



# **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, December 13, 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](http://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**

Committee Vice Chairman Jones

#### **1. Public Comments**

### **Special Calendar**

There are no Special Calendar matters.



## **Consent Calendar (Items 2 through 11)**

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**

Approval of the minutes of the Finance and Administration Committee of November 8, 2017.

### **3. Internal Audit Policy**

Janet Sutter

#### **Overview**

A revised Internal Audit Policy has been prepared to better define the roles and responsibilities of the Internal Audit Department and management as they relate to follow-up reviews of outstanding recommendations. The Internal Audit Policy includes the procedures and protocols for the conduct and reporting of internal audit activities.

#### **Recommendation**

Direct staff to implement the Internal Audit Policy, as revised.

### **4. Orange County Transportation Authority, Proposition 1B Bond Programs**

Janet Sutter

#### **Overview**

The California Department of Finance has conducted an audit of Proposition 1B funds awarded to the Orange County Transportation Authority for Sand Canyon Grade Separation, Orangethorpe Avenue Grade Crossing, Tustin Avenue and Rose Drive Overcrossing, Kraemer Boulevard Undercrossing, Placentia Avenue Undercrossing, and Oso Parkway Widening. The audit report includes two observations related to the reporting of project benefits and timely submission of Final Delivery Reports.

#### **Recommendation**

Receive and file as an information item.



- 5. Orange County Transportation Authority Investment and Debt Programs - October 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 October 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.

- 6. Fiscal Year 2017-18 First Quarter Budget Status Report**  
Anthony Baruch/Andrew Oftelie

**Overview**

The Orange County Transportation Authority's staff has implemented the fiscal year 2017-18 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the first quarter of fiscal year 2017-18.

**Recommendation**

Receive and file as an information item.

- 7. Fiscal Year 2017-18 First Quarter Grant Reimbursement Status Report**  
Rene I. Vega/Andrew Oftelie

**Overview**

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of July through September 2017.

**Recommendation**

Receive and file as an information item.



**8. Orange County Treasurer's Management Report - October 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 October 31, 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.

**9. Local Agency Investment Fund - October 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 October 31, 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.

**10. Amendment to Agreement for Internet Service**  
Michael Beerer/Andrew Oftelie

**Overview**

On June 2, 2014, the Orange County Transportation Authority entered into an agreement with CenturyLink, Inc. (formerly TW Telecom and L3 Communications LLC) to provide internet connectivity services for a five-year term effective September 1, 2014 through August 31, 2019. An amendment to the existing agreement is needed for increased internet bandwidth.





**10. (Continued)**

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-4-1396 between the Orange County Transportation Authority and CenturyLink, Inc., in the amount of \$32,000, to provide increased internet bandwidth. This will increase the maximum obligation of the agreement to a total contract value of \$129,786.

**11. Update on the Loan Agreements with the Cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board**

Sam Kaur/Andrew Oftelie

**Overview**

The Orange County Transportation Authority Board of Directors has authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board. Per Board of Directors direction, staff will provide annual updates on the status of the agreements.

**Recommendation**

Receive and file as an information item.

**Regular Calendar**

**12. Agreements for Investment Management Services**

Rodney Johnson/Andrew Oftelie

**Overview**

Consultant services are needed to provide investment management services of the Orange County Transportation Authority's \$1.3 billion of operating monies in the short-term portfolio. Proposals were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to select firms to provide investment management services.



**12. (Continued)**

**Recommendations**

- A. Approve the selection of Chandler Asset Management, Inc.; Logan Circle Partners, L.P.; Payden & Rygel; and PFM Asset Management LLC, as the firms to provide investment management services in the aggregate amount of \$8,995,608.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1813 between the Orange County Transportation Authority and Chandler Asset Management, Inc., to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.
- C. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2062 between the Orange County Transportation Authority and Logan Circle Partners, L.P., to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.
- D. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2063 between the Orange County Transportation Authority and Payden & Rygel, to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.
- E. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2064 between the Orange County Transportation Authority and PFM Asset Management LLC, to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.
- F. Approve the selection of US Bancorp Asset Management, Inc.; State Street Global Advisors; and Western Asset Management Company, as the firms to be placed on a secondary list of on-call firms to provide investment management services.



**Discussion Items**

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

**14. Committee Members' Reports**

**15. Closed Session**

There are no Closed Session items scheduled.

**16. Adjournment**

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, January 10, 2018**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



**Committee Members Present**

Steve Jones, Vice Chairman  
Michael Hennessey  
Richard Murphy  
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**

Andrew Do, Chairman  
Miguel Pulido  
Todd Spitzer

**Call to Order**

The November 8, 2017 regular meeting of the Finance and Administration Committee was called to order by Committee Vice Chairman Jones at 10:34 a.m.

**Pledge of Allegiance**

Director Steel led in the Pledge of Allegiance.

**1. Public Comments**

**Special Calendar**

There were no Special Calendar matters.

**Consent Calendar (Items 2 through 6)**

**2. Approval of Minutes**

A motion was made by Director Steel, seconded by Director R. Murphy, to approve the minutes of the Finance and Administration Committee of October 25, 2017.

**3. Employee Health Benefits, Internal Audit Report No. 17-506**

A motion was made by Director Steel, seconded by Director R. Murphy, and declared passed by those present, to direct staff to implement three recommendations provided in Employee Health Benefits, Internal Audit Report No. 17-506.



**4. Environmental Mitigation Program Endowment Fund Investment Report for September 30, 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.

**5. Property Insurance Policy Renewal**

A motion was made by Director Steel, seconded by Director R. Murphy, and declared passed by those present, to authorize the Chief Executive Officer to issue Purchase Order No. A38332, in the amount of \$550,000, to Marsh Risk and Insurance Services, Inc. to purchase property insurance on behalf of the Orange County Transportation Authority for the policy period of December 1, 2017 to December 1, 2018.

**6. Orange County Employees Retirement System Early Payment For Fiscal Year 2018-19**

Director R. Murphy pulled this item to inquire if there are any other pre-payment opportunities that the Orange County Transportation Authority (OCTA) can take advantage of in order to save money.

Andrew Oftelie, Executive Director of Finance and Administration, responded that currently there are no other early payment opportunities available.

Board Chairman Hennessey acknowledged staff for taking advantage of this pre-payment opportunity.

A motion was made by Director R. Murphy, seconded by Director Steel, and declared passed by those present, to authorize the early payment of approximately \$23.3 million by January 16, 2018, to the Orange County Employees Retirement System, for member contributions for fiscal year 2018-19.

**Regular Calendar**

**7. Fiscal Year 2016-17 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements**

Andrew Oftelie, Executive Director of Finance and Administration, provided opening comments and a brief update on this item, as well as introduced Roger Alfaro, Partner, Vavrinek, Trine, Day and Company, LLP.



**7. (Continued)**

Mr. Alfaro reported on the following:

- Process focuses heavily on OCTA's internal controls.
- Risk assessment and planning process to identify key controls that OCTA has in place, including:
  - Payroll
  - Revenue recognition
  - Treasury and investment management
  - Accounts Payable management
  - Financial reporting and process used to produce financial statements
- No deficiencies were identified in the internal controls that would be considered material weaknesses.
- No difficulties were encountered during the audit.

A short discussion ensued, and Mr. Oftelie thanked several OCTA staff for their efforts and countless hours spent to ensure the Comprehensive Annual Financial Report was delivered on time.

A motion was made by Director R. Murphy, seconded by Board Chairman Hennessey, and declared passed by those present, to receive and file the fiscal year 2016-17 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements.

**Discussion Items**

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

- On Tuesday, November 7<sup>th</sup>, OCTA hosted its annual Veteran's Day event. There were 95 employees who were recognized for serving in the military; as well as 15 employees with children or grandchildren who served our country. Directors Shaw and Winterbottom also participated in the event.
- On Saturday, November 11<sup>th</sup> at 9:00 a.m., OCTA is hosting a wilderness hike at the Ferber Ranch Preserve in Trabuco Canyon to give the public an opportunity to view the open space property.



**8. (Continued)**

- Darrell Johnson, CEO, provided opening remarks and introduced Andrew Oftelie, Executive Director of Finance and Administration, who provided a brief overview on the Orange County Employees Retirement System Board of Directors action on lowering the long-term investment earnings assumption from 7.25 to 7.00 percent, the rates for employees will go up along with the unfunded liability for OCTA. Mr. Oftelie stated that staff will provide more information to the Committee in the future.

**9. Committee Members' Reports**

There were no Committee Members' reports.

**10. Closed Session**

There were no Closed Session items scheduled.

**11. Adjournment**

The meeting adjourned at 10:52 a.m.

The **Wednesday, November 22, 2017** meeting of this Committee has been cancelled.

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

ATTEST

---

Gina Claridge  
Deputy Clerk of the Board

---

Steve Jones  
Committee Vice Chairman



**December 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Internal Audit Policy

### **Overview**

A revised Internal Audit Policy has been prepared to better define the roles and responsibilities of the Internal Audit Department and management as they relate to follow-up reviews of outstanding recommendations. The Internal Audit Policy includes the procedures and protocols for the conduct and reporting of internal audit activities.

### **Recommendation**

Direct staff to implement the Internal Audit Policy, as revised.

### **Background**

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) is an independent appraisal function whose purpose is to examine and evaluate OCTA's projects, programs, operations, and activities to assist management and the Board of Directors in the effective discharge of their duty to safeguard the assets of OCTA and ensure those assets are used in an efficient and effective manner.

The Internal Audit Policy (Policy) was originally developed to clarify the roles, responsibilities, and protocols for audit activities within OCTA. On October 25, 2017, the Finance and Administration Committee provided direction to Internal Audit to enhance procedures to ensure more detailed and escalated reporting of audit recommendations that remain outstanding over twelve months.



***Discussion***

The Policy has been enhanced to include requirements for more detailed and escalated reporting of the status of outstanding audit recommendations. Specifically, each quarterly update to the Internal Audit Plan includes an exhibit reflecting the status of implementation of outstanding audit recommendations which are reviewed by Internal Audit every six months until satisfactorily addressed by management. The Policy now includes reporting to the Chief Executive Officer any audit recommendations outstanding over 12 months and inclusion of management's explanation for the delay, along with an estimate as to the percentage progress toward completion. Audit recommendations involving outside agencies that remain outstanding over 12 months without progress will be reported to the Finance and Administration Committee during presentation of the quarterly update.

***Summary***

The Internal Audit Policy has been revised to better define the roles and responsibilities of Internal Audit and management as they relate follow-up reviews of outstanding recommendations.

***Attachment***

- A. Internal Audit Policy

**Prepared by:**



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



## Executive Office

Chief Executive Officer

**INTERNAL AUDIT POLICY**Policy#: EO-IA-220.01-INTERNALOrigination 03/01/2009Revised Date: 10/25/2017**I. PURPOSE**

The purpose of this policy is to establish the methods, guidelines and accountability for the Orange County Transportation Authority's (OCTA) Internal Audit Department.

**II. ORGANIZATIONAL UNITS AFFECTED**

This policy applies to all OCTA employees.

The Executive Director of Internal Audit is responsible for the administration of this policy; OCTA's Chief Executive Officer is responsible for ensuring cooperation between the Internal Audit Department and management in the execution of this policy. Management is responsible for establishing and enforcing adequate internal controls, responding to audit findings and recommendations, and the timely implementation of corrective action related to deficiencies identified in audit reports.

**III. POLICY**

It is the policy of OCTA to establish, maintain, and support an Internal Audit Department for the purpose of independent appraisal of OCTA operations. The Internal Audit Department will examine and evaluate financial, administrative, and operational activities of OCTA and supply management with information and recommendations to assist them in effective and efficient control of OCTA assets and operations. The Internal Audit Department will report the results of its activities to management and the Board of Directors (Board) to assist in the effective discharge of their fiduciary responsibilities. Internal Audit will refer to this policy at the outset of each audit engagement.

**IV. DEFINITIONS**

Not applicable.

**V. PROCEDURE****A. Implementation of Policy**

The Executive Director of Internal Audit will implement this policy through activities including, but not limited to, the following:

1. Developing and executing a risk-based annual audit plan that incorporates evaluations of OCTA's internal accounting and operating controls, its safeguarding of assets, its compliance with contracts, laws and regulations, and its compliance with established OCTA policies and procedures.
2. Provide reports on the results of all audit activities to management and the Board.

**Executive Office**  
**INTERNAL AUDIT POLICY**

**Policy#:** EO-IA-220.01-INTERNAL

**Origination Date:** 03/01/2009

**Revised Date:** 10/25/2017

3. Provide reports of quarterly audit activity to the Board, including the status of the implementation of all audit recommendations, as follows:
  - a. Audit recommendations related to OCTA operating divisions and/or outside agencies that remain outstanding over 12 months will be reported to the Chief Executive Officer, and will be detailed in the next quarterly audit plan update to the F&A Committee. For recommendations outstanding over 12 months, management's explanation for the delay in implementation, and an estimate as to the percentage progress towards completion, will be added to the quarterly audit plan update.
  - b. Audit recommendations involving outside agencies that remain outstanding over 12 months without progress, will include additional detail in the next quarterly audit plan update to include management's explanation for the delay in implementation and an estimate as to the percentage progress towards completion. Also, these items will be specifically outlined to the Finance and Administration Committee during presentation of the quarterly audit plan update.
  - c. The status of recommendations related to annual financial statement audits will be provided by the independent financial statement audit firm each year.
4. Conducting ad-hoc reviews at the request of the Board, or other investigations or examinations related to fraud, illegal acts, violations of provisions of contracts or grant agreements, waste or abuse.
5. Coordinate and monitor audits by external auditors, including those conducted by independent financial statement auditors and state and federal officials.
6. Comply with Government Auditing Standards, as prescribed by the Comptroller General of the United States, and all other relevant and authoritative audit guidance.
7. Develop and maintain Internal Audit Department policies and procedures that comply with Government Auditing Standards.
8. Manage a professional audit staff with sufficient knowledge, skills, experience, and professional credentials to maintain compliance with Government Auditing Standards.
9. Develop and monitor a quality assurance program for the Internal Audit Department and contracting for a triennial Quality Assurance (Peer) Review of the Internal Audit Department.
10. Assist the Finance and Administration Committee of the Board in fulfilling its audit oversight responsibilities, as specified in "Audit Responsibilities of the Finance and Administration Committee" affirmed annually by the Board.

**Executive Office**  
**INTERNAL AUDIT POLICY**

**Policy#:** EO-IA-220.01-INTERNAL

**Origination Date:** 03/01/2009

**Revised Date:** 10/25/2017

**B. Audit Protocols in Executing Annual Audit Plan**

In executing its annual audit plan, the Internal Audit Department will employ protocols designed to clarify and provide consistency to the audit process. These protocols are in no way meant to restrict audit objectives, scope or access to records or information.

1. **Audit Notification Memorandum:** An introductory memorandum from Internal Audit will be prepared and sent to the executive director responsible for the project or program subject to audit. The introductory memorandum will:
  - a. Identify the project, program, or activities to be audited;
  - b. Identify the preliminary audit objectives
  - c. Inform the recipient that an entrance conference will be scheduled
2. **Planning:** During the planning process, the auditor will gain an understanding of the project or program to be audited. Planning, also referred to as survey work, includes review of relevant policies and procedures, contracts and financial information. Planning also includes interviews of key personnel. Planning is designed to assess risk and controls and define audit objectives and scope. Audit objectives reflect Internal Audit's goals in conducting the audit and may include elements such as ensuring adequate internal controls exist to protect OCTA assets, ensuring that there is compliance with agreement terms, or ensuring that a program is carried out in an efficient and effective manner. Audit scope refers to the nature, timing and extent of detailed tests of underlying transactions.
3. **Entrance Conference:** An entrance conference will be scheduled. Invitations will be extended to the executive director or his/her designee, the department manager, and any relevant staff (collectively, audit participants). The purpose of the entrance conference is to:
  - a. Introduce Internal Audit Department staff members who will perform the audit
  - b. Identify the project or program contact person with whom Internal Audit will work
  - c. Identify key documents or other information related to the project or program
  - d. Discuss preliminary audit objectives, scope and/or other areas of concern
  - e. Discuss audit timing and the final audit reporting process
4. **Audit Fieldwork:** Audit fieldwork generally includes detailed tests of internal controls and transactions. During the course of conducting fieldwork, Internal Audit Department staff will advise the Executive Director of Internal Audit of any significant findings or concerns, including those which will require a significant deviation from, or additions to, the planned objectives or scope of the audit. Internal Audit will communicate such scope changes or significant findings to management.

**Executive Office**  
**INTERNAL AUDIT POLICY**

**Policy#:** EO-IA-220.01-INTERNAL

**Origination Date:** 03/01/2009

**Revised Date:** 10/25/2017

5. **Draft Report:** A preliminary draft audit report will be circulated to all audit participants prior to the exit conference. Draft reports are considered unofficial working papers, subject to revisions and will, therefore, remain restricted, in use and distribution, to the Internal Audit Department and audit participants.
  6. **Exit Conference:** An exit conference will be held with audit participants. The purpose of the exit conference is to:
    - a. Confirm the accuracy of all information presented in the draft report
    - b. Determine if pertinent information and data has been considered
    - c. Answer questions about the recommendations and findings
    - d. Discuss proposed revisions or changes
    - e. Discuss the audit responses and identify an agreed upon due date for responses to be provided
    - f. Discuss input or suggestions regarding the audit process
  7. **Final Draft:** Following the exit conference, agreed-upon revisions will be made to the draft report and the report will be re-circulated to audit participants.
  8. **Responses to Recommendations:** Responses to audit recommendations will be prepared by management and submitted to Internal Audit. In general, responses should state whether or not management agrees with the findings and recommendations. Responses should be specific as to what changes will be implemented and target completion dates for implementation should also be provided. The Chief Executive Officer will be advised of any significant findings and recommendations for which there is disagreement between management and Internal Audit concerning fact, finding, or recommendation.
  9. **Report Distribution:** Responses to audit recommendations will be incorporated into the final draft report and the audit report will be issued to all audit participants.
  10. **The Executive Director of Internal Audit** will prepare and circulate a draft staff report to management, along with the date the audit report will be included on the Finance and Administration Committee agenda.
- C. Follow-Up Reviews and Ad-hoc Audit Requests**
- Follow-up audits, generally conducted six months after the issuance of an audit report, and every six months thereafter until all recommendations have been satisfactorily addressed, will include a notification memorandum and periodic closeout memorandums addressed to management. Memorandums related to audit recommendations that have not been adequately addressed by management after 12 months will be copied to the Chief Executive Officer and the circumstances detailed in the following quarterly audit plan update to the F&A Committee.

**Executive Office**  
**INTERNAL AUDIT POLICY**

**Policy#:** EO-IA-220.01-INTERNAL

**Origination Date:** 03/01/2009

**Revised Date:** 10/25/2017

From time to time, management or the Board of Directors may request ad-hoc audits or reviews of projects, programs or activities. Protocols for such audits or reviews will be consistent with those enumerated above. Reports issued pursuant to these requests will be provided to the Finance and Administration Committee and included in Internal Audit's quarterly reports to the Board of Directors.

**D. Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, Waste or Abuse Investigations**

Government Auditing Standards prescribe internal auditors' responsibilities for considering fraud, illegal acts, violations of provisions of contracts or grant agreements, waste or abuse during their planning for, and execution of, audits. The Internal Audit Department will conduct investigations of all identified or alleged instances of fraud, illegal acts, violations, waste or abuse and document the disposition in audit workpaper files. Where Internal Audit concludes, based on sufficient, appropriate evidence, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, the matter(s) will be reported to management, Chief Executive Officer, and/or the Board of Directors, as appropriate, for suitable action.

The Internal Audit Department will be responsible for managing OCTA's Fraud Hotline. All reported instances of fraud, illegal acts, violations of provisions of contracts or grant agreements, waste or abuse will be investigated and disposition documented in the Ethicspoint system and hard copy files maintained by Internal Audit. Internal Audit will communicate results of these investigations to management, Chief Executive Officer, and/or the Board of Directors as appropriate under the circumstances.

**E. Independence and Record Access**

As a means of ensuring independence, the Internal Audit Department will report to the Chief Executive Officer and Board. Internal Audit shall have full, free, and unrestricted access to all operations, records, property, and personnel within OCTA.

All employees will cooperate fully in making available material or information requested by an internal auditor.

The Internal Audit Department shall have no authority over, or responsibility for, any of the activities audited, and shall not perform any functions that might require subsequent audit.

The Board has authorized the Internal Audit Department to perform, or sanction others to perform, internal audits within OCTA. Therefore, only personnel within the Internal Audit Department should be referred to as internal auditors and only their work should be referred to as internal audit activities. OCTA employees performing work involving review and verification of various aspects of OCTA operations should not be referred to as auditors and their work should not be referred to as audits or audit activities.

**Executive Office**  
**INTERNAL AUDIT POLICY**

**Policy#:** EO-IA-220.01-INTERNAL

**Origination Date:** 03/01/2009

**Revised Date:** 10/25/2017

All external audits of OCTA will be coordinated through or with the Executive Director of Internal Audit, including audits conducted by state, federal, or local officials. From time to time, the Internal Audit Department will retain the services of audit consultants to supplement internal audit staff and assist with internal audits and reviews. Audit consultants will be selected using OCTA's approved procurement process, and will comply with this policy.

The Contracts Administration and Materials Management Department will ensure that provision is made in all contracts and agreements for examinations by Internal Audit of the counterparty's books and records relating to such contracts and agreements.

**VI. EXCEPTIONS**

Not applicable.

**VII. PROVISIONS AND CONDITIONS**

Not applicable.

**VIII. RELATED DOCUMENTS**

Not applicable.

**END OF POLICY**



**December 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit

**Subject:** Orange County Transportation Authority, Proposition 1B Bond Programs

### **Overview**

The California Department of Finance has conducted an audit of Proposition 1B funds awarded to the Orange County Transportation Authority for Sand Canyon Grade Separation, Orangethorpe Avenue Grade Crossing, Tustin Avenue and Rose Drive Overcrossing, Kraemer Boulevard Undercrossing, Placentia Avenue Undercrossing, and Oso Parkway Widening. The audit report includes two observations related to the reporting of project benefits and timely submission of Final Delivery Reports.

### **Recommendation**

Receive and file as an information item.

### **Background**

The Orange County Transportation Authority (OCTA) was awarded a total of \$110.8 million in Proposition 1B Program funds for the Sand Canyon Grade Separation Project, Orangethorpe Avenue Grade Crossing, Tustin Avenue and Rose Drive Overcrossing, Kraemer Boulevard Undercrossing, Placentia Avenue Undercrossing, and Oso Parkway Widening project.

Under an agreement with the California Department of Transportation (Caltrans), the Department of Finance (DOF) performs audits to determine whether expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans program guidelines, and applicable state and federal regulations, whether outputs were consistent with the project scopes and



schedules, and whether outcomes were achieved and adequately reported in Final Delivery Reports (FDR's).

The audit was conducted on-site beginning in February 2017, and a final report was issued on October 27, 2017.

### ***Discussion***

The DOF concluded that expenditures were incurred and reimbursed in compliance with executed agreements, Caltrans guidelines, and applicable state and federal regulations; however, the DOF outlined two observations related to reporting of project benefits/outcomes and timeliness of FDR's.

First, the DOF reported that project benefits/outcomes outlined in the FDR's for two projects were not accurate. Follow-up with the DOF and Caltrans confirmed this conclusion to be misstated. Rather, DOF noted that the baseline agreements for two grade separation projects included specific estimates of emissions reductions developed by the Air Quality Management District (AQMD); however, FDR's only included general statements confirming that emissions were reduced. The DOF recommended that supplemental FDR's be submitted which reflect post-project emission metrics. Management disagreed and noted that guidelines do not require project sponsors to report specific metrics and explained that the regional model used to produce estimates changes over time and, therefore, would not be comparable to estimates derived several years prior. Management explained that project benefits are consistent with the baseline agreement and are self-evident because idling vehicles no longer wait for trains to pass. Further, the AQMD has consistently recognized the air quality benefits of grade separation projects. Internal Audit staff agrees with management's response and contacted Caltrans regarding the matter. Caltrans advised that a supplemental FDR with the existing assertions as to emissions reductions would be acceptable. OCTA staff have indicated that these FDR's will be resubmitted.

DOF also reported that FDR's for three projects were not submitted within six months of the projects becoming operable, as required. OCTA staff acknowledged the delay in submissions and agreed to file timely in the future.

***Summary***

The DOF has conducted an audit of Proposition 1B funds awarded to OCTA for the following projects: Sand Canyon Grade Separation, Orangethorpe Avenue Grade Crossing, Tustin Avenue and Rose Drive Overcrossing, Kraemer Boulevard Undercrossing, Placentia Avenue Undercrossing, and Oso Parkway Widening.

***Attachment***

- A. California Department of Finance Office of State Audits and Evaluations, Orange County Transportation Authority Proposition 1B Bond Programs Project Numbers 0000020636, 1213000168, 1200020231, 1200020282, 1200020248, and 1200020072

**Prepared by:**



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



## Orange County Transportation Authority

Proposition 1B Bond Programs

Project Numbers 0000020636, 1213000168, 1200020231,  
1200020282, 1200020248, and 1200020072

#### Team Members

Jennifer Whitaker, Chief  
Cheryl L. McCormick, CPA, Assistant Chief  
Jon G. Chapple, CPA, Manager  
Angie Williams, Supervisor  
Josh Mortimer, Lead  
Lakeisha Gulley  
Jedediah Thompson

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

California Department of Finance  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

---



Transmitted via e-mail

October 27, 2017

Ms. Alice M. Lee, Chief  
External Audits—Contracts, Audits and Investigations  
California Department of Transportation  
1304 O Street, Suite 200  
Sacramento, CA 95814

Dear Ms. Lee:

**Final Report—Orange County Transportation Authority, Proposition 1B Audit**

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Orange County Transportation Authority's (OCTA) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0000020636	P2545-0029	Sand Canyon Grade Separation
1213000168	P2535-0080	Oso Parkway Widening
1200020231	P2525-0038	Orangethorpe Avenue Grade Crossing
1200020282	P2525-0039	Tustin Avenue and Rose Drive Overcrossing
1200020248	P2525-0021	Kraemer Boulevard Undercrossing
1200020072	P2525-0022	Placentia Avenue Undercrossing

The enclosed report is for your information and use. OCTA's response to the report findings and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

If you have any questions regarding this report, please contact Jon Chapple, Manager, or Angie Williams, Supervisor, at (916) 322-2985.

Sincerely,

Jennifer Whitaker, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Ms. Elena Guerrero, Acting Audit Manager, External Audits—Contracts, Audits and Investigations, California Department of Transportation  
Mr. Michael Hennessey, Chairman, Orange County Transportation Authority Board of Directors  
Mr. Darrell Johnson, Chief Executive Officer, Orange County Transportation Authority  
Ms. Janet Sutter, Executive Director of Internal Audit, Orange County Transportation Authority

# BACKGROUND, SCOPE AND METHODOLOGY

## BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates these funds to the California Department of Transportation (Caltrans) to implement various programs.<sup>1</sup>

CTC awarded \$6.6 million of Proposition 1B Highway-Railroad Crossing Safety Account (HRCSA) funds to the Orange County Transportation Authority (OCTA) for the Sand Canyon Grade Separation project (0000020636), which lowered Sand Canyon Avenue below the rail line. CTC also awarded \$1.2 million of Proposition 1B State Local Partnership Program (SLPP) funds to OCTA for the Oso Parkway Widening project (1213000168), which widened Oso Parkway from six to eight lanes from Interstate I-5 and Country Club Drive in the City of Mission Viejo.

Additionally, CTC awarded \$103 million of Proposition 1B Trade Corridors Improvement Fund (TCIF) funds to OCTA for the Orangethorpe Avenue Grade Crossing (1200020231), Tustin Avenue and Rose Drive Overcrossing (1200020282), Kraemer Boulevard Undercrossing (1200020248), and Placentia Avenue Undercrossing (1200020072) projects. Projects 1200020248 and 1200020072 are for the construction of underpasses below the main rail lines while projects 1200020231 and 1200020282 are for the construction of overpasses over the main rail line.<sup>2</sup> OCTA was required to provide a dollar-for-dollar match of local funds for projects 1213000168, 1200020282, and 1200020072. Construction for these projects is complete.

### **PROGRAM DESCRIPTION<sup>1</sup>**

**HRCSA:** \$250 million of bond proceeds made available to the HRCSA to finance completion of high-priority grade separation and railroad crossing safety improvements.

**SLPP:** \$1 billion of bond proceeds made available to the SLPP to finance a variety of eligible transportation projects nominated by applicant transportation agencies. For an applicant transportation agency to receive bond funds, Proposition 1B requires a dollar-for-dollar match of local funds.

**TCIF:** \$2 billion of bond proceeds made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

## SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The audit periods for the projects are identified in Appendix A.

<sup>1</sup> Excerpts were obtained from the bond accountability website <https://bondaccountability.dot.ca.gov/>

<sup>2</sup> Excerpts were obtained from the Project Programming Requests.

The audit objectives were to determine whether:

- Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.
- Deliverables/outputs were consistent with the project scopes and schedules.
- Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports.

For projects 1200020231 and 1200020248, our audit did not include the first bulleted audit objective stated above because Caltrans recently performed a fiscal review of these projects. Our audit scope was limited to determining whether deliverables/outputs were consistent with the project scopes and schedules, and whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports.

At the time of our site visits in February 2017, construction for projects 0000020636, 1200020231, and 1200020282 was complete. However, since OCTA had not submitted the Final Delivery Reports for these projects at the time of our audit, we did not evaluate whether project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether there was a system in place to report actual project benefits/outcomes.

We did not assess the efficiency or effectiveness of program operations.

OCTA's management is responsible for ensuring accurate financial reporting; compliance with project agreements, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable expenditures. CTC and Caltrans are responsible for the state-level administration of the programs.

## **METHODOLOGY**

To achieve the audit objectives, we performed the following procedures:

### ***For All Projects***

- Examined the project files, project agreements, program guidelines, and applicable policies and procedures.
- Evaluated whether project deliverables/outputs were met by reviewing supporting documentation and conducting site visits to verify project existence.
- Evaluated whether project deliverables/outputs were completed on schedule by reviewing project files, project agreements or approved amendments, and Final Delivery Reports.

***For Projects 0000020636, 1213000168, 1200020282, and 1200020072***

- Reviewed procurement records to ensure compliance with applicable local and state procurement requirements.
- Selected a sample of expenditures to determine if they were project-related, properly incurred, authorized, and supported.
- Reviewed a sample of contract change orders to ensure they were within the scope of the projects, properly approved, and supported.
- Reviewed accounting records, progress payments, cancelled checks, and electronic fund transfer documents.
- Evaluated whether other revenue sources were used to reimburse expenditures already reimbursed with bond funds.

***For Projects 1213000168, 1200020248, and 1200020072***

- Determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the Final Delivery Reports with the expected project benefits/outcomes described in the executed project agreements or approved amendments.
- Evaluated whether a sample of project benefits/outcomes were adequately reported in the Final Delivery Reports by reviewing supporting documentation.

***For Projects 0000020636, 1200020231, and 1200020282***

- Evaluated whether there is a system in place to report actual project benefits/outcomes.

***For Projects 1213000168, 1200020282, and 1200020072***

- Verified the match requirement was met.

In conducting our audit, we obtained an understanding of internal control, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed, implemented, and operating effectively. Deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

We conducted this performance 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.



Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. In addition, except as noted in Finding 2, project deliverables/outputs were consistent with the project scopes and schedules. Although each of the projects were behind schedule, OCTA appropriately informed Caltrans and CTC of the delays.

Also, except as noted in Finding 1, project benefits/outcomes were adequately reported in the Final Delivery Reports, and OCTA achieved the expected benefits/outcomes as described in the project agreements or approved amendments. For projects 0000020636, 1200020231, and 1200020282, there is a system in place to report actual benefits/outcomes, although OCTA does not always accurately report information as noted in Finding 1. The *Summary of Projects Reviewed* is presented in Appendix A.

## **Finding 1: Incorrect Reporting of Project Benefits/Outcomes**

The project benefits/outcomes approved by Caltrans/CTC were not adequately reported in the Final Delivery Reports. Specifically, OCTA reported benefits for emissions reduction that were different than those approved in the baseline agreements for projects 1200020248 and 1200020072. The baseline agreements for these projects required reductions in specific emissions, such as a reduction in CO of 2.82 kg/day. OCTA was unaware of the requirement to report specific emissions reduction and instead reported a general statement that idling vehicle emissions were reduced.

TCIF Guidelines, section 17, states that within six months of the project becoming operable, the implementing agency will provide a Final Delivery Report to CTC on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the project baseline agreement. Incomplete information on the Final Delivery Report decreases the transparency of the project outcomes and prevents CTC from reviewing the success of the projects based on the agreed upon projected benefits/outcomes.

## **Recommendations:**

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Submit a Supplemental Final Delivery Report listing the pre and post comparable benefits and outcomes relating to emissions reduction. Additionally, ensure future Final Delivery Reports have comparable pre and post benefits/outcomes.

## **Finding 2: Final Delivery Reports Not Submitted Timely**

The Final Delivery Reports for projects 0000020636, 1200020248, and 1200020072 were not submitted to Caltrans within six months of the projects becoming operable (construction contract acceptance date). The Final Delivery Report for project 0000020636 was due July 2016 and was not submitted to Caltrans until February 2017.<sup>1</sup> The Final Delivery Reports for projects 1200020248 and 1200020072 were due June 2015 and were not submitted until October 2016.

According to OCTA, the Final Delivery Reports were delayed to ensure the reports would include all final expenditures and project deliverables. OCTA was not aware that a Supplemental Final Delivery Report could be submitted to include revised expenditures and project deliverables. Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes.

The HRCSA Program Guidelines (2010), section 15, and TCIF Program Guidelines, section 17, require a Final Delivery Report within six months after the projects become operable. The guidelines state a project becomes operable at the end of the construction phase when the construction contract is accepted. For all these projects, the construction contracts have been accepted.

### **Recommendations:**

- A. Read and review program guidelines to ensure a clear understanding of the requirements.
- B. Submit all Proposition 1B project Final Delivery Reports to Caltrans within six months of the projects becoming operable.

---

<sup>1</sup> The Final Delivery Report for project 0000020636 was not available during our audit fieldwork; however, Caltrans confirmed receipt of the report in February 2017.

# APPENDIX A

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- Orange County Transportation Authority: OCTA
- Burlington Northern and Santa Fe Railway: BNSF
- Highway-Railroad Crossing Safety Account: HRCSA
- State Local Partnership Program: SLPP
- Trade Corridors Improvement Fund: TCIF

## Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
0000020636	\$6,457,051	C	Y	Y	N/A <sup>2</sup>	N/A <sup>2</sup>	A-1
1213000168	\$1,204,000	C	Y	Y	Y	Y	A-2
1200020231	N/A <sup>1</sup>	C	N/A <sup>1</sup>	Y	N/A <sup>2</sup>	N/A <sup>2</sup>	A-3
1200020282	\$18,245,598	C	Y	Y	N/A <sup>2</sup>	N/A <sup>2</sup>	A-4
1200020248	N/A <sup>1</sup>	C	N/A <sup>1</sup>	Y	P	P	A-5
1200020072	\$9,299,039	C	Y	Y	P	P	A-6

### Legend

C = Complete

Y = Yes

P = Partial

N/A<sup>1</sup> = Not applicable; project expenditures were not audited

N/A<sup>2</sup> = Not applicable; Final Delivery Reports have not been submitted

**Project Number:** 0000020636

**Project Name:** Sand Canyon Grade Separation

**Program Name:** HRCSA

**Project Description:** The project lowered Sand Canyon Avenue under the Southern California Regional Rail Authority Railway to provide a grade separated crossing. The improvements also included the realignment and widening of the roadway from four to six lanes from the southbound I-5 off-ramp to Laguna Canyon.

**Audit Period:** January 1, 2014 through July 31, 2015<sup>1</sup>

**Project Status:** Construction is complete.

#### **Schedule of Proposition 1B Expenditures**

<b>Proposition 1B Expenditures</b>	<b>Reimbursed</b>
Construction	\$3,356,514
Construction Engineering	3,100,537
<b>Total Proposition 1B Expenditures</b>	<b>\$6,457,051</b>

#### **Audit Results:**

##### Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.

##### Deliverables/Outputs

The construction phase of the project was completed in January 2016. At the time of our site visit in February 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 36 months late. OCTA appropriately updated Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in July 2016 and was not submitted to Caltrans until February 2017.

##### Benefits/Outcomes

Actual benefits/outcomes could not be confirmed since the Final Delivery Report had not been reviewed by Caltrans as of March 2017, our audit fieldwork completion date. Caltrans confirmed receipt of the report in February 2017. Although there is a system in place to report actual project benefits/outcomes, OCTA does not always accurately report information as noted in Finding 1.

---

<sup>1</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

**Project Number:** 1213000168

**Project Name:** Oso Parkway Widening

**Program Name:** SLPP

**Project Description:** The project widened Oso Parkway from six to eight lanes from 1-5 to Country Club Drive, relocated utilities, curbs and sidewalks, modified Oso Creek crossing, installed a retaining wall on the south side of Oso Parkway, modified traffic signals, adjusted the grade of street cross section and profile to accommodate the street widening, and improved medians and parkways.

**Audit Period:** October 3, 2013 through October 23, 2015<sup>2</sup>

**Project Status:** Construction is complete.

#### **Schedule of Proposition 1B Expenditures**

<b>Proposition 1B Expenditures</b>	<b>Reimbursed</b>
Construction	\$1,204,000
<b>Total Proposition 1B Expenditures</b>	<b>\$1,204,000</b>

#### **Audit Results:**

##### Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

##### Deliverables/Outputs

The construction phase of the project was completed in December 2015. At the time of our site visit in February 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed six months late. OCTA appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Project benefits/outcomes were adequately reported in the Final Delivery Report. Additionally, OCTA achieved the expected benefits/outcomes as described in the executed project agreement or approved amendments.

<b>Expected Benefits/Outcomes</b>	<b>Actual Benefits/Outcomes</b>	<b>Benefits/Outcomes Achieved</b>
The improvements will add capacity and relieve traffic congestion. The Level of Service (LOS) is expected to improve to C with a volume/capacity (V/C) ratio of 0.748. Without the project, LOS is expected to remain at E with a V/C ratio of 0.998.	The improvements have added capacity and relieved congestion. The LOS improved to C with a V/C ratio of 0.728.	Yes

<sup>2</sup> Ibid.

**Project Number:** 1200020231

**Project Name:** Orangethorpe Avenue Grade Separation

**Program Name:** TCIF

**Project Description:** Construct a roadway overpass over the mainline rail tracks at Orangethorpe Avenue. The project was designed to improve safety due to the elimination of conflicts between trains and vehicles.

**Audit Period:** September 13, 2012 through October 26, 2016<sup>3</sup>

**Project Status:** Construction is complete.

**Audit Results:**

Deliverables/Outputs

The construction phase of the project was completed in October 2016. At the time of our site visit in February 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed four months late. OCTA appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual benefits/outcomes have not been reported because the Final Delivery Report was not submitted to Caltrans as of March 2017 (report is not due until April 2017).<sup>4</sup> Although there is a system in place to report actual project benefits/outcomes, OCTA does not always accurately report information as noted in Finding 1.

---

<sup>3</sup> The audit period end date is the date project construction was completed, which is established by the contractor's completion of construction work (i.e., Notice of Completion).

<sup>4</sup> Audit fieldwork for this project was completed in March 2017 and the Final Delivery Report had not been submitted to Caltrans as of this date.

**Project Number:** 1200020282

**Project Name:** Tustin Avenue and Rose Drive Overcrossing

**Program Name:** TCIF

**Project Description:** The project consisted of raising Tustin Avenue and Rose Drive above the BNSF mainline rail lines. The project included construction of a bridge over Orangethorpe Avenue and the BNSF and Orange County Flood Control right of way.

**Audit Period:** April 9, 2007 through May 25, 2016<sup>5</sup>

**Project Status:** Construction is complete.

#### **Schedule of Proposition 1B Expenditures**

<b>Proposition 1B Expenditures</b>	<b>Reimbursed</b>
Construction	\$16,409,731
Construction Engineering	1,835,867
<b>Total Proposition 1B Expenditures</b>	<b>\$18,245,598</b>

#### **Audit Results:**

##### Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

##### Deliverables/Outputs

The construction phase of the project was completed in October 2016. At the time of our site visit in February 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 14 months late. OCTA appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

Actual benefits/outcomes have not been reported because the Final Delivery Report was not submitted to Caltrans as of March 2017 (report is not due until April 2017).<sup>6</sup> Although there is a system in place to report actual project benefits/outcomes, OCTA does not always accurately report information as noted in Finding 1.

<sup>5</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<sup>6</sup> Audit fieldwork for this project was completed in March 2017 and the Final Delivery Report had not been submitted to Caltrans as of this date.

**Project Number:** 1200020248

**Project Name:** Kraemer Boulevard Undercrossing

**Program Name:** TCIF

**Project Description:** The project lowered Kraemer Boulevard below the BNSF mainline rail lines. The project also included the construction of a rail bridge for the two existing mainline tracks and space for a third track.

**Audit Period:** January 20, 2011 through December 25, 2014<sup>7</sup>

**Project Status:** Construction is complete.

**Audit Results:**

Deliverables/Outputs

The construction phase of the project was completed in December 2014. At the time of our site visit in February 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 15 months late. OCTA appropriately updated Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in June 2015 and was not submitted to Caltrans until October 2016.

Benefits/Outcomes

The expected benefits/outcomes relating to safety, velocity, throughput, reliability, and congestion reduction were achieved and adequately reported in the Final Delivery Report. However, OCTA reported emission reduction metrics that were different than those described in the executed baseline agreement, as noted in Finding 1.

---

<sup>7</sup> The audit period end date is the date project construction was completed, which is established by the contractor's completion of construction work (i.e., Notice of Completion).



<b>Project Benefits/Outcomes Category</b>	<b>Expected Benefits/Outcomes</b>	<b>Actual Benefits/Outcomes</b>	<b>Benefits/Outcomes Achieved</b>
Safety	Grade separations completely separate automobiles and other traffic from trains, eliminating the potential for a grade crossing collision.	Eliminated: 1) At-grade crossing 2) Pedestrians walking across tracks 3) Emergency vehicle delays	Yes
Velocity	With the construction of the grade separation, vehicles traveling would be able to maintain a more consistent speed within this segment of the roadway because the delay and conflict associated with the at-grade crossing would be eliminated.	Improved railroad velocity by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Throughput	The annual Average Daily Traffic will increase from 23,100 to 30,500 in 2030. Current at-grade crossing throughput is forecasted to cause 6.5 hours of daily delay for trucks in 2030, a 178% increase of the existing condition.	Improved railroad throughput by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Reliability	The reliability of travel and goods movement at or near at-grade rail crossings is influenced by two factors: delay and safety. Delay due to the at-grade crossing would be eliminated and the separation of the railway from the roadway would improve safety resulting in increased reliability.	Improved railroad reliability by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Congestion Reduction	The existing total traffic delay (vehicle-hours/day) due to the rail crossing is 47.1 hours and this is expected to increase to 130.8 in 2030. The grade separation would eliminate the delay due to the rail crossing.	Reduced vehicle delays due to passing trains.	Yes
Emission Reduction	ROG Emission Benefits (0.2 kg/day) CO Emission Benefits (2.82 kg/day) NOx Emission Benefits (0.18 kg/day) PM Emission Benefits (0.02kg/day)	Not adequately reported.	No

**Project Number:** 1200020072

**Project Name:** Placentia Avenue Undercrossing

**Program Name:** TCIF

**Project Description:** Constructed a vehicle underpass for Placentia Avenue below the BNSF mainline rail lines. The project also included the construction of a rail bridge for a future third track.

**Audit Period:** January 20, 2011 through August 31, 2015<sup>8</sup>

**Project Status:** Construction is complete.

#### **Schedule of Proposition 1B Expenditures**

<b>Proposition 1B Expenditures</b>	<b>Reimbursed</b>
Construction	\$9,299,039
<b>Total Proposition 1B Expenditures</b>	<b>\$9,299,039</b>

#### **Audit Results:**

##### Compliance—Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements. Additionally, the match requirement was met.

##### Deliverables/Outputs

The construction phase of the project was completed in December 2014. At the time of our site visit in February 2017, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 21 months late. OCTA appropriately updated Caltrans and CTC of the delay. Additionally, the project Final Delivery Report was due in June 2015 and was not submitted to Caltrans until October 2016.

##### Benefits/Outcomes

The expected benefits/outcomes relating to safety, velocity, throughput, reliability, and congestion reduction were achieved and adequately reported in the Final Delivery Report. However, OCTA reported emission reduction metrics that were different than those described in the executed Baseline Agreement, as noted in Finding 1.

<sup>8</sup> The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

<b>Project Benefits/Outcomes Category</b>	<b>Expected Benefits/Outcomes</b>	<b>Actual Benefits/Outcomes</b>	<b>Benefits/Outcomes Achieved</b>
Safety	Grade separations completely separate automobiles and other traffic from trains, eliminating the potential for a grade crossing collision.	Eliminated the at-grade crossing, pedestrians walking across tracks, and emergency vehicle delays.	Yes
Velocity	With the construction of the grade separation, vehicles traveling would be able to maintain a more consistent speed within this segment of the roadway because the delay and conflict associated with the at-grade crossing would be eliminated.	Improved railroad velocity by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Throughput	The Annual Average Daily Traffic will increase from 23,100 to 30,500 in 2030. Current at-grade crossing is forecasted to cause 4.9 hours of delays for trucks in 2030, a 159% increase of existing condition. Grade separation will eliminate conflict.	Improved railroad throughput by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Reliability	The reliability of travel and goods movement at or near at-grade rail crossings is influenced by two factors: delay and safety. Delay due to the at-grade crossing would be eliminated and the separation of the railway from the roadway would improve safety resulting in increased reliability.	Improved railroad reliability by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Congestion Reduction	The existing total traffic delay (vehicle-hours/day) due to the rail crossing is 37.6 hours and this is expected to increase to 97.2 in 2030. The grade separation would eliminate the delay due to the rail crossing.	Reduced vehicle delays due to passing trains.	Yes
Emission Reduction	ROG Emission Benefits (0.14 kg/day) CO Emission Benefits (1.99 kg/day) NOx Emission Benefits (0.13kg/day) PM Emission Benefits (0.01kg/day)	Not adequately reported.	No





BOARD OF DIRECTORS

Michael Hennessey  
Chairman

Lisa A. Bartlett  
Vice Chair

Laurie Davies  
Director

Barbara Delgleize  
Director

Andrew Do  
Director

Lori Donchak  
Director

Steve Jones  
Director

Mark A. Murphy  
Director

Richard Murphy  
Director

Al Murray  
Director

Shawn Nelson  
Director

Miguel Pulido  
Director

Tim Shaw  
Director

Todd Spitzer  
Director

Michelle Steel  
Director

Tom Tait  
Director

Gregory T. Winterbottom  
Director

Ryan Chamberlain  
Ex-Officio Member

CHIEF EXECUTIVE OFFICE

Darrell Johnson  
Chief Executive Officer

October 12, 2017

Ms. Jennifer Whitaker  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA, 95814

Dear Ms. Whitaker:

The Orange County Transportation Authority (OCTA) appreciates the opportunity to comment on the draft report of the recent audit of Proposition 1B Bond Programs, Project Numbers 0000020636, 1213000168, 1200020231, 1200020282, 1200020248, and 1200020072. OCTA is pleased at the overall conclusion that Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, California Department of Transportation and California Transportation Commission program guidelines, and applicable state and federal regulations. Also, we appreciate that the auditors agree that expected benefits/outcomes, as described in the project agreements, were achieved.

The report included two findings related to Final Delivery Reports (FDR's) for two projects, as follows:

First, the auditors indicated that the project benefits/outcomes included in the FDR's were not adequate because, rather than reporting specific emissions reduction metrics, the FDR included only general statements that idling vehicle emissions were reduced. The auditors have recommended that a supplemental FDR be submitted that reflects the post-project emission metrics as compared to those in the baseline agreement. The auditors cite Transportation Corridor Improvement Funding guidelines; however, these guidelines do not require project sponsors to quantify data or provide specific metrics. The baseline agreement included specific metrics that were estimates obtained from the Air Quality Management District (AQMD) at that time; however, the regional model used to produce these estimates changes over time. The estimates, therefore, are not comparable from year to year because the models are different. What is consistent, however, is AQMD's acknowledgement that grade separation projects provide regional air quality benefits. The FDR submitted, while it does not include metrics, includes confirmation that emissions from idling vehicles have been reduced by virtue of the fact that vehicles no longer wait for trains to pass. As such, project benefits are consistent with the baseline agreement, and there is no additional information to include. The submitted FDR also included



Ms. Jennifer Whitaker  
October 12, 2017  
Page 2

descriptions of other benefits and outcomes such as safety enhancements, congestion reduction and velocity, throughput, and reliability improvements.

The auditors also pointed out that FDR's were not submitted within six months of the projects becoming operable, as required. OCTA management had delayed submitting the FDR's in an effort to ensure final expenditures and project deliverables were received before providing final report figures. However, in the future, FDR's will be filed within six months, and supplemental, revised FDR's will be filed as necessary to capture expenditures and project deliverables that are received after that timeframe.

If there are any additional questions or concerns, please contact Janet Sutter, Executive Director of Internal Audit, at (714) 560-5591, or [jsutter@octa.net](mailto:jsutter@octa.net).

Sincerely,



Darrell Johnson  
Chief Executive Officer

DJ:jes

OCTA's response to the draft report has been reviewed and incorporated into the final report. We acknowledge OCTA's willingness to implement our recommendations specific to Finding 2. In evaluating OCTA's response, we provide the following comments:

### **Finding 1: Incorrect Reporting of Project Benefits/Outcomes**

OCTA disagrees that the emissions reduction portion of the benefits/outcomes reported in the Final Delivery Reports are not adequately reported for projects 1200020248 and 1200020072. OCTA states the TCIF guidelines do not require project sponsors to quantify data or provide specific measures, and that the grade separation projects provide regional air quality benefits. However, TCIF Guidelines, section 17, states that implementing agencies will provide a Final Delivery Report to CTC on the scope of completed projects, including performance outcomes derived from projects as compared to those described in project baseline agreements. For these two projects, the executed project agreements identified expected metrics relating to specific emissions reduction (i.e., a reduction in CO of 2.82). OCTA did not report these specific metrics in the Final Delivery Reports and instead reported a general statement that idling vehicle emissions were reduced. Therefore, our finding and recommendations remain unchanged.



**December 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

**Subject:** Orange County Transportation Authority Investment and Debt Programs Report - October 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 October 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 October 31, 2017, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$1.4 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 1.42 percent.

OCTA's debt portfolio had an outstanding principal balance of \$421.6 million as of October 31, 2017. Approximately 75 percent of the outstanding balance is comprised of Measure M2 debt and 25 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 October 31, 2017.

***Attachment***

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

**Prepared by:**



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

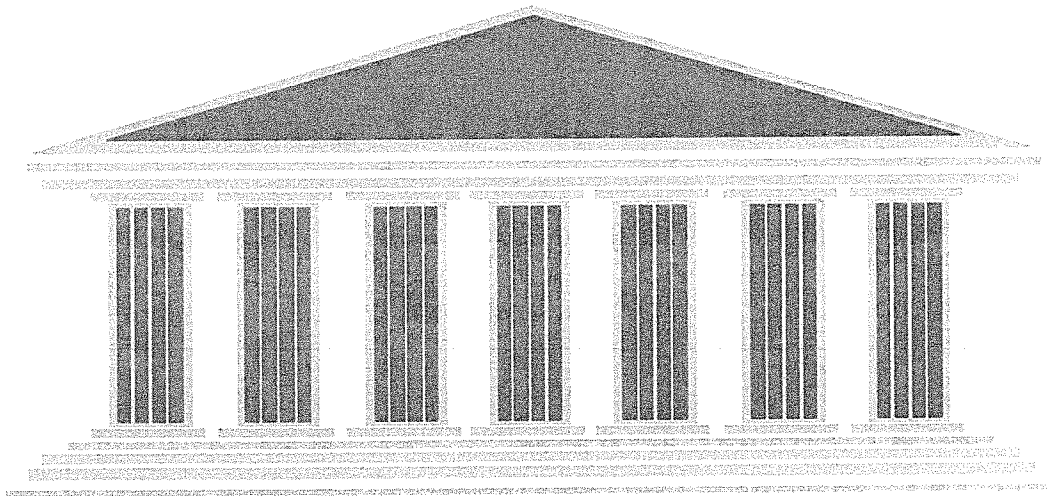
**Approved by:**



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  
October 31, 2017**

# INVESTMENT PROGRAM

# Investment Profile

## As of 10/31/17

---

<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	327.3
State Street Global Advisors	Union Bank	Custodian	Short-Term Operating	326.7
Payden & Rygel Investment Counsel	Union Bank	Custodian	Short-Term Operating	327.2
Western Asset Management	Union Bank	Custodian	Short-Term Operating	326.7
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	10.3
Orange County Treasurer	OCIP	Custodian	Legal Requirement	0.1
<i>CASH INVESTMENTS</i>				
OCTA	BNY Mellon	Trustee	Liquid	39.3
OCTA	Bank of the West	Broker	Liquid	25.3
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				0.2
<b>TOTAL</b>				<b>\$1,407.1</b>

# Short-Term Portfolio - \$1.3 Billion

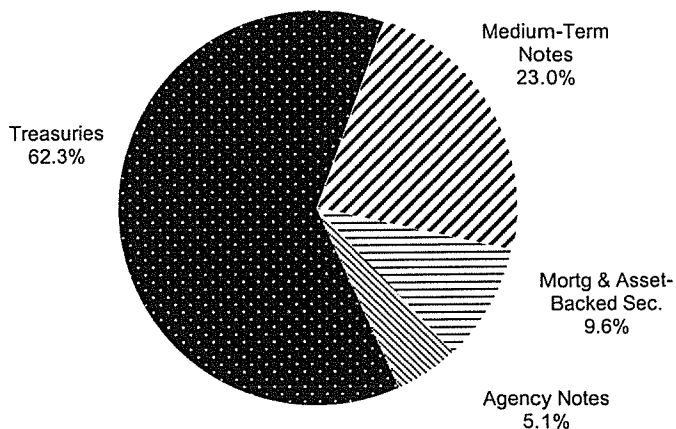
As of 10/31/17

Part 1 of 2

## JP Morgan

Book Value               \$   327,338,413

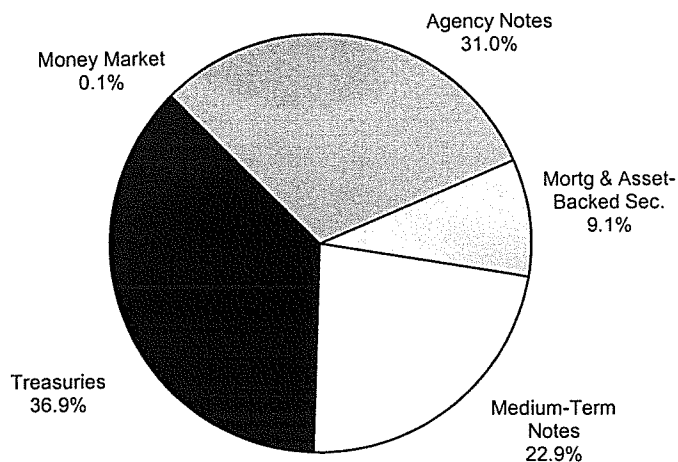
Market Value           \$   324,334,771



## State Street Global

Book Value               \$   326,721,231

Market Value           \$   325,395,128



*Market Value Reported By Custodial Bank*

# Short-Term Portfolio - \$1.3 Billion

## As of 10/31/17

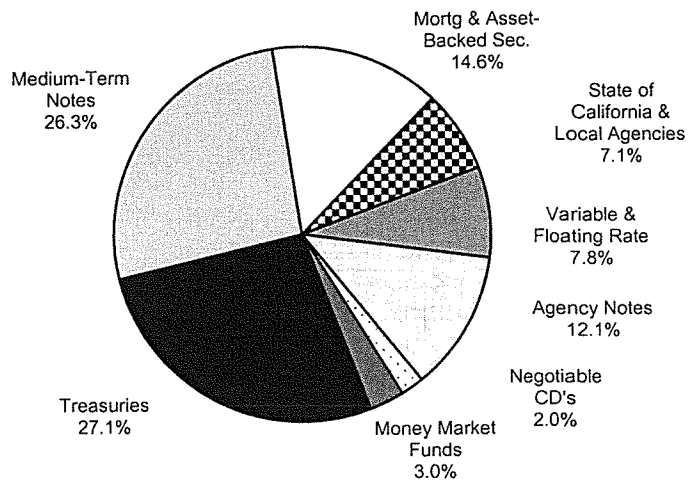
### Part 2 of 2

---

#### Payden & Rygel

Book Value \$ 327,242,328

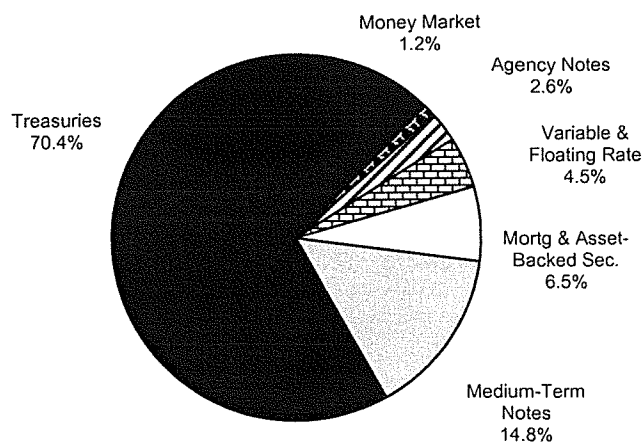
Market Value \$ 326,142,318



#### Western Asset Management

Book Value \$ 326,680,594

Market Value \$ 326,001,507

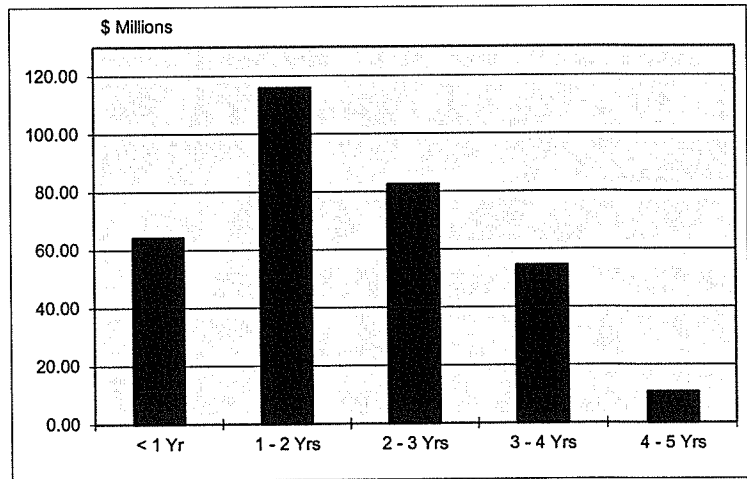


# Short-Term Portfolio Maturity Schedule

## As of 10/31/17

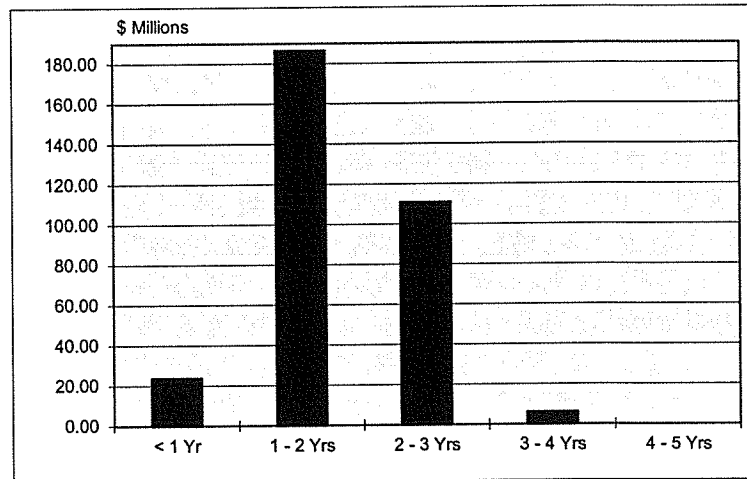
### JP Morgan (\$327.3 M)

Monthly Return	-0.01%
TSY Benchmark	-0.06%
Gov/Corp Benchmark	-0.03%
Fiscal YTD Return	0.34%
TSY Benchmark	0.18%
Gov/Corp Benchmark	0.27%
12 Month Return	0.59%
TSY Benchmark	0.24%
Gov/Corp Benchmark	0.51%



### State Street Global (\$326.7 M)

Monthly Return	-0.03%
Benchmark Comparison	-0.06%
Gov/Corp Benchmark	-0.03%
Fiscal YTD Return	0.26%
TSY Benchmark	0.24%
Gov/Corp Benchmark	0.27%
12 Month Return	0.53%
TSY Benchmark	0.24%
Gov/Corp Benchmark	0.51%



Yield Curve Change From 9/30/17 to 10/31/17			
	9/30/17	10/31/17	Change
1 Year	1.294%	1.426%	0.1320%
2 Year	1.486%	1.602%	0.1160%
3 Year	1.624%	1.727%	0.1030%
5 Year	1.937%	2.017%	0.0800%
30 Year	2.860%	2.880%	0.0200%

# Short-Term Portfolio Maturity Schedule

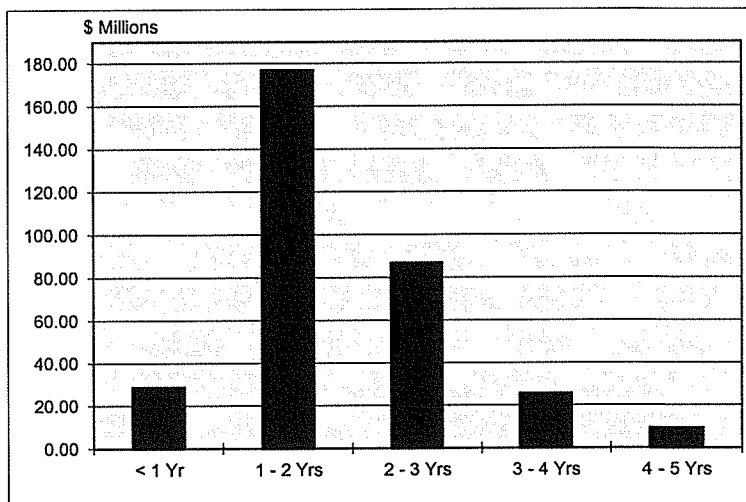
## As of 10/31/17

### **Payden & Rygel (\$327.2 M)**

Monthly Return 0.02%  
 TSY Benchmark -0.06%  
 Gov/Corp Benchmark -0.03%

Fiscal YTD Return 0.37%  
 TSY Benchmark 0.18%  
 Gov/Corp Benchmark 0.27%

12 Month Return 0.84%  
 TSY Benchmark 0.24%  
 Gov/Corp Benchmark 0.51%

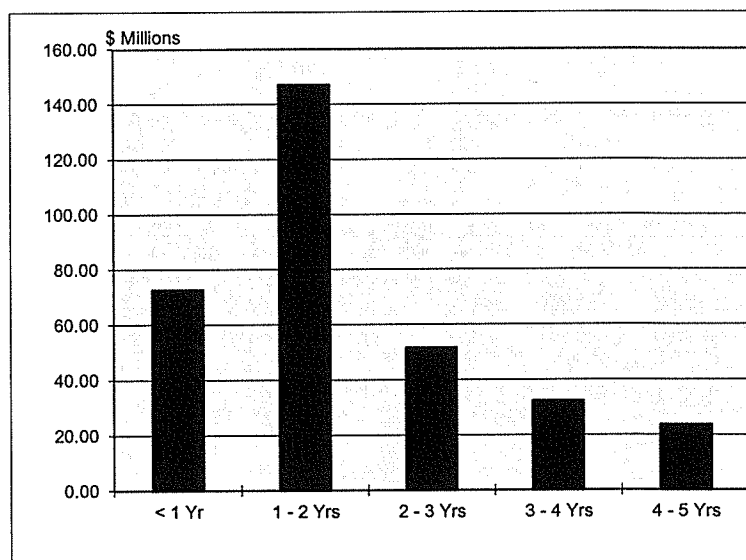


### **Western Asset Management (\$326.7 M)**

Monthly Return -0.02%  
 TSY Benchmark -0.06%  
 Gov/Corp Benchmark -0.03%

Fiscal YTD Return 0.29%  
 TSY Benchmark 0.18%  
 Gov/Corp Benchmark 0.27%

12 Month Return 0.57%  
 TSY Benchmark 0.24%  
 Gov/Corp Benchmark 0.51%



Yield Curve Change From 9/30/17 to 10/31/17			
	9/30/17	10/31/17	Change
1 Year	1.294%	1.426%	0.1320%
2 Year	1.486%	1.602%	0.1160%
3 Year	1.624%	1.727%	0.1030%
5 Year	1.937%	2.017%	0.0800%
30 Year	2.860%	2.880%	0.0200%

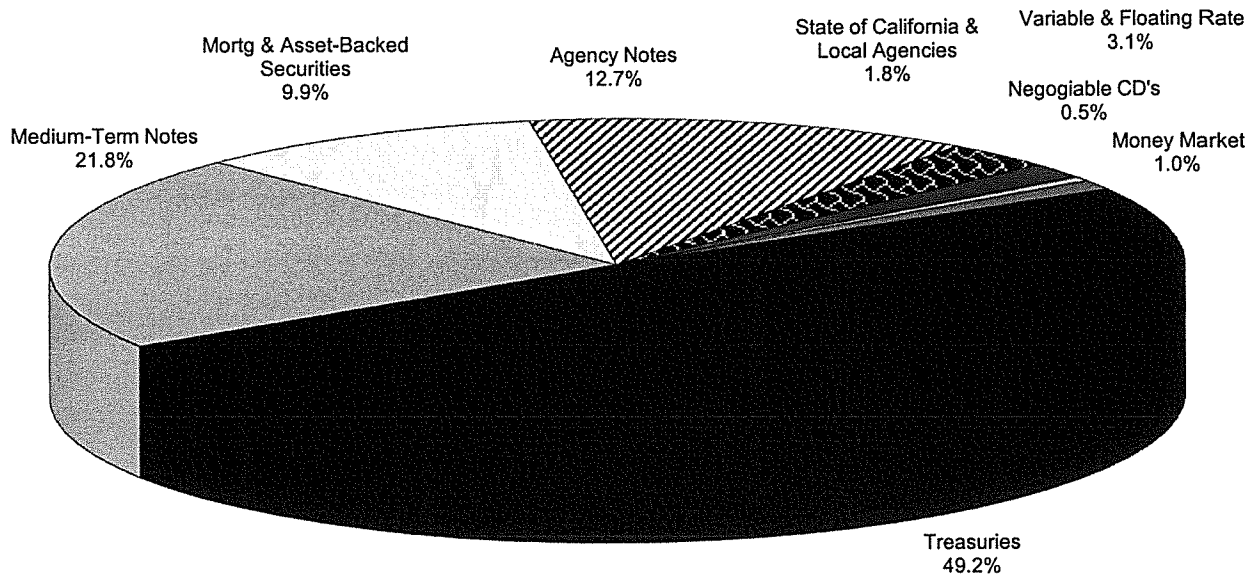


# Short-Term Portfolio

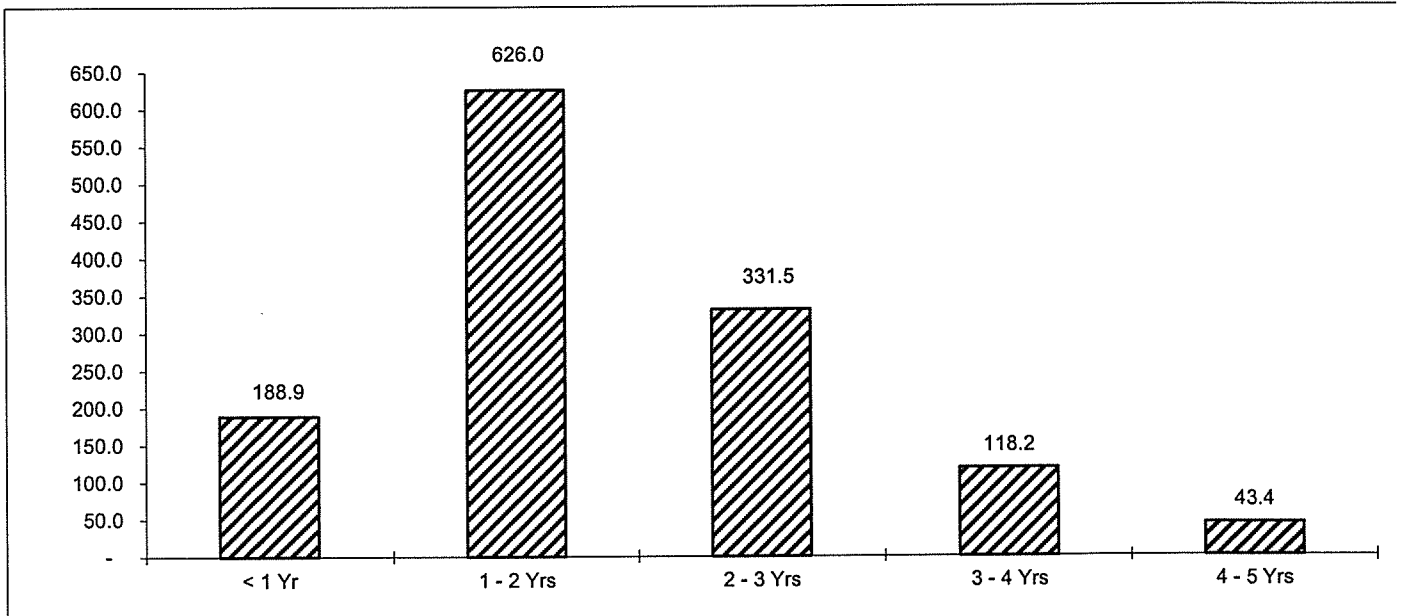
## As of 10/31/17

---

### Total Portfolio Composition



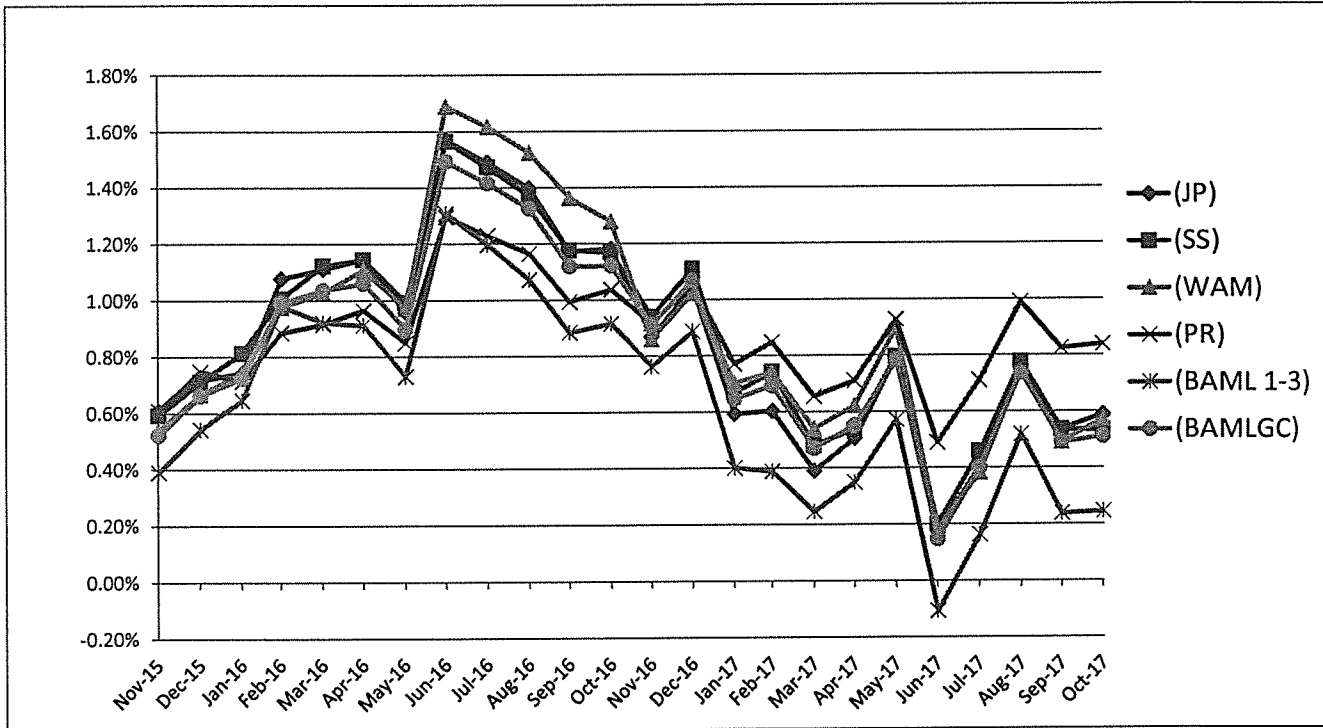
### Total Portfolio Maturity Schedule



# Short-Term Portfolio Performance

## As of 10/31/17

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

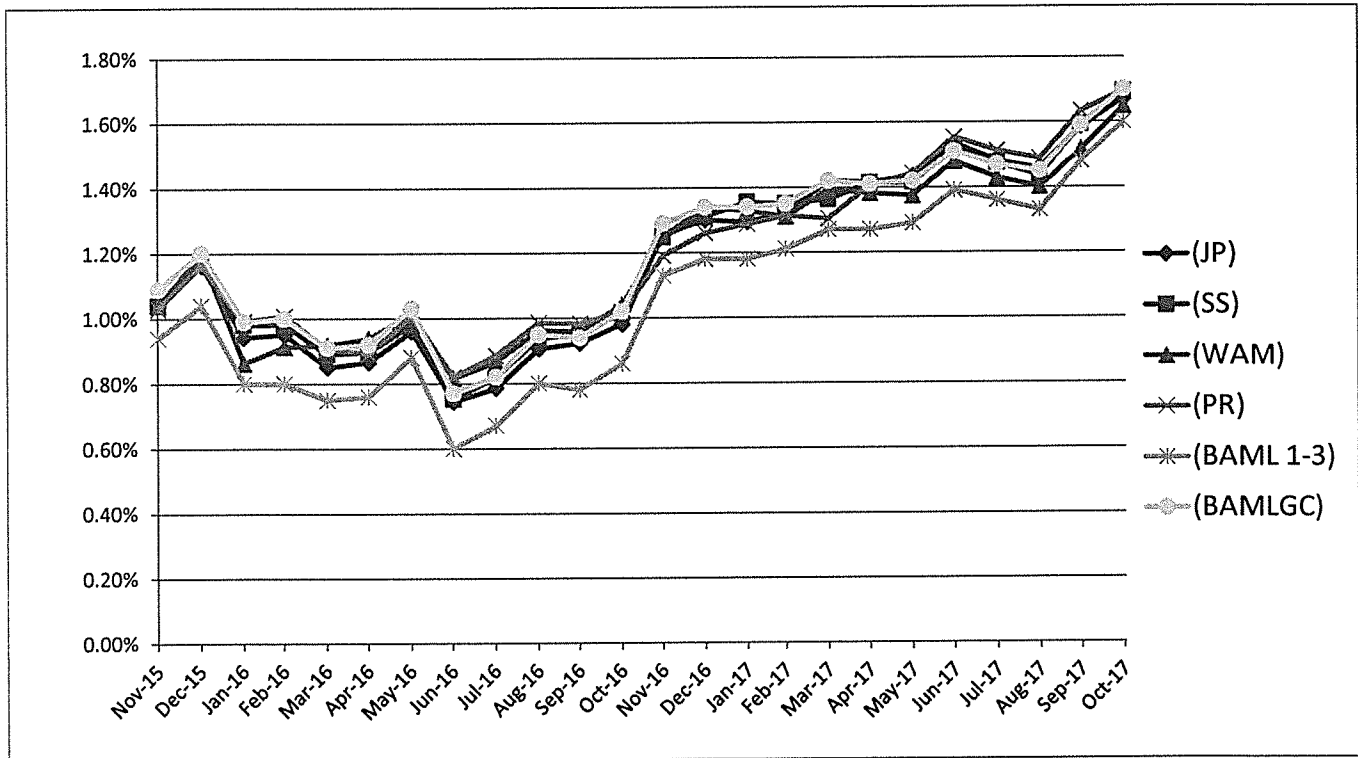


	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden & Rygel (PR)	BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Nov-15	0.61%	0.59%	0.54%	0.61%	0.39%	0.52%
Dec-15	0.72%	0.71%	0.67%	0.75%	0.54%	0.66%
Jan-16	0.74%	0.81%	0.74%	0.71%	0.65%	0.72%
Feb-16	1.08%	1.01%	0.98%	0.89%	0.98%	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%
Aug-17	0.76%	0.78%	0.74%	0.99%	0.52%	0.74%
Sep-17	0.54%	0.54%	0.49%	0.82%	0.24%	0.49%
Oct-17	0.59%	0.53%	0.57%	0.84%	0.24%	0.51%

# Comparative Yield Performance

## As of 10/31/17

### 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)
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%
Aug-17	1.46%	1.44%	1.40%	1.49%	1.33%	1.45%
Sep-17	1.59%	1.59%	1.52%	1.63%	1.48%	1.59%
Oct-17	1.67%	1.69%	1.65%	1.70%	1.60%	1.70%

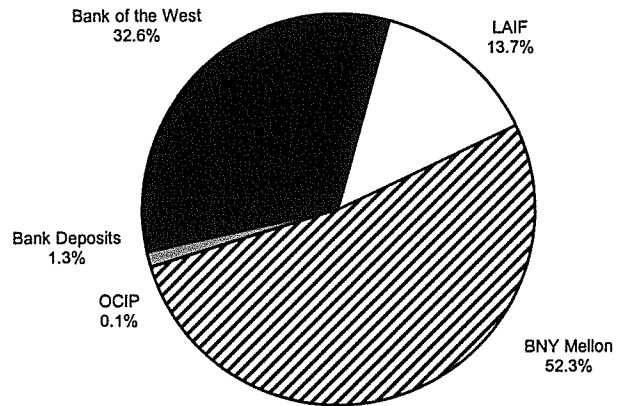
# Liquid Funds Portfolio - \$75.2 M

## As of 10/31/17

---

### Other Liquid Funds

Book Value	\$	75,176,798
Market Value	\$	75,176,798



Yield Curve Change From 9/30/17 to 10/31/17			
	<u>9/30/17</u>	<u>10/31/17</u>	<u>Change</u>
1 Month	0.944%	0.975%	0.0310%
3 Month	1.049%	1.132%	0.0830%
6 Month	1.194%	1.281%	0.0870%

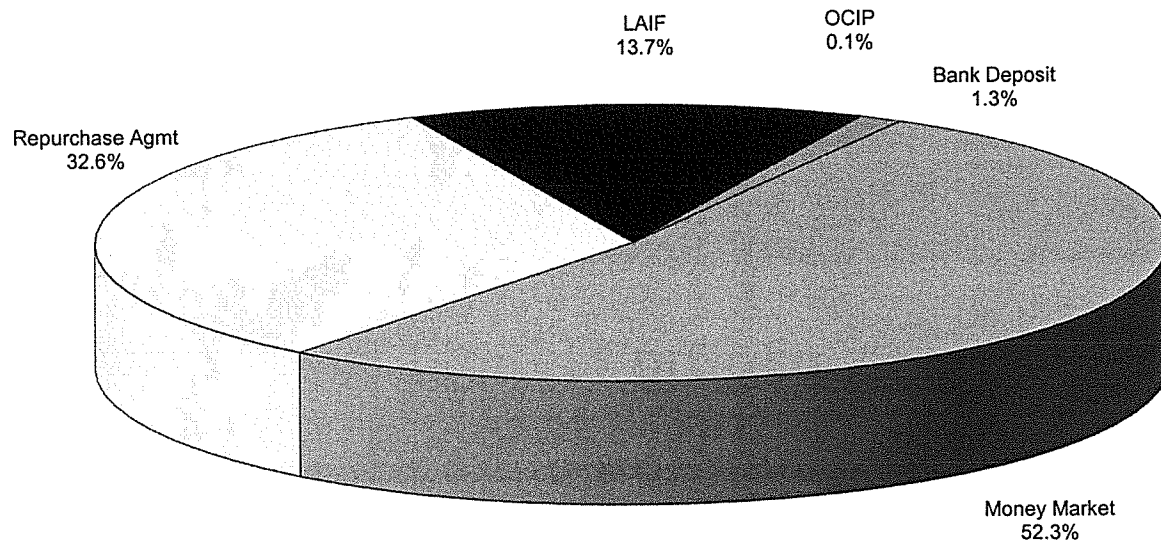
Market Value Reported By Custodial Bank

# Liquid Portfolio

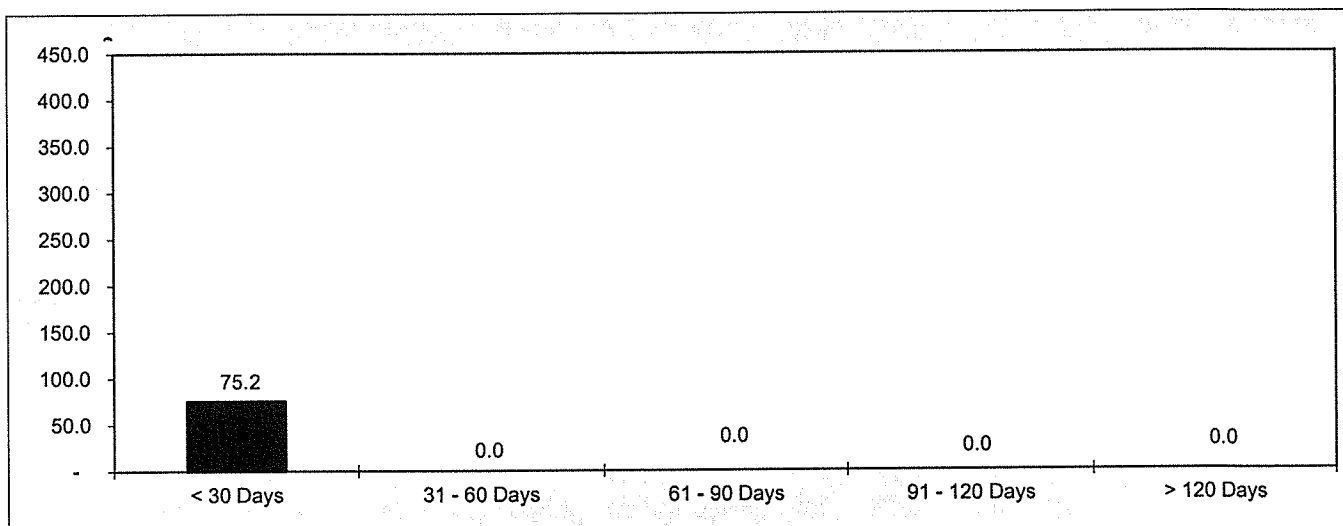
## As of 10/31/17

---

### Total Portfolio Composition



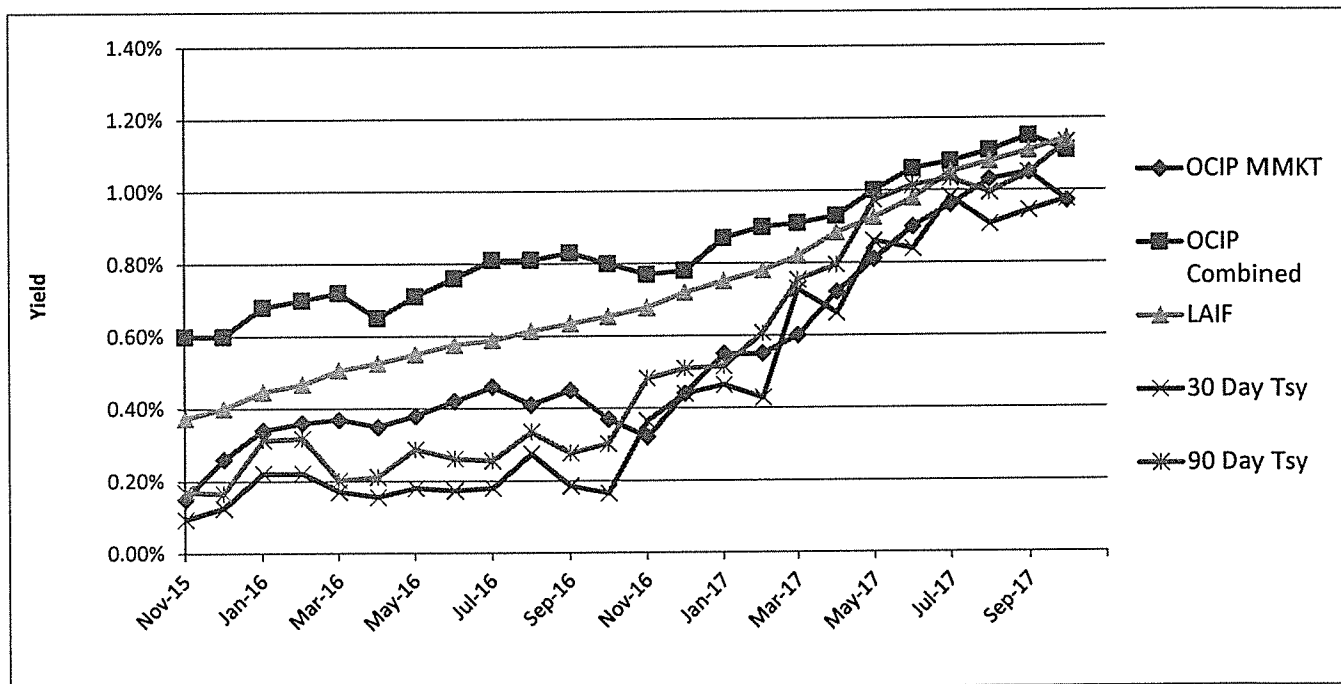
### Maturity Schedule For Liquid Portfolio



# Liquid Portfolio Performance

## As of 10/31/17

### 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>
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	0.96%	1.08%	1.05%	0.98%	1.03%
Aug-17	1.03%	1.11%	1.08%	0.91%	0.99%
Sep-17	1.05%	1.15%	1.11%	0.94%	1.05%
Oct-17	0.97%	1.11%	1.14%	0.98%	1.13%

# Investment Policy Compliance

## As of 10/31/17

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	643,023,198	45.7%	100%
Federal Agencies & U.S. Government Sponsored *	166,397,238	11.8%	100%
State of California & Local Agencies	23,181,658	1.6%	25%
Money Market Funds & Mutual Funds	53,349,806	3.8%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	6,450,000	0.5%	30%
Commercial Paper	23,915,958	1.7%	25%
Medium Term Maturity Corporate Securities	284,555,646	20.2%	30%
Mortgage and Asset-backed Securities	130,100,851	9.2%	10%
Repurchase Agreements	24,520,859	1.7%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	10,305,183	0.7%	\$ 40 Million
Orange County Investment Pool (OCIP)	62,774	0.0%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	40,240,538	2.9%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	971,612	0.1%	5%
Derivatives (hedging transactions only)	0	0.0%	5%
<b>TOTAL</b>	<b>1,407,075,322</b>	<b>100.0%</b>	

\* See attached page for a detailed listing of this category

# Investment Policy Compliance

## As of 10/31/17

---

### Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<u>Federal Agencies &amp; U.S. Government Sponsored</u>			
Federal Home Loan Bank (FHLB)	73,417,738	5.2%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	62,359,730	4.4%	35%
Federal Farm Credit Bank (FFCB)	9,190,000	0.7%	35%
Federal National Mortgage Association (FNMA)	54,863,213	3.9%	35%
	199,830,680 *	14.2%	

\* 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

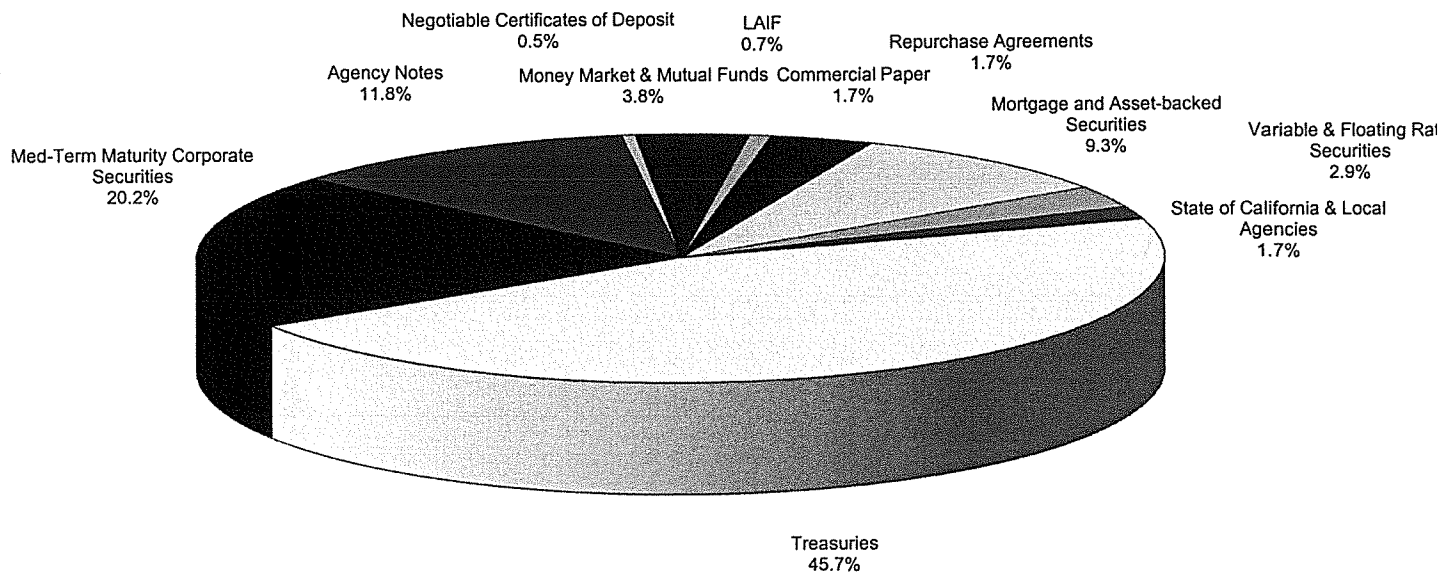
First American Obligations Treasury Fund	1,630	0.0%
Goldman Sach Fin. Square Govt. MMF	0	0.0%
Blackrock Institutional T-Fund	14,033,436	1.0%
Fidelity Treasury Obligations MMF	24,075,854	1.7%
Federated Treasury Obligations Fund	<u>15,238,885</u>	<u>1.1%</u>
	53,349,806	3.8%



# Investment Allocation

## As of 10/31/17

---



# Negative Credit Watch

## As of 10/31/17

---

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

### JPM

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

<i>General Electric Cap Corp</i>	150,000	2/11/2021	A+	A2	A+
On October 20, 2017, Standard & Poor's placed the long-term ratings of General Electric Capital Corp under review for possible downgrade.					

<i>General Electric</i>	1,200,000	Various	AA-	A1	AA-
On October 20, 2017, Standard & Poor's placed the long-term ratings of General Electric under review for possible downgrade.					

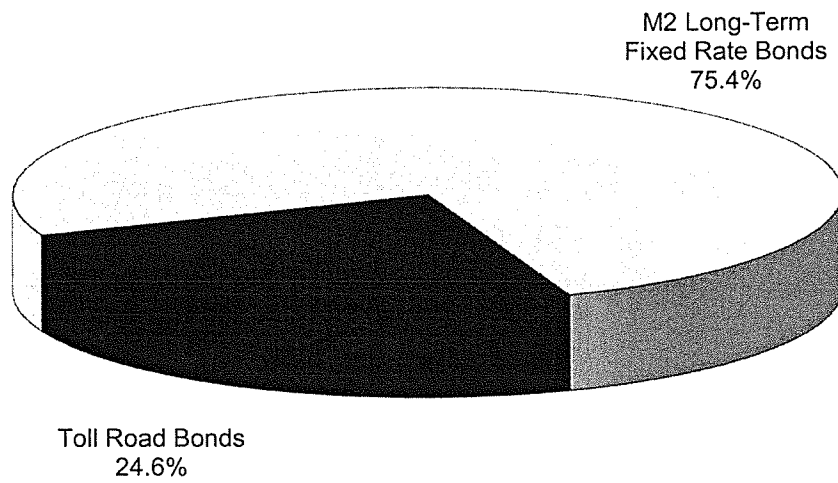
## DEBT PROGRAM

# Total Outstanding Debt

## As of 10/31/17

---

Outstanding Debt



**TOTAL OUTSTANDING DEBT:     \$421,615,000**

# Outstanding Debt

## As of 10/31/17

---

### 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:		103,605,000
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



**December 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

**Subject:** Fiscal Year 2017-18 First Quarter Budget Status Report

**Overview**

The Orange County Transportation Authority's staff has implemented the fiscal year 2017-18 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the first quarter of fiscal year 2017-18.

**Recommendation**

Receive and file as an information item.

**Background**

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year 2017-18 Budget on June 12, 2017. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.29 billion. Sources of funds were comprised of \$1.06 billion in current fiscal year revenues and \$232.6 million in use of prior year designations. Uses of funds were comprised of \$1.15 billion of current fiscal year expenditures and \$142.7 million of designations.

The Board approved one amendment in the first quarter increasing the expense budget by \$3.6 million. The amendment was approved on September 25, 2017, to support the new upcoming Bravo! bus route 529, and increased the maximum obligation for Agreement C-4-1280 with New Flyer of America, Inc., by \$3.6 million, exercising an option to purchase six, 40-foot, low floor compressed natural gas buses painted with the Bravo! branding.

---

***Discussion***

Staff monitors and analyzes revenues and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included in Attachment A are Bus, 91 Express Lanes, Commuter Rail, Motorist and Taxi Services, and Measure M2 (M2).

Total salaries and benefits underran the first quarter budget by \$2.4 million. This is primarily due to vacancies OCTA-wide. As a result, an underrun can be expected to continue, but can change slightly throughout the year based on future net vacancies.

Bus Program operating revenues were on track coming in within one percent of the budget. Bus Program operating expenses underran the budget by 7.3 percent or \$4 million primarily due to staffing vacancies, as well as lower than anticipated operating costs associated with paratransit service, contracted fixed-route service, and the Vanpool Program. Capital revenues and expenses exceeded the budget by approximately \$0.05 million. These variances are the direct result of having finalized the purchase of 25 alternative fuel coach operator relief vehicles earlier than anticipated.

The 91 Express Lanes experienced high utilization in the first quarter and received 21.7 percent or \$2.4 million more operating revenues than budgeted. Actual operating expenses were in alignment coming in within 1.9 percent of the budget.

The Rail Program operating and capital revenues were in alignment with the budget. However, the first quarter payment related to the Metrolink operating subsidy was posted at the beginning of the second quarter and is the driver for the variance within operating expenses through the first quarter.

Revenue for the Motorist Services Program was in alignment with the budget expenses through the quarter and had a minor underrun related to time and expense items.

Sales tax revenue advances for the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Transit Program grew by 1.93 percent and 1.71 percent year-over-year, respectively. Although the growth rates for advances for the first three months are below the budgeted growth rates of 3.3 percent for the M2 Program and 2.4 percent for the Transit Program, the actual amount of sales tax receipts for the first quarter will not be finalized until mid-December when OCTA receives the first quarter “true-up” payment. The

amount of the true-up payment varies significantly from quarter to quarter and is therefore difficult to forecast.

Advances for both LTA M2 Program sales tax revenue and LTF Transit Program sales tax revenue underran the budget by \$0.9 million and \$0.3 million, respectively, through the first quarter of the fiscal year based on advances.

Table 1 - First Quarter LTA and LTF Sales Tax Revenue					
	Budget		Actual		% Variance
				\$ Variance	
LTA	\$	70,613,504	\$	69,676,000	(937,504) -1.33%
LTF	\$	37,079,040	\$	36,828,300	(250,740) -0.68%

### Summary

Overall, sales tax revenue advances for the LTA M2 Program and LTF Transit Program grew by 1.93 percent and 1.71 percent year-over-year in comparison to the budgeted growth rates of 3.3 percent and 2.4 percent, respectively. However, in total OCTA revenues overran the budget by \$17 million. This is primarily due to OCTA receiving more grant, fare, and toll revenues than anticipated. Furthermore, expenses underran the budget by \$37 million.

### Attachment

- A. Quarterly Budget Status Report First Quarter of Fiscal Year 2017-18

Prepared by:



Anthony Baruch  
Section Manager,  
Financial Planning and Analysis  
(714) 560-5332

Approved by:



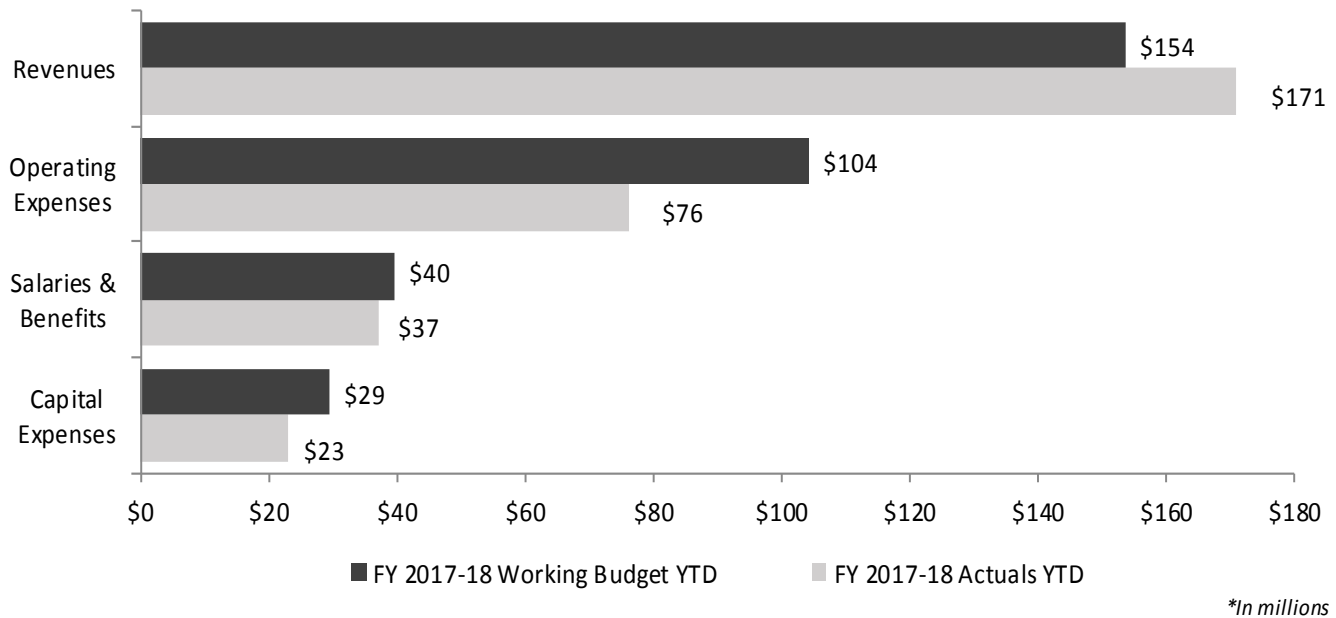
Andrew Oftelie  
Executive Director,  
Finance and Administration  
(714) 560-5649





## Quarterly Budget Status Report

### First Quarter of Fiscal Year 2017-18



## STAFFING

A staffing plan of 1,346.5 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2017-18. At the end of the first quarter 1,287.5 of these positions were filled, representing a vacancy rate of 4.4 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	643.0	631.0	12.0	1.9%
Maintenance	171.0	152.0	19.0	11.1%
TCU	37.0	36.0	1.0	2.7%
<i>Union Subtotal</i>	851.0	819.0	32.0	3.8%
Transit Support	169.5	161.5	8.0	4.7%
Other Administrative	326.0	307.0	19.0	5.8%
<i>Administrative Subtotal</i>	495.5	468.5	27.0	5.4%
<b>Total OCTA</b>	<b>1,346.5</b>	<b>1,287.5</b>	<b>59.0</b>	<b>4.4%</b>

In both cases, the underruns are primarily driven by vacant positions that are anticipated to be filled throughout the FY.

	Budget	Actual	\$ Variance	% Variance
Transit	\$ 26,146	\$ 24,899	\$ 1,247	4.8%
General Fund	13,407	12,391	1,015	7.6%
<b>Total</b>	<b>\$ 39,553</b>	<b>\$ 37,290</b>	<b>\$ 2,263</b>	<b>5.7%</b>

## PROGRAM VARIANCES

Year-to-date material variances are listed by program. All dollar amounts in tables are shown in thousands.

## TOTAL SALARIES AND BENEFITS

Total actual salaries and benefits of \$37.3 million were approximately \$2.2 million under the budget of \$39.6 million. This variance is due to a \$1.2 million underrun in the Transit Program salaries and benefits and a \$1 million underrun in the General Fund salaries and benefits.

**Bus Program**

	Budget	Actual	\$ Variance	% Variance
<b>Operating</b>				
Revenues	\$ 53,652	\$ 54,200	\$ 548	1.0%
Expenses	55,270	51,230	4,040	7.3%
<b>Net Operating</b>	<b>\$ (1,618)</b>	<b>\$ 2,970</b>		
<b>Capital</b>				
Revenues	76	127	51	68.0%
Expenses	76	127	(51)	-68.0%
<b>Net Capital</b>	<b>\$ -</b>	<b>\$ -</b>		

***Operating Revenue:***

The overrun in revenues is primarily due to the sale of alternative fuel credits (\$0.3 million) and fare revenues (\$0.2 million). These revenues are slightly offset by the underruns in Local Transportation Fund (LTF) Bus Program sales tax revenue (\$0.3 million). However, the actual amount of sales tax receipts for the first quarter will not be finalized until mid-December when OCTA receives the first quarter "true-up" payment.

The variance pertaining to alternative fuel credits is due to greater than anticipated revenue from the sale of the credits. Alternative fuel credits are sold regularly throughout the FY, and based on current trends, staff anticipates this revenue source will continue to overrun the budget throughout the FY.

Fare revenue experienced an overrun compared to the budget. This is due to a lower than anticipated decrease in fixed-route boardings year-over-year of 3.7 percent compared to the budgeted decrease of 6.5 percent.

LTF sales tax advances grew by 1.71 percent year-over-year compared to the budgeted growth rate of 2.4 percent. This resulted in an underrun of \$0.3 million, or 0.68 percent compared to the budget. However, the actual amount of LTF sales tax revenue for the first quarter will not be finalized until

mid-December when OCTA receives the first quarter "true-up" payment.

**LTF Bus Program Sales Tax Revenue**

	Budget	Actual	\$ Variance	% Variance
Revenue	\$ 37,079	\$ 36,828	\$ (251)	-0.68%

**Operating Expenses:** The \$4 million underrun in Transit operating expenses is primarily attributable to salaries and benefits (\$1.2 million), transit recurring operational costs (\$0.9 million), paratransit service (\$0.5 million), contracted fixed-route services (\$0.3 million), and the Vanpool Program (\$0.2 million).

Salaries and benefits underran the budget by \$1.2 million. This is primarily due to vacant positions. The vacancy rate is 3.8 percent for Transit union employees and 4.7 percent for Transit administrative employees, compared to budgeted vacancy rates of 0.7 percent and 3 percent, respectively.

The underrun of \$0.9 million in recurring operational costs can primarily be attributed to time and expense based line items for consumables such as shop supplies, parts, bus cleaning, equipment maintenance, etc. The time and expense services are utilized on an as-needed basis.

The underruns in paratransit service, contracted fixed-route service, and the Vanpool Program can be attributed to timing of vendor invoices. Invoices were received, however final approval of the invoices were finalized at the beginning of the second quarter.

**Capital Revenues and Expenses:** Capital revenues and expenses exceeded the budget by approximately \$0.5 million. This variance is the result of having finalized the purchase of 25 alternative fuel coach operator relief vehicles earlier than anticipated.

**Rail Program**

	Budget	Actual	\$ Variance	% Variance
<b>Operating</b>				
Revenues	\$ 9,920	\$ 9,919	\$ (1)	0.0%
Expenses	9,670	987	8,683	89.8%
<b>Net Operating</b>	<b>\$ 250</b>	<b>\$ 8,932</b>		
<b>Capital</b>				
Revenues	-	-	-	0.0%
Expenses	18,680	19,531	(851)	-4.6%
<b>Net Capital</b>	<b>\$ (18,680)</b>	<b>\$ (19,531)</b>		

**Operating Expenses:** Commuter Rail operating expenses underran the budget by \$8.7 million. The underrun is primarily due to the timing of a payment to Metrolink for OCTA's portion of the Metrolink operating subsidy. The payment was expected to occur in the first quarter, but did not occur until early in the second quarter of the FY.

**Net Capital:** As shown in the table above, capital revenues were budgeted \$18.7 million less than capital expenses related to the Orange Metrolink Station parking structure project. As reflected in OCTA's annual budget, grant revenues associated with capital expenditure are anticipated in the second quarter.

**Capital Expenses:** Commuter Rail capital expenses overran by \$0.9 million. This is primarily due to the construction contract for the Laguna Niguel/Mission Viejo station which whose budget originally approved and encumbered in FY 2015-16. However, the remaining balance of the contract was re-encumbered in the current fiscal year causing the overrun.

**91 Express Lanes Program**

	Budget	Actual	\$ Variance	% Variance
<b>Operating</b>				
Revenues	\$ 11,014	\$ 13,409	\$ 2,395	21.7%
Expenses	4,093	4,017	76	1.9%
<b>Net Operating</b>	<b>\$ 6,920</b>	<b>\$ 9,391</b>		
<b>Capital</b>				
Revenues	313	277	(35)	-11.3%
Expenses	313	277	35	11.3%
<b>Net Capital</b>	<b>\$ -</b>	<b>\$ -</b>		

**Operating Revenues:** The 91 Express Lanes operating revenues overran the budget by \$2.4 million. The overrun can be attributed to greater than anticipated non-toll revenues (\$0.9 million), toll revenues from Transportation Corridor Agencies (\$0.8 million), and toll revenue from the 91 Express Lanes (\$0.6 million). The overrun in non-toll revenue is due to higher violation fees than anticipated. The overrun in toll revenue is the result of higher than anticipated trips on the toll lanes, 4.1 million compared to the budgeted amount of 4 million trips. This is in part due to the extension of the 91 Express Lanes into Riverside County which opened last FY with higher demand than anticipated.

**Operating Expenses:** The 91 Express Lanes operating expenses were in alignment with the budget for the first quarter.

**Motorist Services Program**

	Budget	Actual	\$ Variance	% Variance
<b>Operating</b>				
Revenues	\$ 3,379	\$ 3,383	\$ 4	0.1%
Expenses	1,176	887	289	24.6%
<b>Net</b>	<b>\$ 2,203</b>	<b>\$ 2,496</b>		
<b>Capital</b>				
Revenues	-	-	-	0.0%
Expenses	-	-	-	0.0%
<b>Net</b>	<b>\$ -</b>	<b>\$ -</b>		

**Operating:** Expenses for the Motorist Services Program underran the budget due to recurring time and expense items that did not impact services.

**M2 Program****M2 Program Sales Tax Revenue**

	Budget	Actual	\$ Variance	% Variance
Revenue	\$ 70,614	\$ 69,676	\$ (938)	-1.33%

**Revenues:** LTA sales tax advances grew by 1.93 percent year-over-year in comparison to the budgeted growth rate of 3.3 percent. This resulted in an underrun of \$0.9 million, or 1.33 percent compared to the budget. However, the amount of sales tax receipts for the first quarter will not be finalized

until mid-December when OCTA receives the first quarter "true-up" payment.

Mode	Budget	Actual	\$ Variance	% Variance
Freeways	\$ 12,664	\$ 2,911	\$ (9,753)	-77.0%
Streets & Roads	30,424	20,850	(9,573)	-31.5%
Transit	3,072	1,028	(2,045)	-66.5%
Administration	2,234	1,334	(900)	-40.3%
Debt Service	10,509	10,509	(0)	0.0%
<b>Total</b>	<b>\$ 58,903</b>	<b>\$ 36,632</b>	<b>\$ (22,271)</b>	<b>-37.8%</b>

**Expenditures:** Measure M2 Program expenditures underran the budget by \$22.3 million. Freeways contributed \$9.8 million to the underrun, primarily due to time and expense type activities on the Interstate 405 Improvement Project, and landscape construction timing on the State Route 57 freeway. Streets and Roads contributed \$9.6 million to the underrun due to lower than anticipated project payment requests from the cities and county. Transit contributed \$2 million to the underrun, primarily due to lower than anticipated Project V community based shuttle bus payments to the cities. Administration expenditures contributed \$0.9 million to the underrun primarily due to later than anticipated procurement of M2 Program support contracts.



**December 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

**Subject:** Fiscal Year 2017-18 First Quarter Grant Reimbursement Status Report

### **Overview**

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of July through September 2017.

### **Recommendation**

Receive and file as an information item.

### **Discussion**

The Orange County Transportation Authority (OCTA) has secured grant funding from federal and state grant agencies to deliver programs, projects, and services to improve mobility in Orange County. The use of these funds is consistent with capital programming policies approved by the OCTA's Board of Directors (Board). The Quarterly Grant Reimbursement Status Report summarizes awarded/executed, current, and closed grant agreements.

Awarded/Executed Grant Agreements:

During the first quarter, OCTA awarded/executed four formula grants and one discretionary grant which are summarized below.

Fiscal Year (FY) 2012-13 – FY 2016-17 Section 5307 Flexible Funding Programs, Congestion Mitigation and Air Quality Program (CMAQ): Federal Transit Administration (FTA)

OCTA executed a grant agreement with the FTA to secure \$31.6 million in federal formula flex funds. These are CMAQ funds that are transferred from Federal Highway Administration (FHWA) to FTA for transit related grants. The total amount of the formula flex funds is a cumulative amount from multiple program years that range from FY 2012-13 to FY 2016-17. These funds will be used to

support construction costs for the Orange Parking Structure and Laguna Niguel-San Juan Capistrano Rail Passing Siding. In addition, funds will also support design work for the OC Streetcar.

FY 2012-13 and FY 2013-14 Section 5310 Enhanced Mobility of Seniors & Individuals with Disabilities: FTA and California Department of Transportation (Caltrans)

OCTA executed an agreement with Caltrans to secure \$0.6 million in federal competitive funds. These federal funds provide grant opportunities for local public agencies and non-profit organizations to help meet the special transportation needs of seniors and individuals with disabilities. As authorized by the OCTA Board, these funds will be used to develop and implement a Mobility Management Program that includes a Travel Training Program and Specialized Transportation Services Information and Referral Project. Toll credits will be used to meet the 20 percent local match and OCTA anticipates grant funds will cover program costs for 24 to 36 months.

FY 2015-16 Proposition 1B Transit System Safety, Security, & Disaster Response Account, California Transit Security Grant Program, California Transit Assistance Fund (CTSGP-CTAF): California Office of Emergency Services (Cal OES)

OCTA received approval from the Cal OES to secure \$3.5 million in CTSCP-CTAF grant funds to support eligible transit system safety, security, and disaster response projects. The projects include; Raymond Avenue Grade Separation, OCTA Transit Security & Operations Center, and video surveillance system upgrades at OCTA bases. The projects were selected based on several factors, including program eligibility, project readiness, overall funding need, and expenditure within the grant performance periods, which end on March 31, 2019.

FY 2016-17 Low Carbon Transit Operations Program (LCTOP): Caltrans

OCTA executed an agreement with Caltrans to secure \$1.7 million in LCTOP formula funds. As authorized by the Board, these funds will be utilized towards the purchase of 557 bicycle racks and a bus pass pilot program for Santa Ana College.

FY 2016-17 & FY 2017-18 Major Event Transportation Grant: Mobile Source Air Pollution Reduction Review Committee (MSRC)

OCTA secured \$0.5 million in grant funds awarded by the MSRC to support the direct operating costs of the Angels Express service for the FY 2016-17 and FY 2017-18 baseball seasons. OCTA will partner with the Angels Baseball and the Southern California Regional Rail Authority to provide express Metrolink rail

service to serve all weekday evening home games that start at 7:07 PM. The in-kind local match contribution will be provided in the form of OCTA staff time, marketing costs, fare and admission discounts, and farebox revenue as allowed by the grant program.

**Current Grant Agreements:**

OCTA's FTA formula grant agreements total 14, and FTA discretionary grant agreements total three. The total FTA formula and discretionary grant agreements amount to \$329.2 million. The total amount reimbursed through the first quarter under these grant agreements is \$270.2 million, leaving a balance of \$59 million (Attachment A).

The 14 FTA formula grant agreements have a total federal amount of \$311.3 million. A total of \$259.3 million has been reimbursed, leaving a balance of \$52 million. The balance of these 14 FTA formula grant agreements will primarily fund the OC Streetcar, Orange Parking Structure, fixed-route bus procurements, rideshare and vanpool programs, the Laguna Niguel/San Juan Capistrano passing siding project and rail rehabilitation projects.

The three FTA discretionary grant agreements have a total federal amount of \$17.9 million. A total of \$10.9 million has been reimbursed, leaving a balance of \$7 million. The balance of these three FTA discretionary grant agreements will primarily fund a new control point at 4<sup>th</sup> Street on the OCTA-owned railroad right-of-way (ROW), as well as slope stabilization improvements on the railroad ROW from the City of Laguna Niguel to the City of Lake Forest. The balance will also fund security camera surveillance systems for commuter rail stations located in the cities of Anaheim, Laguna Niguel/Mission Viejo, Orange, and Placentia.

OCTA also has 50 state and FHWA formula grant agreements (Attachment B) and ten state discretionary grant agreements (Attachment C).

The 50 state and FHWA formula grant agreements total \$388.7 million. The total amount reimbursed through the first quarter under these other grant agreements is \$266 million, leaving a balance of \$122.7 million.

The ten state discretionary grant agreements total \$4.7 million. A total of \$0.2 million of these discretionary grant agreements has been reimbursed, leaving a balance of \$4.5 million. These state discretionary grant agreements have a defined grant expiration date. Project expenses must be fully paid and reimbursed prior to the grant agreement expiration date. Staff anticipates each of the remaining balances to be fully reimbursed prior to the grant agreement expiration date.

Combined, the state and FHWA formula and discretionary grants total \$393.4 million. The total amount reimbursed across all these grant agreements equals \$266.2 million, leaving a remaining balance of \$127.2 million.

**Grant Agreements Pending Close-out:**

There are five grant agreements totaling \$93.6 million which are pending close-out in the first quarter of FY 2017-18. All invoices for these grant agreements have been submitted to the external funding agency for reimbursement and OCTA is pending final payment and/or approval of close-out documentation. OCTA Board approved reprogramming \$0.4 million of remaining funds from the Sand Canyon Grade Separation Project to the San Juan Creek Bridge Project on July 2017. These grant agreements are summarized in Attachment D.

**Closed Grant Agreements:**

There are five grant agreements totaling \$13.6 million that were closed out in the first quarter of FY 2017-18. OCTA's participating eligible costs related to the Proposition 1B State Local Partnership Program (SLPP) funded projects were lower than anticipated totaling \$2 million. Therefore, OCTA sought the maximum SLPP funds available and this 5-year funding program has reached its sunset. These grant agreements are summarized in Attachment E.

***Summary***

This report provides an update of the grant agreement funded activities for the first quarter of FY 2017-18, July through September 2017. Staff recommends this report be received and filed as an information item.



---

***Attachments***

- A. First Quarter Grant Reimbursement Status Report, July through September 2017, Federal Transit Administration Formula and Discretionary Grant Agreements
- B. First Quarter Grant Reimbursement Status Report, July through September 2017, State and Federal Highway Administration Formula Grant Agreements
- C. First Quarter Grant Reimbursement Status Report, July through September 2017, State Discretionary Grant Agreements
- D. First Quarter Grant Reimbursement Status Report, July through September 2017, Grant Agreements Pending Close-out
- E. First Quarter Grant Reimbursement Status Report, July through September 2017, Closed Grant Agreements

**Prepared by:**



---

Rene I. Vega  
Section Manager,  
Revenue and Grants Administration  
714-560-5702

**Approved by:**



---

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

**First Quarter Grant Reimbursement Status Report  
July through September 2017**

Federal Transit Administration Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
<b>FTA Section 5307 - Urbanized Area Formula Grant Program</b>						
1	2012	CA-90-Y942	\$ 57,746,965	\$ 54,908,289	\$ 2,838,676	June 2019
2	2013	CA-90-Z027	53,878,507	53,382,389	496,118	June 2018
3	2014	CA-90-Z174	55,129,189	54,687,131	442,058	June 2018
4	2015	CA-2016-032	55,400,721	53,099,176	2,301,545	December 2018
<b>FTA Section 5307 Grant Subtotal</b>			<b>\$ 222,155,382</b>	<b>\$ 216,076,985</b>	<b>\$ 6,078,397</b>	
<b>FTA Section 5307 - Federal Funds flexed from the Federal Highway Administration (FHWA):</b>						
5	2010	CA-95-X131	\$ 2,102,650	\$ 1,327,949	\$ 774,701	April 2018
6	2012	CA-95-X180	4,260,000	3,753,973	506,027	December 2018
7	2012	CA-95-X210	12,669,000	8,220,327	4,448,673	June 2019
8	2012	CA-95-X254	5,657,000	3,125,702	2,531,298	June 2018
9	2014	CA-95-X286	6,621,000	4,554,965	2,066,035	September 2018
10	2017	CA-2017-072	31,567,405	3,684,001	27,883,404	June 2021
<b>FTA Section 5307 Flexed Grant Subtotal</b>			<b>\$ 62,877,055</b>	<b>\$ 24,666,917</b>	<b>\$ 38,210,138</b>	
<b>FTA Section 5310 - Enhanced Mobility of Seniors &amp; Individuals with Disabilities Grant Program</b>						
11	2013	64AM16-00157	\$ 630,416	\$ 0	\$ 630,416	March 2019
<b>FTA Section 5310 Grant Subtotal</b>			<b>\$ 630,416</b>	<b>\$ 0</b>	<b>\$ 630,416</b>	
<b>FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program</b>						
12	2009	CA-37-X113	\$ 13,962,488	\$ 9,224,131	\$ 4,738,357	September 2019
<b>FTA Section 5316 Grant Subtotal</b>			<b>\$ 13,962,488</b>	<b>\$ 9,224,131</b>	<b>\$ 4,738,357</b>	
<b>FTA Section 5317 - New Freedoms Grant Program</b>						
13	2009	CA-57-X038	\$ 6,387,801	\$ 6,307,446	\$ 80,355	September 2018
<b>FTA Section 5317 Grant Subtotal</b>			<b>\$ 6,387,801</b>	<b>\$ 6,307,446</b>	<b>\$ 80,355</b>	
<b>FTA Section 5337 - State of Good Repair Grant Program</b>						
14	2016	CA-2016-096	\$ 5,261,812	\$ 3,055,309	\$ 2,206,503	December 2018
<b>FTA Section 5337 Grant Subtotal</b>			<b>\$ 5,261,812</b>	<b>\$ 3,055,309</b>	<b>\$ 2,206,503</b>	
<b>Federal Transit Administration Formula Grants Total</b>			<b>\$ 311,274,954</b>	<b>\$ 259,330,788</b>	<b>\$ 51,944,166</b>	

**First Quarter Grant Reimbursement Status Report  
July through September 2017**

Federal Transit Administration Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
<b>FTA Section 5309 - Discretionary Capital Grant Program</b>						
15	2007	CA-04-0078	\$ 7,021,300	\$ 5,730,473	\$ 1,290,827	December 2018
16	2009	CA-04-0122	4,845,999	3,934,803	911,196	December 2020
17	2012	CA-05-0269	6,000,000	1,177,170	4,822,830	March 2020
<b>FTA Section 5309 Grant Subtotal</b>			<b>\$ 17,867,299</b>	<b>\$ 10,842,446</b>	<b>\$ 7,024,853</b>	
<b>Federal Transit Administration Discretionary Grants Total</b>			<b>\$ 17,867,299</b>	<b>\$ 10,842,446</b>	<b>\$ 7,024,853</b>	
<b>Total Federal Transit Administration Formula and Discretionary Grant Agreements</b>			<b>\$ 329,142,253</b>	<b>\$ 270,173,234</b>	<b>\$ 58,969,019</b>	

Funding Source Notes:

FTA Section 5307 - Urbanized Area Formula Grant Program: Funds are used to fund preventive maintenance, capital cost of contracting, and to purchase revenue vehicles, facility modifications, and bus-related equipment.

FTA Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Grant Program: Formula funding to states for the purpose of assisting nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities.

FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program: Grants provide funds to support new transit services and to establish mobility management programs to assist low-income individuals.

FTA Section 5317 - New Freedoms Grant Program: Grants provide funds to support new transit services and establish mobility management programs to enhance access for persons with disabilities.

FTA Section 5337 - State of Good Repair Grant Program: A formula-based State of Good Repair program dedicated to repairing and upgrading the nation's rail transit systems along with high-intensity motor bus systems that use high-occupancy lanes.

FTA Section 5309 - Discretionary Capital Grant Program: Grants provide for projects that improve efficiency and coordination of transportation systems.

# First Quarter Grant Reimbursement Status Report

July through September 2017

## State and Federal Highway Administration Formula Grant Agreements

	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
<b>Active Transportation Program (ATP)</b>						
1	2017	Orange County Active Transportation Plan	\$ 280,000	\$ 24,509	\$ 255,491	April 2019
<b>ATP Subtotal</b>			<b>\$ 280,000</b>	<b>\$ 24,509</b>	<b>\$ 255,491</b>	
<b>Federal Highway Administration Grant Program - Congestion Mitigation &amp; Air Quality (CMAQ)</b>						
2	2010	Orangethorpe Ave Grade Separation (ROW)	\$ 27,504,000	\$ 23,605,790	\$ 3,898,210	June 2019
3	2011	Lakeview Ave Grade Separation (ROW)	6,532,000	6,532,000	0	June 2019
4	2012	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (PS&E)	4,246,000	3,384,194	861,806	June 2018
5	2012	I-5 HOV Segment 2, Vista Hermosa to PCH (PS&E)	3,687,000	2,011,992	1,675,008	June 2019
6	2012	I-5 HOV Segment 3, PCH to San Juan Creek Rd (PS&E)	2,067,000	1,537,112	529,888	June 2019
7	2012	Lakeview Ave Grade Separation (ROW Utility Relocation)	3,135,862	60,901	3,074,961	June 2019
8	2013	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (ROW)	8,000,000	4,009,067	3,990,933	June 2018
9	2015	I-5 from the Orange/San Diego County Line to Avenida Pico (PA/ED)	450,000	98,344	351,656	June 2020
10	2015	I-5, SR-55 to SR-57 (PS&E)	2,800,000	1,988,933	811,067	June 2020
<b>CMAQ Subtotal</b>			<b>\$ 58,421,862</b>	<b>\$ 43,228,333</b>	<b>\$ 15,193,529</b>	
<b>Federal Highway Administration Grant Program - Regional Surface Transportation Program (RSTP)</b>						
11	2011	Tustin Ave / Rose Dr Grade Separation Project (ROW Utility Relocation)	\$ 2,254,000	\$ 0	\$ 2,254,000	June 2019
12	2011	Tustin Ave / Rose Dr Grade Separation Project (ROW)	21,494,000	19,594,690	1,899,310	June 2019
13	2012	Lakeview Ave Grade Separation (ROW)	11,527,563	11,527,563	0	June 2019
14	2012	Tustin Ave / Rose Dr Grade Separation Project (Construction)	8,700,440	7,941,426	759,014	June 2019
15	2013	I-5, I-405 to SR-55 (PA/ED)	8,000,000	4,298,998	3,701,002	June 2018
16	2014	I-5 Segment 2, Oso Pkwy to Alicia Pkwy (PS&E)	10,000,000	8,831,179	1,168,821	June 2019
17	2015	I-405, I-5 to SR-55 (PA/ED)	8,000,000	4,320,528	3,679,472	June 2020
18	2015	I-5 Segment 1, SR-73 to Oso Pkwy (PS&E)	9,101,000	6,187,445	2,913,555	June 2020
19	2015	I-5 Segment 3, Alicia Pkwy to El Toro Rd (PS&E)	8,044,000	4,957,652	3,086,348	June 2020
20	2015	SR-91, SR-57 to SR-55 (PA/ED)	7,000,000	1,477,392	5,522,608	June 2020
21	2016	SR-57, Orangewood to Katella Ave (PA/ED)	2,500,000	788,563	1,711,437	June 2021
22	2017	SR-55, I-5 to SR-91 (PS&E)	5,000,000	0	5,000,000	June 2022
<b>RSTP Subtotal</b>			<b>\$ 101,621,003</b>	<b>\$ 69,925,436</b>	<b>\$ 31,695,567</b>	
<b>Federal Highway Administration Grant Program - State Transportation Block Grant (STBG)</b>						
23	2016	I-405, SR-73 to I-605 (Construction)	\$ 1,000	\$ 0	\$ 1,000	June 2021
<b>STBG Subtotal</b>			<b>\$ 1,000</b>	<b>\$ 0</b>	<b>\$ 1,000</b>	

ATTACHMENT B

# First Quarter Grant Reimbursement Status Report

July through September 2017

## State and Federal Highway Administration Formula Grant Agreements

	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
<b>Federal Highway Administration Grant Program - Traffic Congestion Relief Program (TCRP)</b>						
24	2011	Kraemer Blvd Grade Separation (Construction)	\$ 1,462,000	\$ 0	\$ 1,462,000	June 2019
<b>TCRP Subtotal</b>			<b>\$ 1,462,000</b>	<b>\$ 0</b>	<b>\$ 1,462,000</b>	
<b>Low Carbon Transit Operations Program (LCTOP) - California Department of Transportation (CALTRANS)</b>						
25	2016	Bus Buy - 40' buses for Bravo!	\$ 3,046,000	\$ 0	\$ 3,046,000	June 2019
26	2017	Bus Bicycle Racks	752,825	0	752,825	June 2019
27	2017	Fare Discount - Fixed Route	900,000	94,237	805,763	June 2019
<b>CAP &amp; TRADE LCTOP Subtotal</b>			<b>\$ 4,698,825</b>	<b>\$ 94,237</b>	<b>\$ 4,604,588</b>	
<b>Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Demonstration Funds</b>						
28	2009	I-405, SR-73 to I-605 (PS&E)	\$ 439,371	\$ 439,371	\$ 0	June 2018
29	2012	Orangethorpe Ave Grade Separation (Construction)	18,600,000	16,270,617	2,329,383	June 2019
30	2013	I-405, SR-73 to I-605 (PS&E)	1,871,573	1,871,573	0	June 2018
<b>SAFETEA-LU Demo Subtotal</b>			<b>\$ 20,910,944</b>	<b>\$ 18,581,561</b>	<b>\$ 2,329,383</b>	
<b>Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Demonstration Funds</b>						
31	2013	I-405, SR-73 to I-605 (PS&E)	\$ 6,549,820	\$ 6,549,820	\$ 0	June 2018
<b>SAFETEA-LU Demo Subtotal</b>			<b>\$ 6,549,820</b>	<b>\$ 6,549,820</b>	<b>\$ 0</b>	
<b>SAFETEA-LU: Projects of National and Regional Significance (PNRS)</b>						
32	2013	Lakeview Ave Grade Separation (Construction)	\$ 9,709,030	\$ 6,954,405	\$ 2,754,625	June 2019
<b>SAFETEA-LU-PNRS Subtotal</b>			<b>\$ 9,709,030</b>	<b>\$ 6,954,405</b>	<b>\$ 2,754,625</b>	
<b>State Proposition 1B California Transit Security Grant Program (CTSGP): Transit System Safety, Security &amp; Disaster Response Account (TSSSDRA)</b>						
33	2014	State College Blvd Grade Separation (Construction)	\$ 1,506,069	\$ 0	\$ 1,506,069	March 2018
34	2015	Raymond Ave Grade Separation Project (Construction)	200,000	0	200,000	March 2018
35	2015	State College Blvd Grade Separation (Construction)	478,931	0	478,931	March 2018
36	2015	Transit Security Operation Center (PS&E)	2,741,643	0	2,741,643	March 2018
37	2015	Video Surveillance System Upgrades (Construction)	100,000	0	100,000	March 2018
38	2016	Raymond Ave Grade Separation Project (Construction)	200,000	0	200,000	March 2019
39	2016	Transit Security Operation Center (PA/ED)	3,180,574	0	3,180,574	March 2019
40	2016	Video Surveillance System Upgrades (Construction)	140,000	0	140,000	March 2019
<b>PROP 1B TSSSDRA Subtotal</b>			<b>\$ 8,547,217</b>	<b>\$ 0</b>	<b>\$ 8,547,217</b>	
<b>State Proposition 1B: Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)</b>						
41	2015	Fullerton Transportation Center Elevator Project (Construction)	\$ 500,000	\$ 393,537	\$ 106,463	August 2020
42	2015	Raymond Ave Grade Separation Project (Construction)	43,008,102	29,555,680	13,452,422	August 2020
<b>PROP 1B PTMISEA Subtotal</b>			<b>\$ 43,508,102</b>	<b>\$ 29,949,217</b>	<b>\$ 13,558,885</b>	

# First Quarter Grant Reimbursement Status Report

July through September 2017

State and Federal Highway Administration Formula Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
<b>State Proposition 1B: State-Local Partnership Program (SLPP)</b>						
43	2013	La Pata Ave. Phase 1 (Construction)	\$ 5,110,000	\$ 994,059	\$ 4,115,941	June 2018
<b>PROP 1B SLPP Subtotal</b>			<b>\$ 5,110,000</b>	<b>\$ 994,059</b>	<b>\$ 4,115,941</b>	
<b>State Proposition 1B: Trade Corridor Improvement Fund (TCIF)</b>						
44	2011	Kraemer Blvd Grade Separation (Construction)	\$ 15,513,000	\$ 14,632,720	\$ 880,280	June 2019
45	2011	Placentia Ave Grade Separation (Construction)	9,550,000	9,299,039	250,961	June 2019
46	2012	Orangethorpe Ave Grade Separation (Construction)	41,632,000	26,613,098	15,018,902	June 2019
47	2012	Tustin Ave / Rose Dr Grade Separation Project (Construction)	30,862,000	21,455,738	9,406,262	June 2019
48	2013	Lakeview Ave Grade Separation (Construction)	27,628,157	17,713,988	9,914,169	June 2019
<b>PROP 1B TCIF Subtotal</b>			<b>\$ 125,185,157</b>	<b>\$ 89,714,583</b>	<b>\$ 35,470,574</b>	
<b>State Transportation Improvement Plan (STIP) Programming, Planning &amp; Monitoring (PPM)</b>						
49	2016	PPM Program	\$ 831,000	\$ 0	\$ 831,000	December 2018
50	2017	PPM Program	1,899,000	0	1,899,000	December 2019
<b>STIP PPM Subtotal</b>			<b>\$ 2,730,000</b>	<b>\$ 0</b>	<b>\$ 2,730,000</b>	
<b>Total State and Federal Highway Administration Formula Grant Agreements</b>			<b>\$ 388,734,960</b>	<b>\$ 266,016,159</b>	<b>\$ 122,718,800</b>	

**First Quarter Grant Reimbursement Status Report**  
**July through September 2017**

State Discretionary Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
<b>Air Quality Management District (AQMD) Grant Program and Mobile Source Air Pollution Reduction Review Committee (MSRC) / Transportation Control Measure Partners</b>						
1	2015	Mobile Ticketing	\$ 1,553,657	\$ 0	\$ 1,553,657	June 2018
2	2016	Bus Rehab & Repower - 40' buses	1,470,000	0	1,470,000	March 2019
3	2017	Angels Express Train Service	503,272	0	503,272	April 2019
<b>MSRC Subtotal</b>			<b>\$ 3,526,929</b>	<b>\$ 0</b>	<b>\$ 3,526,929</b>	
<b>State Highway Account - Sustainable Communities</b>						
4	2017	Active Transportation Count	\$ 177,000	\$ 0	\$ 177,000	February 2019
<b>SHA-SC Subtotal</b>			<b>\$ 177,000</b>	<b>\$ 0</b>	<b>\$ 177,000</b>	
<b>Systemic Safety Analysis Reporting Program</b>						
5	2016	Systemic Safety Analysis Report	\$ 315,000	\$ 0	\$ 315,000	September 2021
<b>SSARP Subtotal</b>			<b>\$ 315,000</b>	<b>\$ 0</b>	<b>\$ 315,000</b>	
<b>Transit Security Grant Program (TSGP) - State Office of Homeland Security</b>						
6	2015	Update OCTA's Security and Emergency Plans	\$ 100,000	\$ 21,256	\$ 78,744	August 2018
7	2015	VIPR and Counter Terrorism Team Operations	115,500	115,500	0	August 2018
8	2015	Vulnerability Assessment of OCTA's Industrial Control and Communications	300,000	17,280	282,720	August 2018
9	2016	Update OCTA's Security and Emergency Plans	70,000	0	70,000	August 2019
10	2016	VIPR and Counter Terrorism Team Operations	70,000	30,955	39,045	August 2019
<b>TSGP Subtotal</b>			<b>\$ 655,500</b>	<b>\$ 184,991</b>	<b>\$ 470,509</b>	
<b>Total State Discretionary Grant Agreements</b>			<b>\$ 4,674,429</b>	<b>\$ 184,991</b>	<b>\$ 4,489,438</b>	

**First Quarter Grant Reimbursement Status Report**  
**July through September 2017**

Grant Agreements Pending Close-out						
	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2016	FTA Section 5307	FTA CA-2016-116	\$ 56,269,958	\$ 56,269,955	\$ 3
2	2017	OTS	Active Transportation Video Series	50,000	50,000	0
3	2010	PROP 116	Sand Canyon Ave Grade Separation (Construction)	22,004,000	21,574,222	429,778
4	2010	PROP 1B HRCSA	Sand Canyon Ave Grade Separation (Construction)	6,618,000	6,618,000	0
5	2010	RSTP	Sand Canyon Ave Grade Separation (Construction)	8,665,741	8,665,741	0
<b>Total Grant Agreements Pending Close-out</b>				<b>\$ 93,607,699</b>	<b>\$ 93,177,918</b>	<b>\$ 429,781</b>



**First Quarter Grant Reimbursement Status Report  
July through September 2017**

Closed Grant Agreements						
	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2012	PROP 1B SLPP	Bristol St. Widening - 3rd St. to Civic Ctr. (Construction)	\$ 3,120,000	\$ 1,873,586	\$ 1,246,414
2	2013	PROP 1B SLPP	Brookhurst St Improvements, Ball to Katella (Construction)	3,393,000	2,963,135	429,865
3	2013	PROP 1B SLPP	Cow Camp Road - Segment 1 (Construction)	4,160,000	3,914,374	245,626
4	2013	PROP 1B SLPP	Harbor Blvd and Adams St. Improvements (Construction)	1,482,000	1,387,168	94,832
5	2015	STIP PPM	PPM Program	1,445,000	1,445,000	0
<b>Total Closed Grants</b>				<b>\$ 13,600,000</b>	<b>\$ 11,583,263</b>	<b>\$ 2,016,736</b>



**December 13, 2017**

**To:** Finance and Administration Committee  
**From:** Darrell Johnson, Chief Executive Officer  
**Subject:** Orange County Treasurer's Management Report-October 2017

**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 October 31, 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 October 31, 2017, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$1,387,081,868 with a monthly gross yield of 0.97 percent and a month-end average days to maturity of 45 days. The OCIP Extended Fund book value was \$5,998,027,031 with a monthly gross yield of 1.17 percent and a month-end average days to maturity of 416 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$62,774; the combined pool had a monthly gross yield of 1.11 percent and month-end average days to maturity of 299 days.

During October there were three changes to the Treasurer's Approved Issuer List. The Credit Investment Committee removed Berkshire Hathaway Inc. and Berkshire Hathaway Finance from being on hold. In addition, Fitch changed the Royal Bank of Canada outlook from Negative to Stable. Both the Money Market Fund and the Extended Fund were in compliance at month-end. Pages 26 through 80 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 October 31, 2017.

**Attachment**

A. Treasurer's Monthly Investment Report – October 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

# *Treasurer's Monthly* **INVESTMENT** OCTOBER 2017 **REPORT**

From the Office of  
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM  
Orange County Treasurer



COUNTY OF ORANGE

**TREASURER'S INVESTMENT REPORT  
For October 31, 2017**

Table of Contents

<b>I.</b>	<b>Memo to Board of Supervisors-Executive Summary</b>	<b>3</b>
<b>II.</b>	<b>Investment Pool Summary, Statistics and Charts, Fund Composition, Top Ten Participants</b>	<b>5</b>
<b>III.</b>	<b>Investment Objectives</b>	<b>12</b>
	- <i>Safety - Investment Type/Credit Quality/Issuer Concentration/Issuer List</i>	
	- <i>Liquidity - Maturities Distribution</i>	
	- <i>Yield - Interest Rate Yield</i>	
<b>IV.</b>	<b>Cash Availability Projection per California Government Code Section 53646(b)(3)</b>	<b>21</b>
<b>V.</b>	<b>Statement of Accountability</b>	<b>22</b>
<b>VI.</b>	<b>Investment Policy and Treasury Oversight Committee (TOC) Bylaws Compliance Summary</b>	<b>23</b>
	- <i>Investment Policy Compliance Summary</i>	
	- <i>Investment Policy and TOC Bylaws Compliance Summary</i>	
	- <i>Noncompliance Detail</i>	
<b>VII.</b>	<b>Portfolio Investment Inventory with Market Values</b>	<b>26</b>
	- <i>Extended Fund, County and Educational Money Market Funds</i>	
	- <i>John Wayne Airport Investment Pool/Non-pooled Investments</i>	
	- <i>Investments with Trustees - CEO/Public Finance</i>	
	- <i>Investments with Trustees - John Wayne Airport</i>	
	- <i>Portfolio Holdings of Debt Issued by Pool Participants</i>	
	- <i>Temporary Transfers to School Districts</i>	
<b>VIII.</b>	<b>Detailed Transaction Reports</b>	<b>63</b>
	- <i>Transaction Report by Fund for all Funds</i>	
	- <i>Money Market Mutual Fund and LAIF Transactions</i>	
<b>IX.</b>	<b>Distribution List</b>	<b>81</b>



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



---

## INTERDEPARTMENTAL COMMUNICATION

---

**Date:** November 15, 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 October 31, 2017

---

Attached please find the Treasurer's Investment Report for the County of Orange for the month ended October 31, 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](http://ocgov.com/ocinvestments).

### INVESTMENT POOL COMPOSITION

The investments contained within this report are as of October 31, 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 (OCIP) 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 45 and 50, 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% (2.33), and the duration is currently at 1.13. 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 October the job market added 261,000 new jobs, and September's job numbers were revised upward by 51,000 to 18,000. The U.S. unemployment rate for October fell to 4.1%, down from 4.2% in September. U.S. gross

domestic product (GDP) rose at a 3.0% annualized rate in the third quarter of 2017, a decrease from the prior rate of 3.1%. The Empire State Manufacturing Index rose to 30.2 from 24.4 in September, while the Philadelphia Fed Index increased to 27.9 from 23.8 in September. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, S&P/CaseShiller reported that housing prices continue to show positive momentum as year-over-year prices increased for the sixty-fourth consecutive month in August, up 6.07% from a year ago. The index for pending home sales decreased 5.4% on a year-over-year basis in September. The 10-year Treasury rate increased from 2.33% in September to 2.38% in October.

The short-term 90-day T-bill ended the month at 1.15%, up from 1.06% in September. The rate on the 2-year Treasury note was 1.60% at the end of October, up from 1.47% in September.

#### **INVESTMENT INTEREST YIELDS AND FORECAST**

The current gross interest yield year-to-date for fiscal year 2017/2018 is 1.11% for the OCIP and 1.11% for the OCEIP. The current net yield for fiscal year 2017/2018 is 1.05% and 1.05% respectively. The forecasted net yield for fiscal year 2017/2018 for both OCIP and OCEIP is 1.08%.

#### **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 October 2017 interest apportionment is expected to be paid by November 30, 2017. The investment administrative fee for fiscal year 2017/2018 is estimated at 6.0 basis points.

#### **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. Temporary transfers from the OCEIP totaled \$60 million and will be repaid by January 31, 2018.

#### **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 \$362.6 million in County of Orange debt, which represents approximately 4.3% 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 October 2017.

#### **CREDIT UPDATE**

During October, there were three changes to the Treasurer's Approved Issuer List. The Credit Investment Committee removed Berkshire Hathaway Inc. and Berkshire Hathaway Finance from being on hold. In addition, Fitch changed the Royal Bank of Canada outlook from Negative to Stable. An ongoing credit analysis of all issuers approved for purchase 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 October 31, 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

	OCTOBER 2017	SEPTEMBER 2017	INCREASE (DECREASE)	NET CHANGE %	OCTOBER 2016	INCREASE (DECREASE)	NET CHANGE %
<u>Orange County Investment Pool (OCIP)</u>							
End Of Month Market Value <sup>1,2</sup>	\$ 4,367,840,772	\$ 3,861,840,310	\$ 506,000,462	13.10%	\$ 4,129,118,364	\$ 238,722,408	5.78%
End Of Month Book Value <sup>1,2</sup>	\$ 4,379,246,925	\$ 3,870,073,483	\$ 509,173,442	13.16%	\$ 4,125,753,976	\$ 253,492,949	6.14%
Monthly Average Balance	\$ 4,137,406,218	\$ 3,855,856,727	\$ 281,549,491	7.30%	\$ 3,887,875,905	\$ 249,530,313	6.42%
Year-To-Date Average Balance	\$ 3,966,178,248	\$ 3,875,715,219	\$ 90,463,029	2.33%	\$ 3,632,214,921	\$ 333,963,327	9.19%
Monthly Accrued Earnings <sup>3</sup>	\$ 3,916,082	\$ 3,638,098	\$ 277,984	7.64%	\$ 2,594,847	\$ 1,321,235	50.92%
Monthly Net Yield <sup>3</sup>	1.05%	1.09%	-0.04%	-3.41%	0.72%	0.33%	46.51%
Year-To-Date Net Yield <sup>3</sup>	1.05%	1.05%	0.00%	-0.14%	0.74%	0.32%	43.02%
Annual Estimated Gross Yield <sup>4</sup>	1.14%	1.14%	0.00%	0.00%	0.87%	0.27%	31.34%
Weighted Average Maturity (WAM) <sup>5</sup>	299	354	(55)	-15.54%	365	(66)	-18.08%
<u>Orange County Educational Investment Pool (OCEIP)</u>							
End Of Month Market Value <sup>1,2</sup>	\$ 4,002,851,877	\$ 4,317,321,454	\$ (314,469,577)	-7.28%	\$ 3,608,927,721	\$ 393,924,156	10.92%
End Of Month Book Value <sup>1,2</sup>	\$ 4,014,315,161	\$ 4,325,452,348	\$ (311,137,187)	-7.19%	\$ 3,605,787,286	\$ 408,527,875	11.33%
Monthly Average Balance <sup>2</sup>	\$ 4,188,972,983	\$ 4,306,132,604	\$ (117,159,621)	-2.72%	\$ 3,718,332,696	\$ 470,640,287	12.66%
Year-To-Date Average Balance <sup>2</sup>	\$ 4,322,005,268	\$ 4,516,044,148	\$ (194,038,881)	-4.30%	\$ 3,915,621,954	\$ 406,383,313	10.38%
Monthly Accrued Earnings <sup>3</sup>	\$ 4,020,371	\$ 4,041,894	\$ (21,523)	-0.53%	\$ 2,524,622	\$ 1,495,750	59.25%
Monthly Net Yield <sup>3</sup>	1.06%	1.08%	-0.02%	-2.22%	0.72%	0.34%	47.08%
Year-To-Date Net Yield <sup>3</sup>	1.05%	1.04%	0.00%	0.26%	0.69%	0.36%	52.19%
Annual Estimated Gross Yield <sup>4</sup>	1.14%	1.14%	0.00%	0.00%	0.87%	0.27%	30.33%
Weighted Average Maturity (WAM) <sup>5</sup>	324	323	1	0.31%	383	(59)	-15.40%

<sup>1</sup> Market values provided by Bloomberg and Northern Trust. The OCIP and OCEIP market values in September and October 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.

<sup>2</sup> In October 2017, OCIP end-of-month market and book values increased from prior month primarily due to incoming secured property tax receipts. OCEIP market value, book value, monthly and year-to-date average balances were higher than the prior year primarily due to a significant number of school and community college districts issuing bonds in 2017.

<sup>3</sup> In October 2017, OCIP and OCEIP monthly accrued earnings, monthly and year-to-date net yields were higher than the prior year primarily due to increases in the Federal Reserve short-term rate of 0.75 percent and higher average pool balances.

<sup>4</sup> The OCIP and OCEIP annual estimated gross yields for FY 16/17, and their annual estimated gross yields for October 2017 are reported at the original forecasted gross yields of 1.14%. The OCIP and OCEIP annual estimated gross yields for FY 17/18 are higher than FY 16/17 primarily due to increases in the Federal Reserve short-term rate of 0.75 percent offset slightly by lower WAMs.

<sup>5</sup> In October 2017, the OCIP WAM is lower than in September 2017 due to investments in shorter-term securities primarily due to the upcoming first distribution of secured property taxes to local agencies. OCIP and OCEIP WAM were lower than in October 2016 primarily due to investments in shorter-term securities.



**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**INVESTMENT POOL STATISTICS**  
**FOR THE MONTH ENDED: October 31, 2017**

**INVESTMENT STATISTICS - By Investment Pool\***

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 10/31/17	MONTHLY Gross Yield	Current NAV
<b>COMBINED POOL BALANCES (Includes the Extended Fund)</b>					
Orange County Investment Pool (OCIP)	MARKET Value \$ 4,367,840,772	299	1.14%	1.11%	1.00
	COST (Capital) \$ 4,385,984,306				
	MONTHLY AVG Balance \$ 4,137,406,218				
	BOOK Value \$ 4,379,246,925				
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$ 4,002,851,877	324	1.14%	1.12%	1.00
	COST (Capital) \$ 4,021,737,457				
	MONTHLY AVG Balance \$ 4,188,972,983				
	BOOK Value \$ 4,014,315,161				

**INVESTMENT STATISTICS - Non Pooled Investments \*\***

DESCRIPTION	CURRENT BALANCE	INVESTMENT BALANCES AT COST
<b>Specific Investment</b>		
<b>Funds:</b>		
283, 505, 650 FVSD	MARKET Value \$ 86,348,573	John Wayne Airport Investment Fund \$ 50,537,596
	COST (Capital) \$ 86,467,746	Fountain Valley School District Fund 40 34,848,650
	MONTHLY AVG Balance \$ 86,391,708	Repurchase Agreement 1,081,500
	BOOK Value \$ 86,473,521	
		<b>\$ 86,467,746</b>

**MONTH END TOTALS**

INVESTMENTS & CASH		INVESTMENTS & CASH	
<b>COUNTY MONEY MARKET FUND (OCMMF)</b>			
County Money Market Fund	\$ 1,386,176,210	OCIP	\$ 4,418,334,316
County Cash	32,350,010	OCEIP	4,024,049,399
<b>EXTENDED FUND</b>	6,013,348,096	Specific Investment Funds	86,467,746
<b>EDUCATIONAL MONEY MARKET FUND (OCEMMF)</b>		Non-Pooled Cash	19,222,624
Educational Money Market Fund	1,008,197,457		
Educational Cash	2,311,942		
<b>NON-POOLED INVESTMENTS &amp; CASH</b>			
Non-Pooled Investments	86,467,746		
Non-Pooled Cash	19,222,624		
	<b>\$ 8,548,074,085</b>		<b>\$ 8,548,074,085</b>

**KEY POOL STATISTICS**

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	0.97%	OCMMF	45
OCEMMF - MONTHLY GROSS YIELD	1.03%	OCEMMF	50
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	1.08%	JOHN WAYNE AIRPORT WAM	80
OCIP - YTD NET YIELD***	1.05%	LGIP WAM (Standard & Poors)	41
OCEIP - YTD NET YIELD***	1.05%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	1.08%		

**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**INVESTMENT POOL STATISTICS**  
**FOR THE MONTH ENDED: October 31, 2017**

**INVESTMENT STATISTICS - By Investment Fund\*\*\*\***

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 10/31/17	MONTHLY Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,387,117,541 COST (Capital) \$ 1,386,176,210 MONTHLY AVG Balance \$ 1,140,014,036 BOOK Value \$ 1,387,081,868	45	1.03%	0.97%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,008,484,106 COST (Capital) \$ 1,008,197,457 MONTHLY AVG Balance \$ 1,175,432,983 BOOK Value \$ 1,008,453,187	50	1.05%	1.03%	1.00
<u>Extended Fund</u>	MARKET Value \$ 5,975,091,002 COST (Capital) \$ 6,013,348,096 MONTHLY AVG Balance \$ 6,010,932,182 BOOK Value \$ 5,998,027,031	416	1.18%	1.17%	1.00
<b>ALLOCATION OF EXTENDED FUND</b>					
<u>Extended Fund</u> <u>OCIP Share</u>	MARKET Value \$ 2,980,723,231 COST (Capital) \$ 2,999,808,096 MONTHLY AVG Balance \$ 2,997,392,182 BOOK Value \$ 2,992,165,057	416	1.18%	1.17%	1.00
<u>OCEIP Share</u>	MARKET Value \$ 2,994,367,771 COST (Capital) \$ 3,013,540,000 MONTHLY AVG Balance \$ 3,013,540,000 BOOK Value \$ 3,005,861,974	416	1.18%	1.17%	1.00
<u>Modified Duration</u>	1.13				

\* The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund.

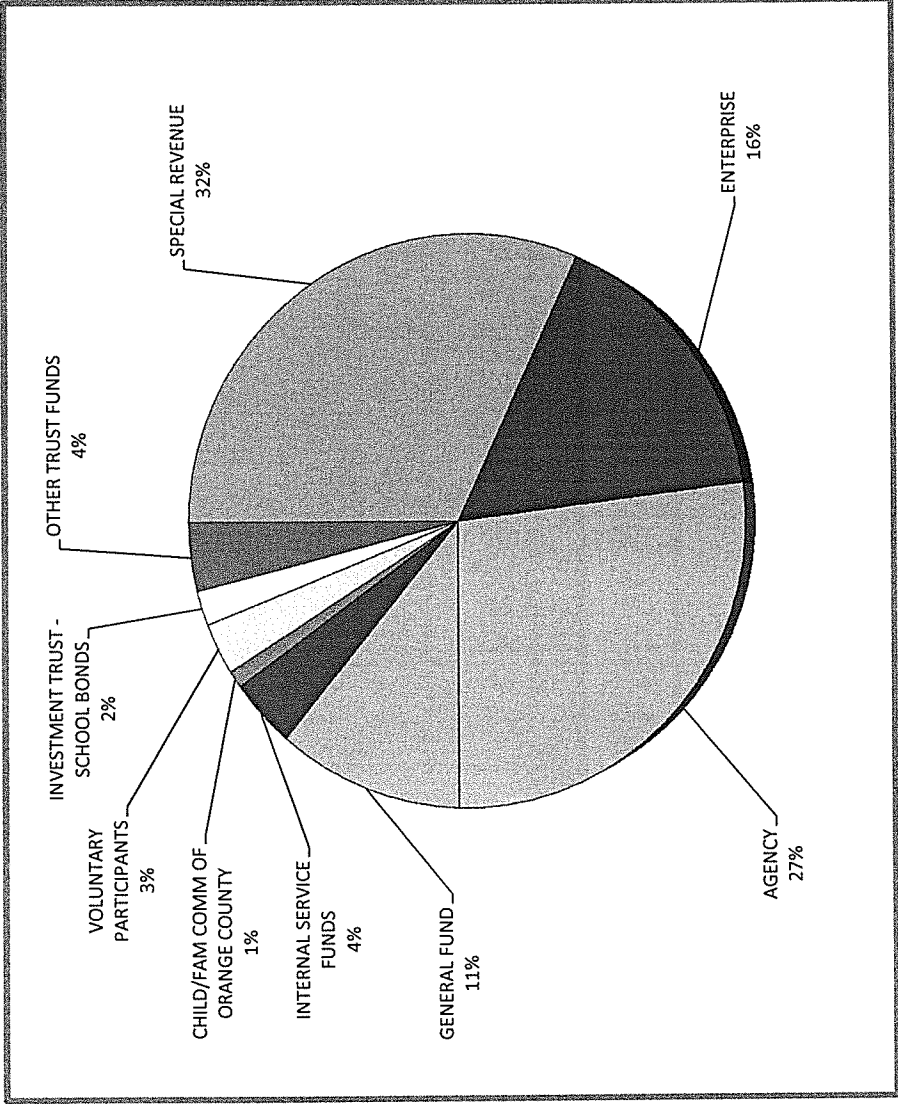
\*\* Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.

\*\*\* The Net Yield differs from the monthly average yield as it includes the Treasury administrative fees.

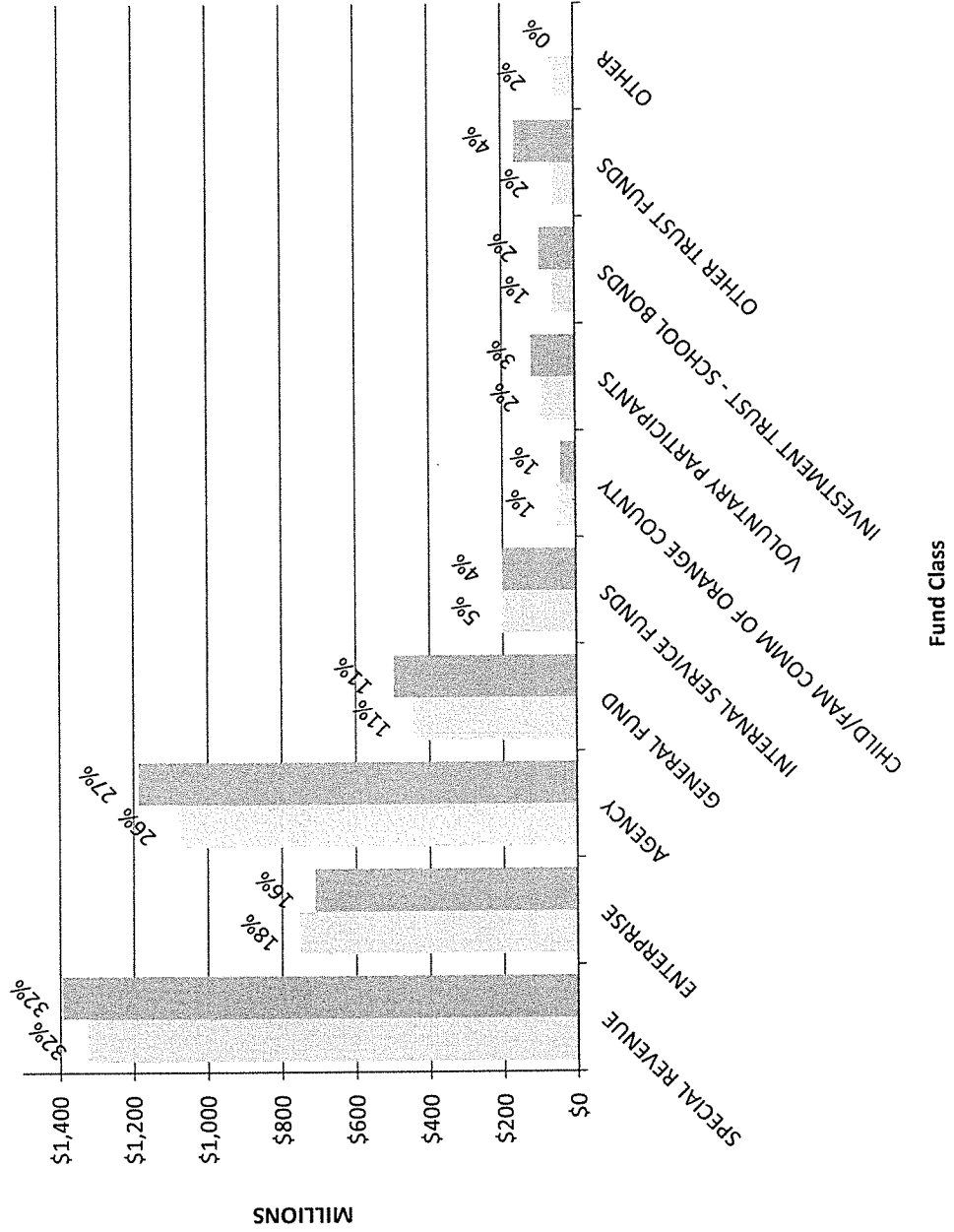
\*\*\*\* Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

# ORANGE COUNTY INVESTMENT POOL COMPOSITION BY FUND AS OF OCTOBER 31, 2017

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,393,002,601
AGENCY	1,187,130,109
ENTERPRISE	710,957,086
GENERAL FUND	497,954,062
INTERNAL SERVICE FUNDS	202,708,240
VOLUNTARY PARTICIPANTS	121,017,575
INVESTMENT TRUST - SCHOOL BONDS	97,823,032
CHILD/FAM COMM OF ORANGE COUNTY	42,214,426
OTHER TRUST FUNDS	165,527,185
<b>TOTAL</b>	<b>\$ 4,418,334,316</b>

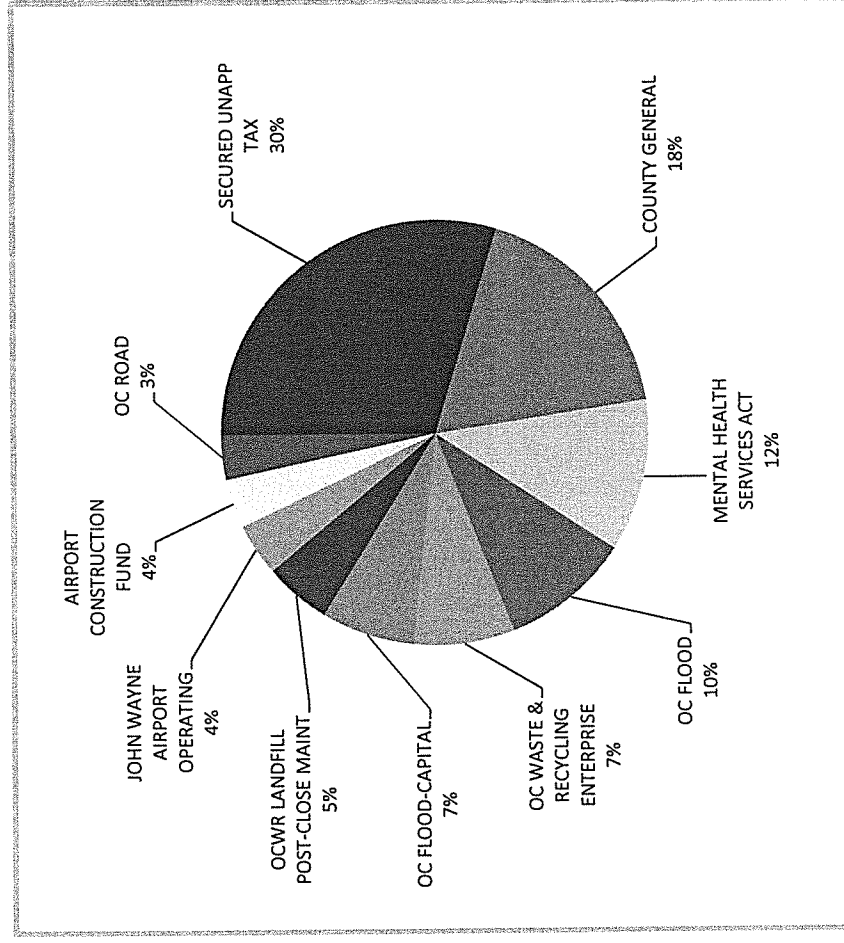


ORANGE COUNTY INVESTMENT POOL  
COMPOSITION BY FUND  
AS OF OCTOBER 31



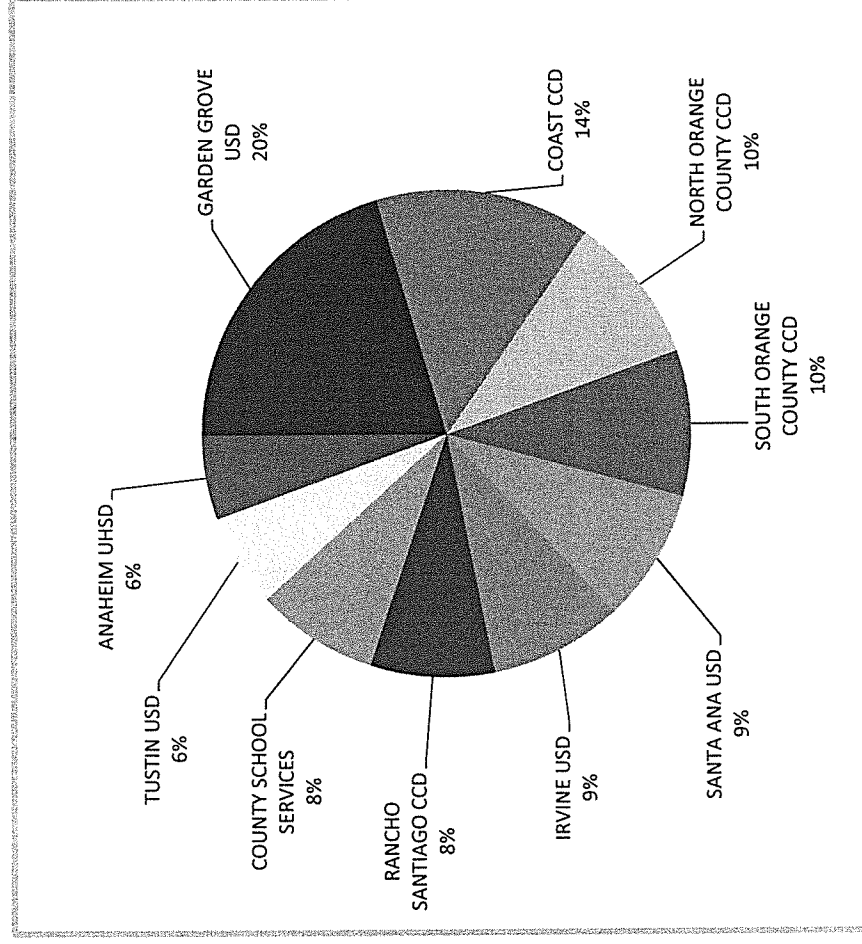
Balance as of 10/31/16 Balance as of 10/31/17

**ORANGE COUNTY INVESTMENT POOL  
TOP TEN POOL PARTICIPANTS  
AS OF OCTOBER 31, 2017**



FUND #	FUND NAME	BALANCE
673	SECURED UNAPP TAX	\$ 749,766,845
100	COUNTY GENERAL	451,437,785
13Y	MENTAL HEALTH SERVICES ACT	294,498,056
400	OC FLOOD	248,331,425
299	OC WASTE & RECYCLING ENTERPRISE	193,467,180
404	OC FLOOD - CAPITAL	177,537,804
279	OCWR LANDFILL POST-CLOSE MAINT	128,302,860
280	JOHN WAYNE AIRPORT OPERATING	101,223,936
281	AIRPORT CONSTRUCTION FUND	94,216,607
115	OC ROAD	86,368,936
	<b>TOTAL</b>	<b>\$ 2,525,151,434</b>

# ORANGE COUNTY EDUCATIONAL INVESTMENT POOL TOP TEN POOL PARTICIPANTS AS OF OCTOBER 31, 2017

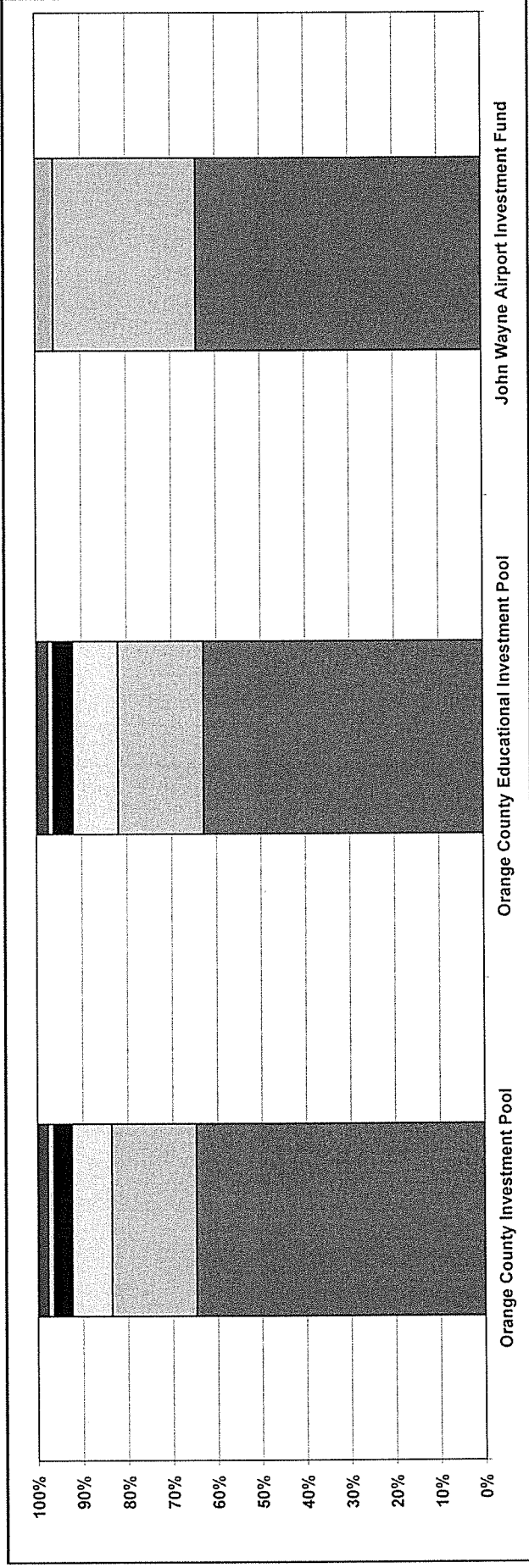


DISTRICT #	SCHOOL DISTRICT	BALANCE
72	GARDEN GROVE USD	\$ 541,287,619
90	COAST CCD	377,584,127
88	NORTH ORANGE COUNTY CCD	261,615,754
96	SOUTH ORANGE COUNTY CCD	255,874,841
84	SANTA ANA USD	235,045,344
75	IRVINE USD	234,354,994
92	RANCHO SANTIAGO CCD	216,483,269
94	COUNTY SCHOOL SERVICES	215,706,920
87	TUSTIN USD	163,096,699
64	ANAHEIM UHSD	149,166,384
TOTAL		\$ 2,650,215,951

# ORANGE COUNTY TREASURER - TAX COLLECTOR

## BY INVESTMENT TYPE - By Percentage Holdings

October 31, 2017



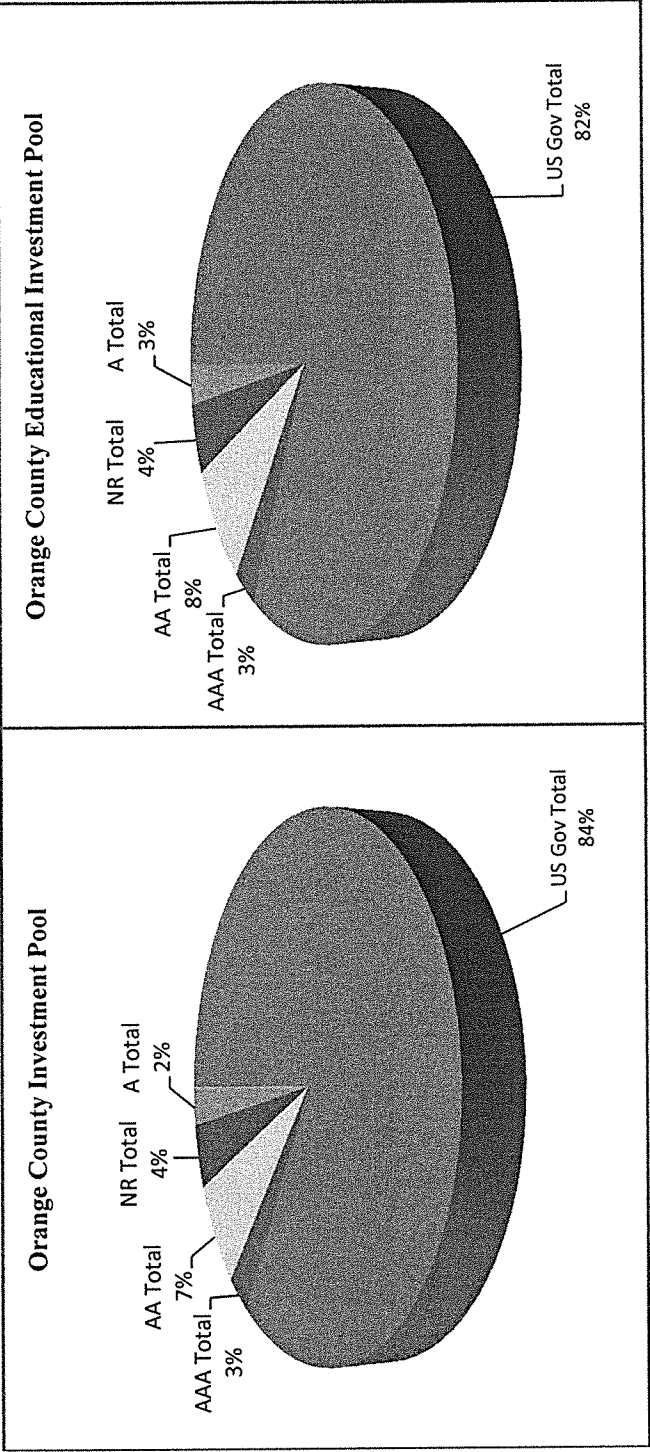
Orange County Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,824,865		64.68%
U. S. TREASURIES	826,591		18.92%
MEDIUM - TERM NOTES	378,464		8.66%
MUNICIPAL DEBT	180,902		4.14%
CERTIFICATES OF DEPOSIT	99,426		2.29%
MONEY MARKET MUTUAL FUNDS	54,324		1.24%
LOCAL AGENCY INVESTMENT FUND	3,269		0.07%
	<u>\$ 4,367,841</u>		<u>100.00%</u>

Orange County Educational Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,514,582		62.82%
U. S. TREASURIES	764,777		19.10%
MEDIUM-TERM NOTES	394,011		9.83%
MUNICIPAL DEBT	181,730		4.54%
CERTIFICATES OF DEPOSIT	99,881		2.50%
MONEY MARKET MUTUAL FUNDS	44,587		1.11%
LOCAL AGENCY INVESTMENT FUND	3,284		0.10%
	<u>\$ 4,002,852</u>		<u>100.00%</u>

John Wayne Airport Investment Fund			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 32,510		64.27%
U. S. TREASURIES	16,008		31.64%
MONEY MARKET MUTUAL FUNDS	2,067		4.09%
	<u>\$ 50,585</u>		<u>100.00%</u>

Calculated Using Market Value at 10/31/2017

# ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE October 31, 2017

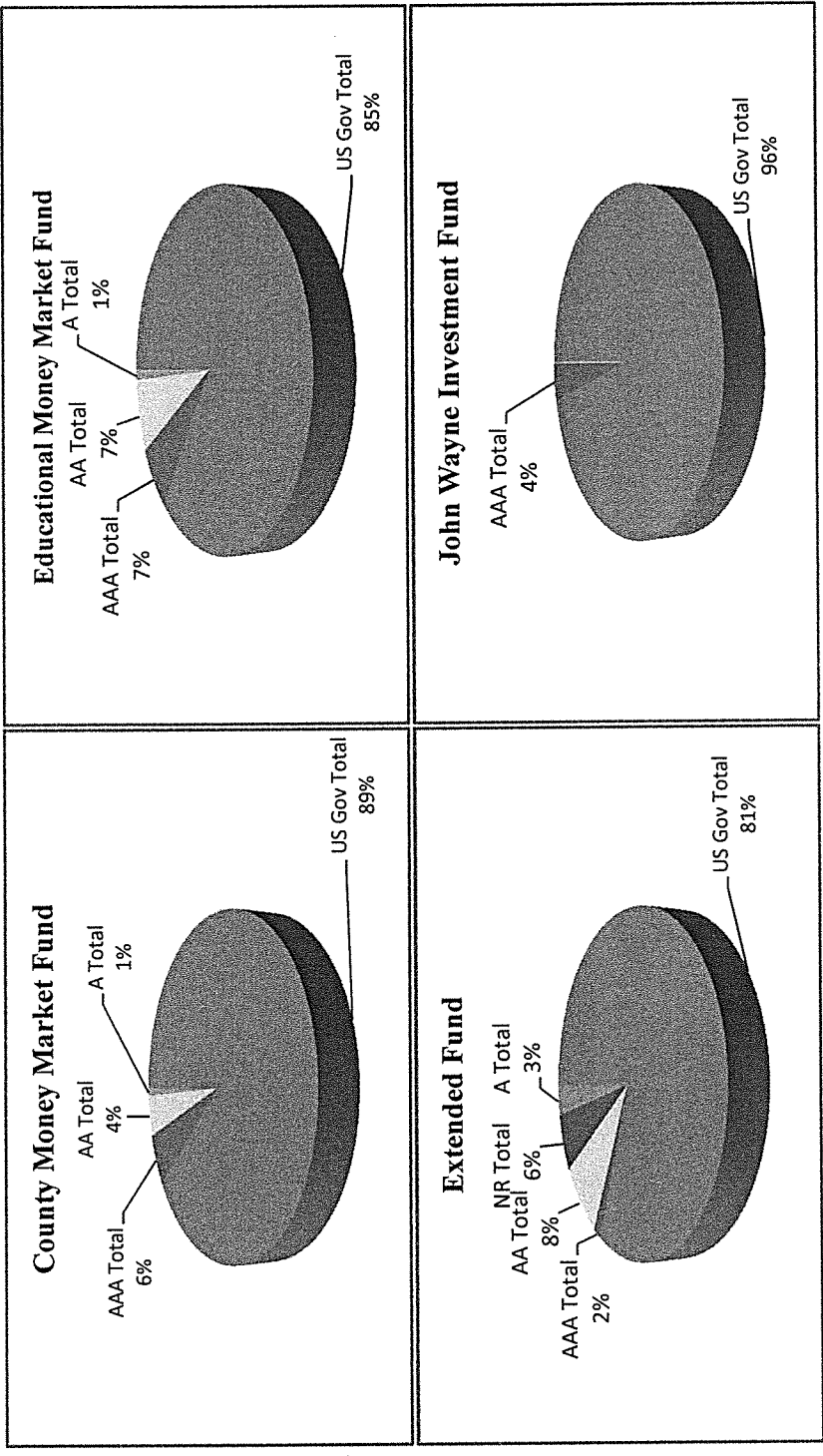


US GOV Includes Agency & Treasury Debt  
 AA includes AA+, AA-, & AA  
 A includes A+, A-, & A  
 NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017A



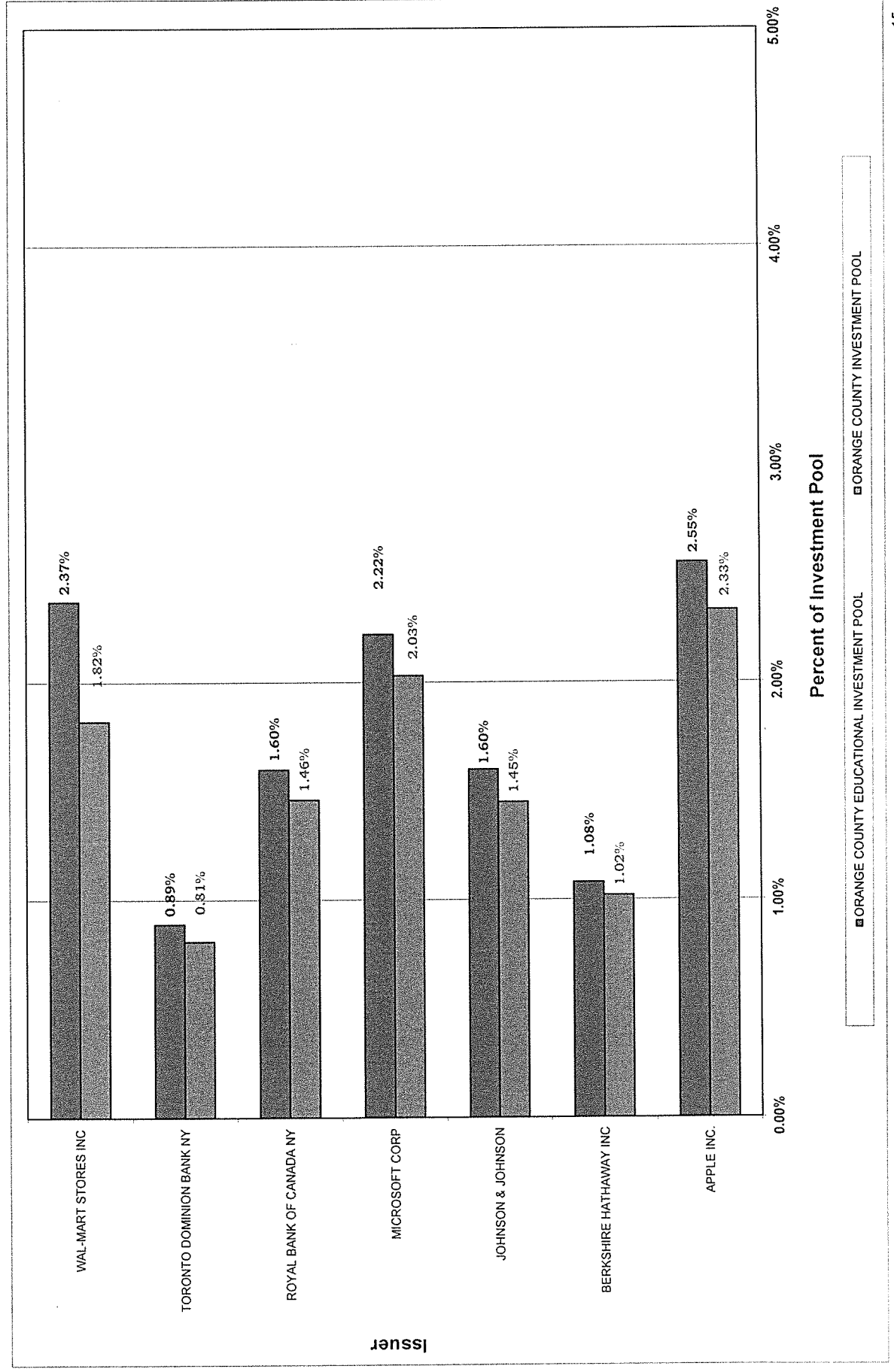
# ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE

October 31, 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 October 31, 2017



**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**APPROVED ISSUER LIST - OCIP, OCEIP, and JWA**  
October 31, 2017

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

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

\*\* Further purchase restrictions apply due to Investment Policy Statement rating limits.

\*\*\* 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. Fitch changed its outlook from Negative to Stable on October 27, 2017).

\*\*\*\* 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).

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

**Orange County Treasurer-Tax Collector**  
**Changes in Approved Issuer's List**  
**For the Month Ended October 31, 2017**

During October, there were three changes to the Treasurer's Approved Issuer List.

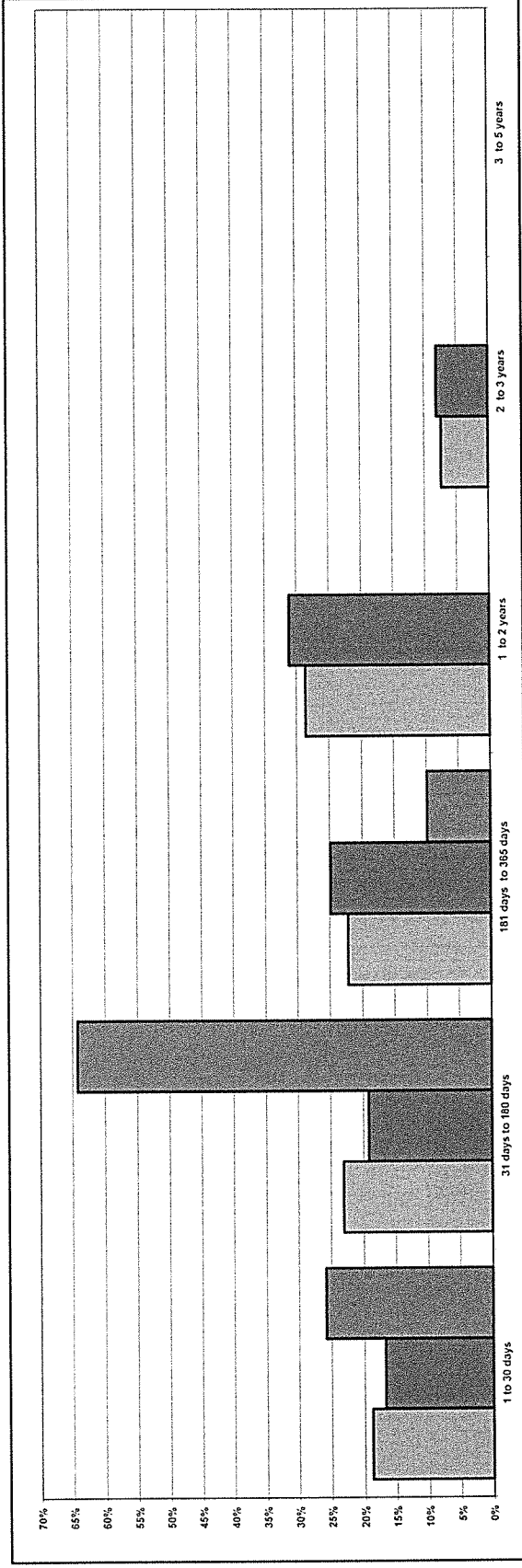
On October 5, 2017, the Credit Investment Committee removed Berkshire Hathaway Inc. (BHI) and Berkshire Hathaway Finance (BHF) from being on hold, but limited investment purchases to less than 13 months due to the Investment Policy Statement rating limits.

- On October 27, 2017, Fitch changed the Royal Bank of Canada outlook from Negative to Stable.

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

October 31, 2017



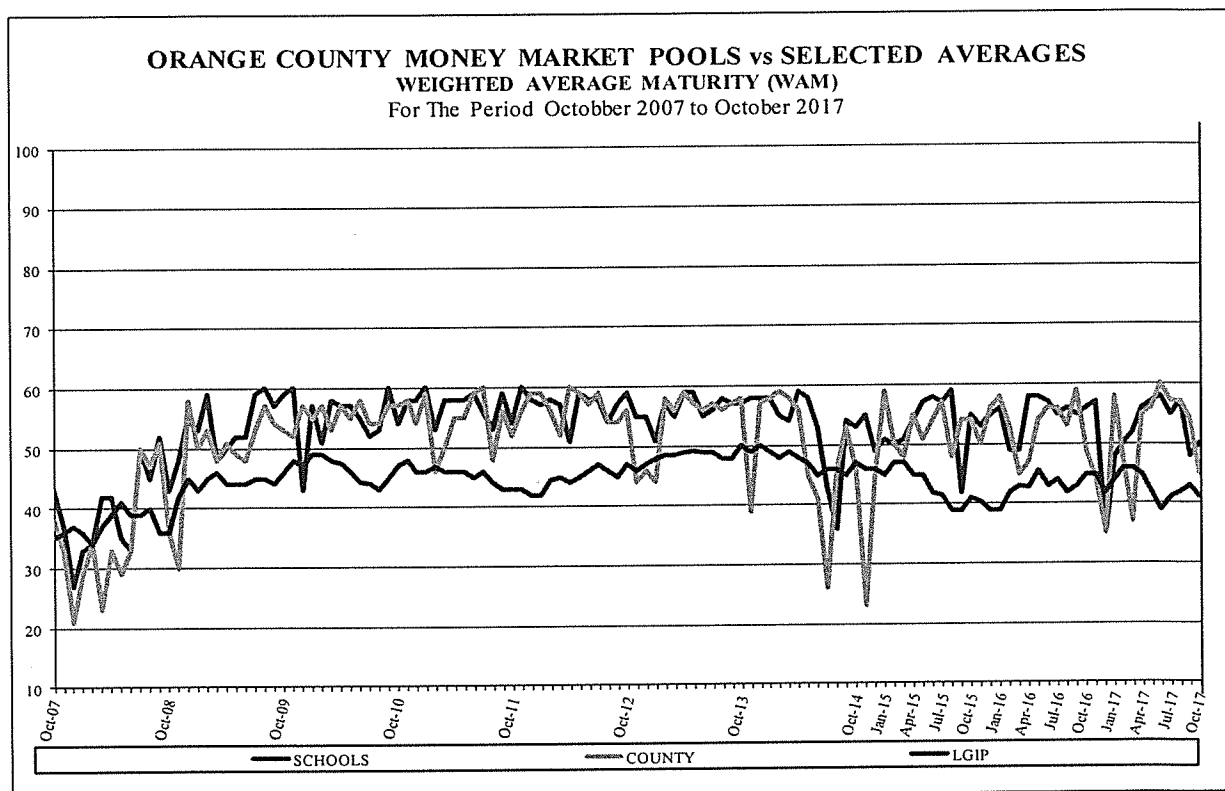
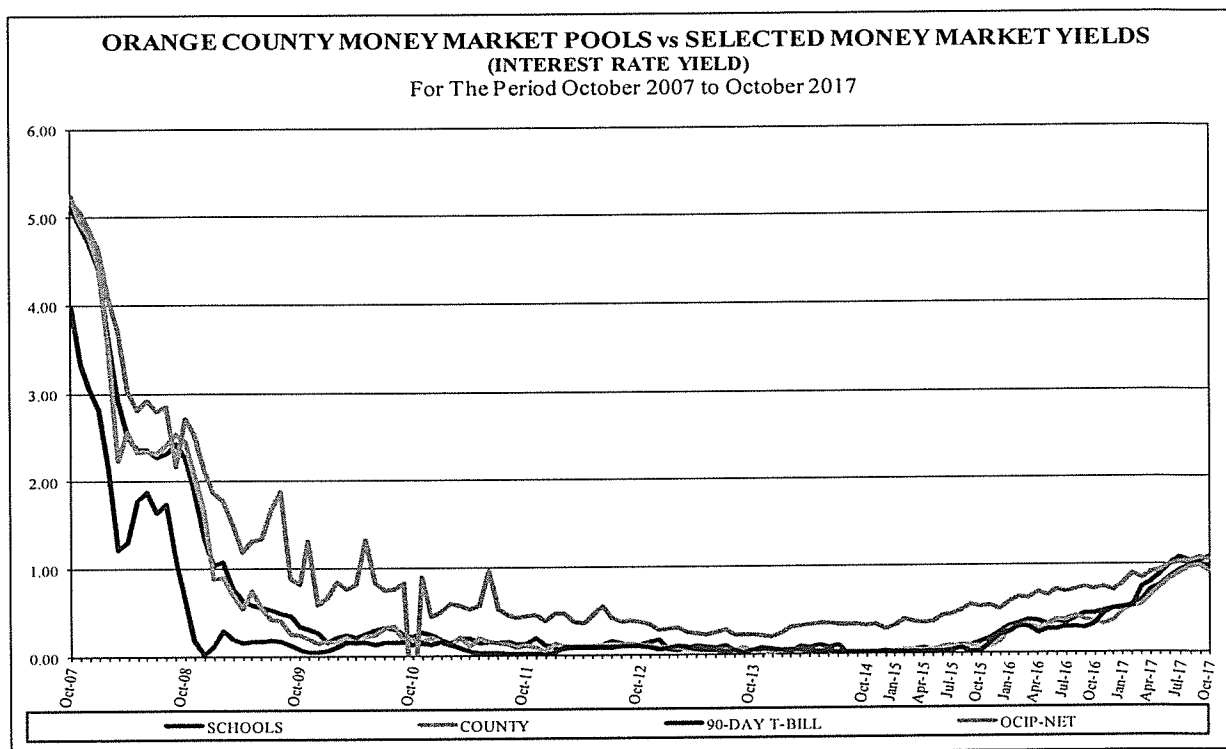
ORANGE COUNTY INVESTMENT POOL			
	In Thousands <sup>1,2</sup>		%
1 TO 30 DAYS	\$ 821,377		18.76%
31 TO 180 DAYS	1,009,941		23.07%
181 TO 365 DAYS	971,437		22.19%
1 YEAR TO 2 YEARS	1,253,361		28.63%
2 YEARS TO 3 YEARS	321,910		7.35%
3 YEARS TO 5 YEARS	-		0.00%
<b>TOTAL</b>	<b>\$ 4,378,026</b>		<b>100.00%</b>

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands <sup>1,2</sup>		%
1 TO 30 DAYS	\$ 671,279		16.73%
31 TO 180 DAYS	769,191		19.17%
181 TO 365 DAYS	998,742		24.90%
1 YEAR TO 2 YEARS	1,249,506		31.14%
2 YEARS TO 3 YEARS	323,384		8.06%
3 YEARS TO 5 YEARS	-		0.00%
<b>TOTAL</b>	<b>\$ 4,012,102</b>		<b>100.00%</b>

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands <sup>1,2</sup>		%
1 TO 30 DAYS	\$ 13,067		25.84%
31 TO 180 DAYS	32,500		64.27%
181 TO 365 DAYS	5,000		9.89%
1 YEAR TO 2 YEARS	-		0.00%
<b>TOTAL</b>	<b>\$ 50,567</b>		<b>100.00%</b>

<sup>1</sup> Maturity Limits are calculated using face value. All final maturities are in compliance with the IPS during October.

<sup>2</sup> Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 10/31/2017, Floating Rate Notes comprise 0.00%, 0.00%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•For the Month Ended October 31, 2017, S&P LGIP – 1.05; S&P LGIP WAM -41; 90-Day T-Bill – 1.08; OCIP – Net – 1.05

**ORANGE COUNTY TREASURER-TAX COLLECTOR**

**INVESTMENT POOL YIELDS**

November 1, 2016 - October 31, 2017

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - October 2017</i>				
County Pool - Money Market Fund	\$ 1,387,117,541	\$ 938,038	0.97%	45
Educational Pool - Money Market Fund	\$ 1,008,484,106	\$ 1,026,340	1.03%	50
Extended Fund	\$ 5,975,091,002	\$ 5,972,076	1.17%	416
<i>September 2017</i>				
County Pool - Money Market Fund	\$ 885,572,484	\$ 752,100	1.05%	54
Educational Pool - Money Market Fund	\$ 1,319,525,808	\$ 1,129,853	1.06%	48
Extended Fund	\$ 5,974,063,472	\$ 5,798,039	1.18%	443
<i>August 2017</i>				
County Pool - Money Market Fund	\$ 912,746,691	\$ 748,603	1.03%	57
Educational Pool - Money Market Fund	\$ 1,342,259,072	\$ 1,320,805	1.04%	57
Extended Fund	\$ 5,975,786,893	\$ 5,754,302	1.13%	454
<i>July 2017</i>				
County Pool - Money Market Fund	\$ 925,588,577	\$ 869,951	0.96%	57
Educational Pool - Money Market Fund	\$ 1,625,874,675	\$ 1,449,778	0.99%	55
Extended Fund	\$ 5,820,623,739	\$ 5,661,871	1.13%	464
<i>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
<b><i>Fiscal Year July 1, 2017 - June 30, 2018</i></b>	<b>Average Month End Market Value Balance</b>	<b>YTD Interest Income</b>	<b>YTD Gross Yield</b>	<b>YTD Average</b>
Orange County Investment Pool	\$ 3,966,178,248	\$ 14,798,418	1.11%	345
Orange County Educational Investment Pool	\$ 4,322,005,268	\$ 16,623,338	1.11%	325

# ORANGE COUNTY TREASURER-TAX COLLECTOR

## CASH AVAILABILITY PROJECTION

### FOR THE SIX MONTHS ENDING April 30, 2018

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 primarily relying on historical trends involving deposits and withdrawals and known future cash flows. 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 April 30, 2018, 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	
October 2017 - Ending Cash				\$	32,350,010
November	\$ 851,561,332	\$ 966,803,236	\$ 1,152,453,309		698,261,269
December	445,094,487	2,376,819,288	1,771,454,606		1,748,720,438
January	252,999,762	433,623,044	1,008,501,800		1,426,841,444
February	171,469,512	386,052,093	291,517,378		1,692,845,671
March	62,534,623	743,731,315	595,935,119		1,903,176,490
April 2018	94,442,917	2,116,088,092	1,881,364,876		2,232,342,623

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL					
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash	
October 2017 - Ending Cash				\$	2,311,942
November	\$ 674,186,150	\$ 786,930,889	\$ 710,431,603		752,997,378
December	217,400,238	1,290,947,114	471,426,346		1,789,918,384
January	255,286,669	493,113,791	920,037,502		1,618,281,342
February	153,832,739	248,607,550	670,872,842		1,349,848,789
March	66,375,538	563,456,545	730,405,350		1,249,275,522
April 2018	93,133,145	1,148,017,727	715,149,074		1,775,277,320



**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**STATEMENT OF ACCOUNTABILITY**  
**For the Month Ended October 31, 2017**

	<u>Month</u>
<b>Treasurer's Accountability at the Beginning of the Period:</b>	<b><u>\$8,343,600,035</u></b>
<b>Cash Receipts:</b>	
County	1,021,814,212
School and Community College Districts	393,490,813
<b>Total Cash Receipts</b>	<b><u>1,415,305,025</u></b>
<b>Cash Disbursements:</b>	
County	505,303,920
School and Community College Districts	705,803,679
<b>Total Cash Disbursements</b>	<b><u>1,211,107,599</u></b>
<b>Net Change in Cost Value of Pooled Assets</b>	<b><u>204,197,426</u></b>
<b>Net Increase in Non-Pooled Investments</b>	<b>2,004,550</b>
<b>Net (Decrease) in Non-Pooled Cash</b>	<b><u>(1,727,926)</u></b>
<b>Treasurer's Accountability at the End of the Period:</b>	<b><u><u>\$8,548,074,085</u></u></b>
<b>Assets in the Treasury at the End of the Period (at Cost Value):</b>	
<b>Pooled Investments:</b>	
O.C. Investment Pool	\$ 4,385,984,306
O.C. Educational Investment Pool	4,021,737,457
<b>Total Orange County Investment Pools</b>	<b><u>8,407,721,763</u></b>
<b>Non-Pooled Investments:</b>	
Non-Pooled Investments - John Wayne Airport	50,537,596
Non-Pooled Investments - Fountain Valley School District Fund 40	34,848,650
Non-Pooled Investments - Other	1,081,500
<b>Total Non-Pooled Investments</b>	<b><u>86,467,746</u></b>
<b>Cash:</b>	
Cash in banks - County	32,130,556
Cash in banks - Schools	2,311,942
Cash in banks - OC Sheriff	12,232,607
Cash in banks - John Wayne Airport	6,990,017
Cash - Other	219,454
<b>Total Cash</b>	<b><u>53,884,576</u></b>
<b>Total Assets in the Treasury at the End of the Period:</b>	<b><u><u>\$ 8,548,074,085</u></u></b>

**ORANGE COUNTY TREASURER-TAX COLLECTOR  
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY  
October 31, 2017**

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport (JWA) Investment Fund	
		Market Value of Investments <sup>(1)</sup>	Percent of Portfolio	Market Value of Investments <sup>(1)</sup>	Percent of Portfolio	Market Value of Investments <sup>(1)</sup>	Percent of Portfolio	Market Value of Investments <sup>(1)</sup>	Percent of Portfolio
Diversification Limit									
30%	Negotiable Certificates of Deposit	\$	0.00%	\$ 199,306,572	3.33%	\$	0.00%	\$	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	1,094,951,588	78.94%	3,467,744,969	58.04%	776,750,034	77.02%	32,503,696	64.27%
\$50MM	LAIF	-	0.00%	6,552,197	0.11%	-	0.00%	-	0.00%
30%	Medium-Term Notes	92,978,191	6.70%	572,278,536	9.58%	107,218,393	10.63%	-	0.00%
20%	Money Market Mutual Funds	54,323,880	3.92%	362,632,723	0.00%	44,587,398	4.42%	2,067,194	4.09%
30%	Municipal Debt	-	0.00%	-	6.07%	-	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	144,863,882	10.44%	1,366,576,005	22.87%	79,928,281	7.93%	15,008,437	31.54%
		\$ 1,387,117,541	100.00%	\$ 5,975,091,002	100.00%	\$ 1,008,484,106	100.00%	\$ 50,585,327	100.00%

Investment Policy (IPS) Guidelines	Compliance Category (Yes/No)	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport (JWA) Investment Fund	
		Market Value of Investments <sup>(1)</sup>	Percent of Portfolio	Market Value of Investments <sup>(1)</sup>	Percent of Portfolio	Market Value of Investments <sup>(1)</sup>	Percent of Portfolio	Market Value of Investments <sup>(1)</sup>	Percent of Portfolio
5%	Percentage Limits								
20%	Issuer Limit	Yes <sup>(2)</sup>		Yes		Yes <sup>(2)</sup>		Yes	
50%	Money Market Mutual Fund Issuer	Yes <sup>(2)</sup>		N/A		Yes <sup>(2)</sup>		Yes <sup>(2)</sup>	
See Above	Government Agencies Issuer	Yes		Yes <sup>(2)</sup>		Yes <sup>(2)</sup>		Yes <sup>(2)</sup>	
	Diversification Limit								
60 Days	Maturity/Duration Limits								
90 Days	Weighted Average Maturity - Money Market Fund	Yes/45.38		N/A		Yes/49.59		N/A	
>Merrill 1-3 Year Index+25% (2.33)	Weighted Average Maturity - JWA Investment Fund	N/A		N/A		N/A		Yes/79.98	
13 Months/397 days	Duration <sup>(3)</sup>	N/A		Yes/1.13		N/A		N/A	
15 Months/456 days	Final Maturity - Money Market Fund	Yes/368		N/A		Yes/257		N/A	
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A		N/A		N/A		Yes/269	
	Final Maturity - Extended Fund	N/A		Yes/1078		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 <sup>(4)</sup>	Short Term Debt/No Split Ratings	Yes		N/A		Yes		Yes	
Approved Issuer List	Extended Fund Short Term/Long Term	N/A		Yes <sup>(5)</sup>		N/A		N/A	
Broker/Dealer List	Authorized Issuer	Yes		Yes		Yes		Yes	
	Authorized Financial Dealer/Institution	Yes		Yes		Yes		Yes	
0.995 - 1.005	Net Asset Value - Money Market Fund and JWA	Yes/1.0000		N/A		Yes/1.0000		Yes/1.0001	

(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) CSE Issuers rated 'AA-' or higher with final maturities of 30 days or less are excluded from the calculation of the 50% limit per IPS for the Extended Fund and the JWA Investment Fund and from the Rating Agency limit of 33% for the two Money Market Funds.

(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 (1.13) 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 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  
October 31, 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)	September 30, 2017 in progress.
Annual Schedule of Assets Audit	ACIA	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2017 in progress.
Quarterly Continuous Compliance Auditing	ACIA	TOC Directive	September 30, 2017 in progress.
Treasury Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	Annual review of fees for FY 14/15, FY 15/16 and FY 16/17 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Annual review of calendar year 2016 completed.
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 17/18 identified zero compliance incidents as of October 31, 2017.
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made one change at the October 18, 2017 meeting. The BOS approved on November 14, 2017.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the October 18, 2017 meeting and did not make any additional changes. The BOS approved on November 14, 2017.
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 18, 2017.
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 October 31, 2017**

During October, 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.

# 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)  
City of Laguna Woods (5-10-17)  
City of Mission Viejo (10-2-17)



**December 13, 2017**

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

**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 October 31, 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 October 31, 2017, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$72,441,231,567 with a month-average yield of 1.14 percent and a month-end weighted average maturity of 184 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$20,431,062,256. The Orange County Transportation Authority's month-end balance in LAIF was \$10,305,183.

**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 October 31, 2017.

---

***Attachment***

A. Local Agency Investment Fund – As of October 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

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

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
November 16, 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

October 2017 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
10/13/2017	10/12/2017	QRD	1550755	SYSTEM	27,816.30

Account Summary

Total Deposit:	27,816.30	Beginning Balance:	10,277,366.91
Total Withdrawal:	0.00	Ending Balance:	10,305,183.21





**JOHN CHIANG  
TREASURER  
STATE OF CALIFORNIA**



**PMIA Performance Report**

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
10/16/17	1.15	1.14	195
10/17/17	1.15	1.14	193
10/18/17	1.15	1.14	193
10/19/17	1.15	1.14	192
10/20/17	1.15	1.14	192
10/21/17	1.15	1.14	192
10/22/17	1.15	1.14	192
10/23/17	1.15	1.14	189
10/24/17	1.15	1.14	187
10/25/17	1.15	1.14	186
10/26/17	1.16	1.14	187
10/27/17	1.16	1.14	195
10/28/17	1.16	1.14	195
10/29/17	1.16	1.14	195
10/30/17	1.16	1.14	190
10/31/17	1.16	1.14	184
11/01/17	1.16	1.14	191
11/02/17	1.16	1.14	195
11/03/17	1.16	1.14	195
11/04/17	1.16	1.15	195
11/05/17	1.16	1.15	195
11/06/17	1.16	1.15	194
11/07/17	1.16	1.15	196
11/08/17	1.16	1.15	197
11/09/17	1.17	1.15	198
11/10/17	1.17	1.15	197
11/11/17	1.17	1.15	197
11/12/17	1.17	1.15	197
11/13/17	1.17	1.15	194
11/14/17	1.17	1.15	193
11/15/17	1.17	1.15	196

\*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

**LAIF Performance Report**

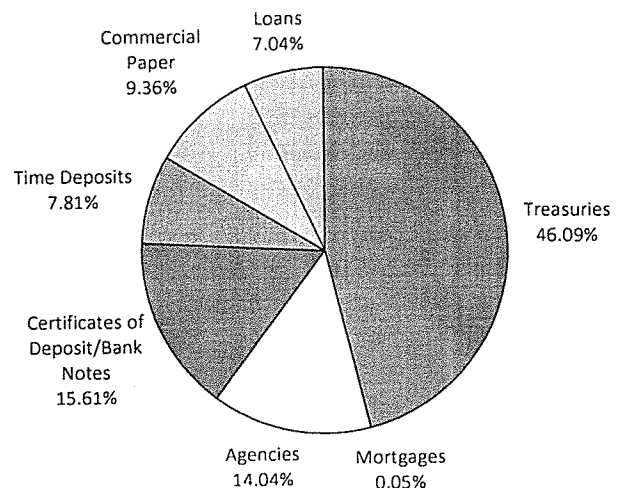
Quarter Ending 09/30/17

Apportionment Rate: 1.07%  
 Earnings Ratio: .00002942867511750  
 Fair Value Factor: .999042071  
 Daily: 1.11%  
 Quarter to Date: 1.08%  
 Average Life: 190

**PMIA Average Monthly  
Effective Yields**

Oct 2017 1.143  
 Sept 2017 1.111  
 Aug 2017 1.084

**Pooled Money Investment Account  
Portfolio Composition  
10/31/17  
\$72.4 billion**





# State of California

## Pooled Money Investment Account

### Market Valuation

### 10/31/2017

Description	Carrying Cost Plus Accrued Interest Purch.	Fair Value	Accrued Interest
United States Treasury:			
Bills	\$ 14,571,617,028.20	\$ 14,625,191,000.00	NA
Notes	\$ 18,775,856,287.54	\$ 18,715,501,000.00	\$ 40,660,397.50
Federal Agency:			
SBA	\$ 873,720,729.05	\$ 863,104,933.35	\$ 1,099,545.15
MBS-REMICs	\$ 35,683,029.70	\$ 37,054,381.86	\$ 167,238.71
Debentures	\$ 1,378,212,472.56	\$ 1,372,832,150.00	\$ 3,127,490.95
Debentures FR	\$ -	\$ -	\$ -
Debentures CL	\$ 250,000,000.00	\$ 248,717,000.00	\$ 1,061,402.00
Discount Notes	\$ 7,150,407,458.06	\$ 7,170,445,000.00	NA
GNMA	\$ -	\$ -	\$ -
Supranational Debentures	\$ 450,315,184.02	\$ 448,483,000.00	\$ 1,215,590.00
Supranational Debentures FR	\$ 50,000,000.00	\$ 50,071,500.00	\$ 38,491.10
CDs and YCDs FR	\$ 625,000,000.00	\$ 625,000,000.00	\$ 983,757.63
Bank Notes	\$ 500,000,000.00	\$ 499,885,536.20	\$ 1,676,388.89
CDs and YCDs	\$ 10,175,000,000.00	\$ 10,173,329,638.98	\$ 26,215,250.01
Commercial Paper	\$ 6,775,842,555.54	\$ 6,784,644,874.97	NA
Corporate:			
Bonds FR	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -
Time Deposits	\$ 5,654,240,000.00	\$ 5,654,240,000.00	NA
AB 55 & GF Loans	\$ 5,096,486,000.00	\$ 5,096,486,000.00	NA
TOTAL	\$ 72,362,380,744.67	\$ 72,364,986,015.36	\$ 76,245,551.94

Fair Value Including Accrued Interest

\$ 72,441,231,567.30

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).



**December 13, 2017**

**To:** Finance and Administration Committee  
**From:** Darrell Johnson, Chief Executive Officer  
**Subject:** Amendment to Agreement for Internet Service

### **Overview**

On June 2, 2014, the Orange County Transportation Authority entered into an agreement with CenturyLink, Inc. (formerly TW Telecom and L3 Communications LLC) to provide internet connectivity services for a five-year term effective September 1, 2014 through August 31, 2019. An amendment to the existing agreement is needed for increased internet bandwidth.

### **Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-4-1396 between the Orange County Transportation Authority and CenturyLink, Inc., in the amount of \$32,000, to provide increased internet bandwidth. This will increase the maximum obligation of the agreement to a total contract value of \$129,786.

### **Discussion**

The Orange County Transportation Authority's (OCTA) current internet infrastructure has both inbound and outbound internet connectivity centralized at its administrative office in the City of Orange, which provides network backhaul through AT&T Switched Ethernet service to all remote base locations and any future base locations, including the Orange County streetcar maintenance and storage facility. Internet connectivity is centralized to provide integrated security and minimize costs associated with providing internet service to staff at all locations.

Due to increasing demands on OCTA's internet service from software as a service initiatives, overall increase in demand from changes in OCTA's security posture, such as live on board video, along with the overall increase in usage from OCTA's user base, it has become necessary that OCTA substantially increase its bandwidth to the internet to keep pace with the level of innovation

already taken place and with future planned and unplanned innovations. Currently, OCTA's peak internet bandwidth loads are regularly exceeding its current bandwidth of 150Mbps. As a consequence, OCTA's users experience increased wait times, slow performance, and longer times to perform essential functions. Upgrading OCTA's internet bandwidth to 1Gbps will help to reduce these symptoms and increase the overall productivity and security of this service.

***Procurement Approach***

This procurement was originally handled in accordance with OCTA's Board of Directors (Board)-approved procedures for professional and technical services. The original agreement was awarded on a competitive basis by the Contracts Administration and Materials Management Department for a five-year term.

The agreement was awarded, in the amount of \$85,032, on a fixed monthly-fee basis. This agreement was previously amended as described in Attachment A. The term of the agreement is through August 31, 2019.

It has become necessary to amend the current agreement for increased internet bandwidth. This amendment increases the internet bandwidth from 150Mbps to 1Gbps, at an increase of \$32,000 to the maximum cumulative payment obligation, bringing the total contract value to \$129,786. The amount of \$32,000 for this proposed Amendment No. 3 is deemed fair and reasonable as the increase in bandwidth is much greater when compared to the increase in the monthly internet cost.

***Fiscal Impact***

This project was approved in OCTA's Fiscal Year 2013-14 Budget, Finance and Administration Division, Account 1284-7643-A5352-QFV.

***Summary***

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-4-1396 with CenturyLink, Inc., in the amount of \$32,000, to provide increased internet bandwidth through August 31, 2019.

---

**Attachment**

A. CenturyLink, Inc. Agreement No. C-4-1396 Fact Sheet

**Prepared by:**



---

Michael Beerer  
Section Manager,  
Information Systems Department  
714-560-5352

**Approved by:**



---

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



---

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

## **ATTACHMENT A**

### **CenturyLink, Inc. Agreement No. C-4-1396 Fact Sheet**

1. June 2, 2014, Agreement No. C-4-1396, \$85,032, approved by the Contracts Administration and Materials Management (CAMM) Department.
  - Agreement for consultant to provide 100Mbps managed internet service effective September 1, 2014 through August 31, 2019.
2. June 13, 2016, Amendment No. 1 to Agreement No. C-4-1396, \$0.00, approved by the CAMM Department.
  - Amendment to change company's name from TW Telecom to Level 3 Communications LLC.
3. January 3, 2017, Amendment No. 2 to Agreement No. C-4-1396, \$12,754, approved by the CAMM Department.
  - Amendment to increase internet service bandwidth from 100Mbps to 150Mbps.
4. January 8, 2018, Amendment No. 3 to Agreement No. C-4-1396, \$32,000, pending approval by the Board of Directors.
  - Amendment to increase internet service bandwidth from 150Mbps to 1Gbps and change the company's name from Level 3 Communications LLC to CenturyLink, Inc.

Total committed to CenturyLink, Inc., Agreement No. C-4-1396: \$129,786.



**December 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

**Subject:** Update on the Loan Agreements with the Cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board

**Overview**

The Orange County Transportation Authority Board of Directors has authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board. Per Board of Directors direction, staff will provide annual updates on the status of the agreements.

**Recommendation**

Receive and file as an information item.

**Background**

City of Anaheim

In July 2012, Orange County Transportation Authority (OCTA) entered into a purchase and sale agreement of \$32.5 million with the City of Anaheim (Anaheim) selling real property to enable the construction of the Anaheim Regional Transportation Intermodal Center. Anaheim provided \$1 million as down payment into escrow, with the remaining \$31.5 million to be paid over a 13-year period. The interest rate on the loan is set at a fixed-interest rate of two percent, with the interest portion of the loan to be paid in the final two years of the loan period. Anaheim uses its Measure M2 (M2) Local Fair Share (LFS) funds to repay the loan, and the funds are automatically deducted from Anaheim's bi-monthly LFS payments. OCTA started withholding LFS payments in July 2012. Should Anaheim become ineligible to receive LFS, or if the LFS funds are insufficient to meet the scheduled payment, California Highway Users Tax Account funds would be utilized to make the payments.

#### City of Buena Park

In April 2016, OCTA entered into a purchase and sale agreement of \$1.04 million with the City of Buena Park (Buena Park) selling excess parcel remnants from the Interstate 5 freeway widening project. Buena Park provided \$514,000 as a down payment. Per the agreement, Buena Park will pay the balance over a five-year period with the balance secured by a deed of trust. Buena Park is scheduled to make annual payments of \$105,200 beginning one year after the escrow date of April 16, 2016. The interest calculation is based on OCTA's actual short-term investment portfolio earnings rate for the prior 12-month period, and resets annually.

#### City of Placentia

In February 2010, OCTA entered into an agreement with the City of Placentia (Placentia) for \$4.1 million providing financial assistance to Placentia. The loan amount of \$4.1 million is to be repaid over a 19-year period that began July 1, 2011. The interest rate on the loan is based on OCTA's actual short-term investment portfolio earnings rate for the prior 12-month period, and resets annually. Placentia uses its M2 LFS funds to repay the loan, and the funds are automatically deducted from Placentia's bi-monthly LFS payments. The agreement allows OCTA to withhold 30 percent of Placentia's LFS funds beginning in fiscal year (FY) 2011-12. Placentia's contribution increases by one percentage point each FY thereafter until the advance is fully repaid. Should Placentia become ineligible to receive LFS, it would be required to pledge other appropriate funding.

#### West Orange County Water Board

In October 2017, OCTA entered into a reimbursement agreement with the West Orange County Water Board (WOCWB) for up to \$4.7 million for the relocation of the pipeline facility for Interstate 405 widening project pursuant to Streets and Highways Code Section 706, which allows for a loan if a utility suffers from a hardship due to a required relocation for a highway project. An amendment to the agreement was approved by the OCTA Board of Directors (Board) on November 27, 2017, to increase the loan amount by \$1.3 million to accommodate additional costs and higher bids received by the WOCWB. Per the terms identified in the agreement, the interest rate is equal to the State of California Surplus Money Investment Fund with a not-to-exceed ten-year repayment structure. As of November 30, 2017, OCTA has not made any payments to the WOCWB. When the first payment is sent to WOCWB, a repayment plan will be established per the terms identified in the agreement.



***Discussion***

OCTA continues to withhold payments from M2 LFS funds to repay the loans established with the cities of Anaheim and Placentia. The first annual payment from Buena Park has also been received by OCTA. OCTA will continue to follow the terms identified in all loan agreements by withholding payments and invoicing cities as applicable. The beginning balance, amount collected, and outstanding balance for each loan can be found on Attachment A.

***Summary***

The Orange County Transportation Authority Board of Directors has authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the WOCWB. The cities of Anaheim, Buena Park, and Placentia are making payments per their respective agreements. OCTA has not made any payments under the WOCWB agreement, and staff is currently working to amend the agreement to increase the loan amount by \$1.3 million per Board direction.

***Attachment***

A. Status of Loan Agreements

**Prepared by:**



Sam Kaur  
Department Manager,  
Revenue and Grants  
(714) 560-5889

**Approved by:**



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

## Status of Loan Agreements

Borrower	Description	Time Frame	Beginning Balance	Amount Collected/ Withheld	Outstanding Balance
City of Anahiem	Purchase and Sale Agreement	July 2012 - November 2017	\$ 32,500,000	\$14,250,000	\$18,250,000
City of Buena Park	Purchase and Sale Agreement	April 2016 - November 2017	\$ 1,040,000	\$623,337	\$420,800
City of Placentia	Loan Agreement	February 2010- November 2017	\$ 4,100,000	\$1,516,912	\$2,979,236
West Orange County Water Board	Reimbursement Agreement for Utility Relocation	October 2017 - November 2017	\$ 6,000,000	0	\$6,000,000



**December 13, 2017**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

**Subject:** Agreements for Investment Management Services

**Overview**

Consultant services are needed to provide investment management services of the Orange County Transportation Authority's \$1.3 billion of operating monies in the short-term portfolio. Proposals were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to select firms to provide investment management services.

**Recommendations**

- A. Approve the selection of Chandler Asset Management, Inc.; Logan Circle Partners, L.P.; Payden & Rygel; and PFM Asset Management LLC, as the firms to provide investment management services in the aggregate amount of \$8,995,608.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1813 between the Orange County Transportation Authority and Chandler Asset Management, Inc., to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.
- C. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2062 between the Orange County Transportation Authority and Logan Circle Partners, L.P., to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.

- D. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2063 between the Orange County Transportation Authority and Payden & Rygel, to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.
- E. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2064 between the Orange County Transportation Authority and PFM Asset Management LLC, to provide investment management services for a five-year initial term effective through December 31, 2022, with two, two-year option terms.
- F. Approve the selection of US Bancorp Asset Management, Inc.; State Street Global Advisors; and Western Asset Management Company, as the firms to be placed on a secondary list of on-call firms to provide investment management services.

***Discussion***

The Orange County Transportation Authority's (OCTA) portfolio totals \$1.4 billion as of September 30, 2017. The portfolio currently is divided into two actively managed portfolios: the liquid portfolio for immediate cash needs and the short-term portfolio, approximately \$1.3 billion for future budgeted expenditures. OCTA's Board of Directors (Board) has approved the use of an extended portfolio; however, the Board has not allocated OCTA funds. Additionally, OCTA may issue debt resulting in a bond proceeds portfolio that may require active portfolio management.

There are currently four investment management firms (Manager) that actively invest OCTA's \$1.3 billion of operating monies in the short-term portfolio within the parameters of the OCTA Investment Policy. Each Manager invests approximately \$325 million measured against the Bank of America Merrill Lynch, one-three year Treasury Index and the Bank of America Merrill Lynch, one-three year AAA-A United States Corporate and Government Index benchmarks. The Bank of America Merrill Lynch, one-five year Treasury Index and the Bank of America Merrill Lynch, one-five year AAA-A U.S. Corporate and Government Index are used for the extended portfolio.

Each Manager provides a broad range of services and resources in addition to the daily management of OCTA funds. Each Manager is expected to provide a highly skilled investment team along with a compliance and trading system that monitors all OCTA trading activity to ensure compliance with the OCTA Investment Policy and California Government Code Sections 53601. All securities and subsequent transactions are held in OCTA custody accounts at Union Bank.

Within OCTA's four custody accounts with Union Bank, each Manager settles all trades through its respective account. Managers do not have the ability to execute cash transactions from the accounts. In addition to each Manager monitoring their own compliance, OCTA uses a web-based portfolio management system provided by Clearwater Analytics, Inc. to track all activity, monitor compliance and create investment reports.

***Procurement Approach***

This procurement was handled in accordance with OCTA's Board-approved procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. Award is recommended to the firm (or firms) offering the most comprehensive proposals considering such factors as qualifications of the firm, staffing and project organization, prior experience with similar projects, technical expertise in the field, approach to the work plan, as well as cost and price.

On July 24, 2017, Request for Proposals (RFP) 7-1813 was issued electronically on CAMM NET. The procurement was advertised on July 24 and 31, 2017, in a newspaper of general circulation. A pre-proposal conference took place on August 8, 2017, with 11 attendees representing 11 firms. Two addenda were issued to make available the pre-proposal conference registration sheets and presentation, as well as to provide responses to questions received.

On August 23, 2017, 24 proposals were received. Prior to the evaluation committee meeting, all contractual exceptions and/or deviations submitted by the proposers were reviewed. Standish Mellon Asset Management Company (Standish) submitted several contractual exceptions and/or deviations, two of which were deemed non-negotiable, and the firm was provided with the opportunity to retract the items. Standish did not retract one of the two exceptions/deviations; therefore, the firm's proposal was not included as part of the evaluation process.

The procurement sought to establish a primary list of firms for contract award, as well as a secondary list of on-call firms to perform investment management services. Establishing a secondary list of on-call firms is needed to provide assurance that OCTA will have a professional and qualified pool of investment managers to choose from in case one or more firms on the primary list were to be terminated for reasons such as compliance violations or conflict of interest. Should the need arise to utilize a firm from the secondary list of on-call firms, a competitive procurement process would be initiated among the firms on the secondary list of on-call firms in order to select one firm for contract award to be placed on the primary list.

An evaluation committee composed of staff from Contracts Administration and Materials Management, Treasury/Toll Roads, Accounting and Financial Reporting, and Financial Planning and Analysis departments, as well as a representative from the Riverside County Transportation Commission met to review the remaining 23 proposals. The proposals were evaluated based on the following Board-approved evaluation criteria and weights:

- Qualifications of the Firm 30 percent
- Staffing and Project Organization 30 percent
- Work Plan 20 percent
- Fees 20 percent

Several factors were considered in developing the criteria weights. Qualifications of the firm, as well as staffing and project organization were both weighted highest at 30 percent to ensure the firms have relevant experience managing similar investment portfolios and qualified staff that have in-depth knowledge of investment management and global economics. Work plan and fees were both weighted 20 percent to ensure the firm demonstrated understanding of OCTA's investment policy and clearly described their approach towards investment management, as well as to ensure the proposed fees are competitive and reasonable for the services provided.

The evaluation committee reviewed and discussed the remaining 23 proposals based on the evaluation criteria. Twelve firms were short-listed and invited to interview to establish the primary and secondary list of firms. The 12 firms are listed below in alphabetical order:

Firm and Location

BlackRock, Inc.  
New York, New York

Chandler Asset Management, Inc. (Chandler)  
San Diego, California

JP Morgan Asset Management  
San Francisco, California

Logan Circle Partners (Logan)  
Philadelphia, Pennsylvania

Miles Capital  
West Des Moines, Iowa

Morgan Stanley Investment Management  
New York, New York

Payden & Rygel (P&R)  
Los Angeles, California

PFM Asset Management LLC (PFM)  
Los Angeles, California

State Street Global Advisors (State Street)  
San Francisco, California

US Bancorp Asset Management, Inc. (US Bancorp)  
Minneapolis, Minnesota

Wells Capital Management, Inc.  
San Francisco, California

Western Asset Management Company (Western Asset)  
Pasadena, California

The evaluation committee interviewed the 12 firms on October 11 and 12, 2017. The interviews consisted of a presentation to discuss the firms' qualifications and proposed team. The firms' key team members had an opportunity to present qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' experience performing similar services, procedures for maintaining compliance, and approach to investment management. Finally, each team was asked specific clarification questions related to their proposal. After considering the responses to the questions asked during the interviews, the evaluation committee adjusted the preliminary scores for the 12 short-listed firms resulting in a change to the ranking.

Based on the evaluation of the written proposals and interviews, the evaluation committee recommends Chandler, Logan, P&R, and PFM for consideration to be placed on the primary list of firms for contract award. The evaluation committee also recommends US Bancorp, State Street, and Western Asset to be placed on the secondary list of on-call firms in case one or more firms on the primary list were to be terminated. The following is a brief summary of the evaluation results.

### Qualifications of the Firm

All firms recommended to participate in either the primary or secondary list of firms are qualified to provide investment management services.

Each of the four firms recommended for the primary list demonstrated prior experience investing California short-term portfolio funds for local public agencies, including the Los Angeles County Metropolitan Transportation Authority, Transportation Corridor Agencies, San Diego County Regional Transportation Commission, and OCTA. Each firm demonstrated its capabilities to provide back-up systems, disaster recovery, and a business continuity plan to ensure all critical investment and compliance functions continue in the event of a disruption in normal operations.

### Staffing and Project Organization

All firms recommended to participate in either the primary or secondary list of firms proposed qualified staff with relevant expertise to provide the services described in the scope of work.

The four firms recommended for the primary list proposed experienced investment management teams with extensive expertise in actively managing fixed income assets in discretionary accounts for public agencies. The project organization structure proposed by the four recommended firms included a dedicated account manager and a highly-experienced team of portfolio managers assigned to OCTA's investment portfolio. In addition, each firm's staffing proposal included an appropriate average number of accounts per portfolio manager and a detailed process for how portfolio managers are informed of the developments relevant to the management of local government funds.

### Work Plan

All firms recommended to participate in either the primary or secondary list of firms met the requirements of the RFP, and each firm discussed its approach to managing OCTA's portfolio.

The work plan proposed by each of the four recommended firms for the primary list provided a detailed approach to performing the investment management services, including research and origination of investment ideas, investment philosophy for public agency clients and OCTA's short duration fixed-income portfolio, and management of interest rate risk. The firms also demonstrated an



in-depth and thorough process in reviewing portfolios to ensure compliance with OCTA's Investment Policy.

### **Fees**

Pricing scores were based on a formula, which assigned the highest score to the firm with the lowest total projected fee and scored the other proposals' total projected fees based on their relation to the lowest total projected fee. The total projected fee proposed by the four firms on the primary list are competitive as compared to the total projected fee for all proposing firms.

### **Procurement Summary**

Based on the evaluation of the written proposals and the information obtained during the interviews, the evaluation committee recommends selection and award of Chandler, Logan, P&R, and PFM as the primary firms to provide investment management services. These teams included staff that are highly-qualified and have prior experience performing relevant investment management services for public agencies. The four firms delivered comprehensive proposals and presented interviews that were responsive to all the requirements of the RFP.

Additionally, the evaluation committee recommends US Bancorp, State Street, and Western Asset to be placed on the secondary list of on-call firms should one or more firms on the primary list be terminated.

### **Fiscal Impact**

The project was approved in OCTA's Fiscal Year 2017-18 Budget, Finance and Administration, Account 1230-A5400-27515.

### **Summary**

Staff recommends the Board authorize the Chief Executive Officer to negotiate and execute agreements with Chandler Asset Management, Inc.; Logan Circle Partners, L.P.; Payden & Rygel; and PFM Asset Management LLC, as the firms to provide investment management services, in the aggregate amount of \$8,995,608 for a five-year initial term, with two, two-year option terms.

Additionally, staff recommends the Board approve the selection of US Bancorp Asset Management, Inc.; State Street Global Advisors; and Western Asset Management Company, as the firms to be placed on a secondary list of on-call firms to provide investment management services.

---

***Attachments***

- A. Review of Proposals – RFP 7-1813 Investment Management Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 7-1813 Investment Management Services
- C. Contract History for the Past Two Years – RFP 7-1813, Investment Management Services

**Prepared by:**



---

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

**Approved by:**



---

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



---

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

**Review of Proposals**  
**RFP 7-1813 Investment Management Services**  
Presented to Finance and Administration Committee - December 13, 2017  
24 proposals were received, 23 proposals were evaluated, 12 firms were interviewed, 4 firms are being recommended.

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Total Projected Fee and Basis Points (bps)
1	88	Chandler Asset Management, Inc. San Diego, California	None	Excellent qualifications and experience providing investment management services. Demonstrated an excellent understanding of project requirements. Proposed an experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Proposed competitive pricing.	\$1,597,050 5.46 bps
2	87	Payden & Rygel Los Angeles, California	None	Excellent qualifications and experience providing investment management services. Demonstrated an excellent understanding of project requirements. Proposed an experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Consistent with current pricing for similar services.	\$3,150,000 10.8 bps
3	86	PFM Asset Management LLC Los Angeles, California	None	Extensive qualifications and experience providing investment management services. Demonstrated an excellent understanding of project requirements. Proposed an experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Proposed competitive pricing.	\$1,822,275 6.23 bps
4	85	Logan Circle Partners Philadelphia, Pennsylvania	None	Extensive qualifications and experience providing investment management services. Demonstrated an excellent understanding of project requirements. Proposed an experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Proposed competitive pricing.	\$3,188,250 10.9 bps

**Evaluation Panel:**

*Internal*  
Contracts Administration and Materials Management (1)  
Treasury/Toll Roads (1)  
Accounting and Financial Reporting (1)  
Financial Planning & Analysis (1)  
*External*  
Riverside County Transportation Commission (1)

**Proposal Criteria**

Qualifications of the Firm  
Staffing and Project Organization  
Work Plan  
Cost and Price

**Weight Factors**

30%  
30%  
20%  
20%

**PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)**  
**RFP 7-1813 INVESTMENT MANAGEMENT SERVICES**

FIRM: CHANDLER ASSET MANAGEMENT						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	4.0	4.0	4.5	4.5	6	25.2
Staffing/Project Organization	4.0	4.0	4.5	4.5	4.5	6	25.8
Work Plan	4.0	4.0	4.0	4.5	4.5	4	16.8
Fee	5.0	5.0	5.0	5.0	5.0	4	20.0
Overall Score	84.0	84.0	87.0	92.0	92.0		88

FIRM: PAYDEN & RYSEL						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.5	5.0	5.0	5.0	5.0	6	29.4
Staffing/Project Organization	4.5	4.5	5.0	5.0	4.5	6	28.2
Work Plan	4.5	5.0	5.0	5.0	5.0	4	19.6
Fee	2.5	2.5	2.5	2.5	2.5	4	10.0
Overall Score	82.0	87.0	90.0	90.0	87.0		87

FIRM: PFM ASSET MANAGEMENT LLC						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	4.5	4.0	4.5	4.0	6	25.2
Staffing/Project Organization	4.5	4.5	4.0	4.5	4.5	6	26.4
Work Plan	4.0	4.0	4.0	4.5	4.0	4	16.4
Fee	4.4	4.4	4.4	4.4	4.4	4	17.6
Overall Score	84.6	87.6	81.6	89.6	84.6		86

FIRM: LOGAN CIRCLE PARTNERS						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.5	4.5	4.5	4.5	4.5	6	27.0
Staffing/Project Organization	4.5	5.0	5.0	4.5	4.5	6	28.2
Work Plan	5.0	5.0	5.0	4.5	5.0	4	19.6
Fee	2.5	2.5	2.5	2.5	2.5	4	10.0
Overall Score	84.0	87.0	87.0	82.0	84.0		85

FIRM: US BANCORP ASSET MANAGEMENT, INC.						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	3.5	4.0	4.0	4.0	6	23.4
Staffing/Project Organization	3.5	3.5	4.0	3.5	4.0	6	22.2
Work Plan	4.0	3.5	4.0	4.0	4.0	4	15.6
Fee	5.0	5.0	5.0	5.0	5.0	4	20.0
Overall Score	81.0	76.0	84.0	81.0	84.0		81

FIRM: STATE STREET GLOBAL ADVISORS						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.5	4.0	4.5	4.5	4.5	6	26.4
Staffing/Project Organization	4.0	3.5	4.0	4.0	4.0	6	23.4
Work Plan	4.5	3.0	5.0	4.5	4.5	4	17.2
Fee	3.4	3.4	3.4	3.4	3.4	4	13.6
Overall Score	82.6	70.6	84.6	82.6	82.6		81

FIRM: WESTERN ASSET MANAGEMENT COMPANY						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.5	4.0	4.5	4.5	4.0	6	25.8
Staffing/Project Organization	4.5	4.5	4.5	4.0	4.0	6	25.8
Work Plan	4.5	4.0	5.0	4.5	5.0	4	18.4
Fee	2.4	2.4	2.4	2.4	2.4	4	9.6
Overall Score	81.6	76.6	83.6	78.6	77.6		80

FIRM: WELLS CAPITAL MANAGEMENT, INC.						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	4.0	4.0	4.5	4.0	6	24.6
Staffing/Project Organization	4.0	3.5	4.0	4.0	4.0	6	23.4
Work Plan	4.0	3.5	4.0	4.0	4.0	4	15.6
Fee	3.2	3.2	3.2	3.2	3.2	4	12.8
Overall Score	76.8	71.8	76.8	79.8	76.8		76

FIRM: MILES CAPITAL						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	3.5	3.5	3.0	4.0	3.0	6	20.4
Staffing/Project Organization	3.5	3.5	3.0	3.5	3.0	6	19.8
Work Plan	3.5	3.0	3.5	4.0	3.0	4	13.6
Fee	5.0	5.0	5.0	5.0	5.0	4	20.0
Overall Score	76.0	74.0	70.0	81.0	68.0		74

FIRM: MORGAN STANLEY INVESTMENT MANAGEMENT						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	3.5	4.0	3.5	3.5	3.5	6	21.6
Staffing/Project Organization	3.5	4.0	4.0	3.5	4.0	6	22.8
Work Plan	3.5	3.5	4.0	3.0	4.0	4	14.4
Fee	3.5	3.5	3.5	3.5	3.5	4	14.0
Overall Score	70.0	76.0	75.0	68.0	75.0		73

FIRM: BLACKROCK, INC.						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	3.5	4.0	4.0	4.5	4.0	6	24.0
Staffing/Project Organization	3.5	3.5	3.5	4.5	4.0	6	22.8
Work Plan	3.5	3.5	3.5	4.0	3.5	4	14.4
Fee	2.6	2.6	2.6	2.6	2.6	4	10.4
Overall Score	66.4	69.4	69.4	80.4	72.4		72

FIRM: JP MORGAN ASSET MANAGEMENT						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.5	4.0	4.5	4.0	4.0	6	25.2
Staffing/Project Organization	4.0	3.5	4.0	3.5	3.5	6	22.2
Work Plan	4.0	3.5	4.5	3.5	4.0	4	15.6
Fee	2.1	2.1	2.1	2.1	2.1	4	8.4
Overall Score	75.4	67.4	77.4	67.4	69.4		71

Range of scores for non-short-listed firms was 39 to 63.

**CONTRACT HISTORY FOR THE PAST TWO YEARS**  
**RFP 7-1813 Investment Management Services**

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
<b>Chandler Asset Management, Inc.</b>						
Contract Type: Time and Expense	None	N/A	N/A	N/A	\$	-
Subconsultants: None						
					<b>Subtotal: \$</b>	
<b>Peyden &amp; Rygel</b>						
Contract Type: Time and Expense	C-9-9302	Investment Management Services	January 5, 2000	-	N/A	\$ 5,150,625
Subconsultants: None						
					<b>Subtotal: \$</b>	<b>5,150,625</b>
<b>PFM Asset Management LLC</b>						
Contract Type: Time and Expense	None	N/A	N/A	N/A	\$	-
Subconsultants: None						
					<b>Subtotal: \$</b>	
<b>Logan Circle Partners</b>						
Contract Type: Time and Expense	C-0-1784	Investment Management Services for Bond Proceeds	March 28, 2011	March 31, 2016	N/A	\$ 250,000
Subconsultants: None						
					<b>Subtotal: \$</b>	<b>250,000</b>