2 million). This revenue is anticipated to be received by the end of the fiscal year.

General Fund – Variance Analysis – Expenses

Salaries and Benefits: Year-to-date expenditures of $12.4 million are 5.7 percent less than the amended budget of $13.2 million. Salaries and compensated absences are $0.9 million under budget due to the actual vacancy rate (8 percent) being greater than budgeted (3 percent). This variance is partially offset by expenses running greater than budgeted for pensions ($0.1 million). Pension costs were higher partially due to the change in the Orange County Retirement Systems (OCERS) Additional Retiree Benefit Account (ARBA) rate, which rose from 0.5 percent to 1 percent which equates to $0.1 million. The new rate took effect July 1, 2005, which was subsequent to the budget development. As a result, a variance is expected throughout the fiscal year.

Services and Supplies: During the second quarter, actuals of $7.5 million are 39.6 percent less than the amended budget of $12.3 million for the same period. Major variances are explained on the following page:

Contributions to Other Agencies: In the second quarter, actuals of negative $0.3 million were below the amended budget of $0.01 million. The reason for the negative actuals is due to an accrual reversal of $0.3 million for expenses incurred related to the Irvine Transportation Center. However, an extension until September 30, 2006 for the cooperative agreement with the City of Irvine for this project is in process and the expense will not be incurred until the end of the fiscal year.

Office Expense: Year-to-date actuals of $0.6 million are 46.5 percent less than the amended budget of $1 million. This is due to combined under-runs in printing, postage, office supplies and equipment, PC workstations/hardware and software purchases of $0.4 million.

Outside Services: Year-to-date actuals of $1.1 million are 36.2 percent less than the amended budget of $1.8 million. This variance is due to under-runs in hardware/software maintenance, repairs & maintenance on office equipment and graphic design and mural application service ($0.6 million). The reason for these under-runs is caused by delays in invoicing.

Professional Services: Year-to-date expenditures of $3.3 million are 49 percent less than the amended budget of $6.5 million. The variance is primarily due to the delay of the following projects: the Central County Corridor Study Phase II ($0.9 million) and the South Orange County Major Investment Study Outreach ($0.1 million). These two projects will be under contract by February 2006. In addition, there is an under-run in the Chokepoint Program Support of $0.4 million, Project Development Study of $0.8 million, and Soundwall Program of $0.1 million. The reason for the under-runs is that the total costs for the projects were budgeted in September and October, whereas, the actuals are coming in on a monthly basis. This variance is expected to be off-set by year-end. In addition, there is an under-run in legal counsel cost of $0.4 million due to a lower number of liability claims.

Local Transportation Authority (LTA) Fund – Revenue and Expense Summary

Year-to-date revenues of $194.7 million are 49.1 percent above the amended budget of $130.6 million. Year-to-date expenditures of $45.1 million are 41.8 percent under amended budget of $77.4 million.

Local Transportation Authority Fund - Variance Analysis – Revenues

Federal Capital Assistance Grants: Year-to-date actuals of $20.2 million is due to $5.4 million in accrual reversals from prior years and the receipt of $25.6 million in unanticipated Congestion Mitigation and Air Quality (CMAQ) revenue for the Garden Grove (State Route 22) project.

Sale Capital Assets: In the second quarter, there was an unbudgeted revenue of $5.3 million. This revenue represents payment from the Anaheim Redevelopment Agency for the purchase of the 19 excess parcels and one Stingray parcel. The total revenues expected to be received for these parcels is $14.3 million, which will be repaid on a quarterly basis over the next five years.

Other Financial Assistance: Revenue in this category is received on a reimbursement basis. Revenues budgeted here can be received in future years rather than the year in which they are reflected in the budget. On the other hand, reimbursements budgeted in prior years can be received in the current year. This will lead to a variance between budgeted revenues and actual cash receipts primarily due to revenues not being recorded in the same period as encumbrances.

Year-to-date actuals of $38.5 million are comprised of reimbursements from Caltrans ($35.7 million) for the Garden Grove Freeway (State Route 22) project and from local agencies ($2.8 million).

Local Transportation Authority Fund – Variance Analysis – Expenses

Total Services and Supplies: Year-to-date actuals of $37.4 million are 35.9 percent less than the amended budget of $58.3 million. Variance analysis for each category is presented below:

Professional Services: Year-to-date actuals of $13.1 million are 12.7 percent more than the amended budget of $11.6 million. This variance is primarily due to the cost of the I-5 Gateway Design project ($1.4 million), which was under-estimated in the FY 06 budget. The project manager plans to present a budget amendment to the Board in the upcoming months.

Contributions to Other Agencies: Year-to-date actuals of $23.7 million are 48.7 percent less than the amended budget of $46.2 million. This is due to a delay in invoicing by cities for the Combined Transportation Funding Program (CTFP).

Total Capital Expenditures: Year-to-date actuals of $7.7 million are 59.6 percent less than the amended budget of $19.1 million. Variance analysis for each category is presented below:

Construction in Progress: Year-to-date actuals of $7.1 million are 12.7 percent above the amended budget of $6.3 million. This variance is primarily due to an acceleration of right-of-way land acquisition for the Santa Ana Freeway (I-5) Gateway project ($4.3 million) due to increasing real estate cost. In addition, utility relocation and construction cost were less than anticipated by $3.3 million. Actuals are expected to run in line with the budget by year end.

Work in Process: Year-to-date actuals of $0.6 million are 95.1 percent below the amended budget of $12.8 million. The majority of this variance is due to $8.5 million which was budgeted for contract change orders (CCO) related to the Garden Grove Freeway (State Route 22) project. OCTA budgets CCO's in the event of unforeseen cost increases. In addition, $3.6 million of the variance is due to slower than anticipated right-of-way land acquisition ($2.2 million) and right-of-way utility relocation ($1.4 million).

Orange County Transit District Fund – Revenue and Expense Summary

Year-to-date revenues of $47.1 million are 16.6 percent below the amended budget of $56.5 million. Year-to-date expenditures of $83.9 million are 34.7 percent under amended budget of $128.5 million.

Orange County Transit District Fund - Variance Analysis – Revenues

Federal Capital Grants: Since revenues in this category are received on a reimbursement basis, revenues budgeted here are often times received in future years rather than the year in which they are reflected in the budget. This will lead to a variance between budgeted revenues and actual cash receipts. Funding is anticipated to be received for the Bus Rapid Transit development, the construction of the Buena Park Rail Station, Revenue Vehicles, ADA bus stop modifications and debt service for a total of $14.7 million for the fiscal year. Year-to-date, actuals indicate an amount of $2.9 million compared to a budget of $9.5 million.

Farebox Revenue: There is a variance of $1.1 million through December or 3.9 percent below the budgeted amount of $26.7 million. This variance is primarily due to the unpredictable ridership patterns of our customers following the fare adjustments in 14 years.

Advertising Revenue: Year-to-date actuals of $1 million are 50.9 percent below the amended budget of $2 million. The variance is due to the effective starting date for the new advertising contract, which began September 1. Future revenue receipts are expected to be one month in arrears with reconciliations made at each quarter end. OCTA will receive a minimum guarantee of $3.8 million for the fiscal year.

Interest Income: Interest income for the OCTD fund is received in the General Fund and redistributed to OCTD in accordance with the daily average cash balance in the fund. Year-to-date actuals of $1.8 million are 25.1 percent lower than the amended budget of $2.4 million. This variance is primarily due to a realized loss ($1.2 million) on maturing investments resulting from the sale of fixed income securities. Securities are sometimes sold during a period of rising interest rates to purchase higher yielding securities that will provide a greater return over time. This variance is partially off-set by an increase in interest on investments ($0.7 million).

Orange County Transit District Fund – Variance Analysis – Expenses

Total Salaries and Benefits: Year-to-date actuals of $45.4 million are 0.4 percent lower than the budget of $45.5 million. This variance is due to actuals running lower in Extra Help ($0.1 million), Compensated Absences ($0.2 million), Insurances ($0.2 million) and Other Benefits ($0.4 million), while Pensions over-ran the budget by $0.7 million. The reason pension costs are higher is due to the change in the Orange County Retirement Systems (OCERS) Adjusted Retirement Benefit rate, which rose from 0.5 percent to 1 percent. The new rate took effect as of July 1, 2005. In addition, sick leave payoff and vacation sellback were incurred during December, which also contributed to the variance ($0.4 million). Furthermore, the Pension Teamsters Maintenance expense was budgeted lower than anticipated which led to part of the variance ($0.2 million) as well.

Total Services and Supplies: Year-to-date actuals of $37.4 million are 17.2 percent less than the amended budget of $45.1 million. Detailed variance analysis is presented below.

Fuels and Lubricants: Year-to-date actuals of $7.3 million are over the amended budget of $5.3 million by 38.0 percent. The primary variance for this over-run is due to the price of diesel fuel used to operate the OCTA ACCESS vehicles. The fuel expense was not budgeted in Fiscal Year 2006 in anticipation of the cost being rolled into the new ACCESS procurement ($1.4 million).

In addition, taxes for fuels and lubricants are now being charged to their respective fuel type (diesel, liquefied natural gas), instead of the original tax line item. This was due to an accounting policy change which took effect after the development of the budget ($0.4 million).

Outside Services: Year-to-date actuals of $4.9 million are under the amended budget of $6 million by $1.1 million. This variance is primarily due to an under-run in equipment repair/maintenance ($0.4 million), in particular bus maintenance service, and revenue vehicle repair/maintenance for paratransit buses ($0.4 million).

Professional Services: Year-to-date actuals of $1.1 million are 72.2 percent less than the amended budget of $4 million. This under-run is associated with the delay of the Bus Rapid Transit signal prioritization and planning/implementation projects ($1 million). Staff is currently in the process of submitting a Request for Proposal (RFP) for the two projects.

In addition, the Customer Information Center contract (CIC) is running $0.4 million below the budget. This variance is due to a duplicate accrual reversal in error during the year end process. The CIC contract is actually running in line with the budget. Other under-runs include, Vanpool Program ($0.5 million), which is currently under review by the External Affairs Division and the American with Disabilities Act (ADA) in-house assessment ($0.3 million) which was started later than anticipated.

Contract Transportation: Year-to-date actuals of $16.6 million are 15 percent less than the amended budget of $19.5 million. This variance is due to actual rate for ACCESS service ($44/hr) being lower than the budgeted rate ($48.30/hr).

Total Capital Expenditures: Year-to-date actuals of $1.2 million are 96.8 percent less than the amended budget of $37.9 million. This variance is due to delays in the following projects: procurement of 50 compressed natural gas buses ($21.4 million), NABI bus engine replacements ($2.4 million), 47 Paratransit Buses ($1.5 million), and Fixed Route Small Buses ($3.8 million) due to be purchased in June 2006. In addition, the ACCESS Radio Replacement Project ($4.5 million) is being delayed until the ACCESS procurement is finalized.

State Route 91 Toll Road Fund – Revenue and Expense Summary

Year-to-date revenues of $21.9 million are 31.4 percent above the amended budget of $16.7 million. Year-to-date expenditures of $11.2 million are 25.2 percent under the amended budget of $14.9 million.

State Route 91 Toll Road Fund - Variance Analysis – Revenues

Interest Income: Year-to-date actuals of $0.8 million are 215.5 percent greater than the amended budget of $0.3 million. Although the actual interest rate (2.8 percent) earned on investment is lower than the budgeted rate (3 percent), the actual cash balance is higher than what was anticipated, as a result, the actual interest revenue is higher than the budgeted interest revenue.

Miscellaneous Toll Road: Year-to-date actuals of $3.9 million are 82.5 percent greater than the amended budget of $2.1 million. This is primarily due to the increase in the monthly minimum fee income account which is attributed to an increase of transponders in circulation. Transponders in circulation increased from 172,220 in FY 2005 to 180,024 in FY 2006.

Toll Road Revenue: Year-to-date actuals of $17.2 million are 20.3 percent greater than the amended budget of $14.3 million. This variance is due to an increase of traffic volume and more revenue from the interoperating agreement with the Transportation Corridor Agencies (TCA) for toll road revenue. OCTA bills the TCA for TCA customers who use the State Route 91 Toll Road.

State Route 91 Toll Road Fund – Variance Analysis – Expenses

Total Services and Supplies: Year-to-date actuals of $10.8 million are 9.2 percent less than the amended budget of $11.9 million. Variance analysis is presented below.

Professional Services: Year-to-date actuals of $1.3 million are 26.8 percent less than the amended budget of $1.7 million. This is mainly due to the Traffic and Revenue Study ($0.1 million), Consultant for Traffic and Revenue Study ($0.1 million) and Technical Studies for Environmental Documentation ($0.1 million) being put on hold until the fourth quarter.

Total Capital Expenditures: Year-to-date actuals of $0.4 million are 87.5 percent less than the amended budget of $3.1 million. This variance is due to delays in the following projects: traffic operations center/traffic management system upgrade ($2 million) and phone system replacement ($0.3 million). This was delayed pending the outcome of the operating agreement. This expense is now expected to occur in the third quarter.

Internal Service Funds – Revenue and Expense Summary

Year-to-date revenues of $18.5 million are 23.7 percent above the amended budget of $15 million. Year-to-date expenditures of $19.3 million are 8.8 percent over the amended budget of $17.8 million.

Internal Service Funds - Variance Analysis – Revenues

Interest Income: Year-to-date actuals of $0.5 million are 31.2 percent less than the amended budget of $0.7 million. This variance is primarily due to a realized loss ($0.4 million) on maturing investments, which is partially off-set by an increase in interest on investments ($0.2 million).

Charges for Services: Year-to-date actuals of $17.9 million are 26.6 percent greater than the amended budget of $14.1 million. The variance is due to general liability insurance ($3.1 million) revenue being greater than anticipated.

Internal Service Funds – Variance Analysis – Expenses

Total Services and Supplies: Year-to-date expenditures of $19.3 million are 8.8 percent more than the amended budget of $17.8 million. Variance analysis is presented below:

Insurance Claims: Year-to-date actuals of $18.7 million are 10.8 percent more than the amended budget of $16.9 million. This is due to higher physical liability claim expenses of $8.2 million against a budget of $1.8 million. This is partially offset by the variance of workers compensation and health claim expenses of $2.8 million versus a budgeted amount of $6.4 million.

ATTACHMENT B

General Fund
Revenues and Expenses

In Thousands

Description	Budget	Actual	Variance	%
Other Financial Assistance	1,203	(365)	(1,567)	-130.3%
Fees and Fines	81	69	(12)	-15.4%
Miscellanous	62	120	58	93.5%
Interest Income	112	237	125	112.3%
Total Revenues	1,457	61	(1,396)	-95.8%
Other Benefits	610	747	(137)	-22.4%
Pensions	1,937	2,039	(102)	-5.3%
Extra Help Employees	311	308	3	1.0%
Insurances	324	215	109	33.7%
Compensated Absences	1,188	950	238	20.0%
Salaries-Regular Employees	8,800	8,163	637	7.2%
Total Salaries & Benefits	13,170	12,422	748	5.7%
Leases	1,869	2,023	(154)	-8.2%
Maintenace Expense	3	0	3	98.7%
Travel,Training,and Mileage	178	139	40	22.2%
Other Materials and Supplies	79	36	43	54.3%
Miscellanous Expense	247	203	44	18.0%
Advertising Fees	253	109	143	56.7%
Utilities	391	242	148	38.0%
Contributions to other Agencies	13	(294)	306	2450.7%
Office Expense	1,032	553	479	46.5%
Outside Services	1,759	1,122	637	36.2%
Professional Services	6,508	3,320	3,188	49.0%
Total Services & Supplies	12,332	7,454	4,878	39.6%
Capital Expense-Locally Funded	305	138	167	54.8%
Total Expenses	25,807	20,014	5,793	22.4%

**Revenues - (under) / over*
**Expenses - under / (over)*

Local Transportation Authority Fund (Measure M)
Revenues and Expenses

In Thousands

Description	Budget	Actual	Variance	%
Interest Income	6,200	5,257	(944)	-15.2%
Rental Income	37	70	32	86.7%
Taxes/Fees	124,352	125,450	1,097	0.9%
Sale Capital Assets	-	5,305	5,305	100.0%
Federal Capital Assistance Grants	-	20,153	20,153	100.0%
Other Financial Assistance	-	38,476	38,476	100.0%
Total Revenues	130,590	194,710	64,121	49.1%
Professional Services	11,609	13,082	(1,473)	-12.7%
Debt Service	270	492	(222)	-82.2%
Leases	-	19	(19)	100.0%
Utilities	-	10	(10)	100.0%
Miscellanous Expense	2	0	2	80.5%
Travel,Training, and Mileage	4	1	3	72.6%
Other Materials & Supplies	18	-	18	100.0%
Advertising Fees	32	8	23	73.6%
Outside Services	68	16	52	76.6%
Office Expense	92	9	83	90.3%
Contributions to Other Agencies	46,206	23,719	22,486	48.7%
Total Services & Supplies	58,300	37,357	20,943	35.9%
Construction in Progress	6,278	7,074	(796)	-12.7%
Capital Expense-Grant Funded	16	-	16	100.0%
Capital Expense-Locally Funded	18	-	18	100.0%
Work in Process	12,755	631	12,124	95.1%
Total Capital	19,067	7,705	11,362	59.6%
Total Expenses	77,366	45,061	32,305	41.8%

**Revenues - (under) / over*
**Expenses - under / (over)*

Orange County Transit District Fund
Revenues and Expenses

In Thousands

Description	Budget	Actual	Variance	%
Federal Capital Grants	9,473	2,875	(6,598)	-69.6%
Farebox Revenue	26,691	25,641	(1,050)	-3.9%
Advertising Revenue	1,950	957	(993)	-50.9%
Interest Income	2,366	1,772	(594)	-25.1%
Other Financial Assistance	11,529	11,152	(377)	-3.3%
Miscellanous	37	(6)	(44)	-117.0%
Rental Income	197	208	11	5.8%
Insurance Recoveries	92	126	34	37.5%
Federal Operating Grants	-	36	36	100.0%
Operating Transfer In	-	65	65	100.0%
Taxes/Fees	4,134	4,293	158	3.8%
Total Revenues	56,469	47,119	(9,351)	-16.6%
Pensions	4,994	5,699	(706)	-14.1%
Salaries-Regular Employees	33,610	33,679	(68)	-0.2%
Extra Help Employees	378	265	113	29.9%
Compensated Absences	4,101	3,927	175	4.3%
Insurances	750	539	211	28.1%
Other Benefits	1,682	1,243	440	26.1%
Total Salaries & Benefits	45,516	45,352	164	0.4%
			-	
Fuels and Lubricants	5,281	7,289	(2,008)	-38.0%
Insurance Claim Expense	-	9	(9)	100.0%
Miscellaneous Expense	139	148	(9)	-6.3%
Utilities	511	506	5	1.0%
Other Materials and Supplies	741	736	5	0.7%
Leases	358	345	13	3.6%
Travel,Training,and Mileage	93	72	21	22.4%
Advertising Fees	88	44	44	50.0%
Debt Service	94	17	76	81.6%
Taxes	403	17	386	95.8%
Tires and Tubes	1,155	673	482	41.8%
Office Expense	857	330	527	61.5%
Maintenace Expense	4,964	4,396	568	11.4%
Contributions to other Agencies	885	143	742	83.9%
Outside Services	5,981	4,909	1,072	17.9%
Professional Services	4,000	1,111	2,889	72.2%
Contract Transportation	19,534	16,607	2,927	15.0%
Total Services & Supplies	45,083	37,351	7,733	17.2%
Work in Process	569	366	202	35.6%
Capital Exp-Locally Funded	37,302	864	36,438	97.7%
Total Capital	37,871	1,230	36,641	96.8%
Total Expenses	128,470	83,933	44,537	34.7%

**Revenues - (under) / over*
**Expenses - under / (over)*

Toll Road Fund
Revenues and Expenses

In Thousands

Description	Budget	Actual	Variance	%
Rental Income	7	7	-	0.0%
Insurance Recovery	8	39	32	422.1%
Interest Income	259	817	558	215.5%
Miscellaneous Toll Road Revenue	2,110	3,852	1,741	82.5%
Toll Road Revenue	14,310	17,214	2,904	20.3%
Total Revenues	16,694	21,929	5,234	31.4%
Outside Services	786	821	(35)	-4.4%
Office Expense	440	456	(16)	-3.7%
Leases	197	206	(9)	-4.7%
Equipment/Structure	-	9	(9)	100.0%
Travel,Training,and Mileage	9	4	4	50.0%
Utilities	146	123	23	15.9%
Debt Service	4,982	4,956	25	0.5%
Miscellaneous Expense	140	74	66	47.0%
Insurance Claims Expense	230	105	125	54.4%
Advertising Fees	155	5	150	96.9%
Contract Transportation	3,057	2,757	300	9.8%
Professional Services	1,743	1,276	467	26.8%
Total Services & Supplies	11,885	10,792	1,093	9.2%
Capital Expense-Locally Funded	3,050	382	2,668	87.5%
Total Capital	3,050	382	2,668	87.5%
Total Expenses	14,935	11,174	3,761	25.2%

**Revenues - (under) / over*
**Expenses - under / (over)*

Internal Service Funds
Revenues and Expenses

In Thousands

Description	Budget	Actual	Variance	%
Interest Income	687	473	(214)	-31.2%
Insurance Recoveries	133	138	5	3.7%
Charges for Services	14,141	17,900	3,759	26.6%
Total Revenues	14,961	18,511	3,550	23.7%
Insurance Claims Expense	16,860	18,675	(1,815)	-10.8%
Miscellaneous Expense	2	1	1	51.3%
Outside Services	115	33	82	71.7%
Professional Services	692	602	90	13.0%
Total Services and Supplies Expenses	17,751	19,311	(1,559)	-8.8%

**Revenues - (under) / over*

**Expenses - under / (over)*

10.

Item 10.

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To:	Members of the Board of Directors
From:	Wendy Knowles, Clerk of the Board WK
Subject	Approval of Local Transportation Fund Fiscal Year 2006-07 Apportionment Estimates

Finance and Administration Committee — February 22, 2006

Present: Directors Wilson, Duvall, Campbell, Correa, Cavecche and Pringle
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Approve the Local Transportation Fund fiscal year 2006-07 apportionment estimates and authorize the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for the following fiscal year.

OCTA

February 22, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Approval of Local Transportation Fund Fiscal Year 2006-07 Apportionment Estimates

Overview

The Orange County Transportation Authority, as the transportation planning agency and county transportation commission for Orange County, is responsible for developing estimates used in apportioning revenues earned and deposited in the Orange County Local Transportation Fund. Transportation Development Act regulations require that the apportionments for fiscal year 2006-07 be determined and prospective claimants advised of the amounts.

Recommendation

Approve the Local Transportation Fund fiscal year 2006-07 apportionment estimates and authorize the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for the following fiscal year.

Background

The Transportation Development Act of 1971 established a funding source dedicated to transit and transit-related projects. The funding source consists of two parts: the Local Transportation Fund (LTF), which is derived from 1/4 cent of the 7 3/4 percent sales tax in Orange County, and the State Transit Assistance Fund (STAF), which consists of sales taxes on gasoline and diesel fuel appropriated by the state Legislature from the State Transportation Planning and Development Account. The LTF revenues are collected by the State Board of Equalization and returned monthly to the local jurisdictions based on the volume of sales during each month.

Discussion

The estimate of LTF revenues for fiscal year (FY) 2006-07 has been forecasted by the Orange County Transportation Authority at $148,954,534. This forecast is based on the December 2005 Chapman University economic and business review which has estimated a moderate expansion in the local economy. In accordance with Transportation Development Act (TDA) regulations, the Orange County Auditor-Controller has reviewed this forecast and decreased it to a slightly lower estimate of $148,216,407. The apportionment for FY 2006-07 reflects this adjustment and has been set at $148,216,407, which reflects a 10.6 percent increase from the FY 2005-06 LTF apportionment of $134,069,820 and a 4.8 percent increase over the estimated actual LTF receipts for FY 2005-06 of $141,367,167.

Because of the Orange County bankruptcy relief and TDA diversion legislation which was passed in 1995, beginning in FY 1996-97 and continuing for 15 years through FY 2010-11, total LTF revenues available for apportionment are reduced each year by $38,000,004, which is being diverted to the County of Orange General Fund. As a result of this legislation, the amount of the FY 2006-07 LTF apportionment available for public transportation claimants has been reduced to $110,216,403.

The FY 2006-07 apportionment is summarized in the following table:

Revenues:	
Estimated Fiscal Year 2006-07 Sales and Use Tax Receipts	$148,216,407
Less - transfer to Orange County General Fund	-38,000,004
Total Funds Available for Apportionment	$ 110,216,403
Article 3 Payments:	
Orange County Auditor-Controller - Administration	3,071
Orange County Transportation Authority - County Transportation Commission Administration	106,291
Orange County Transportation Authority – County Transportation Commission Planning	4,446,492
Southern California Association of Governments - Regional Planning	186,200
Bicycle, Pedestrian Facilities and Bus Stop Accessibility Program	2,109,487
Sub-total - Article 3 Funding	$6,851,541

Articles 4 and 4.5 payments:	
Orange County Transit District - Consolidated Transportation Service Agency Funding - Article 4.5	$ 5,168,243
Orange County Transit District - Public Transit Funding - Article 4	97,105,558
Laguna Beach Municipal Transit Lines - Public Transit Funding – Article 4	1,091,061
Sub-total - Articles 4 and 4.5 Funding	103,364,862
Total Funds Apportioned	$ 110,216,403

Part of the Article 4.5 allocation to Orange County Transit District is being transferred to cities and non-profit agencies in Orange County for operation of the Senior Mobility Program (SMP).

Summary

Staff recommends approval of the Local Transportation Fund fiscal year 2006-07 apportionment estimates. Staff also recommends authorizing the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for fiscal year 2006-07.

Attachment

None.

Prepared by:

Jerome A. Diekmann

Jerome A. Diekmann
Senior Financial Analyst
Financial Planning & Analysis
(714) 560-5685

Approved by:

James S. Kenan

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

OCTA

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject Second Quarter Fiscal Year 2005-06 Grant Status Report

Finance and Administration Committee February 22, 2006

Present: Directors Wilson, Duvall, Campbell, Correa, Cavecche and Pringle
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive and file as an information item.

OCTA

February 22, 2006

To: Finance and Administration Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Second Quarter Fiscal Year 2005-06 Grant Status Report

Overview

The Quarterly Grant Status Report summarizes grant activities for information purposes for the Orange County Transportation Authority Board of Directors. This report focuses on significant grant activity for the period of October through December 2005. The Quarterly Grant Status Report summarizes future grant applications, pending grant applications, executed grant awards, current grant agreements, and closed-out grant agreements.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority's (OCTA) long-term, proactive planning approach ensures the effective utilization of limited capital resources and improved operating effectiveness. One critical aspect of this proactive planning approach is to strategically seek and obtain federal, state, and local grant funding.

Discussion

The ongoing grant activities are categorized by future grant applications, pending grant applications, awarded/executed grant agreements, current grant agreements, and closed-out grant agreements.

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

Future Grant Applications

The OCTA has five future grant applications under development which are enumerated in Attachment A and summarized below.

Federal Transit Agency (FTA) Section 5309 Discretionary Capital Grant Program

- Staff continues efforts to reprogram $247,507 in federal grant funds originally allocated to the City of Costa Mesa through the 2002 federal appropriations. The city declined the funds in July 2004, since the project was considered ineligible under the Section 5309 program. Staff is awaiting confirmation from the Senate Appropriations Committee that the funds have been reprogrammed to support OCTA's bus transit system. Once reprogrammed the earmark can be included in the Fiscal Year (FY) 2005-06 federal grant application.

2006 Transit Security Grant Program: Department of Homeland Security (DHS) Grant Programs

- Staff is undertaking advance preparations for the upcoming 2006 Transit Security Initiative and State Homeland Security Grant programs. Although calls for projects or funding availabilities have yet to be announced, staff has begun exploring project options for proposals that are expected to be due in late February 2006.

Mobile Source Air Pollution Reduction Review Committee (MSRC)

- A grant proposal is currently being developed for the use of $928,000 in MSRC funds allocated towards the Freeway Service Patrol Program. The proposal will outline the purpose and need for automated vehicle locator and mobile data terminal equipment to increase the efficiency of the patrols servicing Orange County. The proposal is targeted for submittal by the end of January 2006, and would require a 25 percent local match contribution.

- Staff is also working with MSRC staff on structuring a proposal that requests up to $150,000 in grant funds towards the capital costs of leasing compressed natural gas fueling equipment at the Santa Ana Bus Base. Additional grant funds of up to $75,000 are also being explored through various infrastructure-funding categories available through the FY 2005-06 MSRC grant program.

FTA Section 5310 Paratransit Grant Program

- Work is underway for the FY 2006-07 FTA Section 5310 program, which provides grant funds towards the purchase of paratransit vehicles to help meet the transportation needs of elderly persons and persons with disabilities. On January 31, 2006, OCTA hosted a local workshop to review the grant process and offer its assistance to potential applicants. Over the next several weeks, staff will be assisting applicants, as well as reviewing and scoring applications from Orange County. Applications are due to OCTA and the California Department of Transportation (Caltrans) by March 3, 2006, for review.

Pending Grant Applications

The OCTA has seven pending grant applications awaiting approval (Attachment B).

Federal Transit Agency Section 5309 Discretionary Capital Grant Program

- The FY 2004-05 Section 5309 Discretionary Capital Grant application was submitted on September 28, 2005, and is currently pending federal approval. The consolidated capital grant application requests a total of $4,344,932, in federal earmark funds for: Bus Rapid Transit ($2,184,466); Inter-County Express Bus ($1,067,961); the City of Anaheim ($485,437, for FY 2003-04 and $291,534, for FY 2004-05), and a security camera system at the Fullerton Transportation Center ($315,534).

Caltrans Division of Transportation Planning (State Highway Fund)

- A grant proposal requesting $65,000 in Caltrans planning funds was submitted on October 14, 2005, to enable the development of a feasibility plan for Adult Day Healthcare (ADHC) Transportation Services. Currently, travel to ADHC facilities account for almost one-fifth of all OCTA ACCESS trips and is expected to grow rapidly. A feasibility plan for the ADHC would assist OCTA in implementing cost-effective transportation alternatives and further the goals of the Paratransit Growth Management Plan. A 12 percent local match is required. The application was submitted on October 14, 2005.

- On October 14, 2005, staff submitted a proposal requesting $200,000 in Caltrans planning grant funds that is being developed to supplement the multi-county regional goods movement study currently underway. The funds would be used for additional environmental justice impact analysis and community outreach activities. Project partners include Los Angeles County Metropolitan Transportation Authority (LACMTA), Riverside County

Transportation Commission (RCTC), San Bernardino Associated Governments (SANBAG), Ventura County Transportation Commission, and the Southern California Association of Governments (SCAG). A 12 percent local match is required, which is being shared between several project partners. The application was submitted on October 14, 2005.

State Interregional Transportation Improvement Program (STIP)

- An application for $186,525 is pending to conduct a car-sharing demonstration project at the Anaheim, Orange, and Tustin Metrolink stations. The project would allow employees to use shared vehicles to drive to their job site from the stations. The project was proposed in May 2003, in an effort to improve mobility on the Riverside Freeway (State Route 91). The car-sharing program is expected to remain unfunded until FY 2007-08 due to state budget shortfalls.

Urban Area Security Initiative Grant State Funds: Homeland Security Grant Program

- On August 26, 2005, staff submitted a reimbursement request of $30,104 for Transit Police Service overtime hours and $3,270 for k-rail barriers for the Santa Ana Transit Terminal to achieve heightened security levels resulting from the July 2005 London bombings. These expenses are eligible for reimbursement through the Urban Area Security Initiative Grant and State Homeland Security Grant Programs (SHSGP). Confirmation of the reimbursement is expected in February 2006.

2005 Easter Seals Project Action Program

- On June 10, 2005, staff submitted a pre-proposal requesting up to $100,000 to support the implementation of a Road to Driving Wellness Program in Orange County, which is a volunteer-based program that promotes driver safety among seniors. Easter Seals Project Action is a grant program administered by Easter Seals and funded through FTA to promote cooperation between transportation providers and persons with disabilities. The pre-proposal is currently in review. Notification is expected in February 2006.

Urban Area Security Initiative (UASI) and SHSGP

- On November 15, 2005, staff submitted a grant proposal requesting $320,000 in FY 2005 UASI and SHSGP funds to equip 40 transit vehicles with on-board bus cameras. A notice of award is expected by April 2006.

Awarded/Executed Grants

The OCTA staff executed four grant awards in the current quarter.

OCTA was awarded $958,450 in grant funds on January 20, 2006, from the 2005 Transit Security Grant Program. The award was made possible through cooperative efforts between the State Office of Homeland Security and LACMTA on the use of $2,175,000 allocated regionally to both LACMTA and OCTA to better secure the regional bus transit system. The proposed use of grant funds includes the installation of on-board bus security cameras ($508,450), a bus system security analysis ($25,000), emergency communications equipment and/or command post vehicle ($250,000), and update to OCTA's Emergency Operations Plan ($25,000). A total of $300,000 has also been requested jointly by LACMTA and OCTA to conduct a regional multi-county disaster drill.

The Federal Highway Administration (FHWA) awarded OCTA $588,000 in grant funds on January 10, 2006, to explore the benefits of dynamic pricing on the 91 Express Lanes and, if favorable, implement the Performance Monitoring and Pricing Pilot Project. The study will explore pricing structures based on actual traffic volumes to provide customers with a clear link between the tolls paid and the actual travel times and speeds experienced on the facility. The proposal includes a 25 percent local match from the toll revenue funds. Staff is currently awaiting guidance from FHWA on required next steps and execution of a contract.

A grant agreement with SCAG for $50,000 was executed on November 2, 2005, to fund the OCTA Transit Planning Internship Program. Notice to Proceed was issued by SCAG on November 7, 2005.

A grant agreement with the MSRC for $75,563 to fund the modernization of an obsolete liquefied natural gas displacement pump was executed on October 28, 2005.

Current Grant Agreements

The OCTA has five current capital and five discretionary grant agreements which are summarized on (Attachment C).

Capital Formula Grants: OCTA receives an annual formula capital grant from the FTA. There are five active formula capital grants, totaling $455.8 million. A total of $280.5 million of these grants has been expended or obligated for procurement, leaving a remaining and available balance of $175.3 million. Of the $175.3 million available balance, $113.2 million represents future procurements of alternative fuel buses for the expansion and replacement of our current fixed route fleet.

Capital Discretionary Grants: There are five active discretionary capital grants, totaling $17.3 million. A total of $9.9 million of these grants has been expended or obligated for procurement, leaving a remaining and available balance of $7.4 million. The $7.4 million available balance represents the construction of the Irvine Transportation Center parking structure, construction of the Buena Park Intermodal facility and buses for the Cities of Anaheim and Brea.

OCTA has 15 current other discretionary grants which are summarized on (Attachment D).

In addition to the specific grants outlined above, OCTA receives a variety of discretionary grants from sources such as SCAG, South Coast Air Quality Management District (SCAQMD),MSRC, FHWA, CMAQ, Traffic Congestion Relief Program (TCRP), Caltrans and the State Highway Fund. The remaining and available balance on these discretionary grants is $57.2 million. These funds will be received on a reimbursement of eligible expense basis.

Closed-out Grant Agreements

There were no grants closed-out in the current quarter.

Summary

This report provides an update of the grant funded activities for the second quarter of fiscal year 2005-06, October through December 2005. Staff recommends this report be received and filed as an information item.

Attachments

A. Quarterly Grant Status Report, October through December 2005, Future Grant Applications.
B. Quarterly Grant Status Report, October through December 2005, Pending Grant Applications.
C. Quarterly Grant Status Report, October through December 2005, Current Formula & Discretionary Grants.
D. Quarterly Grant Status Report, October through December 2005, Current Other Discretionary Grants.
E. Quarterly Grant Status Report, October through December 2005, Federal Transit Administration Section 5307 Grant Funds.
F. Quarterly Grant Status Report, October through December 2005, Federal Transit Administration Capital Grant Index.

Prepared by:

Linda M. Gould

Linda M. Gould
Financial Analyst,
Financial Planning and Analysis
(714) 560-5638

Approved by:

James S Kenan

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

ATTACHMENT A

Quarterly Grant Status Report
October through December 2005
Future Grant Applications

Federal Transit Administration Section 5309 (c) - Bus and Bus Related Facilities Program

Discretionary grants funded by the Transportation Equity Act for the 21st Century (TEA-21).

Grants provide capital funds for projects that improve efficiency and coordination of transportation systems.

GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	EST. SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
FY 2001-02 City of Costa Mesa	$ 247,507	$ 61,877	$ 309,384	TBD	TBD	Seeking Scope of Work change via the Federal Fiscal Year 2005 Budget
Discretionary Grants Sub-Total	**$ 247,507**	**$ 61,877**	**$ 309,384**			

United States Department of Homeland Security

These grants are to be used for the protection of the Orange County's transportation system and the hardening of OCTA's critical facilities.

GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	EST. SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
FY 2005-06 Homeland Security Grant Program	TBD	TBD	TBD	TBD	TBD	Preliminary Preparation
Discretionary Grants Sub-Total	**$ -**	**$ -**	**$ -**			

Mobile Source Air Pollution Reduction Review Committee (MRSC)

GRANT	GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	EST. SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
Freeway Service Patrol Program Automated Vehicle Locator/Mobile Data Terminal Equipment	$ 928,000	$ 309,333	$ 1,237,333	March 2006	TBD	Under Development
Leasing Compressed Natural Gas Fueling Equipment Santa Ana Bus Base	150,000	-	150,000	TBD	TBD	Under Development
Discretionary Grants Sub-Total	**$ 1,078,000**	**$ 309,333**	**$ 1,387,333**			

Federal Transit Administration Section 5310 Paratransit Grant Program

GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	EST. SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
Fiscal Year 2006-07 Paratransit Vehicles for the Elderly and Disabled	TBD	TBD	TBD	TBD	TBD	Preliminary Preparation
Discretionary Grants Sub-Total	**$ -**	**$ -**	**$ -**			

Future Grants Total	$ 1,325,507	$ 371,210	$ 1,696,717

ATTACHMENT B

Quarterly Grant Status Report
October through December 2005
Pending Grant Applications

Federal Transit Administration Section 5309 (c) - Bus and Bus Related Facilities Program

Discretionary grants funded by the Transportation Equity Act for the 21st Century (TEA-21).
Grants provide capital funds for projects that improve efficiency and coordination of transportation systems.

GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	SUBMITTAL DATE	APPROVAL DATE	STATUS
FY 2003-04 Bus Rapid Transit	$ 2,184,466	$ 447,421	$ 2,631,887	September 2005	March 2006	Pending Approval
FY 2003-04 Inter-County Express Bus	1,067,961	218,739	1,286,700	September 2005	March 2006	Pending Approval
FY 2003-04 Anaheim Resort Transit	485,437	99,427	584,864	September 2005	March 2006	Pending Approval
FY 2003-04 Security Cameras for Transit Centers	315,534	78,884	394,418	September 2005	March 2006	Pending Approval
FY 2004-05 Anaheim Resort Transit	291,534	72,884	364,418	September 2005	March 2006	Pending Approval
Discretionary Grants Sub-Total	**$ 4,344,932**	**$ 917,354**	**$ 5,262,286**			

Environmental Justice Planning Grant Program

California State Highway Account - Orange County Commuter Bikeways Strategic Plan Update, Developing a Transportation Plan for the Regional Centers of Orange County and

GRANT	GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	SUBMITTAL DATE	APPROVAL DATE	STATUS
FY 2004-05 Adult Day Healthcare Transportation Services	$ 65,000	$ 7,800	$ 72,800	October 2005	TBD	Pending Approval
FY 2004-05 Creating Balance between Goods Movement	200,000	24,000	224,000	October 2005	TBD	Pending Approval
Discretionary Grants Sub-Total	**$ 265,000**	**$ 31,800**	**$ 296,800**			

State Interregional Transportation Improvement Program (STIP)

Demonstration car-sharing program at the Anaheim, Orange, and Tustin Metrolink stations.

GRANT	GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
FY 2003-04 Demonstration car-sharing program	$ 186,525	$ -	$ 186,525	May 2003	October 2008	Pending Approval
Discretionary Grants Sub-Total	**$ 186,525**	**$ -**	**$ 186,525**			

Urban Area Security Initiative Grant State Funds; Homeland Security Grant Program

Reimbursement for eligible expenses that are the result of threat alerts by the Federal Government.

GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
FY 2004-05 Homeland Security Grant Program	$ 33,374	$ -	$ 33,374	August 2005	February 2006	Pending Approval
Discretionary Grants Sub-Total	**$ 33,374**	**$ -**	**$ 33,374**			

Easter Seals Project Action Program

GRANT	GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
FY 2004-05 Driving to Wellness Program	$ 100,000	$ -	$ 100,000	June 2005	February 2006	Pending Approval
Discretionary Grants Sub-Total	**$ 100,000**	**$ -**	**$ 100,000**			

Quarterly Grant Status Report
October through December 2005
Pending Grant Applications

Urban Area Security Initiative and State Homeland Security Grant Program						
GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	SUBMITTAL DATE	EST. APPROVAL DATE	STATUS
On-Board Bus Cameras	$ 320,000	$ -	$ 320,000	November 2005	April 2006	Pending Approval
Discretionary Grants Sub-Total	**$ 320,000**	**$ -**	**$ 320,000**			

Pending Grants Sub-Total	**$ 5,249,831**	**$ 949,154**	**$ 6,198,985**

Quarterly Grant Status Report
October through December 2005
Current Formula & Discretionary Grants

ATTACHMENT C

FTA SECTION 5307, 5309 AND 5313 GRANT FUNDS

FTA Section 5307 - Urbanized Area Formula Capital Grant Program

Formula grants funded by the Transportation Equity Act for the 21st Century (TEA-21).

Funds are generally used to purchase revenue vehicles, vehicle and facility modifications and bus related equipment.

CURRENT GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	EXPENDED TO DATE	UNLIQUIDATED OBLIGATIONS	REMAINING BALANCE
FY 2004-05	$ 83,581,587	$ 15,411,320	$ 98,992,907	$ 21,817,100	$ 260,717	$ 76,915,090
FY 2003-04 **	45,164,302	14,024,519	59,188,821	45,539,656	683,073	12,966,092
FY 2001-03 *	131,076,208	25,003,175	156,079,383	144,663,478	3,506,232	7,909,673
FY 2000-01	30,138,775	7,474,532	37,613,307	19,934,053	601,755	17,077,499
FY 1999-00	85,949,714	17,992,719	103,942,433	43,495,790	-	60,446,643
Formula Grants Total	**$ 375,910,586**	**$ 79,906,265**	**$ 455,816,851**	**$275,450,077**	**$ 5,051,777**	**$ 175,314,997**

Note: The Remaining Balance reflects funds in an Approved Grant waiting for the procurement contract.

* The FY 2001-03 Section 5307 Grant is a consolidated FY 2001-02 and FY 2002-03 mega grant.

** The FY 2003-04 Section 5307 Grant is "ONLY" 9/12 of the amount available because the extention of TEA-21 expired June 30, 2004.

FTA Section 5309 - Discretionary Capital Grant Program

Discretionary grants funded by the Transportation Equity Act for the 21st Century (TEA-21).

Grants provide capital funds for projects that improve efficiency and coordination of transportation systems.

CURRENT GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	EXPENDED TO DATE	UNLIQUIDATED OBLIGATIONS	REMAINING BALANCE
FY 2001-03 City of Anaheim	$ 986,854	$ 202,127	$ 1,188,981	$ -	$ -	$ 1,188,981
FY 2000-02 Cities of Anaheim and Brea and Santa Ana Bus Base	1,930,671	469,249	2,399,920	1,654,951	40,516	704,453
FY 2001-03 New Starts - CenterLine PE	4,437,739	1,109,435	5,547,174	5,547,174	-	-
FY 2000-01 ITC Transitway	2,481,380	620,345	3,101,725	-	-	3,101,725
FY 1999-00 Buses/Intermodal Fac.	4,103,680	928,299	5,031,979	2,603,241	-	2,428,738
Discretionary Grants Total	**$ 13,940,324**	**$ 3,329,455**	**$ 17,269,779**	**$ 9,805,366**	**$ 40,516**	**$ 7,423,897**

Note: The above grant amounts include FTA amount and OCTA local match but exclude operating assistance.

Quarterly Grant Status Report
October through December 2005
Current Other Discretionary Grants

DISCRETIONARY ALLOCATIONS

South Coast Air Quality Management District Grant Program (SCAQMD) and Mobile Source Air Pollution Reduction Review Committee (MSRC)
Provides grants for the purchase of clean fuel revenue vehicles and other activities to reduce mobile source emissions.

CURRENT GRANT	STATE GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	REMAINING BALANCE	PROJECT STATUS
FY 2004-05 Contract # PT05063	$ 603,500	-	603,500	$ 603,500	The grant was awarded in February 2005 for $150,000 to purchase and install 71 catalyzed diesel particulate filter systems in an effort to retrofit certain diesel-fueled buses. In subsequent action in June 2005, the MSRC Board increased the amount of the award to $603,500. Contract to be executed. Project should go forward in FY 07.
FY 2004-05 Contract # MS05047	75,563	-	75,563	75,563	This grant provides $75,563 to fund the modernization of an obsolete LNG displacement pump. Grant was submitted in September 2004 and awarded in January 2005. Pump is in process of procuremnent and acceptance.
FY 2004-05 Contract # TBD	200,000	-	200,000	200,000	Funds the purchase up to 25 buses that are equipped with an advanced natural gas fueling system. The grant was submitted in September 2004 and awarded in January 2005. Awaiting contract.
2001-02 Mobile Source Air Pollution Reduction Committee (MSRC) Contract #AB2766/02003	10,000	-	10,000	10,000	This grant funds 21 LNG Buses at $13,642 each. The funds were awarded in November 2001. On May 27, 2004, the MSRC denied OCTA's request to use the funds for LNG facility modifications. The MSRC has allowed the OCTA to retain $10,000 for LNG facility modifications. On September 22, 2004, the OCTA requested a contract for $10,000 to cost-share ventilation improvements at the Anaheim Bus Base. The project has been completed and the reimbursement request has been sent to the MSRC.
2002-03 Mobile Source Air Pollution Reduction Committee (MSRC) Contract #MS03041	1,360,000	-	1,360,000	1,360,000	This grant funds 68 LNG Buses at $20,000 each. On June 1, 2004, OCTA executed a contract with MSRC with an expiration date of 2008. A pending decision on fuel technology may change the decision on whether or not to use these funds.
2002-03 Mobile Source Air Pollution Reduction Committee (MSRC) Contract #MS03059	375,000	-	375,000	98,258	These grant funds are being used for the expansion of the OCTA's Freeway Service Patrol Program (FSP). A total of five new freeway service patrol beats have been established which, will operate from 10:00 a.m. until 2:00 p.m.. The grant was approved by AQMD on June 6, 2003. The OCTA executed the agreement on December 23, 2003. This project is proceeding.
2002-03 Mobile Source Air Pollution Reduction Committee (MSRC) Contract #MS04006	405,000	-	405,000	405,000	Funds 10 gasoline/electric hybrid buses at $40,000 each plus $5,000 for mechanical training. Contract signed by OCTA on August 24, 2004. Contract was executed on November 9, 2004. Two Vehicles have been procured, have arrived on property and are going through acceptance.
2002-03 South Coast Air Quality Management District (SCAQMD) Contract # TBD	1,000,000	-	1,000,000	1,000,000	Funds the expansion of the LNG fueling infrastructure at the Garden Grove and Anaheim facilities. Funds were awarded in October 2002. OCTA submitted a request to AQMD on August 12, 2004, requesting to use the funds for LNG fuel tank upgrades. AQMD staff responded on September 29, 2004, agreeing to the scope change and also agreeing to allow funds to be used for new alternative fuel refueling infrastructure. The AQMD Board concurred with staff recommendation on December 3, 2004. Awaiting contract.

Quarterly Grant Status Report
October through December 2005
Current Other Discretionary Grants

DISCRETIONARY ALLOCATIONS					
Federal Highway Administration Grant Program (FHWA)					
Funds the development, implementation and deployment of Intelligent Transportation Systems (ITS) and Transit Enhancement Activities (TEA) for the PE ROW.					
CURRENT GRANT	GRANT AMOUNT	SHARE AMOUNT	GRANT AMOUNT	REMAINING BALANCE	PROJECT STATUS
FY 2003-04 Southern California Goods Movement Study	300,000	500,000	800,000	800,000	SCAG awarded the Partnership Planning Grant for the Goods Movement Study on November 29, 2004. A Memorandum of Understanding (MOU) is being drafted with accceptance anticipated in the near future.
Traffic Congestion Relief Program (TCRP)					
Governor's TCRP State funding for the SR-22 Project Advanced Planning Study					
FY 2002	394,269	-	394,269	-	The advanced Planning Study for the SR-22 Project is complete and the final reimbursement was received on 1/15/2003.
Governor's TCRP State funding for the SR-22 Project Planning, Construction, Construction Management, ROW					
FY 2002	180,100,000	-	180,100,000	51,991,931	In July 2005, OCTA was granted the remaining allocation of $123.7 million of TCRP funds. To date, OCTA has been allocated $180.1 million with $4.9 million allocated to Caltrans for environmental and Quality Assurance and Quality Control (QA/QC) activities. Reimbursements received to date total $128.1 million against the following phases: Phase 2 (Preliminary Design and detailed Plans, Specifications and Estimates (PS&E)) @ $22.5 million and Phase 3 (Right of Way) @ $22.7 million, and Phase 4 (Initial Mobilization for Construction) @ $82.8 million.. Staff has submitted a reimbursement for $29.2 million for the following: Phase 1 @ $1.5 million, Phase 2 @ $0.27 million, Phase 4 @ $27.5 million.
FY 2002 Environmental Justice Planning Grant Program					
California State Highway Account - Adult Day Health Care Center Transportation Plan					
FY 2004	50,000	20,000	70,000	17,793	The comprehensive transportation plan for Adult Day Health Care Centers (ADHC) in Orange County has been completed and accepted. Final reimbursement invoice has been submitted.
U.S. Department of Homeland Security					
These grants are to be used for the protection of the Orange County's transportation system and the hardening of OCTA's critical facilities.					
FY 2003-04 Homeland Security Grant Program	250,000	-	250,000	250,000	Funding to install security video detection surveillance system equipment at three critical freeway under crossing bridges.
FTA Section 5313 (b) - Transit Planning Grant Program					
Caltrans is the Federal Grant Recipient					
FY 2004	50,000	12,000	62,000	62,000	Funds shall be utilized for statewide planning and other technical assistance activities, planning support for non-urbanized areas, research, development and demonstration projects, fellowships for training in the public transportation field, and human resource development. SCAG is the recipient of these funds, with OCTA as a sub-recipient.
FY 2003-04	280,000	33,037	313,037	313,037	Funding to conduct a commuter rail needs assessment at 18 commuter rail stations located along the three Metrolink lines in Orange County. The study will assess demand for parking, transit feeder service, and transit oriented development. SCAG is the recipient of these funds, with OCTA as management lead on the project.
Total	$ 185,453,332	$ 565,037	$ 186,018,369	$ 57,187,082	

Quarterly Grant Status Report
October through December 2005

FTA SECTION 5307 GRANT FUNDS

FTA Section 5307 - Urbanized Area Formula Capital Grant Program

Note: Operating Assistance Only

CURRENT GRANT	FEDERAL GRANT AMOUNT	LOCAL SHARE AMOUNT	TOTAL GRANT AMOUNT	FTA DATE PAID
FY 2004-05 *	$ 5,341,510	$ 24,844,621	$ 30,186,131	Oct. 4, 2005
FY 2003-04 *	3,010,031	15,503,544	18,513,575	Aug. 30, 2004
FY 2001-03 *	6,966,007	37,562,925	44,528,932	Aug. 21, 2003
FY 2000-01 *	3,155,000	16,411,495	19,566,495	March 8, 2002
FY 1999-00 *	2,889,244	13,818,506	16,707,750	Sept. 29, 2000
Formula Grants Sub-Total	**$ 21,361,792**	**$ 108,141,091**	**$ 129,502,883**	

Note: * Includes ADA Paratransit Operating Assistance "ONLY"

Quarterly Grant Status Report
October through December 2005
FTA Capital Grant Index

(thru December 31, '05)

GRANT NO.	DESCRIPTION	OBLIG. DATE	GRANT BUDGET	UNLIQUIDATED OBLIGATIONS	TOTAL OUTLAYS	TOTAL COMMIT/COSTS	REMAINING BALANCE	PERCENT COMPLETE	ANTICIPATED CLOSE-OUT
CA-03-0561	Bus Procurement/Intermodal Fac.	9/21/2000	5,031,979	-	2,603,241	2,603,241	2,428,738	51.73%	April '07
CA-03-0585	ITC Transitway Improvements	9/26/2001	3,101,725	-	-	-	3,101,725	0.00%	July '07
CA-03-0599	New Starts - CenterLine PE	9/6/2002	5,547,174	-	5,547,174	5,547,174	-	100.00%	Closed
CA-03-0626	Cities of Anaheim and Brea	8/25/2003	2,399,920	40,516	1,654,951	1,695,467	704,453	68.96%	March '08
CA-03-0685	Cities of Anaheim and Brea	8/25/2004	1,188,981	-	-	-	1,188,981	0.00%	July '06
CA-90-X962	Program of Projects	9/25/2000	103,942,433	-	43,495,790	43,495,790	60,446,643	41.85%	March '07
CA-90-Y048	Program of Projects	3/4/2002	37,613,307	601,755	19,934,053	20,535,808	17,077,499	53.00%	March '08
CA-90-Y163	Program of Projects	8/14/2003	156,079,383	3,506,232	144,663,478	148,169,710	7,909,673	92.69%	March '08
CA-90-Y237	Program of Projects	8/19/2004	59,188,821	683,073	45,539,656	46,222,729	12,966,092	76.94%	March '08
CA-90-Y349	Program of Projects	9/22/2005	98,992,907	260,717	21,817,100	22,077,817	76,915,090	22.04%	March '11
	TOTALS		$473,086,630	$ 5,092,293	$285,255,443	$ 290,347,736	$ 182,738,894	60.30%	

ATTACHMENT F

BOARD COMMITTEE TRANSMITTAL

OCTA

March 7, 2006

To: Members of the Board of Directors

From: Wendy Knowles, Clerk of the Board WK

Subject: Purchase Order for Replacement of Paratransit Vehicles

This item will be considered by the Transit Planning and Operations Committee on March 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.

OCTA

March 9, 2006

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Purchase Order for Replacement of Paratransit Vehicles

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board approved funds for the purchase of paratransit vehicles. Board approval is requested to issue a purchase order.

Recommendations

Authorize the Chief Executive Officer to issue Purchase Order 06-74184 between the Orange County Transportation Authority and Creative Bus Sales, in an amount not to exceed $2,135,633, for the purchase of 32 paratransit vehicles.

Background

The Orange County Transportation Authority (Authority) currently operates 247 paratransit vehicles. The design life of the vehicles is five years or 150,000 miles. A total of 25 vehicles are needed for replacement of older units and seven vehicles needed for expansion. The vehicles proposed for replacement include 7 placed in service in mid 1999, and the remaining 18 in mid 2001, with all vehicles beyond their 5-year design life at the time of replacement. All of the vehicles will have at least 215,532 miles when replaced. The Authority will procure the vehicles through the state of California, Department of General Services, statewide solicitation, Agreement 1-02-23-15 to Creative Bus Sales.

Discussion

The state of California, Department of General Services, handled this procurement as an Invitation to Bid with subsequent negotiations by Authority staff to include selection of vehicle type and equipment options. The referenced state bid was conducted in 2002 and the Authority has used this contracting option for at least the three most recent vehicle procurements for paratransit vehicles. The state periodically conducts this type of vehicle bid, for a variety of paratransit vehicles and fuel options, such that paratransit service providers throughout the state are able to and do use this method of vehicle purchase in lieu of agencies processing individual bids. The selected vehicles will be Ford Aerotech Type II, equipped with a rear mounted wheelchair lift, two wheelchair spaces and room for 12-seated passengers. An on-board camera option is included in the overall vehicle price. The buses will be manufactured in Salina, Kansas. Creative Bus Sales delivery schedule proposes completion of delivery no later than November 2006.

Fiscal Impact

This project was approved in the Authority's Fiscal Year 2005-06 Budget, Operations Division/Transit Technical Services Department. This procurement is funded through Federal Transit Administration Formula Grant, Fiscal Year 2006-07. Funds are available in Account 2114-9024-G1007-L99.

Summary

Staff recommends issuance of Purchase Order 06-74184 to Creative Bus Sales, in an amount not to exceed $2,135,633, for the procurement of 32 paratransit vehicles.

Attachment

None.

Prepared by:

Al Pierce
Manager, Maintenance
714-560-5975

Approved by:

William L. Foster
General Manager, Operations
714-560-5842

OCTA

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject:	Agreement for Selection of Consulting Firm to Conduct Radio Systems Assessment and Replacement of 500 Megahertz System

Transit Planning and Operations Committee — February 23, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Agreement C-5-2613 between the Orange County Transportation Authority and Eiger TechSystems, in an amount not to exceed $175,000, for contracting with the consulting firm to conduct the overall radio systems assessment, explore options for the 30-year old 500 megahertz system and execution of two options, to include, development of a technical specification for a Request For Proposals and development of a plan for future communications strategy in the event of an emergency resulting in loss of communication at our primary dispatch sites.

OCTA

February 23, 2006

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Agreement for Selection of Consulting Firm to Conduct Radio Systems Assessment and Replacement of 500 Megahertz System

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2005-06 Budget, the Board approved a study of our overall vehicle radio systems and a detailed review of alternatives for upgrade or replacement of the 500 megahertz system currently used for Community Transportation Services voice communication. 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-5-2613 between the Orange County Transportation Authority and Eiger TechSystems, in an amount not to exceed $175,000, for contracting with the consulting firm to conduct the overall radio systems assessment, explore options for the 30-year old 500 megahertz system and execution of two options, to include, development of a technical specification for a Request For Proposals and development of a plan for future communications strategy in the event of an emergency resulting in loss of communication at our primary dispatch sites.

Background

The Orange County Transportation Authority's (Authority) contracted and paratransit services rely on a 500 megahertz (MHz) radio system that only offers voice capability. Portions of the radio frequency (RF) infrastructure are approximately 30 years old, becoming increasingly less reliable and more difficult to maintain, because of a lack of available repair parts and components. A unique opportunity exists, and the needs of the Community Transportation Services (CTS) fleet could be satisfied by a variety of options, such as expanding the mobile group of the Integrated Transportation Communications System (ITCS) to include the CTS fleet, implementing a system at 500 MHz or possibly combining of the 500 and 800 MHz systems toward future interoperability. The subject of the proposed study is to evaluate the capacities and functionality of our current radio systems, review current and future needs, develop a short and long term radio communications strategy with intent to proceed with development of a technical/performance specification for incorporation into a Request For Proposals (RFP). The study will define a strategy for ensuring back-up and emergency communication contingencies to minimize disruption to service in the event of a major disaster.

Discussion

This procurement was handled in accordance with the Orange County Transportation Authority's procedures for professional and technical services. The project was advertised on September 1, 2005, and September 8, 2005, in a newspaper of general circulation and on CAMMNET. A pre-proposal meeting was held on September 7, 2005, and was attended by seven consultants.

On September 28, 2005, five offers were received. An evaluation committee composed of staff from Contracts Administration and Materials Management (CAMM), Maintenance Support Services (MSS), Information Systems (IS), CTS, and Central Communications was established to review all offers submitted. The offers were evaluated on the basis of vendor qualification, staffing, work plan, and pricing. Based on their findings, the evaluation committee recommends the following firm for consideration of an award:

<u>Firm and Location</u>

Eiger TechSystems
Santa Monica, California

Fiscal Impact

The project was approved in the Authority's Fiscal Year 2005-06 Budget, Operations Division, Maintenance account numbers 2185-7519-D111-9UX, 2114-7519-D2108-9N7, 2114-7519-D2108-9WK and 2114-7519-D2108-9WM.

Summary

Staff recommends award of Agreement C-5-2613 to Eiger TechSystems, in an amount not to exceed $175,000, for radio system consulting services.

Attachment

None.

Prepared by:

Al Pierce
Department Manager, Maintenance
714-560-5975

Approved by:

William L. Foster
General Manager, Operations
714-560-5842

OCTA

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To: Members of the Board of Directors

WK

From: Wendy Knowles, Clerk of the Board

Subject: Amendment to Agreement for Landscaping Service

Transit Planning and Operations Committee February 23, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-5-0114 between the Orange County Transportation Authority and Toyo Landscaping Company, in an amount not to exceed $70,000, for the first option year for landscaping services.

OCTA

February 23, 2006

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Amendment to Agreement for Landscaping Services

Overview

On May 9, 2005, the Board of Directors approved an agreement with Toyo Landscaping Company to provide landscaping services at Orange County Transportation Authority facilities.

Recommendation

Authorize the Chief Executive Officer to execute Amendment No. 1 to Agreement C-5-0114 between the Orange County Transportation Authority and Toyo Landscaping Company, in an amount not to exceed $70,000, for the first option year for landscaping services.

Background

The Orange County Transportation Authority (Authority) requires landscape and irrigation maintenance services for its facilities on a weekly basis. Professional landscaping services include, but are not limited to, mowing, trimming, pruning, watering, fertilizing, weed control, cultivation, pest control, and cleanup. Irrigation services include the maintenance of the watering systems, adjustments, and minor repairs.

An amendment to Agreement C-5-0114 is recommended to provide weekly landscaping and irrigation maintenance services for the Authority's bases, transportation centers, and park and ride facilities. Toyo Landscaping has provided landscaping services to the Authority for the past four years with acceptable results. Currently, Toyo Landscaping dedicates two crews of two employees each and one irrigation specialist to perform the above described services.

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

Discussion

This procurement was handled in accordance with the Authority's procedures for procurement of professional and technical services. The original agreement was awarded on a competitive basis.

The agreement awarded on May 9, 2005, was in the amount of $63,250. Amendment No. 1, in the amount of $70,000, indicates a 3 percent increase due to inflation. Additional money is requested for increased services at the Irvine base.

Fiscal Impact

This project was included in the Authority's Fiscal Year 2005-06 Budget. Funds are available in account 2166-7629.

Summary

Staff recommends approval of Amendment No. 1, in the amount of $70,000, to Agreement C-5-0114 with Toyo Landscaping Company.

Attachment

A. Toyo Landscaping Company Agreement C-5-0114 Fact Sheet

Prepared by:

Al Pierce
Manager, Maintenance Department
714-560-5975

Approved by:

William L. Foster
General Manager, Operations
714-560-5842

ATTACHMENT A

Toyo Landscaping Company
Agreement C-5-0114 Fact Sheet

1. May 9, 2005, Agreement C-5-0114, $63,250, approved by Board of Directors.

   - Landscaping Services.

2. February 27, 2006, Amendment No. 1 to Agreement C-5-0114, $70,000, pending approval by Board of Directors.

   - Exercise the first option year and add some recurring tasks at Irvine Bus Base.

Total committed to Toyo Landscaping Company, Agreement C-5-0114: $133,250.

Item 15.

OCTA

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject	Local Transportation Fund Claims for Fiscal Year 2006-07

Finance and Administration Committee February 22, 2006

Present: Directors Wilson, Duvall, Campbell, Correa, Cavecche and Pringle
Absent: None

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Adopt Orange County Transportation District Resolution No. 2006-08 authorizing the filing of Local Transportation Fund claims, in the amounts of $97,105,558, to support public transportation, and $5,168,243, for community transit services, including operation of the Senior Mobility Program.

OCTA

February 22, 2006

To:	Finance and Administration Committee
From:	Arthur T. Leahy, Chief Executive Officer
Subject:	Local Transportation Fund Claims for Fiscal Year 2006-07

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation services throughout Orange County. In order to receive these funds, Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

Recommendation

Adopt Orange County Transportation District Resolution No. 2006-08 authorizing the filing of Local Transportation Fund claims, in the amounts of $97,105,558, to support public transportation, and $5,168,243, for community transit services, including operation of the Senior Mobility Program.

Background

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to transit and transit-related projects. The funding source consists of two parts: the Local Transportation Fund (LTF), which is derived from 1/4 cent of the current retail sales tax of 7 3/4 percent, and the State Transit Assistance Fund, which consists of sales taxes on gasoline and diesel fuel appropriated by the state Legislature from the State Transportation Planning and Development Account.

The LTF revenues are collected by the State Board of Equalization and returned monthly to local jurisdictions based on the volume of sales during each month. In Orange County, the LTF receipts are deposited in the Orange County LTF Account (Fund 182) in the Orange County Treasury and administered by the Orange County Auditor-Controller. LTF receipts are distributed by the Auditor-Controller among the various administrative, planning, and program claimants as specified in the TDA.

Discussion

Section 6630 of the California Code of Regulations requires Orange County Transit District (OCTD) to file a claim with Orange County Transportation Authority (OCTA) in order to receive an allocation from the LTF for providing public transportation services (Article 4 claims). Since OCTA has previously designated OCTD as the Consolidated Transportation Service Agency for Orange County, OCTD is also required to file a claim with OCTA in order to receive an allocation from the LTF for operating community transit services (Article 4.5 claims). The total amount of these claims for fiscal year 2006-07 equals $102,273,801.

Summary

The Local Transportation Fund provides funds to the Orange County Transit District for public transit services. In order to receive these funds, Orange County Transit District must file the appropriate Local Transportation Fund claims with Orange County Transportation Authority. Staff recommends the Orange County Transportation Authority Board adopt Orange County Transportation Authority Resolution No. 2006-08 to authorize the filing of these claims.

Attachment

A. Resolution of the Orange County Transportation District, Authorizing the Filing of Local Transportation Fund Claims.

Prepared by:

Jerome A. Diekmann

Jerome A. Diekmann
Senior Financial Analyst
Financial Planning & Analysis
(714) 560-5685

Approved by:

James S. Kenan

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

ATTACHMENT A

RESOLUTION OF THE ORANGE COUNTY TRANSIT DISTRICT

AUTHORIZING THE FILING OF LOCAL TRANSPORTATION FUND CLAIMS

WHEREAS, the Orange County Transportation Fund was created by the Transportation Development Act (SB 325:1971) to aid in meeting the public transportation and community transit needs that exist in Orange County; and

WHEREAS, the Orange County Transit District is submitting transportation claims for funds from the Orange County Local Transportation Fund; and

WHEREAS, the Orange County Transportation Authority has the authority to review claims and allocate such funds in accordance with the California Code of Regulations and the California Transportation Development Act.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Orange County Transit District hereby requests the Orange County Transportation Authority to allocate funds to the Orange County Transit District for the purpose of providing the support of a public transportation system as described under the California Transportation Development Act, Article 4, and for funding community transit services as described under the California Transportation Development Act, Article 4.5.

BE IT FURTHER RESOLVED that the Orange County Transit District agrees to provide the Orange County Transportation Authority with such information as may be necessary to support these transportation claims.

ADOPTED, SIGNED AND APPROVED this 13th day of March, 2006.

AYES:

NOES:

ABSENT:

ATTEST:

Wendy Knowles Clerk of the Board	Art Brown, Chairman Orange County Transit District

OCTA Resolution No. 2006-08

16.

OCTA

Item 16.

BOARD COMMITTEE TRANSMITTAL

March 13, 2006

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject:	Bus Customer Satisfaction Survey

Transit Planning and Operations Committee — February 23, 2006

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

Committee Vote

This item was passed by all Committee Members present.

Committee Recommendation

Receive information for discussion and possible action as deemed appropriate by the Board.

OCTA

February 23, 2006

To: Transit Planning and Operations Committee

From: Arthur T. Leahy, Chief Executive Officer

Subject: Bus Customer Satisfaction Survey

Overview

As part of the Orange County Transportation Authority's ongoing "Putting Customers First" initiative, a bus customer satisfaction survey was conducted in November 2005. Results from the survey are expected to play a key role in helping the Orange County Transportation Authority better understand bus customer needs and perceptions, as well as provide insights to improve the bus service. This staff report summarizes the results from the survey.

Recommendation

Receive information for discussion and possible action as deemed appropriate by the Board.

Background

Over the past few years, as part of an ongoing initiative to put customers first, Orange Country Transportation Authority (OCTA) has been working closely with customer advocates, the Citizens Advisory Committee, and the Board of Directors to enhance its bus service and provide better public information.

To gauge current bus customer satisfaction levels, a comprehensive "Bus Customer Satisfaction Survey" (Survey) was conducted in November 2005. Findings from the Survey are meant to provide valuable customer feedback regarding specific bus service attributes (e.g., operational issues, comfort and cleanliness of buses, route planning, and public information). By using customer feedback to improve its bus service, the goal is to retain current customers and attract new customers.

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

Discussion

OCTA retained R&R Partners, as part of OCTA's bus marketing services, to create and field the Survey (Attachment A). The goals and methodology for the Survey are listed below.

Goals of the Survey

- To determine customer satisfaction with the OCTA bus system as well as overall satisfaction by service attribute and satisfaction with public information materials
- To assess general travel behavior of bus patrons in Orange County including trip purpose, city origination and destination, routes used, and number of transfers
- To collect demographic information on OCTA bus patrons such as age, gender, ethnicity, household income, and education level
- To track changes of customer satisfaction over time (e.g., annually)

Methodology

Using intercept techniques, a random sample of 1,000 OCTA bus customers were surveyed in early November 2005. This countywide survey was conducted in both English and Spanish. Given the methodology and number of surveys completed, the results have a margin of error of ±3 percent at a 95 percent confidence level.

Findings

Below are key survey findings in general categories.

Overall Satisfaction

- Over 90 percent of customers indicate they are satisfied with OCTA's current bus service.
- Nearly half, or 47 percent of customers, say that service is better than it was a year ago.
- Specific service attributes with the highest satisfaction rates were: information provided in the Bus Book at 91.3 percent; safety on the bus at 90.7 percent; and cleanliness of bus exterior at 89.7 percent.
- Two span-related service attributes that rated the lowest in terms of satisfaction were: availability of weekend bus service at 46.9 percent, and; availability of evening bus service at 45.1 percent.

Bus Service Usage

- Most customers are active users, with 77.6 percent riding the bus 4-7 days per week.
- Over 72 percent of respondents indicate the primary reason they use the bus is that they have no car available for the trip.
- Nearly half, or 47.4 percent of customers, are riding more often than they were a year ago.
- Over 50 percent of customers cite "going to or from work" as the primary purpose of their trip.
- Over 90 percent of customers made two or less transfers to complete their total trip.
- On average, customers estimated they would spend 1.2 hours on their trip.

Customer Characteristics

- Customers have used bus service an average of 4.2 years.
- The average customer age is 34 years old.
- Over 53 percent of customers are employed full time.
- More than half, or 54 percent of customers, graduated from high school.
- There are slightly more female customers, over 52 percent, than male customers at 47 percent.
- Over half, or 55.2 percent of customers, are single.
- The total annual household income for 50 percent of customers is under $20,000.

OCTA marketing staff has already shared the results of this Survey with various Operations and External Affairs departments. The results have provided insightful information that will be taken into account in upcoming bus service change recommendations, production of public information materials, and delivery of service.

Summary

As part of its ongoing Putting Customers First initiative, a Bus Customer Satisfaction Survey was conducted by OCTA in November 2005. Results from the Survey are expected to play a key role in helping OCTA better understand its bus customer needs and perceptions, as well a provide insights to help to continuously improve its bus service.

Attachment

A. Bus Customer Satisfaction Survey Results

Prepared by:

Jose Solorio
Marketing Program Administrator
(714) 560-5987

Approved by:

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

R&R Partners

Attachment A

OCTA

Bus Customer Satisfaction Survey Results
December 2005

R&R Partners

Objectives

- To determine the satisfaction with various aspects of the OCTA bus system as well as overall satisfaction

- To assess general travel behavior of bus patrons in Orange County

- To collect demographic information on OCTA bus patrons

R&R Partners

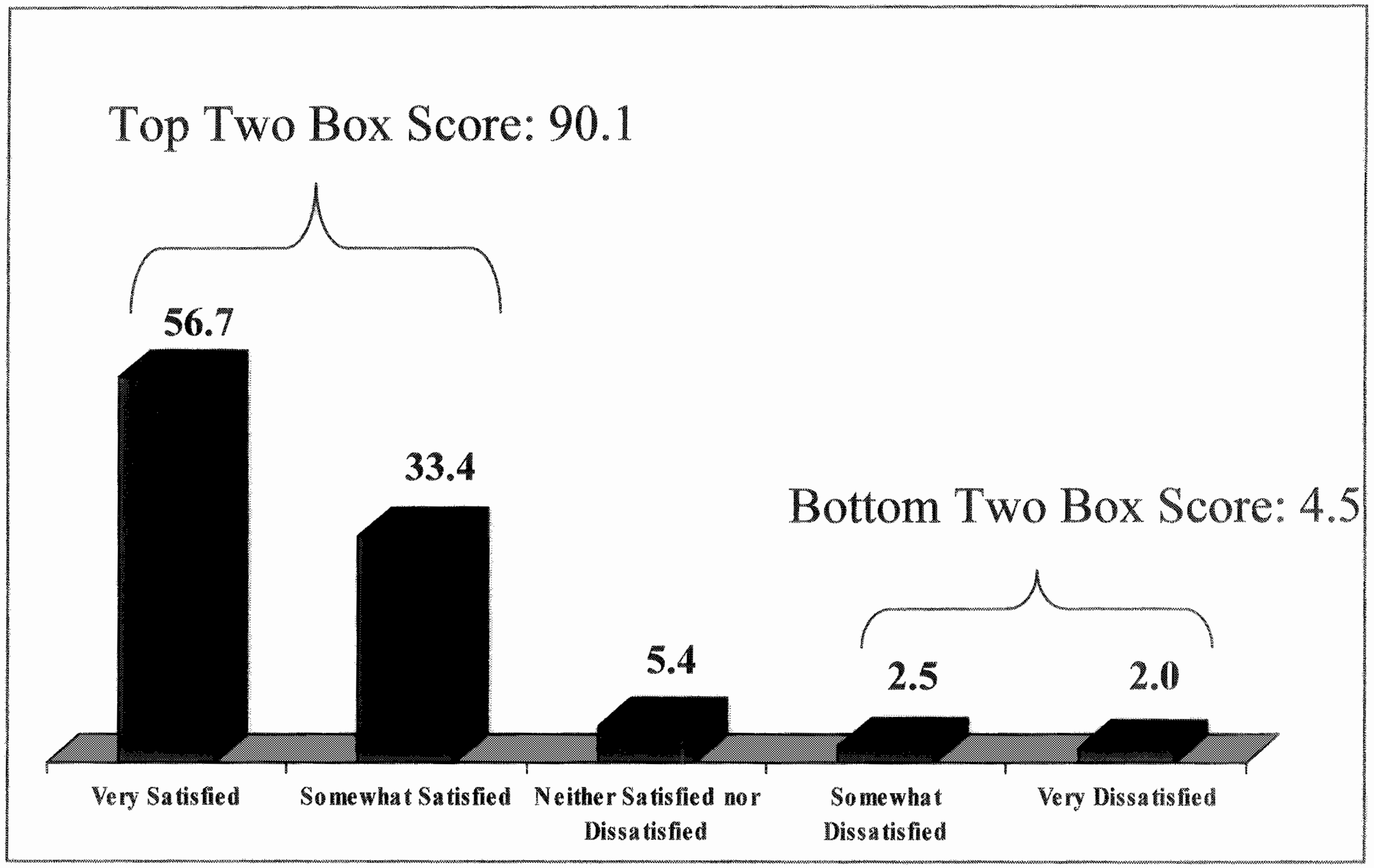
Methodology

- Intercept Interviews
  - Random sample of 1000 OCTA bus patrons
  - Intercept surveys taken countywide
  - Mix of gender and age
  - Loose quota of 100-200 teens aged 13-17
  - Survey conducted in both English and Spanish
  - Margin of error of ±3% at a 95% confidence level

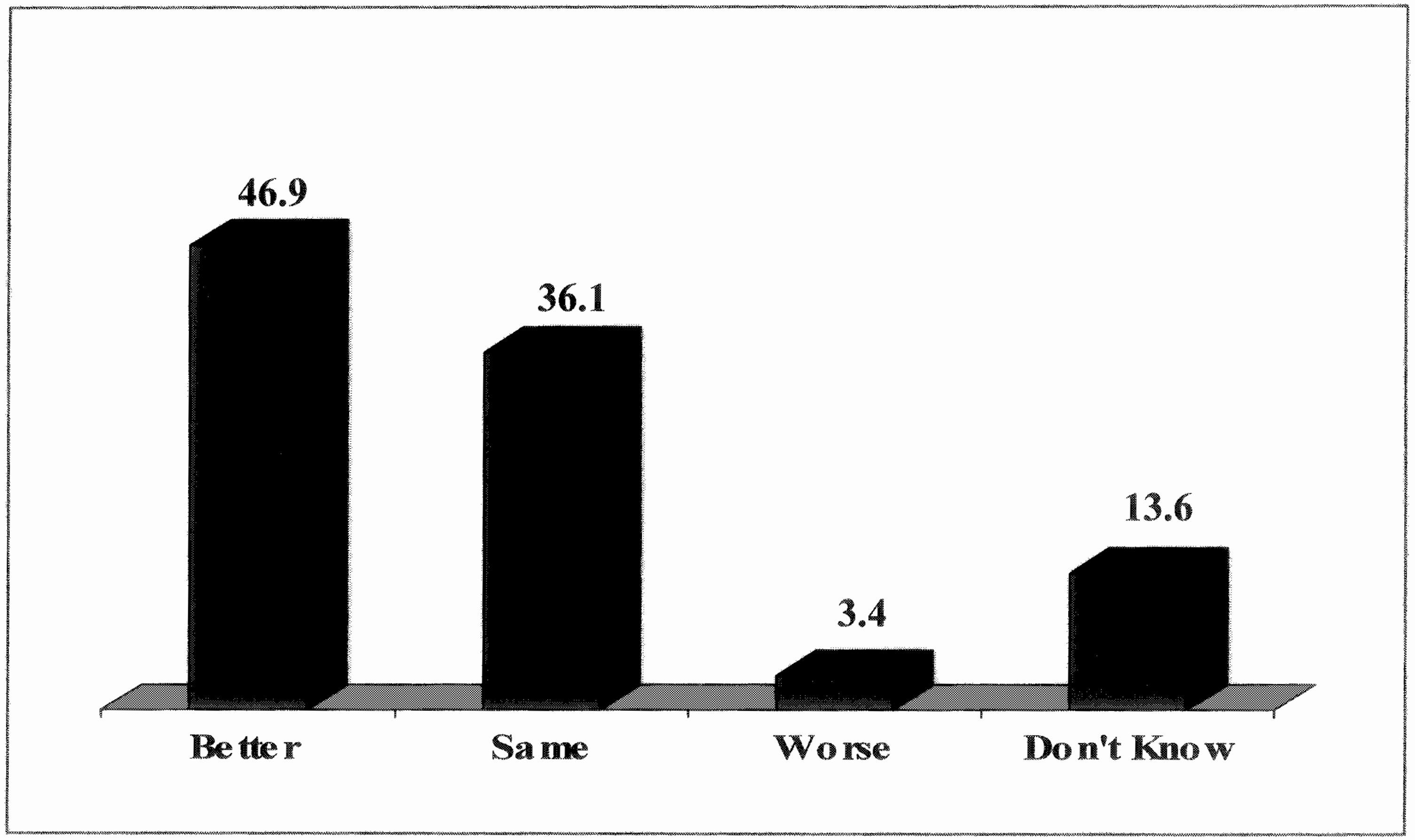
R&R Partners

Satisfaction with OCTA
In-depth Findings

Q1. Overall, how satisfied are you with the current bus transportation services?

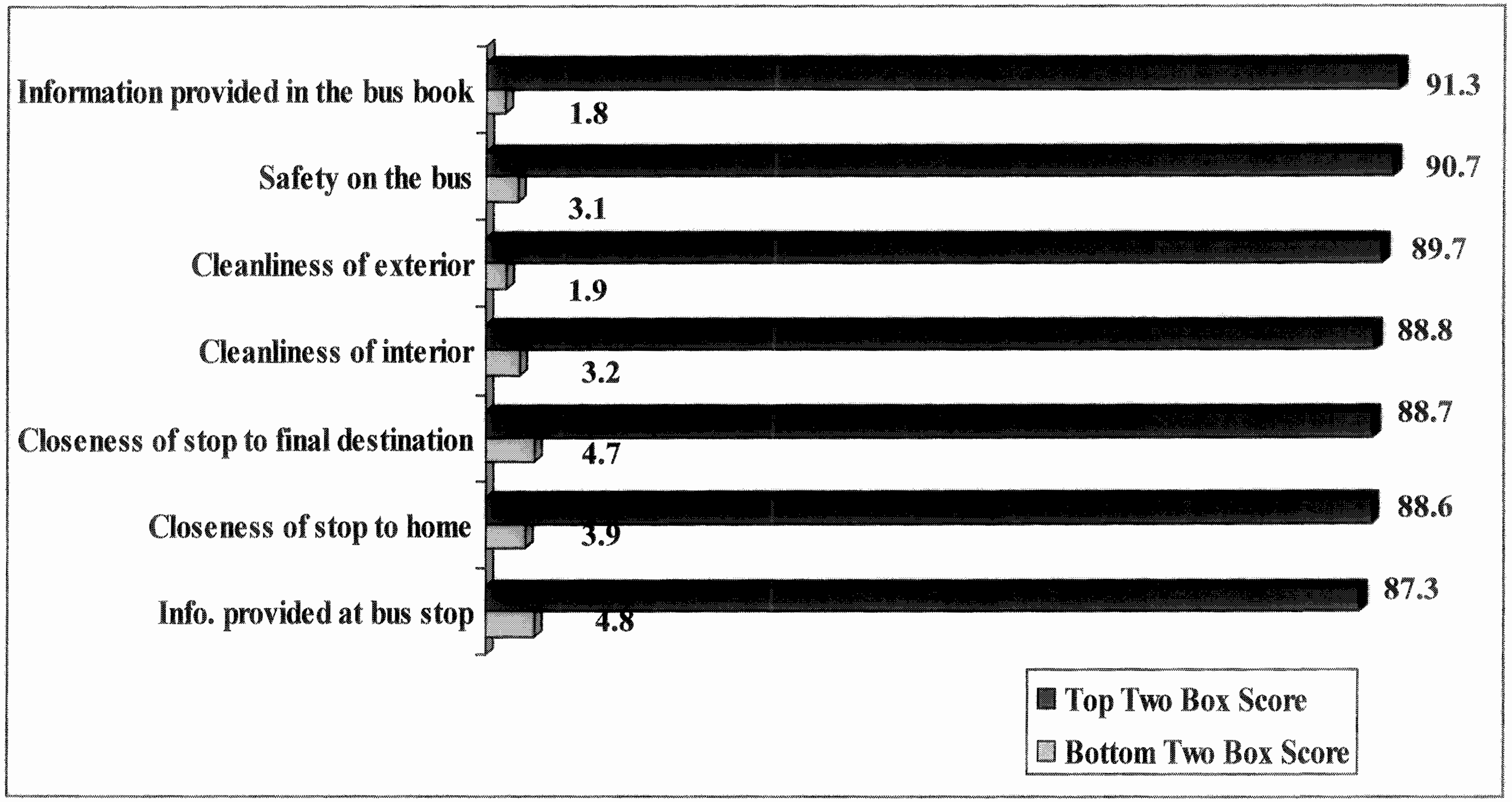


Q2. Would you say the bus transportation services are better, worse or the same as twelve months ago?



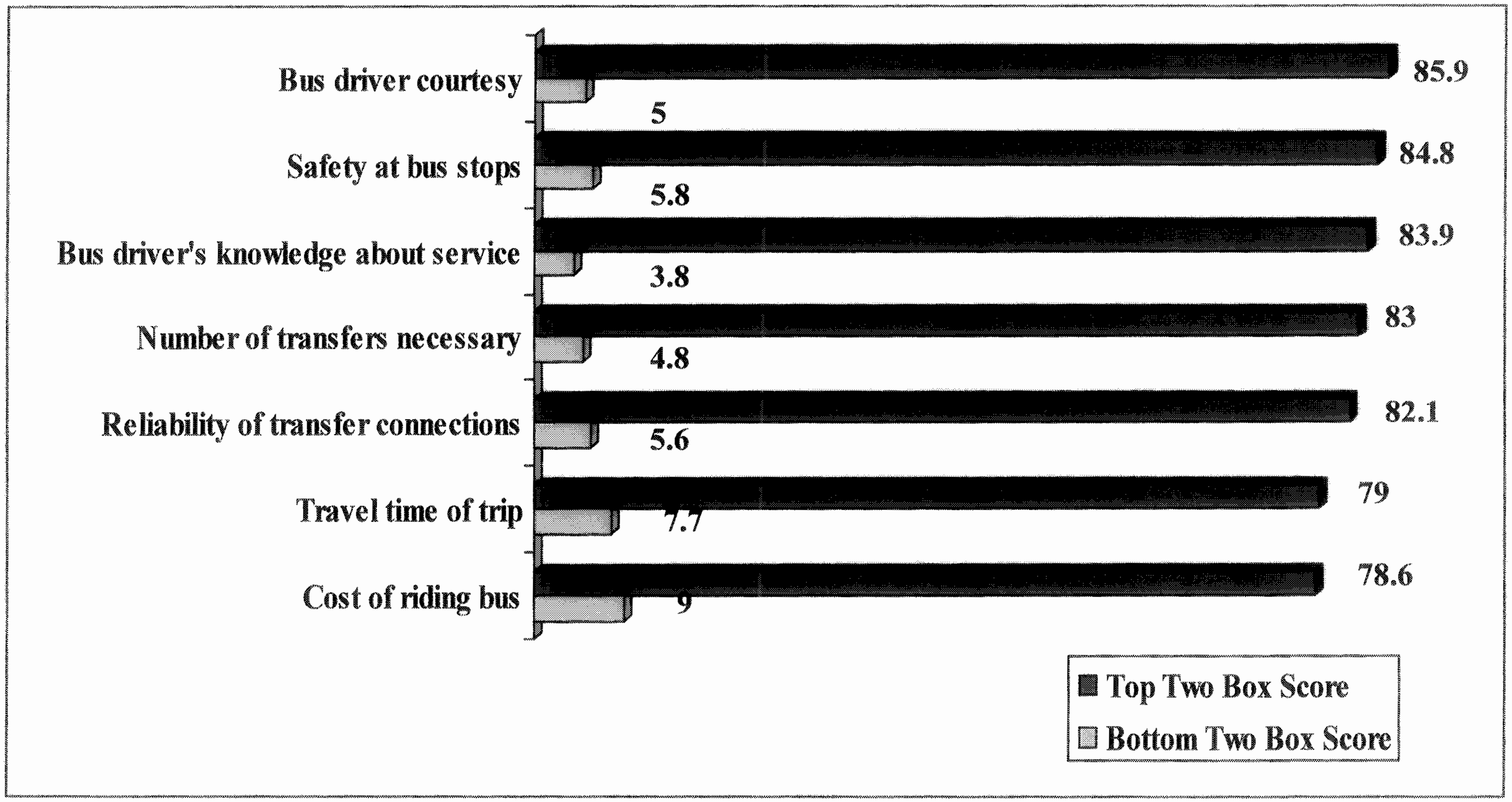
R&R Partners

Q3. Thinking about your most recent bus trips, on a scale of 1 to 5 where 1 means "very Satisfied" and 5 means "very dissatisfied," how would you rate the following items?

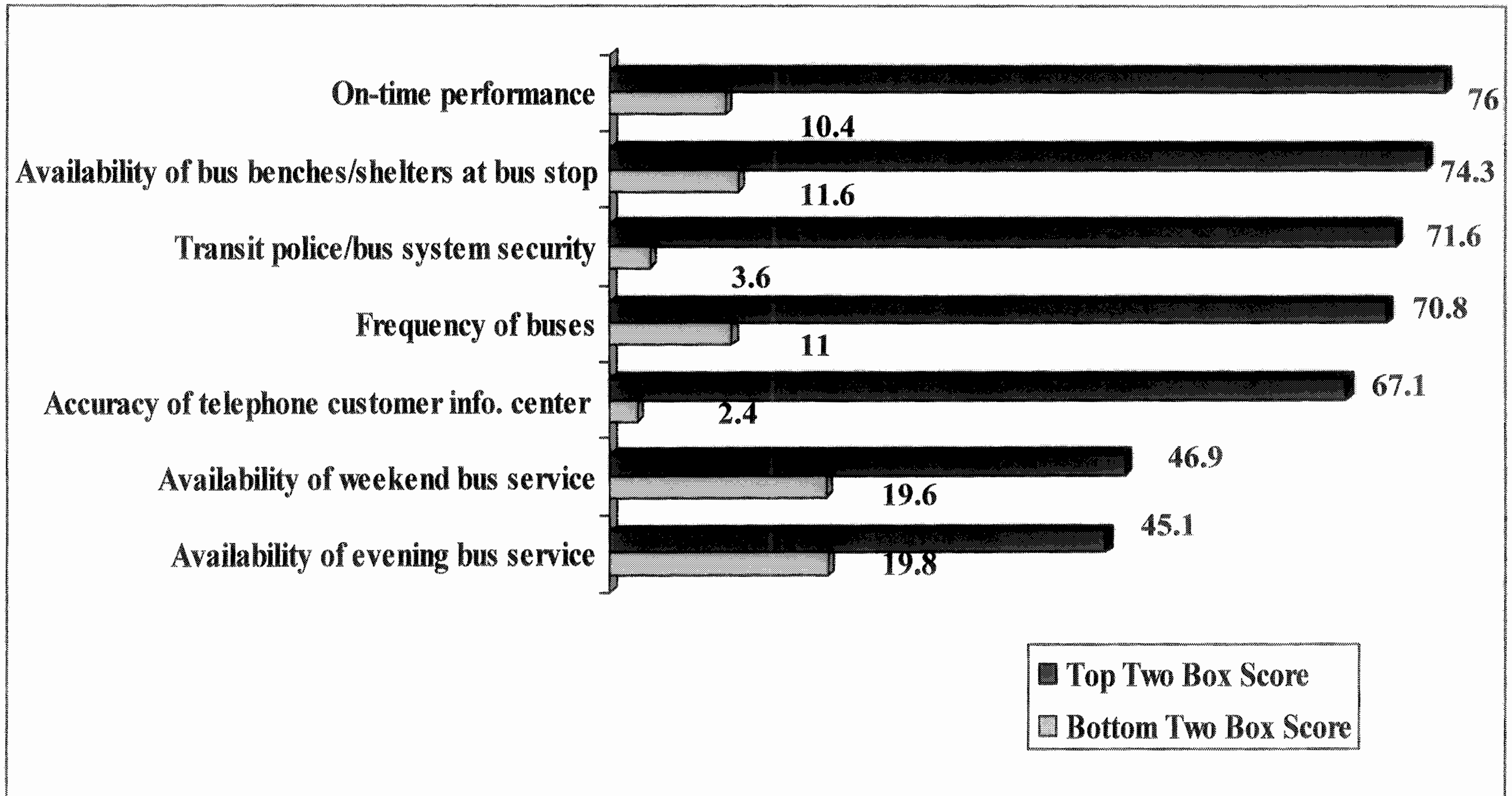


R&R Partners

Q3. Thinking about your most recent bus trips, on a scale of 1 to 5 where 1 means "very Satisfied" and 5 means "very dissatisfied," how would you rate the following items?

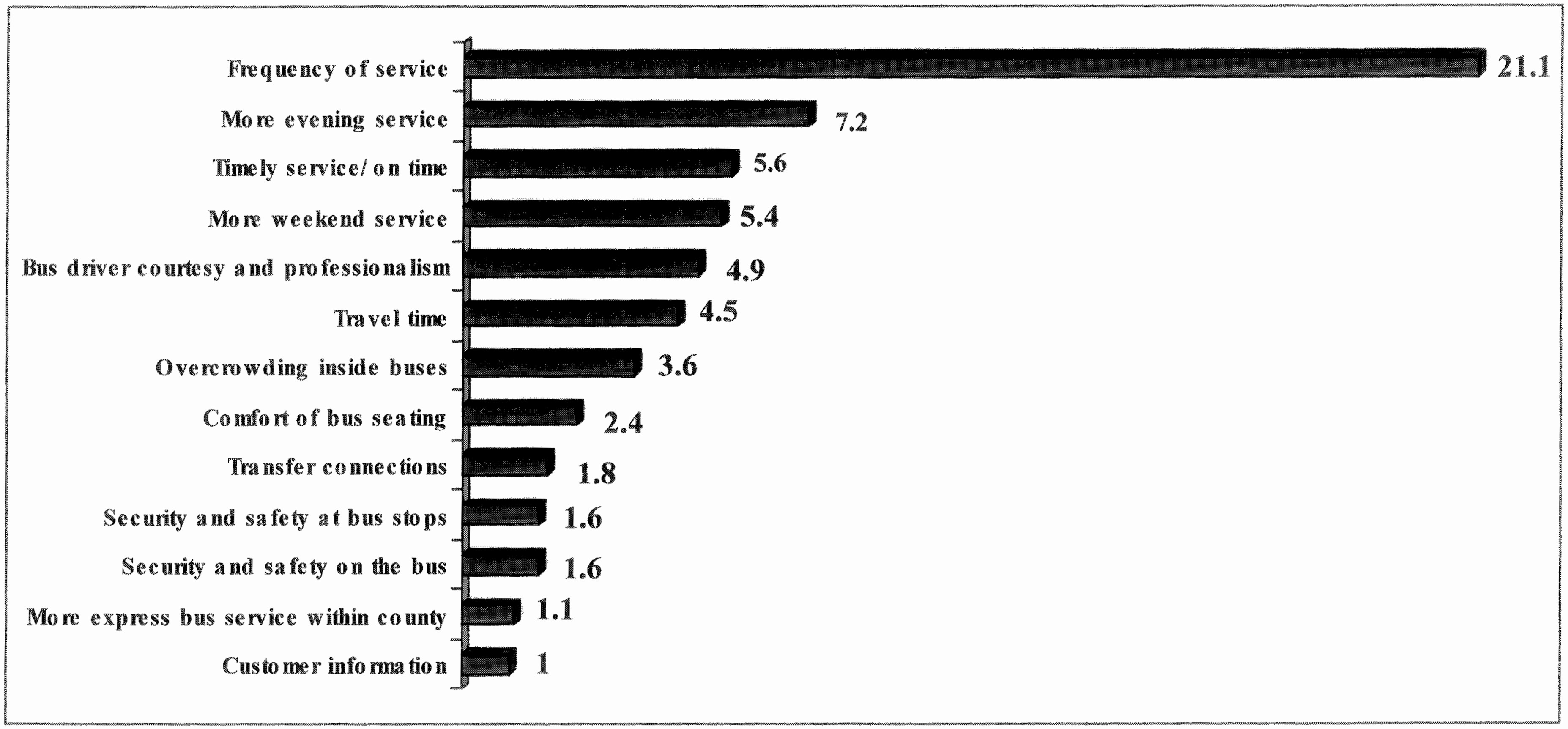


Q3. Thinking about your most recent bus trips, on a scale of 1 to 5 where 1 means "very satisfied" and 5 means "very dissatisfied," how would you rate the following items?



R&R Partners

Q4. Besides price, what is the single most important area in which OCTA should make improvements to bus service?

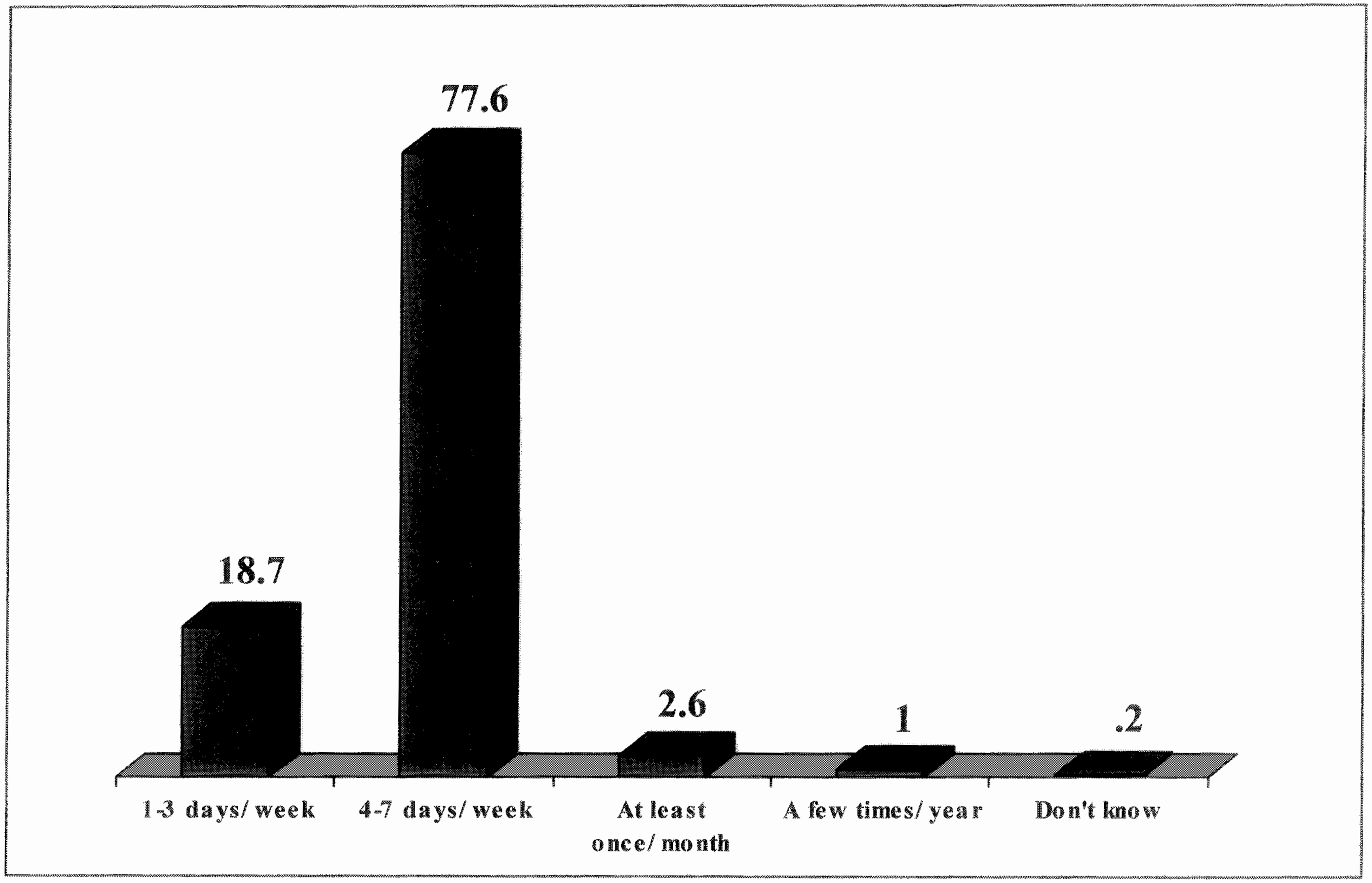


All other issues less than one percent

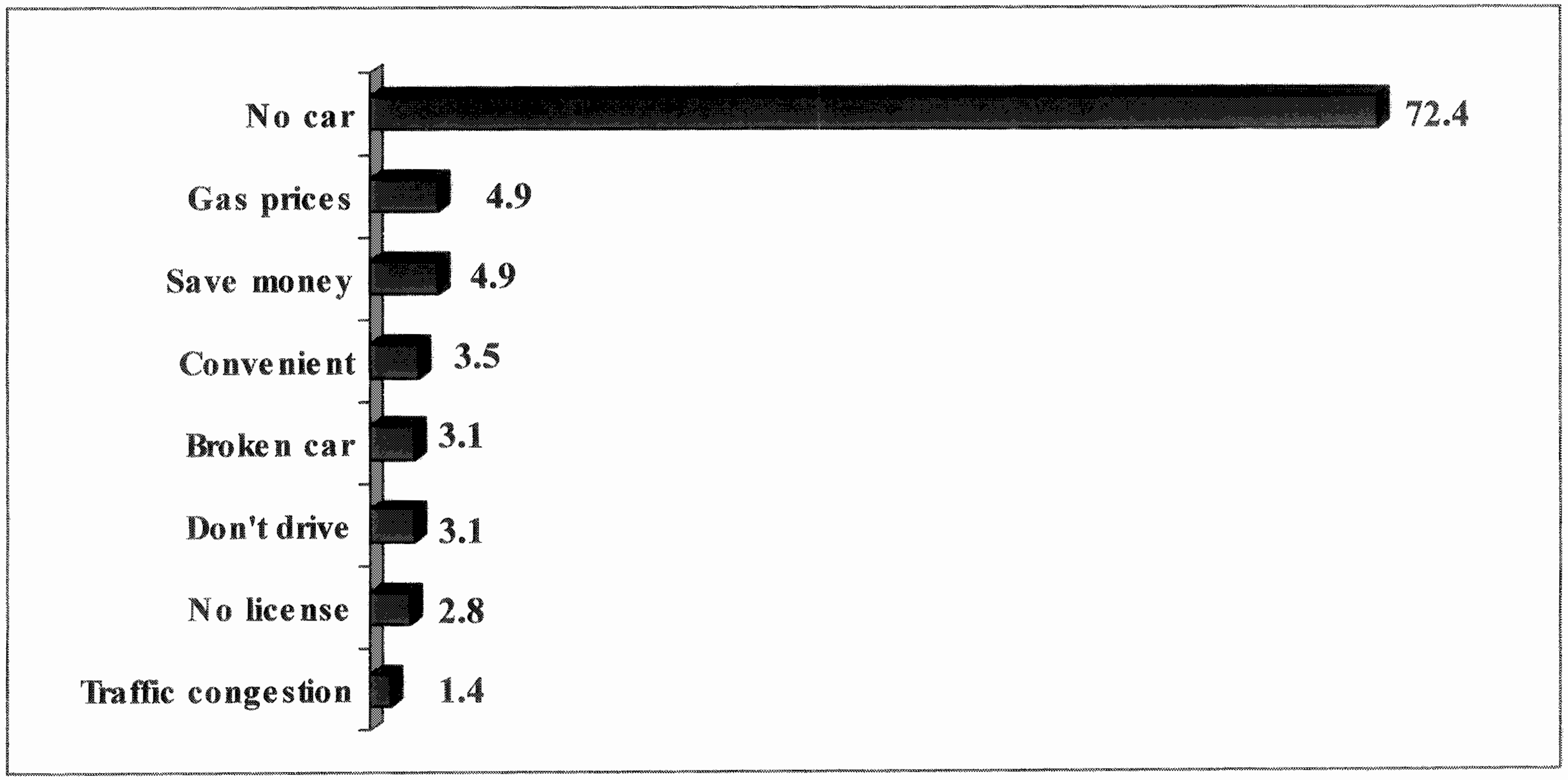
R&R Partners

Bus Service Usage
In-depth Findings

Q5. How often do you currently ride an OCTA bus?



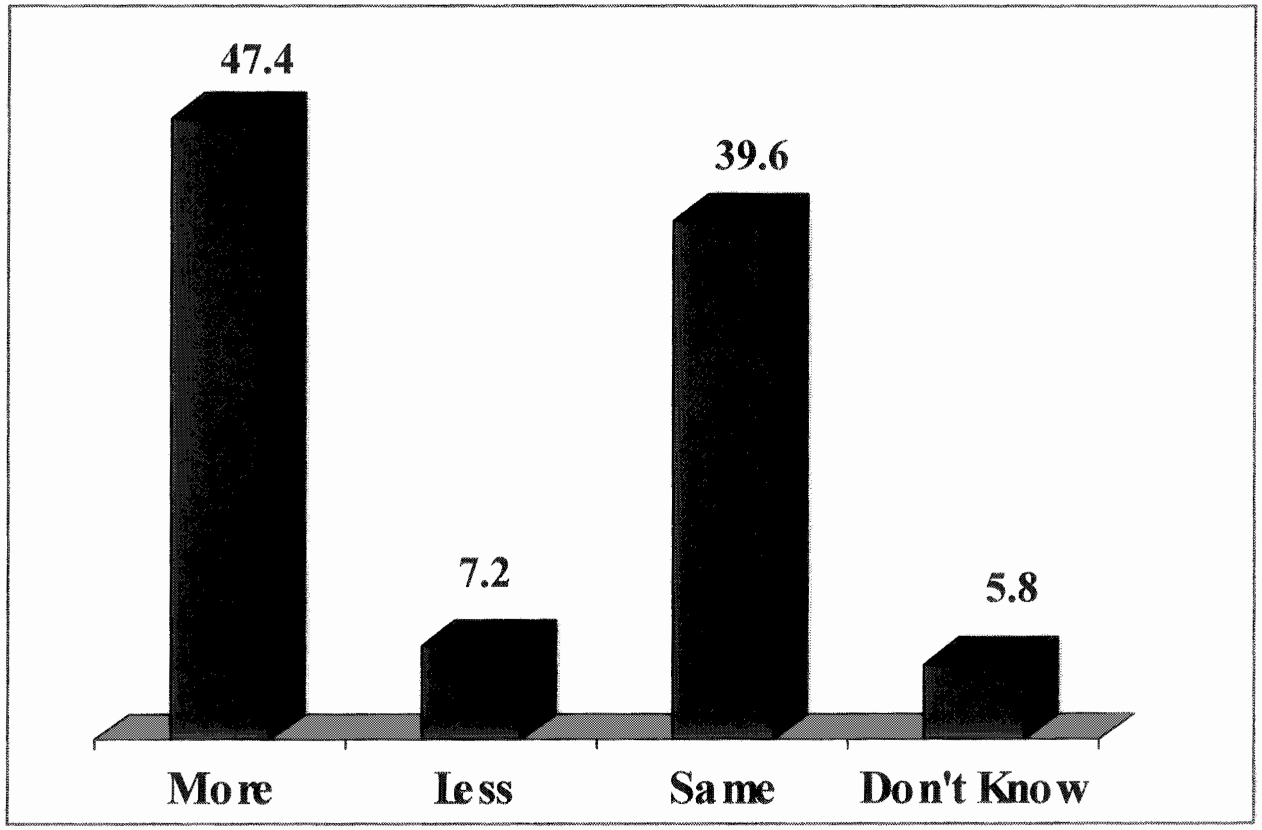
Q6. What is the primary reason you ride the OCTA bus instead of using other means of transportation?



All other issues less than one percent

R&R Partners

Q7. Would you say that you're riding an OCTA bus more often, less often or about the same as you were twelve months ago?

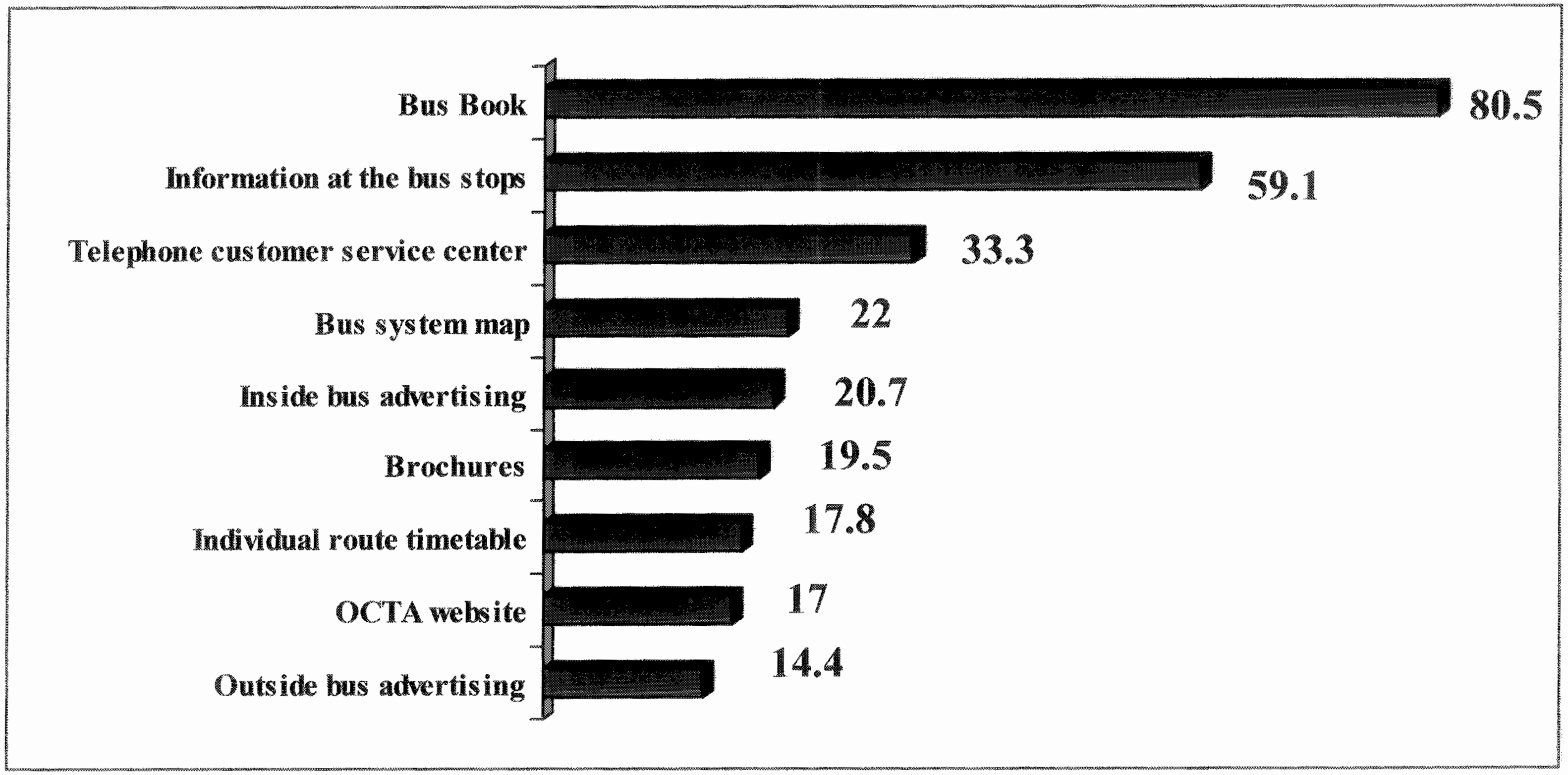


R&R Partners

Sources and Information
In-depth Findings

R&R Partners

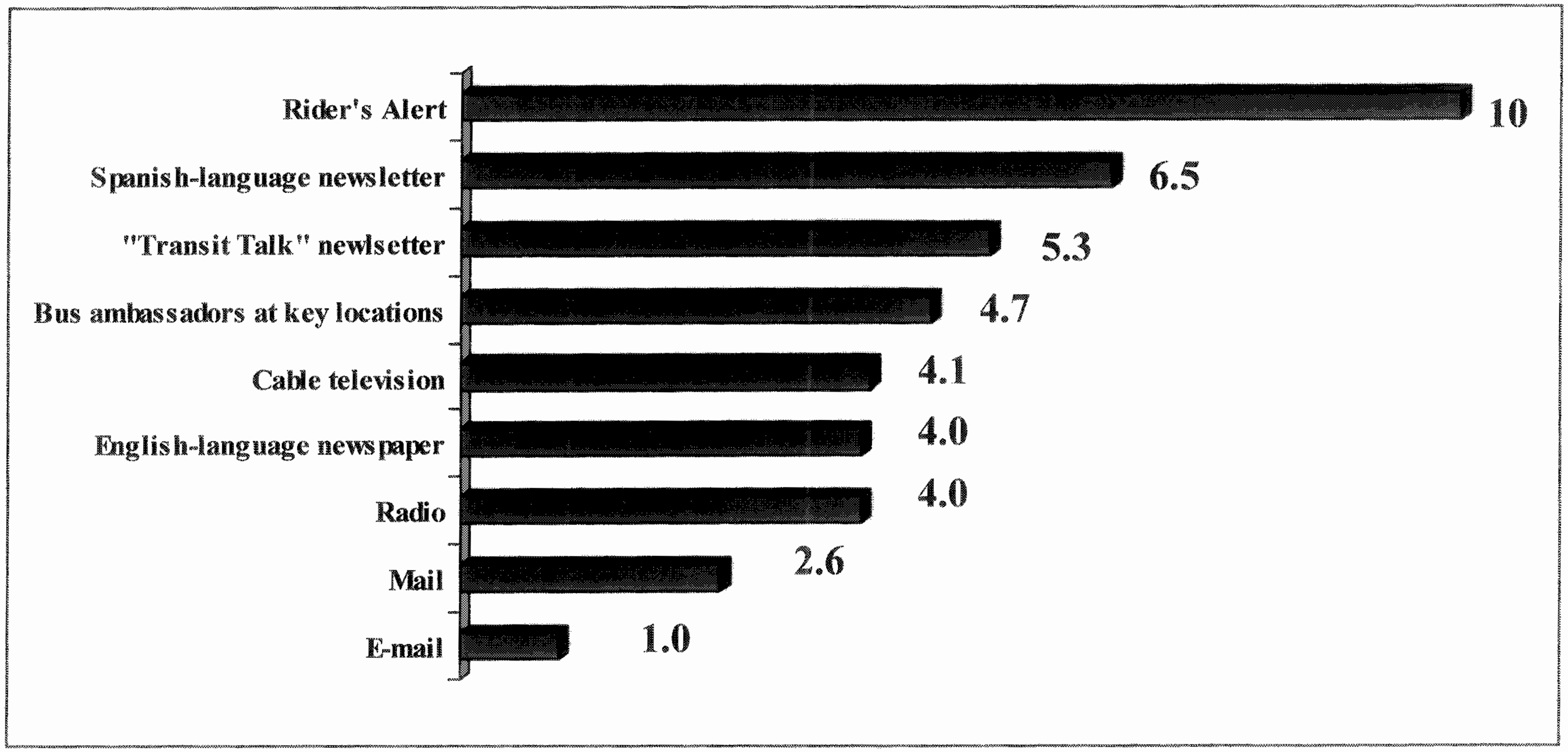
Q8. Which of the following sources have you used for getting information about OCTA bus service?



All other issues less than one percent

R&R Partners

Q8. Which of the following sources have you used for getting information about OCTA bus service?

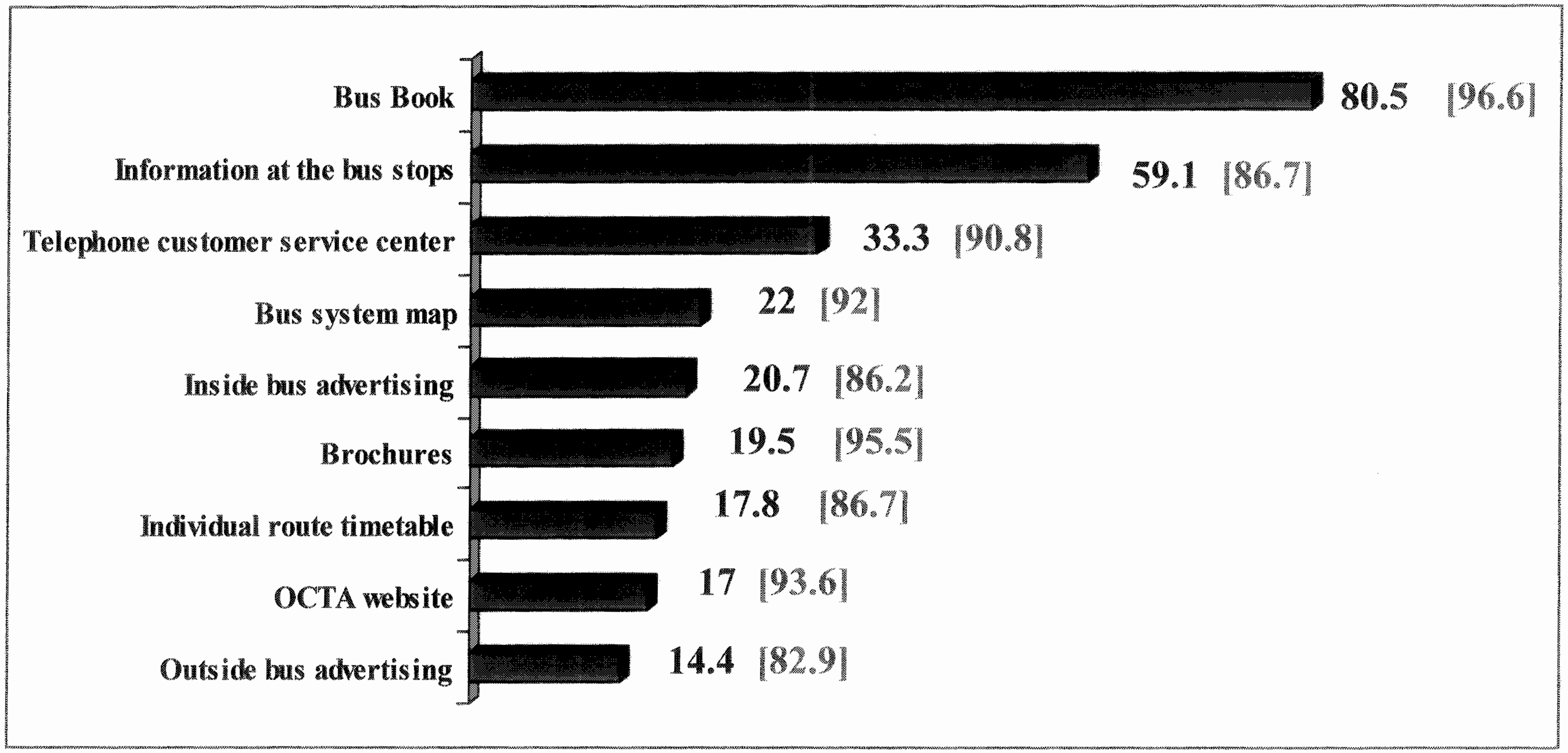


All other issues less than one percent

R&R Partners

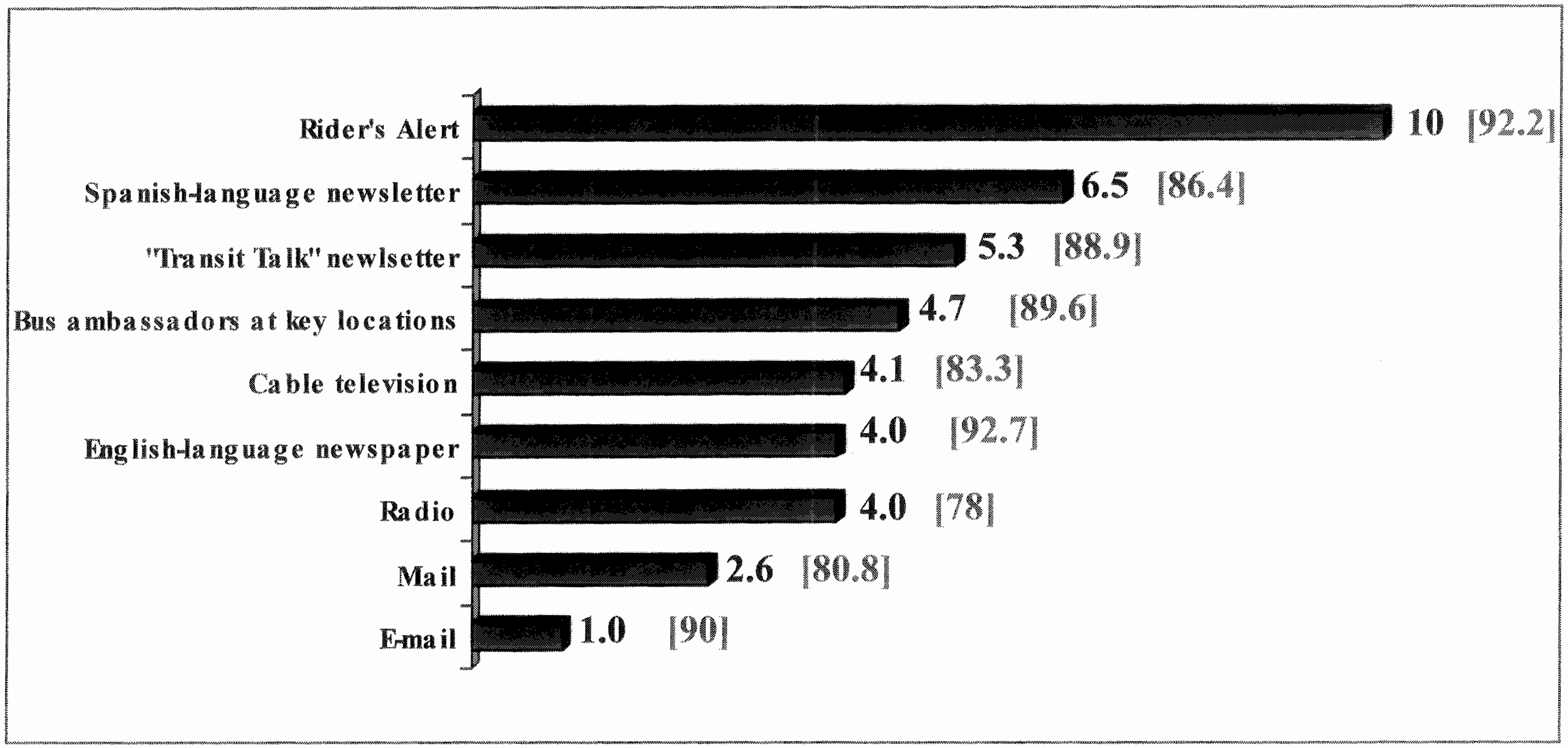
Q9. Of the sources you have used, how effective were they at getting information about OCTA bus service to you?

Top Two Box Effectiveness Score in Red/Brackets



Q9. Of the sources you have used, how effective were they at getting information about OCTA bus service to you?

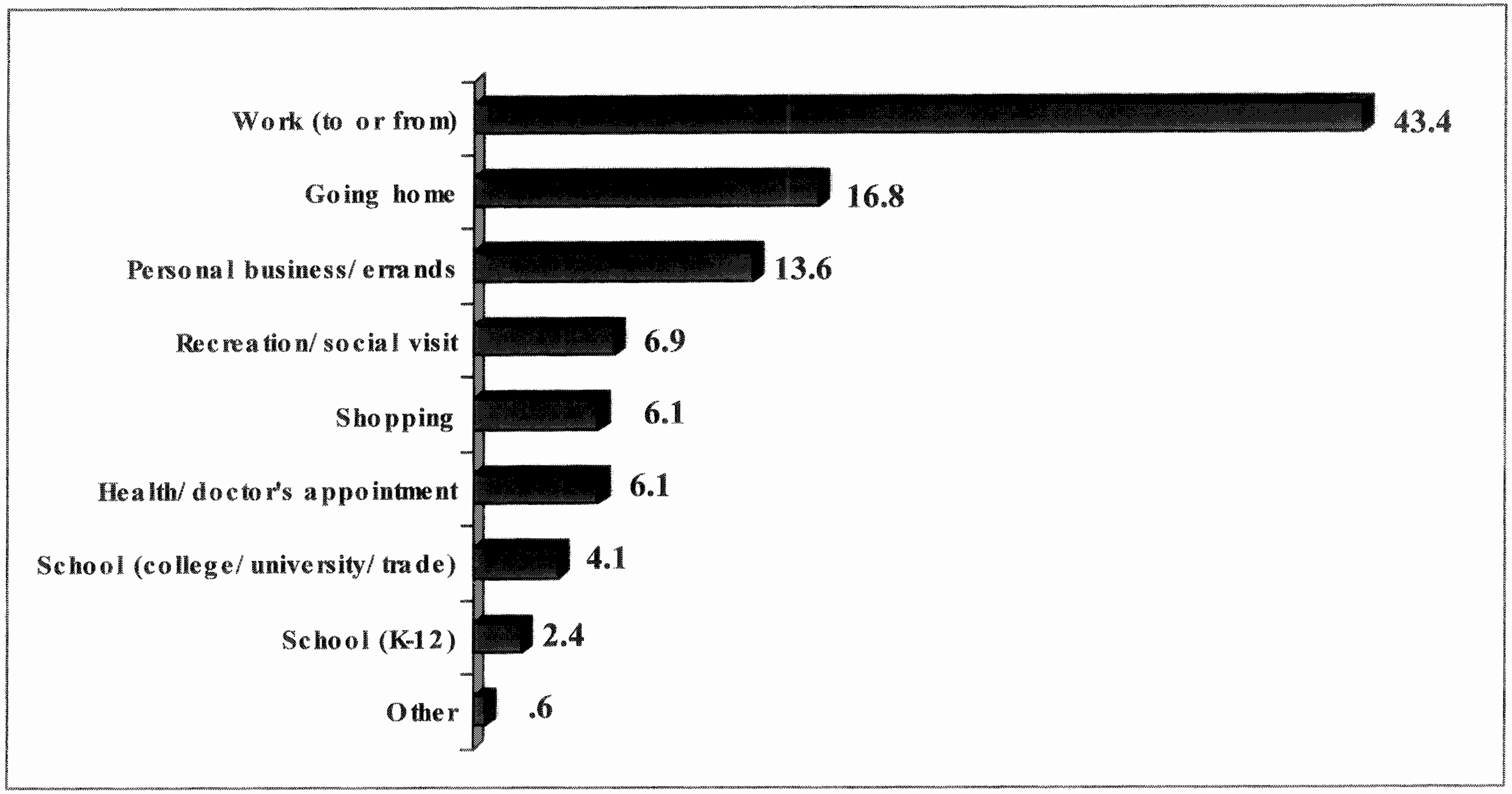
Top Two Box Effectiveness Score in Red/Brackets



R&R Partners

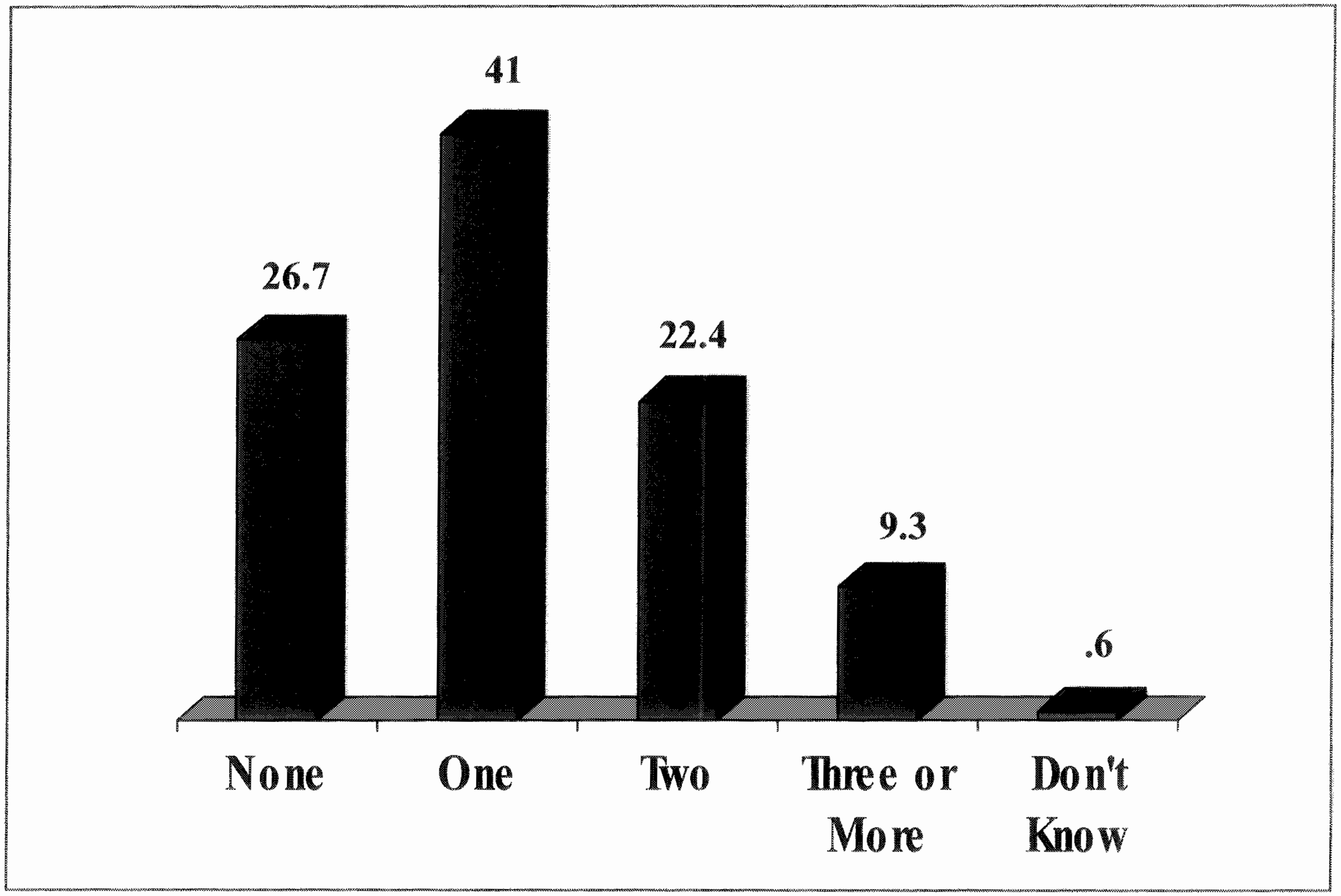
Current Trip Information
In-depth Findings

Q10. What is the primary purpose of this trip?



R&R Partners

Q11. How many total transfers will you make during this trip?



R&R Partners

Current Trip Information

- Most frequently used routes on current trip:
  - Route 57 (16.7%)
  - Route 60 (14.6%)
  - Route 29 (14.1%)
  - Route 43 (12.9%)
  - Route 53 (12.8%)

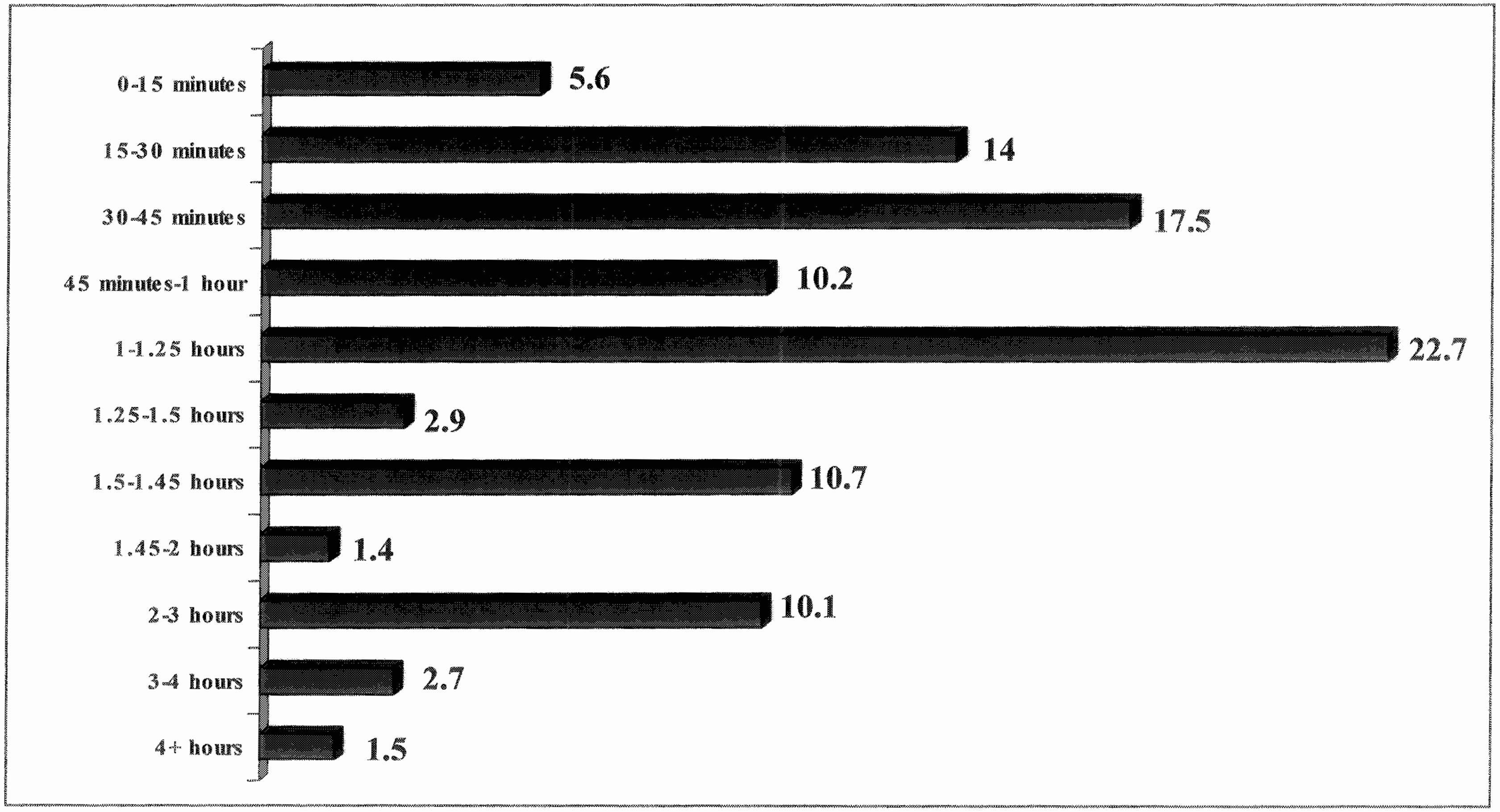
R&R Partners

Current Trip Information

- On average, riders estimated they would spend 1.2 hours on current trip

R&R Partners

Q13. How much time would you estimate you will spend completing this trip?



Current Trip Information

- Most riders did not have a car available to them for current trip
  - 84% did not have a car available
  - 15.6% had a car available

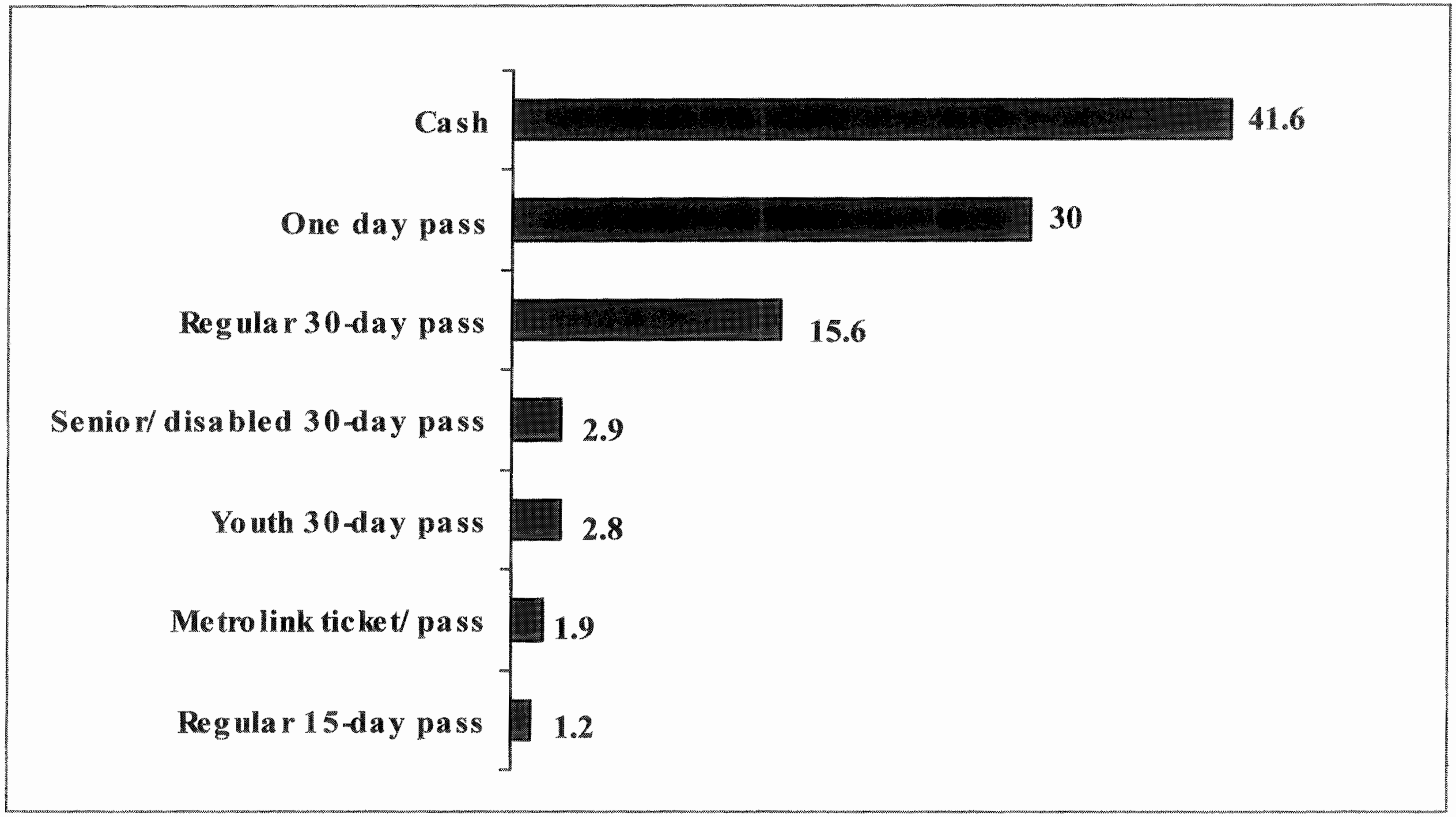
R&R Partners

Current Trip Information

- Cash was the method used most when paying for current trip
- Top three methods of paying:
  - Cash (41.6%)
  - One day pass (30%)
  - Regular 30-day pass (15.6%)

R&R Partners

Q15. How did you pay for this trip?



All other issues less than one percent

Other
In-depth Findings

Other - Awareness of Bus Passes

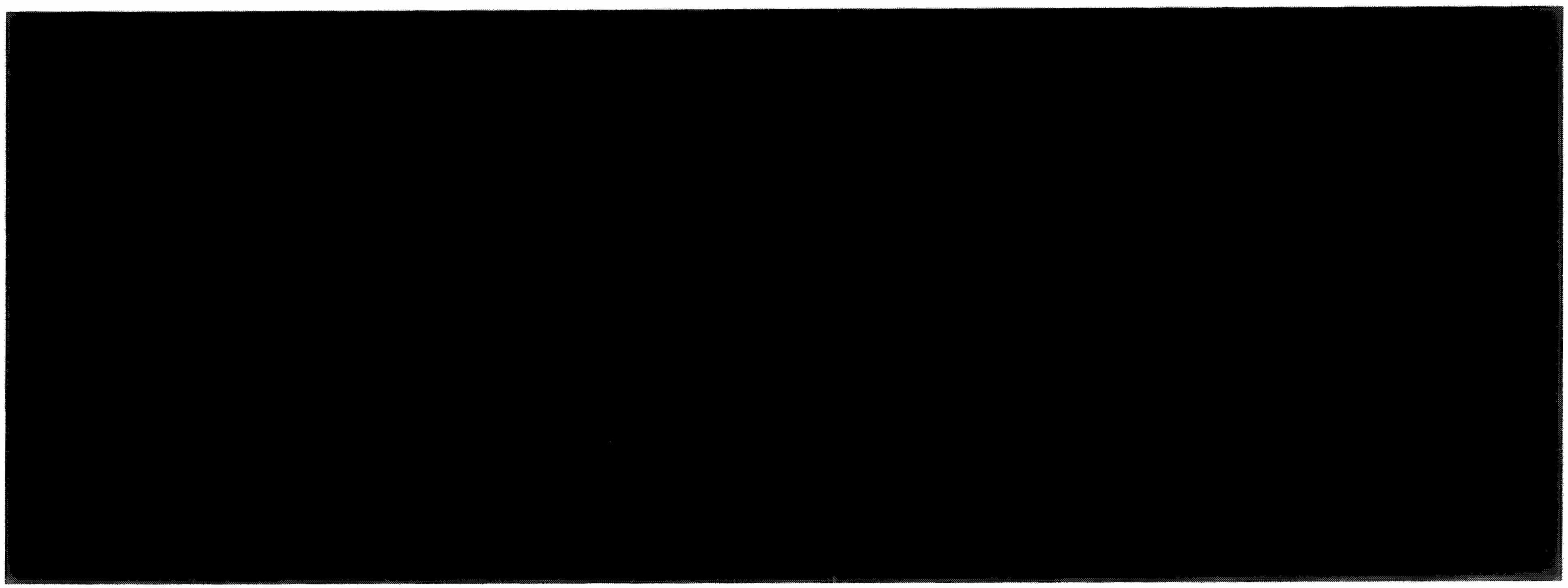
- 84.3% awareness of the 7, 15 and 30-day passes
- 65.6% awareness of where passes are available to purchase

Other

- In the last six months, 38.4% had a bus pass by without stopping for them

R&R Partners

Demographics



R&R Partners

Demographics

- Mean years using service: 4.2
- 43.4% have access to the Internet
- 30.7% are registered to vote
- 53.4% are employed full time
- 55.2% are single
- 54% high school graduate +
- 67.5% Hispanic/Latino, 20.5% Caucasian/White
- 50% HHI less than $20,000
- 47.3% male, 52.7% female
- Mean age: 33.9

R&R Partners

Summary/Conclusions

[redacted]

R&R Partners

Summary/Conclusions

OCTA bus service scored well in areas of satisfaction

- Respondents were satisfied with bus service overall
- Almost half said service is better than one year ago
- Satisfaction was high with most bus services/issues
- Areas for improvement are
  - availability of weekend service
  - availability of evening service
  - frequency of service