



AGENDA

Finance and Administration Committee Meeting

Committee Members

Andrew Do, Chairman
Steve Jones, Vice Chairman
Michael Hennessey
Richard Murphy
Miguel Pulido
Todd Spitzer
Michelle Steel

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California

Wednesday, August 23, 2017 at 10:30 a.m.

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

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

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

Call to Order

Pledge of Allegiance

Director Steel

1. Public Comments

Special Calendar

- 2. Taxable Sales Forecast - California State University, Fullerton - Anil Puri, PhD, Co-Director of the James and Jeanette Woods Center for Economic Analysis and Forecasting**
Christina Runge/Andrew Oftelie

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in spring 2017. Anil Puri, PhD, from California State University, Fullerton will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.



Consent Calendar (Items 3 through 10)

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

3. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee for July 26, 2017.

4. Performance Audit of the Orange County Transportation Authority's Storm Water Pollution Prevention Program

Ricco Bonelli/Janet Sutter

Overview

On behalf of the Internal Audit Department, the firm of Sjoberg Evashenk Consulting, Inc., has completed an audit of the Orange County Transportation Authority's Storm Water Pollution Prevention Program. The audit found that the Orange County Transportation Authority generally complied with the requirements for Industrial General Permits and Construction General Permits; however, the auditors made ten recommendations to improve compliance.

Recommendation

Direct staff to implement ten recommendations provided in the Orange County Transportation Authority Performance Audit of OCTA's Storm Water Pollution Prevention Program (SWPPP), Internal Audit Report No. 17-505.

5. Local Agency Investment Fund - June 2017

Rodney Johnson/Andrew Oftelie

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending June 30, 2017. The report has been reviewed and is consistent with the investment practices of the State Treasurer's Office.



5. (Continued)

Recommendation

Receive and file as an information item.

6. Orange County Treasurer's Management Report - June 2017

Rodney Johnson/Andrew Oftelie

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending June 30, 2017. The report has been reviewed and is consistent with the investment practices of the Orange County Treasurer.

Recommendation

Receive and file as an information item.

7. Orange County Transportation Authority Investment and Debt Programs - July 2017

Rodney Johnson/Andrew Oftelie

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending July 31, 2017. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.



8. Environmental Mitigation Program Endowment Fund Investment Report
Rodney Johnson/Andrew Oftelie

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan; acquired conservation properties; and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and the performance. Attached is the quarterly investment report for the Endowment Pool for the period ending June 30, 2017. The report has been reviewed and is consistent with the pool objectives.

Recommendation

Receive and file as an information item.

9. Agreements for Health Insurance Services
Bea Maselli/Maggie McJilton

Overview

The Orange County Transportation Authority currently has agreements with various companies to provide medical, dental, vision, life, accidental death and dismemberment, and disability plans for administrative employees and employees represented by the Transportation Communications International Union, with supplemental life insurance for all eligible employees and their families. These agreements expire on December 31, 2017. Staff is presenting recommendations for medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life insurance for the calendar year 2018.



9. (Continued)

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3649 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for Kaiser Permanente Health Plan, Inc., on a cost per employee basis, for prepaid medical services through December 31, 2018. The annual 2018 Kaiser Permanente Health Plan, Inc., premium cost will vary in accordance with actual enrollment.

- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3650 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for prepaid medical services through December 31, 2018. The annual 2018 Anthem Blue Cross health maintenance organization premium costs will vary in accordance with actual enrollment.

- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3651 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for preferred provider organization medical services through December 31, 2018. The annual 2018 Anthem Blue Cross preferred provider organization premium costs will vary in accordance with actual enrollment.

- D. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3652 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for a consumer driven health plan through December 31, 2018. The annual 2018 Anthem Blue Cross consumer driven health plan premium costs and health savings account expenses will vary in accordance with actual enrollment.



9. (Continued)

- E. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-1-2996 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for Delta Dental, on a cost per employee basis, for preferred provider organization dental services through December 31, 2018. The annual 2018 Delta Dental preferred provider organization premium costs will vary in accordance with actual enrollment.

- F. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-1-2995 between the Orange County Transportation Authority and Delta Dental, on a cost per employee basis, for health maintenance organization dental services through December 31, 2018. The annual 2018 Delta Dental health maintenance organization premium costs will vary in accordance with actual enrollment.

- G. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-1-2997 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for Vision Service Plan, on a cost per employee basis, for vision services through December 31, 2018. The annual 2018 vision services premium costs will vary in accordance with actual enrollment.

- H. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1897 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for VOYA for life and accidental death and dismemberment insurance through December 31, 2018. The annual 2018 life and accidental death and dismemberment premium costs will vary in accordance with actual volume in the plan.

- I. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1898 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for VOYA to provide supplemental life insurance to employees at their own expense through December 31, 2018.



9. (Continued)

- J. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1899 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Authority for VOYA for short-term and long-term disability insurance through December 31, 2018. The annual 2018 short-term and long-term disability premium costs will vary in accordance with actual volume in the plan.

- K. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1900 between the Orange County Transportation Authority and California State Association of Counties - Excess Insurance Activity for VOYA with Compsych to provide administrative leave through December 31, 2018.

10. Amendment to the 241/91 Express Lanes Connector Project Peer Review

Kirk Avila/Andrew Oftelie

Overview

A direct connector between the State Route 241 toll road and the 91 Express Lanes is included in the State Route 91 Implementation Plan. In order to advance the project, the Foothill/Eastern Transportation Corridor Agency requested that an investment grade traffic and revenue study be prepared by Stantec, Inc. Since Stantec, Inc., also serves as an advisor to the Orange County Transportation Authority, CDM Smith, Inc., was hired to review and analyze the Stantec, Inc., study. An amendment to the CDM Smith, Inc., contract is required to address anticipated further review and analysis.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3798 between the Orange County Transportation Authority and CDM Smith, Inc., in an amount not to exceed \$50,000, for further review and analysis. This will increase the maximum obligation of the agreement to a total contract value of \$107,333.20.

Regular Calendar

There are no Regular Calendar items scheduled.



Discussion Items

11. Measure M2 Sales Tax Forecast

Sean Murdock/Andrew Oftelie

Staff will provide an update to the Measure M2 Sales Tax Forecast.

12. Chief Executive Officer's Report

13. Committee Members' Reports

14. Closed Session

There are no Closed Session items scheduled.

15. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, September 13, 2017**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

Economic Outlook

U.S. and Orange County

Anil Puri

California State University, Fullerton

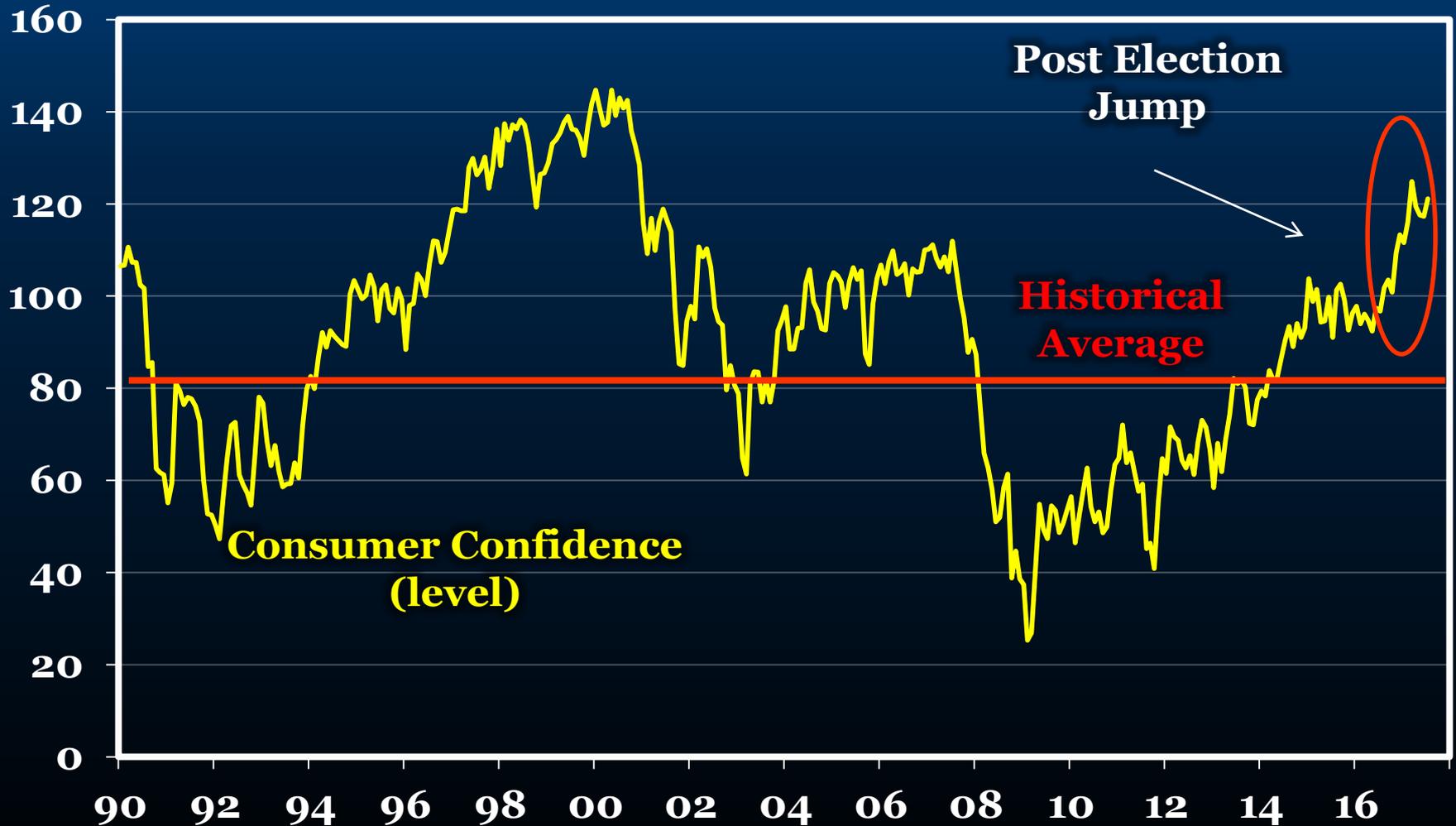
OCTA

August 23, 2017

Consumer Confidence: Off the Charts

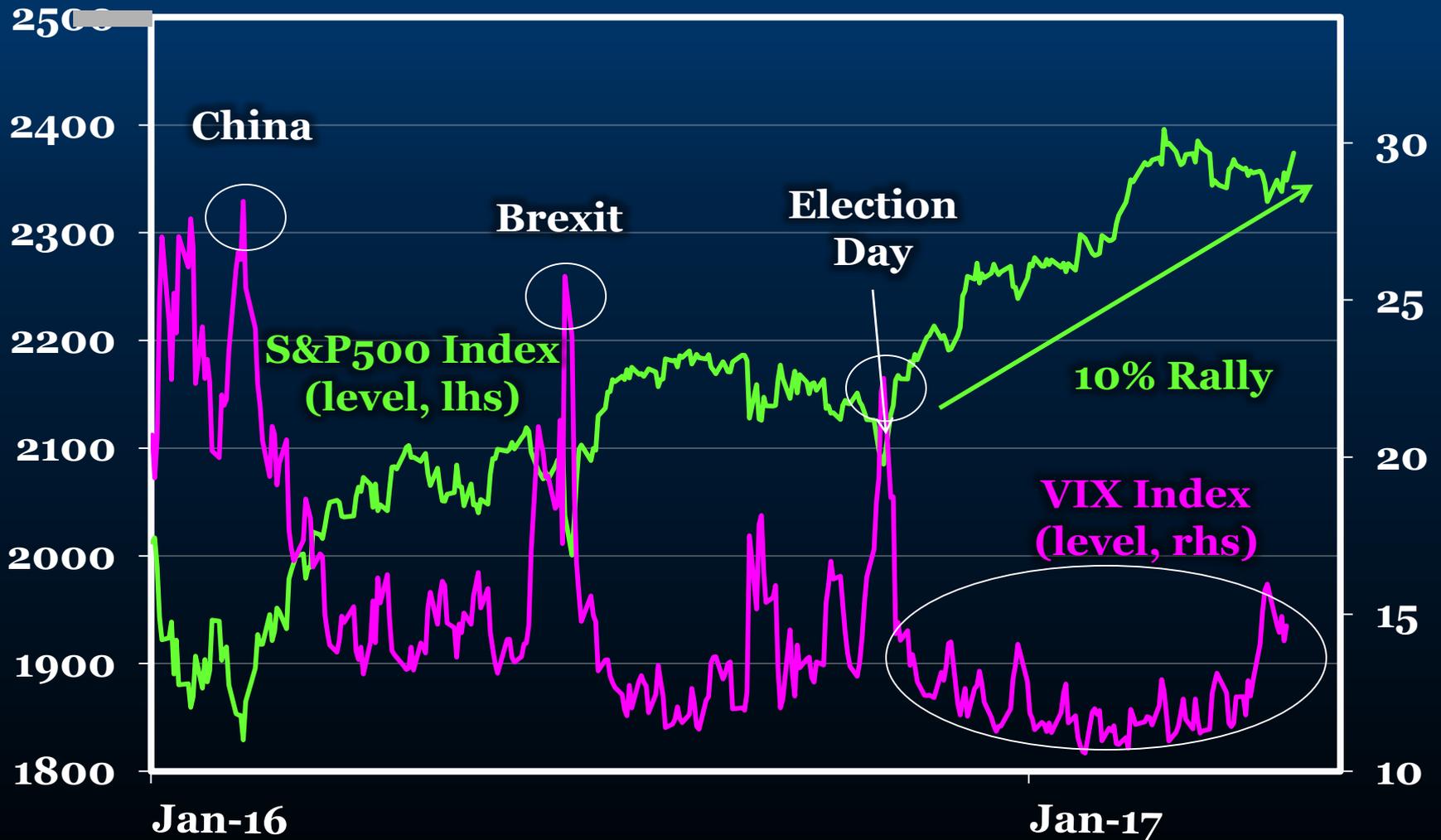
Confidence Highest since 2000

(Conference Board, Index Level)



Market Euphoria

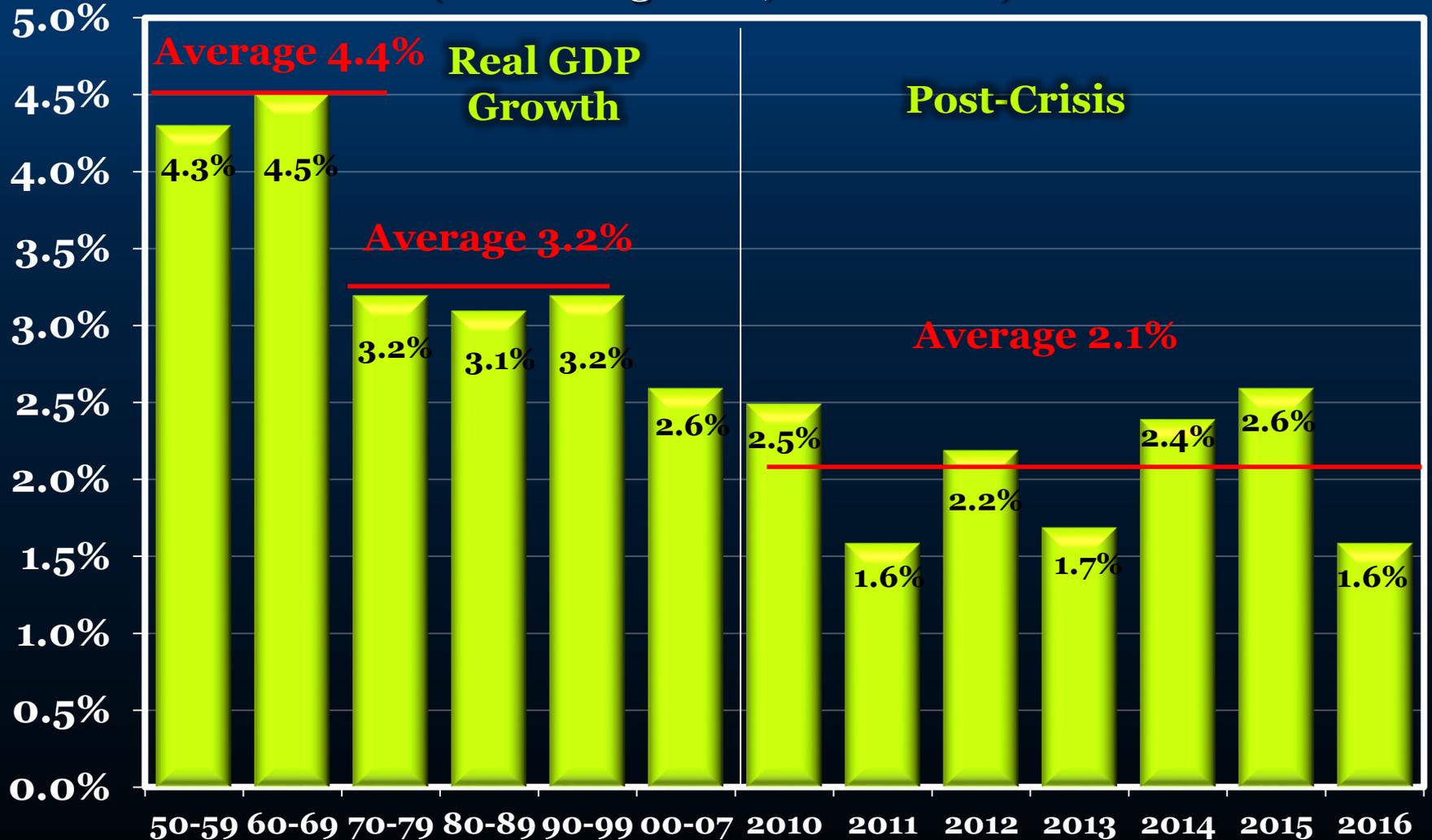
S&P500 Has Set Record Highs; Volatility is Low
(S&P500 Index, VIX Index, level)



Recovery: Subdued but Continued Growth

Growth Has Averaged 2.1%

(real GDP growth, annual rate)



Benign Economic Conditions

Improvement in Fundamentals

Consumers

- Continued Employment Growth
- Wage Acceleration
- Rising Asset Values
- Healthy Balance Sheets
- Tax Cuts in 2018

Businesses

- Rebound in Profits
- Energy and Manufacturing Picking Up
- Corporate Tax Cuts
- Improving Regulatory Environment

Supportive Policy

- Tax cuts
- Modest Fiscal package
- Measured interest rate hikes

Healthy Job Growth Continues

Though at a More Moderate Pace as Expansion is More Mature

(millions of employees)

Jobs Lost in Recession = -8.8 million

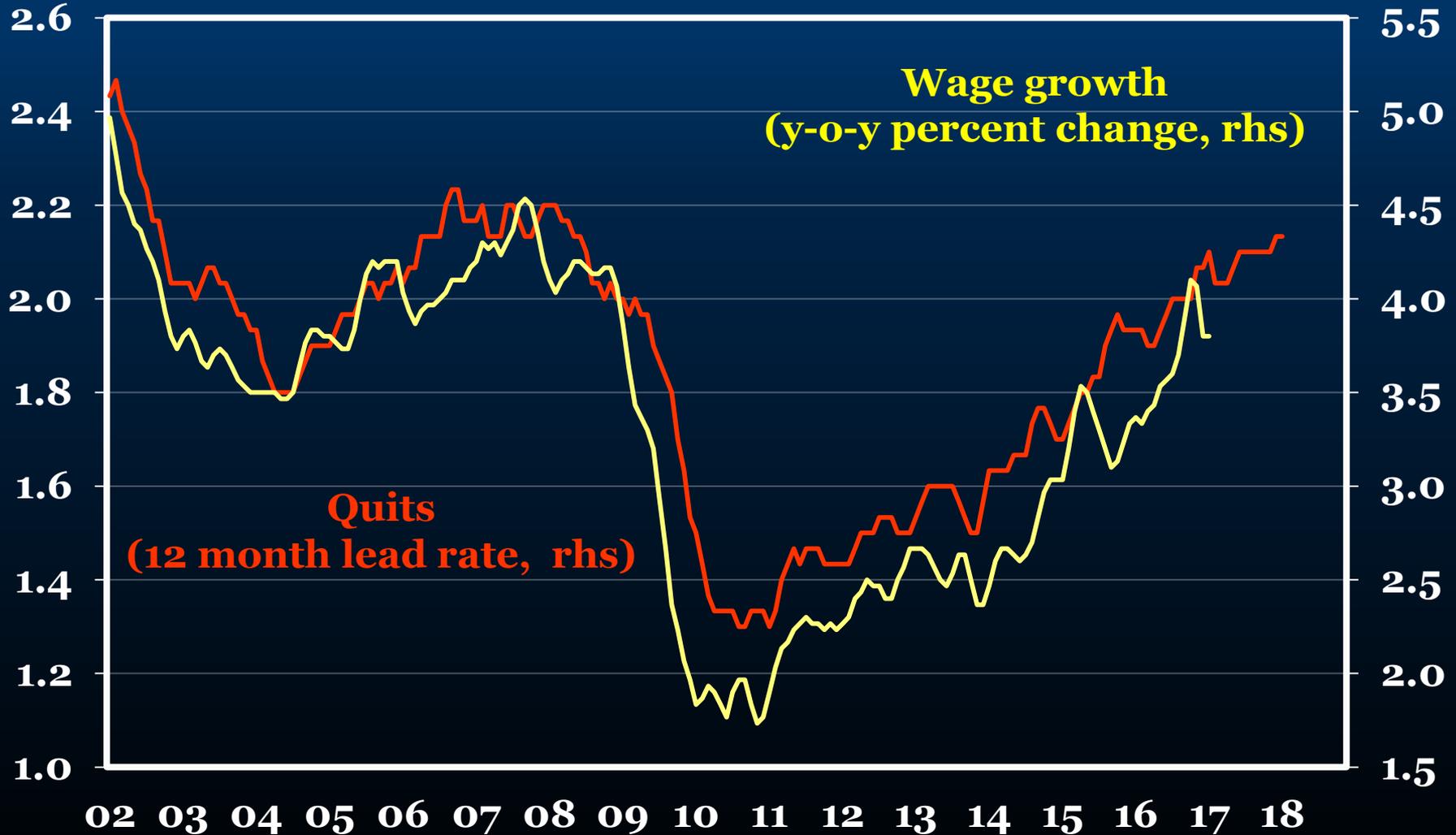
Jobs Gained in Recovery = 16 million



Wage Growth will Continue to Firm Up

As the Labor Market Continues to Tighten

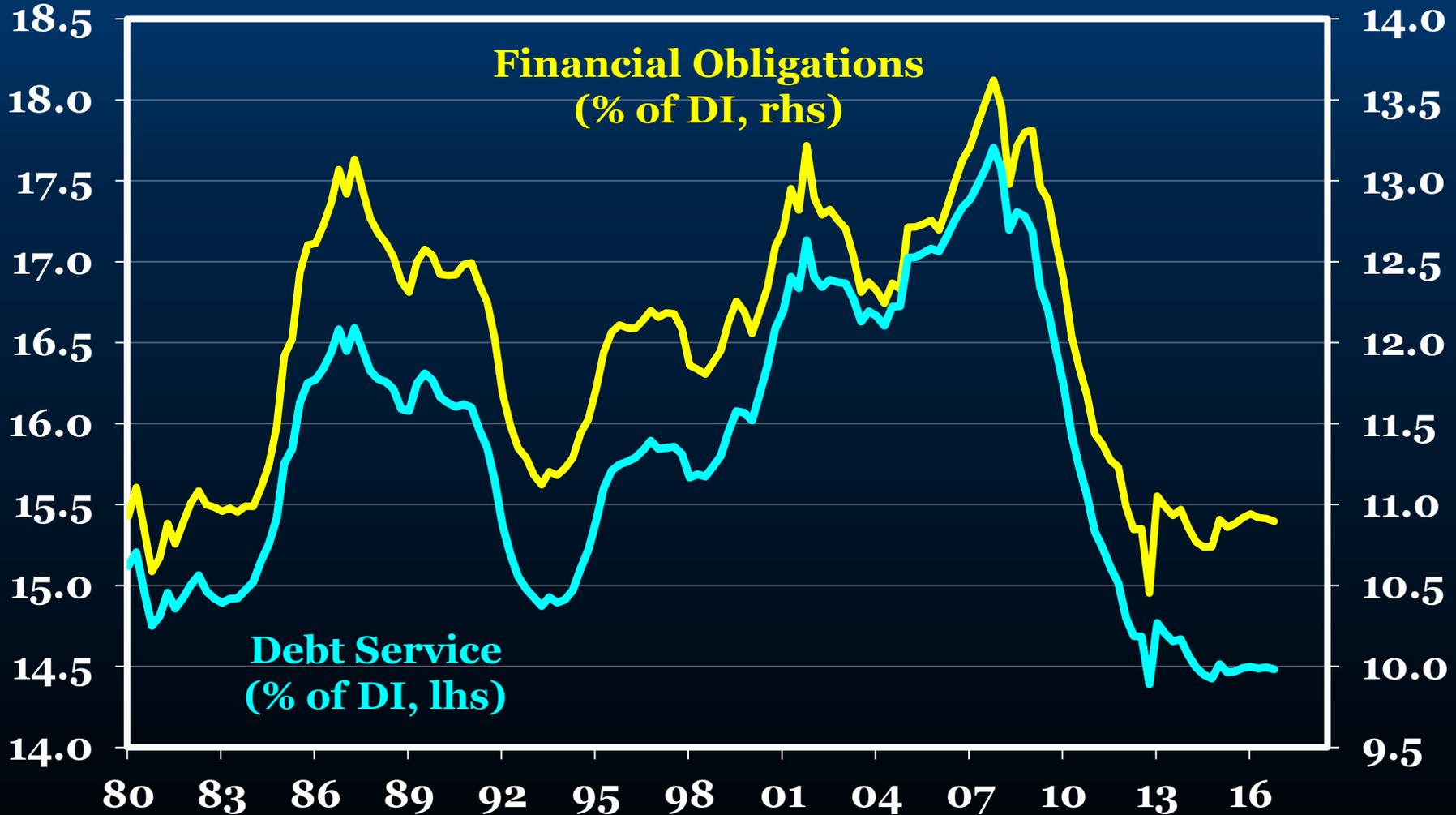
(Wage Tracker, Atlanta Fed, y – o – y percent change, Quits rate, percent)



Household Balance Sheets are in Pristine Shape

Household Debt Payments at Historical Lows

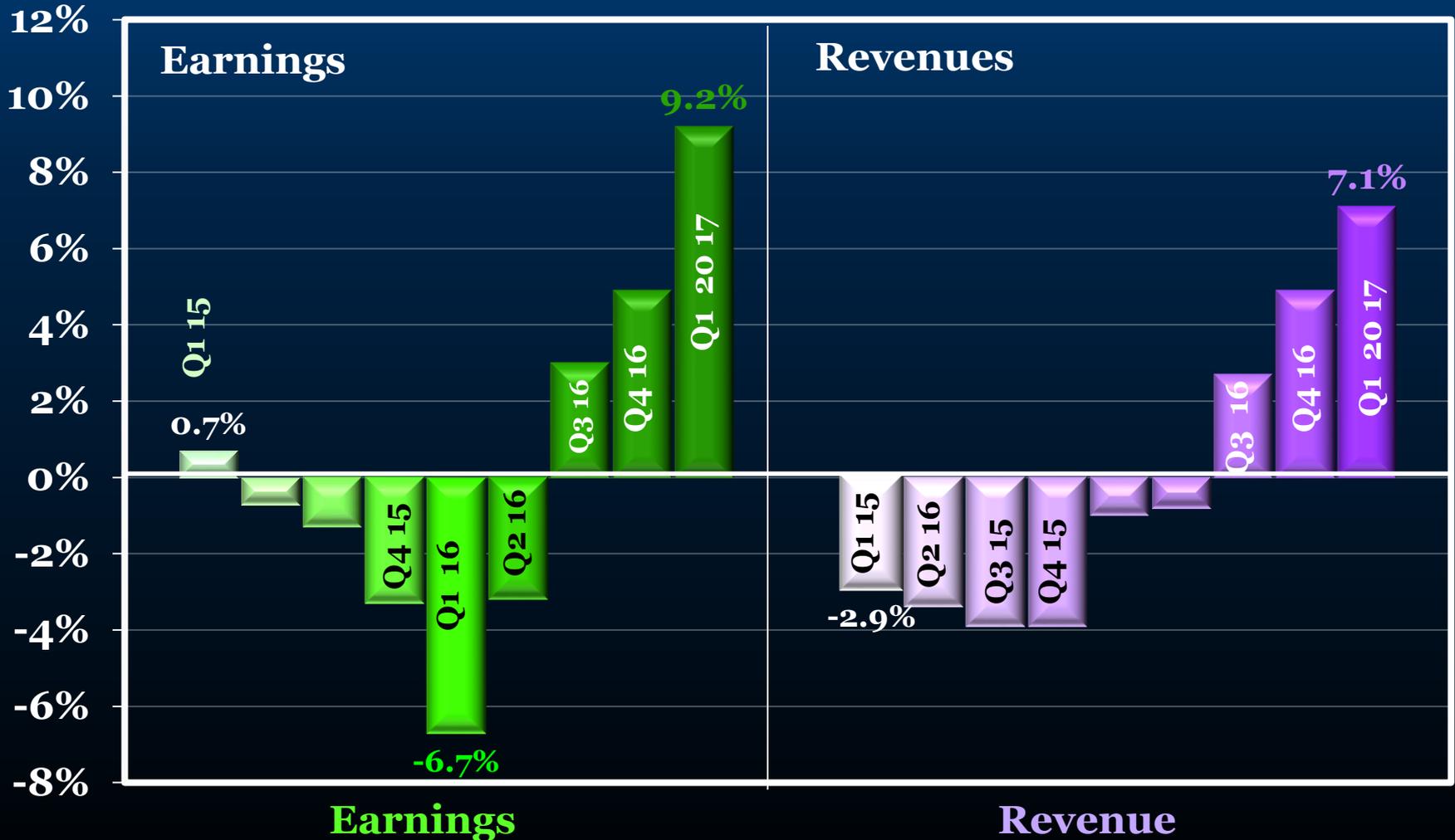
(financial obligations and debt service, percent of disposable income)



Strong Rebound in Corporate Profits

Corporate Earnings and Revenues: Highest Growth Since 2011

(S&P 500 earnings and revenues, annualized growth rates)



A Long and Arduous 'To Do' List

Congress...Hard at Work ???

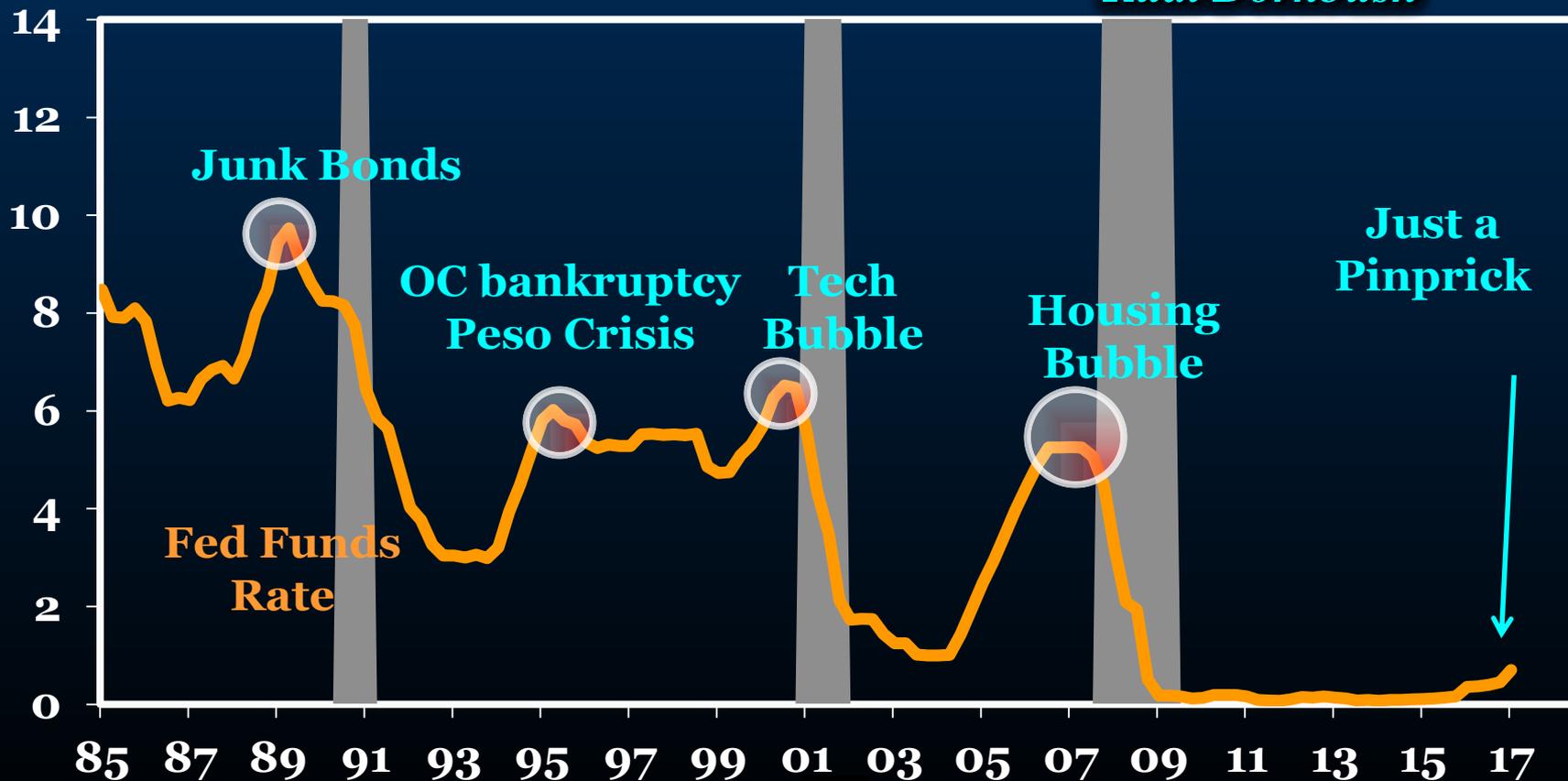
- **Pass a Budget Resolution**
 - No budget for 2017 or 2018 yet
- **Raise the Federal Debt Ceiling**
 - Suspended in Nov. 2015
 - 'Extraordinary measures' should be able to extend it to September
- **Corporate/individual tax reform**
- **Regulatory Reform**
- **Infrastructure Spending**
- **Immigration Reform**
- **Trade Policy Reconfiguration**

Will The Fed Kill The Expansion?

Fed Hiking has Tipped the Economy in a Recession in the Past

Post-war expansions didn't die in their beds; they were murdered by the Federal Reserve."

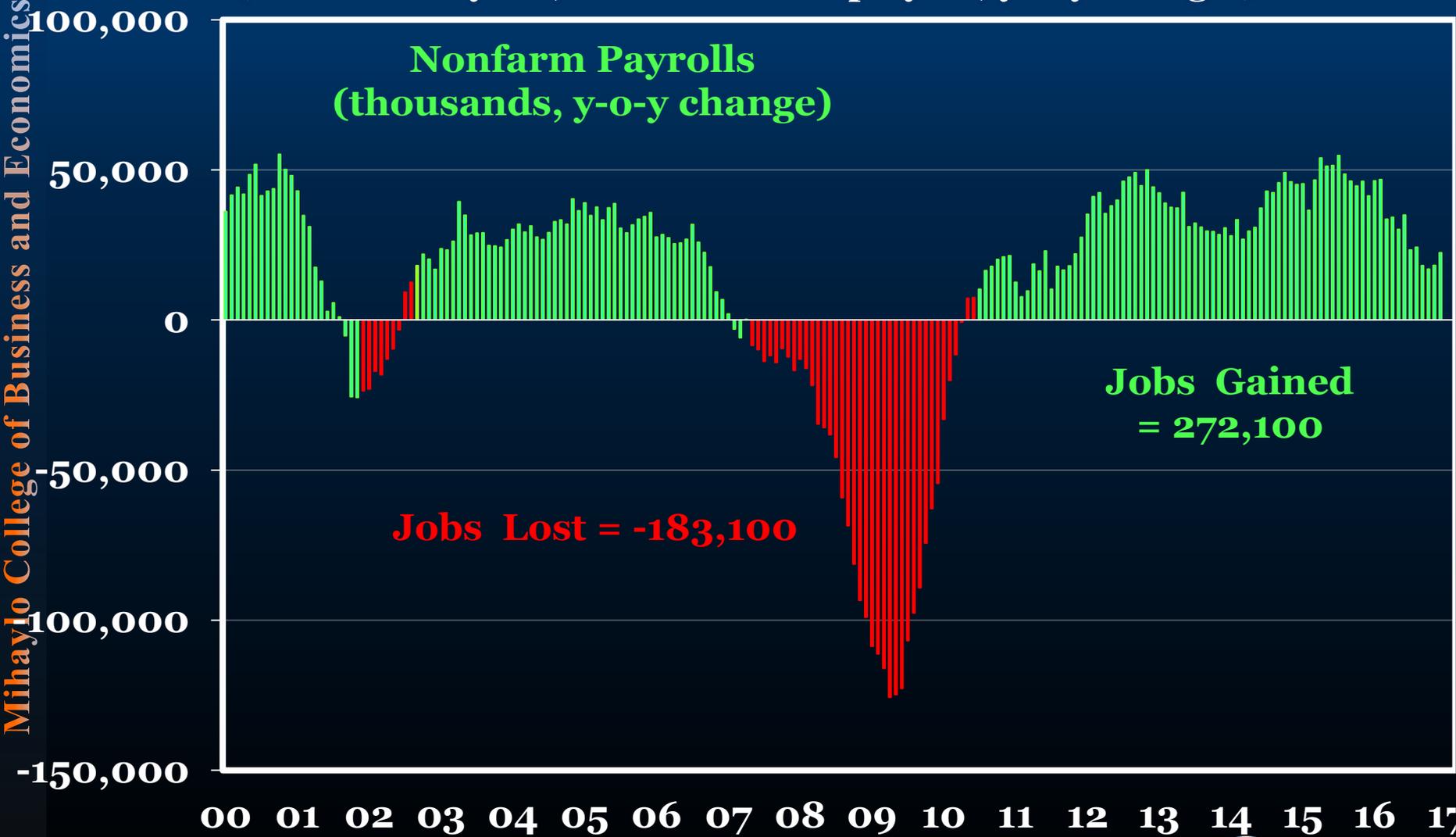
Rudi Dornbush



Pace of Job Formation Has Edged Down a Bit

But it's Still Quite Robust

(Nonfarm Payroll, thousand of employees, y-o-y changes)

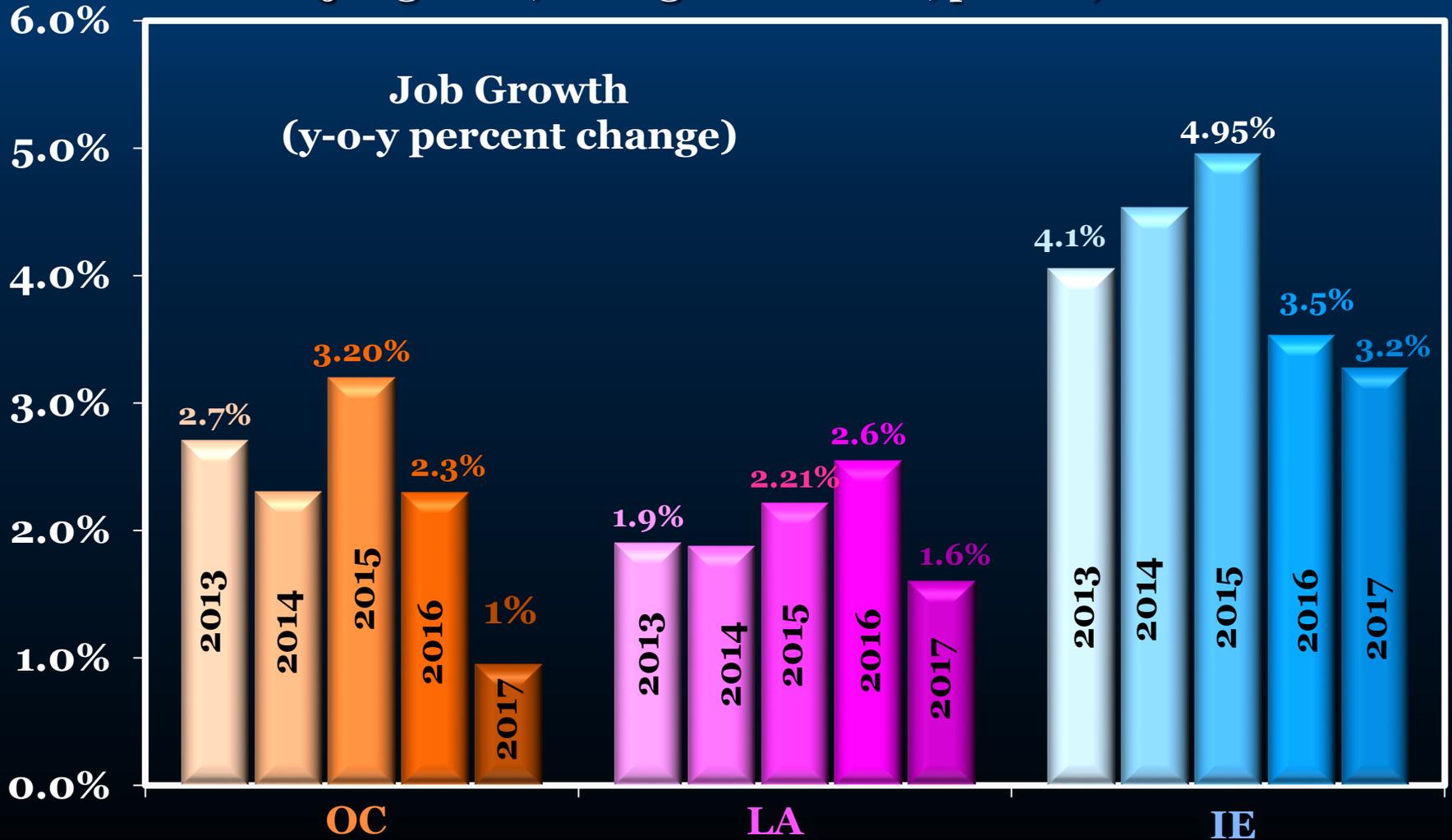


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Moderation in Job Growth Throughout SoCal

Reflecting the Mature Stage of the Business Cycle

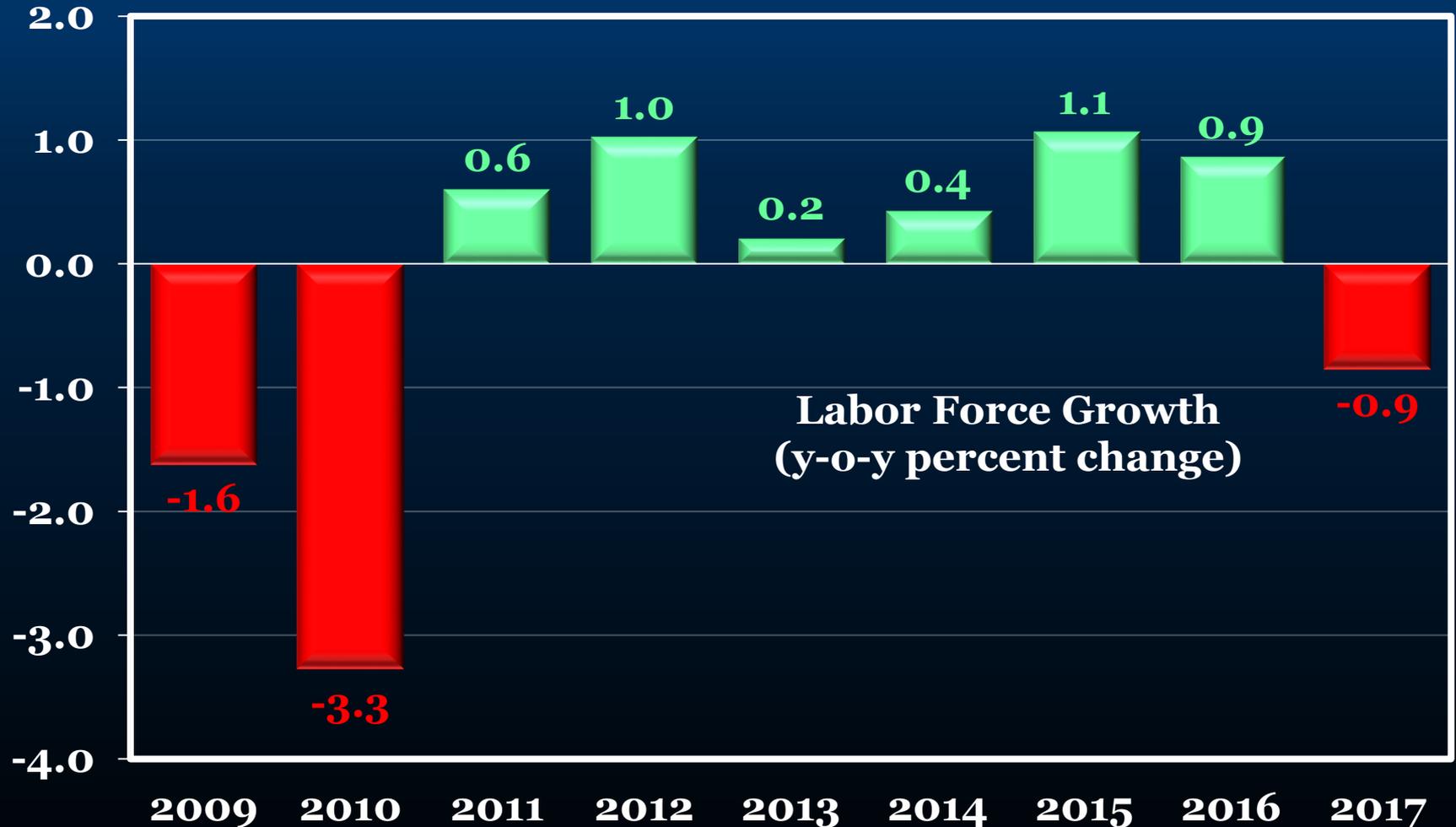
(job growth, average annual rate, percent)



OC Labor Force has Shrunk This Year

After Growing in the Previous Five Years

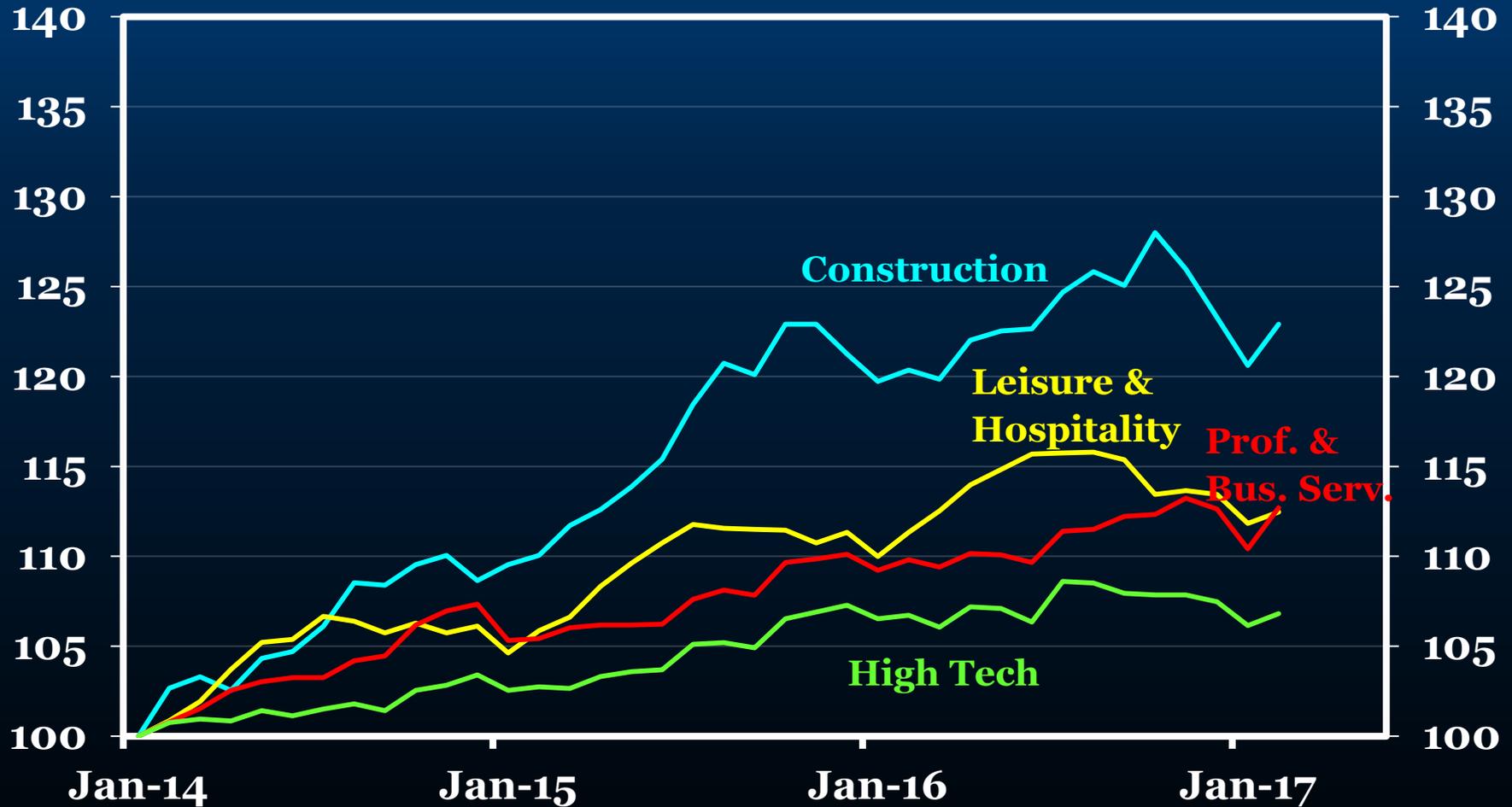
(labor force, average annualized growth rate, percent)



Diversity of OC Economy is Key Factor

Construction Employment Has Moderated since Mid-2016

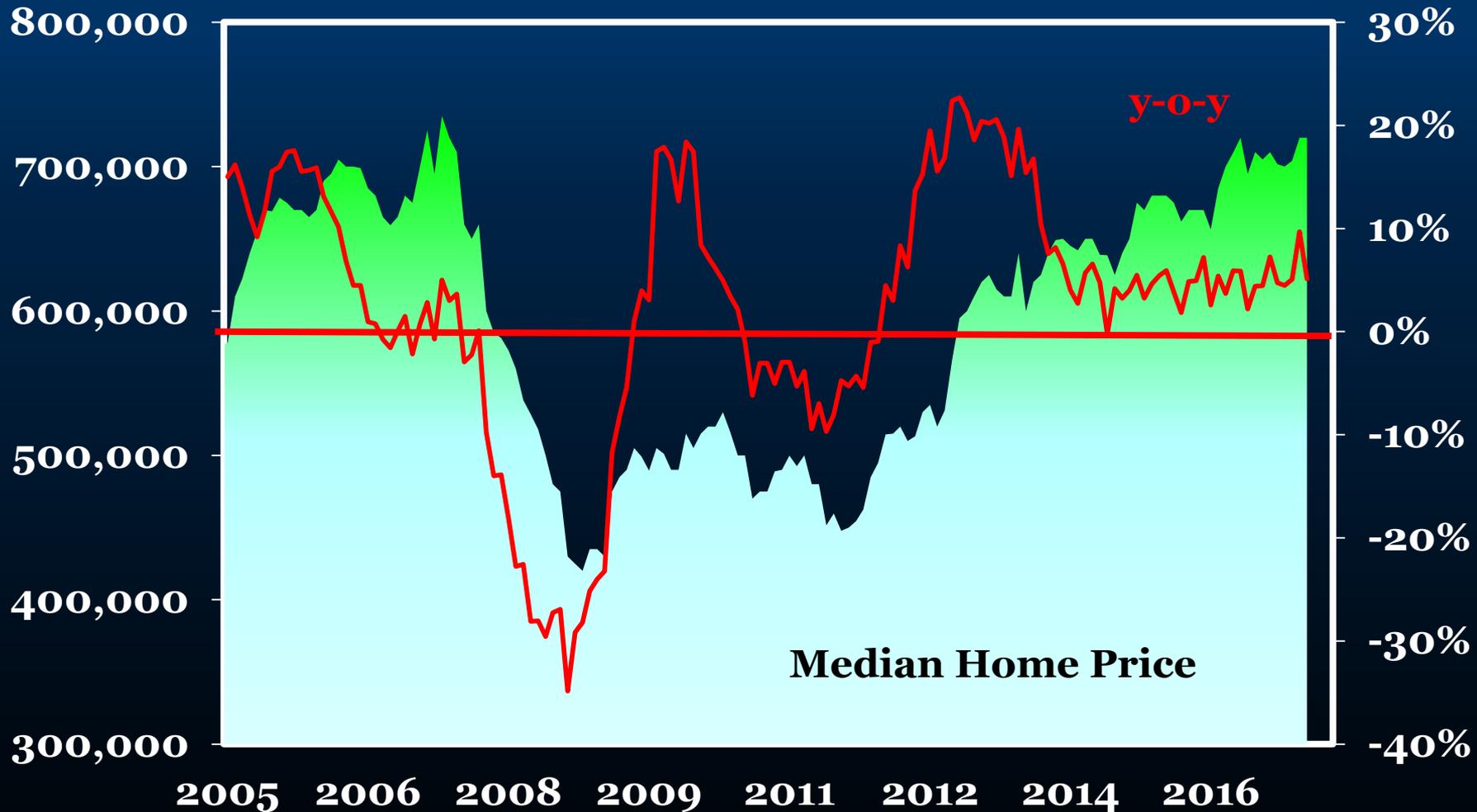
(employment levels, Jan 2014=100)



Home Values: Back At Their Peak

Home Price Appreciation has Remained Robust

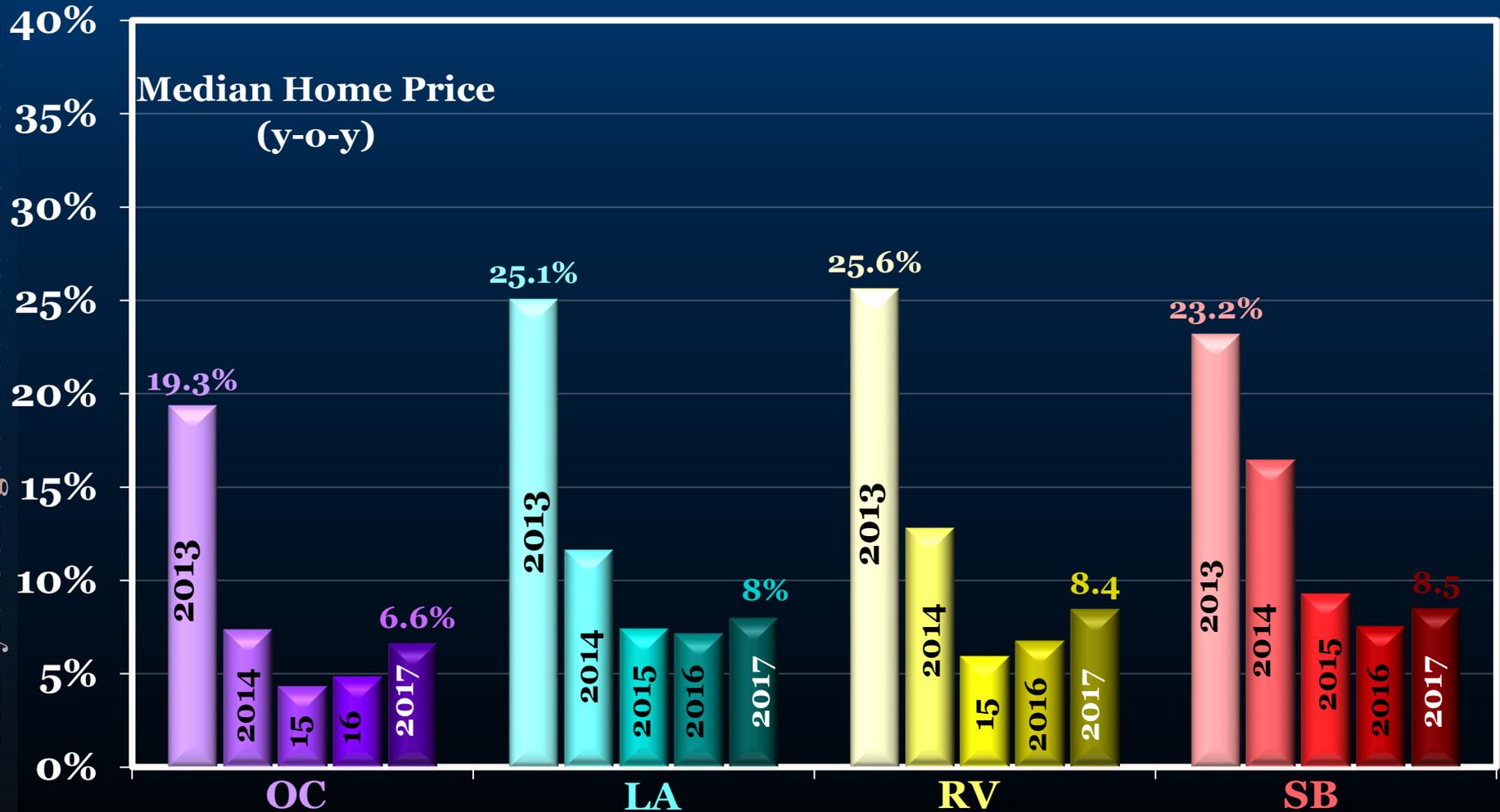
(Corelogic median home price, level and y-o-y percent change)



Home Price Appreciation has Held Steady

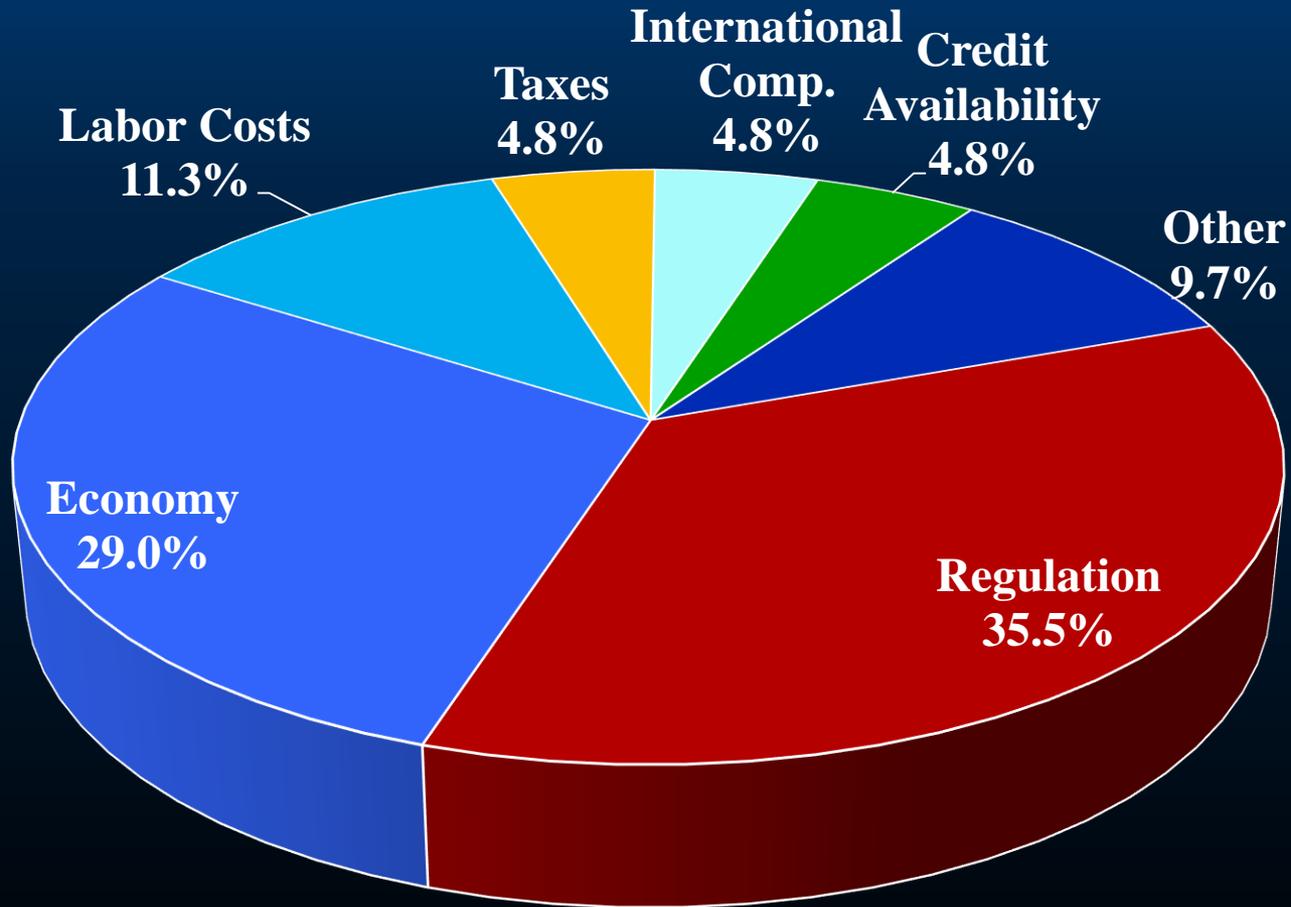
(Corelogic, annualized average growth in median prices, percent)

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Most Significant Concerns Continue to be Economy and Regulation

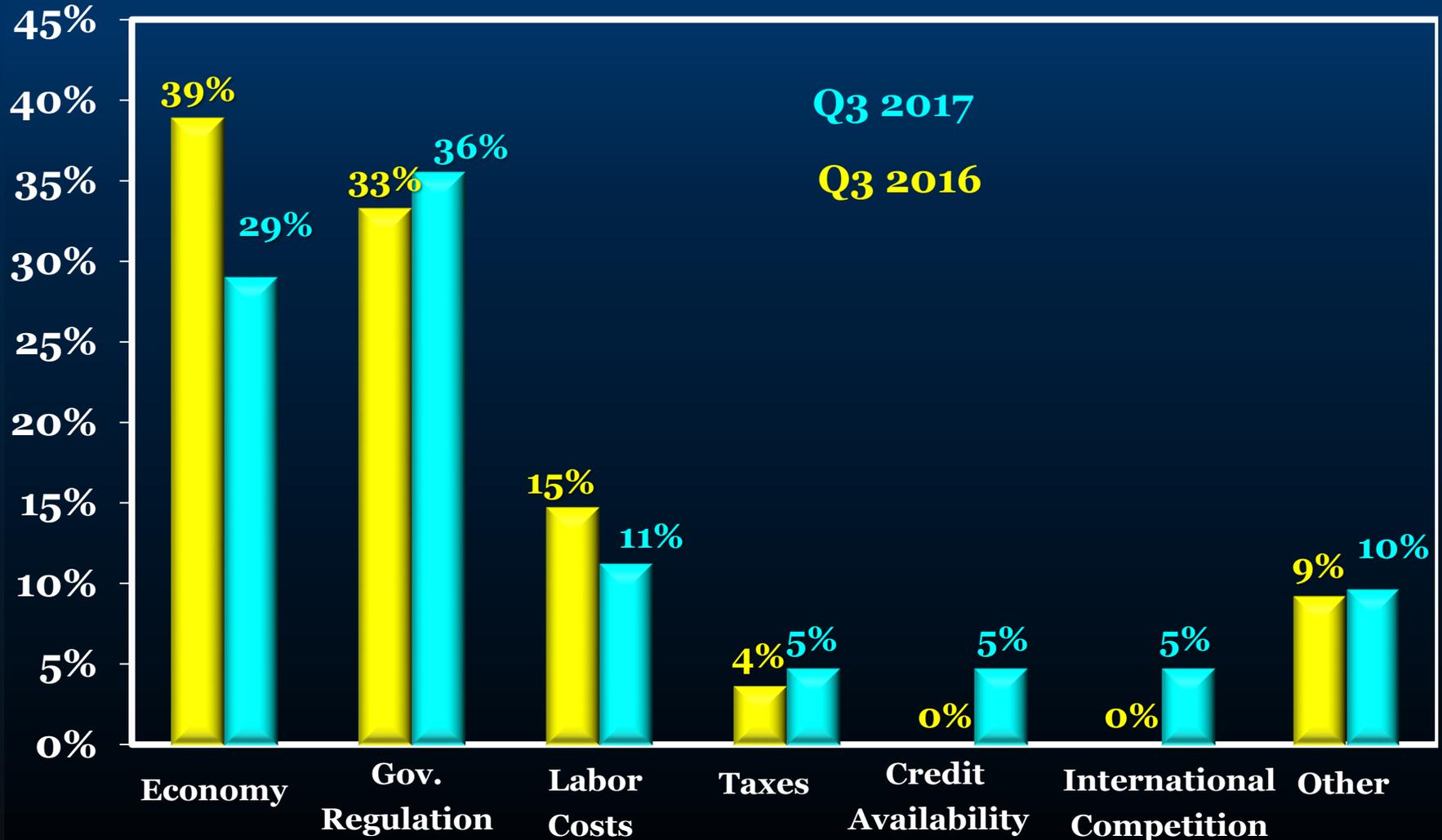
(WCEAF Orange County Business Executives Survey, Q3 2017)



Concerns on the Economy and Regulations

Have Edged Down a Bit Compared to Last Year

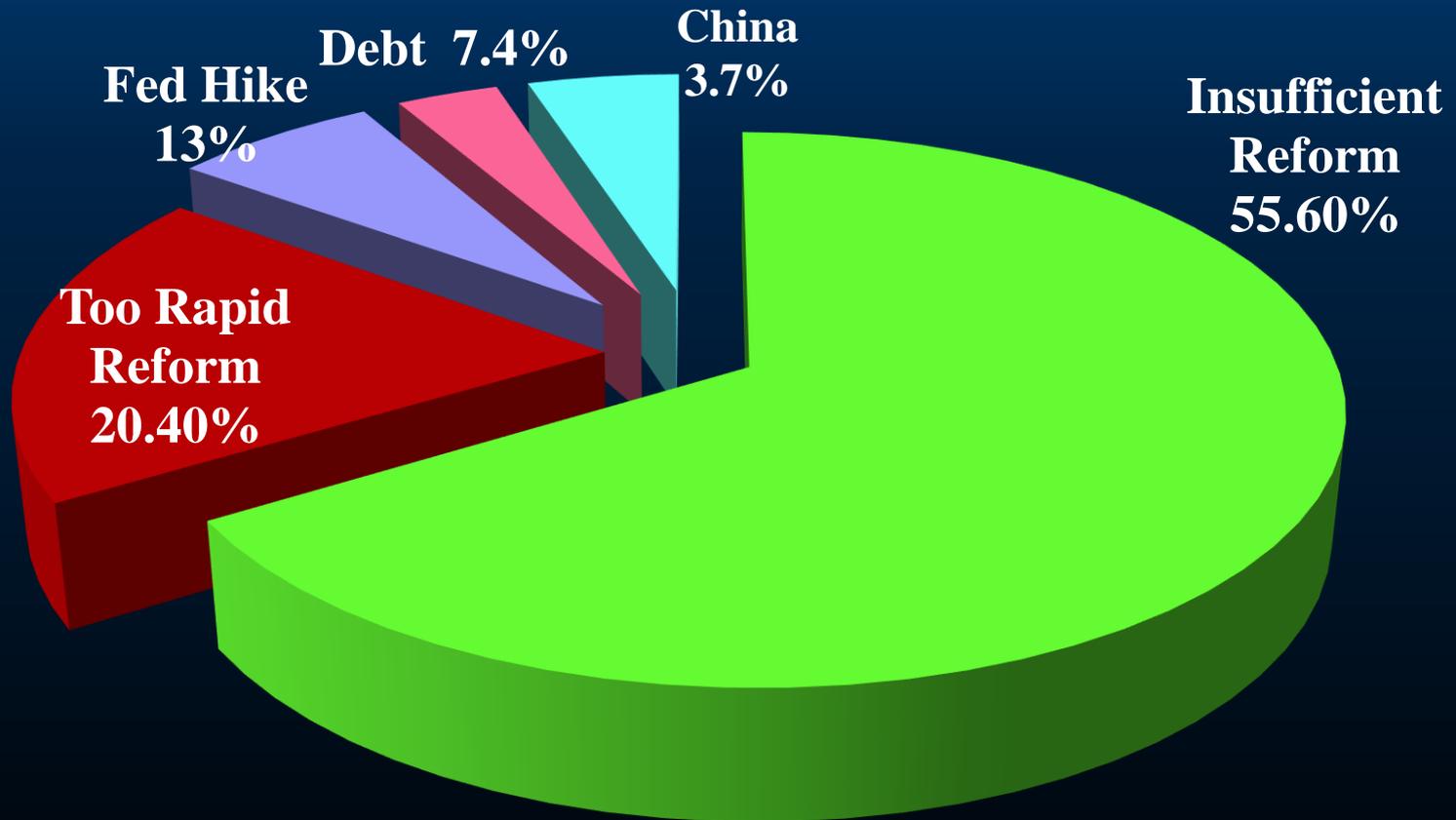
(WCEAF Orange County Business Executives Survey, percent of respondents)



Biggest Threat to the US Economy

Insufficient and Too Rapid Reform

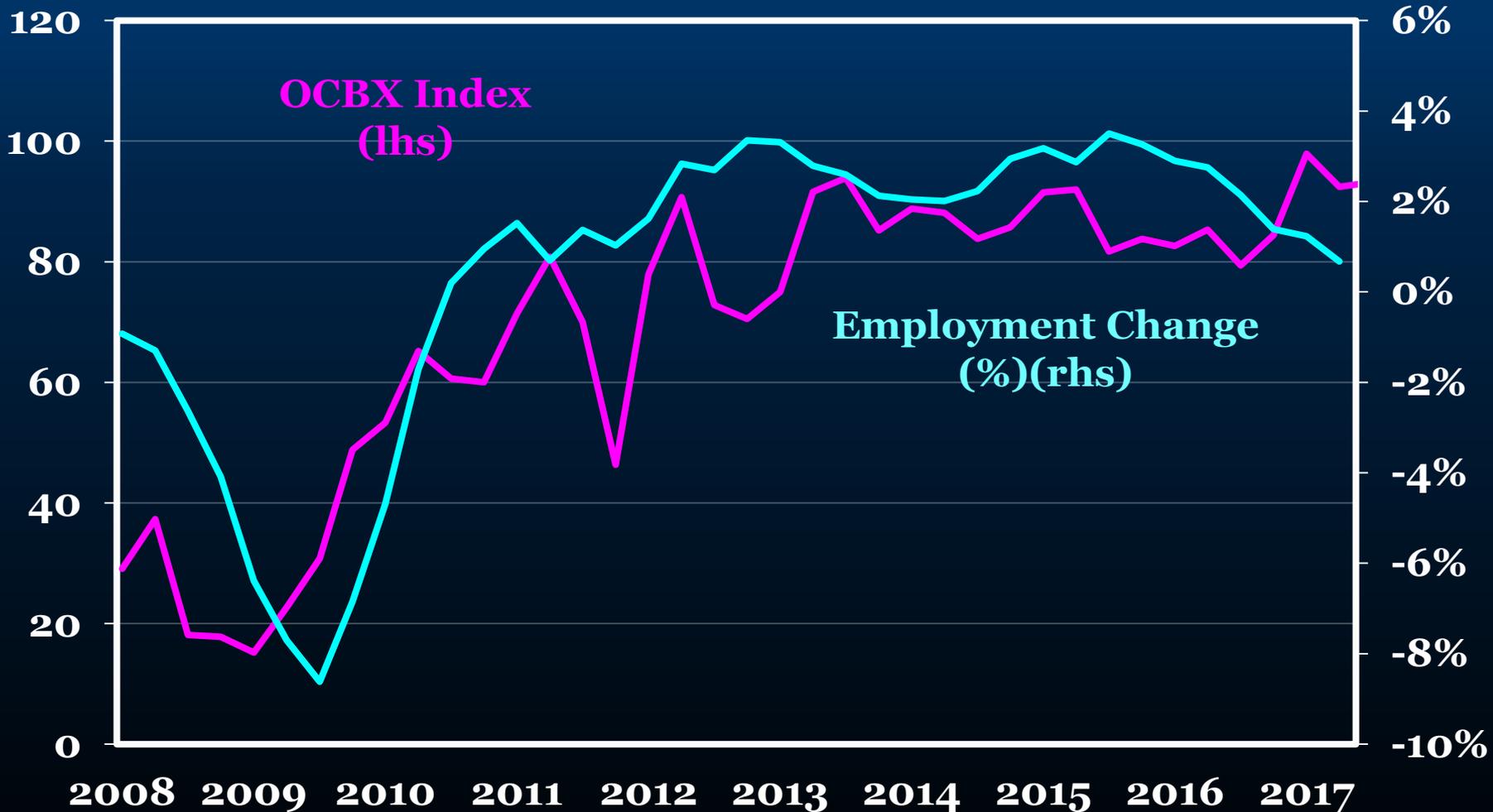
(WCEAF, Orange County Business Executives Survey, Q3 2017)



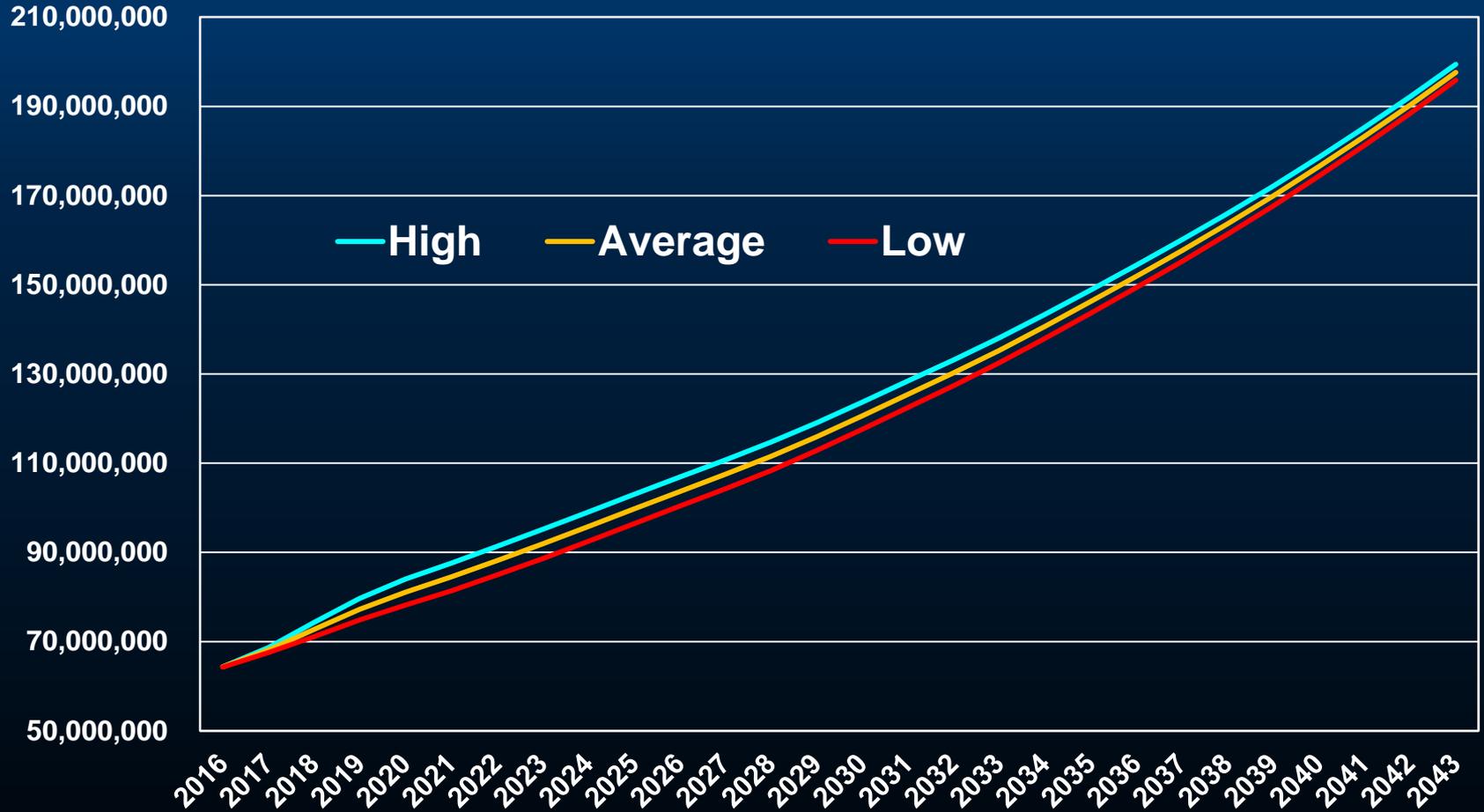
OC Business Expectations Index

Has Reversed a Tad in Latest Surveys

(WCEAF OCBX Index, level)



OC Taxable Sales





Thank You!

Thank You!



Committee Members Present

Andrew Do, Chairman
Steve Jones, Vice Chairman
Richard Murphy
Miguel Pulido
Michelle Steel

Staff Present

Darrell Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Claridge, Deputy Clerk of the Board
Cassie Trapesonian, Associate General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Michael Hennessey
Todd Spitzer

Call to Order

The July 26, 2017 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:33 a.m.

Pledge of Allegiance

Committee Vice Chairman Jones led in the Pledge of Allegiance.

1. Public Comments

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 5)

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

2. Approval of Minutes

A motion was made by Director Steel, seconded by Director R. Murphy, and declared passed by those present, to approve the minutes of the July 12, 2017 Finance and Administration Committee meeting.

Director Pulido was not present to vote on this item.



3. Fiscal Year 2016-17 Internal Audit Plan, Fourth Quarter Update

A motion was made by Director Steel, seconded by Director R. Murphy, and declared passed by those present, to receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2016-17 Internal Audit Plan as an information item.

Director Pulido was not present to vote on this item.

4. Draft Fiscal Year 2017-18 Internal Audit Plan

Director R. Murphy pulled this item to inquire on actual time spent on reviewing internal controls.

Janet Sutter, Executive Director of Internal Audit, responded that every audit is broken down into sections for internal audit which includes planned hours listed in Attachment A of the Staff Report.

Committee Chairman Do inquired if staff is reviewing the Committee charters.

Darrell Johnson, Chief Executive Officer (CEO), responded that the roles and responsibilities are reviewed and approved by each Committee annually.

A motion was made by Director R. Murphy, seconded by Committee Vice Chairman Jones, and declared passed by those present, to:

- A. Approve the Draft Fiscal Year 2017-18 Internal Audit Plan.
- B. Direct the Executive Director of Internal Audit to provide quarterly updates on the Fiscal Year 2017-18 Internal Audit Plan.

Director Pulido was not present to vote on this item.

5. Orange County Transportation Authority Investment and Debt Programs Report - June 2017

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

Director Pulido was not present to vote on this item.



Regular Calendar

There were no Regular Calendar matters.

Discussion Items

6. Orange County Transportation Authority Cyber-Security Update

Darrell Johnson, CEO, provided opening remarks and introduced Bill Mao, Chief Information Officer of Information Systems, who presented a PowerPoint as follows:

- Agenda,
- Security Program Remediation Plan,
- Security Remediation Roadmap,
- Progress to Date,
- Staff Training,
- Recent Threats,
- Industrial Controls Review, and
- Next Steps.

A discussion ensued regarding smart device threats, forensic studies, and continued training for staff.

7. Chief Executive Officer's Report

Darrell Johnson, CEO, reported on the following:

- Andrew Oftelie, Executive Director of Finance and Administration and Kirk Avila, Treasurer and General Manager of the 91 Express Lanes, are in Washington, D.C., to officially close the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan at the interest rate of 2.91 percent.

The Orange County Transportation Authority's \$629 million dollar loan is the 10th largest of 61 deals through TIFIA and is the 2nd largest loan ever given to a California agency behind the Westside Purple Line Extension in Los Angeles.

- Earlier this morning, OCTA hosted a groundbreaking ceremony with the City of Orange for the new Metrolink Parking Structure at the Orange Transportation Center. Staff would like to thank Directors Mark Murphy, Todd Spitzer, and Tim Shaw for participating at the event.



7. (Continued)

- The full and partial freeway closures on the Interstate 5 (I-5) will continue to take place through Friday, July 28th. The work is taking place at the I-5 and Pacific Coast Highway interchange from 10:00 p.m. to 5:00 a.m. and motorists have been notified through all of the Orange County Transportation Authority regular channels.

8. Committee Members' Reports

Director Steel introduced two college interns that will be working in her office as follows:

- Victor Lee, Dartmouth University
- Maddie Lips, Yale University

9. Closed Session

A Closed Session was held for the following:

Pursuant to Government Code Section 54956.8 to discuss the price and terms of payment for the lease of real properties located at 2275 Sampson Street, Corona, California, 4740 Green River Road, Corona, California, 355 East Rincon Street, Corona, California, and 301 Corporate Terrace, Corona, California. The negotiator for the Orange County Transportation Authority is Andrew Oftelie. The real property owners are C.P.I. Properties, HGN Corona Partners, LLC, Providence Corona II, LLC, and Riverside County Transportation Commission, respectively, and the negotiators for each property will be designated by the property owners.

There was no report out for the Closed Session item.

10. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, August 23, 2017**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Andrew Do
Committee Chair

Gina Claridge
Deputy Clerk of the Board



August 23, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Performance Audit of the Orange County Transportation Authority's Storm Water Pollution Prevention Program

Overview

On behalf of the Internal Audit Department, the firm of Sjoberg Evashenk Consulting, Inc., has completed an audit of the Orange County Transportation Authority's Storm Water Pollution Prevention Program. The audit found that the Orange County Transportation Authority generally complied with the requirements for Industrial General Permits and Construction General Permits; however, the auditors made ten recommendations to improve compliance.

Recommendation

Direct staff to implement ten recommendations provided in the Orange County Transportation Authority Performance Audit of OCTA's Storm Water Pollution Prevention Program (SWPPP), Internal Audit Report No. 17-505.

Background

The Santa Ana Regional Water Quality and Control Board regulates storm water runoff for the Orange County Transportation Authority's (OCTA) facilities and activities through two key statewide storm water permits, the Industrial General Permit (IGP) and the Construction General Permit (CGP). The IGP regulates storm water discharges from industrial facilities, while the CGP regulates storm water discharges associated with projects that disturb one or more acres of soil. Both permits require dischargers to develop storm water pollution prevention plans (SWPPPs) that describe practices in place to ensure storm water discharges comply with regulatory levels specified in the permits.

IGP covers industrial facilities, including transportation facilities with vehicle maintenance. OCTA's Health, Safety, and Environmental Compliance Department (HSEC), within the Human Resources and Organizational Development Division, is responsible for managing, overseeing, and monitoring activities undertaken by facility technicians within the Transit Division. Facility technicians located at each of the five bus bases are responsible for conducting daily monitoring of the implementation of best management practices, collecting samples, and identifying any unauthorized non-storm water discharges from the facility area, such as an oil leak.

The CGP generally covers construction or demolition projects that disturb one acre or more of land and includes activities such as clearing, grading, stockpiling, and excavation. Most OCTA construction-related projects subject to the CGP are managed within the Capital Programs Division and are reflected on OCTA's Capital Action Plan. OCTA's role in these projects varies widely, from simply passing through federal funding to local agencies to overseeing and managing the construction phase of projects. The audit focused on projects with construction activities occurring during the period July 1, 2014 through June 30, 2016, and where OCTA had a role in complying with CGP requirements.

Discussion

Based on the audit, Sjoberg Evashenk Consulting, Inc. (auditors) found OCTA generally compliant with the IGP. Observations at the bus base locations, review of documents, and limited testing noted that SWPPPs maintained at each location generally included all required information and that facilities staff had implemented best management practices. Also, the auditors confirmed that facility staff performed and documented required activities. To further enhance compliance, the auditors made six recommendations. These included three recommendations for minor improvements to SWPPPs, enhanced documentation of sampling activities, completion of projects to catch and recycle runoff from the bus wash systems, and expanded use of the job tracking system. Management agreed to implement the recommendations.

With regard to the CGP, the auditors found OCTA generally compliant with certain sections, such as submission of required documents and development of SWPPPs; however, the auditors also identified areas where compliance could be improved. Recommendations included ensuring cooperative agreements clarify the roles and responsibilities associated with compliance with the CGP; enhancing oversight of contractors and personnel carrying out SWPPP-related monitoring; ensuring contractors adhere to required training; and increasing HSEC staff's participation in construction projects to help ensure compliance. Management agreed with these recommendations with one exception. Capital

Programs management agreed to clarify the roles and responsibilities of all individuals and entities associated with CGP compliance in a project memo, rather than in the cooperative agreement.

Summary

An independent audit of OCTA's SWPPP has been completed by the firm of Sjoberg Evashenk Consulting, Inc. The detailed audit scope and results are included in the audit report at Attachment A.

Attachment

- A. Orange County Transportation Authority Performance Audit of OCTA's Storm Water Pollution Prevention Program (SWPPP)

Prepared by:



Ricco Bonelli
Principal Internal Auditor
714-560-5384

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

Orange County Transportation Authority

Performance Audit of OCTA's Storm Water Pollution Prevention Program (SWPPP)

July 2017



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Executive Summary

The Water Pollution Control Act (Clean Water Act) provides the California Water Boards with the authority and framework for regulating storm water discharges under the National Pollutant Discharge Elimination System Permitting Program. The Santa Ana Regional Water Quality and Control Board regulates storm water runoff for Orange County Transportation Authority's (OCTA) facilities and activities through two key statewide storm water permits:

- Industrial General Permit (IGP) regulates storm water discharges from industrial facilities.
- Construction General Permit (CGP) regulates storm water discharges associated with projects that disturb one or more acres of soil.

Both permits require dischargers to develop storm water pollution prevention plans (SWPPP) that describe practices in place to ensure storm water discharges comply with regulatory levels specified in the permits.

Our review of OCTA's compliance with the permits found that OCTA generally complied with the IGP and the CGP. Related to the IGP, our observations from the site visits of the five bus bases, review of documents, and limited testing found that OCTA implemented the required SWPPPs, employed best management practices, performed site observations, conducted sampling, etc. However, we found that OCTA could improve its compliance with the IGP in the following areas:

- Minor Improvements to the SWPPPs are Necessary.
- Additional Documentation Could Improve Sampling Processes.
- Unauthorized Non-Storm Water Discharges Exist, but Improvements Underway.
- Use of the Ellipse Job Tracking System Could be Expanded.

Related to the CGP, we found that OCTA filed Permit Registration Documents (PRDs) and Notice of Terminations (NOTs) in accordance with permit requirements and SWPPPs were developed by Qualified SWPPP Developers and addressed all key permit objectives. However, we found that OCTA could improve its compliance with the CGP in the following areas:

- Cooperative Agreements Could Better Define Project Responsibilities Related to Compliance with the CGP.
- Key Site Inspections and Sampling Activities Did Not Always Meet Requirements.
- Minor Annual Reporting Improvements were Necessary.
- Some SWPPP Training Documents Could Not Be Provided.
- OCTA Could Further Utilize its Health, Safety, and Environmental Compliance Group to Better Ensure Compliance with the CGP.

The report includes ten recommendations for OCTA to consider to enhance SWPPP compliance, including the following key recommendations:

- Establish a formal process in which technicians maintain documentation supporting why samples could not be collected during a sampling period.
- Continue efforts to eliminate the unauthorized non-storm water discharges related to the bus washes.
- Ensure cooperative agreements clarify roles and responsibilities of all individuals and entities associated with compliance with the CGP.
- Enhance oversight of contractors and personnel carrying out SWPPP related monitoring activities, particularly related to site inspections, sampling, reporting, etc. OCTA should also ensure that agreements with contractors tasked with SWPPP activities include retention requirements.
- Increase Health, Safety and Environmental Compliance (HSEC) group's participation with construction projects and activities to ensure compliance with the CGP.

Objectives, Scope, and Methodology

Sjoberg Evashenk Consulting was hired by the Orange County Transportation Authority (OCTA) to conduct a performance audit to assess the adequacy of OCTA's Storm Water Pollution Prevention Plan (SWPPP) for compliance with the State's Industrial General Permit (IGP) and Construction General Permit (CGP).

The audit was to include testing of OCTA's compliance with key requirements of the IGP, including, but not limited to, development of a SWPPP, monthly observations, storm water sampling, and required submissions to the Storm Water Multiple Application and Report Tracking System (SMARTS). For CGPs, the audit was to evaluate OCTA's program to ensure adequate controls for identifying applicable projects and taking appropriate actions to ensure compliance with permit requirements.

The audit period was July 1, 2014 to June 30, 2016.

To meet the audit objectives, we performed the following audit steps and tasks:

General Tasks

- Reviewed provisions and requirements of the Statewide IGP and CGP, including pertinent program information available on the State's Water Resources Control Board website.
- Performed numerous interviews with key OCTA management and staff, including the following:
 - Manager, Health, Safety, and Environmental Compliance Group
 - Environmental Compliance Specialist, Health, Safety, and Environmental Compliance Group
 - Maintenance Managers, Transit Division Maintenance Department
 - Base Managers, Transit Division Maintenance Department
 - Section Manager and Facilities Staff, Transit Division Maintenance Department
 - Construction Management Program Manager, Capital Programs Division
 - Project Manager, Capital Programs Division Highway Programs
 - Facilities Engineering Manager, Capital Programs Division

Identified and discussed with OCTA staff compliance issues identified and determined if mitigating policies or procedures are in place.

IGP Tasks

- Obtained and reviewed SWPPPs for each of the five bus bases.
- Conducted site visit walkthroughs at each of the five OCTA bus bases focusing on key SWPPP and IGP required activities.
- Performed testing related to processes associated with SWPPP development; monitoring and inspections; sampling; and submissions to SMARTS system.

CGP Tasks

- Reviewed OCTA's Capital Action Plan to identify the types of construction projects underway or planned, which largely consists of the following three types of projects: Freeway, Rail/Station, and Grade Separation.
- From the projects reflected on the Capital Action Plan with active construction activity during the audit timeframe, selected construction projects to perform compliance testing with the CGP:
 - Freeway—because the California Department of Transportation (Caltrans) and its contractors have the major responsibilities on the Freeway projects and Caltrans assumed the responsibility as the Legally Responsible Person (LRP), we did not perform detailed testing of compliance with the construction general permit on the freeway projects reflected on OCTA's Capital Action Plan.
 - Rail/Station—because there was only one rail/station project under construction and covered under the construction general permit and OCTA's role for this project was limited to serving as a pass-through for funding, we did not perform detailed testing of compliance with the construction general permit on Rail/Station projects reflected on OCTA's Capital Action Plan.
 - Grade Separation—there were six grade separation projects with active construction activity reflected on OCTA's Capital Action Plan and for which OCTA was responsible for construction activities, including certain CGP compliance. Of these six projects, we selected two for review. Note: We did not review the responsibilities assumed by outside entities related to compliance with the CGP, such as the city's responsibilities associated with either acting as the legally responsible person or submitting information into SMARTS.
- We also reviewed one Facilities Engineering project on OCTA owned property that did not meet the criteria to be included on OCTA's Capital Action Plan but was covered under the State's construction general permit.
- Obtained and reviewed SWPPPs for each of the selected construction projects.
- Performed testing related to processes associated with SWPPP development; monitoring and inspections; sampling; and submissions to SMARTS system (where applicable).

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Chapter 1: Industrial General Permit

The Federal Clean Water Act prohibits discharges from point sources to waters of the United States, unless the discharges are in compliance with a National Pollutant Discharge Elimination System (NPDES) permit. On April 17, 1997, the California State Water Resources Control Board issued a statewide NPDES Industrial General Permit (IGP) to regulate industrial storm water discharges and authorized non-storm water discharges (NSWDs) from industrial facilities. The 1997 permit was updated in 2014 and became effective on July 1, 2015. The general permit covers many industrial facilities, but compliance with the requirements is the responsibility of the individual facilities. Industrial facilities that are covered under the permit includes manufacturers, hazardous waste facilities, transportation facilities with vehicle maintenance, and recycling facilities.

The IGP has the following key requirements:

- Eliminate unauthorized non-storm water discharges.
- Develop and implement Storm Water Pollution Prevention Plans (SWPPPs) that include minimum best management practices to achieve compliance with the effluent and receiving water limitations.
- Conduct monitoring, including visual observations and sampling.
- Perform the appropriate Exceedance Response Actions (ERAs) when limits are exceeded.
- Electronically submit all permit-related compliance documents via the Storm Water Multiple Application and Report Tracking System (SMARTS).
- Implement a comprehensive training program for individuals assisting dischargers with compliance of the permit.

For coverage under the IGP, an industrial facility owner or operator, i.e. Legally Responsible Person (LRP), must submit a Notice of Intent (NOI) to the State Water Resources Control Board for each facility. The LRP is responsible for all permit related activities at the facility. Additional permit related documents (PRDs) that the LRP must submit include:

- SWPPPs,
- Annual Reports,
- Level 1 ERA Reports, and
- Notices of Termination (NOTs).

The Orange County Transportation Authority (OCTA) owns five bus transportation facilities with maintenance activities located in:

- Santa Ana,

- Garden Grove,
- Anaheim,
- Irvine—Sand Canyon, and
- Irvine—Construction Circle.

While OCTA handles the facilities operations at all five of the bus bases, it oversees maintenance activities at only the Santa Ana and Garden Grove locations. For the remaining three bus base locations, OCTA has contracted with third-party vendors to perform the maintenance operations. Since industrial activity, i.e. bus maintenance and repair, takes place at each of the five bus bases, discharges at each site is regulated by the IGP.

An Environmental Compliance Specialist within OCTA’s Health, Safety, and Environmental Compliance group is responsible for managing, overseeing, and monitoring activities undertaken by facility technicians to ensure full compliance with the IGP. Additionally, facility technicians located at each of the five bus bases are responsible for completing specific activities at regular intervals in order to comply with the IGP. This includes conducting daily monitoring of the implementation of best management practices (BMPs), collecting samples, and identifying any unauthorized non-storm water discharges from the facility area, such as an oil leak.

Overall, we found that OCTA generally complied with the IGP, including demonstrating knowledge of permit and SWPPP requirements. For example, our observations from the site visits of the five buses bases, review of documents, and limited testing found that OCTA complied with the following IGP requirements:

- Implemented SWPPPs—with a few minor exceptions discussed later, the bus bases had SWPPPs that generally included the required information, such as facility name and contact information; site map; list of industrial materials; description and assessment of potential pollution sources; and minimum BMPs.
- Employed Best Management Practices—the bus bases’ facility staff had implemented the required core best management practices, which included items such as good housekeeping (dry sweeping of particulates and covering industrial bins); preventative maintenance (such as inventory of potential spill points); spill and leak prevention response (drain spill covers used in fueling and brake check activities); material handling and waste management (all maintenance is handled inside covered buildings); and erosion and sediment controls (landscaping and mulching).
- Performed Visual Observations—the bus bases’ facility staff performed and documented the required monthly dry visual observations, which included evaluating BMPs and identifying unauthorized non-storm water discharges and other sources of industrial pollutants, etc. Additionally, OCTA’s Environmental Compliance Specialist conducts a similar site observation every 30-60 days.

- Performed Exceedance Response Actions—Four bus base locations reported sampling exceedances during 2016; in response, all required measures were taken, such as the compilation of an ERA report and evaluation by a Qualified Industrial Storm Water Practitioner (QISP) certified professional, as well as the implementation of improved or additional BMPs.
- Administered Employee Training—OCTA provided the required employee training to ensure that staff were properly trained to implement the IGP requirements. The annual training was conducted by a certified QISP and included general permit updates, BMPs, hazardous materials spills response, and activity documentation.
- Submitted Documents into SMARTS—OCTA submitted required documents into SMARTS, such as the SWPPPs, Annual Reports, Level 1 ERA Reports, and sampling lab results.

Additionally, the Environmental Compliance Specialist recently obtained the QISP certification, which provides OCTA with the necessary training and expertise to directly administer industrial storm water training and oversee exceedance response actions rather than relying on external consulting firms for these services.

However, we found that OCTA could improve its compliance with the IGP in the following areas:

- Minor Improvements to the SWPPPs are Necessary
- Additional Documentation Could Improve Sampling Processes
- Unauthorized Non-Storm Water Discharges Exist, but Improvements Underway
- Use of the Ellipse Job Tracking System Could be Expanded

Minor Improvements to the SWPPPs are Necessary

While we found that the five bus bases had implemented the required SWPPPs and the plans generally included the required information, we found that a few minor improvements were necessary related to ensuring operating hours and SWPPP preparation dates are explicitly documented in the plans and ensuring copies of the SWPPPs are maintained at each facility.

Specifically, the IGP requires that dischargers document in their SWPPP the facility’s scheduled operating hours, which is defined as “The time periods when the facility is staffed to conduct any function related to industrial activity...” While bus maintenance activities occur 24/7 at each of the bus bases, we found that these hours were not specifically stated in the SWPPPs of any of the five bus bases. According to OCTA staff, the facility technicians are only available from 5:00 am to 3:30 pm Monday through Friday, which establishes when SWPPP compliance activities can take place, but does not cover all of the hours that the industrial (bus maintenance) activities occur. Nonetheless, the IGP requires that the SWPPP document the time periods when the facility conducts any function related to industrial activity, which is conducted at OCTA bus bases 24/7.

Additionally, during our site visits at each of the bus base locations, we found that four of the five bus facilities maintained a copy of the SWPPP on-site as required by the IGP; however, one bus base was unable to locate a copy of the SWPPP. To make certain staff have the needed SWPPP resources and information closely accessible at all times and to be better prepared for surprise audit visits by the State Water Resources Control Board, OCTA should ensure that copies of the SWPPPs are maintained at all five bus base facilities.

Furthermore, the IGP requires that SWPPPs contain the date that the SWPPP was initially prepared. We found the dates that the SWPPPs were initially prepared were not included within the SWPPP documentation for any of the five bus bases. Providing a date for when each SWPPP was prepared will eliminate any disputes or questions that may arise from the State Water Resources Control Board in regards to verifying when amendments to the SWPPP were made, or if the SWPPP is current.

Additional Documentation Could Improve Sampling Processes

The IGP requires that dischargers collect and analyze storm water samples from two qualifying rain events within the first half of each reporting year (July 1 to December 31), and two QREs within the second half of each reporting year (January 1 to June 30). If there are no qualifying events during the sampling period or if there are dangerous weather conditions during the QRE, sampling cannot be performed.

At each of the five bus bases, we performed a high-level review of the sampling processes, including conducting interviews with staff performing sampling activities and reviewing the testing results logs. We found that each of the five bus bases had consistent processes in place to conduct the bi-annual required testing.

Additionally, we selected one facility to perform detailed verification of the documentation supporting the sampling log information and results that is maintained at the facility and submitted into SMARTS. During the 2015-2016 reporting year, we found that the bus base tested had documentation related to the sampling process associated with only one QRE during each of the two six-month sampling periods rather than documentation showing that the required two QREs were tested from each sample period. When asked why only one QRE was sampled during each sampling period instead of two, OCTA was unable to provide any support or documentation that would explain the discrepancy. OCTA staff indicated it is likely that there was not a second QRE that occurred during the periods and, in that case, additional samples could not be collected. Also, according to OCTA staff, there is currently not a process in place at any of the five bus bases where technicians document why sampling activities could not be performed. In the event the State Water Resources Control Board questioned OCTA as to why the required number of samples were not collected, OCTA should establish a formal process in which technicians maintain documentation supporting why samples could not be collected during a sampling period to avoid potential future noncompliance.

Unauthorized Non-Storm Water Discharges Exist, but Improvements Underway

The IGP describes that unauthorized Non-Storm Water Discharges (NSWDs), such as wash water and irrigation overflow, are prohibited. During our site visits, we were informed by OCTA staff that unauthorized NSWDs existed at each of the bus bases related to excess water run-off from buses after they have gone through the bus wash. OCTA is in the process of resolving the issues by implementing a water capture system that will trap all water run-off, and recycle the run-off for reuse within the bus wash system. We were told during interviews with OCTA staff that the capture systems are slated to be completed at all 5 bus base locations by the summer of 2017. Furthermore, OCTA staff has reported the unauthorized NSWD to the State Water Resources Control Board, and has notified the State Water Resources Control Board of the capture system that is in the process of being implemented.

Use of the Ellipse Job Tracking System Could be Expanded to Improve Tracking

OCTA's Ellipse job tracking system produces a number of daily, weekly, and monthly tasks that must be completed by employees. Depending on how a task was programmed into Ellipse, the system will generate work orders at specified intervals according to the desired completion date. Work orders contain detailed steps as to how the task must be completed by technician staff. Once a work order has been completed, technicians enter updates in the Ellipse system indicating that the task has been completed.

The majority of tasks in Ellipse relate to maintaining the facility building, systems, and assets and include weekly shop inspections, weekly and monthly parts washing, and preventative maintenance bus inspections. Other tasks in Ellipse relate to storm water general permit compliance activities, such as monthly storm water inspections and storm drain filter cleaning. We noted that there are additional storm water tasks related to BMPs that could be incorporated into the Ellipse system to facilitate better tracking and documentation that storm water-related tasks have been completed. After our discussions with the Environmental Compliance Specialist regarding this opportunity for improvement, we were informed that expansion of Ellipse is underway related to the following storm water tasks: verifying contracted sweeping, pressure washing and steam cleaning services.

Chapter 1 Recommendations:

To improve compliance with the IGP and benefit from opportunities for improvement, OCTA should consider the following:

1. Document in the SWPPPs the time periods when the bus bases conduct any function related to industrial activity.

Management Response: SWPPPs will be revised to describe time periods when bus bases conduct industrial activity. Maintenance staff will be included as SWPPP team members.

2. Ensure that a copy of the SWPPP is maintained at each bus base facility.

Management Response: Hard copies of SWPPP will be maintained at each bus base facility in addition to electronic copies. Each hard copy will be singularly identifiable and OCTA SWPPP members will be notified/trained of their locations.

3. Document the date that each SWPPP was initially prepared.

Management Response: SWPPPs will be revised to include the date that each SWPPP were initially prepared.

4. Establish a formal process in which technicians maintain documentation supporting why samples could not be collected during a sampling period.

Management Response: Monitoring forms used by technicians will be revised to provide supporting documentation/verbiage on why samples could not be collected during a qualified sampling event.

5. Continue efforts to eliminate the unauthorized non-storm water discharges related to the bus washes.

Management Response: Bus wash water track-out capturing systems are expected to be finished and operable by August 2017.

6. Continue efforts to expand the use of the Ellipse system to include additional storm water-related tasks.

Management Response: Current Ellipse work orders related to storm water pollution prevention have been updated and modified. New expanded work orders will be established within Ellipse by August 2017.

Chapter 2: Construction General Permit

On September 2, 2009, the California State Water Resources Control Board adopted the current statewide National Pollution Discharge Elimination System Construction General Permit (CGP) to regulate construction-related storm water discharges and authorized non-storm water discharges. The permit became effective on July 1, 2010 and was later amended in 2010 and 2012. The CGP generally covers construction or demolition projects that disturb one acre or more of land and includes activities such as clearing, grading, stockpiling, and excavation.

The CGP key requirements, which are similar to the Industrial General Permit (IGP), include eliminating unauthorized non-storm water discharges, developing and implementing Storm Water Pollution Prevention Plans (SWPPPs) and Best Management Practices (BMPs), conducting visual observations and sampling, performing the appropriate actions when limits are exceeded, submitting permit-related compliance documents via Storm Water Multiple Application and Report Tracking System (SMARTS), and ensuring individuals assisting dischargers with compliance of this permit are properly trained.

Similar to the IGP, for coverage under the CGP, a project proponent, i.e. Legally Responsible Person (LRP), must submit a Notice of Intent (NOI) to the State Water Resources Control Board prior to the commencement of construction activity. The LRP is responsible for all permit related activities associated with the project and must submit permit registration documents (PRDs) into SMARTS, such as SWPPPs, annual reports, sampling test results, and Notices of Termination (NOTs).

Most of the Orange County Transportation Authority's (OCTA) construction-related projects subject to the CGP are managed through the Capital Programs Division and are reflected on OCTA's Capital Action Plan. OCTA's Capital Action Plan largely consists of the following three categories of construction projects:

- Freeway,
- Rail/Station, and
- Grade Separation projects.

OCTA's role in these projects vary widely from simply passing through federal funding to local agencies to overseeing and managing the construction phase of projects. The audit focused on projects with construction activities occurring during July 1, 2014 to June 30, 2016 that were subject to the CGP, and where OCTA had a role in complying with CGP requirements. As a result,

we did not review in detail either OCTA's freeway¹ projects or Rail/Station² projects. We focused our review efforts on grade separation projects where OCTA was responsible for construction activities—there were six grade separation projects; of these six projects, we selected two for review. We also reviewed one facilities engineering project on OCTA owned property that did not meet the criteria to be included on OCTA's Capital Action Plan, but was covered under the State's construction general permit.

Overall, we found that OCTA generally complied with sections of the CGP, such as:

- PRDs were filed in accordance with permit requirements
- NOTs were filed in accordance with permit requirements
- SWPPPs were developed by Qualified SWPPP Developers (QSDs)
- SWPPPs addressed all key permit objectives

However, we found that OCTA could improve its compliance with the CGP in the following areas:

- Cooperative Agreements Could Better Define Project Responsibilities Related to Compliance with the CGP
- Key Site Inspection Activities Did Not Always Meet Requirements
- Key Sampling Activities Did Not Always Meet Requirements
- Minor Annual Reporting Improvements Necessary
- Some SWPPP Training Documents Could Not Be Provided
- OCTA Could Further Utilize its Health, Safety, and Environmental Compliance Group to Better Ensure Compliance with the CGP

Cooperative Agreements Could Better Define Project Responsibilities Related to Compliance with the CGP

OCTA could better define project responsibilities in the cooperative agreements entered into with local entities (i.e. cities) when assisting with their construction grade separation project, particularly related to compliance with the CGP. Aside from project funding, the City is typically responsible for pre-construction activities (environmental, design, right-of-way acquisition, utility relocation) and OCTA is often responsible for construction activities, including overseeing construction management and hiring construction contractors that are tasked with CGP compliance

¹ Caltrans and its contractors have the major responsibilities on the freeway projects and Caltrans assumed the responsibility as the Legally Responsible Person.

² There was only one rail/station project under construction and covered under the construction general permit during the period of the audit and OCTA's role on this project was limited to serving as a pass-through for funding.

activities. For the two grade separation projects we reviewed, the following outlines the key construction-related responsibilities of a City and OCTA:

City

- Obtaining certain permits such as Caltrans encroachment permits and California Public Utility Commission permits.
- Ensuring Compliance with the State's CGP, including submitting a NOI to comply with the terms CGP and certifying and submitting all required permit-related documents into SMARTS. Most importantly, assuming the responsibility of the Legally Responsible Party to make certain the construction projects comply with the State's construction general permit requirements.

OCTA

- Managing multiple grade separation projects, which includes overseeing environmental clearances, engineering, right of way acquisitions, and construction management and administration of construction contracts.
- Hiring construction contractor responsible for:
 - ✓ Performing construction activities.
 - ✓ Complying with the CGP, including preparing and submitting a SWPPP, performing good housekeeping activities, maintaining Best Management Practices, and conducting on-site inspections and sampling activities.
- Hiring construction management consultant responsible for providing OCTA with staff assistance and technical expertise with project management during the construction phase, including:
 - ✓ Communicating between construction contractor and all other project participants; performing quality assurance inspection services of construction contractor's work; preparing daily construction activity reports and performs control point and benchmark surveying; and reviewing construction contractor's progress payments and processes change order requests.
 - ✓ Providing oversight of the construction contractor's compliance with the CGP, including reviewing the submitted SWPPP and providing comments and acceptance or rejection determination; inspecting erosion control measures and prevention program work on a regular basis; performing and assisting in SWPPP compliance inspections; and ensuring the construction contractor corrected any deficiencies.
- Hiring construction program management consultant responsible for providing OCTA with staff assistance and technical expertise with project management during the construction phase, including pre-construction services, construction management oversight, and

program and project management assistance. Generally, the construction program management consultant does not have a significant role with compliance of the CGP.

While agreements between OCTA and contractors carrying out construction activities are quite detailed, the cooperative agreements between OCTA and the cities could better define certain project responsibilities related to compliance with the CGP. Specifically, the cooperative agreements typically outline funding arrangements and responsibilities such as:

- OCTA agrees to act as the lead agency for construction and construction management, including award construction-related contracts.
- City agrees to provide permits, plans, specifications, and estimates and will assume ownership of the project once the one year warranty period is over after completion of construction.

Our review of OCTA's and City cooperative agreements found that the agreements do not adequately detail each entity's responsibilities associated with compliance with the State's CGP, such as assuming the responsibility of the LRP, submitting permit-related documents to the State Water Resources Control Board, preparing and submitting a SWPPP, and performing on-site activities, such as BMPs, inspections, and sampling activities. Having the cooperative agreement clearly outline these responsibilities is particularly important since both the City and OCTA carry out major responsibilities related to CGP. According to OCTA, while the cooperative agreements do not specifically detail the responsibilities associated with compliance with the CGP, each of the responsibilities are informally agreed to between OCTA and the cities. Additionally, the assignment of some of the responsibilities, such as the LRP, are outlined in permit-related documents submitted to the State Water Resources Control Board. However, for one particular grade separation project reviewed, OCTA and the construction contractor were admittedly unclear as to who was the designated LRP. The designation of responsibility appeared to have changed during the course of the project. This can pose a significant problem if the duties in the cooperative agreements are outlined vaguely or are agreed upon informally.

Key Site Inspection Activities Did Not Always Meet Requirements

The CGP requires specific key routine site inspection activities during the construction phase of a project; our review of site inspection activities associated with two of OCTA's grade separation projects and one facilities engineering project found that they did not always meet the stated requirements. The key required site inspection activities are as follows:

- Weekly Site Inspections ensure best management practices are conducted correctly and effectively and identify any practices that require correction. The inspections are conducted with an inspection checklist and report of corrective actions is completed as needed. Information should be maintained in project files.
- Storm Event Inspections involves pre-storm event, daily storm event, and post-storm event inspections associated with a qualifying rain event to ensure best management practices are conducted effectively and identify any practices that require corrective actions. Conducted with an inspection checklist and report of corrective actions are completed as needed. Information should be maintained in project files and summarized in the Annual Report.
- Quarterly Non-Storm Water Site Inspections are conducted to ensure best management practices are conducted correctly and effectively and identify any practices that require correction, which implementation must begin within 72 hours. Additionally, the inspections are conducted to identify the presence of and source of authorized or unauthorized non-storm water discharges. Inspections are conducted with an inspection checklist and report of corrective actions completed as needed. Information should be maintained in project files and as well as summarized in the Annual Report submitted into SMARTS.

Pre-Storm Event Inspections:

conducted 48 hours prior to a rain event that has at least a fifty percent chance of producing precipitation.

Daily Storm Event Site Inspections:

conducted at least once each 24-hour period during a QRE.

Post-Storm Event Site Inspections:

conducted within 48 hours of a QRE.

For the two grade separation projects and one facilities engineering project selected for review, we analyzed the following activities during the construction phase of the projects for compliance with site inspection requirements:

- Fourteen weekly inspections—five for each of the two grade separation projects and four for the facilities engineering project.
- Five storm event inspections—two (out of ten possible) qualifying rain events for each of the grade separation projects and one (out of seven possible) qualifying rain events for the facilities engineering project.
- Six quarterly non-storm water inspections—two for each project.

Our analysis revealed that key site inspection activities reviewed did not always meet requirements. Specifically:

Weekly Site Inspections

Eight of the fourteen ³weekly site inspection reports selected for review were incomplete as they were missing key elements required by the CGP. Required elements include, but are not limited to, weather information, description of BMPs evaluated and any deficiencies noted, and site information. Our review found that seven weekly inspection reports reviewed were missing site information such as the approximate area of site exposed, disturbed soil area information, construction stage and completed activities, and listing corrective action taken on deficient BMPs. Additionally, one of the weekly site inspection reports was missing site photographs even though the report indicated that photographs had been taken. Although photographs are not required with every site inspection, the CGP requires that photos be provided within the report if photos were taken.

Storm Event Inspections

For four of the five ⁴qualifying rain events selected for review, OCTA staff was unable to provide sufficient documentation demonstrating that all required pre-storm event, daily storm event, and post-storm event site inspections were conducted. Related to two of the qualifying rain events, no documentation was provided that demonstrated any of the required pre-storm, daily, and post-storm site inspections were conducted. With regard to one rain event, the results from the pre-storm, daily, and post-storm site inspections that reportedly occurred over a four-day period were combined into a single report rather than the required separate reports for each site inspection. This makes it difficult to determine which of the three site inspections corresponded with the results documented in the single report.

Additionally, we found separately that there were ten post-storm site inspections ⁵conducted and reports completed that did not correspond with any rain events. Specifically, the ten post-storm inspection reports indicated that no QRE had occurred, or was predicted to occur, during the time the inspection was conducted. When OCTA was asked why post-storm inspections had been conducted when a QRE had not occurred, OCTA indicated that it was the construction contractor's standard independent method of SWPPP inspection reporting. As required by the CGP, post-storm inspections are only performed within 48 hours of a qualifying rain event.

Quarterly Non-Storm Water Inspections

Four of the six ⁶quarterly non-storm water inspection reports selected for review were provided; however, two of the six reports were not provided. The quarterly results were summarized for the

³ Four were from the facilities engineering project and four were from the two grade separation projects.

⁴ One was related to the facilities engineering project, while the other three were related to the two grade separation projects.

⁵ All ten were from the facilities engineering project.

⁶All four were from the two grade separation projects.

two missing inspection reports within the corresponding annual reports indicating that no non-storm water discharges were observed.

For the four quarterly inspection reports provided, one was missing the required site information and another report indicated that a non-storm water discharge was observed, but no documentation was provided indicating that the required sampling was performed in response; two were missing documentation of observations for all established BMPs; and one report did not include the date the inspection was performed.

The CGP requires dischargers to maintain all SWPPP-related documentation for at least three years after the close of a project. OCTA staff were unable to provide some SWPPP-related documentation due to an information system breach that resulted in the loss of some critical files. OCTA staff reached out to the contractors responsible for SWPPP activities to obtain copies of these documents; however, the contractors failed to provide all of the needed documents. In one instance, the contractor was no longer in business. The agreements between OCTA and the construction contractors do not specifically address SWPPP-related documentation retention requirements and responsibilities.

Key Sampling Activities Did Not Always Meet Requirements

The CGP requires specific sampling activities during the construction phase of a project; our review of sampling activities associated with two of OCTA's grade separation projects found that they did not always meet the stated requirements. The key required sampling activities are as follows:

- Daily Storm Event Discharge Sampling (does not apply to risk level 1 projects)—collect three samples per day of a qualifying rain event and at least one sample per discharge location. Information should be maintained in project files, testing results submitted into SMARTS, and testing activities summarized in the Annual Report. Additionally, if the testing results reveal that discharges exceeded the accepted PH and turbidity levels, an exceedance report must be completed and submitted into SMARTS.
- Non-Storm Water Discharge Sampling—if a non-storm water discharge is found during a quarterly site inspection, test a sample of the discharge. Information should be maintained in project files, testing results submitted into SMARTS, and testing activities summarized in the Annual Report.

For each of the two grade separation projects, we analyzed the required daily sampling activities associated with two qualifying rain events from ten possible events and one non-storm water quarterly inspection. The facilities engineering project did not require daily sampling as the project was classified as a risk level 1 project.

Our analysis revealed that key sampling activities did not always meet requirements. Specifically, related to one rain event, documentation analyzed revealed that no daily storm event discharge

sampling was conducted even though sampling is required by the CGP. Related to a second rain event reviewed, documentation revealed that sampling had been conducted, however maximum Numeric Action Level (NAL) thresholds had been exceeded for both pH and turbidity, but the required exceedance report was not prepared and submitted into SMARTS. According to the CGP, if an NAL threshold is exceeded, the discharger must complete and submit an exceedance report into SMARTS.

Further, related to one quarterly site inspection reviewed that required sampling due to an observed NSW, there was no evidence that sampling had been conducted in response. As specified in the CGP, if a NSW is identified during a site inspection, the discharger must sample the NSW and submit the results into SMARTS as well as maintain the sampling documentation with the project files.

Minor Annual Reporting Improvements Necessary

The CGP requires dischargers to submit an annual report, which provides specific information to the State Water Resources Control Board to demonstrate compliance with all applicable requirements of the permit. We reviewed eight annual reports submitted into SMARTS—six associated with the two grade separation projects and two associated with the one facilities engineering project. We found that all eight reports reviewed required improvements as they were missing required pieces of information and/or documentation or were submitted past the deadline.

For the six annual reports reviewed related to the two grade separation projects, we found the following issues.

- All six reports did not provide the name of the individual who performed the facility inspections and/or visual observations, as well as the date, place, and time that those activities occurred.
- Two reports were missing at least one of these key pieces of information/documentation related to visual observation and sample collection exception records and laboratory reports.
- One was submitted after the September 1st deadline.

Although the staff of the cities were acting as the LRPs on these projects and had the responsibility to submit the annual reports into SMARTS, OCTA hired the contractors that were responsible for ensuring all SWPPP activities were conducted in accordance with CGP requirements, including preparation of the annual reports. As such, OCTA should ensure that its contractors provide all required information in the annual reports.

Furthermore, we found that the two annual reports reviewed related to the facilities engineering project also required improvement. Specifically, the two reports did not include the name of the individuals who performed the facility inspections and/or visual observations and did not include the date, place, and time that those activities occurred. Additionally, we found that one of the

annual reports was submitted after the September 1st deadline. Although OCTA was the LRP on the project, OCTA staff overseeing the project indicated that it was the contractor's responsibility to ensure timely submission of the annual reports.

Some SWPPP Training Documentation Could Not Be Provided

According to the CGP, dischargers shall ensure that all persons responsible for implementing requirements of the CGP shall be appropriately trained; the discharger shall provide documentation of all training for persons responsible for implementing the requirements of the CGP in the annual reports. The annual report asks if training was provided during the reporting year and the instructions state that the discharger must provide training documentation upon request. We requested to review the training documentation related to one annual reporting period associated with each of the grade separation projects and the facilities engineering project.

We were provided with training documentation for staff responsible for implementing the requirements of the CGP on one of the grade separation projects and the facilities engineering project. However, we were only provided with the training documentation for half of the staff responsible for implementing CGP requirements for the for the other grade separation project; OCTA staff noted that the contractor responsible for ensuring CGP compliance had gone out of business.

OCTA Could Further Utilize its Health, Safety, and Environmental Compliance Group to Better Ensure Compliance with the CGP

As described earlier in the report, OCTA's Health, Safety, and Environmental Compliance (HSEC) group is very involved with the day-to-day management, oversight, and monitoring activities associated with compliance with the IGP. However, the group's involvement with ensuring compliance with the CGP is limited as they may perform some monitoring of the construction site conditions but in an indirect, hands off manner. Specifically, according to HSEC staff, a Construction Safety Officer is actively involved with the construction activities related specifically to safety management programs. While HSEC staff may conduct a monthly construction site inspection, staff responsibilities do not involve CGP compliance activities, such as reviewing storm water paperwork, conducting required CGP-related compliance inspections or sampling, or ensuring required construction project documentation and updates are entered into SMARTS. OCTA should consider increasing the HSEC group's participation with construction projects and activities to help ensure compliance with the CGP.

Chapter 2 Recommendations:

To improve compliance with the CGP and benefit from opportunities for improvement, OCTA should consider the following:

7. Ensure cooperative agreements specifically clarify the roles and responsibilities of all individuals and entities associated with compliance with the CGP.

Management Response: Management doesn't agree that the roles and responsibilities of all individuals and entities should be included in the Cooperative Agreements. However, management will implement a procedure to document these roles and responsibilities in a project memo.

8. Enhance oversight of contractors and personnel carrying out SWPPP related monitoring activities, particularly related to site inspections, sampling, reporting, etc. OCTA should also ensure that agreements with contractors tasked with SWPPP activities include retention requirements.

Management Response: Enhanced oversight of contractors and construction management teams will be implemented and monitored. OCTA will ensure current and future agreements with contractors include retention requirements.

9. Ensure contractors adhere to training required by the CGP by periodically requesting to review training records.

Management Response: Periodic reviews of training records will be implemented.

10. Increase the HSEC group's participation with construction projects and activities to help ensure compliance with the CGP.

Management Response: HSEC will continue to participate in CGP compliance efforts and will identify/allocate necessary resources to ensure compliance with the CGP in partnership with OCTA's Capital Programs group via project planning efforts.



August 23, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Local Agency Investment Fund - June 2017

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is written over the "From:" line of the header.

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending June 30, 2017. The report has been reviewed and is consistent with the investment practices of the State Treasurer's Office.

Recommendation

Receive and file as an information item.

Discussion

As of June 30, 2017, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$77,616,683,602 with a month-average yield of 0.98 percent and a month-end weighted average maturity of 194 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$22,812,817,838. The Orange County Transportation Authority's month-end balance in LAIF was \$10,253,754.

Summary

The Orange County Transportation Authority is submitting a copy of the Local Agency Investment Fund statements and summary reports to the Finance and Administration Committee. The statements are for the month ending June 30, 2017.

Attachment

A. Local Agency Investment Fund – As of June 30, 2017

Prepared by:



Rodney Johnson
Deputy Treasurer
Treasury/Toll Roads
(714) 560-5675

Approved by:



Andrew Oftelie
Executive Director,
Finance and Administration
(714) 560-5649

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

www.treasurer.ca.gov/pmia-laiif/laiif.asp
July 14, 2017

ORANGE COUNTY TRANSPORTATION AUTHORITY

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

PMIA Average Monthly Yields

Account Number:
80-30-001

Tran Type Definitions June 2017 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	10,253,753.92
Total Withdrawal:	0.00	Ending Balance:	10,253,753.92



JOHN CHIANG
TREASURER
STATE OF CALIFORNIA



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
06/13/17	0.96	0.91	182
06/14/17	0.96	0.91	179
06/15/17	0.98	0.92	187
06/16/17	0.98	0.92	186
06/17/17	0.98	0.92	186
06/18/17	0.98	0.92	186
06/19/17	0.98	0.92	183
06/20/17	0.98	0.92	182
06/21/17	0.99	0.92	181
06/22/17	1.00	0.92	186
06/23/17	1.00	0.92	188
06/24/17	1.00	0.92	188
06/25/17	1.00	0.92	188
06/26/17	1.01	0.93	184
06/27/17	1.01	0.93	182
06/28/17	1.01	0.93	182
06/29/17	1.01	0.93	181
06/30/17	1.03	0.93	194
07/01/17	1.03	1.03	194
07/02/17	1.03	1.03	194
07/03/17	1.03	1.03	199
07/04/17	1.03	1.03	199
07/05/17	1.04	1.03	197
07/06/17	1.04	1.03	196
07/07/17	1.04	1.04	195
07/08/17	1.04	1.04	195
07/09/17	1.04	1.04	195
07/10/17	1.05	1.04	192
07/11/17	1.04	1.04	194
07/12/17	1.05	1.04	194
07/13/17	1.05	1.04	182

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

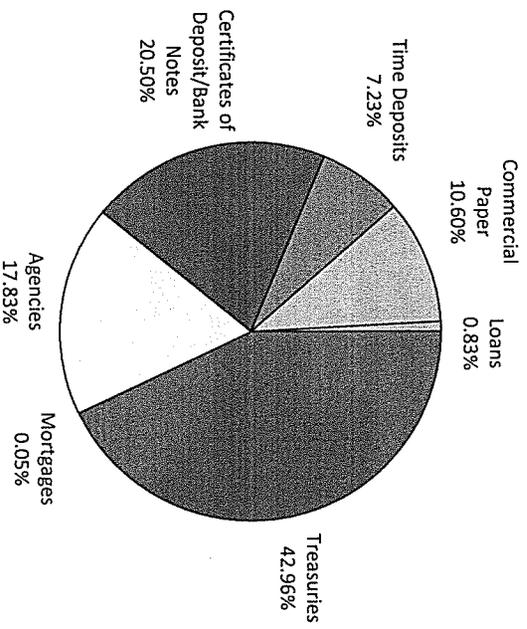
Quarter Ending 06/30/17

Apportionment Rate: 0.92%
 Earnings Ratio: .00002531309414880
 Fair Value Factor: 0.998940671
 Daily: 1.03%
 Quarter to Date: 0.93%
 Average Life: 194

PMIA Average Monthly Effective Yields
 June 2017 0.978%
 May 2017 0.925%
 Apr 2017 0.884%

Pooled Money Investment Account Portfolio Composition

06/30/17
\$77.6 billion



Based on data available as of 7/14/2017



State of California
Pooled Money Investment Account
Market Valuation
6/30/2017

Description	Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
1* United States Treasury:				
Bills	\$ 13,692,767,254.60	\$ 13,729,751,205.31	\$ 13,719,815,500.00	NA
Notes	\$ 19,630,327,075.06	\$ 19,625,299,421.83	\$ 19,577,358,000.00	\$ 41,280,649.00
1* Federal Agency:				
SBA	\$ 892,589,733.26	\$ 892,570,192.18	\$ 872,312,288.85	\$ 926,565.11
MBS-REMICs	\$ 38,996,383.12	\$ 38,996,383.12	\$ 40,714,810.85	\$ 182,997.66
Debentures	\$ 1,239,486,796.46	\$ 1,239,125,268.67	\$ 1,235,188,600.00	\$ 2,639,104.30
Debentures FR	\$ -	\$ -	\$ -	\$ -
Debentures CL	\$ 150,000,000.00	\$ 150,000,000.00	\$ 149,687,000.00	\$ 77,152.50
Discount Notes	\$ 11,150,617,374.66	\$ 11,169,310,958.04	\$ 11,165,630,000.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
1* Supranational Debentures	\$ 349,845,968.23	\$ 349,845,968.23	\$ 348,153,000.00	\$ 891,562.00
1* Supranational Debentures FR	\$ 50,000,000.00	\$ 50,000,000.00	\$ 50,080,000.00	\$ 137,713.46
2* CDs and YCDs FR	\$ 625,000,000.00	\$ 625,000,000.00	\$ 625,000,000.00	\$ 1,178,642.35
2* Bank Notes	\$ 600,000,000.00	\$ 600,000,000.00	\$ 599,802,348.48	\$ 1,899,500.00
2* CDs and YCDs	\$ 14,675,000,000.00	\$ 14,675,000,000.00	\$ 14,669,085,986.46	\$ 28,253,569.48
2* Commercial Paper	\$ 8,224,098,486.16	\$ 8,237,153,416.71	\$ 8,235,998,611.13	NA
1* Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
1* Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
1* Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 5,604,740,000.00	\$ 5,604,740,000.00	\$ 5,604,740,000.00	NA
AB 56 & GF Loans	\$ 645,650,000.00	\$ 645,650,000.00	\$ 645,650,000.00	NA
TOTAL	\$ 77,559,119,071.55	\$ 77,621,442,814.09	\$ 77,539,216,145.77	\$ 77,467,455.86

Fair Value Including Accrued Interest

\$ 77,616,683,601.63

* Governmental Accounting Standards Board (GASB) Statement #72

Repurchase Agreements, Time Deposits, AB 56 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (0.998940671). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$19,978,813.41 or \$20,000,000.00 x 0.998940671.



August 23, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Orange County Treasurer's Management Report
June 2017

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is written over the "From:" line of the header.

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending June 30, 2017. The report has been reviewed and is consistent with the investment practices of the Orange County Treasurer.

Recommendation

Receive and file as an information item.

Discussion

As of June 30, 2017, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$1,127,986,846 with a monthly gross yield of 0.90 percent and a month-end average days to maturity of 60 days. The OCIP Extended Fund book value was \$5,891,450,897 with a monthly gross yield of 1.14 percent and a month-end average days to maturity of 487 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$43,641; the combined pool had a monthly gross yield of 1.06 percent and month-end average days to maturity of 367 days.

There were no changes to the Treasurer's Approved Issuer List. Both the Money Market Fund and the Extended Fund were in compliance at month-end. Pages 26 through 87 containing investment inventory are not included in the attachment. Copies of OCIP's investment inventory reports are available upon request.

Summary

The Orange County Transportation Authority is submitting a copy of the Orange County Treasurer's Management Report to the Finance and Administration Committee. The report is for the month ending June 30, 2017.

Attachment

- A. Treasurer's Monthly Investment Report – June 30, 2017

Prepared by:



Rodney Johnson
Deputy Treasurer
Treasury/Toll Roads
(714) 560-5675

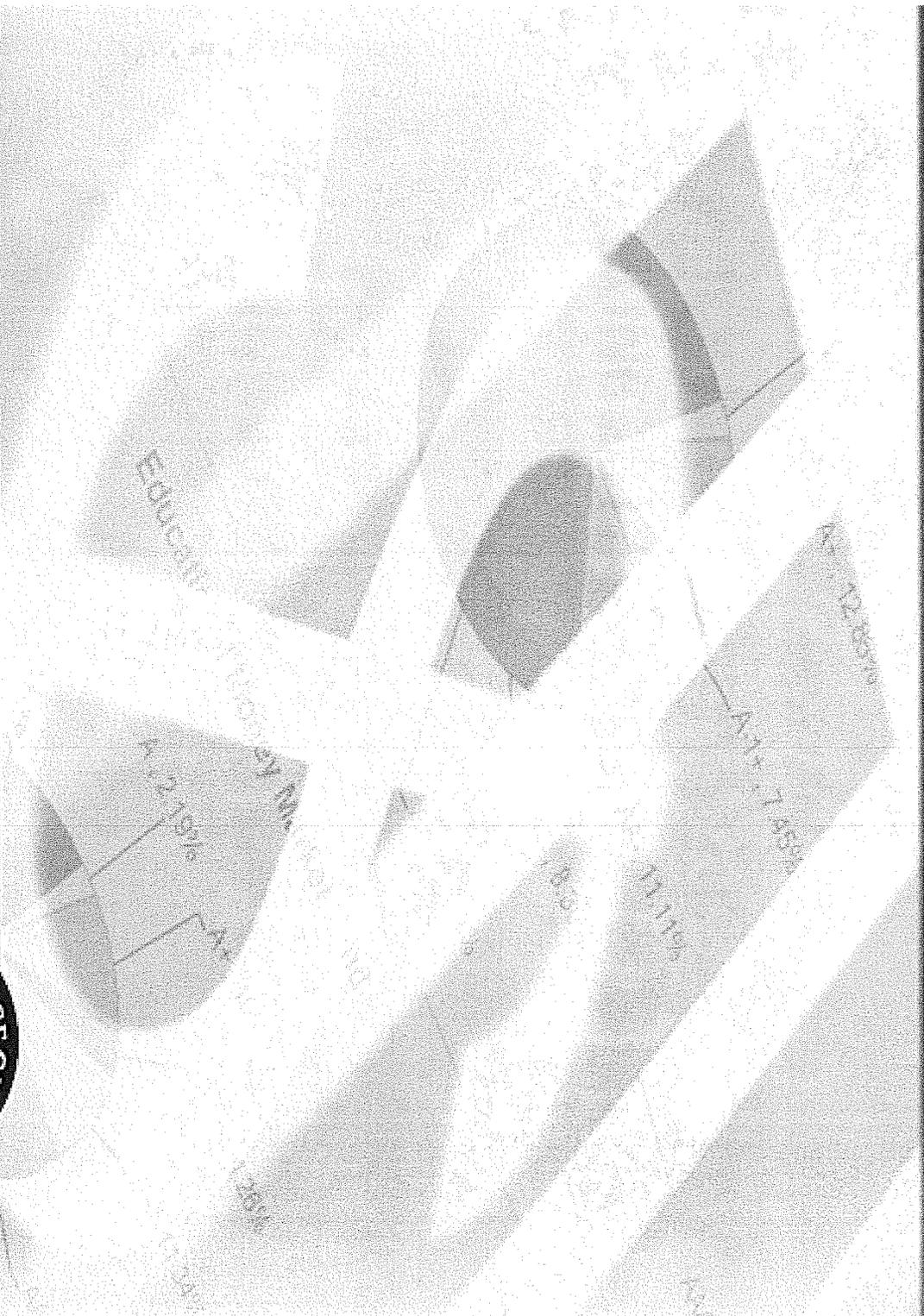
Approved by:



Andrew Oftelie
Executive Director,
Finance and Administration
(714) 560-5649

The Treasurer's Monthly

INVESTMENT JUNE 2017 **REPORT**



From the Office of
SHARIL L. FREDENRICH, CPA, CCMT, CPHA, ACPPEIM
Orange County Treasurer



COUNTY OF ORANGE
TREASURER'S INVESTMENT REPORT
For June 30, 2017

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OFFICE OF THE TREASURER-TAX COLLECTOR
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM



INTERDEPARTMENTAL COMMUNICATION

Date: July 14, 2017

To: Supervisor Michelle Steel, Chairwoman
 Supervisor Andrew Do, Vice-Chair
 Supervisor Todd Spitzer
 Supervisor Shawn Nelson
 Supervisor Lisa Bartlett

From: Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM *SLF*

Subject: Treasurer's Investment Report for the Month Ended June 30, 2017

Attached please find the Treasurer's Investment Report for the County of Orange for the month ended June 30, 2017. The County Treasurer provides this report in compliance with California Government Code Sections 53607, 53646, and 27134 and the County's Investment Policy Statement (IPS). We have included some charts and other data for your information including charts on fund composition and the top ten pool participants. This report is also publicly available on our website at ocgov.com/ocinvestments.

INVESTMENT POOL COMPOSITION

The investments contained within this report are as of June 30, 2017. The Investment Pool Statistics summary shows the total investment responsibility of the County Treasurer as delegated by the Board of Supervisors: the Orange County Investment Pool (OCCIP) that includes the Voluntary Participants' funds, the Orange County Educational Investment Pool (OCEIP), the John Wayne Airport Investment Fund and various other non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The County Treasurer established three Money Market Funds, the Orange County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Fund, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. Standard & Poor's, on March 6, 2017, reaffirmed their highest rating of AAAm on the Orange County and the Educational Money Market Funds. The County Treasurer also established the Extended Fund that is invested to meet cash needs between one and five years out. The Orange County Investment Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Orange County Educational Investment Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund.

The maximum maturity of investments for the Orange County and Educational Money Market Funds is 13 months, with a maximum weighted average maturity (WAM) of 60 days, and they have a current WAM of 60 and 58, respectively. The maximum maturity of investments for the John Wayne Investment Fund is 15 months, with a maximum WAM of 90 days, and a current WAM of 80. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year Index +25% (2.35), and the duration is currently at 1.32. The investments in all of the funds are marked to market daily to determine the value of the funds. To further maintain safety, adherence to an investment strategy of only purchasing top-rated securities and diversification of instrument types and maturities is required.

ECONOMIC UPDATE

In June, the job market added 222,000 new jobs, and May's job numbers were revised upward by 14,000 to 152,000. The U.S. unemployment rate for June rose to 4.4%, up from 4.3% in May. U.S. gross domestic product (GDP) rose at a 1.4% annualized rate in the first quarter of 2017, an increase from the initial rate of 1.2%. The Empire State Manufacturing Index rose to 19.8 from -1.0 in June, while the Philadelphia Fed Index decreased to 27.6 from 38.8 in June. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With

Mission: Ensure safe and timely receipt, deposit, collection and investment of public funds.

respect to housing, S&P/CasesShiller reported that housing prices continue to show positive momentum as year-over-year prices increased for the sixtieth consecutive month in April, up 5.50% from a year ago. The index for pending home sales increased 0.5% on a year-over-year basis in May. The 10-year Treasury rate rose from 2.21% in May to 2.31% in June. On June 14, 2017, the Federal Open Markets Committee (FOMC) raised the benchmark Federal Funds rate by 0.25% resulting in a new target range of 1.00% to 1.25%.

The short-term 90-day T-bill ended the month at 1.03%, up from 0.98% in May. The rate on the 2-year Treasury note was 1.38% at the end of June, up from 1.28% in May.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2016/2017 is 0.87% for the OCIP and 0.88% for the OCEIP. The current net yield for fiscal year 2016/2017 is 0.81% and 0.82% respectively. The forecasted net yield for fiscal year 2017/2018 for both OCIP and OCEIP prepared in December, 2016 was 0.82%. We expect to provide our updated estimate next month.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

Each month, the County Treasurer apportions the accrued interest earnings to each pool participant. As of the first business day of the following month accrued, but unpaid, interest earnings are added to pool participants' average balances in determining a participant's relative share of the pool's monthly earnings. The actual cash distribution will generally be paid in the month following. The June 2017 interest apportionment is expected to be paid by July 31, 2017. The estimated annual investment administrative fee for fiscal year 2016/2017 has been revised to 5.8 basis points, primarily due to higher average balances for the two investment pools than originally estimated and higher cost savings during the year. The monthly investment fee charged in June, 2017 was reduced from 4.5 basis points to 0.5 basis points. The estimated investment administrative fee for fiscal year 2017/2018 is expected to be less than 6.5 basis points and will be updated next month.

TEMPORARY TRANSFERS

The County Treasurer, as required by Constitution Article XVI, Section 6, and per the Board of Supervisor's Resolution 15-016, is authorized to make temporary transfers to school districts to address their short-term cash flow needs. The loans are secured by tax receipts to be received by the County Treasurer, as the banker for the school districts. There were no temporary transfers outstanding as of June 30, 2017.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the current IPS, the County Treasurer may invest in A or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. The Investment Pools may invest no more than 5% of pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. The Investment Pools have a total market value of \$374.3 million in County of Orange debt, which represents approximately 4.2% of pooled assets. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

COMPLIANCE SUMMARY

The investment portfolios had no compliance exceptions for the month of June 2017. The Auditor-Controller issued a report on June 13, 2017 entitled Internal Control Audit: Treasurer-Tax Collector Electronic Funds Transfer Process. This audit had been requested by the Treasurer-Tax Collector after the alleged embezzlement at the City of Placentia. The report identified two (2) critical control weaknesses, one (1) significant control weakness and six (6) control findings related to the Electronic Funds Transfer (EFT) processes, and the report stated that internal controls for processing EFTs were in effect and operating as intended. The Treasurer has already implemented many of the recommendations and is in the process of implementing the remaining ones.

CREDIT UPDATE

During June, there were no changes to the Treasurer's Approved Issuer List. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

I certify that this report includes all pooled and non-pooled investments as of June 30, 2017 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on November 22, 2016. The investments herein shown provide adequate liquidity to meet the next six months of projected cash flow requirements. I am available if you have any questions on this Investment Report at (714) 834-7625.

Enclosures

cc: Distribution List

ORANGE COUNTY TREASURER-TAX COLLECTOR

SUMMARY OF INVESTMENT DATA

INVESTMENT TRENDS

	JUNE 2017	MAY 2017	INCREASE (DECREASE)	NET CHANGE %	JUNE 2016	INCREASE (DECREASE)	NET CHANGE %
<u>Orange County Investment Pool (OCIP)</u>							
End Of Month Market Value ¹	\$ 4,005,851,068	\$ 4,448,425,471	\$ (442,574,403)	-9.95%	\$ 3,678,579,375	\$ 327,271,693	8.90%
End Of Month Book Value	\$ 4,013,386,551	\$ 4,454,297,789	\$ (440,911,238)	-9.90%	\$ 3,667,784,634	\$ 345,601,917	9.42%
Monthly Average Balance	\$ 4,269,834,453	\$ 4,628,711,980	\$ (358,877,527)	-7.75%	\$ 3,895,058,668	\$ 374,775,785	9.62%
Year-To-Date Average Balance	\$ 4,197,658,090	\$ 4,191,096,602	\$ 6,561,488	0.16%	\$ 3,820,526,372	\$ 377,131,718	9.87%
Monthly Accrued Earnings ³	\$ 3,735,950	\$ 3,913,084	\$ (177,134)	-4.53%	\$ 2,557,709	\$ 1,178,241	46.07%
Monthly Net Yield ³	1.06%	0.95%	0.11%	11.26%	0.78%	0.28%	35.51%
Year-To-Date Net Yield ³	0.81%	0.79%	0.02%	2.14%	0.58%	0.23%	39.66%
Annual Estimated Gross Yield ⁴	0.87%	0.87%	0.00%	-0.23%	0.64%	0.22%	34.78%
Weighted Average Maturity (WAM)	367	341	26	7.62%	397	(30)	-7.56%
<u>Orange County Educational Investment Pool (OCEIP)</u>							
End Of Month Market Value ^{1,2}	\$ 4,819,614,124	\$ 4,631,728,793	\$ 187,885,331	4.06%	\$ 4,248,728,320	\$ 570,885,804	13.44%
End Of Month Book Value ²	\$ 4,827,332,429	\$ 4,637,838,311	\$ 189,494,118	4.09%	\$ 4,238,288,367	\$ 589,044,062	13.90%
Monthly Average Balance ²	\$ 4,610,616,338	\$ 4,683,368,969	\$ (72,752,631)	-1.55%	\$ 4,125,783,003	\$ 484,833,335	11.75%
Year-To-Date Average Balance	\$ 4,149,284,454	\$ 4,107,345,192	\$ 41,939,262	1.02%	\$ 3,833,612,869	\$ 315,671,585	8.23%
Monthly Accrued Earnings ³	\$ 4,012,956	\$ 3,980,638	\$ 32,318	0.81%	\$ 2,572,788	\$ 1,440,168	55.98%
Monthly Net Yield ³	1.05%	0.95%	0.10%	10.27%	0.74%	0.31%	42.16%
Year-To-Date Net Yield ³	0.82%	0.80%	0.02%	2.25%	0.59%	0.23%	38.47%
Annual Estimated Gross Yield ⁴	0.88%	0.88%	0.00%	-0.57%	0.65%	0.22%	34.00%
Weighted Average Maturity (WAM)	325	341	(16)	-4.69%	339	(14)	-4.13%

¹ Market values provided by Bloomberg and Northern Trust. The OCIP and OCEIP market values in May and June 2017 are slightly lower than book values due to the recent Federal Reserve short-term rate increases, but both have a net asset value of 1.00 and have sufficient liquidity to meet projected cash flow needs.

² In June 2017, OCEIP market value, book value and monthly average balance increased from the prior year primarily due to proceeds from a significant number of school and community college districts issuing bonds.

³ In June 2017, OCIP and OCEIP monthly accrued earnings, monthly and year-to-date net yields were higher than June 2016 due to increases in the Federal Reserve short-term rate of 0.75 percent and investments in higher yielding securities, and higher average pool balances. The OCIP and OCEIP monthly net yields increased from the prior month due to the monthly investment fee charged in June was reduced from 6.5 basis points to 0.5 basis points.

⁴ The OCIP and OCEIP Annual Estimated Gross Yields for FY 16/17 are higher than FY 15/16 due to increases in the Federal Reserve short-term rate of 0.75 percent, reductions in excess liquidity, and improved cash management while maintaining the same high credit quality of securities.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
 FOR THE MONTH, QUARTER, AND FISCAL YEAR ENDED: JUNE 30, 2017

INVESTMENT STATISTICS - By Investment Pool*								
DESCRIPTION	CURRENT BALANCES		Average Days to Maturity	Daily Yield as of 6/30/17	MONTHLY Gross Yield	QUARTER Average Yield	ANNUAL Average Yield	Current NAV
COMBINED POOL BALANCES (Includes the Extended Fund)								
	MARKET Value \$	4,005,851,068	367	1.07%	1.06%	1.00%	0.87%	1.00
	COST (Capital) \$	4,019,990,397						
	MONTHLY AVG Balance \$	4,269,834,453						
	QUARTERLY AVG Balance \$	4,736,809,245						
	ANNUAL AVG Balance \$	4,197,558,090						
	BOOK Value \$	4,013,386,551						
Orange County Investment Pool (OCIP)	MARKET Value \$	4,819,514,124	325	1.07%	1.06%	1.02%	0.88%	1.00
	COST (Capital) \$	4,834,528,909						
	MONTHLY AVG Balance \$	4,671,676,338						
	QUARTERLY AVG Balance \$	4,596,554,837						
	ANNUAL AVG Balance \$	4,149,284,454						
	BOOK Value \$	4,827,332,429						
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$	153,931,586						
	COST (Capital) \$	153,964,448						
	MONTHLY AVG Balance \$	153,911,630						
	QUARTERLY AVG Balance \$	153,805,246						
	ANNUAL AVG Balance \$	176,837,946						
	BOOK Value \$	153,966,208						
								\$ 153,964,448
INVESTMENT STATISTICS - Non Pooled Investments **								
DESCRIPTION	CURRENT BALANCE			BOOK BALANCE BY INVESTMENT TYPE				
Specific Investment Funds:	MARKET Value \$	153,931,586	General Fund - Non AMT Restricted					\$ 67,556,587
100, 283, 505, 650 FVSD	COST (Capital) \$	153,964,448	John Wayne Airport Investment Pool					50,461,504
	MONTHLY AVG Balance \$	153,911,630	Repurchase Agreement					1,081,500
	QUARTERLY AVG Balance \$	153,805,246	Fountain Valley School District Fund 40					34,864,857
	ANNUAL AVG Balance \$	176,837,946						
	BOOK Value \$	153,966,208						
								\$ 153,964,448
MONTH END TOTALS								
INVESTMENTS & CASH			INVESTMENTS & CASH					
COUNTY MONEY MARKET FUND (OCMMF)	\$	1,127,402,457	OCIP					\$4,036,334,288
County Money Market Fund		16,343,891	OCEIP					4,882,051,156
County Cash		5,906,127,940	Specific Investment Funds					153,964,448
EXTENDED FUND			Non Pooled Cash					19,918,174
EDUCATIONAL MONEY MARKET FUND (OCEMMF)								
Educational Money Market Fund		1,820,988,908						
Educational Cash		47,522,247						
NON POOLED INVESTMENTS & CASH								
Non Pooled Investments		153,964,448						
Non Pooled Cash		19,918,174						
	\$	9,092,268,066						\$ 9,092,268,066
KEY POOL STATISTICS								
INTEREST RATE YIELD			WEIGHTED AVERAGE MATURITY (WAM)					
OCMMF - MONTHLY GROSS YIELD		0.90%	OCMMF					60
OCEMMF - MONTHLY GROSS YIELD		0.91%	OCEMMF					58
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD		0.87%	JOHN WAYNE AIRPORT WAM					80
OCIP - YTD NET YIELD***		0.81%	LGIP WAM (Standard & Pools)					39
OCEIP - YTD NET YIELD***		0.82%						
90-DAY T-BILL YIELD - MONTHLY AVERAGE		0.99%						

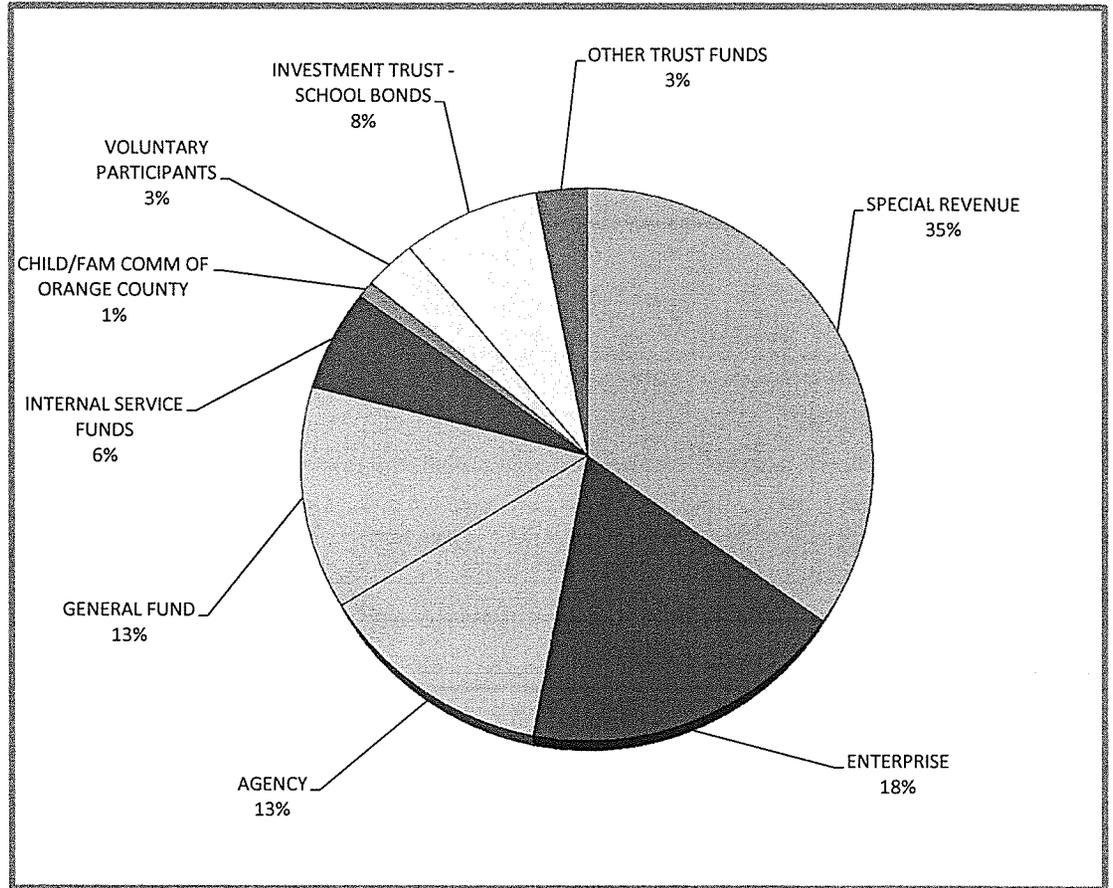
ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
 FOR THE MONTH, QUARTER, AND FISCAL YEAR ENDED: JUNE 30, 2017

INVESTMENT STATISTICS - By Investment Fund****							
DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 6/30/17	MONTHLY Gross Yield	QUARTER Average Yield	ANNUAL Average Yield	Current NAV
County Money Market Fund (OCMMF)	MARKET Value \$ 1,127,901,842 COST (Capital) \$ 1,127,402,457 MONTHLY AVG Balance \$ 1,377,246,513 QUARTERLY AVG Balance \$ 1,836,623,039 ANNUAL AVG Balance \$ 1,331,297,958 BOOK Value \$ 1,127,986,846	60	0.92%	0.90%	0.81%	0.69%	1.00
Educational Money Market Fund (OCMMF)	MARKET Value \$ 1,821,324,948 COST (Capital) \$ 1,820,988,909 MONTHLY AVG Balance \$ 1,597,076,338 QUARTERLY AVG Balance \$ 1,583,114,837 ANNUAL AVG Balance \$ 1,335,628,648 BOOK Value \$ 1,821,281,237	58	0.94%	0.91%	0.83%	0.61%	1.00
Extended Fund	MARKET Value \$ 5,876,238,402 COST (Capital) \$ 5,906,127,940 MONTHLY AVG Balance \$ 5,906,127,940 QUARTERLY AVG Balance \$ 5,913,720,206 ANNUAL AVG Balance \$ 5,680,015,938 BOOK Value \$ 5,891,450,897	487	1.14%	1.14%	1.12%	1.01%	1.00
ALLOCATION OF EXTENDED FUND							
Extended Fund	MARKET Value \$ 2,877,949,226 COST (Capital) \$ 2,892,587,940 MONTHLY AVG Balance \$ 2,892,587,940 QUARTERLY AVG Balance \$ 2,900,180,206 ANNUAL AVG Balance \$ 2,866,360,132 BOOK Value \$ 2,885,399,705	487	1.14%	1.14%	1.12%	1.01%	1.00
OCIP Share	MARKET Value \$ 2,998,289,176 COST (Capital) \$ 3,013,540,000 MONTHLY AVG Balance \$ 3,013,540,000 QUARTERLY AVG Balance \$ 3,013,540,000 ANNUAL AVG Balance \$ 2,813,655,806 BOOK Value \$ 3,006,051,192	487	1.14%	1.14%	1.12%	1.01%	1.00
Modified Duration		1.32					

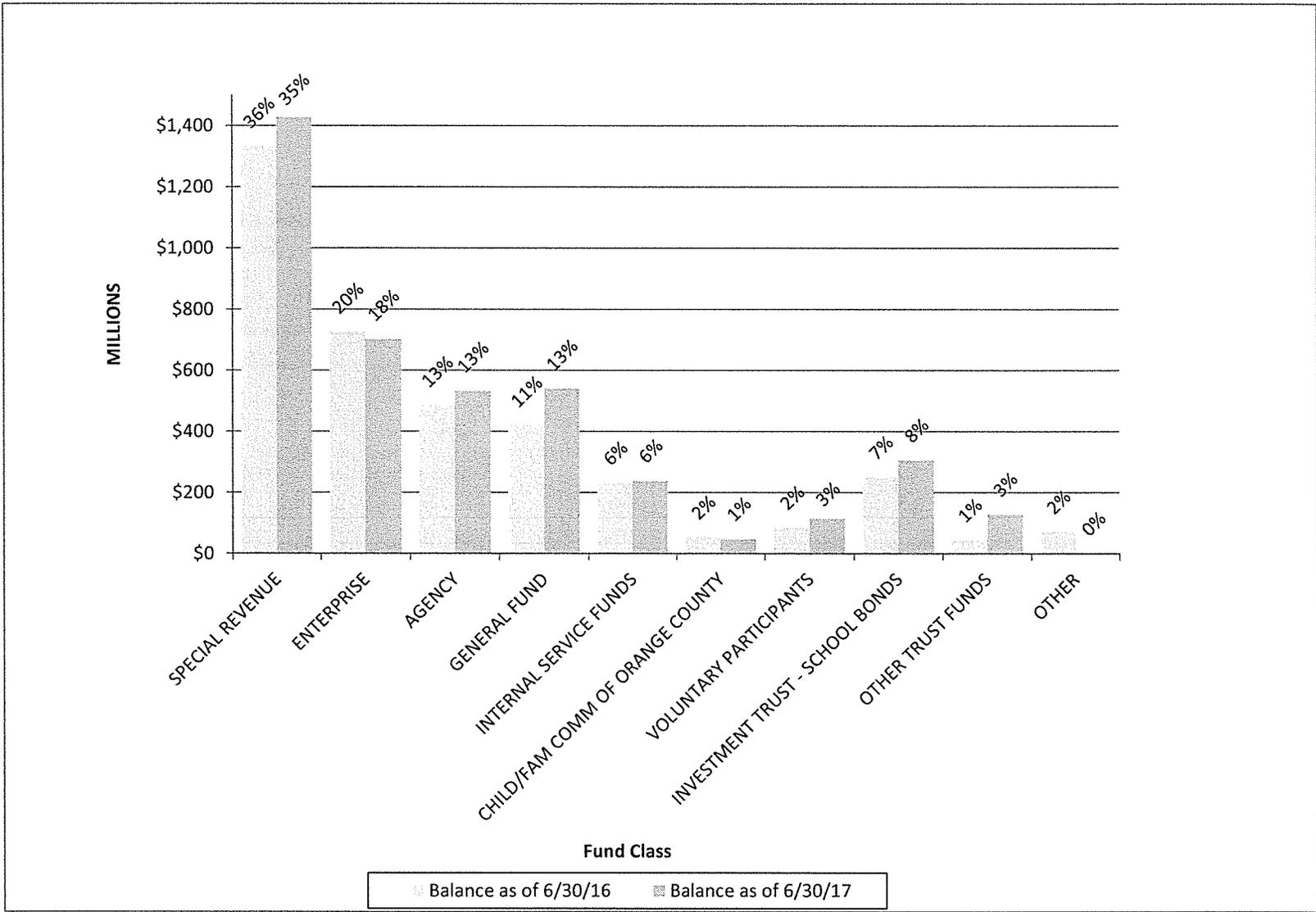
* The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund.
 ** Specific non pooled investments are reported in compliance with Government Code Section 53546 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report
 *** The Net Yield differs from the monthly average yield as it includes the Treasury administrative fees.
 **** Book Value is computed as Cost reduced by amortization of premium and increased by the accretion or discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF JUNE 30, 2017**

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,426,838,232
ENTERPRISE	702,334,318
AGENCY	532,677,176
GENERAL FUND	539,802,151
INVESTMENT TRUST - SCHOOL BONDS	305,532,843
INTERNAL SERVICE FUNDS	237,933,496
VOLUNTARY PARTICIPANTS	114,981,948
CHILD/FAM COMM OF ORANGE COUNTY	47,529,501
OTHER TRUST FUNDS	128,704,623
TOTAL	\$ 4,036,334,288

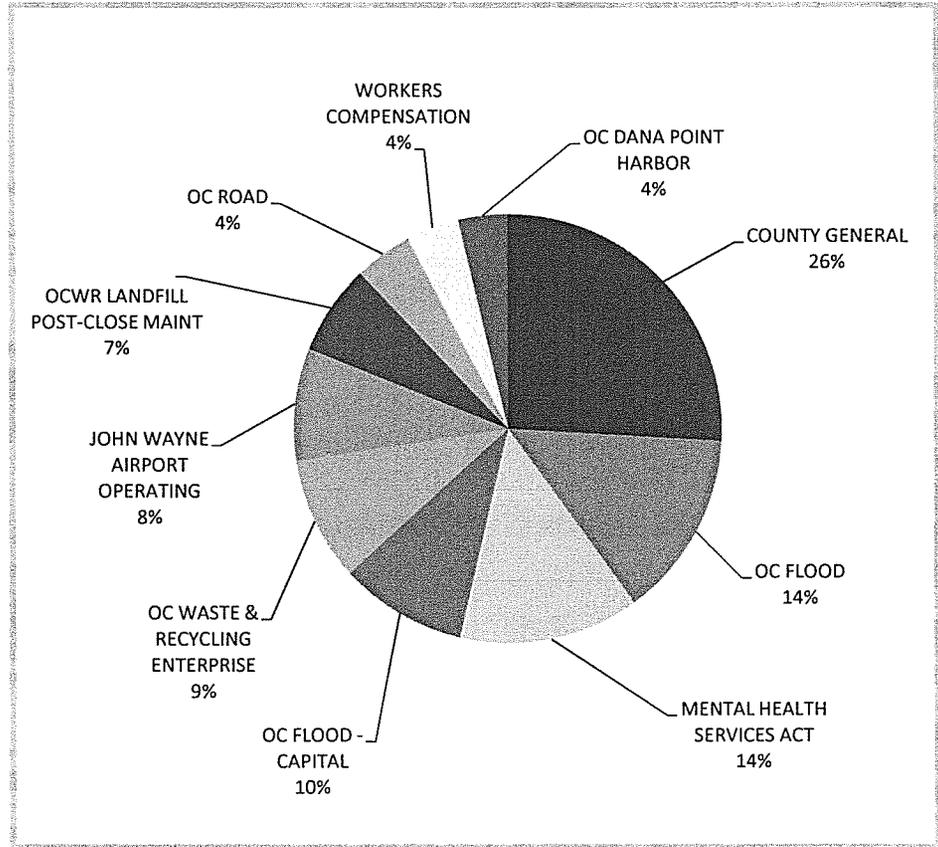


**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF JUNE 30**

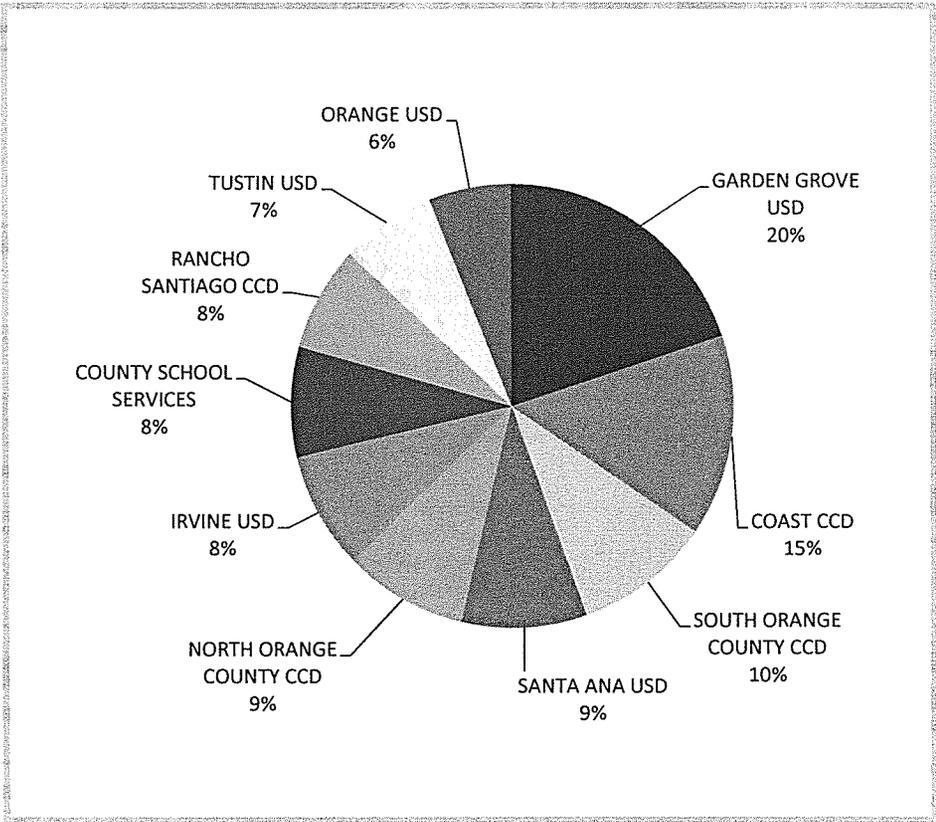


**ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF JUNE 30, 2017**

FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 499,360,089
400	OC FLOOD	272,064,865
13Y	MENTAL HEALTH SERVICES ACT	261,298,639
404	OC FLOOD - CAPITAL	184,757,925
299	OC WASTE & RECYCLING ENTERPRISE	180,074,299
280	JOHN WAYNE AIRPORT OPERATING	163,191,078
279	OCWR LANDFILL POST-CLOSE MAINT	132,713,665
115	OC ROAD	83,801,338
293	WORKERS COMPENSATION	77,008,047
108	OC DANA POINT HARBOR	70,902,224
TOTAL		\$ 1,925,172,169

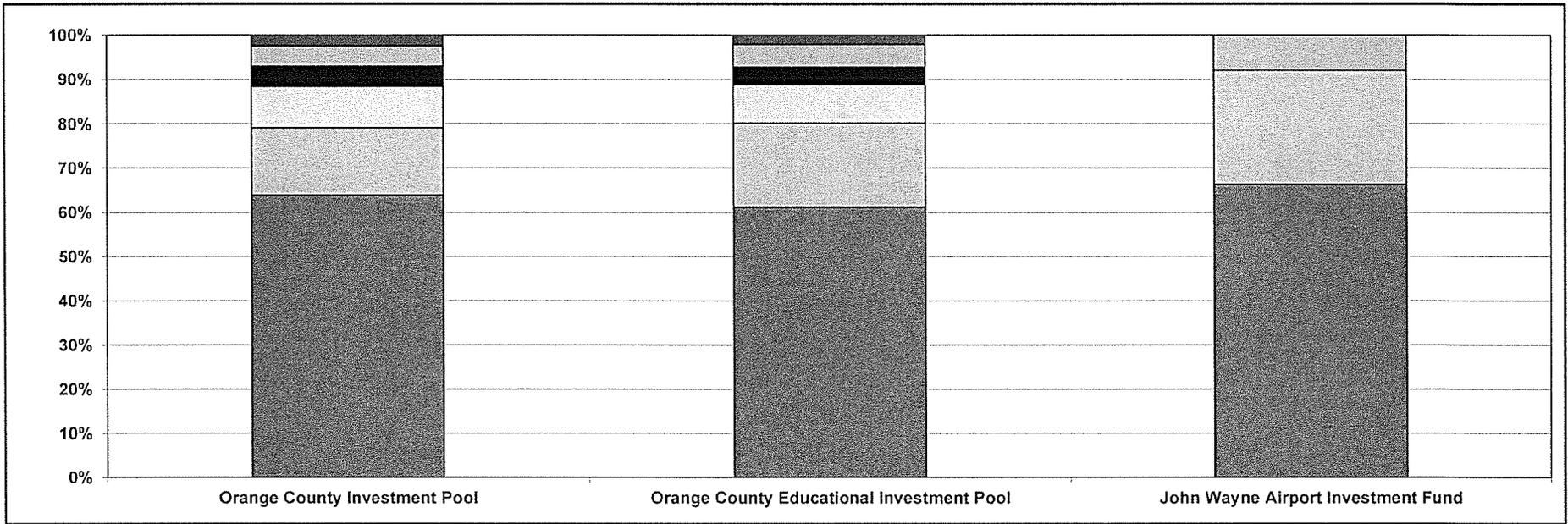


**ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF JUNE 30, 2017**



DISTRICT #	SCHOOL DISTRICT	BALANCE
72	GARDEN GROVE USD	\$ 608,777,430
90	COAST CCD	450,863,417
96	SOUTH ORANGE COUNTY CCD	307,798,200
84	SANTA ANA USD	279,947,029
88	NORTH ORANGE COUNTY CCD	276,621,894
75	IRVINE USD	262,860,037
94	COUNTY SCHOOL SERVICES	246,424,994
92	RANCHO SANTIAGO CCD	235,241,115
87	TUSTIN USD	212,765,042
80	ORANGE USD	185,132,695
TOTAL		\$ 3,066,431,853

ORANGE COUNTY TREASURER - TAX COLLECTOR
BY INVESTMENT TYPE - By Percentage Holdings
June 30, 2017



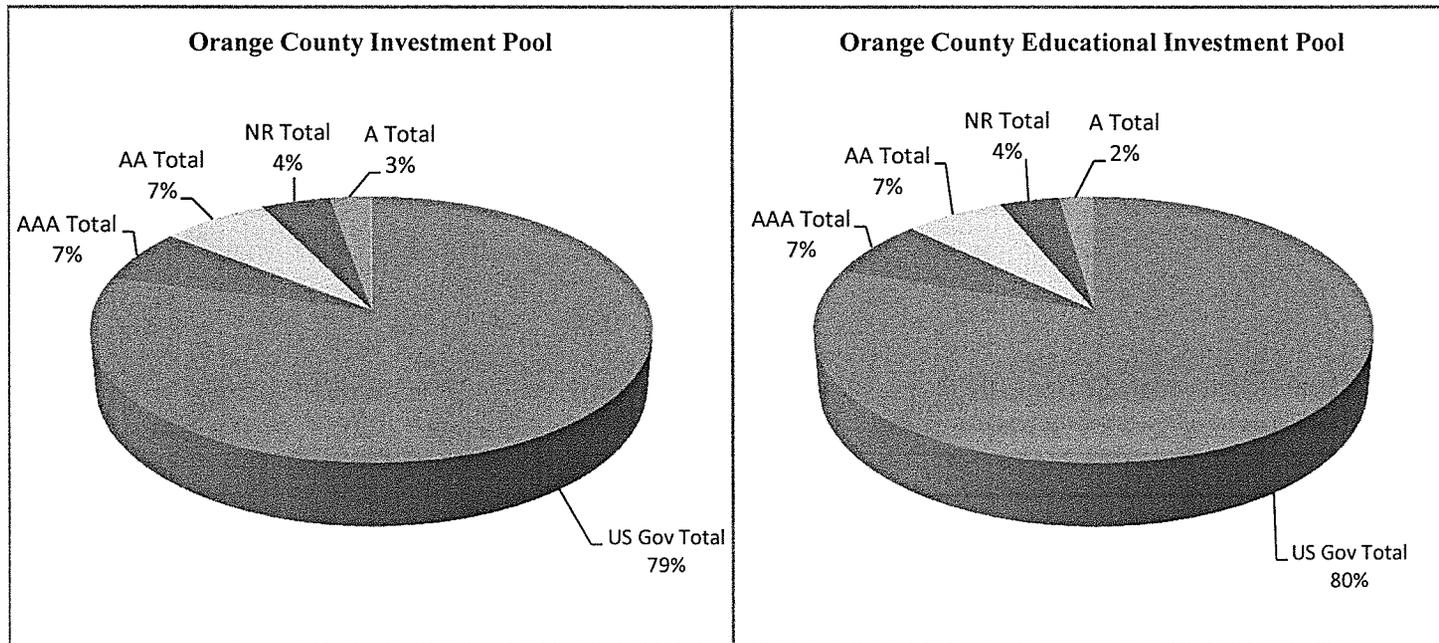
Orange County Investment Pool		
	In Thousands	%
U. S. GOVERNMENT AGENCIES	\$ 2,556,679	63.82%
U. S. TREASURIES	609,619	15.22%
MEDIUM - TERM NOTES	375,030	9.36%
MUNICIPAL DEBT	183,339	4.58%
MONEY MARKET MUTUAL FUNDS	181,788	4.54%
CERTIFICATES OF DEPOSIT	99,198	2.48%
LOCAL AGENCY INVESTMENT FUND	198	0.00%
	<u>\$ 4,005,851</u>	<u>100.00%</u>

Orange County Educational Investment Pool		
	In Thousands	%
U. S. GOVERNMENT AGENCIES	\$ 2,947,963	61.18%
U. S. TREASURIES	913,940	18.96%
MEDIUM-TERM NOTES	416,880	8.65%
MUNICIPAL DEBT	191,005	3.96%
MONEY MARKET MUTUAL FUNDS	247,941	5.14%
CERTIFICATES OF DEPOSIT	101,679	2.11%
LOCAL AGENCY INVESTMENT FUND	206	0.00%
	<u>\$ 4,819,614</u>	<u>100.00%</u>

John Wayne Airport Investment Fund		
	In Thousands	%
U. S. GOVERNMENT AGENCIES	\$ 33,473	66.29%
U. S. TREASURIES	12,988	25.72%
MONEY MARKET MUTUAL FUNDS	4,035	7.99%
	<u>\$ 50,496</u>	<u>100.00%</u>

Calculated Using Market Value at 6/30/2017

ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE
 June 30, 2017



US GOV Includes Agency & Treasury Debt

AA includes AA+, AA-, & AA

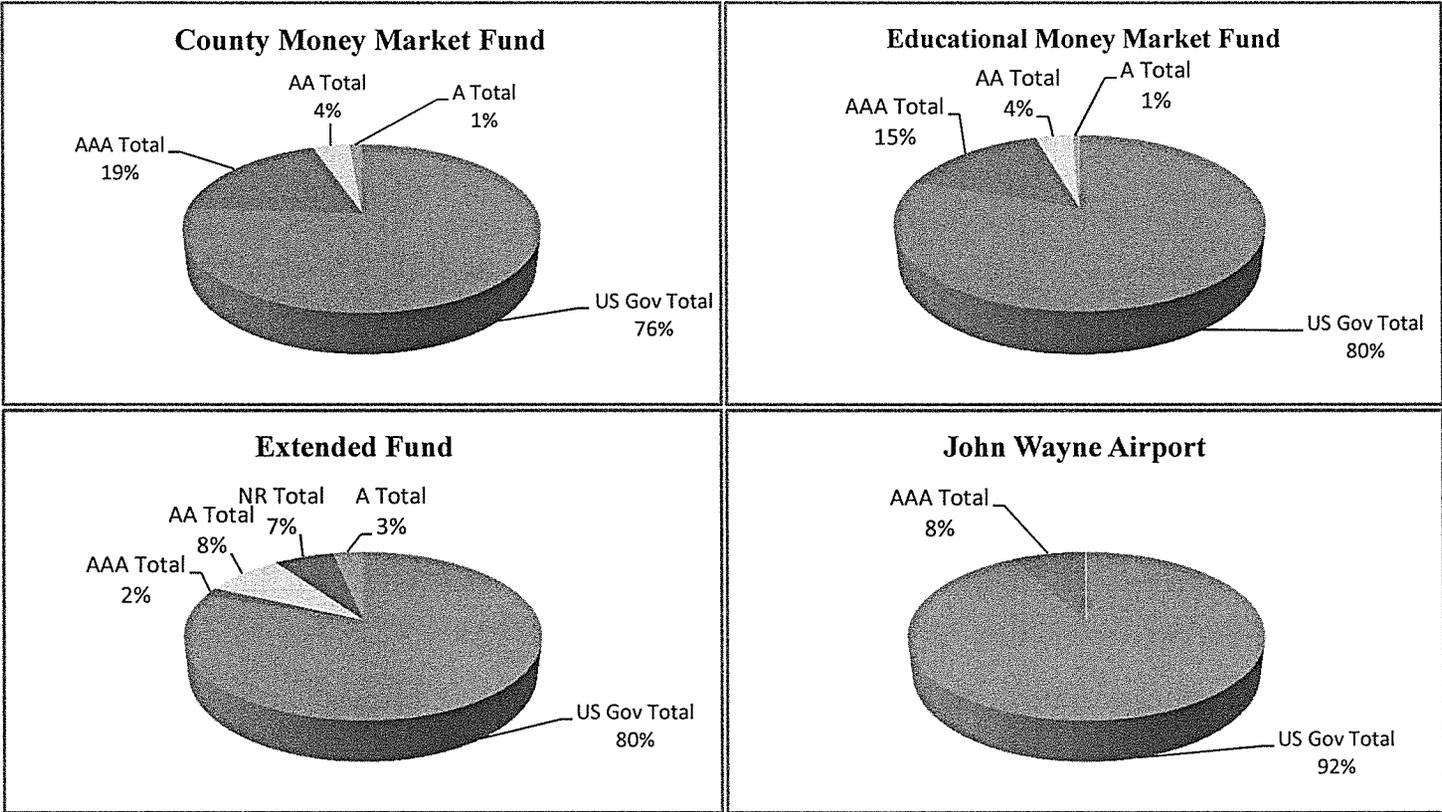
A includes A+, A-, & A

NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017A

ORANGE COUNTY TREASURER - TAX COLLECTOR

CREDIT QUALITY BY MARKET VALUE

June 30, 2017



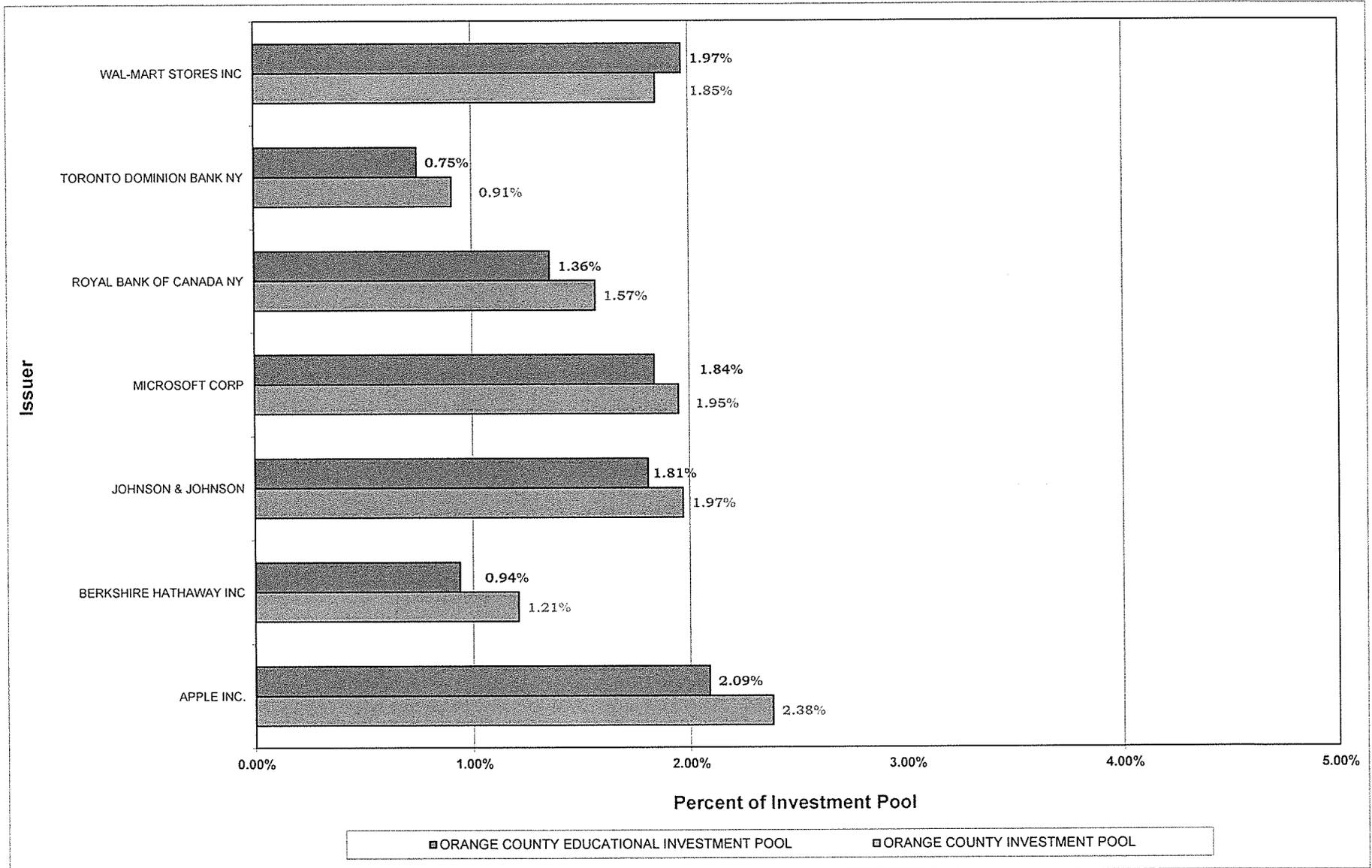
US GOV Includes Agency & Treasury Debt

AA includes AA+, AA-, & AA

A includes A+, A-, & A

NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017A

ORANGE COUNTY TREASURER - TAX COLLECTOR
ISSUER CONCENTRATION-By Investment Pool
 June 30, 2017



**ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST - OCIP, OCEIP, and JWA**

June 30, 2017

ISSUER	S/R RATINGS			L/T RATINGS	
	S&P	Moody's	Fitch	S&P	Moody's
U.S. TREASURY SECURITIES					
U.S. GOVERNMENT	A-1+	P-1	F1+	AA+	Aaa
U.S. GOVERNMENT AGENCY SECURITIES					
FEDERAL NATIONAL MORTGAGE ASSOCIATION	A-1+	P-1	F1+	AA+	Aaa
FEDERAL HOME LOAN MORTGAGE CORPORATION	A-1+	P-1	F1+	AA+	Aaa
FEDERAL HOME LOAN BANKS	A-1+	P-1	NR	AA+	Aaa
FEDERAL FARM CREDIT BANKS	A-1+	P-1	F1+	AA+	Aaa
MIDDLE TERM NOTES					
APPLE INC	A-1+	P-1	NR	AA+	Aa1
BERKSHIRE HATHAWAY INC *****	A-1+	P-1	NR	AA	Aa2
<i>BERKSHIRE HATHAWAY FINANCE *****</i>	NR	P-1	NR	NR	Aa2
JOHNSON & JOHNSON	A-1+	P-1	F1+	AAA	Aaa
MICROSOFT CORPORATION **	A-1+	P-1	F1+	AAA	Aaa
WAL-MART STORES INC	A-1+	P-1	F1+	AA	Aa2
ISSUERS ON HOLD					
ROYAL BANK OF CANADA NY (JULY 19, 2016) ***	A-1+	P-1	F1+	AA-	A1
TORONTO DOMINION BANK NY (MARCH 13, 2017) *****	A-1+	P-1	F1+	AA-	Aa2
MUNICIPAL BONDS					
ORANGE CNTY CA PENSION OBLG 2016 A	NR	NR	F1+	AA	NR
ORANGE CNTY CA PENSION OBLG 2017 A	NR	NR	NR	NR	NR
SEKURPOOL LOCAL AGENCY INVESTMENT FUND					
LOCAL AGENCY INVESTMENT FUND	NR	NR	NR	NR	NR
MONEY MARKET MUTUAL FUNDS *					
NAME OF FUND	S & P		Moody's		Fitch
INVESTCO GOVERNMENT & AGENCY SHORT-TERM INVESTMENTS TRUST (AIM)	AAAan		Aaa-nrf		AAAaannrf
GOLDMAN SACHS FINANCIAL SQUARE GOVT FUND	AAAAn		Aaa-nrf		NR
MORGAN STANLEY INSTITUTIONAL LIQUIDITY FUNDS - GOVT	AAAAn		Aaa-nrf		NR
NORTHERN INSTITUTIONAL TREASURY PORTFOLIO	AAAAn		NR		NR

* All money market funds are institutional money market funds investing in debt issued or guaranteed by the U.S. Government and its agencies.

** On Negative Outlook (Moody's L/T rating - July 25, 2016).

*** Moody's downgraded its L/T Rating from Aa3 to A1 on May 10, 2017 and kept the issuer rating Outlook on Negative. On Negative Outlook (S&P - June 6, 2016; Fitch - January 25, 2016; Moody's - June 11, 2014).

**** Moody's downgraded its L/T Rating from Aa1 to Aa2 on May 10, 2017 and kept the issuer rating Outlook on Negative. On Negative Outlook (Moody's - June 11, 2014).

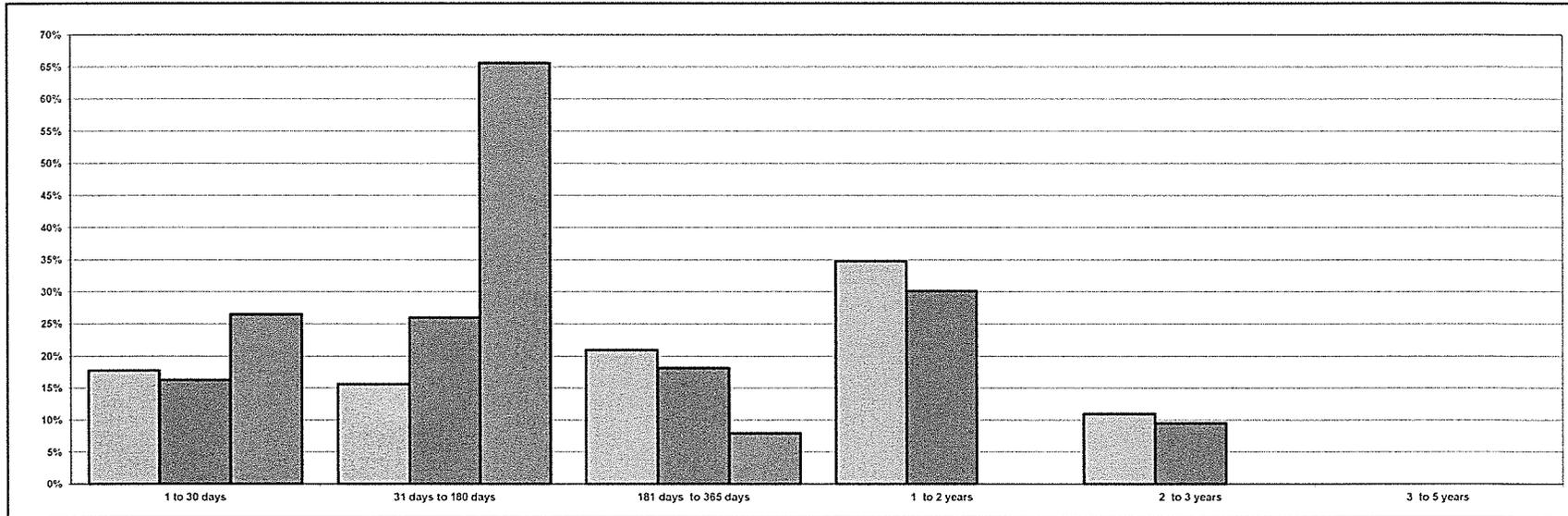
***** S&P placed its L/T Issuer Credit Ratings on Negative Watch on July 7, 2017. As required by the Investment Policy Statement, on July 11, 2017, the issuer was placed on hold and current holdings are being reviewed for possible sale.

Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended June 30, 2017

During June, there were no changes to the Treasurer's Approved Issuer List. However, on July 7, 2017, S&P placed the L/T issuer credit rating of both Berkshire Hathaway Inc. and Berkshire Hathaway Finance on Negative Watch. As required by the Investment Policy Statement, on July 11, 2017, both Berkshire Hathaway Inc. and Berkshire Hathaway Finance were placed on hold and current holdings are being reviewed for possible sale. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

**ORANGE COUNTY TREASURER - TAX COLLECTOR
MATURITIES DISTRIBUTION**

June 30, 2017



ORANGE COUNTY INVESTMENT POOL		
	In Thousands ^{1,2}	%
1 TO 30 DAYS	\$ 711,368	17.74%
31 TO 180 DAYS	625,988	15.61%
181 TO 365 DAYS	838,894	20.92%
1 YEAR TO 2 YEARS	1,394,516	34.77%
2 YEARS TO 3 YEARS	439,692	10.96%
3 YEARS TO 5 YEARS	-	0.00%
TOTAL	\$ 4,010,458	100.00%

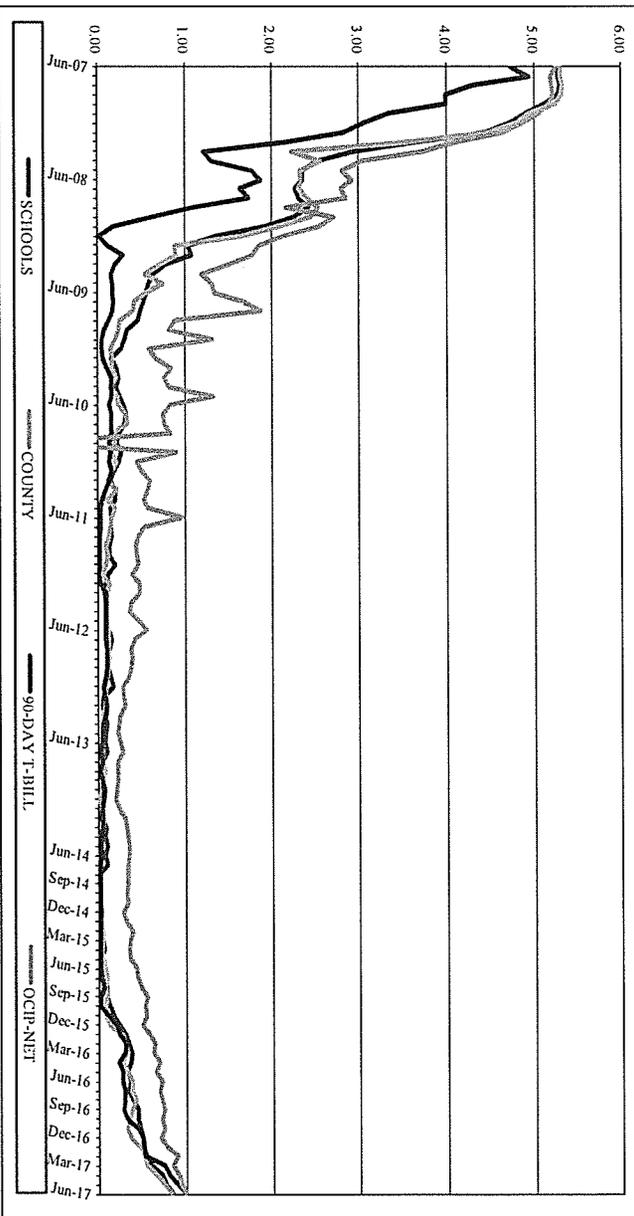
ORANGE COUNTY EDUCATIONAL INVESTMENT POOL		
	In Thousands ^{1,2}	%
1 TO 30 DAYS	\$ 784,239	16.26%
31 TO 180 DAYS	1,253,753	25.99%
181 TO 365 DAYS	875,060	18.14%
1 YEAR TO 2 YEARS	1,452,828	30.11%
2 YEARS TO 3 YEARS	458,077	9.50%
3 YEARS TO 5 YEARS	-	0.00%
TOTAL	\$ 4,823,957	100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND		
	In Thousands ^{1,2}	%
1 TO 30 DAYS	\$ 13,400	26.49%
31 TO 180 DAYS	33,175	65.60%
181 TO 365 DAYS	4,000	7.91%
1 YEAR TO 2 YEARS	-	0.00%
TOTAL	\$ 50,575	100.00%

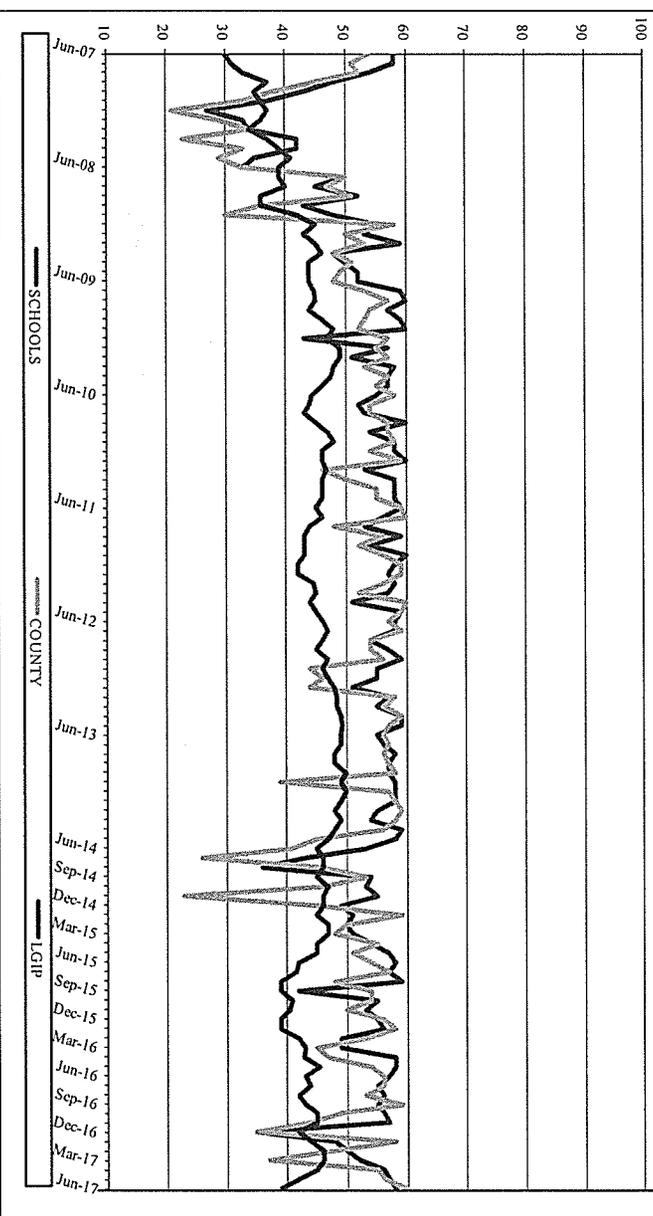
¹ Maturity Limits are calculated using face value. All final maturities are in compliance with the IPS during June.

² Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 6/30/2017, Floating Rate Notes comprise 0.37%, 0.64%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.

ORANGE COUNTY MONEY MARKET POOLS vs SELECTED MONEY MARKET YIELDS
 (INTEREST RATE YIELD)
 For The Period June 2007 to June 2017



ORANGE COUNTY MONEY MARKET POOLS vs SELECTED AVERAGES
 WEIGHTED AVERAGE MATURITY (WAM)
 For The Period June 2007 to June 2017



• As of June 30, 2017, S&P LGIP - 0.86; S&P LGIP WAM -39; 90-Day T-Bill - 0.99; OCIP - Net - 0.81

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL YIELDS

July 1, 2016 - June 30, 2017

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - June 2017</i>				
County Pool - Money Market Fund	\$ 1,127,901,842	\$ 1,015,069	0.90%	60
Educational Pool - Money Market Fund	\$ 1,821,324,948	\$ 1,188,057	0.91%	58
Extended Fund	\$ 5,876,238,402	\$ 5,545,780	1.14%	487
<i>May 2017</i>				
County Pool - Money Market Fund	\$ 1,559,912,721	\$ 1,190,993	0.81%	56
Educational Pool - Money Market Fund	\$ 1,631,429,543	\$ 1,157,267	0.82%	57
Extended Fund	\$ 5,888,812,000	\$ 5,545,463	1.10%	494
<i>April 2017</i>				
County Pool - Money Market Fund	\$ 1,928,898,078	\$ 1,427,058	0.72%	56
Educational Pool - Money Market Fund	\$ 1,810,058,617	\$ 946,118	0.78%	56
Extended Fund	\$ 5,884,169,552	\$ 5,396,950	1.11%	488
<i>March 2017</i>				
County Pool - Money Market Fund	\$ 1,742,756,895	\$ 707,012	0.60%	37
Educational Pool - Money Market Fund	\$ 1,278,498,097	\$ 590,948	0.66%	52
Extended Fund	\$ 5,874,437,878	\$ 5,301,507	1.06%	511
<i>February 2017</i>				
County Pool - Money Market Fund	\$ 1,420,356,645	\$ 588,259	0.58%	48
Educational Pool - Money Market Fund	\$ 1,036,250,434	\$ 539,611	0.60%	50
Extended Fund	\$ 5,876,196,444	\$ 5,010,710	1.11%	511
<i>January 2017</i>				
County Pool - Money Market Fund	\$ 1,243,000,623	\$ 626,367	0.53%	58
Educational Pool - Money Market Fund	\$ 1,309,895,173	\$ 772,307	0.57%	48
Extended Fund	\$ 5,872,382,548	\$ 4,846,757	0.99%	496
<i>December 2016</i>				
County Pool - Money Market Fund	\$ 1,787,873,393	\$ 656,440	0.43%	35
Educational Pool - Money Market Fund	\$ 1,995,546,428	\$ 627,945	0.56%	35
Extended Fund	\$ 5,491,524,471	\$ 4,550,093	0.96%	510
<i>November 2016</i>				
County Pool - Money Market Fund	\$ 1,263,748,930	\$ 397,303	0.38%	44
Educational Pool - Money Market Fund	\$ 1,123,417,366	\$ 433,001	0.53%	57
Extended Fund	\$ 5,538,702,888	\$ 4,384,832	0.96%	515
<i>October 2016</i>				
County Pool - Money Market Fund	\$ 1,262,431,238	\$ 351,585	0.41%	49
Educational Pool - Money Market Fund	\$ 978,305,500	\$ 469,767	0.51%	56
Extended Fund	\$ 5,497,309,348	\$ 4,298,117	0.92%	504
<i>September 2016</i>				
County Pool - Money Market Fund	\$ 751,801,815	\$ 278,284	0.46%	59
Educational Pool - Money Market Fund	\$ 1,220,526,096	\$ 498,234	0.46%	55
Extended Fund	\$ 5,494,463,600	\$ 4,191,758	0.93%	501
<i>August 2016</i>				
County Pool - Money Market Fund	\$ 800,306,654	\$ 295,786	0.49%	53
Educational Pool - Money Market Fund	\$ 1,221,174,892	\$ 516,653	0.46%	56
Extended Fund	\$ 5,459,349,411	\$ 4,074,594	0.90%	484
<i>July 2016</i>				
County Pool - Money Market Fund	\$ 686,861,455	\$ 325,471	0.45%	56
Educational Pool - Money Market Fund	\$ 1,433,126,604	\$ 519,773	0.41%	55
Extended Fund	\$ 5,327,781,739	\$ 4,052,122	0.89%	501
<i>Fiscal Year July 1, 2016 - June 30, 2017</i>	Average Month End Market Value	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 4,157,139,293	\$ 36,677,212	0.87%	363
Orange County Educational Investment Pool	\$ 4,219,258,396	\$ 36,640,777	0.88%	353

**ORANGE COUNTY TREASURER-TAX COLLECTOR
CASH AVAILABILITY PROJECTION
FOR THE SIX MONTHS ENDING DECEMBER 31, 2017**

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

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

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

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

The Cash Availability Projection for the six months ending December 31, 2017, indicates the ability of the pools to meet projected cash flow requirements. However, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
June 2017 - Ending Cash				\$ 16,343,891
July	760,375,624	260,440,708	588,814,477	448,345,746
August	232,386,731	436,879,658	366,462,683	751,149,452
September	124,281,694	447,979,753	418,851,494	904,559,405
October	14,906,821	921,680,990	305,580,632	1,535,566,584
November	91,481,416	918,740,434	1,116,262,526	1,429,525,908
December	144,193,040	2,223,658,160	1,684,105,549	2,113,271,559

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
June 2017 - Ending Cash				\$ 47,522,247
July	934,588,640	278,472,333	478,457,907	782,125,313
August	587,537,669	263,417,878	509,317,746	1,123,763,114
September	270,975,015	538,741,729	624,874,456	1,308,605,402
October	61,564,098	349,436,683	653,162,723	1,066,443,460
November	101,147,048	768,547,291	645,643,117	1,290,494,682
December	152,222,397	1,207,991,791	424,426,346	2,226,282,524

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
FOR THE MONTH, QUARTER AND FISCAL YEAR ENDED JUNE 30, 2017

	Month	Quarter	Year
Treasurer's Accountability at the Beginning of the Period:	\$9,287,862,643	\$9,115,669,385	\$8,271,501,964
Cash Receipts:			
County	379,241,260	2,784,085,832	10,836,919,292
School and Community College Districts	897,165,692	2,604,172,819	8,387,163,365
Total Cash Receipts	1,276,406,952	5,388,258,651	19,224,082,657
Cash Disbursements:			
County	805,239,628	3,392,885,013	10,485,656,072
School and Community College Districts	667,791,496	2,017,385,137	7,775,325,233
Total Cash Disbursements	1,473,031,124	5,410,270,150	18,260,981,305
Net Change in Cost Value of Pooled Assets	(196,624,172)	(22,011,499)	963,101,352
Net Increase (Decrease) in Non Pooled Investments	124,895	191,055	(154,094,265)
Net Increase (Decrease) in Non Pooled Cash	904,700	(1,580,875)	11,759,015
Treasurer's Accountability at the End of the Period:	\$9,092,268,066	\$9,092,268,066	\$9,092,268,066
Assets in the Treasury at the End of the Period (at Cost Value):			
Pooled Investments:			
O.C. Investment Pool			\$4,019,990,397
O.C. Educational Investment Pool			4,834,528,909
Total Orange County Investment Pools			8,854,519,306
Non Pooled Investments:			
Non Pooled Investments - John Wayne Airport			50,461,504
Non Pooled Investments - General Fund - Non AMT Restricted			67,556,587
Non Pooled Investments - Fountain Valley School District Fund 40			34,864,857
Non Pooled Investments - Other			1,081,500
Total Non Pooled Investments			153,964,448
Cash:			
Cash in Banks - County			16,287,883
Cash in Banks - Schools			47,522,247
Cash in Banks - OC Sheriff			12,604,230
Cash in Banks - John Wayne Airport			7,313,944
Cash - Other			56,008
Total Cash			83,784,312
Total Assets in the Treasury at the End of the Period:			\$9,092,268,066

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
June 30, 2017**

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
30%	Negotiable Certificates of Deposit	\$ 1,600,428	0.14%	\$ 199,276,651	3.39%	\$ -	0.00%	\$ -	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	830,985,448	73.67%	3,523,546,885	59.96%	1,150,110,383	63.15%	33,473,287	66.29%
\$50MM	LAIF	-	0.00%	404,080	0.01%	-	0.00%	-	0.00%
30%	Medium-Term Notes	88,537,578	7.85%	584,964,143	9.95%	118,408,490	6.50%	-	0.00%
20%	Money Market Mutual Funds	181,787,665	16.12%	-	0.00%	247,940,709	13.61%	4,034,781	7.99%
30%	Municipal Debt	-	0.00%	374,343,574	6.37%	-	0.00%	-	0.00%
20%	Repurchase Agreement	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Treasuries	24,990,723	2.22%	1,193,703,069	20.32%	304,865,366	16.74%	12,987,645	25.72%
		\$ 1,127,901,842	100.00%	\$ 5,876,238,402	100.00%	\$ 1,821,324,948	100.00%	\$ 50,495,713	100.00%

Investment Policy Guidelines	Compliance Category (Yes/No)	County Money Market Fund	Extended Fund	Educational Money Market Fund	John Wayne Airport Investment Fund
5%	Percentage Limits				
20%	Issuer Limit	Yes	Yes	Yes	Yes
50% ⁽⁴⁾	Money Market Mutual Fund Issuer	Yes ⁽²⁾	N/A	Yes ⁽²⁾	Yes
See Above	Government Agencies Issuer	Yes	Yes	Yes	Yes
	Diversification Limit	Yes	Yes	Yes	Yes
60 Days	Maturity/Duration Limits				
90 Days	Weighted Average Maturity - Money Market Fund	Yes/59.55	N/A	Yes/57.65	N/A
>Merrill 1-3 Year Index+25% (2.35)	Weighted Average Maturity - John Wayne Airport Investment Fund (JWA)	N/A	N/A	N/A	Yes/79.92
13 Months/397 days	Duration ⁽⁵⁾	N/A	Yes/1.32	N/A	N/A
15 Months/456 days	Final Maturity - Money Market Fund	Yes/336	N/A	Yes/336	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	N/A	Yes/328
	Final Maturity - Extended Fund	N/A	Yes/1081	N/A	N/A
A-1/≥ A	Quality Limits				
≥ A-1/P-1/F2	MMF Short Term/Long Term	Yes	N/A	Yes	Yes
A-1/≥ AA ⁽²⁾	Short Term Debt/No Split Ratings	Yes	N/A	Yes	Yes
Approved Issuer List	Extended Fund Short Term/Long Term	N/A	Yes ⁽⁶⁾	N/A	N/A
Broker/Dealer List	Authorized Issuer	Yes	Yes	Yes	Yes
0.995 - 1.005	Authorized Financial Dealer/Institution	Yes	Yes	Yes	Yes
	Net Asset Value - Money Market Fund and JWA	Yes/0.9999	N/A	Yes/1.000	Yes/0.9999

(1) All investments are marked to market in compliance with the narrow valuation range prescribed by the IPS and market values are provided by Bloomberg Professional Services and Northern Trust.

(2) Excludes US Government Debt per IPS policy approved by the Board of Supervisors on November 22, 2016.

(3) Rating Agency requirements limit investment in each Money Market Mutual Fund to 10%.

(4) GSE issuers rated 'AA-' or higher with final maturities of 30 days or less are excluded from the calculation of the 50% limit.

(5) IPS states all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%. Duration provided above (1.32) is a modified duration which does not take into consideration all embedded options such as callable bonds or mortgage backed bonds. This presentation is not considered materially different from the effective duration requirement specified in IPS.

(6) Securities issued by Berkshire Hathaway Inc and Royal Bank of Canada NY were rated above 'AA' at the time of purchase and are in compliance with IPS.

NA Not applicable

Note: Compliance exceptions, if any, are noted by red shading for the specific IPS guideline and investment pool.

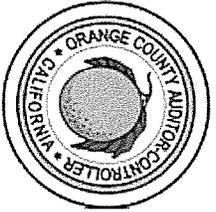
**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) AND TREASURY OVERSIGHT COMMITTEE (TOC) COMPLIANCE SUMMARY
June 30, 2017**

COMPLIANCE CATEGORY	PERFORMED BY	REGULATORY/POLICY GUIDELINES	CURRENT STATUS
Annual Compliance Audit	ACIA	Performance Evaluation-Cal Govt. Code 27134	Annual audit of calendar year 2015 completed.
Quarterly Schedule of Assets Review	ACIA	Performance Evaluation-Cal Govt. Code 26920(a)	March 31, 2017 in progress.
Annual Schedule of Assets Audit	ACIA	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2016 completed.
Quarterly Continuous Compliance Auditing	ACIA	TOC Directive	June 30, 2017 in progress.
Treasury Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	Annual review of fees for FY 14/15 and FY 15/16 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Annual review of calendar year 2016 in progress.
Annual Broker/Dealer IPS Certification	TTC	Authorized Financial Dealers and Qualified Institutions	All 2017 IPS certifications received for active approved brokers (one broker removed).
IPS Compliance Deficiencies	TTC	Investment/Diversification/Maturity Restrictions/Form 700	FY 16/17 identified one compliance incident as of June 30, 2017 (see Conflict of Interest below)
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made one change at the October 19, 2016 meeting. The BOS approved on November 22, 2016.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the October 19, 2016 meeting and did not make any additional changes. The BOS approved on November 22, 2016.
TOC Annual Report	BOS	TOC Bylaws Rule 30 - Oral and Written Report	The TOC 2016 Annual Report was presented to BOS on February 28, 2017.
Broker/Financial Institution List	TTC	OC Gift Ban Ordinance and Form 700	The TOC members were provided a list of active TTC Broker/Dealers and Financial Institutions at the TOC meeting on October 19, 2016.
Certificates of Compliance	TTC	TOC Bylaws Rule 34 - Annual	The TOC members are in compliance for calendar year 2017.
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	The TOC members are in compliance for calendar year 2016 (one submitted in January 2017).
Conflict of Interest Form 700 Filing	TTC	TOC Bylaws Rule 34 / IPS - Every Year	All TOC members and designated employees are in compliance for calendar year 2016. A designated employee submitted an Assuming Office Statement in calendar year 2017 late.

LEGEND	
Auditor-Controller Internal Audit	ACIA
Board of Supervisors	BOS
Treasury Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

**Orange County Treasurer-Tax Collector
Noncompliance Detail
For the Month Ended June 30, 2017**

During June, the Orange County Investment Pool (OCIP), the Orange County Educational Investment Pool (OCEIP), and the John Wayne Airport Investment Fund were all free of noncompliance incidents.

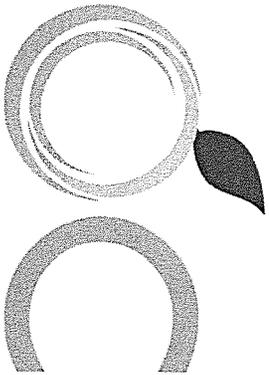


Orange County Auditor-Controller
Internal Audit



Internal Control Audit:
Treasurer-Tax Collector
Electronic Funds Transfer Process
As of August 15, 2016

Audit Number 1583
Report Date: June 13, 2017



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

Eric H. Woolery, CPA

Orange County Auditor-Controller

Toni Smart, CPA Director, Internal Audit

Scott Suzuki, CPA, CIA, CISA Assistant Director

Jimmy Nguyen, CISA, CFE IT Audit Manager II

12 Civic Center Plaza, Room 200

Santa Ana, CA 92701

Auditor-Controller Web Site

www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1583

June 13, 2017

TO: Shari L. Freidenrich, CPA
Treasurer-Tax Collector

SUBJECT: Internal Control Audit:
Treasurer-Tax Collector Electronic Funds Transfer Process

We have completed our audit of internal controls over the Treasurer-Tax Collector's electronic funds transfer (EFT) process as of August 15, 2016. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior quarter and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the AOC and BOS.

Additionally, we will request your department to complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

Attachments

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Eric Woolery, Auditor-Controller
Frank Kim, County Executive Officer
Mark Malbon, Chief Assistant Treasurer-Tax Collector – Treasury
JC Squires, Financial Manager, Treasurer-Tax Collector
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor



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Treasurer-Tax Collector Electronic Funds Transfer Process
Audit No. 1583*

As of August 15, 2016

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Internal Auditor's Report

Audit No. 1583

June 13, 2017

TO: Shari L. Freidenrich, CPA
Treasurer-Tax Collector

FROM: Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

SUBJECT: Internal Control Audit:
Treasurer-Tax Collector Electronic Funds Transfer Process

OBJECTIVES

We have completed our audit of internal controls over the Treasurer-Tax Collector's (T-TC) Electronic Funds Transfer (EFT) process as of August 15, 2016. Our audit was conducted in conformance with professional standards established by the Institute of Internal Auditors. The objectives of our audit were to:

1. Ensure appropriate internal controls (manual and IT) for safeguarding EFTs are in effect and operating as intended, by preventing or detecting the unauthorized direction of funds, including properly segregating duties for processing EFTs (manual and application), i.e., no single individual can initiate, approve, and release an EFT.
2. Ensure EFTs processed by the T-TC are accurate (for the correct amount, to the correct bank account, etc.) and valid (properly authorized, processed per documented procedures, etc.).
3. Identify any business process efficiency enhancements related to EFTs.

RESULTS

Objective #1: Our audit found that no single individual could initiate, approve, and release an EFT, and that internal controls for processing EFTs were in effect and operating as intended; however, we identified two (2) Critical Control Weaknesses, one (1) Significant Control Weakness, and four (4) Control Findings.

Objective #2: Our audit found that appropriate internal controls for ensuring the validity and accuracy of EFTs were in effect and operating as intended with the following exceptions. We identified two (2) Control Findings regarding the need to incorporate a process to validate the authenticity of signatures recorded on county EFT payment request forms and the need to print the names next to signatures recorded on the Department of Education EFT payment request form in order to validate the owner of the signature.

Objective #3: Based on our audit, we did not observe any areas where business process efficiency could be enhanced.

Due to the sensitive nature of the specific findings, the details of the report were presented to a limited audience.



Internal Auditor's Report

BACKGROUND

The mission of the Office of the Treasurer-Tax Collector (T-TC) is to ensure safe and timely receipt, deposit, collection, and investment of public funds. The department has 91 employees in three divisions (Treasury, Tax & Central Collections, and Investment) and a FY 2016-17 operating budget of almost \$14 million. Related to this audit, the Cash Management unit of the Treasury Division provides bank-related services and relationship management, cash management and forecasting, and financial electronic commerce solutions. It also coordinates electronic payment options via wire, ACH (Automated Clearing House), and intra-bank transfers.

Electronic Funds Transfers

Electronic funds transfers (EFT) consist of wire transfers, ACH transactions, and intra-bank transfers. The T-TC processed approximately \$24 billion in EFTs between July 2015 and June 2016 as follows:

- Wire transfers (approximately \$5.7 billion) are electronic payments made the same day as the scheduled payment date. Wire transfers are used for accounts payable, payroll, and trust payments for both the County and the Department of Education (DOE).
- Investment wire transfers (approximately \$14.5 billion) relate to investment purchases performed by the T-TC on behalf of the pooled and non-pooled participants, including the County and Educational participants.
- ACH (approximately \$839 million) payments are electronic payments that settle one day after being processed. ACH payments are used for accounts payable, trust payments, state payroll taxes, sales taxes, and landfill taxes.
- Intra-bank transfers (approximately \$3 billion) are transfers between the various bank accounts managed by the T-TC including the County and DOE.

Prior Audit Coverage

A report on Internal Control Audit: Auditor-Controller's and Treasurer-Tax Collector's \$22 Billion Electronic Funds Transfer Processes for the period March 1, 2008 through March 31, 2010, Audit No. 2821, was issued on October 14, 2010.

SCOPE AND METHODOLOGY

Our audit was as of August 15, 2016 and included:

1. Only EFT transactions.
2. Only processes at the T-TC.
3. Internal controls (system and manual) for administering and monitoring EFTs around applications directly involved in the EFT process.



Internal Auditor's Report

Scope Exclusions

Our audit did not include any of the following:

1. EFT request/authorization and processing by other departments as well as any downstream reviews/reconciliations processed by departments other than the T-TC.
2. Reviewing check and other disbursement methods.
3. Reviewing IT general controls related to the EFT process.
4. Testing of certain controls and processes concerning vendor table set-up, invoice approval due to prior audits performed by the former Internal Audit Department, and areas of the T-TC processes covered by the A-C's audits of the Treasury function.
5. Examining controls over interface files (e.g., Social Services Agency, Health Care Agency, T-TC, A-C Tax, Child Support Services), except for our review of EFT file security if the department uses the FTP server located at the OC Enterprise Data Center.
6. Reviewing CAPS+ user access profiles.

FOLLOW-UP PROCESS

Please note we have a structured and rigorous Follow-Up Audit process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our First Follow-Up Audit will generally begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our Second Follow-Up Audit will generally begin at six months from the release of the first Follow-Up Audit report, by which time all audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to its attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at its next scheduled meeting for discussion.

A Follow-Up Audit Report Form has already been provided to your department and should be completed as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed form to facilitate our review.

MANAGEMENT'S RESPONSIBILITIES FOR INTERNAL CONTROLS

In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework.



Internal Auditor's Report

Our Internal Control Audit enhances and complements, but does not substitute for the T-TC's continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the T-TC's operating procedures, accounting practices, and compliance with County policy.

The Auditor-Controller Internal Audit Division is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations.

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by the personnel of the Treasurer-Tax Collector and Auditor-Controller during our audit. If you have any questions regarding our audit, please contact me directly at (714) 834-5442, or Scott Suzuki, Assistant Director, at (714) 834-5509.



Detailed Findings, Recommendations, and Management Responses

Finding Nos. 1, 2, 3, 6, 7, and 8 were removed from this report version due to the sensitive nature of the specific findings. T-TC management concurred with each of these recommendations.

Finding No. 4 – EFT Payment Form Signatures Not Validated (Control Finding)

Based on our walkthrough observation and interviews, we found that authorization signatures recorded on the County EFT payment request forms were not validated to verify authenticity of signatures, prior to processing EFT payments. We found the T-TC relies on A-C Internal controls pertaining to County signature validation prior to processing EFT payment request; however, County signatures on the Department of Education EFT forms were verified.

Recommendation No. 4:

We recommend that T-TC maintain a wire transfer authorized signature document log in order to appropriately cross-reference and validate authenticity of signatures on the EFT payment request forms prior to processing payments.

Treasurer-Tax Collector Management Response:

Concur. TTC Management will establish an authorized EFT signature document log and verification process for Auditor-Controller signatures similar to that used for the Department of Education signature verification prior to processing EFT payments.

Finding No. 5 – Requestor Name Not Printed on EFT Request Forms for the Department of Education (Control Finding)

For school wire payment requests, our audit found that the requestor and approver do not print their names next to their signatures on the School Wire Request forms. As a result, it was difficult to validate the signature's owner.

Recommendation No. 5:

We recommend that the Schools Wire Request form should be modified to include a section for employees to print their names next to their signatures for ease of verifying the signature's owner.

Treasurer-Tax Collector Management Response:

Concur. TTC Management added a line for printed names to the Department of Education Wire Request Form.

Finding No. 9 – T-TC Suite Physical Access Controls (Control Finding)

Our walkthrough observation found that the entry door to the T-TC suite where EFTs are processed does not have a keycard lock and was unlocked during the day. While public access is generally restricted to the T-TC front desk and cashier only, an unauthorized person may bypass the keycard controlled T-TC front entry door by utilizing the elevator in Building 11 to go to the ground level, which allows access to the unsecured T-TC suite entry door.



Detailed Findings, Recommendations, and Management Responses

Recommendation No. 9:

We recommend the entry point to the T-TC suite where EFTs are processed be equipped with a keycard lock.

Treasurer-Tax Collector Management Response:

Concur. TTC Management has permanently locked the door in question and now requires employees to use one of three other keycard access doors to enter the Treasury Division area.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit findings and recommendations, we will classify audit report items into three distinct categories:

- ▶ **Critical Control Weaknesses:**
These are Audit Findings or a combination of Auditing Findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the Department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- ▶ **Significant Control Weaknesses:**
These are Audit Findings or a combination of Audit Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.
- ▶ **Control Findings:**
These are Audit Findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Treasurer-Tax Collector Management Response

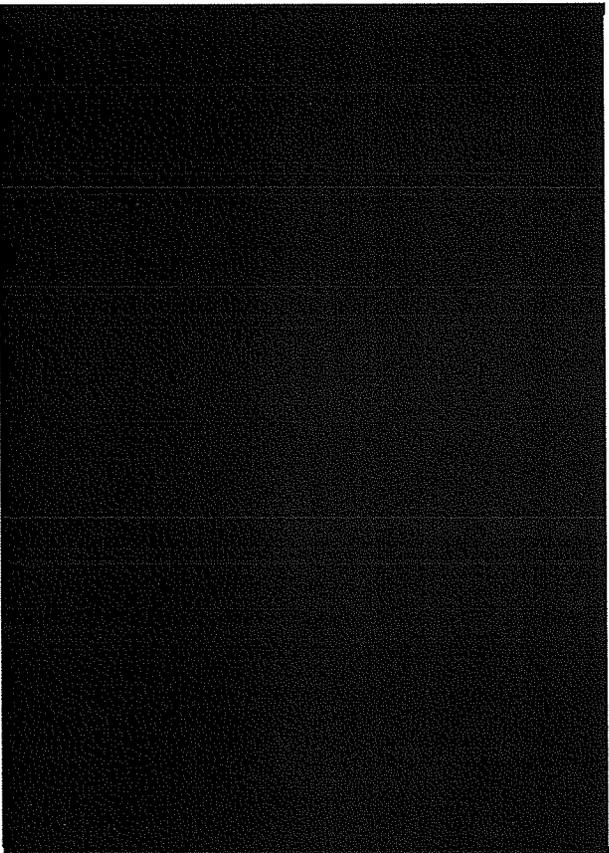


OFFICE OF THE TREASURER-TAX COLLECTOR
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM



INTERDEPARTMENTAL COMMUNICATION

Date: May 12, 2017
 To: Tom Smart, CPA, Auditor-Controller Internal Audit Director
 From: Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM *SLF*
 Subject: Management Response to Treasurer-Tax Collector Electronic Funds Transfer Process Audit No. 1583



Finding No. 4 – EFT Payment Form Signatures Not Validated

Treasurer-Tax Collector Management Response:
 Concern: TTC Management will establish an authorized EFT signature document log and verification process for Auditor-Controller signatures similar to that used for the Department of Education signature verification prior to processing EFT payments.

Monitor: Ensure safe and timely receipt, deposit, collection and investment of public funds.

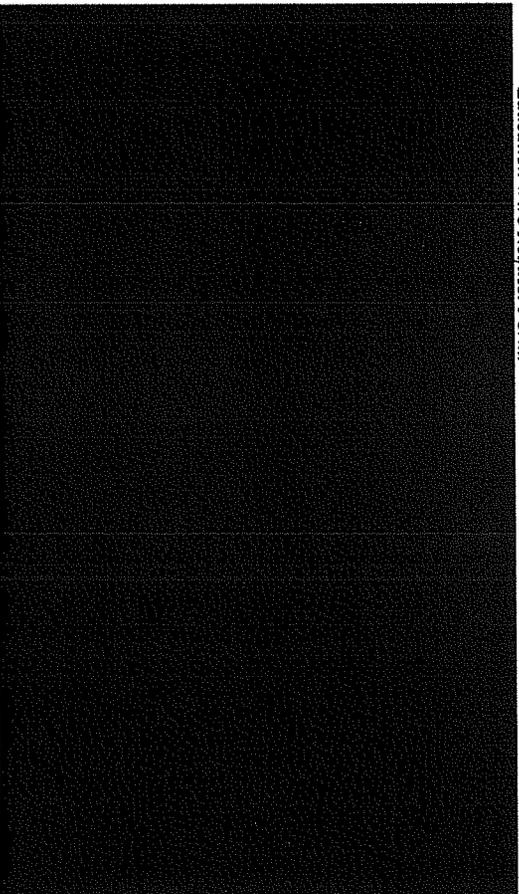


Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Treasurer-Tax Collector Management Response (con't)

Finding No. 5 – Requestor Name Not Printed on EFT Request Forms for the Department of Education

Treasurer-Tax Collector Management Response:
Concur. TTC Management added a line for printed names to the Department of Education Wire Request Form.



Finding No. 9 – T-T-C Suite Physical Access Controls

Treasurer-Tax Collector Management Response:
Concur. TTC Management has permanently locked the door in question and now requires employees to use one of three other keypad access doors to enter the Treasury Division area.

cc: Accounting Compliance File

MONTHLY TREASURER'S INVESTMENT REPORT

Distribution List

County of Orange Elected Officials

Honorable Sandra Hutchens, Sheriff-Coroner
Honorable Hugh Nguyen, Clerk-Recorder
Honorable Claude Parrish, Assessor
Honorable Anthony J. Rackauckas, Jr., District
Attorney/Public Administrator
Honorable Eric Woolery, Auditor-Controller

Treasury Oversight Committee

Gary Capata
William "Andy" Dunn
Frank Kim
Al Mijares
Laura Parisi
Richard Rohm
Eric Woolery

County of Orange Departments

Assessor
Auditor-Controller
Child Support Services
Clerk of the Board
Clerk-Recorder
County Counsel
County Executive Office
District Attorney/Public Administrator
Health Care Agency
Human Resources Services
John Wayne Airport
OC Community Resources
OC Dana Point Harbor
OC Public Works
OC Waste & Recycling
Independent Review
Performance Audit
Probation
Public Defender
Registrar of Voters
Sheriff-Coroner
Social Services Agency

County Agencies

Children & Families Commission
Civic Center Commission
Law Library
Orange County Employees Retirement System
Orange County Cemetery District
Orange County Fire Authority
Orange County Transportation Authority
Transportation Corridor Agencies

State of California

CDIAC
Superior Court

Orange County School Districts
Orange County Department of Education
Anaheim City School District
Anaheim Union High School District

Brea-Olinda Unified School District
Buena Park School District
Capistrano Unified School District
Centralia School District
Cypress School District
Fountain Valley School District
Fullerton School District
Fullerton Joint Union High School District
Garden Grove Unified School District
Huntington Beach City School District
Huntington Beach Union High School District
Irvine Unified School District
Laguna Beach Unified School District
La Habra City School District
Los Alamitos Unified School District
Lowell Joint School District
Magnolia School District
Newport-Mesa Unified School District
Ocean View School District
Orange Unified School District
Placentia-Yorba Linda Unified School District
Saddleback Valley Unified School District
Santa Ana Unified School District
Savanna School District
Tustin Unified School District
Westminster School District

Orange County Community College Districts

(CCD)
Coast Community CCD
North Orange County CCD
Rancho-Santiago CCD
South Orange County CCD

Orange County Regional Occupational

Programs (ROP)
Capistrano-Laguna Beach ROP
Coastline ROP
North Orange County ROP

Voluntary Pool Participants (date approved)

Serrano Water District (6-22-99)
City of Villa Park (10-2-01)
City of Tustin (5-21-02)
Mesa Water District (8-9-02)
Orange County Water District (3-30-04)
Municipal Water District of OC (7-27-04)
Orange County Mosquito and Vector Control
District (11-14-06)
Buena Park Library District (2-9-10)
Local Agency Formation Commission (10-5-10)
Villa Park Community Services Foundation (4-5-11)
City of Laguna Niguel (3-13-14)
City of Lake Forest (12-16-15)
Foothill/Eastern TCA (10-14-16)
San Joaquin Hills TCA (10-14-16)
Foothill/Eastern TCA/RCC (11-17-16)
Laguna Woods (5-10-17)



August 23, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - July 2017

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending July 31, 2017. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

Discussion

As of July 31, 2017, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$1.45 billion. The portfolio is divided into two managed portfolios: the liquid portfolio for immediate cash needs and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program. The weighted average book yield for the OCTA portfolio is 1.33 percent.

OCTA's debt portfolio had an outstanding principal balance of \$427 million as of July 31, 2017. Approximately 74 percent of the outstanding balance is comprised of Measure M2 debt and 26 percent is associated with the 91 Express Lanes Program.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending July 31, 2017.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending July 31, 2017.

Prepared by:



Rodney Johnson
Deputy Treasurer
Treasury/Toll Roads
(714) 560-5675

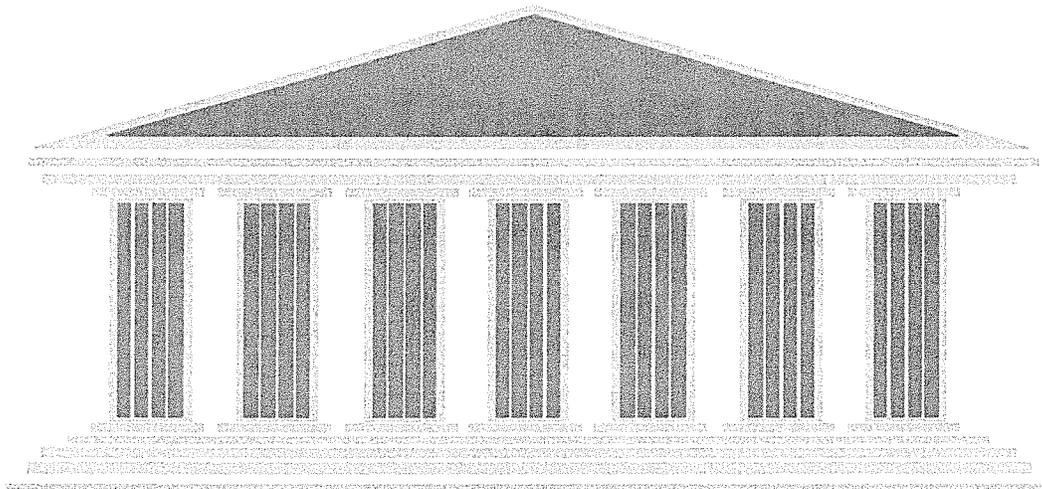
Approved by:



Andrew Oftelie
Executive Director,
Finance and Administration
(714) 560-5649

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

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



**Presented to the
Finance and Administration Committee**

**For The Period Ending
July 31, 2017**

INVESTMENT PROGRAM

Investment Profile

As of 7/31/17

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>ACTIVELY MANAGED INVESTMENTS</i>				
JP Morgan	Union Bank	Custodian	Short-Term Operating	326.2
State Street Global Advisors	Union Bank	Custodian	Short-Term Operating	325.8
Payden & Rygel Investment Counsel	Union Bank	Custodian	Short-Term Operating	326.2
Western Asset Management	Union Bank	Custodian	Short-Term Operating	325.5
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	10.3
Orange County Treasurer	OCIP	Custodian	Legal Requirement	0.0
<i>CASH INVESTMENTS</i>				
OCTA	BNY Mellon	Trustee	Liquid	82.8
OCTA	Bank of the West	Broker	Liquid	33.3
OCTA	U.S Bank	Trustee	Liquid	0.0
<i>DEBT SERVICE RESERVE FUNDS</i>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	10.9
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.0
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.0
Bank Deposits/Cash				0.1
TOTAL				\$1,454.2

Short-Term Portfolio - \$1.3 Billion

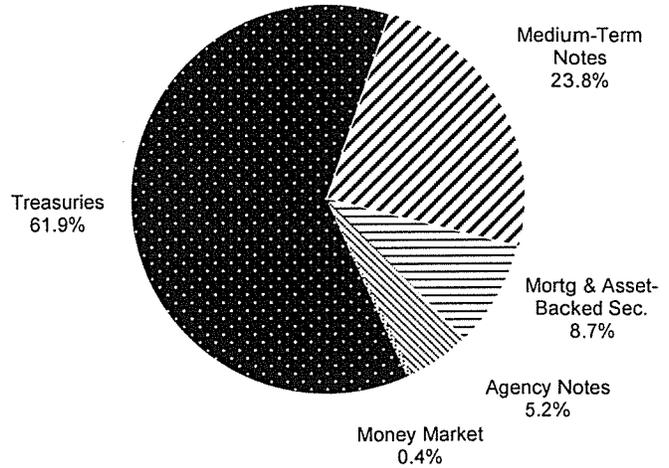
As of 7/31/17

Part 1 of 2

JP Morgan

Book Value \$ 326,230,916

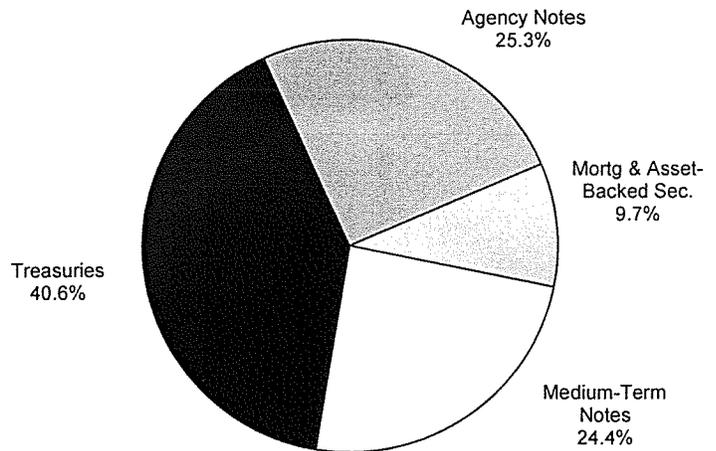
Market Value \$ 324,081,418



State Street Global

Book Value \$ 325,809,076

Market Value \$ 325,327,695



Market Value Reported By Custodial Bank

Short-Term Portfolio - \$1.3 Billion

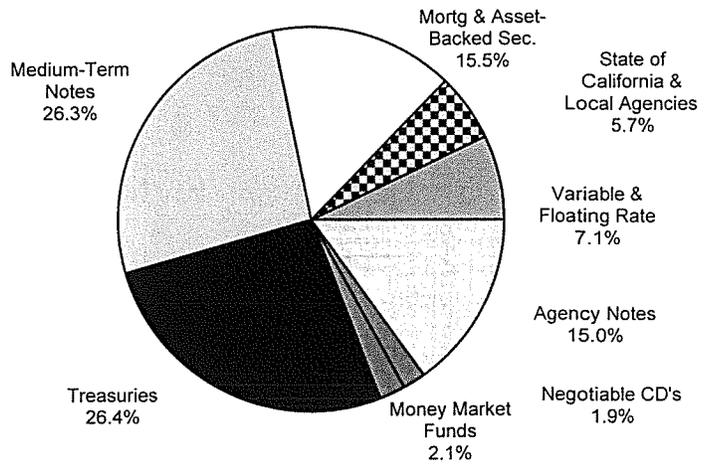
As of 7/31/17

Part 2 of 2

Payden & Rygel

Book Value \$ 326,152,526

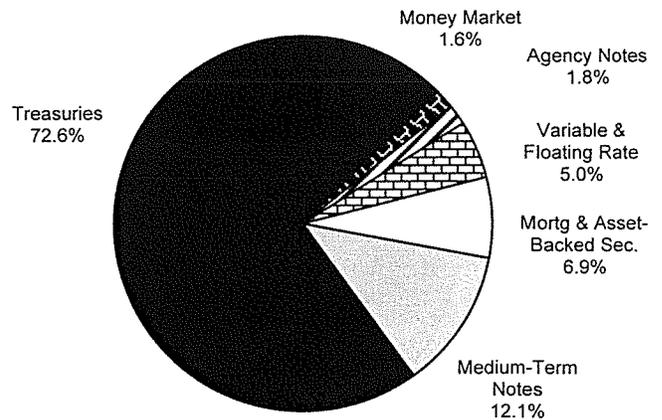
Market Value \$ 325,741,058



Western Asset Management

Book Value \$ 325,518,667

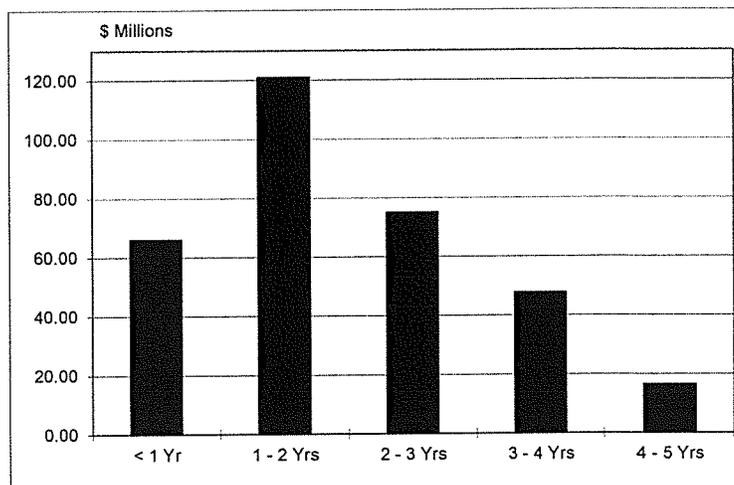
Market Value \$ 325,676,367



Short-Term Portfolio Maturity Schedule As of 7/31/17

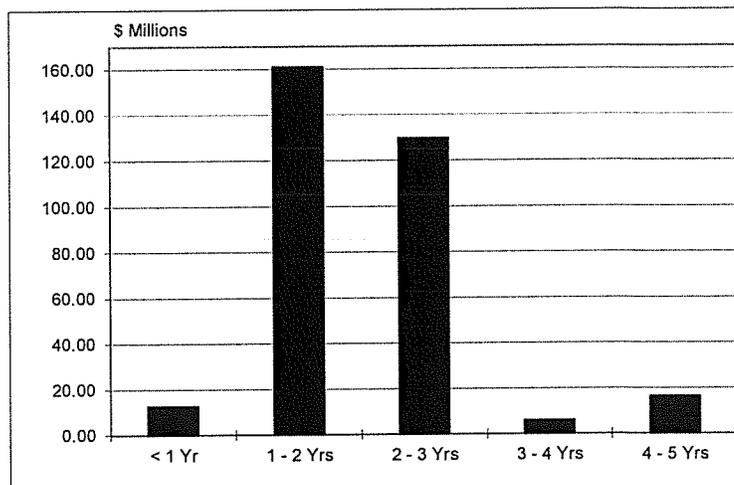
JP Morgan (\$326.2 M)

Monthly Return	0.25%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.24%
Fiscal YTD Return	0.25%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.24%
12 Month Return	0.40%
TSY Benchmark	0.16%
Gov/Corp Benchmark	0.40%



State Street Global (\$325.8 M)

Monthly Return	0.23%
Benchmark Comparison	0.21%
Gov/Corp Benchmark	0.24%
Fiscal YTD Return	0.23%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.24%
12 Month Return	0.46%
TSY Benchmark	0.16%
Gov/Corp Benchmark	0.40%



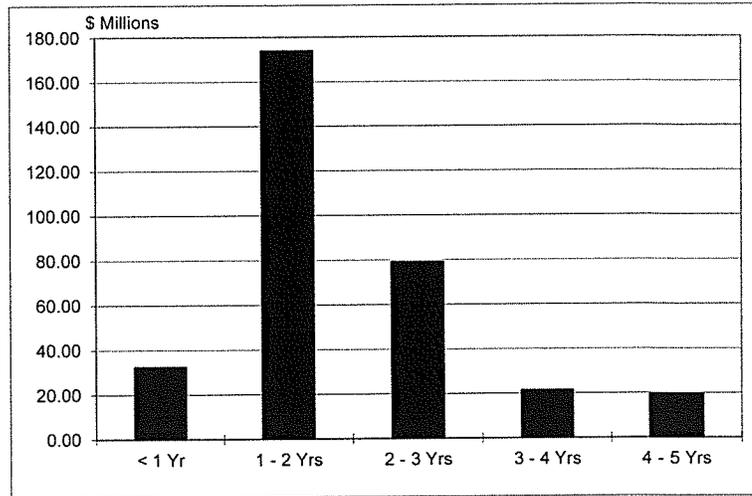
Yield Curve Change From 6/30/17 to 7/31/17			
	6/30/17	7/31/17	Change
1 Year	1.230%	1.215%	-0.0150%
2 Year	1.384%	1.352%	-0.0320%
3 Year	1.547%	1.509%	-0.0380%
5 Year	1.889%	1.837%	-0.0520%
30 Year	2.835%	2.901%	0.0660%

Short-Term Portfolio Maturity Schedule

As of 7/31/17

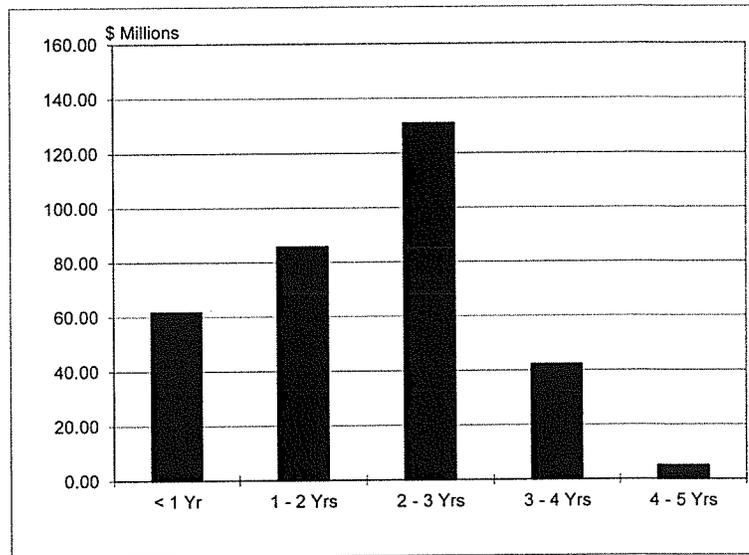
Payden & Rygel (\$326.2 M)

Monthly Return	0.22%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.24%
Fiscal YTD Return	0.22%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.24%
12 Month Return	0.71%
TSY Benchmark	0.16%
Gov/Corp Benchmark	0.40%



Western Asset Management (\$325.5 M)

Monthly Return	0.22%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.24%
Fiscal YTD Return	0.22%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.24%
12 Month Return	0.38%
TSY Benchmark	0.16%
Gov/Corp Benchmark	0.40%

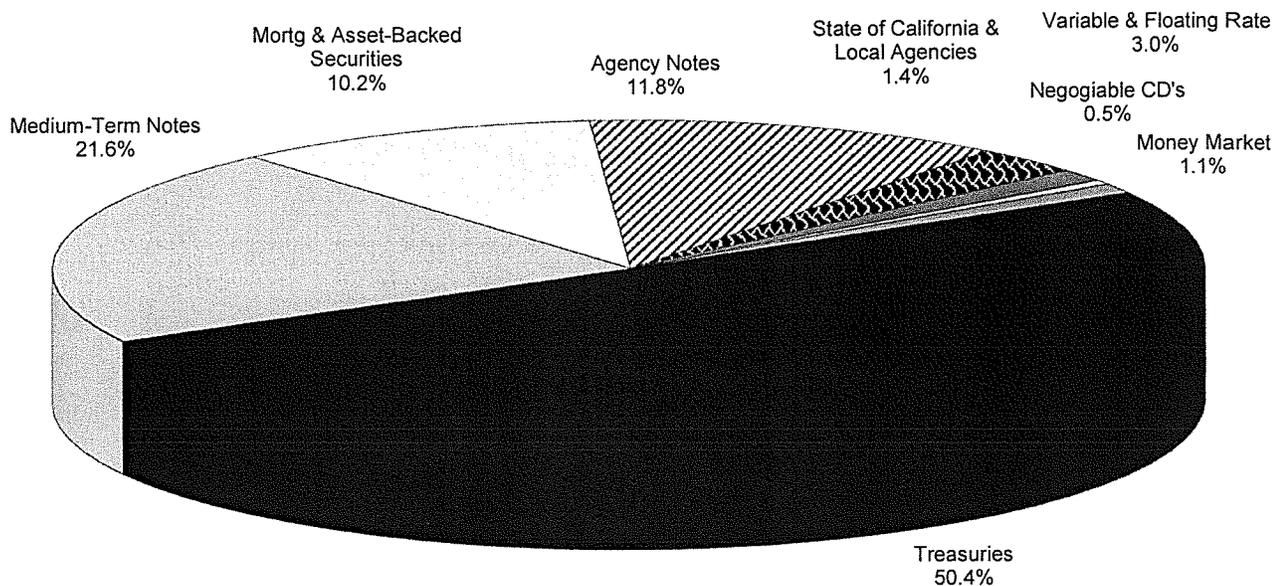


Yield Curve Change From 6/30/17 to 7/31/17			
	<u>6/30/17</u>	<u>7/31/17</u>	<u>Change</u>
1 Year	1.230%	1.215%	-0.0150%
2 Year	1.384%	1.352%	-0.0320%
3 Year	1.547%	1.509%	-0.0380%
5 Year	1.889%	1.837%	-0.0520%
30 Year	2.835%	2.901%	0.0660%

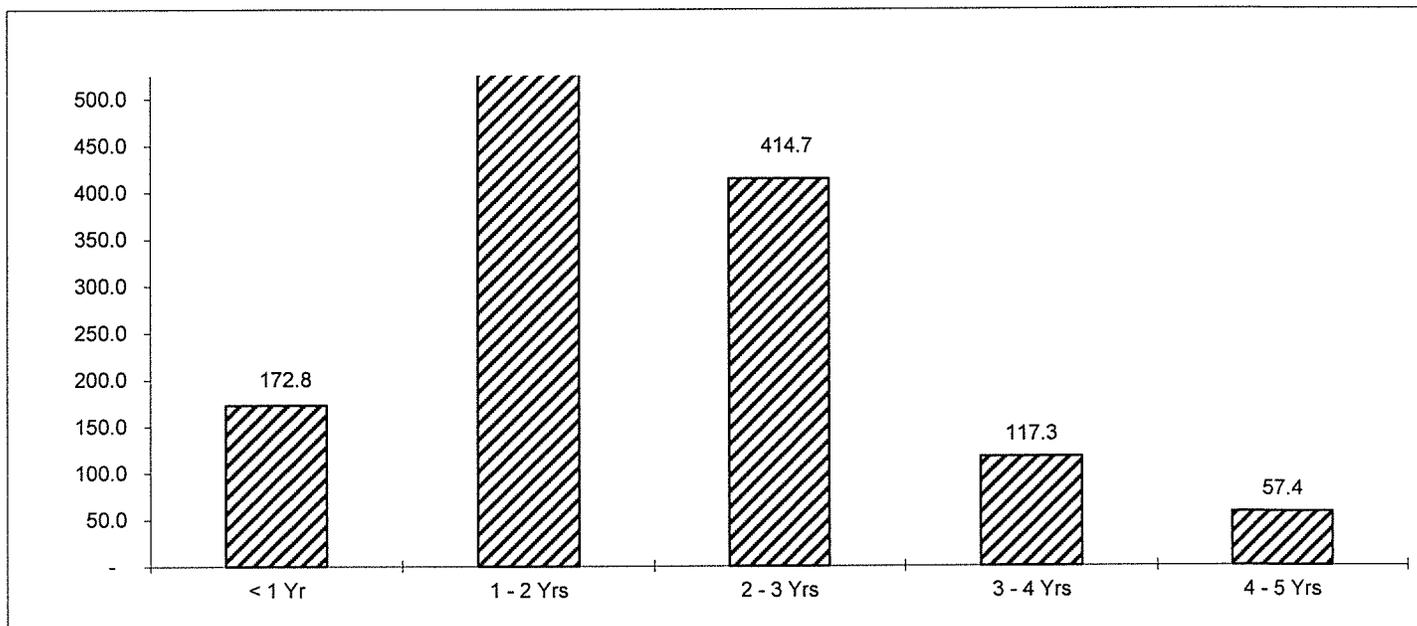
Short-Term Portfolio

As of 7/31/17

Total Portfolio Composition



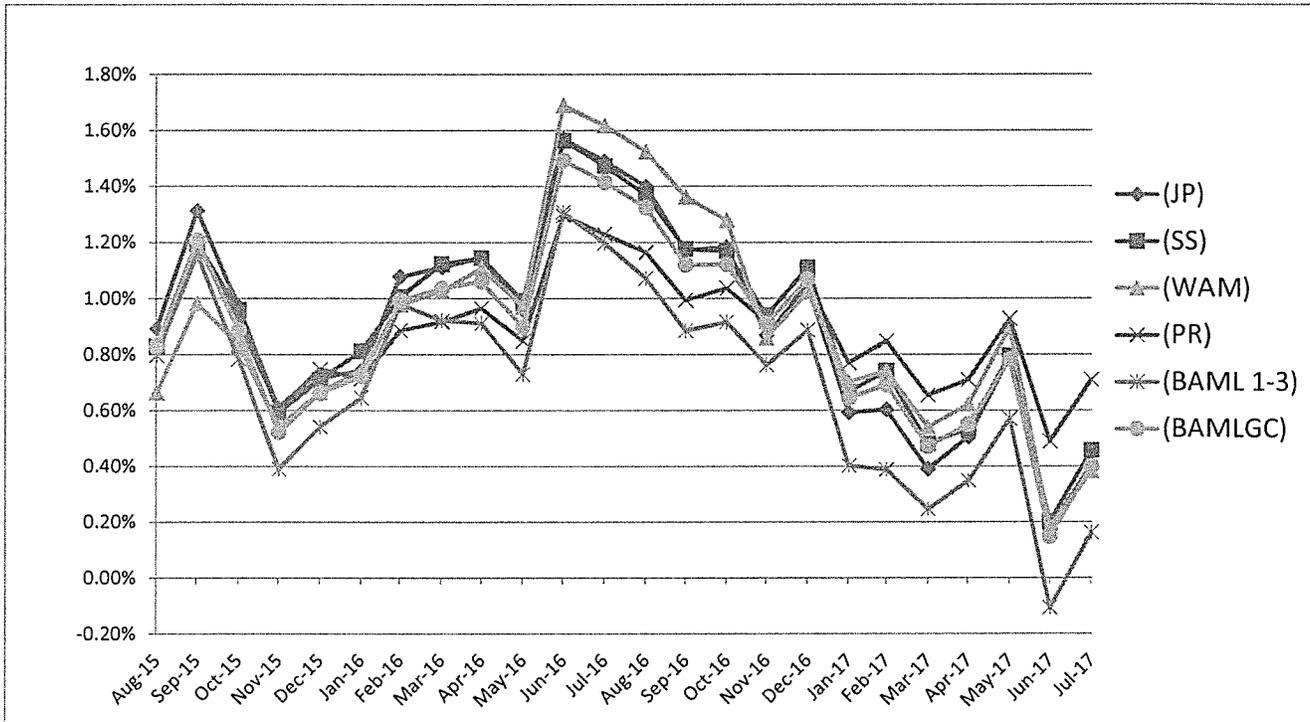
Total Portfolio Maturity Schedule



Short-Term Portfolio Performance

As of 7/31/17

**Trailing 1-Year Total Return
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks**

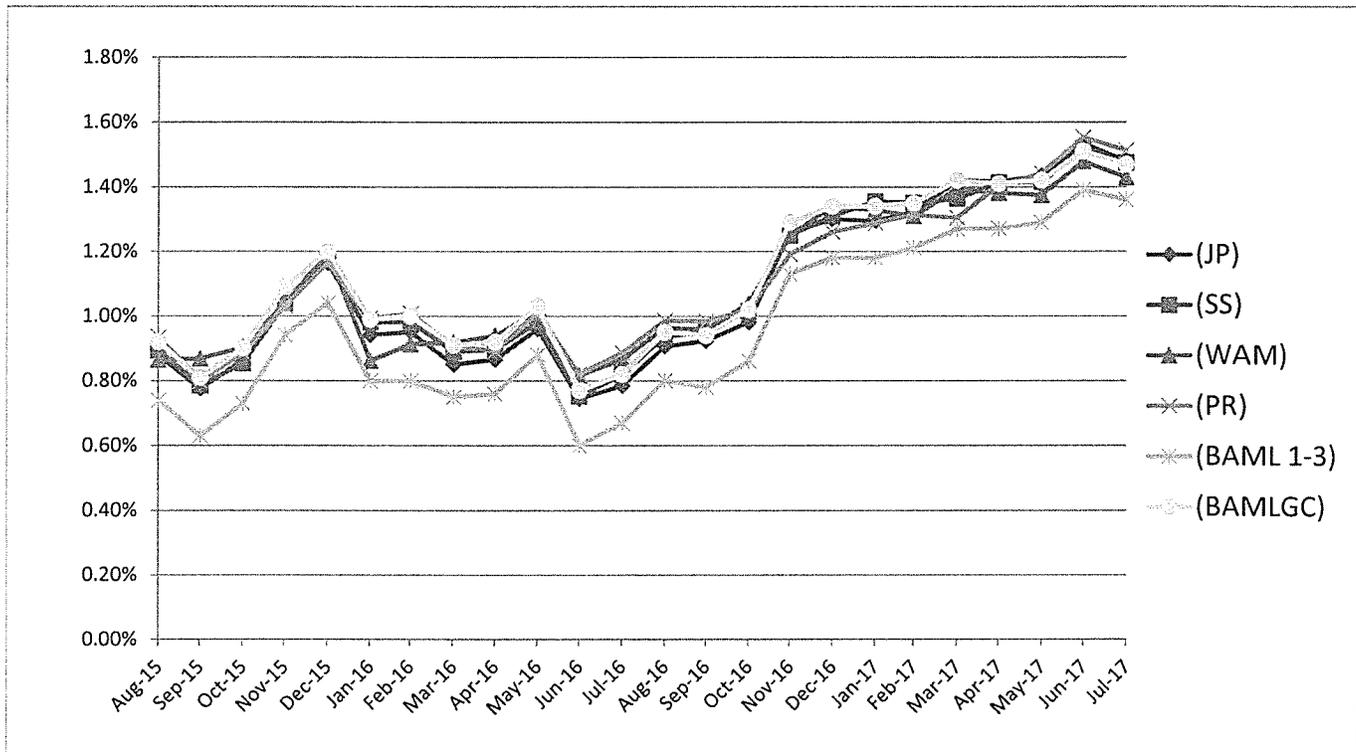


	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden & Rygel (PR)	BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Aug-15	0.89%	0.83%	0.66%	0.83%	0.80%	0.83%
Sep-15	1.31%	1.20%	0.98%	1.19%	1.16%	1.21%
Oct-15	0.97%	0.96%	0.84%	0.91%	0.78%	0.89%
Nov-15	0.61%	0.59%	0.54%	0.61%	0.39%	0.52%
Dec-15	0.72%	0.71%	0.67%	0.75%	0.54%	0.66%
Jan-16	0.74%	0.81%	0.74%	0.71%	0.65%	0.72%
Feb-16	1.08%	1.01%	0.98%	0.89%	0.98%	0.99%
Mar-16	1.11%	1.12%	1.03%	0.92%	0.92%	1.04%
Apr-16	1.15%	1.14%	1.11%	0.96%	0.91%	1.06%
May-16	0.96%	0.99%	0.97%	0.85%	0.73%	0.90%
Jun-16	1.57%	1.56%	1.69%	1.30%	1.31%	1.49%
Jul-16	1.49%	1.47%	1.62%	1.23%	1.20%	1.42%
Aug-16	1.40%	1.37%	1.52%	1.16%	1.07%	1.32%
Sep-16	1.17%	1.18%	1.36%	0.99%	0.88%	1.12%
Oct-16	1.18%	1.17%	1.28%	1.04%	0.92%	1.12%
Nov-16	0.87%	0.94%	0.86%	0.92%	0.76%	0.91%
Dec-16	1.04%	1.11%	1.02%	1.05%	0.89%	1.07%
Jan-17	0.59%	0.67%	0.70%	0.77%	0.40%	0.65%
Feb-17	0.60%	0.74%	0.74%	0.85%	0.39%	0.69%
Mar-17	0.39%	0.48%	0.54%	0.65%	0.25%	0.47%
Apr-17	0.51%	0.54%	0.62%	0.71%	0.35%	0.55%
May-17	0.79%	0.80%	0.90%	0.93%	0.57%	0.78%
Jun-17	0.17%	0.20%	0.18%	0.49%	-0.11%	0.15%
Jul-17	0.40%	0.46%	0.38%	0.71%	0.16%	0.40%

Comparative Yield Performance

As of 7/31/17

Historical Yields Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Aug-15	0.88%	0.89%	0.87%	0.94%	0.74%	0.92%
Sep-15	0.78%	0.79%	0.87%	0.80%	0.63%	0.81%
Oct-15	0.86%	0.85%	0.90%	0.89%	0.73%	0.90%
Nov-15	1.04%	1.04%	1.04%	1.03%	0.94%	1.09%
Dec-15	1.16%	1.17%	1.19%	1.16%	1.04%	1.20%
Jan-16	0.94%	0.98%	0.86%	0.99%	0.80%	0.99%
Feb-16	0.95%	0.98%	0.91%	1.01%	0.80%	1.00%
Mar-16	0.85%	0.89%	0.92%	0.91%	0.75%	0.91%
Apr-16	0.87%	0.90%	0.94%	0.89%	0.76%	0.92%
May-16	0.96%	0.98%	1.01%	1.01%	0.88%	1.03%
Jun-16	0.74%	0.75%	0.82%	0.82%	0.60%	0.77%
Jul-16	0.79%	0.82%	0.87%	0.89%	0.67%	0.82%
Aug-16	0.91%	0.94%	0.96%	0.99%	0.80%	0.95%
Sep-16	0.92%	0.95%	0.96%	0.98%	0.78%	0.94%
Oct-16	0.98%	1.02%	1.04%	1.02%	0.86%	1.02%
Nov-16	1.26%	1.25%	1.25%	1.19%	1.13%	1.29%
Dec-16	1.30%	1.31%	1.34%	1.26%	1.18%	1.34%
Jan-17	1.29%	1.36%	1.33%	1.29%	1.18%	1.34%
Feb-17	1.32%	1.35%	1.31%	1.31%	1.21%	1.35%
Mar-17	1.42%	1.36%	1.39%	1.30%	1.27%	1.42%
Apr-17	1.42%	1.41%	1.38%	1.41%	1.27%	1.41%
May-17	1.44%	1.42%	1.37%	1.44%	1.29%	1.42%
Jun-17	1.54%	1.52%	1.48%	1.55%	1.39%	1.51%
Jul-17	1.48%	1.48%	1.43%	1.51%	1.36%	1.47%

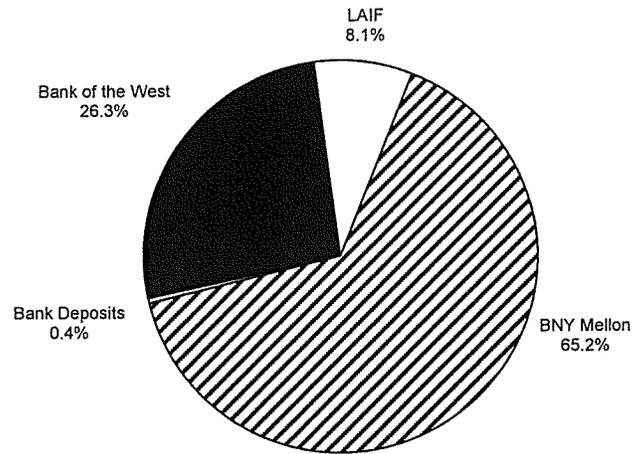
Liquid Funds Portfolio - \$127.0 M

As of 7/31/17

Other Liquid Funds

Book Value \$ 127,030,424

Market Value \$ 127,030,424



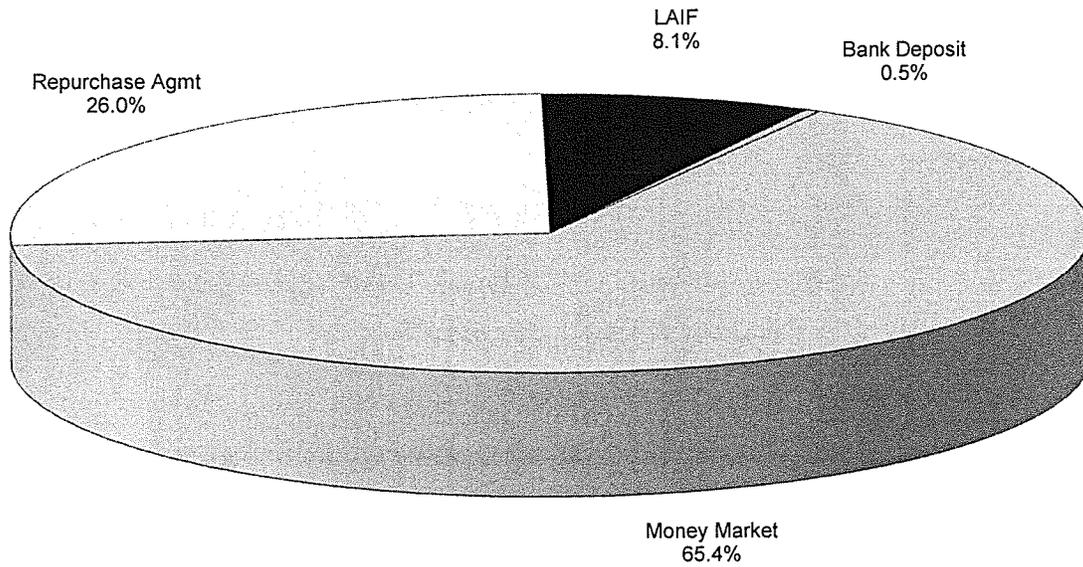
Yield Curve Change			
From 6/30/17 to 7/31/17			
	<u>6/30/17</u>	<u>7/31/17</u>	<u>Change</u>
1 Month	0.839%	0.982%	0.1430%
3 Month	1.014%	1.075%	0.0610%
6 Month	1.134%	1.134%	0.0000%

Market Value Reported By Custodial Bank

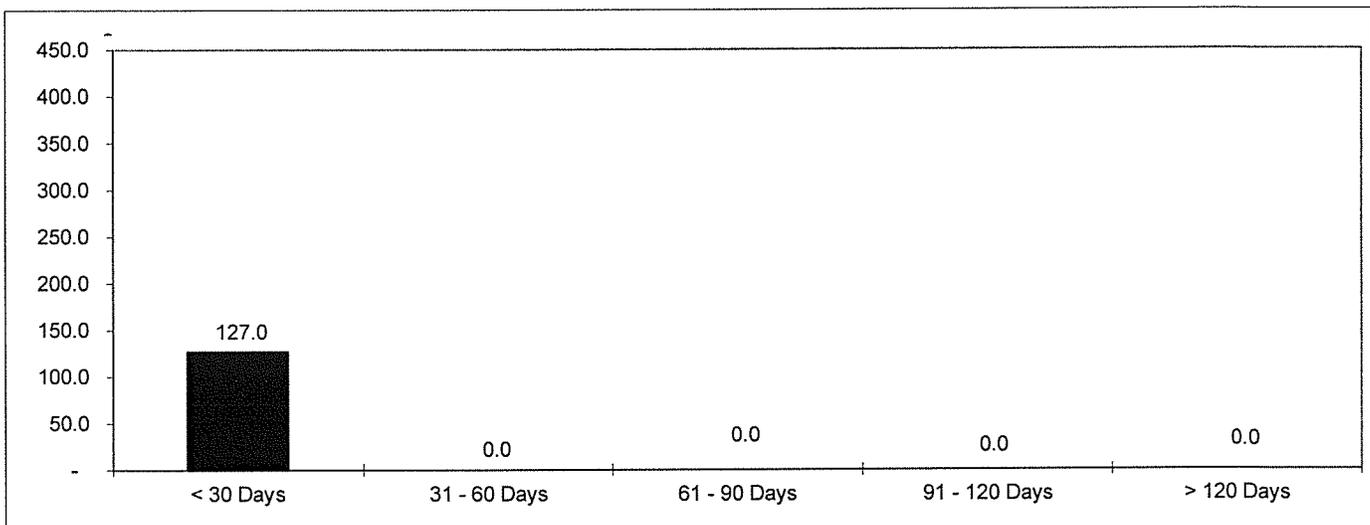
Liquid Portfolio

As of 7/31/17

Total Portfolio Composition



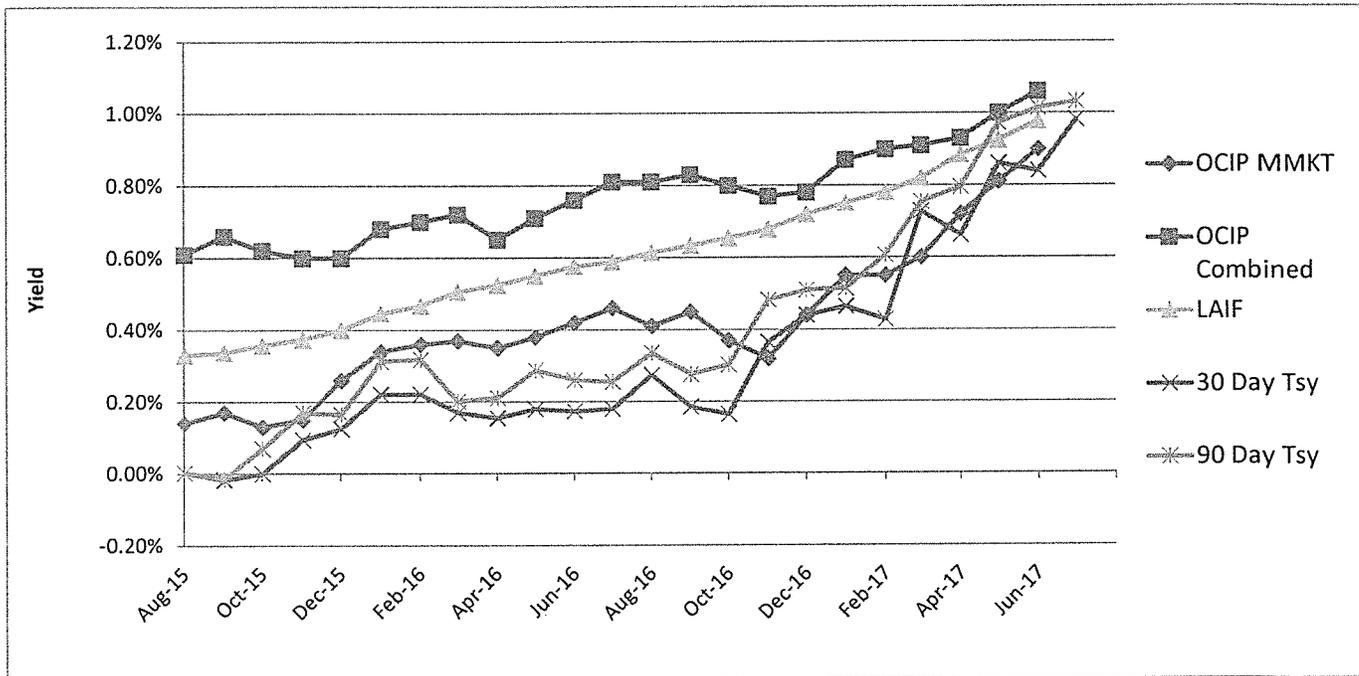
Maturity Schedule For Liquid Portfolio



Liquid Portfolio Performance

As of 7/31/17

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



	<u>OCIP MMKT</u>	<u>OCIP Combined</u>	<u>LAIF</u>	<u>30 Day Tsy</u>	<u>90 Day Tsy</u>
Aug-15	0.14%	0.61%	0.33%	0.00%	0.00%
Sep-15	0.17%	0.66%	0.34%	-0.02%	-0.02%
Oct-15	0.13%	0.62%	0.36%	0.00%	0.07%
Nov-15	0.15%	0.60%	0.37%	0.09%	0.17%
Dec-15	0.26%	0.60%	0.40%	0.13%	0.17%
Jan-16	0.34%	0.68%	0.45%	0.22%	0.31%
Feb-16	0.36%	0.70%	0.47%	0.22%	0.32%
Mar-16	0.37%	0.72%	0.51%	0.17%	0.20%
Apr-16	0.35%	0.65%	0.53%	0.16%	0.21%
May-16	0.38%	0.71%	0.55%	0.18%	0.29%
Jun-16	0.42%	0.76%	0.58%	0.17%	0.26%
Jul-16	0.46%	0.81%	0.59%	0.18%	0.26%
Aug-16	0.41%	0.81%	0.61%	0.27%	0.34%
Sep-16	0.45%	0.83%	0.63%	0.19%	0.28%
Oct-16	0.37%	0.80%	0.65%	0.17%	0.30%
Nov-16	0.32%	0.77%	0.68%	0.37%	0.48%
Dec-16	0.44%	0.78%	0.72%	0.44%	0.51%
Jan-17	0.55%	0.87%	0.75%	0.46%	0.52%
Feb-17	0.55%	0.90%	0.78%	0.43%	0.61%
Mar-17	0.60%	0.91%	0.82%	0.73%	0.75%
Apr-17	0.72%	0.93%	0.88%	0.66%	0.80%
May-17	0.81%	1.00%	0.93%	0.86%	0.97%
Jun-17	0.90%	1.06%	0.98%	0.84%	1.01%
Jul-17	N/A	N/A	N/A	0.98%	1.03%

Investment Policy Compliance

As of 7/31/17

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	656,644,699	45.2%	100%
Federal Agencies & U.S. Government Sponsored *	154,069,680	10.6%	100%
State of California & Local Agencies	18,454,007	1.3%	25%
Money Market Funds & Mutual Funds	96,901,510	6.7%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	6,200,074	0.4%	30%
Commercial Paper	23,884,053	1.6%	25%
Medium Term Maturity Corporate Securities	281,874,359	19.4%	30%
Mortgage and Asset-backed Securities	133,028,034	9.1%	10%
Repurchase Agreements	32,918,536	2.3%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	10,277,367	0.7%	\$ 40 Million
Orange County Investment Pool (OCIP)	43,562	0.0%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	39,348,936	2.7%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	553,049	0.0%	5%
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	1,454,197,865	100.0%	

* See attached page for a detailed listing of this category

Investment Policy Compliance

As of 7/31/17

Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<i><u>Federal Agencies & U.S. Government Sponsored</u></i>			
Federal Home Loan Bank (FHLB)	48,020,068	3.3%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	67,436,008	4.6%	35%
Federal Farm Credit Bank (FFCB)	5,230,000	0.4%	35%
Federal National Mortgage Association (FNMA)	73,387,354	5.0%	35%
Federal Housing and Urban Development	<u>1,000,000</u>	0.1%	35%
	195,073,430 *	13.4%	

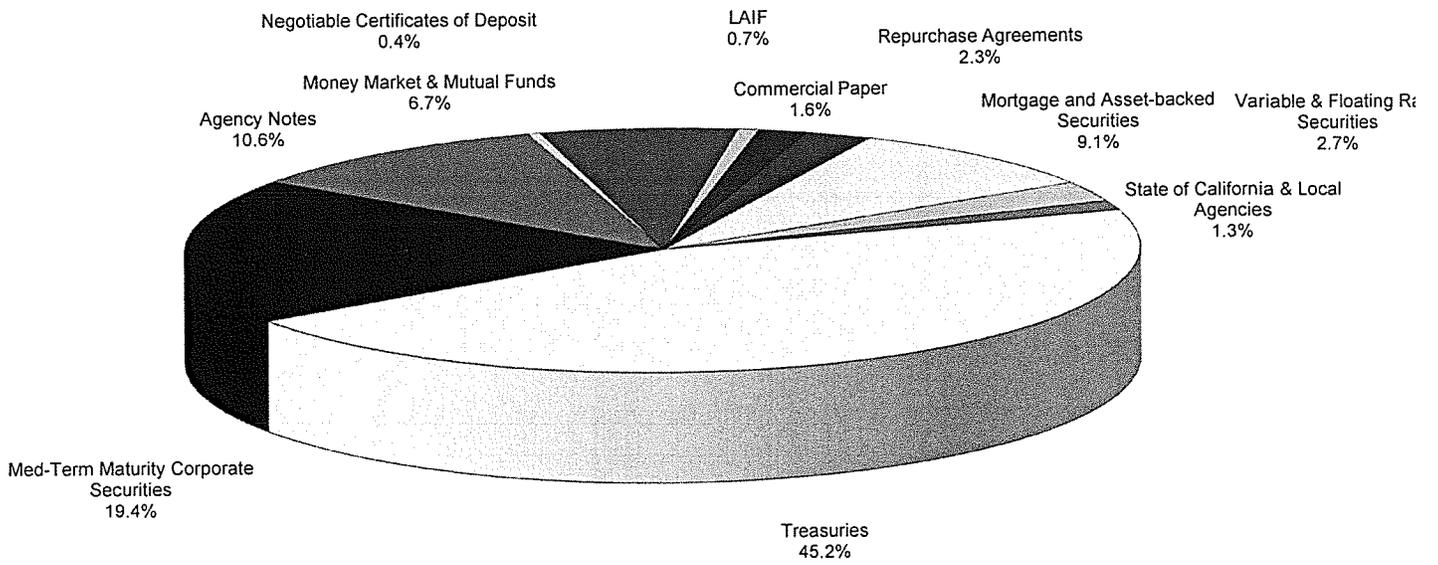
* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	139	0.0%
Goldman Sach Fin. Square Govt. MMF	0	0.0%
Blackrock Institutional T-Fund	14,091,397	1.0%
Fidelity Treasury Obligations MMF	68,758,302	4.7%
Federated Treasury Obligations Fund	<u>14,051,673</u>	<u>1.0%</u>
	96,901,510	6.7%

Investment Allocation

As of 7/31/17



Negative Credit Watch

As of 7/31/17

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

<i>McDonalds</i>	140,000	10/15/2017	BBB+	Baa1	BBB+
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Removed from negative credit watch, but no longer within Investment Policy guidelines.

<i>Bayer US Financial</i>	200,000	10/8/2019	A-	A3	NA
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During May 2016, Standard & Poor's and Moody's placed the long-term ratings of Bayer Financial under review for possible downgrade.

<i>Berkshire Hathaway</i>	1,071,000	Various	AA	Aa2	A+
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On July 7, 2017, Standard & Poor's placed the long-term ratings of Berkshire Hathaway under review for possible downgrade.

Payden & Rygel

<i>Berkshire Hathaway</i>	725,000	Various	AA	Aa2	A+
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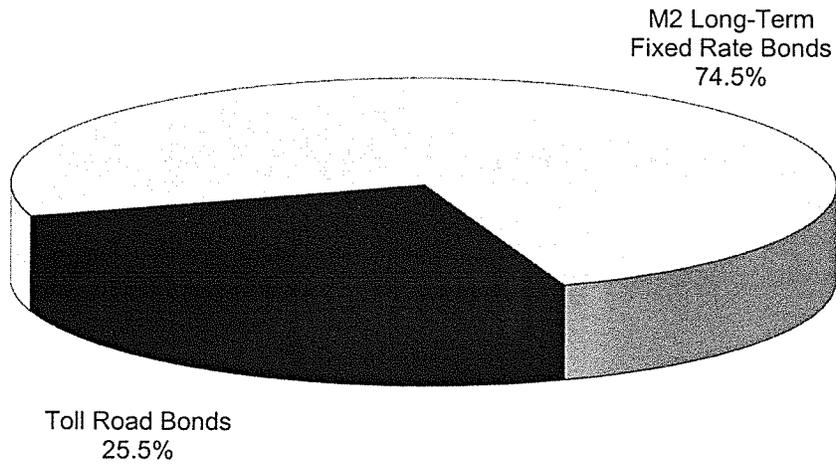
On July 7, 2017, Standard & Poor's placed the long-term ratings of Berkshire Hathaway under review for possible downgrade.

DEBT PROGRAM

Total Outstanding Debt

As of 7/31/17

Outstanding Debt



TOTAL OUTSTANDING DEBT: \$427,140,000

Outstanding Debt

As of 7/31/17

Orange County Local Transportation Authority (OCLTA-M2)

2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Issued:	\$	293,540,000
Outstanding:	\$	293,540,000
Debt Service FY 2018:		13,409,389
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings		Aa2/AA+/AA+
Final Maturity		2041

2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:	\$	24,470,000
Debt Service FY 2018:		8,913,100
Pledged Revenue Source:		M2 Sales Tax Revenues
Ratings		Aa2/AA+/AA+
Final Maturity		2020

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		109,130,000
Debt Service FY 2018:		10,794,700
Pledged Revenue Source:		91 Toll Road Revenues
Underlying Ratings		A1/AA-/A
Final Maturity		2030

405 Express Lanes

2017 TIFIA Loan

Outstanding:	\$	0
Debt Service FY 2018:		0
Pledged Revenue Source:		405 Toll Road Revenues
Ratings		Baa2/BBB-/BBB-
Final Maturity		2058



August 23, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report For June 30, 2017

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is written over the "To:" and "From:" lines of the memo.

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan; acquired conservation properties; and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and the performance. Attached is the quarterly investment report for the Endowment Pool for the period ending June 30, 2017. The report has been reviewed and is consistent with the pool objectives.

Recommendation

Receive and file as an information item.

Background

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Approximately \$2.9 million on an annual basis will be deposited in the endowment. On March 1, 2017, Orange County Transportation Authority wired \$2,877,000 to CCF to be deposited in the Endowment Pool. These annual deposits are expected to continue for ten to 12 years, or until the fund totals approximately \$46.2 million.

Discussion

As of June 30, 2017, total pool assets in the CCF Endowment Pool were \$923.6 million. Total foundation assets were \$1.66 billion. Performance for the Endowment Pool was 0.1 percent for the month, while the benchmark was flat for the month; 2.2 percent for the quarter, exceeding the customized benchmark by 0.5 percent. The one year return was 13.1 percent, exceeding the benchmark by 3.9 percent.

At the end of each fiscal year, staff will report on the funding status relative to the amounts projected when the Endowment Fund was established. The actual balance as of June 30, 2017 is \$2,964,823. The number exceeds the projected balance of \$2,912,711 due to higher than projected investment earnings and lower than projected fees. The projected annualized cost for endowment services was 0.75 percent based on indications received during the due diligence process. The program is currently paying 0.39 percent fee on a sliding scale. That fee will continue to be reduced as assets grow.

Summary

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Finance and Administration Committee. The report is for the quarter ending June 30, 2017.

Attachments

- A. CCF Fund Statement - June 30, 2017
- B. CCF Endowment Pool Investments – June 30, 2017

Prepared by:



Rodney Johnson
Deputy Treasurer
Treasury/Toll Roads
714-560-5675

Approved by:



Andrew Oftelie
Executive Director, Finance and
Administration
714-560-5649



Fund Name: OCTA - Measure M2 Environmental Mitigation Program Fund
Fund Start Date: 2/28/2017
Investment Pool(s): Endowment Pool

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)
 4/1/2017 - 6/30/2017

Fund Summary

	This Period 04/01/2017 - 06/30/2017	Calendar YTD 1/1/2017 - 6/30/2017
Opening Fund Balance	\$2,899,059.23	\$0.00
Contributions	0.00	2,877,000.00
Investment Activity, net	65,763.96	87,823.19
Net Changes to Fund	65,763.96	2,964,823.19
Ending Balance	\$2,964,823.19	\$2,964,823.19

Investment Pool Performance as of 06/30/2017

	This Qtr.	1 - Year	3 - Years	5 - Years	10 - Years
Endowment Pool	2.2%	13.1%	2.9%	7.4%	4.2%
Social Impact Endowment Pool	2.5%	9.6%	4.8%	8.1%	4.2%
Conservative Balanced Pool	1.4%	5.4%	3.7%	n/a	n/a
Short Duration Bond Pool	0.6%	0.1%	n/a	n/a	n/a
Capital Preservation Pool	0.2%	0.5%	0.3%	0.2%	1.0%

Endowment Pool - invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps pace with inflation over time. The target asset allocation is 50% equities, 30% alternatives, 10% fixed income and 10% real assets. Investment management fees are 85 basis points.

Social Impact Endowment Pool - invested in a diversified pool aiming for capital growth for long-term grantmaking; underlying instruments undergo rigorous environmental and social analysis, with an asset allocation of approximately 60%-75% equities and 25%-40% fixed income. Investment management fees are 66 basis points.

Conservative Balanced Pool - designed to aim for moderate growth and to offer diversified exposure to the U.S. equity market and to investment grade fixed income with maturities from one to five years and an asset allocation of 70% fixed income and 30% equities investments. Investment management fees are 9 basis points.

Short Duration Bond Pool - invested to offer diversified exposure to investment grade fixed income with maturities from one to five years for the purposes of grants over a near-term one to four year horizon. Investment management fees are 10 basis points.

Capital Preservation Pool - designed to preserve principal and provide liquidity for present grantmaking needs through investment in short-term fixed income and cash instruments. Investment management fees are 10 basis points.

Definition of Terms

Opening Fund Balance - Your fund's balance at the beginning of the statement period.

Contributions - Irrevocable financial additions to your fund.

Grants - Grants you recommended to IRS-qualified public charities that have been approved and distributed from your fund. This also includes refunds and voids of grants made.

Administrative Fee - CCF charges administrative fees to cover general operating activities. These activities could include gift establishment, receipt of assets and contributions, grants and fund administration, research on nonprofit agencies and issue areas, and other charitable purposes.

Investment Activity, net – This represents the financial returns from the CCF investment pool(s) in which your fund is invested, including interest, dividends and gains/losses as well as the deduction of any investment-related fees.

Fund Balance Transfer - Money transferred to or from another CCF fund.

Other Expenses - Permissible expenses (i.e., legal, phone charges, etc.) related to the administration of your fund.

Net Changes to Fund - The net amount of your fund after contributions, income, grants, administration and grant management fee, investment managers' fees, fund balance transfers, and other expenses.

Ending Fund Balance - The fund's balance at the end of the statement period reported on this statement. This amount includes any contributions, grant distributions, fund balance transfers, and increase or decrease in market value.

Meet Our Team

John E. Kobara
Chief Operating Officer
jkobara@calfund.org

Development and Donor Relations
(213) 239-2300

Steve Cobb
Chief Financial Officer
scobb@calfund.org

Paul Schulz
Vice President, Development & Donor Relations
pschulz@calfund.org

Carol A. Bradford, JD
Senior Counsel & Charitable Advisor
cbradford@calfund.org

Grants and Fund Specialists
(213) 239-2320

Terri Mosqueda
Director of Donor Relations
tmosqueda@calfund.org

Summer Moore
Director of Development & Donor Operations
smoore@calfund.org

Marilu Guzman
Scholarships Administrator & Grants Specialist
mguzman@calfund.org

William Strickland
Senior Development Officer
wstrickland@calfund.org

Don Gottesman
Senior Development Officer
dgottesman@calfund.org

Erin Grimes
Grants & Fund Operations Specialist
egrimes@calfund.org

Tammy Johnson
Senior Donor Relations Officer
tjohnson@calfund.org

Celina Santiago
Donor Relations Officer
csantiago@calfund.org

Vanessa Meier
Grants & Fund Operations Specialist
vmeier@calfund.org

Lorene Chandler
Donor Relations Officer
lchandler@calfund.org

Stephanie Talavera
Development & Donor Relations Specialist
stalavera@calfund.org

Cheng Ung
Grants & Fund Operations Specialist
cung@calfund.org

Emily Zietlow
Director of Grants Management
ezietlow@calfund.org

The Endowment Pool returned 0.1% for the month of June 2017, 10 basis points ahead of its benchmark. For the trailing year, the pool returned 13.1%, 390 basis points ahead of its benchmark.

Total Pool Assets

\$923.58 million (Endowment Pool), \$1.66 billion (total foundation assets) as of June 30, 2017.

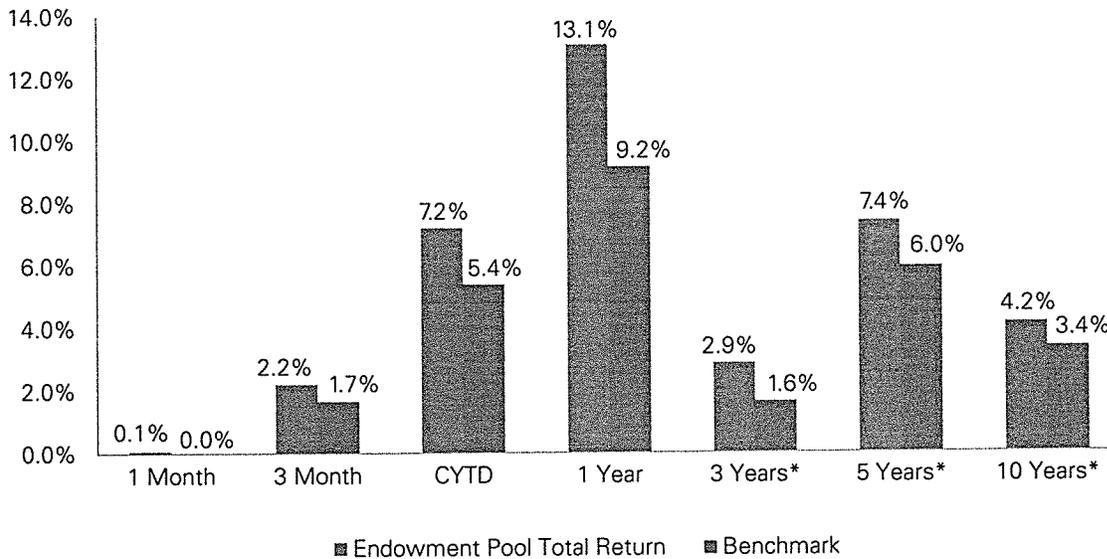
Pool Objective

Preserve the real (i.e., inflation-adjusted) purchasing power of the investment pool net of annual distributions for grants and expenses. An additional objective is to provide a relatively predictable, stable stream of distributions for grants and expenses that keep pace with inflation over time.

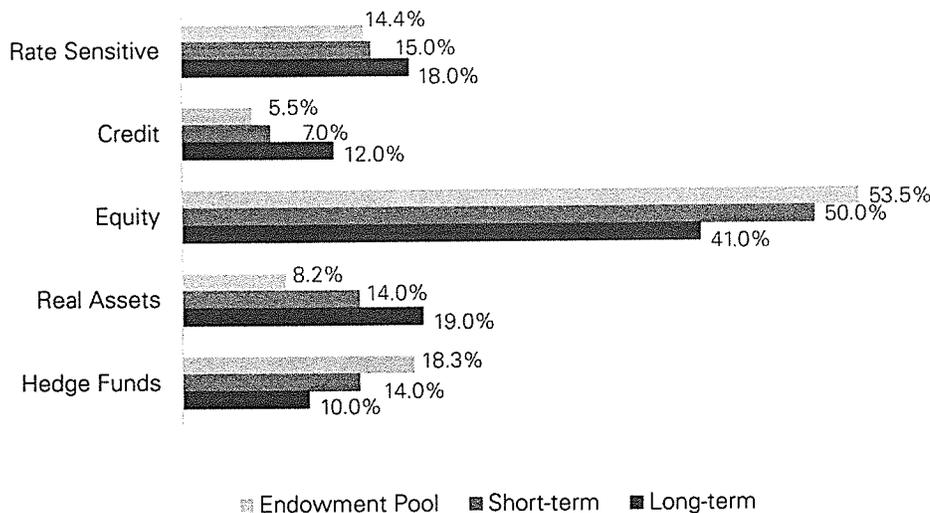
Investment Consultant

Meketa Investment Group

Performance History



Asset Allocation



*Represents annualized returns.

1) Investment performance is presented net of investment management fees. These fees vary across investment managers and asset classes, amounting to an annual average range of approximately 0.77% to 0.81% for the Endowment Pool. This includes fees paid to Meketa for investment consulting and portfolio advisory services. (Hedge fund manager incentive fees are not included.)

2) Total Fund Benchmark is a combination of: 45% MSCI ACWI / 25% HFR FOF Index / 10% Custom Asset Wtd. Inflation Hedge Benchmark / 10% BC Interm Gov't. / 5% BC Agg / 5% Citi Non-US\$ GBI. Updated 7/24/2017



August 23, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Agreements for Health Insurance Services

A handwritten signature in blue ink, appearing to be "Darrell Johnson", is written over the "From:" line of the memo.

Overview

The Orange County Transportation Authority currently has agreements with various companies to provide medical, dental, vision, life, accidental death and dismemberment, and disability plans for administrative employees and employees represented by the Transportation Communications International Union, with supplemental life insurance for all eligible employees and their families. These agreements expire on December 31, 2017. Staff is presenting recommendations for medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life insurance for the calendar year 2018.

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3649 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Kaiser Permanente Health Plan, Inc., on a cost per employee basis, for prepaid medical services through December 31, 2018. The annual 2018 Kaiser Permanente Health Plan, Inc., premium cost will vary in accordance with actual enrollment.

- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3650 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for prepaid medical services through December 31, 2018. The annual 2018 Anthem Blue Cross health maintenance organization premium costs will vary in accordance with actual enrollment.

-
- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3651 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for preferred provider organization medical services through December 31, 2018. The annual 2018 Anthem Blue Cross preferred provider organization premium costs will vary in accordance with actual enrollment.
 - D. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3652 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for a consumer driven health plan through December 31, 2018. The annual 2018 Anthem Blue Cross consumer driven health plan premium costs and health savings account expenses will vary in accordance with actual enrollment.
 - E. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-1-2996 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Delta Dental, on a cost per employee basis, for preferred provider organization dental services through December 31, 2018. The annual 2018 Delta Dental preferred provider organization premium costs will vary in accordance with actual enrollment.
 - F. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-1-2995 between the Orange County Transportation Authority and Delta Dental, on a cost per employee basis, for health maintenance organization dental services through December 31, 2018. The annual 2018 Delta Dental health maintenance organization premium costs will vary in accordance with actual enrollment.
 - G. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-1-2997 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Vision Service Plan, on a cost per employee basis, for vision services through December 31, 2018. The annual 2018 vision services premium costs will vary in accordance with actual enrollment.

- H. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1897 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for VOYA for life and accidental death and dismemberment insurance through December 31, 2018. The annual 2018 life and accidental death and dismemberment premium costs will vary in accordance with actual volume in the plan.
- I. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1898 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for VOYA to provide supplemental life insurance to employees at their own expense through December 31, 2018.
- J. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1899 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for VOYA for short-term and long-term disability insurance through December 31, 2018. The annual 2018 short-term and long-term disability premium costs will vary in accordance with actual volume in the plan.
- K. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1900 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Activity for VOYA with Compsych to provide administrative leave through December 31, 2018.

Background

Since 2011, staff has focused on developing and maintaining a long-term strategy to contain rising healthcare costs as a multi-year program. The goal is to develop and maintain a sustainable and strategic long-term benefits program that is both cost effective and meets the needs of the employees. The long-term strategy consists of four basic components: 1) provide an equitable cost-sharing structure; 2) manage utilization; 3) educate employees to be better healthcare consumers; and 4) implement a health risk management program.

An equitable employee contribution schedule was developed which rewards tenure within the Orange County Transportation Authority (OCTA) and allows employees to share in the cost as they share in the benefits. Employees who

select the more expensive Preferred Provider Organization (PPO) plan pay a higher percentage of the premium than those electing the lower cost plans.

A consumer driven health plan (CDHP), along with a health savings account, was implemented as a fourth medical plan option. The CDHP model is one that supports employee engagement and encourages employees to be connected to health care dollars, thereby increasing use of generic drugs, reducing emergency visits, and increasing participation in wellness programs. In 2017, the CDHP has the second largest enrollment, with a total of 126 participants. The PPO plan, which is the most expensive plan, has the lowest enrollment of 59 participants. Cost savings continue to increase as employees migrate to the CDHP plan, which has a 26 percent lower premium than the PPO plan.

Discussion

OCTA received proposals from California State Association of Counties – Excess Insurance Authority (CSAC-EIA) for its medical plans effective January 1, 2018 through December 31, 2018. These rates were received by OCTA in early July 2017. Staff recommends the following medical, dental, vision, life, accidental death and dismemberment, disability, administrative services for protected leaves, and supplemental life insurance.

Medical

OCTA is part of CSAC-EIA health care pool and will continue to be for the next year. The CSAC-EIA for Kaiser Permanente Health Plan, Inc. (Kaiser), proposed a renewal premium increase of 2.7 percent, which is lower than last year's renewal of 4.3 percent and lower than the market trend of 5.2 percent increase outside of the CSAC-EIA pool. Approximately 35 percent of the administrative and Transportation Communications International Union (TCU) employees currently utilize Kaiser. Staff recommends continuing to offer Kaiser as one of the medical plan options. A one-year amendment to the contract is requested as Kaiser allows only a one-year term extension.

The CSAC-EIA for Anthem Blue Cross (Anthem) proposed a renewal premium increase of 4.2 percent for the health maintenance organization (HMO) plan, which is lower than the market trend of 12.2 percent increase outside the CSAC-EIA pool. The Anthem PPO and CDHP renewal increases are 4.3 percent. The renewal rates are based on demographics, utilization, and market trends. Staff recommends continuing to offer the Anthem HMO, PPO, and CDHP plans.

Dental

OCTA currently offers two choices of dental plans to its employees. The PPO is offered through CSAC-EIA for Delta Dental, and the HMO is offered directly through Delta Dental. The CSAC-EIA for the Delta Dental PPO proposed a rate decrease of 7.9 percent, and the Delta Dental HMO proposed a rate increase of 3.0 percent.

Vision

The CSAC-EIA for vision insurance proposed no rate increases. The 2018 rate includes an enhanced benefit of computer glasses for employees.

Life Insurance

OCTA provides eligible employees with life insurance, as well as accidental death and dismemberment insurance. The benefit amount is equal to two times the annual salary of the employee to a maximum of \$500,000. CSAC-EIA for Voya life insurance proposed no rate increases.

Supplemental Life Insurance

OCTA offers voluntary supplemental life insurance to all eligible employees at their own expense. CSAC-EIA for Voya proposed no rate increases.

Disability Insurance

OCTA provides employees with short-term and long-term disability insurance. It provides a monthly benefit amount while an employee is on an approved disability leave. CSAC-EIA for Voya proposes no rate increase for short-term disability and a rate increase of 7.1 percent for long-term disability.

Protected Leave Management

CSAC-EIA for Voya provides protected leave administrative services to OCTA. No rate increases are proposed for 2018.

Fiscal Impact

Health care benefits costs were approved in OCTA's Fiscal Year (FY) 2017-18 Budget, assuming a 12 percent increase in rates beginning January 1, 2018. Based on staff recommendations for calendar year 2018, OCTA's cost for health care benefits for the administrative and TCU employees will be

approximately 2.8 percent higher than last calendar year and well within the budgeted amount for FY 2017-18. Since the renewals are on a calendar year basis, OCTA will address the FY 2018-19 amounts, along with the other assumptions utilized in the budget, during the next budgeting cycle.

Summary

Staff is recommending that the Chief Executive Officer be authorized to negotiate and execute amendments to the existing contracts with CSAC-EIA for medical, dental, and vision insurance, and with Delta Dental for dental, as well as negotiate and execute agreements with CSAC-EIA for life, accidental death and dismemberment, short-term and long-term disability, supplemental life, and protected leave management.

Attachments

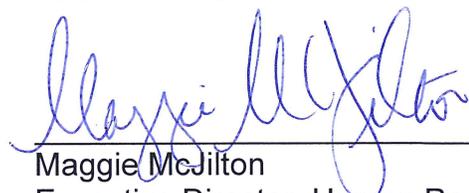
- A. California State Association of Counties – Excess Insurance Authority Kaiser Permanente Health Plan, Inc., Agreement No. C-5-3649 Fact Sheet
- B. California State Association of Counties – Excess Insurance Authority Anthem Blue Cross Health Maintenance Organization, Agreement No. C-5-3650 Fact Sheet
- C. California State Association of Counties – Excess Insurance Authority Anthem Blue Cross Preferred Provider Organization, Agreement No. C-5-3651 Fact Sheet
- D. California State Association of Counties – Excess Insurance Authority Anthem Blue Cross Consumer Driven Health Plan, Agreement No. C-5-3652 Fact Sheet
- E. California State Association of Counties – Excess Insurance Authority Delta Dental Preferred Provider Organization, Agreement No. C-1-2996 Fact Sheet
- F. Delta Dental Health Maintenance Organization, Agreement No. C-1-2995 Fact Sheet
- G. California State Association of Counties – Excess Insurance Authority Vision Service Plan, Agreement No. C-1-2997 Fact Sheet
- H. 2018 Financial Summary
- I. 2018 Monthly Rate Comparison

Prepared by:

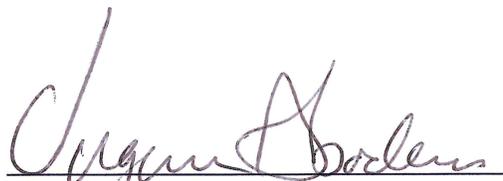


Bea Maselli
Section Manager, Benefits
714-560-5825

Approved by:



Maggie McJilton
Executive Director, Human Resources and
Organizational Development
714-560-5824



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

**California State Association of Counties – Excess Insurance Authority
Kaiser Permanente Health Plan, Inc.
Agreement No. C-5-3649 Fact Sheet**

1. October 12, 2015, Agreement No. C-5-3649, \$2,520,000, approved by the Board of Directors (Board).
2. August 22, 2016, Amendment No. 1 to Agreement No. C-5-3649, \$2,500,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2017 through December 31, 2017.
3. August 28, 2017, Amendment No. 2 to Agreement No. C-5-3649, \$2,760,000, pending approval by the Board.
 - To continue services through December 31, 2017 and extend contract for period January 1, 2018 through December 31, 2018.

Total committed to California State Association of Counties – Excess Insurance Authority for Kaiser Permanente Health Plan, Inc., Agreement No. C-5-3649, in the amount of \$7,780,000.

**California State Association of Counties – Excess Insurance Authority
Anthem Blue Cross Health Maintenance Organization
Agreement No. C-5-3650 Fact Sheet**

1. October 12, 2015, Agreement No. C-5-3650, \$2,500,000, approved by the Board of Directors (Board).
2. August 22, 2016, Amendment No. 1 to Agreement No. C-5-3650, \$2,500,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2017 through December 31, 2017.
3. August 28, 2017, Amendment No. 2 to Agreement No. C-5-3650, \$2,100,000, pending approval by the Board.
 - To continue services and extend contract for period January 1, 2018 through December 31, 2018.

Total committed to the California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross Health Maintenance Organization, Agreement No. C-5-3650, in the amount of \$7,100,000.

**California State Association of Counties – Excess Insurance Authority
Anthem Blue Cross Preferred Provider Organization
Agreement No. C-5-3651 Fact Sheet**

1. October 12, 2015, Agreement No. C-5-3651, \$1,700,000, approved by the Board of Directors (Board).
2. August 22, 2016, Amendment No. 1 to Agreement No. C-5-3651, \$1,300,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2017 through December 31, 2017.
3. August 28, 2017, Amendment No. 2 to Agreement No. C-5-3651, \$1,035,000, pending approval by the Board.
 - To continue services and extend contract for period January 1, 2018 through December 31, 2018.

Total committed to the California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross Preferred Provider Organization, Agreement No. C-5-3651, in the amount of \$4,035,000.

**California State Association of Counties – Excess Insurance Authority
Anthem Blue Cross Consumer Driven Health Plan
Agreement No. C-5-3652 Fact Sheet**

1. October 12, 2015, Agreement No. C-5-3652, \$1,600,000, approved by the Board of Directors (Board).
2. August 22, 2016, Amendment No. 1 to Agreement No. C-5-3652, \$2,900,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2017 through December 31, 2017.
3. August 28, 2017, Amendment No. 2 to Agreement No. C-5-3652, \$2,160,000, pending approval by the Board.
 - To continue services and extend contract for period January 1, 2018 through December 31, 2018.

Total committed to the California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross Consumer Driven Health Plan, Agreement No. C-5-3652, in the amount of \$6,660,000.

**California State Association of Counties – Excess Insurance Authority
Delta Dental Preferred Provider Organization
Agreement No. C-1-2996 Fact Sheet**

1. October 7, 2011, Agreement No. C-1-2996, \$850,000, approved by the Board of Directors (Board).
2. October 22, 2012, Amendment No. 1 to Agreement No. C-1-2996, \$770,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2013 through December 31, 2013.
3. October 11, 2013, Amendment No. 2 to Agreement No. C-1-2996, \$700,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2014 through December 31, 2014.
4. October 13, 2014, Amendment No. 3 to Agreement No. C-1-2996, \$780,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2015 through December 31, 2015.
5. October 12, 2015, Amendment No. 4 to Agreement No. C-1-2996, \$780,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2016 through December 31, 2016.
6. August 22, 2016, Amendment No. 5 to Agreement No. C-1-2996, \$710,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2017 through December 31, 2017.
7. August 28, 2017, Amendment No. 6 to Agreement No. C-1-2996, \$630,000, pending approval by the Board.
 - To continue services and extend contract for period January 1, 2018 through December 31, 2018.

Total committed to California State Association of Counties – Excess Insurance Authority for Delta Dental Preferred Provider Organization, Agreement No. C-1-2996, in the amount of \$5,220,000.

**Delta Dental Health Maintenance Organization
Agreement No. C-1-2995 Fact Sheet**

1. October 7, 2011, Agreement No. C-1-2995, \$18,000, approved by the Board of Directors (Board).
2. October 22, 2012, Amendment No. 1 to Agreement No. C-1-2995, \$18,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2013 through December 31, 2013.
3. October 11, 2013, Amendment No. 2 to Agreement No. C-1-2995, \$15,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2014 through December 31, 2014.
4. October 13, 2014, Amendment No. 3 to Agreement No. C-1-2995, \$19,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2015 through December 31, 2015.
5. October 12, 2015, Amendment No. 4 to Agreement No. C-1-2995, \$19,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2016 through December 31, 2016.
6. August 22, 2016, Amendment No. 5 to Agreement No. C-1-2995, \$16,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2017 through December 31, 2017.
7. August 28, 2017, Amendment No. 6 to Agreement No. C-1-2995, \$15,000, pending approval by the Board.
 - To continue services and extend contract for period January 1, 2018 through December 31, 2018.

Total committed to Delta Dental Health Maintenance Organization, Agreement No. C-1-2995, in the amount of \$120,000.

**California State Association of Counties – Excess Insurance Authority
Vision Service Plan
Agreement No. C-1-2997 Fact Sheet**

1. October 7, 2011, Agreement No. C-1-2997, \$110,000, approved by the Board of Directors (Board).
2. October 22, 2012, Amendment No. 1 to Agreement No. C-1-2997, \$100,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2013 through December 31, 2013.
3. October 11, 2013, Amendment No. 2 to Agreement No. C-1-2997, \$90,000, approved by the Board.
 - To continue services and extend contract for period January 1, 2014 through December 31, 2014.
4. October 13, 2014, Amendment No. 3 to Agreement No. C-1-2997, \$344,500, approved by the Board.
 - To continue services and extend contract for period January 1, 2015 through December 31, 2017.
5. August 28, 2017, Amendment No. 4 to Agreement No. C-1-2997, \$86,000, pending approval by the Board.
 - To continue services and extend contract for period January 1, 2017 through December 31, 2018.

Total committed to the California State Association of Counties – Excess Insurance Authority Vision Service Plan, Agreement No. C-1-2997, in the amount of \$730,500.

2018 Financial Summary



		CURRENT	RENEWAL	% Change
<u>MEDICAL (CSAC-EIA)</u>				
Kaiser Annual Premium	161	\$2,609,980	\$2,681,580	2.7%
Anthem HMO Annual Premium	120	\$2,008,860	\$2,093,748	4.2%
Anthem PPO Annual Premium	59	\$990,636	\$1,033,488	4.3%
Anthem CDHP Annual Premium	126	\$2,068,704	\$2,158,248	4.3%
<u>DENTAL (DELTA DENTAL)</u>				
Delta DHMO Annual Premium	58	\$14,404	\$14,837	3.0%
Delta DPPO (CSAC-EIA) Annual Premium	409	\$685,514	\$631,524	-7.9%
<u>VISION (CSAC-EIA)</u>				
VSP Annual Premium	295	\$86,383	\$90,029	4.2%
<u>BASIC LIFE/AD&D (CSAC-EIA)</u>				
Voya Annual Premium	528	\$144,316	\$144,316	0.0%
<u>SHORT TERM DISABILITY (CSAC-EIA)</u>				
Voya Annual Premium	492	\$16,554	\$16,554	0.0%
<u>LONG TERM DISABILITY (CSAC-EIA)</u>				
Voya Annual Premium	528	\$100,349	\$107,485	7.1%
<u>PROTECED LEAVE ADMINISTRATION (CSAC-EIA)</u>				
Voya FML Source Annual Premium	1324	\$23,673	\$23,673	0.0%
TOTAL ANNUAL PREMIUM		\$8,749,373	\$8,995,482	
ANNUAL DOLLAR CHANGE			\$246,109	
ANNUAL PERCENT CHANGE			2.8%	

2018 Monthly Rate Comparison



Kaiser Permanente

Employee Only
Two-Party
Family

CURRENT	RENEWAL	\$ Change
\$637.74	\$655.00	\$17.26
\$1,338.47	\$1,375.00	\$36.53
\$1,912.24	\$1,965.00	\$52.76

Anthem Blue Cross HMO

Employee Only
Two-Party
Family

\$640.00	\$667.00	\$27.00
\$1,343.00	\$1,400.00	\$57.00
\$1,919.00	\$2,000.00	\$81.00

Anthem Blue Cross PPO

Employee Only
Two-Party
Family

\$808.00	\$843.00	\$35.00
\$1,696.00	\$1,769.00	\$73.00
\$2,423.00	\$2,528.00	\$105.00

Anthem Blue Cross CDHP

Employee Only
Two-Party
Family

\$594.00	\$620.00	\$26.00
\$1,248.00	\$1,302.00	\$54.00
\$1,782.00	\$1,859.00	\$77.00

Delta Dental DHMO

Employee Only
Two-Party
Family

\$13.62	\$14.03	\$0.41
\$21.05	\$21.68	\$0.63
\$27.91	\$28.75	\$0.84

Delta Dental PPO

Employee Only
Two-Party
Family

\$66.40	\$61.20	(\$5.20)
\$140.10	\$129.10	(\$11.00)
\$187.50	\$172.70	(\$14.80)

VSP - Vision

Employee Only
Two-Party
Family

\$12.22	\$13.25	\$1.03
\$23.47	\$24.50	\$1.03
\$33.59	\$34.62	\$1.03



August 23, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Amendment to the 241/91 Express Lanes Connector Project Peer Review

Overview

A direct connector between the State Route 241 toll road and the 91 Express Lanes is included in the State Route 91 Implementation Plan. In order to advance the project, the Foothill/Eastern Transportation Corridor Agency requested that an investment grade traffic and revenue study be prepared by Stantec, Inc. Since Stantec, Inc., also serves as an advisor to the Orange County Transportation Authority, CDM Smith, Inc., was hired to review and analyze the Stantec, Inc., study. An amendment to the CDM Smith, Inc., contract is required to address anticipated further review and analysis.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3798 between the Orange County Transportation Authority and CDM Smith, Inc., in an amount not to exceed \$50,000, for further review and analysis. This will increase the maximum obligation of the agreement to a total contract value of \$107,333.20.

Discussion

The 91 Express Lanes in Orange County, owned and operated by the Orange County Transportation Authority (OCTA), consists of a four-lane toll road operating in the median of State Route 91 (SR-91) Freeway. The 10-mile facility stretches from the State Route 55/SR-91 interchange to the Orange/Riverside County line, with ingress and egress points located only at the ends of the facility. The Riverside County Transportation Commission (RCTC) extended the 91 Express Lanes facility an additional eight miles east from the Orange/Riverside County line to Interstate 15 in Riverside County as part of the SR-91 Corridor Improvement Project. RCTC's extension of the 91 Express Lanes became operational in March 2017.

The State Route 241 (SR-241) is a 24-mile toll facility operated by the Foothill/Eastern Transportation Corridor Agency (F/ETCA). The SR-241 extends from the Oso Parkway interchange in southern Orange County to the SR-91 interchange to the north. The existing interchange connects all lanes of the northbound and southbound SR-241 to the general purpose lanes on the eastbound and westbound SR-91.

Direct toll to toll connectors from the northbound SR-241 to the eastbound 91 Express Lanes and from the westbound 91 Express Lanes to the southbound SR-241 are currently being evaluated and are included in the SR-91 Implementation Plan. F/ETCA retained Stantec Consulting Services (Stantec) to prepare an investment grade traffic and revenue study for the proposed direct connectors. As part of Stantec's scope, traffic and revenue forecasts were developed for the direct connection between the 91 Express Lanes and the SR-241 for a number of design alternatives.

Procurement Approach

Since Stantec serves as OCTA's traffic and revenue consultant for the 91 Express Lanes, OCTA entered into Agreement No. C-5-3798 with CDM Smith, Inc., (CDM), in the amount of \$49,883, after a competitive procurement to perform an independent peer review of Stantec's study for the F/ETCA proposed direct connectors, on April 11, 2016. The peer review was undertaken in order to assess the reasonableness of Stantec's approach, methodology and findings, with focus on the likely impacts to the 91 Express Lanes. A CDM report detailing their findings was prepared and presented to OCTA and F/ETCA staff.

In May 2017, Amendment No. 1 was executed, in the amount of \$7,450, to incorporate additional scope that was requested internally, as well as including updated traffic information related to RCTC's operation of the extension of the 91 Express Lanes into Riverside County.

In order to allow the flexibility to accommodate further analysis, review, or changes, a time and expense amendment to the contract, in an amount not to exceed \$50,000, is being sought. This amount will cover further analysis, as well as additional meetings and presentations to the F/ETCA and the OCTA Committees and Board.

Fiscal Impact

Funds are included in OCTA's Fiscal Year 2017-18 Budget, 91 Express Lanes Account 0036-7519-B0001-DXT, and will be funded with toll revenues.

Summary

Staff requests Board of Directors' approval for the Chief Executive Officer to execute Amendment No. 2 to Agreement No. C-5-3798 between the Orange County Transportation Authority and CDM Smith, Inc., in an amount not to exceed \$50,000, to provide further review and analysis as requested by the Board of Directors.

Attachment

- A. CDM Smith, Inc., Agreement No. C-5-3798 Fact Sheet

Prepared by:



Kirk Avila
Treasurer/General Manager
Treasury/Toll Roads
(714) 560-5674

Approved by:



Andrew Oftelie
Executive Director
Finance and Administration
(714) 560-5649



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

CDM Smith, Inc.
Agreement No. C-5-3798 Fact Sheet

1. April 11, 2016, Agreement No. C-5-3798, \$49,883.20, approved by Contracts Administration and Materials Management Department.
 - Agreement issued for the review, analysis and delivery of an investment grade traffic and revenue study for the proposed 241/91 Express Lanes Connector Project.
 - Term of the agreement effective April 11, 2016 through April 30, 2017.
2. May 10, 2017, Amendment No. 1 to Agreement No. C-5-3798, \$7,450.00, approved by the Contracts Administration and Materials Management Department.
 - Added additional reports to the scope of work deliverables in the Agreement.
 - Increased the maximum cumulative payment obligation by \$7,450
 - Extended the term of the Agreement by six months. New expiration date is October 31, 2017.
3. August 23, 2017, Amendment No. 2 to Agreement No. C-5-3798, \$50,000, pending approval by the Board of Directors.
 - Increase the scope of work to allow for additional reports and analysis as well as updating the traffic information related to the extension of the 91 Express Lanes into Riverside County.

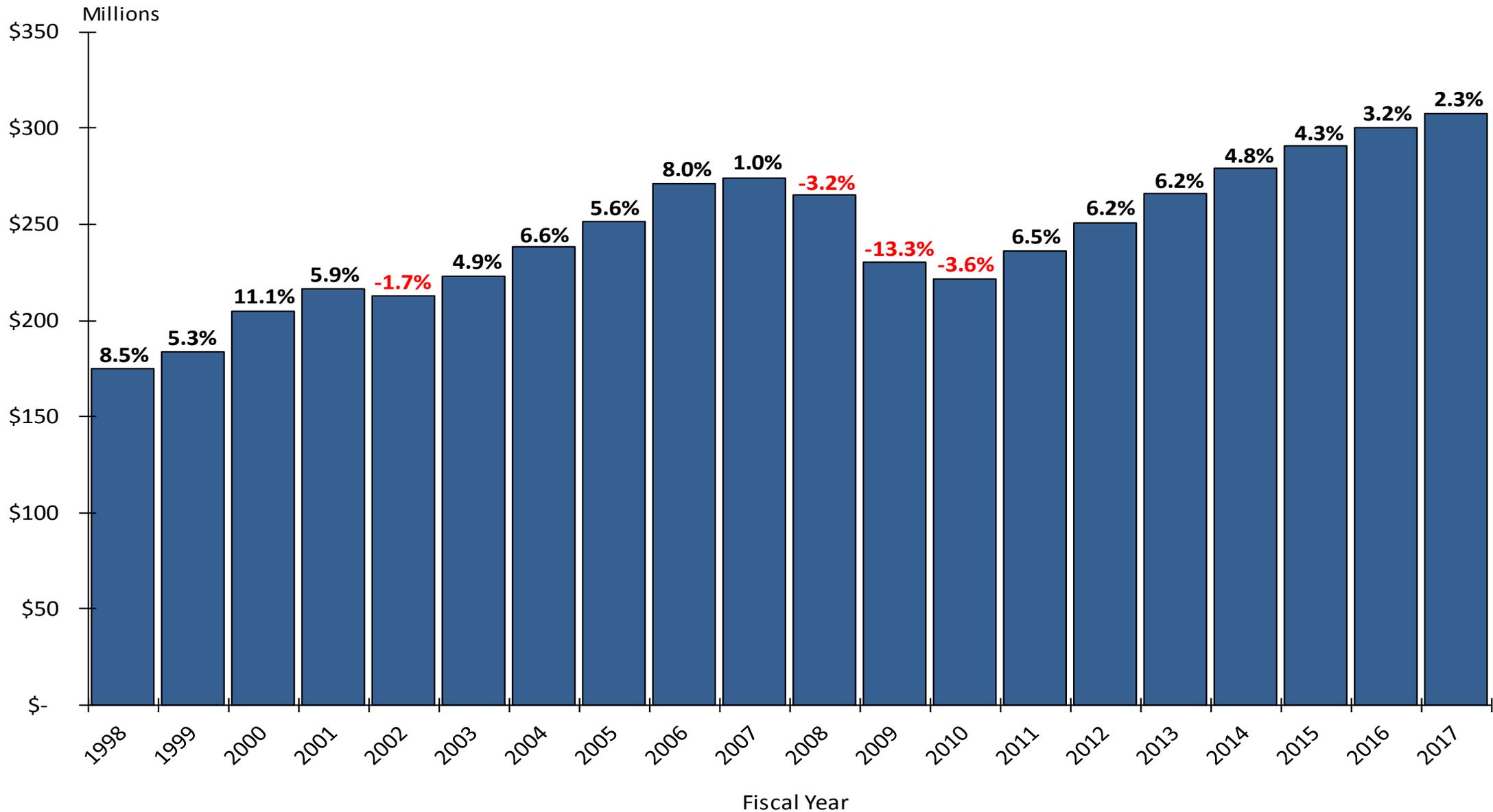
Total committed to CDM Smith, Inc., Agreement No. C-5-3798: \$107,333.20

Measure M2 Sales Tax Forecast

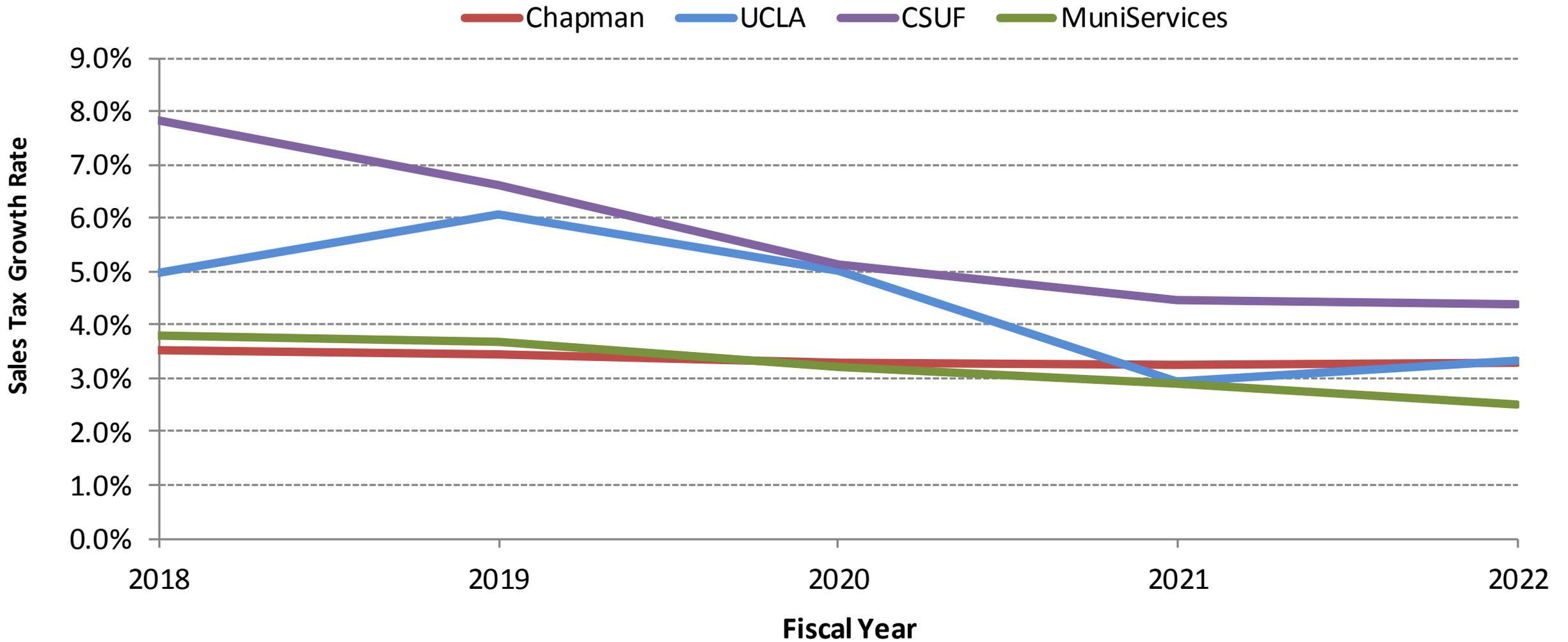
Background

- Sales tax forecasting methodology changed in March 2016
- Methodology uses MuniServices, LLC forecast for the first five years and the three university forecasts for the remaining years
 - MuniServices, LLC forecasts for fiscal years 2018 – 2022
 - Three universities forecasts for fiscal years 2023 - 2041

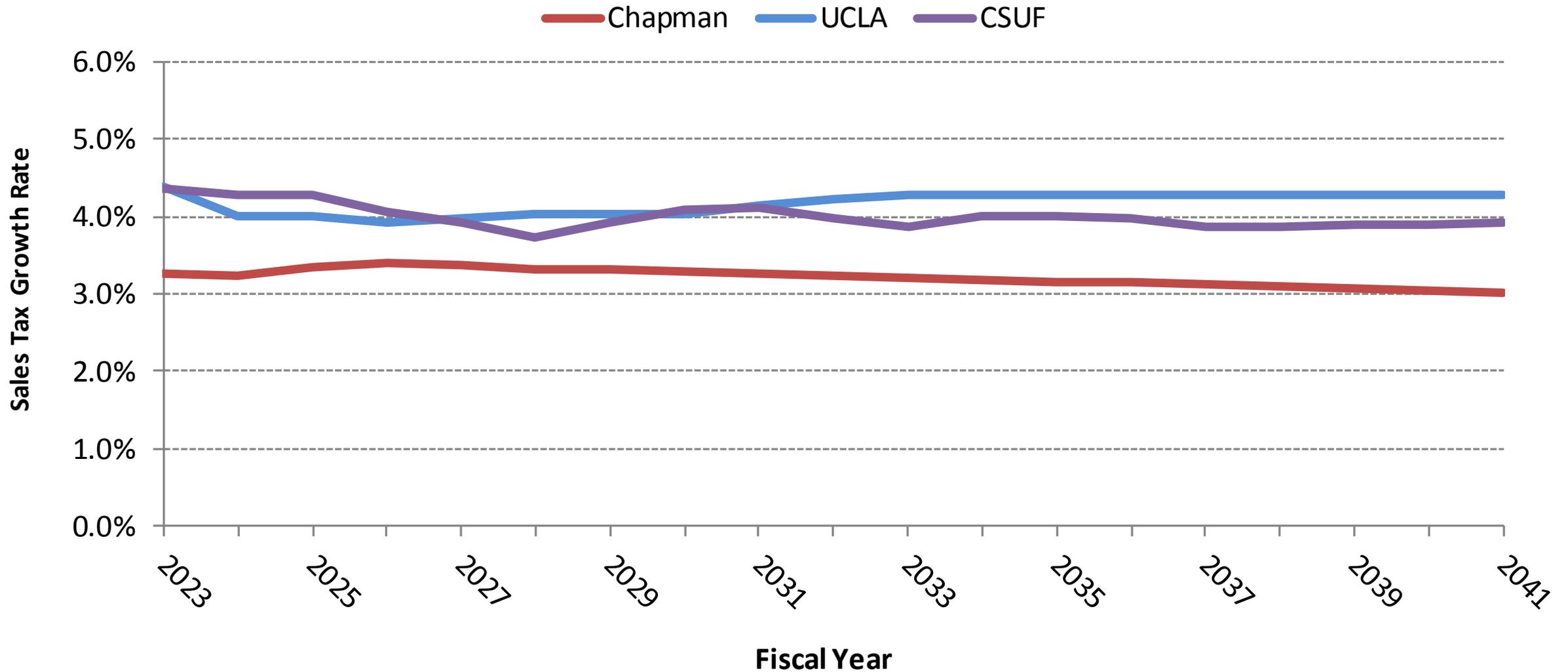
Historical Measure M Sales Tax Revenues



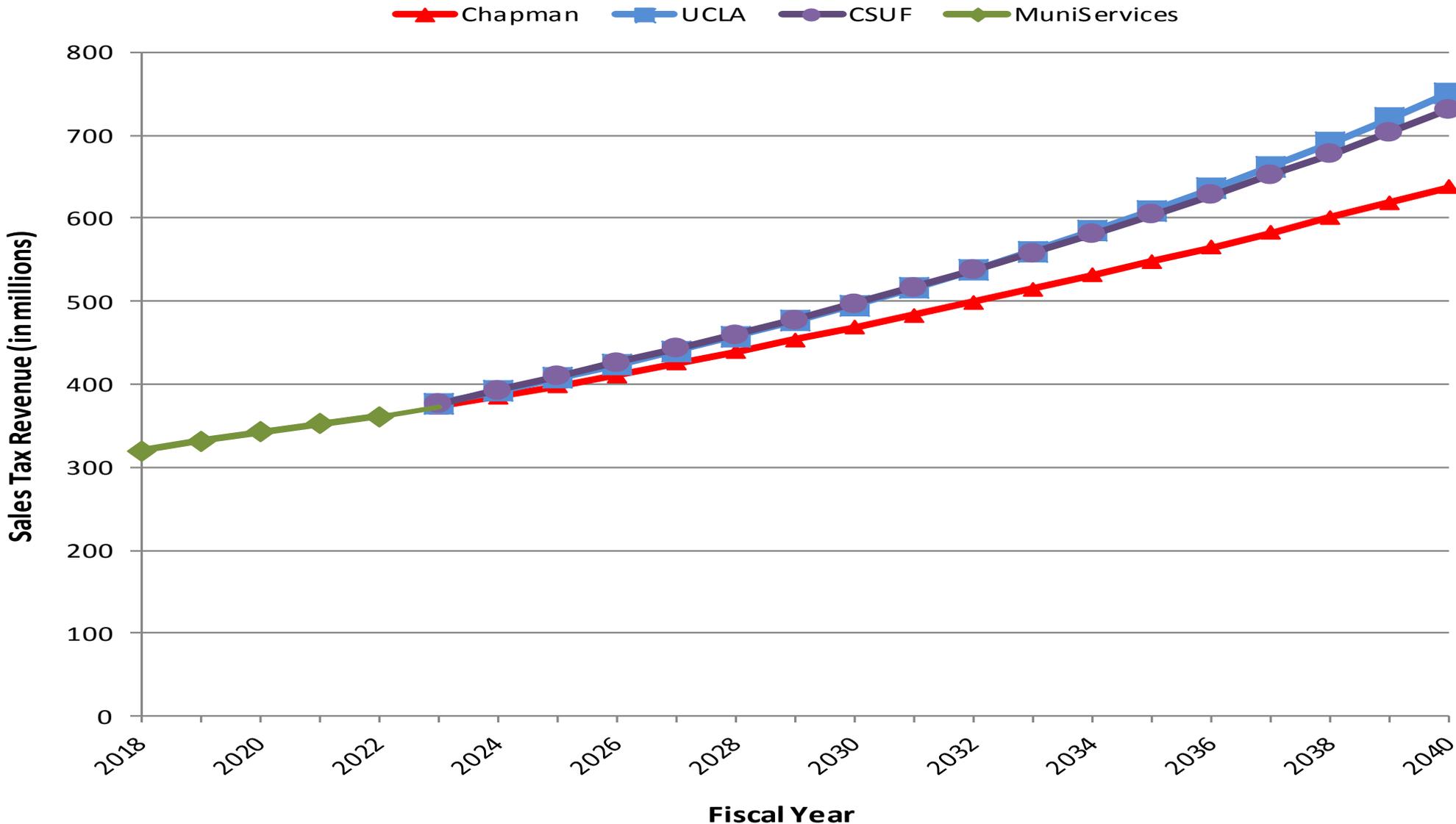
Short Term Growth Rate Forecasts



Long Term Growth Rate Forecasts



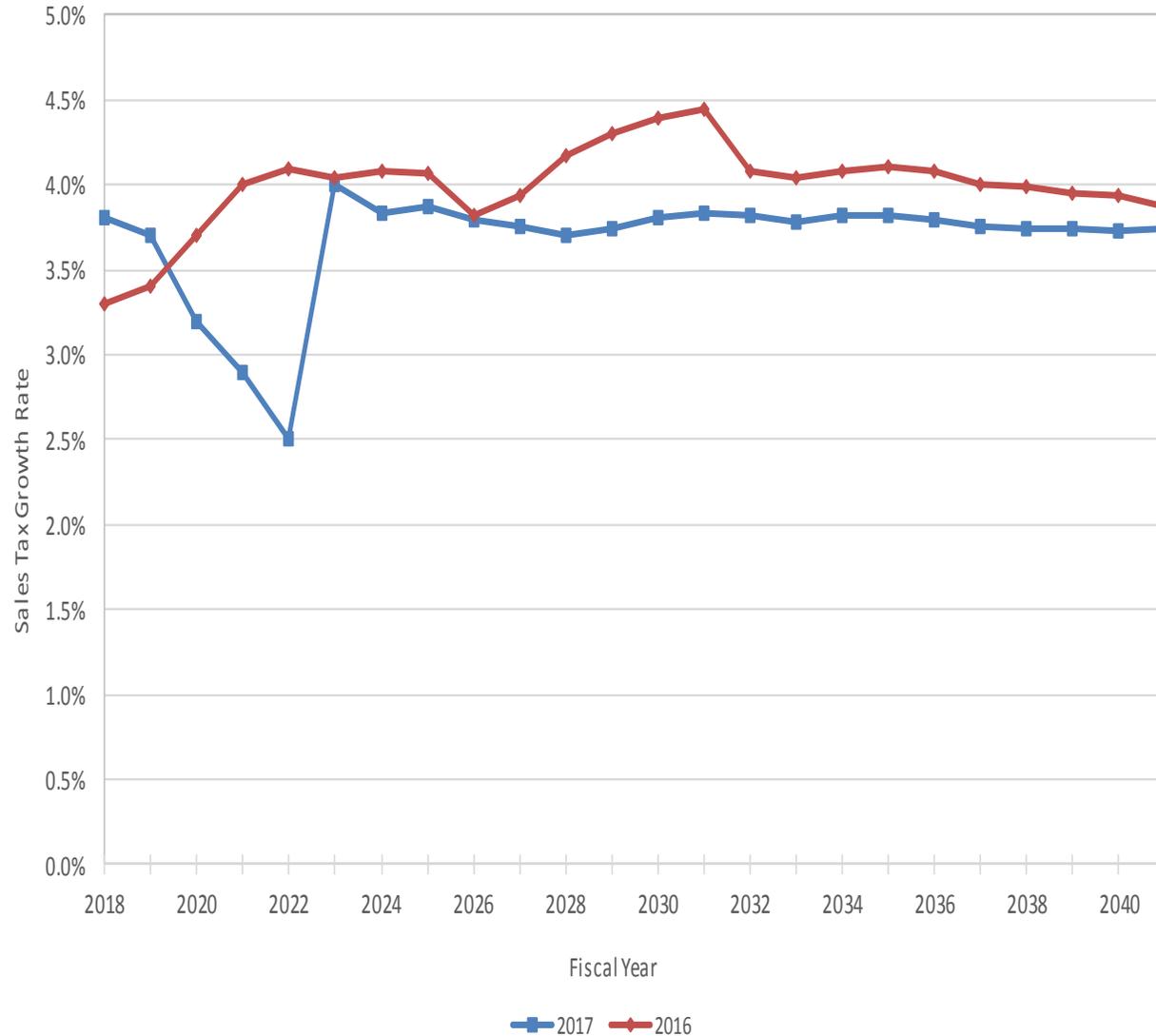
Annual M2 Sales Tax Revenue Forecast



Results of Updated Forecasts

- Sales tax for the M2 Program is forecasted to be \$13.5 billion
 - Sales tax receipts from April 1, 2011 through March 31, 2017 total \$1.7 billion
- Represents a decrease of \$700 million compared to last year's forecasts of \$14.2 billion
- The primary drivers are lower growth rates in both the short and long term periods
 - MuniServices average annual short term growth rate decreased by 0.4 percent
 - Each of the three universities decreased their long term forecasted growth rates

Forecast Comparison – 2017 vs 2016



- Reasons for lower forecast
- Short-term
 - Lower growth in general retail as online sales grow
 - Growth in new auto sales to taper off
 - New construction to slow
- Long-term
 - Lower inflation
 - Lower population growth
 - Lower migration

Next Steps

- Incorporate forecast into OCTA's planning documents
 - Next 10 Plan
 - Comprehensive Business Plan
 - Long Range Transportation Plan
- Determine impacts of forecast to M2 programs and projects
- Return to the Board with options to address the decrease in projected sales tax revenue